

'standards of living for the workers in those States. We do not regard social security as a cure-all, but we do regard it as a necessary part of industry.

The CHAIRMAN. Mr. Williams.

STATEMENT OF ERNEST WELLS WILLIAMS, WASHINGTON, D. C.

The CHAIRMAN. How much time do you want?

Mr. WILLIAMS. Possibly 15 minutes.

Senator KING. Are you one of the witnesses that Mr. Emery referred to yesterday?

Mr. WILLIAMS. I could not say.

The CHAIRMAN. Be as brief as you can, Mr. Williams.

Mr. WILLIAMS. May I refer to these charts in my brief talk?

The CHAIRMAN. Yes.

Mr. WILLIAMS. Mr. Chairman, Senators of the committee, ladies and gentlemen.

I should? perhaps, briefly introduce myself, regardless of the limitation of time in this hearing. My name is Ernest Wells Williams, my address is 1228 I Street, Washington, and I appear in what I hope may be considered somewhat of a technical capacity. Although I have never publicly admitted to being an economist, political or otherwise, several discoveries which I am suspected to have made, affecting the views of an unknown number of people as to the relations between government, people, business, and capital, have led to my being accused of being some kind of an economist.

I may say, however, that what I myself, and some others also, consider the most vital of these discoveries, or rather the uncovering of certain economic principles, involve directly the most fundamental principles and purposes of this economic security bill, not only as to its taxation features, but elsewhere.

May I also say that the name of this bill indicates plainly its true nature and purpose. It should be the second chapter of the national recovery plan. There is admitted to be a desperately urgent need for a fundamental and great change in economic conditions. If a fundamental and important economic error, about the evil effects of which there could be no question, could be discovered and pointed out to this Congress, that error might be safely corrected, with the result; that a safe, immediate and beneficial change would be possible.

May I now have the privilege of for the first time making public an economic error of just that sort—a basic error, which led, as such basic errors must always lead, to further errors and a host of evil economic consequences, all of vast magnitude? All the means for the correction of that error are in your hands—honest, lawful means for effecting this change; and this proposed change appears, further, to be exactly in accord with the fundamental principles and I might say "ideals" which the framers of the American Constitution and the founders of the American Government must have had in mind.

With the correction of this error, I believe a very great wrong to the American people, to the Congress, and to the American Government will have been righted. It is not required that this wrong be corrected in a vengeful manner, which it may deserve, but only permanently corrected.

How fundamental this error is may be best shown by the first drawing on page 1 of the folder I have handed you. There is an illustration of a group of people. Each of those units, let us say, is a family group, each family able to produce its needs, and build its own home, and defend itself from ordinary dangers.

It is natural that for additional protection, primarily, they should place themselves in communication with others, and a government which would make laws, and weigh their respective rights, and coordinate the means for their defense becomes a necessity, and that government is shown there in its natural position. This most democratic government is answerable to each of those people, yet its power, being the delegated power of the entire group, necessarily is greater than any one of that group.

The first responsibility of that government, after guaranteeing to the best of its ability the personal safety of each of the group, becomes the protection of their property rights. The land which they clear by their own efforts to produce food for themselves and their families—the house which one individual builds for himself—each one's claim to his lands and his home that government in justice may guarantee.

It is also plain that one of this group might build a better home, or clear more land, or clear it better, than his neighbor ; and it is in accordance with American principles of justice that even an unequal ownership of that character should be protected. It cannot be held that it was the original intention that all the people in the United States should, regardless of their industry, or their thrift, or their enterprise, remain at a common level. By other principles of government than those, thrift and industry and enterprise would have been penalized, and laziness and self-indulgence and extravagance would have been unduly furthered, and that was not in accord with the strict training and precepts of the founders of the American Government.

It was natural, then, that some would, therefore, have too little, and some would be possessed of sufficient for their needs ; but, gentlemen, that did not change the picture. The status of government does not change in protecting that type of property rights, and there is a general agreement by people in the justice of that type of difference in possession even though it involves a condition of inequality.

