

# ECONOMIC SECURITY ACT.

FRIDAY, FEBRUARY 8, 1935

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

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

The CHAIRMAN. The committee will be in order. We will resume consideration of H. R. 4120. The first witness on our calendar this morning, who is ready to be heard, is O. Otto Moore, of Denver, Colo.

Mr. Moore, will you come forward, give your name and address for the record, and state the capacity in which you appear, and any other information pertinent to your appearance before this committee.

## STATEMENT OF O. OTTO MOORE, DENVER, COLO.

Mr. MOORE. Mr. Chairman and gentlemen. My name is Otto Moore. I reside in Denver, Colo. I am a practicing attorney in that city. I have been asked to appear here this morning in the interest of, and on behalf of, the people of my State who have interested themselves in the Townsend old-age revolving pension plan.

The CHAIRMAN. You mean those people who have interested themselves in that plan, do you not?

Mr. MOORE. Yes. I would like the record to show that I am appearing for the people of my State particularly, that I have no authority direct or otherwise to appear here before this committee on behalf of Dr. Townsend himself, or any of the national organizations.

The CHAIRMAN. You say you are appearing here for the people of your State. You do not mean all the people, do you?

Mr. MOORE. No. The Townsend clubs of the State of Colorado.

It has been my privilege to attend the hearings of this committee that were had upon the Townsend bill. I believe that that was on last Monday. In view of some of the interrogations that were presented by members of the committee, certain thoughts came to my mind that I thought might help somewhat in arriving at a proper solution of this problem.

At the hearing on Monday a considerable portion of the time was directed to questions having to do with the form of this bill, and to questions as to whether or not the bill, as presented before the committee, adequately or fully expressed the intent the Townsend people had hoped the bill did present.

It would seem to me that those matters, those objections, are ones which can very easily be corrected or cured by an amendment or the

substitution of a bill that would more adequately and more fully present the true intent of the plan as it has been given to the people throughout the country.

One of the gentlemen of the committee asked the question as to why it was that the leading economists, or at least some outstanding people, had not connected themselves with the Townsend movement and given it support. I have this suggestion to offer in that connection, gentlemen. I speak, of course, only in connection with what I know to be true in the State of Colorado, and that is that some of the best authorities, some of the finest thinkers in the educational world, in the field of learning, have associated themselves with this movement in the State of Colorado: Dr. George Fraser, president of the Colorado State Teachers College at Greeley, Colo., is a member of our advisory board; Dr. Roland M. Shreeves, who has given his entire life to education and understands thoroughly the fundamentals having to do with economics, is a member of our advisory board in the State of Colorado.

Some of the best people—the best thinking people in the State of Colorado—have identified themselves in a very definite way with Dr. Townsend's plan and Dr. Townsend's movement. That is why the movement has grown to the extent it has in our State.

Mr. VINSON. Mr. Chairman, will the gentleman yield?

Mr. MOORE. Yes.

Mr. VINSON. The other day we asked for certain definitions.

Mr. MOORE. Yes, sir.

Mr. VINSON. Definitions of gainful competitive pursuits, and financial transactions.

Mr. MOORE. Yes, sir.

Mr. VINSON. Can you, or anyone associated with you, furnish the committee with a definition of such terms?

Mr. MOORE. Certainly, as a lawyer I could give a definition, and I think any bill should include a definition of technical terms.

Mr. VINSON. It is not a question of being able to give a definition. What I want to know is what the definition is. That is what was promised us the other day. We were promised that that would be submitted to us. I am referring to a definition of those two terms.

Mr. MOORE. Certainly.

Mr. VINSON. So far as I know they have not been submitted. I think, in fairness to the committee, we ought to know what you gentlemen mean when you say in your bill, "gainful competitive pursuits", and "financial transactions", because I think if you are a lawyer you will recognize that they are rather broad terms, and they should be defined in the bill.

Mr. MOORE. Might I answer that in this way, that I do know that a committee, with which I have not been connected, has been working upon that very problem. Amendments are in the process of formation. They are being typed, and are ready for presentation or submission.

Mr. VINSON. They should be submitted before the bill is considered in executive session, so that we may have those definitions before us.

Mr. MOORE. I have advised the folks charged with that duty of that fact, and told them, from my experience in legislative matters in the State legislature, that that must be done before the matter came to a final consideration at the hands of the committee.

A question was asked further by another gentleman concerning the possible army of enforcement people that might be required to see that the law became effective if enacted. It would seem to me that it would take a fewer number to administer the Townsend old-age revolving pension plan, if enacted into law, than are now required to administer relief.

We have in our city of Denver 25,000 people who would be eligible, and we have more than that on relief. It is my honest opinion that it would take fewer people to administer the Townsend old-age revolving pension plan than it is now taking to administer the governmental emergency relief measures that are being administered by people at the expense of the Public Treasury.

Other persons who have associated themselves with, and have given this plan approval, one at least of whom has some national reputation, is Mr. Frank Fallonsby, of Oakland, Calif., who has a reputation at least in that whole section of the country as a statistician and economist of some note; and I personally went to California to secure what information I could; because certainly I do not want to advise people to join hands in a course which is not for the best interests of the country. I have endeavored to satisfy myself of the feasibility and workability of the plan before joining hands to any extent in furthering this cause.

I question very much whether I am in a position to give to the committee the authorized and accredited statements concerning the amount of the tax, how this tax can be raised, and so forth. I will not go into that subject, although I am completely satisfied in my own mind from the investigation that I have made. But I am not an expert on that subject, and shall not undertake to advise you on a point on which I am not expert.

Suffice it to say, from investigations which I have made myself, from the information which has been presented to me and as one who desires only to further something that strikes at the very root, in a substantial way, of the evils that beset this country, I am satisfied myself that the Townsend bill can and will reproduce the prosperity, at least of the year 1929.

I am satisfied that the transactions of the year 1929, the taxable transactions, under the true intent and purpose of the Townsend bill, would produce the desired revenue.

A gentleman has just submitted to me a definition of the word, "transactions," and although it is to be presented in written form and lodged with the committee, I can read it here:

Transactions as used in this act shall include sales and exchanges of real property, personal property, and mixed property, and mixed real and personal property, and payments therefor, and services, excepting those herein specifically exempt.

Gentlemen, I do want to impress upon you this fact: That the people of our State, and a majority of the people of our State, in my humble judgment, want this plan. It may be that you will reply, "A child may want a candle that is burning and get burnt in the playing with it", but the people of Colorado are not children. They have studied this thing. They believe it to be workable, and they want to try it.

The CHAIRMAN. You mean some of the people. You continue to talk about the people of Colorado. Why do you not say the people of Colorado who advocate this plan?

Mr. MOORE. Yes, sir; that is what I mean.

The CHAIRMAN. One would infer from your remarks that all the people of Colorado were behind this scheme. If that is true, say so; if not, do not refer to those who are in favor of this plan as the people of Colorado. Do you mean that the people of Colorado are behind this scheme?

Mr. MOORE. All of the people of the State of Colorado certainly are not behind this scheme, as you call it.

The CHAIRMAN. You refer to them as the people of Colorado, and you say they are behind this plan. We want to get it clear for the record. There is a distinction between those who are behind it and those who are not. Can you give us a definite idea of the percentage of the people of the State of Colorado who have definitely committed themselves in favor of this plan?

Mr. MOORE. I would say, without fear of contradiction, that 65 percent of the voting people of the State of Colorado have signed Townsend petitions.

The CHAIRMAN. Have you any statistics to prove that?

Mr. MOORE. I certainly have, sir.

The CHAIRMAN. Where are they?

Mr. MOORE. Well, we have our club membership rolls. We know the name and address of each club member in the State.

The CHAIRMAN. We do not have that.

Mr. MOORE. No; you do not.

