

ECONOMIC SECURITY ACT

FRIDAY, FEBRUARY 1, 1935

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The committee met at 10 a. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order.

The first witness on our calendar this morning is Dr. F. E. Townsend, of Long Beach, Calif.

Doctor, will you please give your full name and address and the capacity in which you appear as a witness on the bill we are considering, H. R. 4120?

STATEMENT OF DR. F. E. TOWNSEND, LONG BEACH, CALIF.

Dr. TOWNSEND. Gentlemen, my name is Dr. Francis E. Townsend, of Long Beach, Calif.

The CHAIRMAN. Doctor, about how much time do you think you will require to make your main statement?

Dr. TOWNSEND. Ten to 12 minutes, Mr. Chairman.

The CHAIRMAN. You have the privilege of making your main statement without interruption, if you prefer, after which it is customary for the witness to yield to questions by members of the committee, if that will be satisfactory to you.

Dr. TOWNSEND. Yes.

Mr. HILL. Mr. Chairman, we have been operating under the 5-minute rule. I ask unanimous consent that Dr. Townsend be permitted to proceed for 20 minutes without interruption, if that much time is required to make his main statement.

The CHAIRMAN. Without objection, the request made by Mr. Hill will be granted.

Dr. TOWNSEND. Thank you. Mr. Chairman and gentlemen of the committee, I have prepared a written statement covering the testimony I wish to present to you this morning. This statement will take approximately 10 minutes to read. If it meets with your approval, I would like to read this statement at this time.

The CHAIRMAN. That is entirely satisfactory, Doctor. You may proceed.

Dr. TOWNSEND. Mr. Chairman and gentlemen of the committee, I wish to thank you for the courtesy you have extended me in allowing me to appear before your honorable body in connection with these hearings on the subject of social security. I have been informed that this committee has been very broad in its interpretation of the kinds of testimony which should be heard before it in relation to the particular bill upon which these hearings are being held. I have been told that that particular piece of social-security legislation which is

nearest to my heart, namely, the McGroarty bill, has been the subject of the testimony of several of the witnesses who have appeared before you, including some of the highest public officials in the land.

I, therefore, presume that this honorable committee will permit me to select, as the subject of my testimony, the proposals made in the McGroarty bill, with the understanding that it is my recommendation that the McGroarty bill be substituted for that part of House Resolution No. 4120 which pertains to the subject of old-age pensions.

Much has been said and written of the proposal which has come to be known as the "Townsend old-age revolving pensions plan." Much which has been said and written concerning it has been false and misleading, including certain testimony which has been given before this committee. I refer in particular to the characterization before this committee of my plan as "cock-eyed." Surely a plan which has aroused the intense interest of millions of people of this country cannot be dismissed by the mere characterization of it as "cock-eyed"; not unless the utterer of that phrase wished to go on record as believing these millions of people also to be "cock-eyed."

For the past 5 years the people of the United States have been living in depression. They have been starving in the midst of plenty. They have seen experiment after experiment tried out; experiments which bore the recommendation and hearty approval of men we call "economists." Experiment after experiment has failed. According to statistics released 10 days ago by the International Labor Bureau at Geneva, Switzerland, we now have more unemployed than we did a year ago. Income-tax returns released 6 weeks ago showed that even now, in depressed times, the rich are growing richer and the poor are growing poorer. More than half of our national wealth is now controlled by less than half a million people. From October 1933, to October 1934, real wages of the workers of our country have declined by 2 percent. Yet, in that same period, dividends of the corporations of the country have increased 17 percent.

I have said to the people of America that it is time we tried a new experiment; an experiment which has not had the blessing of the so-called "economists" and is therefore dubbed "fantastic" by them. I say to you gentlemen that every time an economist says this proposal is "lunacy" the people react by sending additional thousands of letters to their representatives in Congress saying, in effect, that the denunciation of the economists is another reason why they insist that their Congressmen and Senators vote for the McGroarty bill. I now submit this proposal to you and beg you, in the name of millions of citizens of the United States, to recommend to the Congress that it be enacted into law. My proposal is as follows:

[H. R. 3977, 74th Cong., 1st sess.]

A BILL To promote the general welfare, to assure permanent employment and social security for all, and to stabilize business conditions through an assured definite and constant circulation of money and credit by the National Government, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be cited as the "Townsend Old-Age Revolving Pension Act."

SEC. 2. That every citizen of the United States, sixty years of age and over, or who shall attain the age of sixty years after the passage of this Act, while actually residing in the United States, shall be entitled to receive, upon application and qualification, a pension in the sum of \$200 per month during the life of the pensioner: *Provided*, That (a) the pensioner shall discontinue and refrain from all gainful competitive pursuits or salaried positions of any kind; (b) the pensioner

shall covenant and agree that he or she will within thirty days of receipt of said pension expend all of the same for goods, commodities, or services within the jurisdiction of the United States; (c) proof of age and citizenship shall be according to the law and procedure of the State of residence of the pensioner; and (d) this pension shall be wholly exempt from attachment, garnishment, or execution.

SEC. 3. There is hereby levied a tax of 2 per centum on the gross dollar value of each business, commercial, and/or financial transaction done within the United States. The President of the United States is hereby empowered by Executive order to increase or decrease the 2 per centum tax by not more than 50 per centum, when in his discretion he deems it advisable, in order to adequately finance the said pension roll. This tax shall be levied in addition to any other Federal tax on goods or commodities. This tax so levied shall be paid by the seller once each calendar month, calculated on the seller's aggregate gross sales, in accordance with rules and regulations to be promulgated by the Secretary of the Treasury of the United States.

(a) It is hereby provided in order to facilitate the collection of this tax that all sellers of goods, commodities, and commercial things of value shall obtain a license upon payment of a fee, the amount thereof to be fixed by the Secretary of the Treasury, who is empowered with full authority to use his discretion as to methods and means of collecting this tax.

SEC. 4. Any qualified pensioner who, for any justifiable reason, has failed to legally receive and disburse said pension, may, upon proper proof, be reinstated and thereafter receive the pension.

(a) All pensioners under this Act shall be permitted to expend not more than 15 per centum of each monthly pension for charity, church, and fraternal organizations.

(b) Pensioners under this Act shall receive no other pension from the United States nor from any State nor any political subdivision thereof, except all disabled war veterans now receiving or who may receive disability allowance, compensation, or pension from the United States Government.

(c) The benefits of this Act shall not accrue to any person while an inmate of an insane asylum, eleemosynary institution, or while under penal sentence in any jail or penitentiary.

SEC. 5. Immediately after the passage of this Act, the Secretary of the Treasury shall authorize all National and State banks, members of the Federal Insurance Deposit Corporation, to credit each properly identified pensioner the first day of each calendar month in the sum of \$200, and said banks shall be reimbursed by the United States Treasury for the amounts so credited to pensioner or pensioners.

SEC. 6. All salaries for individual services are hereby exempted from the tax provisions of this Act.

SEC. 7. Pensions under this Act shall be forfeited or discontinued for the following reasons:

(a) Any person who has been duly convicted of a felony shall be ineligible for this pension for a period of ten years following the completion of his sentence.

(b) Any pension under this Act who is convicted of a felony shall immediately forfeit his said pension.

(c) Any pensioner who violates the conditions imposed by (a) and (b) of section 2 of this Act may be deprived of the said pension.