The protection of such unequal ownership might have seemed unjust in individual instances ; but the American Government has always stood firm in the protection of the rights of ownership. The justice of this has not been questioned by the vast majority of the American people.

It was natural, in the course of time, that one should obtain more than his fellow & create by his own industry and thrift more than he used ; something for him to save and lay aside for a rainy day. It was only in that manner that he was able to create an assurance of continued plenty and comfort for himself and his family. Such industry and thrift was in every way commendable—and no fair-minded American, either then or now, would question the property right, the justice of the ownership of the surplus so created ; yet at that moment a new element entered, which has not heretofore been considered, if it has, in fact, been recognized.

The picture changed to illustration no. 2. Very suddenly there had appeared a fundamental change in the relationship of government, people, and property, and it happened very naturally, and it was not recognized.

Almost immediately it changed again, very naturally, as I have pictured in the third illustration. The surplus created had been rented, if it was an extra house, to another of the group who needed it as a home; and although possession changed, ownership did not change. The service of owning the surplus house and renting it to the one who needed it was the natural condition! and accepted without question as completely equitable; and the Justice of the transaction was not questioned.

Ownership of a surplus which one does not use himself-for which he has no immediate need, has not been considered a major crime. It has been considered good fortune and a happy condition which all might well strive to attain. The centralization of wealth in a social group, of which, of course, the United States may be considered an example, has been considered more as an unfortunate condition than as an unjust condition. It has been recognized by some as socially undesirable. But with that centralization of wealth, unjust things seemed to occur which had not before occurred. It is now possible to picture it, in definite form, and clarify the causes of those unjust things occurring.

Picture no. 4 also has been considered to be a basic picture, quite important economically. It may be considered a picture of centralized ownership; where one individual, or one group, perhaps, has a surplus over immediate needs, or in excess of his own use, and the others of the group are receiving, and paying for, the benefit of the use of his possessions, either through the payment of rental on a definite property, or as interest on a mortgage or bond. It will be noted that the Government has also issued bonds, in order also to receive the benefit of the use of the wealth of one individual or group.

This picture, gentlemen, is not a picture of a possibility. It is a picture of what has happened and is the exact condition of today. It is in full accord with present constitutional interpretations of property rights, and until this time the full justice of those past interpretations has not been widely questioned. It seems, even from the picture, and even as we know the condition, that all the parties involved, the Government itself included, are receiving and doing full equity. Actually, however, both this condition and its illustration here contain the error of which I have spoken; and the picture itself is, in fact, final proof of how deep that dishonesty and inequity were and are hidden from view.

I would not exaggerate the importance of a condition before this committee ; yet I believe I would not be blameless were I to fail to stress in the utmost degree the importance of this hidden shoal which is in this picture at present and cannot be seen. It is, in fact, the shoal upon which all modern democratic governments have run headlong; and each of those many " ships of state ", gentlemen, is still quivering from the shock of that blow. The discovery of that condition creates a necessity, not only in the United States but elsewhere, for the action in similar instances which is universal-where a citizen, always before recognized as a fairly desirable citizen,

suddenly is discovered to be a very bad citizen. Regardless of his past acceptance as a desirable member of society, he suddenly finds himself confined in a very strong jail, regardless of his past reputation for good citizenship before his true character was discovered.

An error in this basic picture, gentlemen, and all the benefit of any good which might seem to be traceable to that error, would be overbalanced a hundred times by the multitude of minor benefits certain to spring out in most unlooked-for places. The presence of an error in this basic condition, long accepted, would inevitably result in a multitude of major evils; the correction of an error found here, so basic, would necessarily and without question immediately result in a terrific and immediate change for the better. There could be no question of the desirability and necessity of its immediate correction.

The CHAIRMAN. Have you your statement written out?

Mr. WILLIAMS. If I may read but 1 minute more, I shall then be finished.

