

ECONOMIC SECURITY ACT

SATURDAY, FEBRUARY 16, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met pursuant to adjournment at 10 a. m. in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The **CHAIRMAN**. All right., Dr. Townsend.

STATEMENT OF DR. F. E. TOWNSEND, REPRESENTING OLD AGE REVOLVING PENSIONS, LTD.

The **CHAIRMAN**, Doctor, you are on the calendar this morning, and with the exception of one other, Mr. Doane, whom I believe is supposed to be with you, you are the only persons who are on the calendar for today. Just proceed in your own way, Doctor, and the committee will feel free to ask you any questions they may desire.

Dr. **TOWNSEND**. Mr. Chairman and gentlemen of the committee: I had hoped to have with me Mr. Robert R. Doane, the eminent economist from New York City, who would act in the capacity of verifying my claims that a transactions tax would be probably the best method the United States could adopt at the present time for solving our economic troubles. I received a wire late last night stating that Mr. Doane was quite ill with a sudden attack of influenza or cold and was running a fever, and his doctor advised him not to appear, not to leave his home at the present time. However, he assured us he thought, in all probability, he would be able to appear by Tuesday morning. Now, if it were possible for Mr. Doane to appear before this committee I should like very much to have, a postponement of this meeting until he can be with me, because I do not claim to be an economist. I merely claim that I think we have a philosophy which will be acceptable to all of the people at the present time, and which will permit us to raise sufficient money by a method of taxation upon which all of the people will agree, and which will permit us to do certain things.

The **CHAIRMAN**. Doctor, Mr. Doane was present before the House Committee on Ways and Means, wasn't he?

Dr. **TOWNSEND**. Yes, sir.

The **CHAIRMAN**. Well, we can read his testimony, and if Mr. Doane wants to come down later we can hear him. You may just proceed, if you desire to make any statement to the committee, because we are trying to finish at as early a date as possible. We have, done

you more kindness than anybody else, because we have given you this morning exclusively.

Dr. **TOWNSEND**. That is very kind. I appreciate it.

The **CHAIRMAN**. We can take Mr. Doane on later, if you desire, if he can get here. I think the calendar is already arranged for Monday and Tuesday, but if he desires to come on Wednesday morning and make any explanation of your statements he can do so.

Dr. **TOWNSEND**. Thank you.

The **CHAIRMAN**. Just have a seat, Doctor.

Dr. **TOWNSEND**. May please request that the cameras be stopped from clicking in my face?

The **CHAIRMAN**. All right..

Dr. **TOWNSEND**. It is confusing.

The **CHAIRMAN**. I do not blame you, Doctor. Just proceed. You may sit down, if you desire.

Dr. **TOWNSEND**. I rather prefer to stand.

The **CHAIRMAN**. All right.

Dr. **TOWNSEND**. Gentlemen, as I just stated, I do not pose as an economist. I have been a physician all my adult life, practically, and my dealing with poverty in all of its various phases has convinced me that poverty is the most expensive and destructive thing that we can maintain as a nation.

For many years I have considered the matter of taxation. I believe a system of taxing property is wrong in principle. I believe it imposes a penalty upon enterprise and industry which we could well do without.

I have also observed the unhappiness and the distress of old age coming upon those who are not in a position to meet the exigencies of old age. I believe that it is a matter which can very easily be adjusted by a rational, modern civilization. Combining my ideas of taxation and this matter of security in old age, I evolved what I deemed to be a simple expedient for removing those menaces from civilization.

I advanced this idea to the people through a form of petition which I drew up, directed to our Congressmen, something like 14 months ago. This petition I had circulated among the voters of California, starting in the city of Long Beach.

The **CHAIRMAN**. Have you a copy of that petition?

Dr. **TOWNSEND**. Oh, yes.

The **CHAIRMAN**. Will you have it put in the record?

Dr. **TOWNSEND**. We will furnish you that, sir.

The **CHAIRMAN**. Thank you.

(The petition referred to by Dr. Townsend is as follows :)

DO NOT PAY TO SIGN THIS PETITION

(When this petition is filled return to national headquarters, Arcade Building, Los Angeles, Calif., or your Townsend Club secretary)

To the honorable _____, District - _____, State of----i-
The undersigned citizens of the United States request you to introduce, in the Congress of the United States, at your earliest opportunity the following bills and use your utmost effort to obtain their passage into law :

First. A bill obligating the Government of the United States to pay every citizen of said Government whose record is free from habitual criminality and who has attained the age of 60 years a monthly pension of \$200 until the end of his or her life, upon the sole conditions that he or she retire from all further business or profession for gain and agrees, under oath, to spend the entire amount of the pension within the confines of the United States during the current month in which it is received.

Second. A bill creating a Nation-wide Federal transaction sales tax calculated at a rate sufficiently high to produce the revenue necessary to meet the requirements of bill no. 1.

It is obvious that the passage of these acts and the beginning of their operation will discharge the Nation's obligation to a class of her citizens deserving this reward for past services and at the same time place immediate buying power in the hands of the general public, thus stimulating every avenue of commerce and trade. A quick cure for this depression and a sure prevention of recurring ones.

Name	Residence (Street and number)	City or town	Age
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Dr. **TOWNSEND.** This petition met with such instantaneous favorable response that we have continued to pass it out to the voters of the American public, with practically the same results that we obtained in Long Beach, namely, about 90 percent of the voting population sanctioned the appeal made in this position. Wherever the idea is introduced it meets with instantaneous and favorable response, as you perhaps know.

Senator **BARKLEY.** You realize, Doctor, that you can get signatures to petitions for anything on the face of the earth by passing up and down the street ?

Dr. **TOWNSEND.** Certainly.

Senator **BARKLEY.** You can have a petition circulated around' to hang me day after tomorrow, circulated outside of this building, but that does not mean that I should be hanged.'

Dr. **TOWNSEND.** I presume so, but we will not try it, Senator,* at least.

Senator **BARKLEY.** My point is that we get petitions of all sorts. It is easier for a man to sign a petition than to explain why he will not sign it.

Dr. **TOWNSEND.** We will let that go. I do not think there is any importance attached to the question of petitions. Here is the philosophy which is acceptable to almost every man : We believe that it is the privilege of everyone to purchase his own annuity maturing at the age of 60 years. This is virtually what we propose to do, to enable every individual in the land to purchase this annuity. We know that that idea is going to be acceptable to the people, and we know that they

are going to be willing to pay for it if they can buy it en masse, so that this annuity will not cost them inordinately.

The transaction tax that we are proposing is very successfully used in many European countries at the present time. That is one of the chief reasons why I should like to have Mr. Doane with me this morning.

The **CHAIRMAN**. Do you know what countries are using the transactions tax?

Dr. **TOWNSEND**. Canada is using it to a limited extent. -Germany is finding it exceedingly successful, and in certain of the other European countries, I am told, it is used as a special means of raising revenues.

Senator **COUZENS**. Is it not a fact that in Canada, it is in the nature of a sales tax rather than a transactions tax?

Dr. **TOWNSEND**. No; they are using a transactions tax there. They designate it so.

The **CHAIRMAN**. Is it 'pyramiding'?

Dr. **TOWNSEND**. It is pyramiding; yes.

Senator **BARKLEY**. It is a percentage tax based on the amount involved in each transaction?

Dr. **TOWNSEND**. Yes.

Senator **BARKLEY**. So it is really a sales tax.

Dr. **TOWNSEND**. There is a distinction, but there is very little difference. A sales tax has to necessarily be a tax on a transaction. All taxes on transactions of a financial nature are sales taxes.

Senator **BARKLEY**. So it is a distinction without a difference?

Dr. **TOWNSEND**. Well, the public conception of a sales tax is a limited transactions tax. That is the only difference.

Senator **BARKLEY**. It is limited to the transactions provided by law?

Dr. **TOWNSEND**. It is limited to certain kind of transactions.

Senator **BARKLEY**. The transactions tax would be unlimited, it would apply to all transactions involving sales?

Dr. **TOWNSEND**. That is what we propose to do.

Senator **BARKLEY**. You propose to widen the base and change the name to make it more acceptable to the public?

Dr. **TOWNSEND**. To make it more comprehensive.

Senator **BARKLEY**. The name 'is changed in order to get away from the term "sales tax?"

Dr. **TOWNSEND**. That is all.

The **CHAIRMAN**. Doctor, in Canada they have a sales tax. It is not a transactions tax.

Dr. **TOWNSEND**. I have read that they called it a transactions tax. I haven't made an exhaustive study.

The **CHAIRMAN**. Doctor, you are mistaken.

Dr. **TOWNSEND**. -Mr. Doane can answer all those questions for you.

Senator **COUZENS**. Could you give me a simple illustration? Assuming, for instance, that your theory was adopted and an article was selling on the market today for a dollar, what would it sell for after your plan had been adopted?

Dr. **TOWNSEND**. It would depend altogether on the cost of the raw materials. An illustration of that was given me up in northern New

York last week. A gentleman in Rochester runs a lens-grinding factory for eyeglasses. Now, those glasses sell for a dollar to a retailer. Apparently while that sale would carry a 2 percent tax, when you get back into the raw material, the glass, sand, soda, and materials which are used in the making of glass, the cost is so infinitesimal that only a 2-percent tax would be available! because the tax on the raw materials will run from a decimal point to a long string of ciphers, making the cost so insignificant that a carload of it would carry but very little cost.

Senator **COTZENS**. It buy for a dollar today, what would it cost, under your scheme, after wholesaling, and transportation.

TOWNSEND. I believe it would not cost any more for this reason : Under this system we are going to vastly augment the business of the country. Any retailer who suddenly finds his business considerably increased? probably doubled or quadrupled, is going to be very hesitant about adding to the cost of commodities to any great extent, for the simple reason that competition will prevail. "Plenty" will be the word of the day, and in a time of plenty competition is going to take care of any advanced costs. These taxes, in many instances? will be absorbed.

The **CHAIRMAN**. What would you do with a fellow who is on a fixed salary, the white-collar man, so to speak?

Dr. **TOWNSEND**. We do not propose to tax salaries.

The **CHAIRMAN**. I know; but he has got to eat, he has got to buy a home to live in, he has got to buy the furniture, and all that stuff, at a greatly increased cost.

Dr. **TOWNSEND**. The first thing we propose to do to enhance his ability to buy is to vastly increase his pay.

The **CHAIRMAN**. Your bill does not do that though.

Dr. **TOWNSEND**. It does not need to be done in the bill.

The **CHAIRMAN**. You think it will just come of itself?

Dr. **TOWNSEND**. Certainly it will come; there is no question about it.

Senator **COSTIGAN**. Dr. Townsend, there appears to have been considerable discussion before the House committee of what is meant by a "transaction"? Apparently the McGroarty bill referred to financial transactions which, in the course of the discussion, it was suggested should be commercial transactions. Have you defined the word "transactions" for the purposes of this proposed legislation?

Dr. **TOWNSEND**. Yes. We have that definition. I do not know if Mr. Cuttle is in the room. Mr. Cuttle has the definition. It was prepared yesterday.

(The definition referred to by Dr. Townsend is as follows :)

Definition of terms, " transaction and gainful pursuit " as used in the McGroarty bill.—The term " transaction " for the purpose of this act shall be defined as the sale, barter, and/or exchange of either or both real or personal property, including the granting of any right, easement, or privilege of commercial value.

The rendering of any services for monetary or other commercially valuable consideration except as hereinafter specified.

Transaction taxes shall be based on commercial value. (not necessarily the stated consideration), at the time of transaction.

Gainful pursuit.-The term "gainful pursuit" for the purpose of this act shall be defined as any occupation, profession, calling, or pursuit or combination of same for monetary or other commercially valuable consideration.