SEC. 8. The Secretary of the Treasury shall appoint pension boards of three members, who shall constitute a district pension board. No two members of this board may belong to the same political party. Such boards may appoint deputies within their districts. All members of the board shall serve without compensation other than their pensions. Such boards shall have supervision of the administration of this Act in their respective districts and shall be governed by rules and regulations promulgated by the Secretary of the Treasury. A pension board shall be so set up for each county in the United States other the areas of metropolitan cities wherein boards shall be created in each ward or similar political subdivision.

SEC. 9. Any and all oaths or affirmations required under the provisions of this Act may be administered by any officer authorized by the law of any State to take acknowledgements for the conveyance of real property or by any member of a duly constituted pension board as herein provided.

SEC. 10. It shall be a felony and punishable as such for any pensioner or seller as herein described to misrepresent or make a false statement with regard to any provisions of this Act, with intent to defraud the Government of the United States under penalty of a fine of not more than \$1,000 or imprisonment for not more than two years, or both.

That, gentlemen, is the plan which I have presented to the men and women of the United States. That is the plan which has attracted the signatures of millions of citizens of the United States. In this connection, these signatures are mainly those of people under the age of 60 years. Only 35 percent of the millions of names to our petition to Congress are those of people over the age of 60. Our young people have signed this petition in such numbers because they see in this plan the means by which they will be restored to the army of the employed, because they see in this plan the means by which prosperity will come back to our land. The people have had a vision through this plan of an America where employment will be assured every young and middle-aged person who desires to work. They have had a vision of an America, through this plan, where consumption will be constantly raised to the level of our productive ability. Having been shown this vision, do you think the people of America will be denied their right to attain it? I say to you that they will not.

With these people, every knock of this plan becomes a boost. Every time a "brain-truster" says this plan is crazy, a hundred thousand new converts come to our banner. Every time an economist who has had a hand in the job of dragging production down to consumptive levels, by slaughtering livestock and by plowing cotton under, who says our plan is "cock-eyed," means just that much more business for the Post Office Department.

My proposal has been mistakenly called a pension plan. It is a pension plan, plus. The two principal objectives of my proposals are: To solve the unemployment problem, and to bring back prosperity by restoring purchasing power to the people.

The plan is only incidentally a pension plan. The old people are simply to be used as a means by which prosperity will be restored to all of us.

According to the United States Census Bureau, 4,000,000 people over the age of 60 held jobs in the United States in 1930. In order to be eligible for the proposed pension of \$200 a month, these elderly people would be compelled to give up their jobs. This would mean that 4,000,000 jobs would become available to middle-aged and younger people. This is simple mathematics which everyone should be able to understand. It is incomprehensible to me why those whose duty it is to devise ways and means of solving our unemployment dilemma have not embraced this certain method of providing 4,000,000 jobs. In addition to these 4,000,000 jobs which would be made available through this plan, 8,000,000 additional jobs would be created by reason of the demand occasioned by 8,000,000 old people buying \$200 worth of goods and services each month. Even if you become superconservative and cut my figures in half you will still have 6,000,000 jobs made available—more than enough to break the back of our unemployment problem.

It is admitted by practically every student of today that the machines are constantly depriving men and women of the means of earning a livelihood. The day will surely come when machines will do practically all of the toil of the world.

To labor will no longer be necessary, nor will sweat be deemed a badge of honor. Why should it when each year we are discovering new and tremendous sources of mechanical and electrical energy? How can we adjust mankind to the ever-increasing inroad of the

machine? How can we avoid these ever-recurring periods of unemployment?

The plan I am proposing is the only one so far submitted which will painlessly adjust humans to the inroads of the machine. When in a few years time we discover that new and more efficient machines have caused additional millions to join the army of the unemployed it will be a simple thing to lower the age limit from age 60 to age 59 or 58 or whatever age it will be necessary in order to remove the necessary number of people from the labor market.

Gentlemen, I propose that we go a step further than that. I propose that we create and maintain a scarcity of labor through this retirement system so that those people who are not old enough to retire will be in a position to demand and receive decent wages. We all remember the high wages which obtained during World War days because of labor scarcity. The laborer under those conditions received a high wage and went to work in a silk shirt. Yet, on the other hand, our corporations were at the highest peak of prosperity. I say that capital can only prosper when labor prospers. I propose that we make the laborer worthy of his hire and that we keep him prosperous. That organized labor recognizes the great benefit which will result to it from this plan is attested to by the ever-increasing endorsement being given my plan by labor unions throughout the country.

The objection has been raised that this plan is too expensive, that the burden of it would be too much for the country to stand. As if any price were too expensive in return for the coming back of prosperity!

We have already spent countless billions in an effort to bring back prosperity. In their new book, entitled "Economic Consequences of the New Deal", Messrs. Stollberg and Vinton tell us that the Nation will find itself burdened with a debt of from 35 to 40 billion dollars in 1937. Thirty-five to forty billion dollars, gentlemen, the bulk of it spent in a vain hunt for prosperity. Who said we cannot afford to try the Townsend plan?

Moreover, one of the most respected of the "new deal" brain-trusters, Prof. Mordecai Ezekiel, economic adviser to the Secretary of Agriculture, has stated that our country could easily support every man, woman, and child on a \$2,500-a-year standard of living. Stuart Chase says that we can maintain everyone on a \$5,000-a-year standard. My plan simply calls for the trying out of Professor Ezekiel's idea, beginning in a very modest way with 8,000,000 of our worthy old citizens who deserve comfort and ease in their sunset years.

Who said we cannot afford it? In 1929 we produced \$81,000,000,000 of goods and services. In that same year we could have produced \$181,000,000,000 worth of goods and services if we had really tried, according to no less an authority than David Cushman Coyle.

Gentlemen, if we persist in our crazy plan of starving in the midst of plenty, of tearing down production, of slaughtering millions of hogs, of interfering with the economic laws of God, we deserve to remain in the depression forever. I say to you today that millions of American citizens have in the last few months determined that this condition shall no longer exist. As their representative, I here and now ask that you accede to their wishes and recommend the McGroarty bill to the Congress for enactment into law. It is only fair to state that they are watching closely your actions and will be guided accordingly.

I have been told that you are interested in figures, that you want detailed proof as to the workability of this plan, that the mere obvious feasibility of it is not enough. I myself am not a statistician. I am not even an economist, for which fact millions of people have expressed thanks. I am simply a country practitioner of medicine.

I have felt in my heart that this plan was fundamentally sound. I have left it for the statisticians and the actuaries to prove its soundness and feasibility from the standpoint of mathematics.

At this time I respectfully petition you, Mr. Chairman and gentlemen, for the privilege of having the actuary of the old age revolving pensions movement appear before your body and present to you the statistical proof and figures which will sustain the philosophy I have enunciated before you this morning. He is Mr. Francis Cuttle, Riverside, Calif., and is a noted actuary of that city. If you grant him the privilege of appearing before you, he will, I know, give you every possible figure you could ask for.

I, myself, could present these details to you, but I feel that Mr. Cuttle is splendidly qualified to do this job. I was so anxious to present my philosophy to you on behalf of the men and women of America that I left a hospital bed at Johns Hopkins Hospital this morning in order to be here. I had to pledge the physicians there that I would not unduly exert myself today and that I would return to Johns Hopkins within a few hours. I therefore beg to be excused from the wearing process of answering questions relative to the details of my plan and in the name of millions of people respectfully petition you to grant time to Mr. Cuttle so that he can answer every possible question of the most severe critic of my plan.

Mr. Cuttle will arrive by plane in Washington tomorrow.

I thank you.

MR. HILL. Doctor, do I understand that the state of your health is such that you do not believe you should subject yourself to the ordeal of answering questions by the committee this morning?