The CHAIRMAN. Then you can put the rest in the record.

Mr. WILLIAMS. Thank you.

How well this inequity is hidden, gentlemen, at least must be apparent. Even imagining a 'war, in which this little group of people leave their homes—their rented and mortgaged homes—does not disclose any inequity. While these people are away from their homes, the accepted justice of the contract remains in full force and effect between all the parties; and therefore, when they return from that necessarily small war, they are in arrears in their interest and their rent.

They did not start the war, and neither did anyone of the group, nor the Government. It "just started itself"—as wars have a senseless habit of doing. Certainly it was no fault of the owner of the property or the holder of the mortgage; and why should he bear any damage, in full or in part, 'because of this enforced absence? The answer—the only answer—is that the back rent—the back interest—must be paid immediately, as called for in the bond. In this demand, and its enforcement, the Government would naturally concur. Property rights and the sanctity of the contract leave no other course open.

Yet, let us have another war, in which the little group is defeated, their government destroyed, all the property destroyed, and measure the losses. Surprisingly, then, it is apparent that the only possible loser is the owner of the property—the holder of the mortgage and the owner of the houses. There was the basic error; and this is the inequity, that suddenly it is apparent that this protective service which has been so freely given by the government, using its people for its defense, has been a very valuable, and terribly costly, service and protection; and further, that neither government nor people have been recompensed in any manner for the vast service rendered to this particular type of property ownership. This further inequity, also, that instead of paying for this service in its protection, ownership of this type has taken full advantage of its every opportunity to impoverish the government and people who have protected it; and the right to so impoverish these necessary protectors, has been held to be a definite property right.

The **CHAIRMAN**. Thank you very much, Mr. Williams. You can put the balance of your statement in the record.

Mr. **WILLIAMS** (continuing). Mr. Chairman, no form of ownership has or should have that right. The ownership of the home, the farm which is a man's source of livelihood, the necessities and even luxuries which people use have not that right; and it is not a property right and must not longer be considered a property right. It is not now, and never has been, a property right. It has been a property-ownership opportunity, and that opportunity must be removed, definitely and immediately, by this Congress. The conditions of equity in ownership must be weighed now on new scales, or else the social-security or economic-security bill will not be worth the paper upon which it is written, because there can be no economic or social security while that condition exists.

Such a change, such a fair and equitable change, may well be welcomed by rich and poor, by the business man and each of his patrons, by the professional man and each of his clients.

By this change ownership is at once made safe and desirable. The ownership of stocks, bonds, or any other kind of type of property, whether centralized or wide-spread, as a definite and desirable form of permanent savings, for the first time in history becomes a type of permanent wealth. In all past history their possession, due to their fluctuations and frequent entire loss value, and the frequent entrance of depressions and financial cataclysms into the picture, has made the possession, of any and all types of wealth almost a momentary condition in many instances; followed by the complete loss of that wealth and, also in most cases by his reputation among his fellows and by the loss of his own respect also.

The possession of wealth under such new conditions, safely exempted from taxation in the form of stocks and bonds, may be considered a very happy state? only slightly differing from the present condition of receiving an income to be immediately taken away in taxes and in capital losses; but with a very great addition in the element of safety to that wealth and savings.

It is plain that people not possessed of this type of ownership, "capital" ownership, are nevertheless self-protective-can defend themselves, build their own homes-and joined under a strong government, can and do protect additional property; yet this property ownership to which both Government and people have in the past been paying terrific tribute, it is now apparent, cannot and dare not leave that protection heretofore freely given by people and Government, because it cannot defend itself. It must depend upon the people of the organized group and their government for that protection.

The newly uncovered inequity of that simple picture immediately led, then, to a simple but important and plain conclusion-that capital is not necessary to people, but people are necessary to capital. It may be plainly said, it has become plain, that governments and people have gone very far along a very ridiculous path, because the simple truth of that fact has not been recognized. Only for the record I point out at this time that there is, necessarily, a physical limit to the protective ability of this or any other group; yet there is no apparent limit to the quantity or value of the property which might come to be a part of this "surplus" square.