Senator **COSTIGAN**. On what transactions would the tax be placed?

Dr. **TOWNSEND**. Everything of a financial nature, with the exception of wages and salaries.

Senator **COSTIGAN**. Not banking transactions, if I understand you, which are merely clearing-house transactions?

Dr. **TOWNSEND**. Not banking transactions merely as clearing-house transactions; no. That would not involve anything of a commercial nature.

Senator **HASTINGS**. Doctor, in order that I may get clearly what you mean by the transactions, suppose a municipality was selling a million dollars of bonds to some financial house, the tax on that would be \$20,000, would it?

Dr. **TOWNSEND**. Yes.

Senator **HASTINGS**. And then as the bonding house sold the bonds to the public there would be, assuming they sold them at approximately the same price, another \$20,000 tax on them?

Dr. **TOWNSEND**. Yes.

Senator **HASTINGS**. So that in a million-dollar transaction of that nature there would be a \$40,000 tax?

Dr. **TOWNSEND**. Yes, sir.

Senator **HASTINGS**. All right.

Senator **COUZENS**. Now, you do not require a means test; in other words, a man does not have to prove that he needs the money?

Dr. **TOWNSEND**. On this retirement pension?

Senator **COUZENS**. Yes.

Dr. **TOWNSEND**. Oh, no.

Senator **COUZENS**. Everybody gets it regardless of need?

Dr. **TOWNSEND**. We propose that everybody buy this annuity. The rich man obviously will pay very much more for his retirement fund of \$200 per month than the poor man would, but they will all buy. It will be compulsory.

The **CHAIRMAN**. Why would the rich man pay more?

Dr. **TOWNSEND**. Why would the rich man pay more?

The **CHAIRMAN**. Yes. He does not need much more.

Dr. **TOWNSEND**. Because he is only buying a \$200 annuity, the same as the **poor** man, and his expenditures are infinitely greater than those of the poor man, and a 2-percent tax would yield a very much greater return.

The **CHAIRMAN**. Let me see if I understand your theory. You propose in the bill that every person over 60 years of age shall receive \$200 a month?

Dr. **TOWNSEND**. Yes; if he chooses. He is not compelled to do so.

The **CHAIRMAN**. Of course, he is not compelled to do so, but he has the right to receive \$200 a month.

Dr. **TOWNSEND**. He has a right to receive it.

The **CHAIRMAN**. Irrespective of whether he is worth a million dollars or worth nothing?

Dr. **TOWNSEND**. Yes.

The **CHAIRMAN**. Everybody can get it.

Dr. **TOWNSEND**. Yes.

The **CHAIRMAN**. How many persons are there who are over 60 years of age? It is something over 10,000,000, isn't it?

Dr. **TOWNSEND**. Ten million three hundred thousand in the United States at the present time.

Senator **BARKLEY**. That was in 1930. The number has increased to about eleven and a half million now.

Dr. **TOWNSEND**. Reports differ. I am quoting from the census report.

The **CHAIRMAN**. Your other condition is that if they get the \$200 a month, or \$2,400 a year, they must spend all that money during that month?

Dr. **TOWNSEND**. Yes ; for commodities or for services.

The **CHAIRMAN**. For commodities or services. Would shooting craps with about six fellows be services?

Dr. **TOWNSEND**. No, no ; that is not services.

The **CHAIRMAN**. That would not be construed as services?

Dr. **TOWNSEND**. We propose that this shall be spent for commodities.

The **CHAIRMAN**. For commodities or for services?

Dr. **TOWNSEND**. Or for legitimate services.

Senator **BARKLEY**. That part of it that went to purchasing the craps would be for commodities?

Dr. **TOWNSEND**. Certainly.

The **CHAIRMAN**. That would bear the 2-percent tax?

Dr. **TOWNSEND**. Certainly.

The **CHAIRMAN**. The way you would raise the money would be by a 2-percent tax on turn-over?

Dr. **TOWNSEND**. Yes ; a 5-percent tax on turn-over.

The **CHAIRMAN**. What do you assume the 5-percent tax on turn-over to be in the United States?

Dr. **TOWNSEND**. At the present moment?

The **CHAIRMAN**. Yes.

Dr. **TOWNSEND**. It will not run perhaps over \$5,000,000,000 per month.

The **CHAIRMAN**. Five billion ?

Dr. **TOWNSEND**. At the present time.

The **CHAIRMAN**. Supposing that everyone who is 60 years of age and over, the 10,000,000 persons, or the 11 and a half million, as suggested by Senator Barkley, supposing they should take this \$200 a month, that would aggregate some \$20,000,000,000 a year?

Dr. **TOWNSEND**. \$24,000,000,000.

The **CHAIRMAN**. And on the 2 percent tax, if you get 5 billion? you have got a deficit of 19 billion dollars a year, is that right ?

Dr. **TOWNSEND**. Yes, Senator; but let us stop a moment.. It is very obvious that we are not going to be able to put 10,000,000 of old folks on the pension immediately. It took us 2 years to get 4,000,000 soldiers inducted into the Army.

Senator **BARKLEY**. They had to pass a physical examination and these do not.

Dr. **TOWNSEND**. Perhaps they would have to pass an examination which would require an equal amount of time.

Senator **BARKLEY**. The only examination they would pass would be to fill out the application for the \$200.

Dr. **TOWNSEND**. No, no; you would have to establish your citizenship, your age, and so forth. It would entail a certain amount of quizzing and examination.

Senator **CONNALLY**. Do you think there would be any trouble in drafting these people to file applications?

Dr. **TOWNSEND**. No; there would be no trouble in drafting them.

Senator **CONNALLY**. It took 2 years to put the soldiers in the Army.

Dr. **TOWNSEND**. I am not suggesting that we will have to draft these old folks. They will have to draft themselves.

The **CHAIRMAN**. Doctor, do **you** propose in your bill to set up enlisting stations around the country so the people will have a place in which to enlist?

Dr. **TOWNSEND**. Yes; just the same as we would set up our polling places, certainly.

The **CHAIRMAN**. It would be very crowded at first, don't you think?

Dr. **TOWNSEND**. Possibly; yes.

The **CHAIRMAN**. What is your estimate of the number of people who would get this \$2,400 in the first year?

Dr. **TOWNSEND**. It all depends on how we would begin to do this. If we first called for an enrollment of those who were to receive the pension and pay the money directly out of the Treasury, we would vastly increase immediately the volume of business done in this country by the purchases of all these people, for they will be in every community practically in about the same proportion to the entire population, and the augmentation of business, which would accrue from the spending of this money, would probably immediately double the volume of business which we are doing, and it would continue to increase as we continue to increase the list of pensioners. Now, I believe that immediately such a law as this is passed we will at once thaw out the credits of this country and start industries to going from the very fact of the law having been passed. Certainly if the railroads anticipated a great increase of business they would start up building their roadbeds, which are in such a deplorable condition today, they would increase their rolling stock, they would devise every means of handling the great increase of freight and passenger business which they would be called upon to handle, which they would knowingly be called upon to do.

The **CHAIRMAN**. Do you think it would affect the people who are really working? For instance, we have in my State, in certain districts, about 500 Negroes to 1 white person, in some counties. If they were getting \$200 a month, all of those who are over 60 years of age, do you think they would work any?

Dr. **TOWNSEND**. I know they would work. If you use the same coercive methods on them that have been used on the Negroes always, they will work. Certainly you people could use the money in your communities down there.

The **CHAIRMAN**. Does not your bill say that they have got to quit work if they are working?

Dr. **TOWNSEND**. The old folks?

The **CHAIRMAN**. I mean those who are 60 **years** of **age** or over.

Dr. **TOWNSEND**. We want them to quit, we want them removed from competition for jobs. That is where we claim we are going to raise the pay for all individuals. We can remove the surplus labor

from the ranks of industry and maintain just enough to carry on those industries. We can regulate that to a nicety by requiring that people desist from competition for jobs and retiring those of 58 or 55, if necessary, keeping the number of actual workers down to a point where they would be in a position to demand the right, certainly, of fair pay.

The CHAIRMAN. Do you believe in families where there are 2 persons over 60 years of age, with a lot of children and where these 2 aged persons would be getting \$400 a month, do you think the children would come in and help them spend it and quit their jobs?

Dr. TOWNSEND. The children are what they are because of environment, very largely. Now, the children that we have in the North here—cannot say so much of your southern population, of course—but the children of the North I know very well are just as ambitious today as they ever were. They would like, of course, to have good clothing, good food, and good shelter presented to them. That is human nature. Nevertheless, those young people are going to want money. They cannot get it through this system. We will not permit the elderly people to hand them money.

Senator CONNALLY. Why could not the old man hire all his boys and pay them for their services?

Dr. TOWNSEND. You can have all sorts of division and that sort of thing, but we do regulate taxes and we regulate social conditions in other ways; so why might not we do this by forming a committee in every county, we will say, to receive complaints; have it specifically understood by all these people who receive the pension what they are to do with it. We must regulate for a time the method which they pursue in following out the instructions which they are given.

The CHAIRMAN. You mean to tell them how to spend the money?

Dr. TOWNSEND. Not how to spend the money, but to tell them how they may not spend the money.

Senator BARKLEY. You would have to have an investigator following everybody around to see whether they were violating the law by spending it for something which was not either commodities or service?

Dr. TOWNSEND. Not at all.

Senator BARKLEY. How would you check up on them?

Dr. TOWNSEND. The pensions paid by the United States Government are now paid in the form of checks and we can have those checks deposited in certain designated banks by the recipients. At the end of every 30 days that bank account will have to show entire deflation and the canceled checks will have to show what was done with the money.

Senator BARKLEY. Suppose the pensioner, instead of checking it, drew it out in money?

Dr. TOWNSEND. We will not permit him to do it.

Senator BARKLEY. You will not permit him to do it?

Dr. TOWNSEND. Not in that manner.

Senator BARKLEY. He can cash a check of his own from that account, cannot he?

Dr. TOWNSEND. According to our bill it would only be 30 percent of the amount of the pension.

Senator BARKLEY. Thirty percent of the amount of the pension?

Dr. TOWNSEND. Yes.

Senator BARKLEY. There is nothing in this bill about that.

Dr. TOWNSEND. Yes; there is.

Senator BARKLEY. He can spend a certain amount for charity and for mutual purposes?

The CHAIRMAN. Fifteen percent.

Dr. TOWNSEND. Fifteen percent.

Senator BARKLEY. I do not recall seeing anything in it which prevents the pensioner from cashing his check at the bank to the full extent of the \$200. Is there anything in the bill that does that?

Dr. TOWNSEND. Not if he designates what he does with the money and can prove that it is for the purposes specified in the bill.

Senator BARKLEY. You provide that the Secretary of the Treasury shall deposit in any bank that is a member of the Federal Insurance Deposit Corporation \$200 to the credit of every person over 60 years of age who qualifies. There is no limitation in the bill as to how he should draw it. It is presumably by check, like anybody else. He has got to draw it all out during the month and spend it.

Dr. TOWNSEND. For commodities or services.

Senator BARKLEY. Yes; for commodities or services.

Dr. TOWNSEND. Yes.

Senator BARKLEY. How are you going to determine that he has spent it for commodities at the end of the month?

Dr. TOWNSEND. The banker will be in position to know.

Senator BARKLEY. How?

Dr. TOWNSEND. It will not be a very difficult thing to ascertain.

Senator BARKLEY. The banker has got to be the inspector for every one of the pensioners who has an account in his bank?

Dr. TOWNSEND. Not necessarily the banker.

Senator BARKLEY. Somebody will have to do the inspecting.

Dr. TOWNSEND. But not necessarily the banker. Everyone who is spending the money, who is known to be the recipient of it, is going to have neighbors immediately about him.