DR. TOWNSEND. I respectfully request that consideration, that I be excused from answering questions.

MR. HILL. And that you ask that Mr. Cuttle take your place now for the purpose of answering questions

DR. TOWNSEND. Unfortunately, Mr. Cuttle's departure from home has been delayed, and he will not arrive until tomorrow. If it is the insistence of the committee, however, that a statistician be heard, we have a gentleman here who can substitute very well for Mr. Cuttle; a Mr. Hudson.

MR. HILL. Mr. Cuttle will be here tomorrow?

DR. TOWNSEND. Yes.

MR. HILL. Will he be here tomorrow morning by 10 o'clock?

DR. TOWNSEND. He will arrive on a plane that is scheduled to arrive here tomorrow afternoon.

THE CHAIRMAN. The Chair does not think it would be practical to undertake to hold a session tomorrow afternoon, especially when we do not know what time the witness mentioned will be here. It would depend on the time of arrival of the airplane. Incidentally, tomorrow is Saturday, and it has been the practice of the committee in these hearings not to hold sessions on Saturday afternoon.

MR. HILL. Mr. Chairman, I ask unanimous consent that Mr. Cuttle may appear here in conformity with the suggestion of Dr. Townsend,

to respond to questions that may be propounded by the committee relative to the features and provisions of H. R. 3977, which is the McGroarty bill, and which embraces, as I understand it, Dr. Townsend, the so-called "Townsend pension plan."

Dr. TOWNSEND. Yes; that is correct.

Mr. HILL. I make that unanimous-consent request, Mr. Chairman.

Mr. TREADWAY. When will the witness be heard?

Mr. HILL. Monday morning at 10 o'clock. He will be here then at that time, will he?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Mr. Hill asks unanimous consent that Mr. Cuttle, whom Dr. Townsend suggests take his place to answer questions to be propounded by the committee on this plan, be heard Monday morning at 10 o'clock.

Is there objection?

(There was no objection.)

Mr. HILL. May I make this observation, Mr. Chairman?

Dr. Townsend, would it be your pleasure to reappear here some time when your health is better, to respond to questions by the committee?

Dr. TOWNSEND. I shall be most happy any time that I am released from the hospital, to appear before the committee.

Mr. HILL. It may be that the committee may want to ask you some questions that perhaps other witnesses would not be in a position to answer. I want to assure you that this committee is treating this subject most seriously, and we want to get all the information that can be obtained relative to your plan, both as to the technical provisions of the bill itself and also such information as you may be able to give as to the economic effects of it, if put into operation.

Dr. TOWNSEND. I shall be most happy to answer any questions within my power.

The CHAIRMAN. The Chair should like to add to the statement made by Mr. Hill that it is the purpose of the committee to cover the entire field of old-age pensions. There is a provision in the bill dealing directly with old-age pensions, and it is the purpose of the committee to cover that field and make a thorough investigation of it, give hearings to all parties who desire to be heard on that provision in the bill.

Dr. TOWNSEND. It is very gratifying to me to be assured of that. Thank you, gentlemen.

Mr. HILL. It is understood, then, that Mr. Cuttle will be here Monday morning at 10 o'clock?

Dr. TOWNSEND. Yes.

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The CHAIRMAN. Last week, at the conclusion of Dr. Townsend's main statement, he said that the condition of his health was not such that he could undergo the effort necessary to submit to cross-examination by the committee with reference to his position on old-age pensions. He did state that Mr. Francis Cuttle would be glad to appear here this morning and answer such questions as the committee might deem pertinent to propound. When we assembled this morning, at 10 o'clock, Mr. Cuttle did not respond when his name was called. I

notice that Dr. Townsend is now in the hall, and if it is still the doctor's desire that Mr. Cuttle appear and be cross-examined, or questioned by the committee, he will come forward.

The CHAIRMAN. Doctor, is it your desire to take the stand now and complete your statement?

Dr. TOWNSEND. Yes, Mr. Chairman. I must ask your indulgence, however, for a slight change in our program. Mr. Cuttle is not able to be present, as we expected, and Mr. Glen Hudson will substitute in his place, if that is agreeable to the committee.

The CHAIRMAN. Would you object to submitting to cross-examination yourself, for a time?

Dr. TOWNSEND. I shall be very happy to. So far as statistical information is concerned, I should prefer to have that furnished by a statistician and actuary, which Mr. Hudson is.

Mr. KNUTSON. Mr. Chairman, may I ask the doctor; did you originate this plan, Doctor?

Dr. TOWNSEND. Yes, sir.

The CHAIRMAN. Does the witness who is now being suggested as the person to answer questions have the same authority to speak for your organization that Mr. Cuttle would have?

Dr. TOWNSEND. Yes. This is Mr. Glen Hudson, the gentlemen here on my right.

The CHAIRMAN. I understand that you are ready to answer questions that may be propounded by members of the committee?

Dr. TOWNSEND. Yes, sir.

The CHAIRMAN. The Chair recognizes Mr. Hill.

Mr. HILL. Dr. Townsend, I want to ask you some questions about the provisions of the bill, H. R. 3977, introduced by Congressman McGroarty, which embodies, as I understand it, the Townsend old-age pension plan?

Dr. TOWNSEND. It does.

Mr. HILL. Section 1 of that bill provides that the act shall be cited as the Townsend Old Age Revolving Pension Act.

Section 2 names the individuals who may be eligible for pension under this bill.

That every citizen of the United States, sixty years of age and over, or who shall attain the age of sixty years after the passage of this Act, while actually residing in the United States, shall be entitled to receive, upon application and qualification, a pension in the sum of \$200 per month during the life of the pensioner.

There are conditions to that, outlined in the bill. The first condition is that—

The pensioner shall discontinue and refrain from all gainful competitive pursuits or salaried positions of any kind; (b) the pensioner shall covenant and agree that he or she will within thirty days of receipt of said pension expend all of the same for goods, commodities, or services within the jurisdiction of the United States; * * *

Now, regardless of the income, from whatever source received, any citizen of the United States receiving that income, who is over the age of 60 years, would be entitled to the \$200 per month pension.

Dr. TOWNSEND. Yes. I agree to that.

Mr. HILL. That would, of course, include the wealthy people as well as the classes of people all down the line, all the way down to those who are in a state of poverty.

Dr. TOWNSEND. We agree that the plan shall be nondiscriminatory and applied to all citizens equally.

Mr. HILL. In other words, it would apply to John D. Rockefeller, Sr., to Henry Ford, to J. P. Morgan, as well as to a man who has no means or income at all?

Dr. TOWNSEND. If they wish to acquire the pension under the provisions of the act.

Mr. HILL. That is, they would be eligible.

Dr. TOWNSEND. Yes.

Mr. HILL. In order to get the pension, an individual would have to refrain from all gainful competitive pursuits or salaried positions of any kind. In other words, he would have to retire from the field of active service.

Now, I pass to the next condition. The next condition is that—

The pensioner shall covenant and agree that he or she will within thirty days of receipt of said pension expend all of the same for goods, commodities, or services within the jurisdiction of the United States; * * *

A man who is receiving an income from rents, or in the form of interest of, say, \$500 a month, but who has no salaried position and is receiving nothing for his personal services, is not occupied in some competitive pursuit, would be eligible for this \$200 a month pension, I take it.

Dr. TOWNSEND. If he gave up his position as manager of his business and provided a job for someone else, certainly.