I turn from this for a minute, while I place this group in a position of first directly producing their own living and then trading some or all of their production, and I will thereby attempt to clarify another condition and indicate the extent to which this long-accepted inequity affects other conditions.

The first picture on page 2 is 'of a primary group, without trade, self-supporting on their own farms, building their own homes. That this is a possible condition is the knowledge of each one here, and no arguments will overturn it. It is an interesting and, may I say, a very brave part of the history of this country. As individual 'Americans they defended themselves; as a group they were able and did defend each other, and at the same time they were able to produce a livelihood for themselves and for their families.

I need not explain the next picture, no. 2, of trade and barter starting between these people, when they were fairly close together; and I do not attempt, particularly, to justify the third picture. It is of a completely productive group, their needs coordinated with their production, and trading through this "trading post" in the center. That "general store", which all you gentlemen doubtless remember so well, perhaps was once the complete business machine of some little group of which you were a member. Cut off, to a great extent, from outside sources, I may point out that all the elements of "industrial control" and all the elements of the control of trade and commerce of the N. R. A. are in fact completely exercised by this small group upon this "general store" which was, in effect, the entire business machine—even the "banking system!" That is picture no. 3.

The next picture, no. 4, is of an individual trade passing through that "trading post" or "general store." The trade must "pass through" that trading post in exactly that fashion; and it must also pass through the subdivided business machine, shown in picture no. 5, which is today returned, rather suddenly, to the same salutary public control, through government, as was effective in picture no. 3.

Picture no. 5 may be said to be a picture of the N. R. A. and industrial control.

In connection with the taxation features of the economic security bill, I invite your special attention to this picture no. 5. It is easy to see, there, that any tax upon industry, upon the business machine, immediately tends to stop trade from passing through. Each addition to costs in that exchange machine, whether by taxation, interest charges, inefficiency of any functional part, or "speculative profit" adds to the difficulty of "business" accomplishing its natural and necessary function, of engineering the exchange of production.

The "deduction-from-pay rolls" tax feature, in addition, appears to be a direct attack upon an already wrecked market, the wage and salary class, even though they are employed. It is a market normally composed of people who are producing wealth or rendering essential service, who normally should be a buying market. That market has been destroyed by a condition which I illustrate in the next picture. Its further destruction by taxation, or any other means, is impossible at this time. It is already completely destroyed, and must be rebuilt.

It is for these reasons that the taxation features of the present bill appear to me to be unfortunate, to say the least.

The first picture on page 3 is a picture of today under the present accepted conditions and terms of centralized ownership ; a picture of a constant and heretofore accepted accumulation by " capital " of the reward of production. It is also a picture of destroyed markets, of impoverished and bankrupted business, the wreckage largely owned or controlled by the banking system.

It is a picture, also, of a desperate and angered people, and of a government endeavoring to keep starvation away from an army of unemployed, and at the same time facing reduced income and the necessity of frenzied financing ; all the people, all business, desperately endeavoring to sell at a high price and buy at a low price, to pay the charges which have heretofore been believed to be equitable and just charges, of " capital.,,

The producing people have nothing or little left of their production to trade. If they have it to trade, their market has been destroyed and the " costs " of the exchange machine, the business machine, largely " capital charges " and " financing ", tend to make trade impossible.

I can assure you, gentlemen, that this is a temporary picture. It changes very suddenly, also, when it changes. It flies all to pieces. You may accept this picture as a true picture, and accept that as a true statement, or you may accept the statement of the United States Chamber of Commerce, and the beliefs of many trustful and optimistic people, that business is on the upgrade, and prosperity is now really around the corner, and that all we have to do is wait.