Senator BARKLEY. So the neighbors are going to watch him?

Dr. TOWNSEND. The neighbors are going to watch him, certainly.

Senator BARKLEY. Every neighbor will be an inspector?

Dr. TOWNSEND. Not necessarily.

Senator BARKLEY. So the neighbors will go to the grocery store and ask how John Jones spent that money, and whether it was within the law for him to buy those things, or whether he hired somebody to cut his grass; that is the way that will work?

Dr. TOWNSEND. There will be a few flagrant examples of wrongdoing in this as there are in all laws. There will be certain attempts at evasion. Nevertheless, if a person takes solemn oath to do a thing, if he takes that oath before a Government official, knowing all the while that any violation of that oath will entail a terrific punishment, the cutting off of his future income, he is going to be very chary about how he violates his oath. A few examples in every community would be sufficient to stop any further violations.

Senator BARKLEY. None of this money can be spent for the purchase of real estate?

Dr. TOWNSEND. Yes. Why not?

Senator BARKLEY. Is that a commodity?

Dr. TOWNSEND. Certainly it is a commodity.

Senator BARKLEY. It is not so regarded.

Dr. TOWNSEND. I do not know why it should not be. Why should that not be regarded as such? Nobody is going to buy any tremendous amount of real estate on \$200 a month. He can buy a home.

Senator BARKLEY. You take a couple of old people, a man and wife, who have probably worried along during all their lives on \$200 a month between them and you suddenly require them to spend \$400 a month.

Dr. TOWNSEND. Yes.

Senator BARKLEY. Whether they need it or not; whether they desire anything or not. It might be possible that during the first month or two they will take up a good deal of slack by buying some things they wanted, but over the whole period of the rest of their lives they are compelled, those two people, to spend \$400 a month.

Dr. TOWNSEND. Yes.

Senator BARKLEY. Whether they need anything or not they have got to go out and blow it in for something?

Dr. TOWNSEND. Yes, sir.

Senator BARKLEY. Do you think that is a sound economic plan?

Dr. TOWNSEND. I know it is.

Senator BARKLEY. Upon what do you base your knowledge?

Dr. TOWNSEND. It is the only way in the world that we can bring our consuming ability up to our producing ability.

Senator BARKLEY. You say 7½ million of old people will take advantage of this?

Dr. TOWNSEND. Yes.

Senator BARKLEY. If 10,000,000 of old people take advantage of it, it would cost \$24,000,000,000 a year. That is half of the total income of all the people of the United States at present.

Dr. TOWNSEND. It is now.

Senator BARKLEY. Yes.

Dr. TOWNSEND. It will not be.

Senator BARKLEY. It was about one-third of the income during the peak of our income 4 or 5 years ago.

Dr. TOWNSEND. Senator, let me ask you what creates income? Nothing in the world but demand.

Now, let us have demand, an abundant demand and we shall vastly increase the national income.

Senator BARKLEY. Yes; and you vastly increase the price of everything to those who have any income.

Dr. TOWNSEND. No.

Senator BARKLEY. Because if your plan succeeds so that there is going to be enough demand for anything anybody would want, whether they need it or not, so as to get rid of the \$200 or \$400 a month, as the case might be, you might possibly increase the demand for goods, but that might not be a healthy demand, it might be a squandering of national income rather than the conservation of it, might it not?

Dr. TOWNSEND. Let me suggest to you that there are always two things which militate against the advance in prices. Abundance is one thing and mass production is another. Mass production has come to stay. It is here. We are going to use it because machines are just beginning to be used. We are going to vastly increase the

productive ability of this country from now on through the use of mass production. Now, mass production always has a tendency toward lowering prices. Take the automobile for example. You can buy a better car today for \$800 than you could have bought for \$2,000 just a few years back, all due to mass production. There is never any apparent increase in the cost of commodities in times of plenty. We propose to have a time of plenty, because we know we are qualified to produce that kind. We can do these things with our present technical knowledge and ability.

The CHAIRMAN. Will it have an effect on increasing the price of a Ford automobile?

Dr. TOWNSEND. Beg your pardon?

The CHAIRMAN. Would this increase the cost of a Ford automobile?

Dr. TOWNSEND. **No**; it will not. It will decrease the cost of a Ford automobile.

The CHAIRMAN. Then **you** would get it cheaper than you get it for now?

Dr. TOWNSEND. Unquestionably.

The CHAIRMAN. Then you have got to pay a 2-percent tax on every part that enters into it, and on every transaction that enters into the proposition?

Dr. TOWNSEND. Well, now, let me suggest, Henry Ford probably is the great stabilizer of prices in the automobile field today. He owns his iron mines, his glass factories, his leather-upholstery plants, everything that pertains to a car almost Henry Ford supplies himself. He is going to be in a position, if he has a greatly increased demand for cars, to lower that price. Henry's philosophy has always been to create his own market by a vast increase in the price paid for labor so that the laborers themselves might constitute his market.

The CHAIRMAN. Well, let us take a concern—

Dr. TOWNSEND. Just a moment, Senator Harrison, let me finish.

The CHAIRMAN. Go ahead.

Dr. TOWNSEND. If Henry Ford can continuously lower the price of his product, and if General Motors would still be in the competing field, General Motors might have to buy their glass, their iron ore, and everything of that nature, on which there was a tax, but they would have to compete with Henry Ford or cease to sell their product.

Senator COUZENS. So you would automatically build up great corporations and integrate capital so you would have immense organizations to compete with each other?

Dr. TOWNSEND. Why would we do that?

Senator COUZENS. Because General Motors, not owning all the coal mines, iron mines, and steel mills, could not compete with Henry Ford, therefore, they would have to buy up all their coal mines, all their steel facilities, leather plants, and so on, so as to be able to avoid the 2 percent tax.

Senator CONNALLY. The doctor's theory is it will lower the price under those conditions.

Senator COUZENS. I am talking about competition. If the other large corporations proceeded on the plan that the doctor described they would automatically build up the most self-contained corporations, so as to avoid the 2 percent transactions tax.

Dr. **TOWNSEND**. We will certainly make them pay their proportionate share.

The **CHAIRMAN**. Doctor, let us take the Standard Oil Co. They own their own oil wells, they own their own pipe lines, they own their own refineries, and so forth, and they own their own service stations. There would not be much of a turn-over with the Standard Oil Co., because they control it, but take the innumerable number of independent oil concerns that have to buy the crude oil, that have to pay for the pipe line and make the arrangements with the service stations, and so forth; isn't your plan giving an advantage to the big fellow over the independent fellow?

Dr. **TOWNSEND**. It would up to this point, of course. However, they would have to pay their tax, and if they did drive competition out of the field and attempted to raise the price to the consuming public, then competition would again spring up immediately. Certainly this will have a tendency to reduce prices to the consuming public.

Senator **BARKLEY**. In your testimony before the House Committee on Ways and Means, was not one of your contentions that it would increase prices ?

Dr. **TOWNSEND**. It would increase prices up to a certain point. That will not, perhaps, be as a result of the increased cost of commodities. In a time of activity, monetary activity, we always expect a slight advance in the cost of things. We are willing to pay that. We have done it in the past and liked it.

Senator **BARKLEY**. Wasn't it your theory, in your testimony before the **House** Committee, that while it would increase prices by permitting this tax on everything that it touched, that there would be justification in that, on the ground that your theory carried the further problem of increasing the compensation of those who pay the increased prices ?

Dr. **TOWNSEND**. We want to see an increase in the price of commodities to a point where the producer, such as the farmer, can make some money.

Senator **BARKLEY**. That is getting to the proposition of the farmer. You propose here that every farmer who sells a hog will have to pay a tax of 2 percent of the price of that hog.

Dr. **TOWNSEND**. Yes.

Senator **BARKLEY**. The butcher who purchases it or cuts it up into different parts for distribution will collect a 5-percent tax on each piece of that hog that he sells to the public ; or if it goes to the packer the packer does the same. No matter how many times it turns over the 2 percent will apply.

Dr. **TOWNSEND**. Yes.

Senator **BARKLEY**. If I recall, somebody estimated that every commodity of that, sort would turn over an average of about five times before it got to the consumer.

Dr. **TOWNSEND**. Yes.

Senator **BARKLEY**. Which would mean a lot of them would turn over much more **than five times**. Now, your farmer, in order to sell this hog, has got to be licensed by the Government first., he has got to pay a license fee to the Secretary of the Treasury under your plan to sell the hog, and that, license fee is to be whatever the Secretary of the Treasury fixes, is that correct?

Dr. **TOWNSEND**. It might be 10 cents a year; yes.

Senator **BARKLEY**. So every farmer in the United States, in order to sell what he grows, has got to be licensed by the Government. Which carries with it the privilege of selling what he wants to sell.

Dr. **TOWNSEND**. For the purpose of registering; that is all. That is the only reason we want a license.

Senator **BARKLEY**. Well, if it is for the purpose of registering, what is the object of having him register?

Dr. **TOWNSEND**. So we may collect the tax from him.

Senator **BARKLEY**. You say the farmer is registered so that the tax may be collected by somebody; and if he does not pay that tax, he is not permitted to sell his hogs?

Dr. **TOWNSEND**. The seller might be the man to whom we would look to collect the tax. We cannot collect it any place else.

Senator **BARKLEY**. Your plan contemplates that the Secretary of the Treasury shall issue a license to every farmer in the Nation, for which he might pay whatever fee is fixed; and unless he so registers and is licensed, he cannot sell what he has produced?

Dr. **TOWNSEND**. We propose to have some measure such as that set up.

Senator **BARKLEY**. That is true, though; that is a fact?

Dr. **TOWNSEND**. Yes; that is true.

Senator **BARKLEY**. You talk about regimentation, which has come into common usage here in the last year or two. That would be regimentation par excellence, would it not?

Dr. **TOWNSEND**. I do not know what you mean by "regimentation." It is a regulatory law, of course, the same as any other law, applying to all citizens.

Senator **BARKLEY**. Do you believe the people of this country would ever be reconciled to any provision that required every farmer in this country to register and buy a license before he could sell what he has produced to feed and clothe the world?

Dr. **TOWNSEND**. If he saw a financial advantage in it to himself I know he would.

Senator **BARKLEY**. Of course, the question of financial advantage is purely theoretical. Now, while we are on the farmer proposition, let us take this situation: Let us take this couple who have lived on the farm all their lives, they are over 60 years of age, they are alone, their children have all married and left home, and this old couple is on a farm making a fairly good living; they are still young enough to plow and hoe and work—we have increased our longevity in the last generation or two so a man who is now 60 years old, according to the actuaries has about 15 pretty good years left to him. Your bill would pay those two people \$400 a month and would require them to cease any further activity; now what would happen to that farm?

Dr. **TOWNSEND**. We ask that that farmer hire a manager or hire someone to take his place if he wants to access this pension.

Senator **BARKLEY**. Would he still have plenty to live on?

Dr. **TOWNSEND**. Why not?

Senator **BARKLEY**. Could he help the hired man to do farm work there?

Dr. **TOWNSEND**. Of course. Why not?

Senator **BARKLEY**. You say he might withdraw wholly from productive activities?

Dr. **TOWNSEND**. If he provides a job for one individual to take his place.

Senator **BARKLEY**. He can help the individual to do farm work?

Dr. **TOWNSEND**. Why not?

Senator **BARKLEY**. Because you do not say so in the bill. If he takes on any productive activity in any month, he is not on the pay roll for that month.

Dr. **TOWNSEND**. Any salaried position he has got to surrender.

Senator **BARKLEY**. You require the couple to spend the \$400. They probably have not been in the habit of spending that much money. That does not mean they ought not to have more, but how would they go about spending that \$400 a month which, between the two, would be \$4,800 a year? What would they buy with that?