Mr. HILL. Suppose he has no salaried position at all, but, from capital investments, he receives an income of, say, \$500 per month, and he spends \$200 of that for living expenses, and saves the other \$300. If he is eligible to receive this pension, he would get \$200 from that source. How would you determine if he has expended the \$200 that he has received as a pension, as contrasted from the \$200 that he ordinarily spends on his living expenses out of the \$500 income?

Dr. TOWNSEND. The idea is to get the \$200 into circulation. He may be hoarding his entire income of \$500 and expending but very little of it. We are looking to the services of these elderly people to get money into circulation and to create jobs for other people. If he applied for a pension we should require him to hire an assistant, hire a manager for his business. If he did not do that, he would not be eligible to the pension.

Mr. HILL. If we believe that his services in expending this money are going to be of exactly the same importance as if the task were done by an entirely different person.

Dr. TOWNSEND. The idea is to get money into circulation in sufficient quantities to keep a constant demand for production and consumption, an equalization of production and consumption. It is going to take eight millions of people, on \$200 a month, to do this, to bring our consuming ability—

Mr. HILL. I understand that, and we will get to that later, but I want a direct answer to this question. I am assuming that this individual, whom I am using for illustrative purposes, is now receiving \$500 of income, not from salaries, but from investments, and is expending, we will say, \$200 for his living expenses. We give him a

\$200 pension. How are you going to determine whether he is spending the money received from the pension or whether he is spending the money he receives as his income from his capital investments?

Dr. TOWNSEND. We do not need to know that. It is not necessary. We know that he is going to take the oath and actually spend the additional \$200. That is all we are interested in.

Mr. HILL. How are you going to determine that he is expending it, after he takes the oath.

Dr. TOWNSEND. There are various ways in which that may be done. That can all be provided for through the way in which the Government handles these pensions.

Mr. HILL. I want to get this clear, if I may.

Dr. TOWNSEND. Yes?

Mr. HILL. How are you going to know whether it is the \$200 pension money that he gets that he is expending, or the \$200 that comes out of his income, that he has previously been expending.

Dr. TOWNSEND. Well, I will suggest one way in which it might be very definitely determined. Have the Government require all these pension checks to be placed to the credit of individuals in banks throughout the country—designated banks. There the \$200 would have to be taken out by the individual as against a checking account, and it would have to be depleted at the end of 30 days, and the canceled vouchers and checks would show exactly what was done with the money.

Mr. HILL. If he should do that, then he might save the \$200 out of his regular income that he had been expending for his living expenses. So it would be just a stand-off.

Dr. TOWNSEND. All right.

Mr. HILL. He would not be putting any more money into circulation than he had previously put into circulation.

Dr. TOWNSEND. Unquestionably, he would. He is already spending some of his \$500 income. As his means increase, so will his desires. That is human nature everywhere. He will expend much more freely of this pension, because he has to spend it, than he would if he had to delve into his own savings.

Mr. HILL. We might, of course, make that a very extreme case, of a man who might be receiving, if he were one of these very wealthy people, an income of \$1,000,000 a month.

Dr. TOWNSEND. Certainly.

Mr. HILL. He might have retired from business—might have a salaried manager handling his business already—and yet he would get a \$200 a month pension, and you would require him to spend that \$200 a month, while he may be spending all that he can spend out of his \$1,000,000 income. How are you going to determine which money he is expending? That is the question that seems to me that might cause some difficulty in the administration of the act. How are you going to determine what money he is expending; and if so, whether he is expending more money than—or will be expending more money than—than he is now?

Dr. TOWNSEND. Gentlemen, there are so few individuals, wealthy individuals, who will apply for this money, that the aggregate is going to be insignificant. Nevertheless, we cannot make discriminatory laws in this country; we should not. It should apply to one individual as well as another; and if he chooses to take advantage of this

method that we have of circulating money, let us make it apply to the poorest as well as to the richest.

Mr. HILL. Under subdivision (b) of section 2 it is provided that this pension may be expended for "goods, commodities, or services within the jurisdiction of the United States."

Just for illustration, have you budgeted or listed the expenditures in items indicating what this money might be expended for, to come within the provisions of the bill?

Dr. TOWNSEND. I do not just understand the trend of your question.

Mr. HILL. What do you have in mind principally as the purposes for which this money might be expended, so that the pensioner may come within the provisions of this bill in spending this money for "goods, commodities, or services within the jurisdiction of the United States"?

Dr. TOWNSEND. Why, we shall not restrict that expenditure at all. That is the idea in making the fund adequate, so we can have a variety of wants satisfied. Our Government, for instance, does a business in luxuries. The people of this country deal in luxuries to the full extent of the value of necessities. We want to place in the hands of people an opportunity to supply themselves with some of the luxuries of life in order that all avenues of production may be stimulated, not merely the production of necessities—beans and bacon. We want everything else stimulated as well, and we must have adequate provision in this expenditure provision to permit them to do that.

Mr. HILL. I take it, of course, he would have to spend it in good faith, even though he spent it for luxuries. He could not go out and squander it in order to get rid of it, so that he may be eligible to receive \$200 the next month.

Dr. TOWNSEND. Why not? We do not care what he does with it. That is immaterial. Let him have carte blanche. Let him buy whisky with it if he wants to kill himself off as quickly as he chooses. That is immaterial. It is commerce—business—that we want in this country. We are not going to regulate peoples' morals in the least when we give them this money to expend.

Mr. HILL. Suppose a husband and wife qualified to receive this pension, they would be receiving \$400 per month. Let us say they have a family of grown-up children. Would it be permissible for those children to live with them, and be supported from the provisions supplied with this pension money in the home?

Dr. TOWNSEND. Certainly. Why not? Why not let the elders buy commodities and give to their children if they like? That is immaterial. The children are not going to lie down and do nothing because of this. The children are going to want money. They cannot get it. They are going to want money and they are going to go out and earn it, if they are given the opportunity.

Mr. HILL. But they do not have to go out as long as \$400 would supply their needs, if they do not want to go.

Dr. TOWNSEND. Why, if they wanted to sit down and eat and wear clothes, and have no money to spend, certainly they might do that. But you will not find one individual in 10,000 who will consent to that.

Mr. HILL. But he could do it if he wanted to, under the provisions of this bill.

Dr. TOWNSEND. Yes.

Mr. HILL. Turning to section 3, that provides the means for raising the money with which to pay these pensions. It provides:

A tax of 2 per centum on the gross dollar value of each business, commercial, and/or financial transaction done within the United States.

That may be increased, under the provisions of this bill, 50 percent, or decreased 50 percent, by the President?

Dr. TOWNSEND. Yes.

Mr. HILL. That would include practically every business transaction of every nature.

Dr. TOWNSEND. Yes, sir.

Mr. HILL. It would include, of course, the sale by a manufacturer to a wholesaler; the sale by a wholesale merchant to a retail dealer; there would be a tax on sales from the retail merchant to the consumer. That is in the ordinary channels of commerce or business. Would it apply to a farmer who sold a cow or a pig?

Dr. TOWNSEND. Certainly. The farmer will have to be registered. He will have to take out a license the same as anyone else.

Mr. HILL. Would it apply to a house wife who sold a dozen eggs?

Dr. TOWNSEND. The farmer and his wife—

Mr. HILL. Or a pound of butter?

Dr. TOWNSEND. The farmer and his wife will constitute one set of licensees, of course; one business. Their aggregate sales will have to be computed at the end of each month.

Mr. HILL. Would it apply to a man who sold to his neighbor, for instance, a second-hand or used automobile, or a horse; in other words, anything constituting a commercial transaction which might be measured in dollar value would carry this 2-cent tax.