Mr. VINSON. How many people in Colorado ever saw a copy of the McGroarty bill?

Mr. MOORE. I believe three people in the State of Colorado have seen it, and they are in Washington at this time. We saw it last Monday morning.

Mr. VINSON. And you endorse that bill?

Mr. MOORE. I endorse the essential fundamentals of Dr. Townsend's plan.

Mr. VINSON. I am asking you about that bill which is the evidence before Congress of the Townsend plan?

Mr. MOORE. I think this, that the gentlemen of the committee know the intent of the Townsend plan and all the powers that go to make up Congress are within your province to use in amendments to that bill to express the true intent of the Townsend plan.

Mr. VINSON. You are a lawyer?

Mr. MOORE. I am, sir.

Mr. VINSON. And you know that the only thing that Congress has before it setting out the Townsend plan is the McGroarty bill?

Mr. MOORE. Yes, sir.

Mr. VINSON. You say that 65 percent of the people of Colorado endorse the Townsend plan?

Mr. MOORE. That is correct.

Mr. VINSON. I wonder if any proportion of those 65 percent who are not here in Washington know that when this matter was being considered with Dr. Townsend present, the spokesman for Dr. Townsend said that he would not support the bill as it was presented to Congress; Dr. Townsend himself said that there ought

to be several amendments considered and adopted in reference to that bill. The people of Colorado do not know that, do they?

Mr. MOORE. I take it they do not; no, sir.

Mr. VINSON. And when Dr. Townsend was asked to offer amendments, or he was asked to what amendments he referred, he just replied, "amendments."

When you say, therefore, that 65 percent of the people of Colorado are for a certain plan, and the sponsors of that plan themselves admit that it is loosely drawn and in improper shape for passage, you realize the inaccuracy of your remark.

Mr. MOORE. The fact that the bill may or may not be in that condition does not change the merit of the essentials of the plan in the judgment of the people who support the plan for its merits.

Mr. VINSON. If we, as members of this committee, change that bill, and change it in the dark so far as Dr. Townsend is concerned, because he did not tell us what amendments he wanted to offer to it, do you think that 65 percent of the people of Colorado would agree to the amendments that we might make to the bill?

Mr. MOORE. I believe they would.

Mr. VINSON. Without knowing what they were, and without the committee knowing what they wanted?

Mr. MOORE. I will say this, that the people of the State of Colorado have the utmost confidence in these legislative committees, as do I. They feel, and they know, in a general way, that it is indeed few bills that come out of a committee in the form in which they are originally presented to that committee; that so far as the essentials of the program, the essential features of the plan are concerned, they are preserved. These little matters of detail as to how you are going to identify a man when he presents his passbook, if he has a passbook, to the bank, is something that does not concern them.

Mr. VINSON. It is a matter of considerable concern what things are taxed.

Mr. MOORE. Certainly; I quite agree.

Mr. VINSON. And what are financial transactions.

Mr. MOORE. I quite agree.

Mr. VINSON. And how the provisions are going to be administered; who is going to be exempted, who is going to be included. Consideration must be given to such matters as pyramiding, and so forth.

Mr. MOORE. Certainly.

Mr. VINSON. And we were not told by Dr. Townsend—I remember, because I asked that question myself as to what amendments he would endorse and to what amendments he referred, and he said that it ought to have certain amendments, but he has not told us yet what they are.

Mr. MOORE. I have submitted here some evidence that they are working in that direction.

Mr. VINSON. You have submitted a paper, I take it, on what they mean by "financial transactions." How many pages does that memorandum cover?

Mr. MOORE. It has been repossessed by the person who handed it to me, and I have not got it.

Mr. VINSON. I hope it will be submitted for the consideration of the committee. I wonder how many pages are in that document attempting to define the term "financial transactions."

Mr. MOORE. I might suggest this, that I have been advised in the last day or two that the original bill which was prepared by Dr. Townsend and his associates in the State of California was forwarded to Washington; that it was not presented here in its original form but was presented in the form in which you gentlemen now have it, of course, and that they propose to substitute, if possible, the original bill.

Mr. VINSON. Do you not think, in all fairness to the committee, that the original bill should have been submitted here?

Mr. MOORE. Yes.

Mr. VINSON. So that hearings could have been held upon its various sections. Certainly, it is inconceivable to me that here, on the last day of the hearings, you would hope to submit a substitute bill, or a new bill, in place of the McGroarty bill. Do I understand that is the purpose of the advocates of the Townsend plan?

Mr. MOORE. You are asking one who does not know, sir.

Mr. VINSON. You were just making the statement to me that that was the purpose.

Mr. MOORE. Yes; that is correct.

Mr. VINSON. And I want to know whether that is the purpose or not.

Mr. MOORE. I understand they intend to submit amendments, or ask leave to make a substitution of the original bill for the one that is before the committee at this time. It could be handled in either one of those two ways, either by submitting amendments to the bill that is before the committee or submitting the original bill as a substitute therefor.

Mr. VINSON. Where is that original bill that is going to be submitted to the committee?

Mr. MOORE. I presume I have a copy of it in my hands [referring to paper].

Mr. VINSON. Is it to be submitted for the record?

Mr. MOORE. I take it not at this time.

Mr. VINSON. When do they intend to do that, after we close the hearings? Do they intend then to come in and offer it? That would sort of parallel the procedure that was followed when Congressman Burnham tried to get Dr. Townsend to come to Washington and submit his plan to the President and the Economic Security Committee, on September 1. It would seem that Dr. Townsend did not make any effort to see the President until after the Economic Security Committee had reported out its plan.

Mr. MOORE. I have just been advised that Mr. Cuttle, from California, is here, and he can explain the situation with regard to that bill.

Mr. VINSON. What I want to know is what you intend to do.

Mr. MOORE. We intend this. We intend to make two or three slight changes in the bill here—

Mr. VINSON. When are you going to do that?

Mr. MOORE. During the day. And I understand offer a substitute measure for the measure that is before you.

Mr. VINSON. You understand the hearings are to close today?

Mr. MOORE. I understood that, yes.

Mr. VINSON. And you are going, some time today, and it may be after the hearings are closed, to submit not the original bill that was drawn up by Dr. Townsend from California but an amended bill, as a substitute for the McGroarty bill.

Mr. MOORE. I understand that that is the procedure they intend to follow.

The CHAIRMAN. You say you are satisfied that 65 percent of the people of your State approve the Townsend plan. Of course, if that is so, they approved the plan that he had, because that is the only plan they knew anything of at that time.

Mr. MOORE. That is correct.

The CHAIRMAN. Keeping that in mind, remember that the proponents of that plan have come here and have admitted that the plan is not feasible; they say they would not vote for it in that form. Dr. Townsend, himself, has admitted that it is faulty and needs amendment. He has offered to submit amendments. Now, when you get this new bill, do you intend to take it back to the people of Colorado and ask whether they approve it? Would it not be the proper thing, to take that plan to the people and let them pass on it before you represent to a committee that 65 percent of the people of Colorado are in favor of it? You would not expect them to endorse something they have never seen or heard of; and, as I say, it has been admitted here by your own witnesses that this bill will not do. You admit that yourself. If you have a new bill, do you not think it ought to go back to your people for their consideration? Otherwise, is there any reason why you should claim that there are 65 percent of the people of the State of Colorado who are in favor of that plan when they have never heard of it?

Mr. MOORE. I did not intend to state that 65 percent of our people are for this bill, but I have stated that 65 percent of our people are now in favor of the Townsend plan as they understand that plan.

The CHAIRMAN. How can you say that when he has already changed his mind about his plan?

Mr. MOORE. Dr. Townsend has never changed his mind as to what his plan is. No person who is familiar with the provisions of Dr. Townsend's plan has ever changed their mind.