By the uncovering of the new principles of equity, which are now made available, this picture can be changed immediately by the Congress to this picture,, no. 2, on page 3. That possibility, I hope you will agree, is rather fortunate. It is a picture of national solvency and safety, while the picture above is a picture of national insolvency and danger. The picture below is one that will not suddenly explode.

I would say, as among the reasons that it will not explode, that it is a picture by which men are able to obtain wages and salaries which they have never believed possible, and support their wives and children, and buy homes, by work, by producing wealth, or by performing their functions honestly and efficiently in the business machine and by enterprise.

In this picture I see no necessity for mothers and daughters and sisters to work all day in the factory to aid in the support of the family. The children seem to have shoes, and people own their own homes.

I do not apologize for this second picture. It is honest and it is respectable, and it will not explode. The other picture, gentlemen, I say is ridiculous. It is dishonest. It is liable to explode at any minute.

I turn back to the first type of picture, on page 3, however, because it is easier to give a new understanding of these principles by the use of these illustrations.

You gentlemen, I know, will be the first to agree that government, to be safe and permanent, must represent the desires of its people. People do not desire to be robbed of their possessions,

nor shot at indiscriminately while they are in the peaceful performance of their duties and pleasures. Therefore there are laws against robbery, and indiscriminately attacking one's neighbors, and those are basically correct laws.

The protection of ownership and property rights is of this basic nature, and the uncovering of any new principles concerning the natural relationship of people to ownership is of immense importance. For the first time, now, we can see that there is good ownership and bad ownership—it is no longer simply ownership.

Two, or twenty, or a million individuals, without property, wisely join forces for mutual protection against the possibility of a common enemy. And that, I point out again, is the primary reason for people combining into groups, to be able to protect themselves against forces which would destroy them, individually. It is not primarily for business, religious, nor political reasons. It is primarily that one of mutual defense. It is not for the protection of property, but for the protection of life. It is apparent that this protective service stood out more clearly in the condition of frequent and more or less public backwoods skirmishes, as when this Nation was founded, than where and when wars occur only once or twice in a generation—but the condition actually is the same.

A law that said that each man must do his part in such a battle, and that each must join in, for the safety of the group, would be an acceptable and just law. Any two, for example, as I show in the first picture on page 4, would accept that law as advantageous to both.

If they both had property, it would be acceptable; and in the second picture, they are not only willing to protect each other's property, but they will accept taxation for their mutual benefit.

The relation becomes slightly more complicated in the third picture. The first man has no surplus, and yet is not in debt. The second man is in debt, and the third has a surplus.

With the old equity now overturned, the necessity is just what portion is each naturally willing to protect—and the functions and taxation needs of government enter the picture as an important element.

No. 3, of course, is willing and anxious to have all ownership protected indiscriminately. But what is no. 2 willing to protect, and what may he be justly called upon to protect, in this new equity? And what is no. 1 willing to protect?

At this point, gentlemen, without burdening you with the details leading up to just how any basic principles were uncovered, I will say this about the entire group. They are all willing to protect the things the other owns and uses. It happens that is not only a very scientific common denominator, but it is, to use a common term, second nature, to a degree which is amazing.

There are apparently no exceptions to this rule. It is a very democratic principle, in its workings. A man will rush from his 1-room home to aid in extinguishing the fire in his neighbor's 10-room home; and the neighbor will rush back with the same enthusiasm, and aid in the extinguishing of the fire in the 1-room home. But, if either of them owns, but does not use, one other house, or 10 other houses, that relationship does not enter as to the extra house, or houses. It is not a matter of personal acquaintance, or knowing

the same people, or for any other really sensible reason. It is more or less like the hen taking care of her own chickens.

It is, in fact, simply a natural acceptance of the mutuality of interest by a member of a group of people. The things that a person owns and uses are definitely within this circle of mutuality of protection; and the things that a person owns and does not use are just: as definitely outside this circle of mutuality.