Dr. TOWNSEND. If it is anything in the line of regular business.

Mr. HILL. Regular business?

Dr. TOWNSEND. Yes, such as the farmer's sale of grain and farm products in general.

Mr. HILL. You say, "Business, commercial, and/or financial transaction."

Dr. TOWNSEND. All right; let us include that, even if he sells a second-hand automobile.

Mr. HILL. Although it was not the regular business of the man who sold it, he just had the automobile and wanted to get rid of it, to dispose of it.

Dr. TOWNSEND. It would make no difference in the outcome.

Mr. HILL. What I want to get at is this: To what extent does this act apply? That is, how far does it go, and to what kind of transactions does it apply? I understand from your statement that it applies to every possible transaction—business, commercial or financial—which is measurable in dollar value.

Dr. TOWNSEND. It would make no difference. We say every transaction applicable to a business of any description; if the man is dealing in second-hand cars or anything of that kind, we should expect him to be registered. A single transaction of the sort asked about now and then need not be embraced in the general licensing provision, of course—that is, an exceptional thing of that sort.

Mr. HILL. How are you going to check up on that man who makes a casual sale?

Dr. TOWNSEND. You do not have to if the sales are casual and do not occur regularly. It would make no difference.

Mr. HILL. You mean you would not tax him on that sale?

Dr. TOWNSEND. I would not tax him on a single sale of that sort; no.

Mr. HILL. Then the language in section 3 is a little broad?

Dr. TOWNSEND. Possibly.

Mr. HILL. I am referring to the language that reads:

There is hereby levied a tax of 2 percent on the gross dollar value of each business, commercial, and/or financial transaction done within the United States.

Dr. TOWNSEND. Those are details which can easily be arranged. You do not have to follow the absolute wording in any of this, because the Secretary of the Treasury and those who have charge of the detailed arrangement of the collection of the tax must necessarily be given some latitude.

Mr. HILL. But if you have it specifically in the act itself, he would not have any authority to exercise any latitude. You should make your amendment here. That is the point.

Dr. TOWNSEND. It is immaterial. It can be left just as it stands, and all of these transactions can be recorded by every one who is licensed.

Mr. HILL. Is that your idea?

Dr. TOWNSEND. That would be my idea, because we want volume of transactions.

Mr. HILL. You have to have volume to get the money, do you not?

Dr. TOWNSEND. We have to have volume, certainly.

Mr. HILL. But if you should say that you confine it to regular dealers or to those engaged regularly in the selling of goods, merchandise, commodities, and so forth, then you would leave out the casual seller.

Dr. TOWNSEND. It is not necessary to leave it out. I would not leave it out. It would make very little difference to the general outcome; very little difference.

Mr. HILL. Would it not be rather a difficult matter to make this tax apply to every transaction? Neighbors among themselves deal in things that have a dollar value so far as the transactions are concerned, whether or not actual cash may not have passed. Under this section 3 every transaction that is measurable in dollar value is subject to the tax. That would ramify and go through the whole social structure of our civilization. We are dealing back and forth all the time. Would it not be rather difficult to carry it to that extreme, so that every transaction would be subject to this tax?

Dr. TOWNSEND. Why would it be difficult, any more difficult than it is to keep books on anything else. You know what you are doing. It is a matter of record, that is all.

Mr. HILL. I am trying to get your idea, Doctor. I ask these questions to bring it out.

Would this tax apply to bank deposits or withdrawals of bank deposits? That is a financial transaction.

Dr. TOWNSEND. A bank deposit would not come within the provisions of this act for the simple reason that a man depositing his money in the bank is not engaging in any transaction. There is no buying or selling engaged there at all.

Mr. HILL. If there were payments of interest on bank deposits, it would apply to that transaction?

Dr. TOWNSEND. The bank, of course, is going to be subject to this tax through their general transactions, their income from interest and other sources.

Mr. HILL. That is, their income from interest and the payment out of interest by the bank to depositors in the bank. Would it apply both ways?

Dr. TOWNSEND. The man who received the interest from the bank certainly would have to record it.

Mr. HILL. I do not know just how he would be placed here. Apparently the theory of the proposed legislation is that the man who does the selling pays the tax. Of course, in a financial transaction it is a little difficult to follow that out.

Dr. TOWNSEND. The man who sells the use of money would be the man to pay the tax.

Mr. HILL. That would be the man who received the interest?

Dr. TOWNSEND. Yes; the man who received the interest would be the man to pay the tax.

Mr. HILL. He would pay a 2-percent tax on the amount of interest so received?

Dr. TOWNSEND. Certainly.

Mr. HILL. If the bank received the interest, the bank would pay the tax?

Dr. TOWNSEND. Certainly.

Mr. HILL. If the depositor received the interest, the depositor would pay the tax?

Dr. TOWNSEND. Certainly.

Mr. HILL. It would be 2 percent on the transaction. If the interest were paid under two or three different transactions or more than one transaction, there would be a 2-percent tax on each transaction?

Dr. TOWNSEND. On each transaction.

Mr. HILL. It is a 2-percent tax. I do not think it would make any difference.

The CHAIRMAN. On the amount of the loan or the interest he got from the loan?

Mr. HILL. It might make a difference as to the time the tax would be paid, but the amount would be the same whether it was all rendered in one statement or segregated into different transactions, I take it. If a man received \$100 interest on each of three transactions, that would be about \$6 tax? Whether he paid that tax upon the receipt of each installment of interest or whether he paid the tax upon the total amount of interest would make no difference in the tax.

The CHAIRMAN. Is it 2 percent of the interest or 2 percent of the transaction?

Mr. HILL. I take it the payment of interest would be the transaction. Dividends on stocks would pay this tax?

Dr. TOWNSEND. Yes, sir.

Mr. HILL. That is, the one who receives the dividends. How about pay-roll checks, would there be any tax on them?

Dr. TOWNSEND. No. We propose to exempt wages.

Mr. HILL. I see you have a provision here about salaries being exempted.

Dr. TOWNSEND. Yes. That would constitute double taxation, in our view.

Mr. HILL. "Salaries for individual services are hereby exempted from the tax provision of this act." That is what you mean by that provision?

Dr. TOWNSEND. Yes, sir.

Mr. HILL. While I am on that subject, a pensioner gets \$200 a month. Would he pay income tax on that.

Dr. TOWNSEND. A pensioner gets what, please?

Mr. HILL. \$200 a month. Does he pay an income tax to the Federal Government or the State government, if they have income taxes, on that \$200?

Dr. TOWNSEND. No. He is going to pay his tax when he spends his money, the same as all other expenditures will pay.

Mr. HILL. Of course, everybody will do that.

Dr. TOWNSEND. Yes.

Mr. HILL. Nonpensioners as well as the pensioners will pay this tax. When they spend their money, at least it will be added to them as a cost. But he is in the same situation as any other person who is receiving an income and spending it. You have no provision in this bill so far as I have found that would exempt him from the payment of the Federal tax on incomes.

Dr. TOWNSEND. Oh, yes; you will find that where we exempt this pension from all forms of attachment, garnishment, or execution.

Mr. HILL. Where is the language? You do say in section 3 that this tax will be levied in addition to any other Federal tax on goods or commodities, but you do not say anything about the tax on incomes in the form of pensions.

Dr. TOWNSEND. Yes, there is a provision. I do not locate it just at the present time.

Mr. HILL. We will pass on, and maybe your assistant will be able to point that out. We will get that a little later. I did not find it. If it is in there, I will be glad to have it pointed out to me.