The CHAIRMAN. I beg your pardon. Mr. Hudson, who was Dr. Townsend's star witness, said that he would not support the bill in its present shape. You cannot say anything like that.

Mr. MOORE. That may be true, I quite agree.

The CHAIRMAN. You cannot make a statement like that.

Mr. MOORE. But the bill can be amended to meet the objections. That is within the province of the committee.

The CHAIRMAN. If the men who are responsible for the bill originally, who are the authors of the bill, do not know what they want, how do you expect people who have never believed in Dr. Townsend's plan to draw a bill that would suit Dr. Townsend and his supporters?

Dr. Townsend came here, and the committee tried to get information as to what his plan really is. But Dr. Townsend threw his plan down at the feet of the committee and conceded that it was not satisfactory, but wanted the committee to take it and do what they could with it. Where are we in a case like that? He throws it to

us and says, "You write the bill and make such changes as are necessary."

Mr. MOORE. It would be an easy matter for me, sir, to amend the bill to meet any objections I have heard from this committee, from the standpoint of its form or constitutionality.

The CHAIRMAN. It would meet any objections in a way that would be satisfactory to you, you mean.

Mr. MOORE. Certainly.

The CHAIRMAN. But do you think you could amend it so that it would be satisfactory to people who are not in favor of that plan.

Mr. MOORE. No; that goes to the merits of the plan.

The CHAIRMAN. When you appeared here today, did you have the plan that you favored before you?

Mr. MOORE. I had my plan before me, but I did not have the bill before me.

The CHAIRMAN. We cannot listen merely to some abstract proposition. You have not presented any concrete suggestions to us. Neither has Dr. Townsend. You are talking about something that you have not yet presented to the committee.

Mr. MOORE. Of course, it is true that any amendment that is contemplated in this bill will not change the essentials of the plan one iota. So that any opponents of the merit of the idea of \$200 a month to be spent each 30 days could not be satisfied with anything that we might write.

Mr. VINSON. The gentleman will certainly agree that the definitions of the terms, "financial transactions" and "gainful competitive pursuits", will affect the base of the transactions which you will have to use to raise the necessary funds.

Mr. MOORE. That is correct. If you exclude 90 percent of what we ordinarily accept as financial transactions, then you have excluded 90 percent of your field of revenue.

Mr. VINSON. And if you include, as I believe you should, bank clearances, then you get to your figure. But if you exclude them, as I make the calculation, you get something between one-third and less than one-half of the money necessary to finance your plan. For instance, you take a 400-billion-dollar base. Two percent of that is only \$8,000,000,000.

Mr. MOORE. That is correct.

Mr. VINSON. Then there is some question as to whether your definition included transactions where profit was not made; in other words, it was suggested there might be losses, or that certain things ought to be included within the transactions involved because there was a profit made; then, when they saw what the situation was the witnesses said, "Well, profit is not in it; it is a question merely of a transaction."

I do not know whether you intend to tax both ends of a trade or not. Say you have a sale by a groceryman. I would like to have you tell me whether a vendor's tax and a vendee's as well would be levied.

Mr. MOORE. A sale by a groceryman?

Mr. VINSON. Yes; a sale by a groceryman.

Mr. MOORE. The intent of the bill is that the seller is the person who pays the tax on that transaction.

Mr. VINSON. In other words, the vendor?

Mr. MOORE. Yes; the vendor.

Mr. VINSON. I received the information here the other day that in a transaction that involved a trade or an exchange—I believe it was a pig for a dog—they expected to collect the tax from both parties to the transaction.

Mr. MOORE. Understand, I quite agree with you that this matter of transaction ought to be clarified; it needs clarification and definition in the bill.

Mr. VINSON. As a matter of fact, it is all-important.

Mr. MOORE. Certainly, it is.

Mr. VINSON. Because it furnishes the base that you use on which to figure your revenues on your 2-percent tax.

Mr. MOORE. Certainly.

Mr. VINSON. I think you will admit that as it is worded in the bill it is very, very indefinite.

Mr. MOORE. Anything that is indefinite can be clarified by definition.

Mr. VINSON. You will admit that it is very indefinite and almost impossible of understanding without a clear definition incorporated in the bill?

Mr. MOORE. I agree with you.

The CHAIRMAN. Take this case. Two farmers engage in a transaction with each other. One has more wheat than he wants and the other has more corn than he wants. The first offers the other 10 bushels of wheat for 10 bushels of corn. They agree. That is a transaction, is it not?

Mr. MOORE. That is a transaction.

The CHAIRMAN. Which one would be described as the buyer and which one as the seller, and which one would pay the tax?

Mr. MOORE. That is a matter that I cannot explain to you any more than I believe you can explain it yourself—which is the buyer and which is the seller.

The CHAIRMAN. I am not offering this bill. But I should like to have it clarified and explained.

Mr. MOORE. I quite agree with you there.

The CHAIRMAN. Suppose you tell us for the record which would be the buyer and which would be the seller in the transaction that I gave you.

Mr. MOORE. That is a transaction which under the intent of the bill would be taxed. But under the provisions of the bill as it now stands, I question whether those charged with the administration of the bill would know from whom to collect the tax. That does not mean, sir, that a provision cannot be included within the bill that will clarify a situation of that kind.

The CHAIRMAN. It has not been done up to this time.

Mr. MOORE. As far as I know, that is correct.

Mr. COOPER. What would be your suggestion to the committee as to the way in which to clarify that very situation?

Mr. MOORE. By a definition of terms.

Mr. COOPER. All right; give the definition.

Mr. MOORE. A person could say this in the bill, that a transaction as used in this act, or as used in this bill, shall mean any transfer, for a consideration, of real, personal, real and mixed properties, choses in

action; and include in the further amplification of that such things as you propose to include.

Mr. COOPER. I respectfully submit that you have used a great many words and you have not said a thing; not a thing in the world. Do you not agree with me?

Mr. MOORE. I did not complete any sentence that I started out to make. That is true. A definition would be this: Transactions, as used in this act shall mean any sale, purchase, exchange of any real estate, personal property, property that we ordinarily term as "mixed property", choses in action, for a consideration.

Mr. COOPER. All right; I still respectfully submit to you that you have used quite a number of words, but you have not said a thing to clarify this situation.

Mr. MOORE. You asked me for a definition of "transactions" and that certainly would be a definition of transactions.

Mr. COOPER. You will admit, I believe, that it is our duty; and I submit that it is your duty, too——

Mr. MOORE. And I accept the responsibility.

Mr. COOPER. To analyze any proposition that is advanced for the purpose of being enacted into legislation. That is fair, is it not?

Mr. MOORE. That is fair enough.

Mr. COOPER. It ought to be analyzed.

Mr. MOORE. It ought to be analyzed.

Mr. COOPER. And we have to analyze it in the light of the ordinary experiences of the people in this country. Is not that a fair premise?

Mr. MOORE. Certainly.

Mr. COOPER. Just take the very case submitted to you by the chairman of this committee, which is in line with the experience of many, many citizens in this country. One man has a surplus of wheat that he wants to exchange for a quantity of corn. These farmers get out in the field or on the roadside, or in the country store, wherever the place may be, and one says, "I will trade you so many bushels of wheat for so many bushels of corn", and they agree. A transaction is completed. On that basis, who would pay the tax?

Mr. MOORE. Under the terms of the bill, I cannot tell you who would pay the tax.

Mr. COOPER. Under your own terms, as you would write the bill, who would pay the tax?

Mr. MOORE. If I would write the bill, the gross value of the thing that John Smith traded to Pete Brown, and that which Pete Brown in turn traded to John Smith, if it was an even trade, should be arrived at and the tax divided between them. That is my suggestion.

Mr. COOPER. Had you given any thought to that before this time?

Mr. MOORE. I had not, sir.

Mr. COOPER. You had not?

Mr. MOORE. I had not; no, sir.