Even stranger than this is the natural extension of this principle, in to business. The business, the property, the real estate and equipment used in "honestly exchanging I-rendering acceptable service, and actually acknowledging its responsibility to the people it is supposed to serve, performing its business function, is automatically included by people in this natural mutuality. The business being run entirely "for what there is in it for me" type, by its owner, is outside that circle of mutuality. Even whether or not a person is employed there himself does not affect that relation.

There is another class of property that by its very nature must be outside this circle of mutuality. The vacant land, whoever owns it, is always outside. The mortgage, the stock, the note, are outside. But the home, the private automobile, or even two automobiles, and even what may be called luxuries, if used, are inside that circle.

The home of a man's worst enemy is inside the circle of his protection—and the mortgage on that home, even though that mortgage may be owned by his best friend, is outside that protective circle.

The uncovering of these definite principles makes somewhat simpler this matter of social security. People are not only naturally willing to protect each other, but they naturally assume the responsibility of protecting the ownership of the things in use; and as definitely refuse free protection to the ownership of things not used.

This large square, then, is composed of things owned but not used by the owner; in that square is the "business run for what there is in it for me" type, and "X" is not only the individual himself, but the things he owns and uses, and "X" is also the business with a satisfactory code—a public utility type of business, performing its functions as directed under public supervision.

This mutuality distinction is as distinct as if cut with the sharpest knife ever made:

The protective service necessarily furnished by Government and the group, therefore, automatically makes this "surplus property" class the natural source of taxation, hardly taxation, but instead, just compensation for service rendered.

Returning now to the third illustration on page 4, it is plain that the "service rendered charge" could be made directly by Government; the amount of this charge may be justly guided by the interest rate which has long been accepted as the essence of justice. But this would tend to prevent people from accumulating a competence from their greater industry and enterprise, and it seems desirable, in justice, to remove this protection charge, this tax, if the property outside this mutuality circle were placed inside it.

If the house, which was outside the mutuality line, becomes a home, inside it, perhaps this would be a welcome escape, and a just escape, from this protection taxation charge.

We must consider also the first individual, with ownership of his property, all inside the circle. The Government, to which he had been contributing before, had suddenly found a better and more equitable source of taxation—and now Mr. X-2 had removed the possibility of he himself directly benefiting. Apparently X-2 had received more than his share of this “new deal.” Why should X-2 not be considered as a proper contributor, in some degree? He had been paying 6 percent. and probably more, in interest. X-1 was not demanding much, but that was not equity to him.

X-2 suddenly found himself paying 2 percent to the Government on the face of his mortgage; but his taxation and interest problems were ended with that. Most certainly, also, he is receiving a definite service for his 2 percent.. And X-1 is satisfied. Apparently X-1 is receiving tax exemption for his protective service, X-2 is paying for the protective service of the group, of which he is now one of the chief beneficiaries; and X-3 is tax exempt on as much of his owned surplus as he wants to be, tax exempt on his owned and used property, and paying a small protection charge for the balance. Business seemed better exempted from this 2 percent which applied to Mr. X-2.

These principles, leading to new and honest relations between these three, transferred even the present ruinous conditions shown in the first picture, on page 3 create the second picture so suddenly, with so little economic disturbance, that it seems impossible. The Government of the second picture can pay its old-age pensions from its Treasury ; and the unemployment problem is gone—until people are living in homes instead of rooms.

The idea of the United States Government, even in the difficulties so clearly apparent, paying a few of its people for the privilege of keeping their property for them in the safest place in the world, is ridiculous.

Interest has been outlawed, by name and with full intent, at many periods in many countries. This fact is more generally known than advertised. That it has not been considered a vital factor in the creation of a depression is due to its effects being hidden. It slowly destroys markets, slowly increases taxation, slowly brings government under its power; slowly takes the reward of their production away from people ; and during all these exploits, it has every appearance of being perfectly equitable in every way.

Its thoroughness is nothing less than amazing.