Dr. **TOWNSEND**. Bless your soul, I could take a man who had ever had a salary of \$200 a month who could answer that without any difficulty whatsoever.

Senator **BARKLEY**. I am not talking about a salaried man; I am talking about a couple that had a \$200 income a month.

Dr. **TOWNSEND**. Well, I could suggest innumerable ways in which they could do it. The first thing they would do would be to buy a car, or they would probably rebuild or repair their home, they would refurnish it, they would travel, they would buy books, they would buy things for their children liberally. That is exactly what we want done.

Senator **BARKLEY**. It is conceivable that for a short time from the beginning they might be able to find a useful expenditure for \$400 a month, but how would they spend it over a period of 5 years or 10 years or 15 years?

Dr. **TOWNSEND**. Did you ever hear the assertion that as our means increase so do our desires?

Senator **BARKLEY**. Yes. Sometimes our desires are not wholesomk desires and they are not necessarily good for us.

Dr. **TOWNSEND**. All right. I can assure you that everyone who ever receives \$200 a month, requiring it be spent, will never have any difficulty whatsoever, because if they lack ingenuity and inventiveness in spending that, then all the world they have to do is nudge a neighbor and ask for suggestions, and they' certainly will get them.

Senator **BARKLEY**. Under your plan, if there is a man who has been obtaining a fairly regular income of say \$500 a month, which is more than he needs, and if he spends \$200 a month and puts the other \$300 away in a savings account, he has no natural desires or demands on him beyond \$200 a month, and, therefore, he has not spent the \$300 that he lays aside, do you require him, if he obtains this pension—and all he has got to do is ask for, all he has got to do is prove that he is a citizen and is GO years of age—can he spend the \$200 that you provide him in the pension and put the entire \$500 of his private income away as a saving?

Dr. **TOWNSEND**. I presume he could, but he would not.

Senator **BARKLEY**. How do you know he would not?

Dr. **TOWNSEND**. It is very obvious to anyone that money laid away does not do anything. You lay it away for a time until you get it invested.

Senator BARKLEY. Unless the *banks have loaned it out to somebody. But he would have \$500 a month instead of \$300, and that would not do anything, thereby he would be more inclined, you think, to spend not only the \$200 that you gave him but the \$200 that he has been spending? Is not that \$500 that could do nothing instead of \$300?

Dr. TOWNSEND. I cannot say what the individual will do beyond this: That if he obeys the law, and the law compels him to **spend** \$200 a month, he is going to do it.

Senator BARKLEY. If he spends the pension and puts away his \$500, he is not increasing the demand for anything; he is not giving anybody a job; he is not increasing the turnover of commodities; he is simply taking advantage of the Government's pension to meet his normal demands of \$200 a month, and he is permitted to lay aside \$500 to lie idle instead of \$300. That is true, isn't it?

Dr. TOWNSEND. There are plenty of misers, of course, who hoard every penny they get. Most people gave it up with the idea of buying something with their savings, and a great percentage will do so.

Senator BARKLEY. Or hand it down to their children.

Dr. TOWNSEND. If the children get it you know it is going to be spent.

Senator BARKLEY. If the children happened to be around 30 or 40, of course, there might be some incentive for the aged couple to put away \$500 a month instead of \$300, to pass it down to their children before they would arrive at the age of 60 and get along on the \$200.

Dr. TOWNSEND. Suppose savings did become general in the United States, suppose money came easy so most everybody could supply their needs readily; suppose they had good positions with good pay; is that going to increase the tendency, do you think, to accumulate? We are thereby going to establish security in this world. If we retire these old folks, that is going to militate strongly against the idea of saving and accumulating.

Senator CONNALLY. Are you against that idea? Are **you** against saving money?

Dr. TOWNSEND. Yes; I am.

Senator CONNALLY. You are opposed to that?

Dr. TOWNSEND. Absolutely. I think it is wrong in principle. Money should not be used as a means of storing wealth.

Senator CONNALLY. Somebody is going to get it. If you give it to these old people, somebody is bound to take it away from them. Somebody else will get it.

Dr. TOWNSEND. Somebody might hoard it, but the freer money is used in the country, the less inclination there is to accumulate, hoard, and save.

Senator BARKLEY. Your position is that in addition to all the money that is now spent for services there will be \$2,400 a year more spent.

Dr. TOWNSEND. Yes; there x-ill be \$2,400 a year more **spent**. It will be speeded up, that is all.

Senator BARKLEY. It will be spent?

Dr. TOWNSEND. Yes.

Senator BARKLEY. We will spend the same volume of money?

Dr. TOWNSEND. We will spend the same volume of money that we have now but it will circulate faster.

Senator BARKLEY. So everybody who has money, including Henry Ford, will not only spend all he is now spending but he will spend the other \$200 a month that you are giving him?

Dr. TOWNSEND. He will have to spend the **\$200** that we are giving him.

Senator BARKLEY. He will not substitute one for the other and lay aside more of his private savings?

Dr. TOWNSEND. I claim it does not make any difference.

Senator BARKLEY. It would **make a good deal of difference if they** do not spend the extra \$200 for commodities so as to create a demand for more commodities and more labor.

Dr. TOWNSEND. The \$200 a month is not going to mean anything to Henry Ford one way or the other.

Senator BLACK. He would get it, would he not, Doctor?

Dr. TOWNSEND. If he wanted to apply for it.

Senator BLACK. Henry Ford and J. P. Morgan could get the \$200 if they applied for it?

Dr. TOWNSEND. Yes; and if they wanted to place somebody in their position to manage their business for them.

The CHAIRMAN. In that case how would you know whether they were spending the **\$200** that they got from the Government or whether they were spending **\$200** from their own private funds?

Dr. TOWNSEND. I do not care in the least.

Senator CONNALLY. Doctor, would Henry not only get the \$200 a month from the Government, if he wanted to, but also get most of the other **\$200** a month?

Dr. TOWNSEND. He would get a lot of them.

Senator CONNALLY. You just stated that these old people would buy a car.

Dr. TOWNSEND. Yes. Henry Ford would get a lot of them. There is no reason in the world why we cannot make Henry support this retirement fund.

Senator BARKLEY. Do you think Henry can support this entire load?

Dr. TOWNSEND. He can support a lot of it, and he would unquestionably support a lot of it.

Senator CONNOLLY. You figure 2 percent on all of the turn-overs?

Dr. TOWNSEND. To start with, and certainly we will reduce it to one-half of 1 percent.

Senator CONNALLY. You say it will take \$24,000,000,000 a year. Have you figured what the turn-over would have to be in this country?

Dr. TOWNSEND. Yes.

Senator CONNALLY. It would have to be **one** trillion, two hundred billion, wouldn't it?

Dr. TOWNSEND. Yes; we can do that because we have already done it.

Senator BARKLEY. That did not include turn-over in only the purchase of commodities; that included all sorts of transactions, so far as it is possible to judge them, with respect to banks. There is no real authority in this country as to how much the turn-over has been

or what. our income is a year. You have taken your figures from the statement made in the Wall Street Journal published by Dow, Jones & co., I suppose.

Dr. TOWNSEND. Yes.

Senator BARKLEY. You do not know how authoritative that is. It is just an estimate. It is taken from reports made by 141 member banks in the United States without regard to all the other banks in the country.

Dr. TOWNSEND. Yes.

Senator BARKLEY. **So it is just a guess.**

Dr. TOWNSEND. Well, you know it is a very conservative guess, because the rest of the banks were not represented in the list.

Senator BARKLEY. So it is just a guess.

Dr. TOWNSEND. Well, it is a very conservative guess, **because** the rest of the banks were not represented in the list.

Senator BARKLEY. That is not only the checks given in payment of commodities, but it may have included every check given for Government bonds, real-estate transactions, payment of interest, payment of life-insurance premiums, and everything.

Dr. TOWNSEND. Were nob those transactions?

Senator BARKLEY. They were transactions, but it does not mean the purchase of commodities.

Dr. TOWNSEND. A bond is a commodity.

Senator BARKLEY. **No, no.**

Dr. TOWNSEND. Why not?

Senator BARKLEY. The doctor knows a bond is not a commodity.

Dr. TOWNSEND. It is a piece of paper representing wealth.

Senator BARKLEY. It is a piece of paper representing an obligation of some kind. A commodity, as we understand the term "commodity" is something you can use, like corn, wheat, hogs, cattle, wagons, automobiles, a suit of clothes, and so forth.

Dr. TOWNSEND. No, no. We propose to include stock and bonds as commodities.

Senator BARKLEY. If you include stock and bonds and all checks given for stocks and bonds, and interest, I think in your guess of one trillion two hundred billion you will reduce the actual turnover in the purchase of commodities to about 400 billions instead of 1,200 billions of dollars.

Dr. TOWNSEND. Even with the increase of the ability of the people to buy, eh? I think you are mistaken.

Senator COUZENS. **Do** you publish this Townsend Weekly?

Dr. TOWNSEND. **Yes; I do.**

Senator COUZENS. **Do** you keep any accounts of the income and expenditures of this organization?

Dr. TOWNSEND. Absolutely.

Senator COUZENS. What has been your total income to date?

Dr. TOWNSEND. I could not give it to you at the moment, but it is less than \$50,000.

Senator COUZENS. You mean that is all you have collected?

Dr. TOWNSEND. That is all we have collected from **any** source.

Senator COUZENS. How much have you spent?

Dr. TOWNSEND. About \$45,000, I **judge**.

Senator COUZENS. In getting all these petitions you spent that much?

Dr. TOWNSEND. That is all voluntary work. We have not paid a cent for it.

Senator CONNALLY. In reference to your agents who go out to organize clubs, how do they get influence in the community in which they organize clubs?

Dr. TOWNSEND. We have had as high as six agents at one time on a salary. We pay a few of them \$50 a week, and their traveling expenses.

Senator CONNALLY. Why were you hiring them on a salary?

Dr. TOWNSEND. Because it is very apparent that we cannot get them to go out and serve without pay.

Senator CONNALLY. How do you pay them? Do you pay them out of the book sales?

Dr. TOWNSEND. Yes; we pay them out of the book sales.

The CHAIRMAN. Doctor, I wanted to ask you a series of questions that I have put down in writing.

Senator HASTINGS. Mr. Chairman, may I ask just one question before you start?

The CHAIRMAN. Yes.

Senator HASTINGS. Doctor, I would like to know if you have given any consideration to the practicability of paying a lesser sum to two people who live together? For instance, would it not be a little more practical if you provided \$200 a month for a single person that is aged and \$300 for the married people living together? Would that interfere with your theory and your plan?

Dr. TOWNSEND. It would interfere with the plan to this extent, that the more you cut the pension the less buying ability the people will have.

Senator HASTINGS. Do not you think you might cut that \$100 a month to the married people without destroying your plan?

Dr. TOWNSEND. I do not. I think it would be suicidal for us to do so.

Senator COUZENS. The way you look at it, you think it is a better plan because it would encourage the sale of marriage licenses, is that right?

Dr. TOWNSEND. I should hope so.

Senator BARKLEY. Not beyond 60.

Dr. TOWNSEND. You cannot tell about that, sir.

Senator BARKLEY. Let me ask him this question, Senator, before you proceed with your questions.

The CHAIRMAN. Yes.

Senator BARKLEY. According to your plan we will say that 10,000,000 of old people take advantage of it, and there are 130,000,000 people in this country; that means that this \$24,000,000,000 a year would have to be paid by the remaining 120 millions. That represents about 28,000,000 families, on the average, which would mean each family would be taxed \$88 a month to raise this enormous amount of money to be paid to these pensioners. Do you not know that the average income of the families of the United States today is less than \$88 a month?