Mr. COOPER. Can you not appreciate the extreme importance of that very thing in the consideration of this bill?

Mr. MOORE. We people in Colorado were of the opinion, sir, that a group of persons had prepared a bill for submission to this committee which covered all the details of this transaction. If it has not, that is not my fault that it has not; if it has, that is fine. But I want to cooperate in any way that I can.

Mr. COOPER. I think that is a frank statement. The people in Colorado for whom you speak on this occasion had assumed—and I think it is proper and they had a right to assume—that a feasible, workable bill had been presented here seeking to enact that plan into law, the plan that they had heard so much about; is that correct?

Mr. MOORE. That is true; yes, sir.

Mr. COOPER. When you arrived here you found that that had not been done; is that correct?

Mr. MOORE. I do not know that I can answer yes or no to that. It has been done in a fashion. If I were to do it, I would have done it in a different fashion; that is all I can say.

Mr. COOPER. And if the people you speak for in Colorado had done it, you think they would have done it in a different fashion.

Mr. MOORE. I understand that the form in which it was originally prepared in California was different, because I had about 2 minutes to skim through the contents of this original bill which was prepared and it is in much better form, in my opinion.

Mr. COOPER. On what bill did you prepare yourself, when you requested a hearing before this committee?

Mr. MOORE. The truth of the matter is I did not request a hearing before this committee. I knew about it only after the arrangement had been made.

Mr. COOPER. The request was made on your behalf?

Mr. MOORE. The only bill embodying the Townsend plan was the bill that is before you, of course.

Mr. COOPER. That is the McGroarty bill?

Mr. MOORE. Yes.

Mr. COOPER. Are you undertaking to appear before the committee in support of the McGroarty bill as it is now before the committee?

Mr. MOORE. I am here in support of the McGroarty bill subject to the amendments which we think should be made thereto.

Mr. COOPER. Will you detail those amendments to us? What do you think should be changed in that bill?

Mr. MOORE. One amendment that I think should be made to the bill is this: I question very much whether it is possible for the Secretary of the Treasury of the United States of America to levy and collect an occupational license tax in intrastate business. I think that that should certainly have some further thought.

Mr. COOPER. As a lawyer, do you think the Secretary of the Treasury has a right to levy and collect or fix the amount of an occupational tax in any instance?

Mr. MOORE. No; I do not believe he does have that right.

Mr. COOPER. I pointed that out the first day of the hearings on that bill. Now, in what other respects do you say that this bill should be amended?

Mr. MOORE. I think the bill should prescribe and clarify the method under which the pensioner will get his payment, and make provision that will preclude the possibility of that person getting \$200 a month from four or five different sources within a 30-day period. That is a matter of administrative detail, but I think it is something that might well be included within the bill.

I think that "financial transactions" should be defined, and I think that "gainful occupations", possibly, should be defined.

Mr. COOPER. Is that all?

Mr. MOORE. I looked through the bill and I do not recall seeing a statement there appropriating money.

Mr. COOPER. When did you first see the McGroarty bill?

Mr. MOORE. Monday morning. I saw it for about 25 minutes or half an hour.

Mr. COOPER. After you had left Colorado?

Mr. MOORE. Yes.

Mr. COOPER. Would you mind telling us who the gentleman is who repeatedly comes up to you and advises you while you are giving your testimony to the committee?

Mr. MOORE. The gentleman is known to me as Mr. Peterson.

Mr. COOPER. Mr. Peterson?

Mr. MOORE. Yes, sir.

Mr. COOPER. Let the record show that repeatedly during your presentation of this matter to the committee, he has been coming forward and submitting memoranda to you. I do not know what they contain. That is true, is it not?

Mr. MOORE. That is true; yes, sir.

Mr. COOPER. I should like the record to show that.

Mr. MOORE. None of which I have taken advantage of, so far as that is concerned. I cannot read a memorandum and talk at the same time.

Mr. COOPER. Although this person has not appeared before the committee as a witness, and there is no information here that he desires to appear, so far as you know, is there?

Mr. MOORE. Of course, I do not know what he desires.

Mr. COOPER. You do not know of any desire that he has expressed to appear before the committee, do you?

Mr. MOORE. I do not; no, sir.

Mr. COOPER. You say it is a Mr. Peterson?

Mr. MOORE. A Mr. Peterson.

Mr. COOPER. What position does he occupy in the Townsend organization?

Mr. MOORE. All I can say concerning Mr. Peterson, and say truthfully, is this, that I know Mr. Peterson is a man who is around the Townsend headquarters with Dr. Townsend, when Dr. Townsend is in town. When Dr. Townsend leaves town I know he is not there. What his duties are, what his responsibility is, I am unadvised and cannot tell you. I am not a member of the official Dr. Townsend party in this city. I came here at the request of my Denver people alone.

Mr. COOPER. And your Denver people had never seen the McGroarty bill?

Mr. MOORE. No, sir.

Mr. COOPER. You had never seen it yourself before you arrived in Washington?

Mr. MOORE. No, sir.

Mr. COOPER. You do not know and would not undertake to say whether your people in Colorado agree with and approve of the McGroarty bill, would you?

Mr. MOORE. I would say this, that our people in Colorado, the Townsend people in Colorado, agree most heartily with the Townsend plan of old-age revolving pensions and that I agree most heartily with that plan.

Mr. COOPER. Will you not answer my question, please, sir?

Mr. MOORE. I cannot say, sir, what my people would do. I just wonder, gentlemen, if you will permit this query before I answer? If I am being asked to take a position on the record before this committee that I will not support the McGroarty bill? I do not propose to make any such statement, because the McGroarty bill as now before you is not final, of course. It is subject to all the rules of legislative bodies to correct defects. I do not propose to say that I will not support the McGroarty bill so that the Townsend people out in Colorado can be told that, "Your own representative, Otto Moore, went down there and said that he would not support the bill."

The bill can be changed. You can correct those defects. Then I will support it. That is the point I want to make.

Mr. COOPER. All right, then just allow me to make this statement to you. There is no disposition on my part to try to make you say anything.

Mr. MOORE. Absolutely; I understand.

Mr. COOPER. I am simply trying to act in my capacity and discharge my duty as I see it, as a member of this committee. I am asking for information, for light on this subject. I have a right to assume that when you or any man appears before this committee advocating a measure, that you are informed, that you possess information that you are prepared to give us, that you are willing to enlighten the committee, and be helpful to us. Is not that a fair proposition.

Mr. MOORE. That is a fair proposition.

Mr. COOPER. It is not my purpose to try to make you say anything one way or another, because, frankly, I am just trying to get information that will be helpful in analyzing a matter which you say is one of great importance; and it is, is it not?

Mr. MOORE. I believe it is.

Mr. COOPER. You say it is not your intention to make the statement that you are opposed to the McGroarty bill, or that you would not support it. I am just wondering if you will frankly make the statement that you favor the McGroarty bill as it now stands.

Mr. MOORE. No lawyer that has any conscience whatever would be for something that he felt contained unconstitutional provisions.

Mr. COOPER. All right, I think that is a fair statement. That is what I was trying to make clear.

Mr. MOORE. But it is not anything that of necessity defeats the McGroarty bill. That is the point that I make; that is, in its present form.

Mr. COOPER. On that point let me ask you this question: If this bill contains provisions which you as a lawyer, and which I as a lawyer, conscientiously feel are unconstitutional, we could not support it with those provisions in it, could we?

Mr. MOORE. Not until they had been removed, if possible of removal.

Mr. COOPER. You said something a moment ago about the appropriation feature. I did not quite catch your comment on that point. Would you be kind enough to repeat it?

Mr. MOORE. I do not recall it. Bear in mind I am not much of a hand at drafting bills.

Mr. VINSON. I heard the suggestion of the gentleman. It was that he looked through the bill and he failed to find any provision for appropriation.