Now, go to subdivision (a) of section 3:

It is hereby provided in order to facilitate the collection of this tax that all sellers of goods, commodities, and commercial things of value shall obtain a license upon payment of a fee, the amount thereof to be fixed by the Secretary of the Treasury, who is empowered with full authority to use his discretion as to methods and means of collecting this tax.

That brings up the question again that we were discussing a while ago, as to the extent of the application of this tax with reference to transactions, whether it referred to casual transactions as well as transactions in the general course of commerce, finance, or business. If it applies to all transactions, then every citizen who might want to make a sale of any commodity would be required to obtain a license and to pay a fee for a license before he would be authorized to make such sale.

Dr. TOWNSEND. No, our provision is that all people who engage in selling as a business shall be taxed, shall pay this tax.

Mr. HILL. Is that your construction of that language, Doctor?

Dr. TOWNSEND. Yes.

Mr. HILL. That all sellers of goods, commodities, and commercial things of value shall obtain a license?

Dr. TOWNSEND. Yes.

Mr. HILL. It does not apply to the casual seller, then?

Dr. TOWNSEND. No; it should not.

Mr. HILL. They must be engaged in the business of selling?

Dr. TOWNSEND. In the business of selling.

Mr. HILL. Suppose a farmer growing wheat and livestock; he is engaged in the business of selling what he produces as well as in the business of producing these commodities. Would he have to take out a license?

Dr. TOWNSEND. He certainly would have to take out a license. He is engaged in business, the business of producing commodities for foodstuffs.

Mr. HILL. Any producer who produces for the purpose of selling products—

Dr. TOWNSEND. Yes.

Mr. HILL. Would have to take out this license?

Dr. TOWNSEND. He would.

Mr. HILL. That would apply very widely to the people of the country, generally.

Dr. TOWNSEND. Certainly.

Mr. HILL. In section 4:

Any qualified pensioner who, for any justifiable reason, has failed to legally receive and disburse said pension, may, upon proper proof, be reinstated and thereafter receive the pension.

That is for a justifiable reason. Suppose he is unable to establish a justifiable reason. What happens to him in the future as to the pension? Is he forever barred?

Dr. TOWNSEND. He might be under the circumstances if it were deliberate, if his violation of the principles were known to be deliberate. Certainly, it would deprive him of his pension.

Mr. HILL. But if he had a justifiable reason, then upon proper proof of that fact he might be reinstated and thereafter receive his pension?

Dr. TOWNSEND. Yes, sir.

Mr. HILL. I can conceive where there might be justifiable reasons, a man might be sick and unable to go out and transact business and spend his money.

Dr. TOWNSEND. Certainly.

Mr. COOPER. On that particular section of the bill which Mr. Hill has been asking questions about, Doctor, paragraph (a) on page 3, would not this be an occupational tax?

Dr. TOWNSEND. An occupational tax?

Mr. COOPER. Yes.

Dr. TOWNSEND. In what respect; just what would you mean there?

Mr. COOPER. In the respect that an occupational tax is usually levied on the occupation for the privilege of doing business, and so forth.

Dr. TOWNSEND. Oh, certainly it would.

Mr. COOPER. Do you think the Secretary of the Treasury would have a right to levy and collect a tax of this kind, or do you think it would require an act of Congress?

Dr. TOWNSEND. You would have to designate what you mean by an occupational tax, certainly.

Mr. COOPER. Yes, you agree that this is an occupational tax, a tax on the privilege of doing business, what is usually termed an "occupational tax." Do you think the Secretary of the Treasury would have authority to levy and collect such a tax, or do you not agree that it would require an act of Congress definitely providing the amount of the tax?

Dr. TOWNSEND. All occupational taxes would embrace too many things. An occupation might be digging a ditch. But we do not propose to tax salaries, and yet that is an occupation. We propose to tax business. That is, the commercial business of selling.

Mr. COOPER. You will concede that the courts might hold that this tax sought to be levied by this provision of your bill is an occupational tax?

Dr. TOWNSEND. No, not necessarily; not in the broad sense, because an occupational tax might take in all sorts of enterprises.

Mr. COOPER. Assume, then, that the courts did hold that this was an occupational tax; do you think the Secretary of the Treasury would have a right to levy and collect that type of tax?

Dr. TOWNSEND. In going before the public with this, the Secretary of the Treasury could easily designate what form of tax should be used and designate specifically what he meant by this tax; instead of making it occupational it should be designated as exactly what it is, a business tax, a tax on organized business.

Mr. COOPER. All right. Assuming that the Secretary of the Treasury should levy and undertake to collect the type of tax that you have in mind, whatever you might term it, and assuming then that the courts came along and held that that was an occupational tax, do you think then that that tax levy by the Secretary of the Treasury without an act of Congress would be valid?

Dr. TOWNSEND. I would not say whether it would be valid or whether it would not.

Mr. COOPER. Of course, it would have to be valid to accomplish the desired results, would it not?

Dr. TOWNSEND. Yes, certainly.

Mr. COOPER. Have you considered the legal phases of that question?

Dr. TOWNSEND. I am not a lawyer. I know that any tax that is deemed just and right and advisable by the American people can be enacted into law.

Mr. COOPER. But you are not enacting the tax into law here, you simply are authorizing the Secretary of the Treasury to levy and collect a tax and fix the amount.

Dr. TOWNSEND. All right; he could fix it.

Mr. COOPER. You are not fixing it by act of Congress, you are delegating that authority to the Secretary of the Treasury. I am just wondering how carefully you or your associates have examined the legal phases of that question.

Dr. TOWNSEND. It seems to me that is crossing a bridge before you get to it.

Mr. COOPER. You understand, when we enact legislation we have to try at least to enact it in a way that we think it will be sustained. It can accomplish no useful purpose whatever if we enact something that we have reason to believe is not valid and sound at the time it is enacted. You certainly concede that, do you not?

Dr. TOWNSEND. If we designate who shall be taxed, it seems to me it would be perfectly within the discretion of the Secretary of the Treasury to say how it should be done.

Mr. COOPER. Yes, but the point is, Doctor, you do not levy the tax in this bill by act of Congress; you delegate the authority to the Secretary of the Treasury, an administrative officer of the Government, to levy and fix the amount of the tax.

Dr. TOWNSEND. If we find difficulty in doing that, it is going to be a very simple matter to change the provisions of the bill.

Mr. COOPER. You would feel that that should be changed now, before it is enacted, if there is reason to anticipate legal difficulty, would you not?

Dr. TOWNSEND. Certainly.

Mr. HILL. Carrying out the idea that Mr. Cooper has been asking about, that provision says that the Secretary of the Treasury shall issue this license in such amount as he may fix. It is hardly to be supposed that you have in mind that he should require the same size fee for a license from a man who makes a casual sale as he would from a man that is engaged in a business that amounts to millions of dollars a year in value. That is hardly to be supposed.

Dr. TOWNSEND. I should think not, of course.

Mr. HILL. So that the Secretary of the Treasury here is delegated the authority, or at least it is sought to delegate to him the authority to fix these fees in the various amounts according to the various businesses' taxes. I think that does run into the legal objections that Mr. Cooper directed attention to. There is a provision in the Constitution, as I recall it, that requires uniformity in the levying of taxes. That would violate that, would it not? We are just pointing these things out—of course, they might be limited—but we just want to call attention to what the committee would be up against in considering provisions of that kind.

Dr. TOWNSEND. Certainly.