Dr. TOWNSEND. Yes; I know that.

Senator BARKLEY. So that your plan calls for a tax to be collected from the nonpensioners greater than their present income?

Dr. **TOWNSEND.** We, of course, do not propose to have the present national income remain static. We think it is utter folly. I want you to consider what we are paying now. If you consider the amount of money that is now paid out in pensions of various sorts throughout the country, with the terrific cost of maintaining poor-houses, poor farms, and relief agencies of all descriptions., you will find, gentlemen, that that could all be credited on our side of the ledger and it would reduce tremendously the cost of this pension system which we are proposing.

The **CHAIRMAN.** You make certain exceptions in your bill as to pensions, though. The disabled soldiers, for instance, that get pensions, you except them, don't you?

Dr. **TOWNSEND.** Yes; but they could very readily be persuaded, I am sure, to exchange those pensions for a \$200 pension.

The **CHAIRMAN.** Is that so?

Dr. **TOWNSEND.** Yes.

Senator **BLACK.** Doctor, may I ask you one question in connection with what Senator Barlrely asked you? As I understand it, your idea is; to increase the national income per individual.

Dr. **TOWNSEND.** Why, certainly, for all concerned.

Senator **BLACK.** As I recall it, there are 10,000,000 people that make less than \$500 a year; I know there is a very large number. Do you think it is fair for them to pay a sales tax in order to pension Mr. Rockefeller and Mr. Ford ?

Dr. **TOWNSEND.** It would not be fair if we did not increase their ability to pay, but that is what we propose to do.

Senator **BLACK.** Let us assume they are under 65 years of age, or under '60 years of age.

Dr. **TOWNSEND.** Yes, certainly.

Senator **BLACK.** Let us assume that you put a sales tax on every piece of meat they buy, that they pay 2 percent to the farmer, 2 percent to the packer, 2 percent to the wholesaler, 2 percent to the broker, and 2 percent to the retailer; by that time these \$500-a-year people and those who make less than that have a pretty good tax to pay, do not they?

Dr. **TOWNSEND.** Cannot you see that, if we increase the general ability of the people to buy we are going to vastly increase the amount of business done, and the number of jobs and we are going to increase the ability of people to demand big pay?

Senator **BLACK.** I can understand your theory, I think, but I do not see how this is going to give the people that are already underpaid and getting too small an amount of the national income, any increase in their part of the income. It does not aid them any to pay Mr. Rockefeller and Mr. Ford a pension out of their meager earnings.

Dr. **TOWNSEND.** Our idea is to take the burden of paying this tax out of the class of those who are getting meager pay and putting it in the class where it belongs.

Senator **BLACK.** Do you propose to raise their wages by law?

Dr. **TOWNSEND.** We do not have to. We will put the workers in a position, as I said a few minutes ago. to demand adequate pay, as they did during the war time, when the number of workers in the country was vastly reduced. The boys carried a hod in silk shirts costing \$12 apiece.

Senator BLACK. Even then a lot were drawing **very meager wages** all over the Nation. Statistics show that even then millions of them were drawing far less than a living income.

Dr. TOWNSEND. Yes ; in the slums of our big cities where there was no opportunity, of course.

Senator BLACK. Sure ; but we still have the slums here.

Dr. TOWNSEND. No, we will not; we will abolish the slums immediately .

Senator BLACK. Do you think you will abolish the slums by paying Mr. Ford, Mr. Rockefeller, and the people who do not have to pay taxes, a salary?

Dr. TOWNSEND. There are only four Rockefellers in the country.

Senator BLACK. There are many others who draw a large income.

Dr. TOWNSEND. There are some old folks who will draw \$200 a month who probably might, not need it, but I can assure you there will not be many of them compared with the number of old people who will need it.

Senator BLACK. What about the young people who make over \$500 a year?

Dr. TOWNSEND. They will work to create new homes, do new things for the people who are able to buy.

Senator BLACK. If it is your idea, Doctor, to help the poor' people, why do you propose to put the tax 'on the poor people in the main? Everybody that knows anything about the sales tax knows it is paid by the poor people who have the least.

Dr. TOWNSEND. Let me ask you, Why do you permit the tax to be placed on the poor people, anyway? The poor people pay the tax today, anyway.

Senator BLACK. The tax should be placed on those who have the ability to pay it. I am opposed to any sales tax to pension Rockefeller; Morgan, or anybody else in that class.

Dr. TOWNSEND. You cannot conceive of a tax that does not fall on the poor today.

Senator BLACK. Yes; you can.

Dr. TOWNSEND. No; you cannot. The poor always carry the burden.

Senator BLACK. Your objective, you said, is to raise the income of the underprivileged and underpaid ?

Dr. TOWNSEND. Yes, sir.

Senator BLACK. And you propose to do that by putting a tax on the underprivileged and underpaid, because in the main the sales tax will be paid by them, if it applies to necessities. You propose to put a tax on the underprivileged and underpaid to raise the standard of the underprivileged and underpaid.

Dr. TOWNSEND. And we propose to make the rich man pay on the things that are not necessities, and pay liberally.

Senator COUZENS. Isn't it a fact, Doctor, that you really have in mind a creation for the demand of labor to such an extent that the wages will automatically go ^{up}?

Dr. TOWNSEND. Certainly. They have always done it in the past.

Senator HASTINGS. Under your theory, the man now getting \$600, for instance, will be relieved by finding a better job, a job that will pay him \$1,200, and therefore he can pay out \$300 of it in a tax if necessary ?

Dr. **TOWNSEND**. There isn't any question about the tax being an insignificant thing, because we will at least be able to double any wages that are now existing.

The **CHAIRMAN**. The \$24,000,000,000 is an insignificant thing, annually?

Dr. **TOWNSEND**. Pardon me?

The **CHAIRMAN**. Do you think that \$24,000,000,000, the cost of the tax, is an insignificant thing?

Dr. **TOWNSEND**. Why, it is not an insignificant thing, of course, but we are expending and using \$24,000,000,000 a year, and that is all in the world we want to do. If 10,000,000 old people retire we shall only need \$2,000,000,000, that is all. We shall very likely revolve that amount of money continuously, collect it and disburse it.

Senator **GEORGE**. Doctor, how many people over 60 years of age are gainfully employed?

Dr. **TOWNSEND**. It is estimated about four million or four and a half million are gainfully employed. These are the figures of the last census.

Senator **GEORGE**. Four and a half million people are gainfully employed?

Dr. **TOWNSEND**. Yes.

Senator **COUZENS**. Have you suggested anything about raising the minimum, or raising the limit to 75 years? I saw in the press that you had in view the changing of your proposal to '75 years instead of 60 years.

Dr. **TOWNSEND**. No. I was misquoted entirely.

Senator **COUZENS**. You do not propose to do that?

Dr. **TOWNSEND**. No.

The **CHAIRMAN**. Doctor, if it is such a good thing for those who are 60 years of age and over, and it is going to bring such prosperity because of that, why do not you make the age limit 40 or 50 years?

Dr. **TOWNSEND**. Because 60 years old is merely a starting point. We do not know definitely how soon we shall have to reduce that to 40 or 50. Unquestionably, if our productive ability advances as it has in the past 25 years, the time is surely coming when we will have to retire people of the age of 50, for we are destined to have an unemployed army on our hands, and that is an army of people never again needed in the ranks of industry. Now, I claim it is nothing but common sense for us to segregate this army, remove the old from competition for the jobs. We will immediately create about 4 million of jobs by the retirement of these old folks.

Under this \$200 a month or \$2,400 a year is required. It has been actuarially proven that it requires about \$2,500 permanently invested in business to create and maintain a job at good pay for one individual. That is the reason for \$200 per month, that is one of the main reasons. If this retired army, expending \$200 a month, creates a job for one individual, we shall immediately have all of the available laborers at work in the entire country.

Senator **BARKLEY**. Do you know what is the average income of the 4,000,000 over 60 who are now gainfully employed?

Dr. **TOWNSEND**. Pardon me?

Senator **BARKLEY**. What is the average annual income of the four and a half million people who are now gainfully employed, who are above 60 years of age?

Dr. TOWNSEND. I could not say that, but **you know it is** very low.

Senator BARKLEY. Do YOU think that by the elimination of those four and a half million, and according to your theory drawing into their places four and a half million people under 60 years of age, would offer a sufficient inducement to employ all the four and a half million who would be drawn into it at this low pay?

Dr. TOWNSEND. It would certainly look good to people who cannot get a job of any kind today.

Senator BARKLEY. I believe your theory is that a 11 of the ten and a half million or eleven million and a half people over 60 years of age will not apply for pensions.

Dr. TOWNSEND. I know they will not.

Senator BARKLEY. You say, I believe, that seven and a half million or eight million people will?

Dr. TOWNSEND. In all probability that will be the limit.

Senator BARKLEY. So instead of it being 24 billions you say it will be 18 billions to 20 billions of dollars?

Dr. TOWNSEND. Yes.

Senator BARKLEY. Now, you say that this tax will raise 5 billions to begin with. How do you propose to raise the other 13 or 14 billions that would be necessary to pay this pension?

Dr. TOWNSEND. Gentlemen, the moment this law is passed there will be a great acceleration of business. That acceleration of business, that immediate basis of taxation, at 2 percent, will roll into the Treasury very much more than 5 billions immediately. Just as soon as we can get these people on the pay roll then the volume of business transactions in this country will vastly increase.

Senator BARKLEY. Do you realize the amount of income received in practically every State from the sales tax has been less than that estimated by the proponents?

Dr. TOWNSEND. Well, you are talking about present-day conditions. Present-day conditions are not going to exist continuously.

Senator BARKLEY. Those taxes for the most part have been based on present-day conditions. The sales taxes, which have been adopted by nearly 30 States, came about because of the decline in revenue from real estate and other sources, isn't that so?

Dr. TOWNSEND. Yes.

Senator BARKLEY. And those estimates have all been based on the present conditions. I know in my State they passed a 3 percent sales tax which applies to everything—food, clothing, and everything else.

Dr. TOWNSEND. It is a retail-trade tax, isn't it?

Senator BARKLEY. Yes. It means every time you buy anything, whether it is a meal, a room at a hotel, a suit of clothes, an automobile: or a plow, you have got to pay the 3-percent tax.

Dr. TOWNSEND. Yes.

Senator BARKLEY. I noticed in the press a day or two ago that the amount of income derived from that 3-percent tax is anywhere from 25 percent to 50 percent less than that which was estimated by the legislature when it was enacted. So have you made allowances for the possibility that your figures, which are based upon an immediate resurgence of the velocity of transactions until you get back to your 1 trillion 200 million, have you made allowances for the fact that it

may not work out, and if it does not work out, the treasurer has got to find the difference somewhere ?

Dr. TOWNSEND. The treasurer has got to find all differences. Here we are proposing to take 4 billion 800 million dollars out of the Treasury, or out of the borrowing ability of the United States, and dissipating it how? We propose to dissipate about 2 billion dollars of that money, we will say, in retiring 10 million old folks ; we propose to put it in a place where it will do some good to the people, where it will restore buying power to the people, scatter it throughout the United States, not dump it in great lots here and there, which cannot benefit anyone.

I ask you gentlemen to consider why prosperity is in the District of Columbia. Why is it that prices are high here and business activity strong? It is for the simple reason that money is available.. There are lots of people on the pay roll. There is no other reason in the world. Now, let us make that principle applicable to the whole country. Instead of wasting money in great lots here and there, which cannot benefit anybody except those in the immediate vicinity, let us disseminate it over the United States. We have got to do something with the army of unemployed.

Senator CONNALLY. Would not the best way to do that be to put everybody on the pay roll?