Mr. MOORE. That is my recollection of it at this time. Ordinarily, a bill starts off, "There is hereby appropriated from funds in the United States Treasury not otherwise appropriated," so much money.

Mr. VINSON. The gentleman is correct.

Mr. MOORE. I do not recall that.

Mr. COOPER. Of course, the exact language in a bill of this type, under consideration by this committee, would be, "There is hereby authorized to be appropriated." Legislative committees do not appropriate. They authorize appropriations and in due course the appropriations committee brings in an appropriation bill covering those items of appropriation.

Mr. MOORE. I found no provision on that subject.

Mr. COOPER. There is not only no appropriation in this bill, but there is no authorization for any appropriation, is there?

Mr. MOORE. I do not recall that I saw that. That is the point that I had in mind.

Mr. COOPER. Of course, there would have to be an authorization for money to be appropriated if the plan is going to be worth anything at all, would there not?

Mr. MOORE. Certainly.

Mr. COOPER. This cannot get very far without money, can it?

Mr. MOORE. No. If you go out and collect money, and there is no authority to pay it out, nobody is going to get much until that authority is granted.

Mr. COOPER. That is the way I look at it. The bill is imperfect in that it does not cover the prime essential that should be covered; is not that so?

Mr. MOORE. That is possibly true; I think quite probably. Might I suggest this, if the substitute measure does take care of those situations in an adequate manner, anything that has been said in favor of the bill upon its merits does not need to be repeated.

Mr. COOPER. You appreciate this fact, do you not, that a plan or an idea or, as some have said, a scheme, might be advanced. But it is quite a different thing to have a measure carrying that idea into effect, is it not?

Mr. MOORE. Certainly.

Mr. COOPER. And yet the measure that seeks to carry it into effect is the all-important thing, is it not?

Mr. MOORE. Absolutely.

Mr. COOPER. Now, as I understood—and I want to be fair—as I understood Dr. Townsend when he appeared before the committee, he said in his opening statement that he was here asking that the McGroarty bill be substituted for the old-age pension title or provision of the administration's social-security bill. Would you agree to that?

Mr. MOORE. Well, that would call for a knowledge and analysis of the administration's social-security bill which I question that I have.

Mr. COOPER. No; I do not think it needs that. We have the administration's social-security bill here, which has a title, or a part of the bill, relating to the subject of old-age pensions. I submit that in

practical application Dr. Townsend's request would simply mean this: That the committee just take that part out of the administration's bill and put the McGroarty bill there in its place. Would not that be a fair interpretation of his statement?

Mr. MOORE. I do not believe I heard the statement.

Mr. COOPER. All right. I am telling you that my recollection is that he stated to the committee that he was here advocating that the McGroarty bill be substituted in the administration's measure for the old-age pension title or section of it. Assuming that he did do that, and that that is his wish, his desire, would you agree to that proposition?

Mr. MOORE. Not without amendment.

Mr. COOPER. I think that is all.

The CHAIRMAN. Do you appear as an attorney for the Townsend people or just as a private individual?

Mr. MOORE. As a private individual.

The CHAIRMAN. Are your expenses paid by anyone but yourself; and if so, who pays them?

Mr. MOORE. My expenses have been defrayed by 110 Townsend clubs in the city and county of Denver. I have received \$350 from those clubs to come to Washington and spend approximately 30 days' time here, call upon our local Representatives and Senators, and endeavor to get their attitude with regard to the plan.

The CHAIRMAN. Is Dr. Townsend here now?

Mr. MOORE. I do not know. He was not here yesterday. I called at the office and he was not in town yesterday.

The CHAIRMAN. It would be a little bit difficult to amend the bill materially or rewrite it substantially, in the absence of the author of the plan, would it not?

Mr. MOORE. I question very much that Dr. Townsend has much of an idea concerning the legal requirements of legislation. I do not think his presence would be required at all.

The CHAIRMAN. The plan is being sold on his reputation.

Mr. MOORE. I beg to differ with you.

The CHAIRMAN. I cannot understand what there is to get excited about in a plan, the leadership of which is in the hands of a man who, it is understood now, knows little about it in a practical way; who knows very little about how to draft legislation of this kind, or what the effects of it would be. Is not that rather a peculiar attitude for you to find yourself in in support of this bill?

Mr. MOORE. Not at all, sir.

The CHAIRMAN. You have not clarified the situation; you say Dr. Townsend is not capable of clarifying the situation.

Mr. MOORE. I say, sir, that I believe that we can incorporate the Townsend plan into a bill.

The CHAIRMAN. Do you not think you should have done that before you came here as a witness? We cannot just sit here, delay these hearings, delay the final consideration of this bill, when the proponents come here unprepared to support the very measure which they submit to the committee.

Mr. VINSON. I think, Mr. Chairman, the gentleman had a right to expect that the job would be in better shape than it is. I think that was a reasonable assumption on his part.

The CHAIRMAN. You spoke of certain economists out in Colorado who have studied this plan.

Mr. MOORE. Yes, sir.

The CHAIRMAN. Why are they not here to answer questions, to explain their proposal to the committee? You say you are not an economist and you cannot do it. Why are not they here to do it?

Mr. MOORE. It is a physical impossibility for them to get away from their places of employment. It is not everyone who can break away.

The CHAIRMAN. Do you not think that someone who is an economist, and who could answer questions, who can throw some light on this very important matter for the benefit of the committee, should be here to give us the information we want, to help us remove the difficulties that puzzle us?

Mr. MOORE. You are asking my personal opinion as to whether that would be wise. Well, my personal opinion is this: I do not have a great deal of confidence in the opinions of economists.

The CHAIRMAN. Then why do you give them as authorities in favor of this bill? If their opinions are not worth anything why use them as authorities to recommend the passage of the bill? Do you think that we can handle legislation of this kind without the work and judgment of actuaries and economists and other specialists?

Mr. MOORE. Actuaries and statisticians are absolutely essential, in my judgment, to a determination of the basis upon which you are going to levy this tax. But further than that, I question very much whether the opinion of an economist is worth a great deal. Every man is an economist to a certain extent. Sometimes I feel that possibly the only difference between an economist who prophesies what something will do at a future time and a fortune teller is that there is grave danger that the economist will be taken more seriously more frequently than the fortune teller.

The CHAIRMAN. Do you not think that you rather discount your own intelligent testimony when you link economists in this country, many of whom occupy important positions as heads of colleges and universities, who are outstanding men, with fortune tellers? Do you do that seriously?

Mr. MOORE. No; I cannot say that I do. But at the same time the thought I had in mind was this: You can get experts pro and con on practically any subject matter. We lawyers know that to be true.

The CHAIRMAN. I agree with you there.

Mr. MOORE. And we can analyze it and subject it to a reasonable application within our own experience.

Mr. HILL. Mr. Chairman, I should like to ask one question: Have you thought this plan through, to determine in your own mind what the effects would be on the depreciation of the purchasing value of the dollar?

Mr. MOORE. I have. I have done that to the very best of my ability and with a sense of responsibility to many people. I have endeavored to arrive at a conclusion. Before I took any activity in this connection whatever I talked with many people. I visited many stores. I went into many stores, and I asked the proprietors of those stores what they thought, what their opinion was, what their reaction was on what effect this would have on their business.

Mr. HILL. It would call for a great inflation of the circulating medium, would it not?

Mr. MOORE. Well, it would call for a great increase in the velocity of the circulating medium, and to some extent, not to exceed, in my judgment, three or four billion dollars, an increased amount of the circulating medium.

Mr. HILL. To get inflation of the circulating medium you consider both volume and velocity of circulation; both are important, are they not?

Mr. MOORE. Yes; but not equally important, in my opinion. I am not an expert, gentleman. I am just giving you my own individual conclusions.