Mr. HILL. In section 5, the bill provides that:

Immediately after the passage of this act, the Secretary of the Treasury shall authorize all national and State banks, members of the Federal Deposit Insurance Corporation, to credit each properly identified pensioner the first day of each calendar month in the sum of \$200, and said banks shall be reimbursed by the United States Treasury for the amounts so credited to pensioner or pensioners.

It may not be a very serious criticism, but it occurs to me that in the language of that particular section, you are leaving open the opportunity for imposition upon the Government and upon the banks by these pensioners. You say the members of the Federal Deposit Insurance Corporation shall credit these amounts to pensioners. Take for instance in the city of Los Angeles, you probably have 20 or more

banks there that are members of the Federal Deposit Insurance Corporation. Which one of these banks is going to credit which pensioner?

Dr. TOWNSEND. These pensioners should be given identification cards so that a presentation of this card or proof that they were bona fide pensioners would make it possible for them to draw their money anywhere, in any of these banks.

Mr. HILL. Suppose they go to more than one bank and draw their money?

Dr. TOWNSEND. They could not very well do that, because they would have to show proof that they had not already drawn it when they presented their card. They would have to show proof.

Mr. HILL. Suppose they falsified the proof? An honest man would not do it, but we have all kinds of people. We recognize that fact. Suppose a man should submit this proof. Why leave that door open to imposition or fraud?

Dr. TOWNSEND. You cannot pass any law that will not have someone attempting to violate it. The punishment for fraud in this is going to be a tremendously severe one. It is going to cut off the entire future income of all of these elderly pensioners. That will be a very drastic punishment, which nobody but a fool would ever attempt to violate.

Mr. HILL. We could concede that, but you know we have people who do act foolish.

Dr. TOWNSEND. We have Government inspectors galore traveling about now to see whether or not the income-tax law is evaded.

Mr. HILL. They are simply trying to get out of paying a tax. Here is an opportunity for a man to collect his \$200 probably more than once from two or more different banks. Do you not think that ought to be made more specific, and a little more attention paid to the manner in which the money is to be paid out, in order to protect the Treasury of the United States, and protect the banks?

Dr. TOWNSEND. Those provisions undoubtedly will be strengthened by the details of the working out of the plan, but there is going to be very little danger of that. The violations will be so small as to be not worthy of consideration.

Mr. HILL. Section 6 of the bill provides:

All salaries for individual services are hereby exempted from the tax provisions of this act.

We referred to that once before. That simply means that the man that receives a salary for personal services is not to be taxed?

Dr. TOWNSEND. He is not to be taxed.

Mr. HILL. But it does not exempt the salary paid out for commodities? It does not prevent the transaction in which the salary is paid out for commodities from being taxed?

Dr. TOWNSEND. That will be taxed.

On page 2, line 9, you will find what we were discussing a moment ago.

Mr. HILL. Subdivision (d).

Dr. TOWNSEND. On page 2, line 9:

This pension shall be wholly exempt from attachment, garnishment, or execution.

Mr. HILL. That does not say anything about a tax.

Dr. TOWNSEND. That says nothing about the tax.

Mr. HILL. That is from attachment, garnishment, or execution. That is civil procedure as between individuals.

Dr. TOWNSEND. Yes.

Mr. HILL. Not between the Government and the individual.

Dr. TOWNSEND. That would be considered in the light of a salary, all these pensions.

Mr. HILL. But a salary is exempted from the tax provisions of this act, not from the tax provisions of any other act.

I just want to get your reaction to it. I am not making a particular point of it, but I just want to know what the bill provides as to whether it shall be subject to the tax or not.

Now, Doctor, the title of the bill is:

To promote the general welfare, to assure permanent employment and social security for all, and to stabilize business conditions through an assured definite and constant circulation of money and credit by the National Government, and for other purposes.

Then, in section 1, you call it the "Townsend Old-age Revolving Pension Act." Just why do you call it the "Revolving Pension Act"?

Dr. TOWNSEND. Because the money which is paid by the Government will go into a community and be immediately collected from that same community within the month. The money collected will go to the Treasury of the United States, and come back the first of every month right into the community whence it was collected. In other words, every community in the land will be compelled to do its pro rata share as is every individual in the land to pay his pro rata share of the taxes and to help carry this pension roll. That could not be done except in time of universal prosperity. That is what we propose to do, to have universal prosperity established by the expenditure of two billions of dollars, approximately, scattered equally all over the United States, making important buying centers of every community. Then when prosperity is universal, when everybody has access to a good job, except those who are retired, then it is going to be safe and fair and just to say to every individual in the land: "Now, you have access to a good means of livelihood, you are enjoying the functions of government which are provided for all. It is your duty to pay your share of the cost of government. We are going to see that you do it."

A small amount of every transaction that is made involving money will be pinched off for the purposes of government.

Mr. HILL. But how does the term "revolving" apply? My understanding of a revolving fund is a fund that goes out and comes back, and goes out and comes back, so that the same fund revolves.

Dr. TOWNSEND. That is exactly it. That is exactly what this will do.

Mr. HILL. This is not the same fund, you are collecting new taxes every month and these new taxes go into the Treasury and the money is paid out of the Treasury.

Dr. TOWNSEND. But the same amount of money will be involved. We will not have to use any more.

Mr. HILL. That does not make it a revolving pension, though. I am just wondering why you use the definition of a "revolving pension act."

Dr. TOWNSEND. I do not see why it would not revolve, revolve to the Government and right back again into the community.

Mr. HILL. Just define, then, what you mean by a "revolving fund" so that we may get your idea, your definition of a revolving fund.

Dr. TOWNSEND. My idea is an amount of money that is collected regularly by the Government, and dispersed again to the people regularly, a like amount. That certainly is a revolving fund, if there is any.

Mr. HILL. Would that same definition apply to taxes, general taxes that are collected in a certain amount and paid out to the veterans in a certain amount; that is, the same amount paid out and the same amount collected, practically so, in the tax rate? Would that be a revolving pension fund?

Dr. TOWNSEND. That has the nature of a revolving fund, of course.

Mr. HILL. In the ordinary expenses of government, we have certain fixed charges, and it is necessary for the Congress to levy taxes to take care of those charges. It fixes a certain rate of tax, which operates over a period of years without change, and brings in practically the same amount of money under what we call normal conditions. Then we pay out about the same amount of money. Is that a revolving fund?

Dr. TOWNSEND. I should think so. Why not?

Mr. HILL. Then what is there to distinguish this particular fund from any other tax fund?

Dr. TOWNSEND. It is the same thing that distinguishes John Jones from Tom Jones. It is a name.

Mr. HILL. The name might as well apply to Tom Smith.

Dr. TOWNSEND. Yes.

Mr. HILL. So you just call him John Jones, but there is no reason why you should not call him Tom Smith?

Dr. TOWNSEND. There is no reason why we should not, of course.

Mr. HILL. You might call it a sales-tax fund with just as much propriety.

Dr. TOWNSEND. All right.

Mr. HILL. With a little more propriety, might you not?

Dr. TOWNSEND. All right; what's in a name?

Mr. HILL. It seems to be rather copyrighted as the "Townsend Old-Age Revolving Pension Act." I am just wondering why you chose that particular name.

The title of the bill, as I stated, sets out that it is to assure definite and constant circulation of money and credit by the National Government, and for other purposes. One of your purposes is to have a sufficient volume of money circulating. That is one of the purposes.

Dr. TOWNSEND. Yes, sir.

Mr. HILL. How many people above 60 years of age are there in the United States?

Dr. TOWNSEND. According to the last census, something over 10,365,000.