Dr. TOWNSEND. That is exactly what we are having to do.

Senator BARKLEY. Your ultimate admission, then, is to put everybody in the United States on the pay roll of the Government?

Dr. TOWNSEND. **Why not?**

Senator BARKLEY. Why do it?

Dr. TOWNSEND. Why do it?

Senator BARKLEY. **Yes.**

Dr. TOWNSEND. In order that we may live decently, in order that we may eliminate poverty.

Senator BARKLEY. You mean that everybody in the country is to be on the pay roll of the Government?

Senator HASTINGS. Senator, I do not think the doctor understood you.

Dr. TOWNSEND. I do not mean the Government pay roll, of course, I mean a pay roll of some sort.

Senator BARKLEY. You illustrated it by making a statement about the District of Columbia. They are all on the pay roll of the Government here.

Dr. TOWNSEND. They are not all on the Government pay roll. There are clerks and others here in the District of Columbia who are not on the Government pay roll.

Senator BARKLEY. The only thing that makes Washington different, if it is different., from any other city is because of the large number of people here who are on the Government pay roll. **You** cannot copy that situation in every city in the United States, however.

Dr. TOWNSEND. If you do not know that the conditions are different here in Washington from what they are in other parts of the country I wish you would travel with me a while.

Senator BARKLEY. I know, of course, that this is not a manufacturing city, it is purely a residential city. Most people in Washington depend, either directly or indirectly, on the Government. You cannot duplicate that situation in every city in the United States.

Dr. TOWNSEND. I know that, my dear Senator, as well as you do. I am asserting that because of the dissemination of money here, through the Government pay rolls, that business has come to all of the stores, all the institutions in this District of Columbia, and for no other reason. If it were not for this great pay roll, we would not have any prosperity in the District of Columbia, any more than in St. Louis or any place else.

Senator CONNALLY. Doctor, have you contemplated the question of printing new money?

Dr. TOWNSEND. I did not get that.

Senator CONNALLY. Have you given any consideration to the question of printing this new money, to pay them off with new money?

Dr. TOWNSEND. Yes. That would be absurd. There is no sense in that. We do not need it. We have all the money we need. All we need to do is to circulate it.

Senator BLACK. Doctor, may I ask you this question in connection with these underprivileged and underpaid people. I understand the chief objective is to circulate the money. I think all of us will agree that if a circulating medium is accelerated, if it is speeded up, it tends to improve business. Let us take those who have a small income. Your object is to raise the income, isn't it?

Dr. TOWNSEND. Yes.

Senator BLACK. Why would not it be fair to them to raise their income directly instead of indirectly? Why should not we, if we are going to raise this huge sum from a sales tax, or partly from it, instead of distributing it to only a limited few in the old-age brackets, why should not we give them back enough of that money to raise their income to a reasonable amount, thereby insuring the fact that they are going to have their income increased?

Dr. TOWNSEND. Then you are going to leave it to some individual or group of individuals to say what that shall be. We do not propose to do that at all.

Senator BLACK. You agree that \$500 is not a living income, don't you?

Dr. TOWNSEND. \$500 a year?

Senator BLACK. Yes.

Dr. TOWNSEND. Certainly.

Senator BLACK. Or that \$1,000 is not a living income?

Dr. TOWNSEND. It is not.

Senator BLACK. And \$1,500 is not. Everybody would agree on that, would not they?

Dr. TOWNSEND. Yes.

Senator BLACK. If we are going to have a sales tax on all the people, why not provide, then, that instead of giving some money to the older people that we shall supplement everybody's income that is under \$1,500 a year, so that it reaches \$1,500 or more? Would not that be fair to them, and would not that practically guarantee to them this income that you claim, and that all of us think they ought to have, in order to buy the goods produced by industry?

Dr. TOWNSEND. It would be a ridiculous idea to attempt to do that.

Senator BLACK. Why is it any more ridiculous to give it to them than it is to give it to the older people? Do not they need it as badly?

Dr. **TOWNSEND**. These older people have earned this retirement; they have created all the wealth that exists practically in the country today. They have given all of this to the rising generation and they should receive a better consideration than the others.

Senator **BLACK**. Let us agree on that.

Dr. **TOWNSEND**. All right.

Senator **BLACK**. Is not it also true that a man who is young now and who is producing all the wealth that must be used by the old people and the young people is entitled to have a decent wage?

Dr. **TOWNSEND**. We are going to give it to him.

Senator **BLACK**. You are going to give it to him indirectly, but if you are going to give it to him indirectly—and some of us do not think it would work that way if you put on the sales tax—have you considered the plan of guaranteeing him the wage out of the sum that he helps to create?

Dr. **TOWNSEND**. There is no way in the world you could guarantee it.

Senator **BLACK**. Could not you provide that everybody who had an income under a certain amount should get a pension, enough to raise it to the amount that you are going to give to the old people, \$200 a month?

Dr. **TOWNSEND**. We are going to put it in the hands of labor, who demands it, and I will venture they will get it.

Senator **BLACK**. They have been saying that all through the centuries, that labor would do it, but it never has.

Dr. **TOWNSEND**. Our plan has never yet been tried, sir.

Senator **BLACK**. Why limit it to people of old age; why guarantee it to the men and women who have worked in the past? You have considered that, no doubt. Have you considered guaranteeing \$200 a month to the younger people, who are contributing and who will contribute to pay Mr. Ford and Mr. Morgan a pension, the money for which is to come from a sales tax?

Dr. **TOWNSEND**. Have you got your plan for that purpose?

Senator **BLACK**. I am asking you. You are the one who has the plan. Your plan is, you say, to raise the wages of these people.

Dr. **TOWNSEND**. Yes.

Senator **BLACK**. You propose to do it by taking out those who have worked, you favor an old-age pension to those who are over 60 years of age, you propose to guarantee them \$200 a month: hoping that indirectly these people with incomes under \$1,500 will be compensated for their sales tax by an increased wage. Why would not it be fair, if you are going to guarantee \$200 a month to some, why would not it be fair to guarantee \$200 a month to all?

Dr. **TOWNSEND**. Because we could not do it; that is the reason why.

Senator **BLACK**. You could not do it?

Dr. **TOWNSEND**. No.

Senator **BLACK**. Why could you not do it? If you can guarantee \$200 a month to a man over 60 years of age, why could you not guarantee \$200 a month to a man 30 years of age who is busily engaged in working long hours for small pay?

Dr. **TOWNSEND**. For the simple reason there are too many of them.

Senator **BLACK**. There are too many of them?

Dr. TOWNSEND. Yes.

Senator BLACK. You propose that they get it indirectly.

Dr. TOWNSEND. We propose to shift the burden of taxation which we are now carrying to a group of individuals where it would do the people some good.

Senator BLACK. Yes.

Dr. TOWNSEND. We are probably carrying a burden of \$2,000,000,000 a month now for maintaining, wholesale pauperism in the United States. That is ridiculous in a land of plenty. We are not going to have that condition prevail.

Senator BLACK. We all agree to that. You propose to guarantee \$200 a month only to those who are over 60 years of age.

Dr. TOWNSEND. All right.

Senator BLACK. Why should we not also consider the millions of people who are working every day and who do not get \$200 a month? Is it fair to impose a sales tax on them when you do not guarantee that they will get \$200 a month?

Dr. TOWNSEND. We can guarantee it by the increase of business which will be available to all the people.

Senator BLACK. That is a disputed point, as to whether or not it would do it. It would not be disputed if you put it in the bill that out of the huge sales tax all the workers also would get \$200 a month. That would be direct and positive legislative assurance.

Dr. TOWNSEND. We could not do it. It is impossible. There is no use talking about it.

Senator BLACK. Then you admit there is a point where you cannot guarantee they will get \$200 a month, and you propose to give some of them \$200 a month for their past work and you are disinclined to give \$200 a month to those who produce the wealth that raises the \$200 for those who do not work.

Dr. TOWNSEND. You could not do it, it is very apparent, without starting the printing presses and increasing the vast circulating medium.

Senator BLACK. If we can produce a billion, three hundred million, could we not produce two billion, three hundred million dollars?

Dr. TOWNSEND. We shall.

Senator BLACK. Why not begin now. why not give the underprivileged and underpaid workers, many of whom are eking out a bare existence with three or four hundred dollars a year, why should not we tell them that we are going to take care of them just like we are taking care of those who have worked in the past?

Dr. TOWNSEND. Now Senator, you are building up something in your imagination that there is no reason for considering.

Senator BLACK. That is not an imagination, that there are millions of people that are not making a decent living, is it?

Dr. TOWNSEND. We do not propose that condition to prevail.

Senator BLACK. You do not propose to guarantee that it shall not prevail.

Dr. TOWNSEND. It is not necessary for us to guarantee that it shall not prevail. They guarantee it themselves.

Senator BLACK. They guarantee it by paying a sales tax to support somebody else at \$200 a month.

Dr. TOWNSEND. Yes, sir; that will do it, by guaranteeing a circulation of money.

Senator **BARKLEY.** They will look forward 15 or 20 years hence to getting that \$200 a month?

Senator **BLACK.** If they can get the \$200 a month.

Dr. TOWNSEND. Do not forget that we will abolish the \$500 a year limit.

Senator **BLACK.** If they are going to do it anyway, why don't you provide it in your bill?

Dr. TOWNSEND. It is not necessary. That should be obvious to any thinking man.

Senator **BLACK.** It would be obvious if he pays a sales tax on his meat, his bread, his biscuits, and his clothes, to pay \$200 a month to some other people.

Dr. TOWNSEND. Why, if he has a job that is paying 100 percent better than his present-day job; yes.

Senator **BLACK.** May I ask you if this gentleman is associated with you?

Dr. TOWNSEND. He is.

Senator **BLACK.** What salary does he get?

Dr. TOWNSEND. He does not get any salary. He gets his expenses of \$50 a week.

Senator **BLACK.** He just gets his expenses which amount to \$50 a week?

Dr. TOWNSEND. Yes.

Senator **BLACK.** Do you call that a salary?

Dr. TOWNSEND. You can call it a salary, but he pays his expenses out of it.

Senator **CONNALLY.** That is \$200 a month.

The **CHAIRMAN.** Doctor, why was it that you stated before the House Ways and Means Committee that this 2 percent turnover tax would get \$24,000,000,000 a year, and you now intimate to the committee that you will probably only receive a little over \$5,000,000,000 a year? What has caused you to change your mind about that?

Dr. TOWNSEND. I did not change my mind about that at all. It is very obvious, Mr. Chairman, that we cannot put 8,000,000 or 7,000,000 old folks on the pension roll immediately, and as a consequence of the slowness of getting them on the pension roll the full volume of transactions due to their spending is not going to be felt for maybe 2 or 3 years.

The **CHAIRMAN.** As I understand it, then, you do think it would raise \$24,000,000,000 a year in 2 or 3 years, but in the beginning it will probably not be over 5 billion?

Dr. TOWNSEND. We probably would not be able to get all of the people on the pension roll, either.

The **CHAIRMAN.** Do you know just how much is raised by Germany through the S-percent turn-over tax?

Dr. TOWNSEND. I could not give you that. That is one reason why I would like very much to have Mr. Doane with me.

The **CHAIRMAN.** I am going to give it to you from the reports. It is \$249,000,000 a year.

Dr. TOWNSEND. \$249,000,000?

The **CHAIRMAN**. \$249,000,000 a year.

Dr. **TOWNSEND**. Do you know how all embracing that transactions tax is?

The **CHAIRMAN**. I know the reports show they have a 2-percent turn-over tax, and that is the amount that was raised. In France last year they had a turn-over tax of 2 percent and they raised \$301,000,000. I am just wondering if your figures are not incorrect.