Mr. HILL. That is what I am trying to understand. You have at least studied the question somewhat in order to have come to some intelligent conclusion on it.

Mr. MOORE. I have.

Mr. HILL. By increasing the volume and the velocity of the currency, and the credit, based upon the currency that circulates as cash, you must of necessity, under a plan of this character, greatly inflate the dollar and thereby reduce the purchasing value of the dollar.

Mr. MOORE. I have come to this conclusion, that in time of necessity, by an increase in the price of commodities, the dollar would buy less by 10 to 15 percent.

Mr. HILL. Why do you limit it to 10 to 15 percent?

Mr. MOORE. Because we claim that Dr. Townsend's plan will reproduce a prosperity of the year 1929 at least. We know that men were working then, that it was not as hard to get a job. We know that wages were higher. I see no reason for an increase in prices or an increase in the cost of production, or any marked change in the economic system, insofar as wages or things of that kind are concerned from the year 1929. We propose to reproduce the year 1929 as a minimum.

Mr. HILL. Dr. Townsend, in his testimony, stated that in his opinion if the Townsend plan is put into operation it would quadruple the turnover of the dollar over what it was in 1929. That was testified by him and by Mr. Hudson.

Mr. MOORE. I heard that statement.

Mr. HILL. That the turnover in 1929 was 132; now if you multiply that by 4 you will not stop with the economic situation in 1929, would you?

Mr. MOORE. No.

Mr. HILL. You will increase both the volume of the currency and greatly increase the velocity of the circulation.

Mr. MOORE. I question very seriously if Dr. Townsend in his zeal for his plan realized what he said when he said we would quadruple that, because I do not believe we will.

Mr. HILL. That figured out that every dollar would carry a tax burden of \$10.56. Do you think a plan of that kind is feasible? Would it contribute to prosperity, or would it not absolutely break down and destroy the country?

Mr. MOORE. You mean this quadrupling business?

Mr. HILL. Yes.

Mr. MOORE. I do not agree with that assertion, sir, because if the Townsend plan reestablishes the level of 1929, it will create a national income in this Nation of approximately 100 billion dollars—between 80 billions and 100 billions is what it will do, in my judgment. And I believe it will do that thing.

Mr. HILL. On what do you base that? You have not given us any facts as a basis. You are entitled to your belief, of course, but simply to state a belief is not a showing of economic facts as the proper basis of that belief.

Mr. MOORE. I think this is an economic fact that can be proven as such, that in the year 1929 we did over a 100 billion dollars in taxable transactions, taxable under the provisions of the Townsend plan.

Mr. HILL. I do not quite understand your reference to 100 billion dollars. You mean transactions that amounted to that much?

Mr. MOORS. A trillion, a hundred billion—

Mr. VINSON. You have got your figures mixed up.

Mr. MOORE. Now, just a moment. A 1,000 billion is what I am endeavoring to say.

Mr. VINSON. It was testified the other day that the amount was 1,200 billion.

Mr. MOORE. They said at least 1,000 billion of taxable transactions, taxable under the provisions of the Townsend bill. If we reproduce that state of business, and there is a sales tax of 2 percent, it will raise sufficient money to support the Townsend plan.

Mr. VINSON. In order to keep the record straight, as I understand it, it is not 1,000 billion but 1,200 billion. That is according to Dr. Hudson and the year he took was 1929.

Mr. MOORE. Yes.

Mr. VINSON. That is my understanding, that the transactions totaled 1,200 billion dollars in 1929.

Mr. MOORE. Well, your own Government heads of your statistical departments concede that point.

Mr. VINSON. I just wanted to get the record straight. You said 1,000 billion and they say 1,200 billion. And they have authority for that.

Mr. MOORE. Accepting that authority, I believe a 2-percent-transactions sales tax will enable us to reproduce the conditions of that year, and I think we will. My guess is as good as yours, and yours is as good as mine, as to whether that is a reasonable conclusion.

Mr. HILL. They are all guesses, are they not?

Mr. MOORE. No, sir; that is no guess.

Mr. VINSON. Just one moment. I do not think that this authority says that there are 1,200 billion dollars of transactions taxable under this bill.

Mr. MOORE. No; it does not.

Mr. VINSON. We want to keep that straight. The authority to which Dr. Hudson referred was Dr. Goldenweiser, and he said that there were 1,200 billions of transactions.

Mr. MOORE. Yes.

Mr. VINSON. In 1933 that dropped to 400 billions in transactions, but that is all-inclusive; that does not exclude all these transactions that we have in mind when we talk about a definition of financial transactions, which will be excluded.

Mr. MOORE. Dow-Jones says that 1,165 billions in business was transacted in the year 1929.

Mr. VINSON. But you are not seeking to tax all transactions. That includes \$981,000,000,000 of bank clearances.

Mr. MOORE. That is true.

Mr. VINSON. And in 1929 there was, therefore, \$981,000,000,000 of bank clearances. That is what we are discussing. I recall that there was a difference between us of \$1,000,000,000; I believe he said \$982,000,000,000 and the figures I had showed \$981,000,000,000. You say you do not tax bank clearances, and when you take the debit columns in the banks amounting to billions of dollars that will be excluded from the total, even on the 1929 basis.

Mr. HILL. Assuming it has this result, that you have 1,000 millions in transactions, and you collect the tax on that of 24 billions a year, that is, with the 2-percent tax, giving that yield, you would have an inflation there that would absolutely destroy the purchasing value of the dollar, and that is one of the things I am calling to your attention. Assuming that you are correct as to the amount of the tax to be produced, what would be the effect on the purchasing value of the dollar if this bill were in effect?

Mr. MOORE. I do not think it would have any different effect than a like situation existing in the past has ever had.

Mr. HILL. We have never had any like situation.

Mr. MOORE. No; but we have had that amount of business being consumed and transacted before, and it did not have any such effect.

Mr. HILL. We have not had a tax that requires this great increase in the volume of currency and increased distribution of that currency. You have started this wheel spinning at such a dizzy speed that you cannot tell where it will lead. The velocity of circulation does tend to largely increase the volume of the circulating medium, but you have not followed that through. What advantage will it be to a man if he gets \$200 if it will not buy as much as \$10 will buy now?

Mr. MOORE. I do not agree with your conclusion.

Mr. HILL. You have not given any reason why you do not believe that.

Mr. MOORE. It is all a matter of conclusion. If you conclude that we are going to get \$18,000,000,000 a year of new currency and put it into the channels of trade, you are making a wrong conclusion.

Mr. HILL. I do not have to do that, because you say you can add three or four billion dollars.

Mr. MOORE. If the expense of the pension roll for the first month is put up by the Government and it is collected back within the ensuing 30 days for redistribution at the end of the 30 days—

Mr. HILL (interposing). Of course, you are assuming that.

Mr. MOORE. That is the program, as I understand it.

Mr. HILL. You say there would be over \$4,000,000,000. We have 5½ billions outstanding now, and if you add, say, three billions to that, you have 8½ billions, and if you multiply that by 528, the velocity of circulation, and add to that the actual circulation of credit, which is conceded to stand in the ratio of 9 to 1 of actual cash, you can see what you have in the way of the volume of circulating medium, and you can draw a conclusion as to what effect that will have on the purchasing value of the dollar.

You have not studied that out, and yet you propose something that you have not studied out.

Mr. MOORE. I beg your pardon; I have studied this to my complete satisfaction, and included the matter you have in mind.

Mr. VINSON. Let us see what your conclusions are. In 1929 we were told that the velocity of the dollar was 132; is that correct?

Mr. MOORE. Yes, sir.

Mr. VINSON. Dr. Townsend says this would make it 528. But you say that is all haywire.

Mr. MOORE. I say that was a statement made by the doctor out of a religious devotion to his cause, and it was not thought out at the beginning. I have the highest admiration and respect for the doctor.