In every way it is deceptive. An interest rate of 25 percent per year, when people own their own homes and farms, business property is owned by business men, and there is no national, State, or city debts—all these are conditions in a new country—that 25 percent interest rate has no economic effect, because no one pays it.

On the other hand, combine a centralization of ownership and a 6 percent interest rate, and the situation becomes ruinous, and people and business and Government itself find themselves paying a large share of their income to the ownership of their homes and farms and businesses.

The differential between wages and prices, increases. The Government finds itself burdened with embarrassing obligations to private capital. People try to “save” and pay their debts and in the process disappear as markets for the other people’s production—

business wonders where the business, the trade, went-and unemployment is suddenly a national problem.

Heretofore, Government, intent on the protection of all the respective rights, has fully cooperated in the process by sending its own sheriff to eject people from their homes and farms, and selling out those businesses at auction, and then presenting the homes or the farms, or the businesses, or the proceeds of their sale, to the holder of the mortgage; while at the same time voicing regret at the centralization of ownership.

This has been accepted as necessary in the continuation of Government under the Constitution, to protect the right of the person to own his own home, and his own farm, to protect the sanctity of the contract; and the advantages of such ownership are many. As a result of the uncovering of these new principles of equity, private ownership may now be definitely separated from its evil conditions.

The only change in the financial machine as it affects the average person is that he will not receive 2, 1½, or 3 percent interest on bank deposits. The receipt of interest from savings, advertised to be of such terrific aid to the workingman while he was accumulating his theoretical and mythical fortune, has been about the most expensive luxury that workingman has ever had. As a red herring, to make interest respectable and to make inequity appear to be equity, it has been a stupendous success. Money, unfortunately or fortunately, falls into the "outside mutuality" class, and the banker's functions become sufficiently changed and simplified to become vastly more understandable. The storing and keeping of money safely is a service that should be charged for and paid for. A banking system, in any economic pattern? which pays the depositor for that privilege has something about it decidedly too strange and unusual, certainly. A banking system should be the last thing in the world to harbor any strange, unusual, and speculative, conditions so close to the savings of people.

The bank of a social system, as you gentlemen know, is actually all the combined savings of people, under whoever's ownership. There is actually no more economic justification or respectability for that bank, the possession of that property, demanding as its just due the reward of industry or enterprise or production, than for a banker in a poker game to do the same thing. As a poker player, the American citizen would object strenuously. In the much more important economic structure and process the relation of the banker is exactly the same and his responsibility and functions are the same. I am quite sure that this committee is much less impressed with the respectability of such a situation than the average citizen, who may have been a little too liable to be impressed by nonessentials.

I do not wish the committee to class me as a radical or to believe that I have made any radical proposals. The committee knows far better than the general population the urgent necessity for an immense and an immediate change for the better. I only show the committee another picture: First, of a complete, though small, social system, with interest at 6 percent, but with people owners of their own homes, and Government without a national debt, and business houses owned by the business men, as the first picture; and as the second picture the same social system, impoverished and desperate because of the steady drain into the possession of centralized owner-

ship due to this same interest rate, giving this ownership the heretofore unquestioned right to take from this social system without the obligation to add to it.

Perhaps this last picture will show that definite action is immediately necessary to protect the rights of people against the type of ownership which, while Congress and people have protected it, and it has accepted and demanded that protection, yet has believed itself justified in taking their homes and in effect reducing a whole people to a disgraceful condition of poverty and genuine servitude.

These principles, these new and honest relations between the four parties in interest shown on page 4, the third picture, transferred even to the present ruinous conditions' which I have exactly and honestly shown on page 3, the first picture, create the second picture shown on page 3, with so little economic disturbance and so little delay that it must be impressive. The committee, I believe; should be convinced. that to a great degree we came into this long period of depression by this same road; in this case we simply go out the way we came in; a perfectly logical and sane process.