Dr. **TOWNSEND**. Well, now, Mr. Doane, who is an economist, will be down here the first part of the week, and he can explain that to you.

The **CHAIRMAN**. Is he on your board of strategy?

Dr. **TOWNSEND**. No; he is the man whom we employed to give us this report.

The **CHAIRMAN**. What do you pay him?

Dr. **TOWNSEND**. We have simply paid him a certain sum of money for this report.

The **CHAIRMAN**. How much?

Dr. **TOWNSEND**. \$201.

The **CHAIRMAN**. \$2018

Dr. **TOWNSEND**. **Yes**.

The **CHAIRMAN**. Have you promised to pay him more?

Senator **CONNALLY**. That is \$200 for old age and \$1 for the report.

The **CHAIRMAN**. Have you promised to pay him more than the \$200?

Dr. **TOWNSEND**. I will leave that to my treasurer.

Mr. **CLEMENTS**. **We pay** the expenses when he comes down.

Dr. **TOWNSEND**. And \$50 a day for his services.

The **CHAIRMAN**. Now, Doctor, I want to ask you a **series of questions** about your organization, because it has been quite alive and has stirred up quite a lot of discussion.

Dr. **TOWNSEND**. Certainly.

The **CHAIRMAN**. And probably some anxiety on the part of certain people in public office, a lot of people who are over 60 years of age.

Dr. **TOWNSEND**. We appreciate that.

The **CHAIRMAN**. Senator Couzens asked you about the Official Townsend Weekly that is published in Washington.

Dr. **TOWNSEND**. It is published in Los Angeles, Calif.

The **CHAIRMAN**. How long has it been set up?

Dr. **TOWNSEND**. I think that is the fourth issue.

The **CHAIRMAN**. It is the fourth issue?

Dr. **TOWNSEND**. **Yes**.

The **CHAIRMAN**. I notice in red type "Full text of Townsend bill. McGroarty introduces bill approved by strategy board."

Who was on the strategy board?

Dr. **TOWNSEND**. I could not name them offhand. We have a list of them.

The **CHAIRMAN**. What are we to understand by the strategy board?

Dr. **TOWNSEND**. It is an advisory committee of eminent citizens of Los Angeles and vicinity.

The **CHAIRMAN**. You are on that board?

Dr. **TOWNSEND**. I am the president of the board—

The **CHAIRMAN**. Not on the strategy board?

Dr. TOWNSEND. No; I am not on the strategy board. I am the president of the organization of Old Age Revolving Pensions, Inc.

The CHAIRMAN. What do you mean by "strategy board"?

Dr. TOWNSEND. Well, the best methods of getting our idea before the public and getting the approval of the public, including the Senate.

The CHAIRMAN. Propagandizing the public?

Dr. TOWNSEND. Certainly.

Senator BARKLEY. As well as Congress.

Dr. TOWNSEND. As well as Congress.

The CHAIRMAN. And one of the first steps was the introduction of this bill?

Dr. TOWNSEND. Yes.

The CHAIRMAN. This paper? what circulation did you say it had, the Townsend Weekly?

Dr. TOWNSEND. I do not know what it is now. I think about 75,000 copies of that issue were sold.

The CHAIRMAN. This is the last issue of Monday, January 28, 1935, that is the last, is it?

Dr. TOWNSEND. There was one subsequent to that.

The CHAIRMAN. How many of the last issue were sold?

Dr. TOWNSEND. I do not know. They printed 75,000, I think, of the last issue.

The CHAIRMAN. You sell them for 5 cents a copy?

Dr. TOWNSEND. Yes.

The CHAIRMAN. How do you sell them? Do you sell them through agencies over the country or do you send them through the mail?

Dr. TOWNSEND. Usually through the clubs that are formed throughout the country.

The CHAIRMAN. Now, those clubs that are formed throughout the country, how many of those clubs are there?

Dr. TOWNSEND. Some 3,000 of them at the present time.

The CHAIRMAN. Some 3,000?

Dr. TOWNSEND. Yes.

The CHAIRMAN. How do you get the clubs organized? Do you send out agents to interest the people, or is by letters?

Dr. TOWNSEND. By letters. Inquiries come in as to how to organize these clubs from the various communities and we send them out in sections by mail.

The CHAIRMAN. This organization is incorporated, is it not?

Dr. TOWNSEND. It is; yes, sir; under the laws of California.

The CHAIRMAN. And it is called the "Old Age Revolving Pensions, Ltd."?

Dr. TOWNSEND. Yes, sir.

The CHAIRMAN. Organized under the laws of California?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Will you put into the record the articles of incorporation?

Dr. TOWNSEND. We can; yes.

The CHAIRMAN. You have no objection to doing it?

Dr. TOWNSEND. No objection.

(The articles of incorporation of the Old Age Revolving Pensions, Ltd., are as follows :)

STATE OF CALIFORNIA,
Department of State:

I, Frank C. Jordan, secretary of state of the State of California, do hereby certify that I have carefully compared the transcript to which this certificate is **attached**, with the record on file in my office, of which it purports to be a copy, and that the same is a full, true, and correct copy thereof. I further certify that this authentication is in due form and by the proper officer.

In witness whereof I have hereunto set my hand and have caused the great seal of the State of California to be affixed hereto this 24th day of January 1934.

[SEAL]

FRANK C. JORDAN, *Secretary of State.*
 By FRANK H. CORY, *Deputy.*

(Endorsement : No. 57143, Los Angeles County, Calif., articles of incorporation of Old Age Revolving Pensions, Ltd.)

ARTICLES OF INCORPORATION OF OLD AGE REVOLVING PENSIONS, LTD.

Know all men by these presents :

I

The name of this corporation is Old Age Revolving Pension, Ltd.

II

The purposes for which this corporation is formed are-

(a) To promote and secure by means of education and every other means the adoption, by the United States Government and the various States thereof, of plans and laws providing for the pensioning of its citizens, and to secure improvements in plans and laws, and to obtain an effectual and efficient operation thereof; and, for such purposes, to acquire by purchase, gift, or otherwise, real and personal property of every nature whatsoever, and to enter into, make, perform, and carry out contracts of every kind for any lawful purpose, without limit as to the amount with any person, firm, association, or corporation.

(b) To promote, or aid, in any manner, financially or otherwise, any person, corporation, or association engaged in any similar purpose, or of which any shares, bonds, notes, debentures, or other securities, or evidences of indebtedness, are held directly, or indirectly, by this corporation.

(c) To borrow money, issue bonds, notes, debentures, or other obligations of this corporation from time to time for any of the objects or purposes of this corporation, and to secure the same by mortgage, pledge, deed of trust, or otherwise, or to issue the same unsecured.

(d) To carry on any business whatsoever which this corporation may deem proper or convenient for any of the foregoing purposes, or otherwise, or which may be calculated, directly or indirectly, to promote the interests of this corporation.

(e) To have and to exercise all the powers conferred by the laws of the State of California upon corporations formed under the laws pursuant to and under which this corporation is formed, as such laws are now in effect or may at any time hereafter be amended.

The foregoing statement of purposes shall be construed as a statement of both purposes and powers, and the purposes and powers stated in each clause shall, except where otherwise expressed, be in no wise limited or restricted by reference to or inference from the terms or provisions of any other clause, and shall be regarded as independent purposes.

III

This corporation is formed under the general nonprofit corporation law of the State of California and is formed pursuant to the provisions of article 1, title 12, part 4 of division 1 of the Civil Code of the State of California, and for purposes other than pecuniary profit ; and said corporation does not contemplate gain or profit to the members thereof.

IV

The county in the State of California where the principal office for the transaction of business for this corporation is to be located is Los Angeles County.

V

The board of directors of this corporation shall be three, and the names and addresses of the persons who are appointed to act as the first directors of this corporation are F. E. Townsend, Long Beach, Calif.; Walter L. Townsend, Hollywood, Calif., and Robert E. Clements, Long Beach, Calif.

VI

The number of directors of this corporation may be changed from time to time by bylaws of this corporation adopted or amended from time to time, and authority to change the number of directors by bylaws of this corporation is hereby expressly authorized.

VII

The membership of said corporation shall consist of the incorporators and those who shall hereafter be admitted to membership, pursuant to the bylaws of this corporation.

In witness whereof, for the purpose of forming this corporation as a nonprofit corporation, under the laws of the State of California, we, the undersigned, constituting the incorporators of this corporation, and the persons named hereinabove as the first directors of this corporation, have executed these articles of incorporation this 15th day of January 1934.

F. E. TOWNSEND,
WALTER L. TOWNSEND,
ROBERT E. CLEMENTS.

STATE OF CALIFORNIA,
County of Los Angeles, ss.:

On this 15th day of January 1934 before me, Sara Wingenfield, a notary public in and for the county of Los Angeles, State of California, duly commissioned and sworn, personally appeared F. E. Townsend, Walter L. Townsend, and Robert E. Clements, known to me to be the persons whose names are subscribed to the foregoing articles of incorporation, and acknowledged to me that they executed the same.

Witness my hand and official seal.

[SEAL.]

SARA WINGENFIELD,
Notary Public in and for the County of
Los Angeles, State of California.

Endorsed : No. 157104, 57143.

Endorsed : Filed in the office of the secretary of state of the State of California, January 24, 1934.

FRANK C. JORDAN, Secretary of State,
By CHAS. J. HAGERTY, Deputy.

Filed February 6, 1934.

L. E. LAMPTON, County Clerk.
By F. E. MORGAN, Deputy.

No. 57143 (CORP.)

STATE OF CALIFORNIA,
County of Los Angeles, ss.:

I, L. E. Lampton, county clerk and ex-officio clerk of the superior court within and for the county and State aforesaid, do hereby certify the foregoing to be a full, true, and correct copy of the articles of incorporation of Old Age Revolving Pensions, Ltd. (as certified by secretary of state of the State of California) as the same appears of record, and that I have carefully compared the same with the certified copy.

In witness whereof I have hereunto set my hand and affixed the seal of the superior court this 31st day of January 1935.

L. E. LAMPTON, County Clerk.
By G. F. COOPER, Deputy.

[SEAL.]

Senator BARKLEY. Why do you call it "Limited"?

Dr. TOWNSEND. I do not know.

Mr. CLEMENTS. Shall I answer that?

Dr. TOWNSEND. Yes.

Mr. CLEMENTS. Being an eleemosynary corporation, the liabilities are limited to the assets of the corporation.

Senator BARKLEY. What are the assets?

Mr. CLEMENTS. The assets of the corporation vary from time to time, of course.

Senator BARKLEY. Has it any capital stock?

Mr. CLEMENTS. No capital stock. It is not necessary to have capital stock for an eleemosynary corporation in California.

The CHAIRMAN. So there was no money put into it by the incorporators, then?

Dr. TOWNSEND. Very little.

The CHAIRMAN. How much?

Dr. TOWNSEND. Perhaps a hundred dollars or so.

The CHAIRMAN. Who put that hundred dollars in?

Dr. TOWNSEND. I did.

The CHAIRMAN. Now, your main office is at Los Angeles?

Dr. TOWNSEND. Yes.

The CHAIRMAN. How many branch offices have you?

Dr. TOWNSEND. We have no branch office to this corporation.

The CHAIRMAN. None at all?

Dr. TOWNSEND. No.

The CHAIRMAN. You have agencies established all over the country?

Dr. TOWNSEND. No.

The CHAIRMAN. None at all?

Dr. TOWNSEND. We have no agencies. These "clubs," so called, are independent organizations.

The CHAIRMAN. Yes. What are the membership fees or dues?

Dr. TOWNSEND. There are no regular dues. We get the people together and request them to put in 25 cents, for which we give them one of our propaganda booklets, which retails for 25 cents.