Mr. VINSON. But you do not have much respect for his conclusions.

Mr. MOORE. Not for that statement, from the standpoint of facts.

Mr. VINSON. You think that is a conclusion that came from his zeal for the cause?

Mr. MOORE. I believe so; and that it was not considered by him.

Mr. VINSON. What do you, as a cold deliberate lawyer, in lawyerlike fashion—and you impress me as being a good trial lawyer—what do you say the velocity of the dollar would be when this plan gets into full operation?

Mr. MOORE. I would say the velocity of the dollar would not exceed the 1929 level by more than 12 or 14 points, that it would not go higher than 150, in my opinion, and it would start off at that rate.

Mr. VINSON. In other words, with this plan in full operation, it would not increase the velocity of the dollar but 18 times, or from 132 to 150; is that right?

Mr. MOORE. I say my statement is this: That it will reproduce approximately the year 1929, and the dollar will be about the same as it was in 1929, and I believe it will exceed it slightly. The national income might well be expected to go somewhere between 80 and 100 billion dollars per annum.

Mr. VINSON. Of course, when you use the figures of 80 or 100 billion dollars—

Mr. MOORE (interposing). That is aside from the point in connection with the velocity of the dollar.

Mr. VINSON. It is a question of what your dollar is worth in the year, when the amount reaches 80 or 100 billions, as compared to the value of the dollar in 1929; is not that correct?

Mr. MOORE. That is correct.

Mr. VINSON. In other words, you might have a sum total of dollar national income of 80 to 100 billion dollars a year, but yet, if the value in the dollar was depreciated as compared to the value of the dollar in 1929, you actually would not have in the 1929 dollar an 80 or 100 billion dollar income, would you?

Mr. MOORE. Not in buying power, if that result followed. That is where you and I part company. I do not think that result will follow.

Mr. VINSON. The thing which it is hard for me to visualize is the vast difference between the velocity of the dollar expressed by you, and that expressed by Dr. Townsend, the advocate of the plan, who, as I recall, and this is purely from memory, bottomed his conclusion as to this being a return to prosperity on the fact that this velocity of the dollar would increase four times that which it possessed in 1929.

Mr. MOORE. Four times that which it possesses now?

Mr. VINSON. Four times that which it possessed in 1929. If there is any question about that, I am willing to turn to Dr. Townsend's testimony in the record.

Mr. MOORE. I heard his statement; you are correct in your statement.

Mr. VINSON. That he bottomed the success of his plan upon the increased velocity of the dollar by four times that which it possessed in 1929.

Mr. MOORE. Mr. Hudson did not tell you that.

Mr. VINSON. Mr. Hudson was mighty fair and splendid in his statement. He told us several things that Dr. Townsend did not tell us. I recall distinctly the frankness with which Mr. Hudson testified. Dr. Townsend did not have the experience that permitted him to respond to the question asked him.

Mr. MOORE. I think Dr. Townsend is qualified to speak upon the humanitarian effect of this measure in a very fine way.

Mr. VINSON. I do not know that there is any difference in the heart and soul of any conscientious, sincere, God-fearing men and women as to this problem; but, of course, you cannot permit the zeal to which you referred a minute ago, to completely control the operation of mental processes, can you?

Mr. MOORE. No, sir.

Mr. VINSON. If I understand you correctly, you do not think that the velocity of the dollar will be increased appreciably over what it was in 1929?

Mr. MOORE. Not over 1929, but to some small extent, about four times.

Mr. VINSON. I believe you said it would possibly run up to 150.

Mr. MOORE. That is my judgment, from the analysis I have given it.

Mr. VINSON. As to your idea of a financial transaction, if a man had a mortgage on his property and he took the cash over to the mortgagee and paid the mortgage, would there be a tax on that transaction?

Mr. MOORE. Was the mortgage in existence prior to the enactment of the plan?

Mr. VINSON. We will say that.

Mr. MOORE. My understanding of the intent of this movement is that it is not to include a thing of that kind.

Mr. VINSON. Dr. Townsend interspersed in his statement a remark that it was *ex post facto*, but I have never heard of an *ex post facto* law applying to civil transactions. I may be wrong about that, but I thought that referred to criminal matters.

But, anyway, he meant that the debt having been incurred in the past, he did not think it would apply; and I understand that is your opinion?

Mr. MOORE. That is my opinion of it.

Mr. VINSON. Let us say that the bill is in operation and a mortgage is put upon a man's home and he makes a payment to the mortgagee after this bill goes into effect. Is that a financial transaction that would be subject to the tax?

Mr. MOORE. You say he makes a payment on the mortgage after the bill goes into effect?

Mr. VINSON. Yes.

Mr. MOORE. Not a payment upon a mortgage the consideration for the execution of which has been received prior to the adoption of the plan.

Mr. VINSON. I am coming down to the bill as to the effect it would have upon such a payment. Say I give a mortgage subsequent to the time of the effective date of the act and then make a payment on the mortgage.

Mr. MOORE. I would not say so.

Mr. VINSON. Then, as I understand it, you would not have any tax on that mortgage payment.

Mr. MOORE. On the original transaction?

Mr. VINSON. The only transaction you have had upon it since the act went into effect.

Mr. MOORE. If I come to you and borrow \$1,000 from you, and the money passed after the act may have been adopted, I think I would have to pay a tax on that transaction.

Mr. VINSON. You would say that is a financial transaction?

Mr. MOORE. I would say so; yes.

Mr. VINSON. Who would pay the tax?

Mr. MOORE. In the last analysis I have never been able to discover any method of keeping the person who borrows the money from paying the tax. We are the fellows who pay it.

Mr. VINSON. So, under your idea of what this bill would do—the bill does not say a thing about that—but under your idea of what a financial transaction should be, who should pay the tax?

Mr. MOORE. I think the seller is the person who would pay the tax if he is loaning his money, but he would place it on the borrower; he would deduct the amount from the amount the borrower receives.

Mr. VINSON. Is that correct; that would put the tax upon the mortgagor, would it not?

Mr. MOORE. If he did that.

Mr. VINSON. Who should pay that tax? Here is a tax levied by a Federal law; who will pay that tax, the mortgagor or the mortgagee, under the administration of this bill?

Mr. MOORE. That is not defined here.

Mr. VINSON. I understand; I mean under your notion of what it should be.

Mr. MOORE. I do not know that I have turned that over in my mind sufficiently to state who should pay the tax; the tax should be paid, and the transaction could carry the tax.

Mr. VINSON. Then it is a financial transaction?

Mr. MOORE. Certainly it is.

Mr. VINSON. I wanted to know what your idea was as to whom the Treasury should make pay that tax.

Mr. MOORE. I do not know that it makes a great deal of difference who pays it.

Mr. VINSON. Yes; it does.

Mr. MOORE. So it is fixed somewhere.

Mr. VINSON. What is your notion?

Mr. MOORE. Practically, off-hand, I would say now that the man who borrowed the money would have to pay the tax.

Mr. VINSON. The man who borrows the money would have to pay the tax upon the payment he makes to the man from whom he borrows the money?

Mr. MOORE. Yes; that is my thought of it at this time; I do not see how you can get around it.

Mr. VINSON. What is Mr. Hudson's notion as to which one should pay the tax?

Mr. HUDSON. The man who loaned the money, who receives the profits and any interest.

Mr. VINSON. Will you two gentlemen tell us which way we should go? Both of you are equally frank and sincere in expressing your notions. I realize that you have not studied it very much; at least the last gentleman who appeared admits he has not.

Which way shall this committee go?

Mr. HUDSON. Mr. Vinson, I am not a legal man; I am not a lawyer, and I am not qualified to answer legal questions, nor do I think that Mr. Moore, my good friend to the left, is qualified to answer a technical mathematical question.