Mr. HILL. I think Mr. Witte said it was about 11,000,000, did he not, about 11,000,000 people over the age of 60 years.

Mr. LEWIS. I think it is about 12 percent, Mr. Hill.

Mr. HILL. The doctor is practically correct; 10,365,000.

Dr. TOWNSEND. Something near that; yes. It varies according to the different reports. Of course, there would be a few more than that now. Well, we will say 10,500,000, or for easy figuring, 11,000,000. That is the same proposition; \$200 a month for each of the 11,000,000 people would be \$22,000,000 a year, would it not?

Dr. TOWNSEND. No.

Mr. HILL. No; that is 10 months. How much would that be, 24 billions?

Dr. TOWNSEND. You can readily see that these people are not all citizens. Not all of them would be eligible. Not all of them would apply if they were eligible. So we are calculating on perhaps 7,500,000 people applying for this pension.

Mr. HILL. How do you account for that large reduction? You might make some reduction, I grant you, for those that will not apply. You think that more than a million will fail to apply?

Dr. TOWNSEND. Yes. I am sure that more than a million will fail to apply.

Mr. HILL. Suppose you have 8 million. You say you put it at about $7\frac{1}{2}$ million?

Dr. TOWNSEND. Yes.

Mr. HILL. Seven and one-half million at \$200 a month, or eight million, is \$19,200,000 in a year.

Dr. TOWNSEND. In the year; yes.

Mr. HILL. And one-twelfth of that per month?

Dr. TOWNSEND. Yes; $1\frac{1}{2}$ billions per month.

Mr. HILL. That would take $1\frac{1}{2}$ billions of dollars per month. How much money would it be necessary to have in circulation in order to take care of this pension plan?

Dr. TOWNSEND. One and one-half billion, obviously, plus what we are circulating at the present time.

Mr. HILL. You go on the theory that it is a revolving fund, but you have told us that it is not the same dollars that come back that go in each time.

Dr. TOWNSEND. No; but we are going to force a billion and a half each month into circulation. That is very obvious, that that will circulate, because it has to be circulated.

Mr. HILL. It will not be the same billion and a half, will it? It will be a billion and a half per month, but how much would you increase the volume of circulating currency in order to take care of this pension plan?

Dr. TOWNSEND. Figure what has been done with the dollar. In 1929 it turned over 132 times in the course of a year. At the present time it is turning over about 22 times. If you will strike the medium and tell me when our production capacity and consumptive capacity is at the maximum, then I can tell you something about how many times this will turn over in the course of a month. I could tell you more about what this billion and a half dollars will do in the course of a month.

Mr. HILL. We will have to have a billion and a half dollars going in the Treasury every month—

Dr. TOWNSEND. Yes.

Mr. HILL. And that much coming out of the Treasury every month.

Dr. TOWNSEND. Yes, sir.

Mr. HILL. You cannot figure just a billion and a half going in and a billion and a half coming out in order to take care of that, can you?

Dr. TOWNSEND. It would vary somewhat, of course. There would be more applications or less applications for the pension fund.

Mr. HILL. We all recognize that not only volume of circulating currency but the velocity of the circulation is a potent factor in the matter of dollar values as compared with commodity values.

Dr. TOWNSEND. Yes, sir.

Mr. HILL. Also, in addition to the actual circulating cash or currency, there is a credit circulation under ordinary times that circulates just as cash circulates. Ordinarily they figure that about \$9 of circulating credit exists for every dollar of circulating cash. Are you running into any danger of so depreciating the purchasing power of the dollar as to make this \$200 per month have very little purchasing power to the pensioner?

Dr. TOWNSEND. Mr. Hudson will quote Mr. Goldenweiser's figures on that, the amount of money that is actually in circulation and the tendency of prices to remain stabilized or to be deflated as a result of certain conditions. I think you can do that.

Mr. HILL. Yes; that is all right.

Mr. HUDSON. The doctor here is not qualified.

Mr. HILL. State your name for the record, please.

STATEMENT OF GLEN J. HUDSON, OAKLAND, CALIF.

Mr. HUDSON. Glen J. Hudson. My residence is Oakland, Calif.

The CHAIRMAN. What is your business?

Mr. HUDSON. Life underwriter for 25 years; insurance. I have a prepared statement here that I would like to read.

Mr. HILL. He wants the question referred to you.

Mr. HUDSON. Will you state the question again, please?

The CHAIRMAN. The stenographer will read it.

(The question was read.)

Mr. HUDSON. My answer would be "no."

Mr. HILL. What are your reasons?

Mr. HUDSON. Because the fact that the amount of actual cash in circulation since the year of 1929, and including 1929, has always been under \$6,000,000,000, but your medium of exchange, bank exchange, is approximately nine times that, or 9 for 1. In the year of 1929, this country did \$1,200,000,000 worth of business. That depreciated down to the year of 1931 one-half. It had also fallen to the year of 1934 to a much greater extent than that, yet comparing the money on deposit in the flush year of 1929, versus 1934, there was approximately the same amount. Therefore, the velocity is the thing that counts, not the quantity of money.

Mr. HILL. In 1929, we had less outstanding currency than we have today?

Mr. HUDSON. Yes, sir.

Mr. HILL. Probably about half?

Mr. HUDSON. I do not think that much; that would be too much.

Mr. Hill. Three billion something?

Mr. HUDSON. I could not agree with half. It is approximately the same; it is a little less, but not half.

Mr. HILL. And circulating with a rapid velocity?

Mr. HUDSON. Yes, sir.

Mr. HILL. Which involved also the building up of credit upon the currency dollars?

Mr. HUDSON. Yes, sir.

Mr. HILL. You had twelve hundred billions total business transactions?

Mr. HUDSON. In 1929.

Mr. HILL. If you accelerate that velocity and increase the volume, what is going to happen?

Mr. HUDSON. There is no doubt there will be an increase in commodity prices. We hope there will. But we want an increase along the line, salaries as well. In other words, a wage earner who is working for \$100 today per month is living upon that \$100 sparingly. If that wage is doubled, and that wage earner is permitted to earn \$200 a month, could he not well afford an increase in commodity prices? But the increase in the commodity prices would not be to the same extent as the increase in wages.

Mr. HILL. It might be more.

Mr. HUDSON. No; I do not agree with you.

Mr. HILL. That depends on how far you are going to leave the circulation and volume of currency to uncontrolled influences. You can depreciate the dollar down to where it will not have any buying power. You do not want to do that, do you?

Mr. HUDSON. No; we are not going to depreciate the dollar to where—

Mr. HILL. It is very much desired to increase commodity prices to a certain point?

Mr. HUDSON. Certainly.

Mr. HILL. And stabilize them there?

Mr. HUDSON. Yes.

Mr. HILL. What have you in here to control it, to stop it there?

Mr. HUDSON. You have two factors there to stop it and control it. One very strong factor is competition. The amount of tax that will be levied will not tend to increase the production cost or the commodity price to any appreciable extent, because of the fact in levying a 2-percent transaction tax upon the total volume of business done in this country per year, there will be produced a great deal more revenue than will be necessary to take care of the pension fund, even though you drop your total transactions or your total business done from 12 hundred billions down to as low as 900 billions.

Mr. VINSON. What is this 12 hundred billion figure?

Mr. HUDSON. That is the amount of business that is done per year.

Mr. VINSON. Where did you get that figure?

Mr. HUDSON. I got that figure from three sources.

Mr. VINSON. That is a trillion, 200 billion, I believe?

Mr. HUDSON. That is correct.

Mr. HILL. Where did you get it?