The CHAIRMAN. Are any dues paid after that?

Dr. TOWNSEND. None whatever.

The CHAIRMAN. That is all it costs to join this organization?

Dr. TOWNSEND. That is all.

The CHAIRMAN. Then they are supposed to help in the propagandizing of the country?

Dr. TOWNSEND. Yes.

Senator BARKLEY. Who is eligible?

Dr. TOWNSEND. Pardon me?

Senator BARKLEY. Who is eligible for membership?

Dr. TOWNSEND. Anybody who can vote.

Senator BARKLEY. So it is not limited to those over 60 years of age?

Dr. TOWNSEND. Oh, bless you, no. Forty, fifty, or sixty percent of our signers are below 60.

Senator BARKLEY. You have about 3,000 organizations?

Dr. TOWNSEND. Approximately that, I think.

Senator BARKLEY. What is the average membership?

Dr. TOWNSEND. I could not tell you that. They run as high as 1,200 in certain organizations, or I guess as high as 2,600 in certain organizations. One hundred is the minimum.

Senator BARKLEY. And you claim how many total members?

Dr. TOWNSEND. The total number of members in the clubs?

The **CHAIRMAN**. How many paid-up subscribers?

Dr. **TOWNSEND**. Well, I suppose you could probably average them at **150** to the club.

Senator **GERRY**. How much does your book cost to get out, that you sell for 25 cents?

Dr. **TOWNSEND**. Around 2 cents.

The **CHAIRMAN**. How many paid-up subscribers are there in the organization?

Dr. **TOWNSEND**. Well, figuring 3,000 times **150**, that would just about give it.

The **CHAIRMAN**. That is about 1,500,000, is it?

Dr. **TOWNSEND**. Oh, no; it is 450,000.

The **CHAIRMAN**. Paid-up subscribers?

Dr. **TOWNSEND**. Yes.

The **CHAIRMAN**. And they pay 25 cents each, is that right?

Dr. **TOWNSEND**. Yes.

The **CHAIRMAN**. Now, what has become of that money?

Dr. **TOWNSEND**. We started this club organization work at 12½ cents and probably about half of them went on the 12½-cent basis. Then it was agreed that we raise it to 25 cents.

Senator **BARKLEY**. Was that 12½ cents paid in money?

Dr. **TOWNSEND**. Here is a report, gentlemen, of all the moneys that we received, according to a certified accountant, and all of the disbursements.

The **CHAIRMAN**. That is brought up to date?

Dr. **TOWNSEND**. This one was issued on January 30, 1934.

The **CHAIRMAN**. All right, put it in the record.

Dr. **TOWNSEND**. That is January 30, 1934, to October 31, 1934, inclusive.

Senator **CONNALLY**. It does not show last November?

The **CHAIRMAN**. This shows the total receipts to be \$37,893.58, total disbursements of \$28,058.59, and a balance of \$9,834.99.

Dr. **TOWNSEND**. We have since then made another audit. The other audit will be out now in a few days. It is in the process of being made now, so that will include what we have done since.

(The statement referred to by Dr. Townsend is as follows:)

Receipts and disbursements Old Age Revolving Pensions, Ltd., clubs and extension accounts Jan. 30, 1934, to Oct. 31, 1934

Balance on hand Jan. 30, 1934		\$7. 89
Receipts :		
Old-age revolving pensions :		
Petitions, books, literature, etc	\$9, 591. 64	
Donations, memberships, collections, etc	2, 025. 30	
Accounts, receivable	7, 442. 36	
Contributions (extension account)	1, 119. 00	
Subscriptions, refunds, etc	1, 347. 12	
		21, 525. 42
Clubs :		
Dues, books, literature, etc	7, 701. 30	
Refunds, etc	455. 33	
		S, 156. 63
Extension :		
Donations, club--	1, 327. 40	
Mass meetings, radio contributions, collections, etc	6, 876. 24	
		8, 203. 64
Total receipts		37, 893. 58

Disbursements :

Old-age revolving pensions :

Salaries-----	\$2, 252. 58
Rent and rentals-----	663. 18
Postage and express-----	1, 714. 91
Utilities-----	159. 15
Printing-----	5, 466. 71
Buttons-----	112. 61
Organizers and organization expense-----	7, 388. 77
Legal-----	84. 70
Advertising-----	205. 15
Janitor-----	54. 75
Office supplies-----	649. 06
Taxes-----	167. 71
Miscellaneous-----	357. 60
Telephone and telegrams-----	140. 94
Commissions-----	706. 13
Refunds-----	117. 34
Accounts payable-----	741. 21
	\$20, 982. 50

Clubs :

Organizers and organization expense-----	1, 345. 36
Modern crusader-----	997. 001
Salaries-----	219. 9s
Printing-----	392. 07
Furniture and fixtures-----	125. 00
Postage-----	32. 64
Rentals-----	17. 04
Refunds-----	19. 3s
Miscellaneous-----	19. 30
	3, 167. 77

Extension :

Organizers and organization expense-----	2, 369. 61
Public meetings-----	851. 68
Printing-----	177. 05
Radio-----	508. 75
Miscellaneous-----	1. 23
	3, 908. 32

Total disbursements-----	28, 058. 59
Balance (accounted for as follows)-----	9, 834. 99
Citizens' State Rank, Long Beach-----	9, 767. 30
Stamps and petty cash-----	67. 69
	9, 834. 99

I hereby certify that the above statement of receipts and disbursements of the Old Age Revolving Pensions, Ltd., Townsend Clubs, and extension accounts for the period January 30, 1934, to October 31, 1934, is true and correct to the best of my knowledge and belief.

RAY S. McALLISTER,
Certified Public Accountant.

Senator BARKLEY. Do you have organizers out throughout the country?

Dr. TOWNSEND. We have two or three out now. We haven't been able to employ many of them.

Senator BARKLEY. When you want to organize a club, or clubs, in any community, who takes charge of that?

Dr. TOWNSEND. The people themselves take charge. They elect their own representative, their own secretary, and their own president.

Senator BARKLEY. Does anybody in this locality get any part of the 25 cents for looking after the organization?

Dr. TOWNSEND. Not unless they establish some organization themselves for raising the money in their own territory.

Senator BARKLEY. They do not get any part of your quarter?

Dr. TOWNSEND. No.

Senator CONNALLY. Who is Will D. Scott?

Dr. TOWNSEND. He is one of our organizers.

Senator CONNALLY. What salary does he draw?

Dr. TOWNSEND. He is getting \$25 a week and his expenses.

Senator CONNALLY. Now, he is down in my State—down in Texas now---and I have some newspaper reports from down there.

Senator BARKLEY. He must be a member of the strategy board.

Senator CAPPER. Does the report show how the money is spent?

The CHAIRMAN. Yes; it is itemized.

Senator CONNALLY. It says:

Jasper, Ala., will be visited by Scott next week to push organization in order to get Senator John H. Bankhead in line. Jasper is Bankhead's home.

Was he sent there at your direction to do so?

Dr. TOWNSEND. I haven't had the direction of these men at all.

Senator CONNALLY. You are the president of the organization, aren't you? This is the board of strategy.

Dr. TOWNSEND. I delegate all of this sort of work to others.

Senator CONNALLY. It also says:

Organization of Townsend clubs is being pushed in the Dallas area and in the Abilene section in order to show Congressmen Hatton W. Sumners of Dallas, and Tom L. Blanton of Abilene, that their constituents demand the legislation, Mr. Scott said. He was at the Adolphus Hotel Saturday contacting local leaders.

Scott was little concerned over what he admitted the opposition of President Roosevelt to the Townsend plan. He said that the President "is going to do what the people want him to do." Petitions for the plan now have 20,000,000 signatures, he declared, and the number will be 35,000,000 to 40,000,000 by June.

"We have enough Congressmen signed up to bring the bill up for vote", Scott said. "It's going to be bad for some Congressmen and Senators if the bill doesn't pass. All we want is a fair and square hearing and no gag rule imposed. There has been much misinterpretation of the plan in newspapers, but that is going to make no difference."

Dallas has 78 Townsend clubs, averaging 100 members each, and 20 in course of organization, Scott stated. Surrounding towns have two to three clubs. Houston has 32 clubs, and 31 more are being formed, he said.

"All of our efforts in behalf of the Townsend plan are being carried on in orderly fashion", Scott said. "It is simply a question of getting Members of Congress to follow the wishes of their constituents.

"An organized minority can whip an unorganized majority, and we are organized."

That is from one of your organizers. Do you approve those sentiments?

Dr. TOWNSEND. He has probably exaggerated the number of Congressmen that they have signed up. I do not know whether any of them have been signed up.

Senator CONNALLY. He says, "We have enough Congressmen signed up." How do you sign up a Congressman?

Dr. TOWNSEND. I wish you would tell me.

Senator CONNALLY. Does he go before a notary public and sign a pledge?

Dr. TOWNSEND. I say I wish you would tell me.

Senator CONNALLY. Your man here says you have already enough Congressmen signed up.

Dr. TOWNSEND. Well, the man is mistaken.

Senator BARKLEY. That would not be a financial transaction that would bear the 2-percent tax, would it ?

Dr. TOWNSEND. I do not think so.

The CHAIRMAN. Are there any other contributions to these clubs that you organize over the country?

Dr. TOWNSEND. Contributions from the clubs?

The CHAIRMAN. To the clubs. I am just trying to get whether there is any other source of revenue to your organization.

Dr. TOWNSEND. Yes; there has been a suggestion which has raised some money for maintaining our expenses here in Washington. We have made an appeal to the clubs to raise a certain amount of money.

The CHAIRMAN. How much has been raised from that source ?

Dr. TOWNSEND. About \$11,000.

The CHAIRMAN. Is that included in this report?

Dr. TOWNSEND. No, sir.

The CHAIRMAN. Why not?

Mr. CLEMENTS. Pardon me, Mr. Chairman, I would like to answer that. The doctor is not at all familiar with that part of it.

Senator COUZENS. Give your name to the reporter.

STATEMENT OF R. E. CLEMENTS, REPRESENTING OLD AGE
REVOLVING PENSIONS, LTD.

Mr. CLEMENTS. Robert E. Clements.

The CHAIRMAN. Are you on the board of strategy, Mr. Clements?

Mr. CLEMENTS. No, sir; I am secretary and treasurer of the corporation.

The CHAIRMAN. Do not forget to put into the record the composition of that board of strategy.

(The following is a list of the names of the members of the Strategy Committee of Old Age Revolving Pensions, Ltd. :)

C. H. Randall, chairman, Los Angeles, Calif.
Frank A. Arbuckle, Santa Monica, Calif.
W. D. Wood, Los Angeles, Calif.
C. N. Johnston, Los Angeles, Calif.
George A. Snow, Los Angeles, Calif.
W. H. Mitchell, Los Angeles, Calif.
H. H. Fuller, Santa Monica, Calif.
E. F. Zimmerman, Los Angeles, Calif.
Max Lowenthal, secretary, Los Angeles, Calif.

Dr. TOWNSEND. All right.

Senator BLACK. Mr. Chairman, has he been sworn ?

The CHAIRMAN. None of the witnesses have been sworn.

Senator WALSH. Let him make a statement about the money.

The CHAIRMAN. Go ahead.

Mr. CLEMENTS. You want to know what funds have been raised by the clubs outside of their initial purchase of a booklet?

The CHAIRMAN. From any source, I do not care which. It would seem to me that this proposition has gotten a lot of money somewhere. We just want to know the sources from which you receive the money, and how much.

Mr. CLEMENTS. If you will pardon me, Senator, you say "a lot of money." I do not understand just how much you mean by "a lot of money." We have taken in approximately \$50,000, and we