It is a simple tax, 5 percent per year on the surplus of property not in use by the individual; and even that tax easy. of complete escape, so that the tax is actually absent. It is, I believe? a just tax. Moreover, I believe it will be found that it is something new and never experienced—a rather popular tax.

Even the benefit received by ownership which is at present receiving interest is substantial. A vast number of people become a great deal more willing to allow its retention, where before they have been seriously considering taking it away, quite unceremoniously. That is no secret.

A 5-percent tax on the face value of 'indebtedness—that individual however, has suddenly been relieved of his interest burden—a third of that paid in tax could not be held to be a bad bargain.

Business, which has been and is now under a constant pressure to pay notes, and pay exorbitant taxes, and has been wondering how it would pay interest on bonds and bank loans, and 'high rents, is suddenly relieved of that pressure, and with the disappearance of its burdens, suddenly appear new markets which before had been absent—destroyed.

Suddenly the city and State, burdened with indebtedness on which it cannot pay the interest, is stripped of that interest charge' and the relief rolls disappear as if by magic.

The Government itself, faced with terrific emergency expenditures; suddenly finds the condition reversed, and its income exceeds the outgo.

People who have been existing—whole families in one room—suddenly find that at last they are able to buy a home and only pay for it once—before they had to pay for it two or three times before they received it—and an unemployed army goes back to work.

Mr. Chairman, I am not an optimist!, nor a radical. Many people have said that we are now on our way out of present difficulties. I say, emphatically, no, to—that.

But basic errors of this nature are not uncovered every day, or every century. I do not believe, therefore, that I can yet fairly be held to be too optimistic.

I do not for an instant believe this to be a final step. On the other hand, it is not an expensive temporary expedient, based on a dim hope that when and if conditions improve, our grandchildren will be able some day to pay the bills.

It should be accepted, I believe, as a safely beneficial and necessary step; and it is an honest step, and in full accord with the spirit of the Constitution of the United States and with the letter of the Constitution, also.

Possession of property of whatever type should not take the reward of production and enterprise. Economically, it is impossible. It did not take it when this Government was organized; and it should not take it now. That condition was a good condition, and it was an honest condition. Any other condition is a bad condition, and it is a dishonest condition.

It has been said that the N. R. A. was a long step forward, and somewhat radical. I have spoken of the N. R. A. today as a sound step backward, to much more solid ground. This step which I have outlined is the same type of step, in the same direction as the N. R. A., and to much more solid ground than is under us at present.

Further, gentlemen, the business structure, which the N. R. A. has been struggling so determinedly to haul out of its difficulties, now needs a market for its products and services, and it must have that market. This, may I say, is the soundest and most honest way to create that market.

It is only one of the many benefits to come from this new conception of property rights, and, if I may say so, the new understanding of the rights that people have.

I would like to ask you one question, Mr. Chairman.

The CHAIRMAN. Yes?

Mr. WILLIAMS. Would it be possible to have those illustrations included also in the record?

The CHAIRMAN. This cannot be in the record.

Mr. WILLIAMS. They are all ready for duplication by the machine.

The CHAIRMAN. We will see about that. The clerk will have to make an investigation as to whether or not it would delay the printing.

Mr. WILLIAMS. It would not delay the printing of the record at all.

The CHAIRMAN. The clerk will investigate that.

The next witness is Joseph P. B. Weir, of Washington, D. C. How much time do you want, Mr. Weir?

Mr. WEIR. About 15 minutes.

The CHAIRMAN. We cannot give you 15 minutes; we will give you 10 minutes; but I may say that if you will just take your statement and put it in the record it will be considered. Just give us the high points in your criticism, your praise, or your suggestion.

STATEMENT OF JOSEPH P. B. WEIR, WASHINGTON, D. C.

Mr. WEIR. Gentlemen of the committee, let us take the problem of old-age pensions and try to ascertain the best and least expensive form of helping all citizens in all States.

In the first place the Congress should not make appropriations to this end, neither should the several States make contributions to assist this cause, only upon one single extent, that: be by contributing