Mr. VINSON. That is not a technical mathematical question; that is a simple problem of administration, which ought to be clarified.

Mr. HUDSON. It should be clarified.

Mr. VINSON. There ought not to be any division about it, but here we have a hung jury.

If you cannot agree upon a simple proposition of that kind, how do you expect us to know what you mean?

Mr. MOORE. We can agree.

Mr. HUDSON. My contention, Mr. Vinson—

Mr. VINSON (interposing). If you two gentlemen will go into a conference and bring out something that you have agreed on we will be happy to have it.

Mr. HUDSON. I want it clearly understood now that my contention as to the definition of the bill is that the man who receives the profit in every case shall pay the tax. Undoubtedly, if I loaned you \$1,000 I would do it with the expectation of making a profit upon my dollar.

Mr. VINSON. Going back to the old proposition, the question of profit is not the criterion, is it?

Mr. HUDSON. No.

Mr. VINSON. It is a transaction.

Mr. HUDSON. It is one of the criteria.

Mr. VINSON. You collect the tax whether you make a profit or not.

Mr. HUDSON. Who owes the tax?

Mr. VINSON. I can conceive of a case where a man would borrow money and execute a mortgage and take that money and invest it in some other business and make a large profit on it.

Mr. HUDSON. He could make a loss.

Mr. VINSON. Yes; he could make a loss.

Mr. HUDSON. We are not interested in whether he makes a loss or a profit; we are interested in his paying the tax.

May I ask at this moment for the privilege of correcting two statements that appear in the record?

One is where a question was asked me by either Mr. Cooper or Mr. Vinson—I do not recall which—that is immaterial. The question was as to whether or not I would vote for the McGroarty bill. I said, "no, if it was unconstitutional"; or words to that effect.

That question was asked me, and I am not a lawyer. In my judgment, I said "no"; but I did not say I would not vote for the

principle that the Townsend plan stands for; and I want that corrected. I am here to defend the Townsend plan, and not to defend the legality of the McGroarty bill, because I am not qualified to do that.

Another thing is: I did not testify that our dollar would turn over, after the adoption of the Townsend plan, to the extent of 132 times, as it did, as I quoted from Dow & Jones, in 1929, because I took the low average of the turnover for the past 5 years, which was 34 times per year.

Mr. HILL. Dr. Townsend did testify that under his plan—the Townsend plan—the dollar would turn over 528 times.

Mr. HUDSON. I heard the doctor say that, very much to my surprise. But I do not think that the doctor, in his great love for his plan, should be called upon to answer those questions.

Mr. HILL. Let me ask you another question. Mr. Moore stated that his expectation was that this plan would put us back to the 1929 position.

Mr. HUDSON. Yes.

Mr. HILL. And according to your quotation from Dow & Jones the dollar turned over 132 times in 1929.

Mr. HUDSON. That was their estimate.

Mr. HILL. If we go back to the 1929 basis, and if Dow & Jones' estimate as to the turn-over of the dollar is correct, we would go back to a turn-over 132 times a year of the dollar.

Mr. HUDSON. That is correct; but if you did so, all of your business transacted in 1929, instead of being 1,200 billion, would be 3,000 billion.

Mr. HILL. It was 3,000 billion in 1929.

Mr. HUDSON. No, sir.

Mr. HILL. How do you get that?

Mr. HUDSON. Because of the fact that you did not have forced into the trade channels the sum of \$1,100,000,000 per month as you will have under this plan.

Mr. HILL. What inflationary effect would that have on the dollar?

Mr. HUDSON. I do not agree with your statement about the inflationary effect; because of the fact that you are down now to the low, we will say, Mr. Hill, of 400 billion in 1933—and I think that is approximately correct—and the reason you are down to that low level in 1933 is this, that the dollar lost its velocity; you had as many dollars in 1934 as you did have in 1929.

If you speed up the velocity of the dollar, you naturally will have to take into consideration the amount of dollars you add to the trade channels of \$1,500,000,000 every month, which would comprise the pension fund, because that will be added to the money that is now already being used as a circulating medium.

Mr. HILL. You do agree, do you not, that the velocity of the turn-over is an influential factor as well as the volume of circulating currency, in bringing about inflation or deflation.

Mr. HUDSON. It should be given very serious consideration; it is a more important factor than the volume of velocity is.

Mr. HILL. Then the volume in velocity of circulation could bring about the devaluation of the dollar?

Mr. HUDSON. I think that is correct; that would be my judgment.

Mr. COOPER. If I may have the attention of Mr. Hudson for a moment, to refer to the record as to a statement you made the other day.

Mr. HUDSON. I think we were granted the privilege of correcting testimony, which was not done.

Mr. COOPER. I submit that this record shows exactly what you said.

Mr. HUDSON. Yes; but I also submit that we were to have the privilege of correcting the testimony.

Mr. COOPER. You have that privilege now. Do you mean by that that you want to change a frank, definite, positive statement that you made?

Mr. HUDSON. No; we do not. We asked for the privilege of correcting the testimony.

Mr. COOPER. I invite your attention to page 805 of the hearing. I assume it is not necessary to cover all the points.

Mr. HUDSON. Just what point was it?

Mr. COOPER. I will direct your attention to the language I have in mind. About three-fourths of the way down that page you will find this colloquy:

Mr. COOPER. I understood you to state a while ago very frankly—and I think you have been frank in your responses.

Mr. HUDSON. I have tried to be.

Mr. COOPER. I understood you to state awhile ago very frankly you think this bill is very loosely drawn.

Mr. HUDSON. I restate that.

Mr. COOPER. Would it be fair to ask you this question: Suppose you sat in the seats that we occupy at this table. As the bill now stands in its present form, do you think you would be safe in voting to report it and support it, as a representative of the people?

Mr. HUDSON. No; I do not.

Mr. HUDSON. That is correct, Mr. Cooper; but, bear in mind, that is not a condemnation of the Townsend plan; that may be a condemnation of the technical points in the bill, which I am not qualified to pass upon.

Mr. COOPER. But the statement in the hearings is correct, as it appears?

Mr. HUDSON. As to the technical drawing of the bill, I say yes; but I do not say I am condemning the Townsend plan.

Mr. COOPER. I did not ask you that.

Mr. HUDSON. I know you did not; I added that.

Mr. COOPER. Why go off into all that? You are simply trying to state something that was not in the picture at that time.

Mr. HUDSON. That is correct.

Mr. COOPER. You have been frank all along, and I expect you to continue to be.

Mr. HUDSON. I am going to.

Mr. COOPER. I simply asked you the question, as this hearing shows:

Would it be fair to ask you this question: Suppose you sat in the seats that we occupy at this table? As the bill now stands in its present form, do you think you would be safe in voting to report it and support it, as a representative of the people?

You answered—

No; I do not.

That is the truth, is it not?

Mr. HUDSON. Yes.

Mr. COOPER. All right.

Mr. HUDSON. But I want to add that I did not condemn the plan itself or the principles of the plan.

Mr. COOPER. I did not ask you the question, Do you condemn it?

Mr. HUDSON. Then it should not be put in the record that I did condemn it.

Mr. COOPER. I am not reading anything into the record.

Mr. HUDSON. Then it will not be construed in the record that I condemn the plan.

Mr. COOPER. I am not undertaking to place any construction on what you might have intended; I am calling attention to what you have said.

Mr. HUDSON. You were speaking of the technical part of the bill.

Mr. COOPER. I am speaking of just what that question said, on the McGroarty bill, as it now stands, whether you, as a member of the committee, would vote to report it, or as a Member of Congress would support it, and you said, "No."

Mr. HUDSON. I want to state at this time that I am not qualified to pass upon the legality of any bill. I should not be asked that question, because I have had but very little experience in the drawing of a bill. I have not had any experience along that line.

Mr. COOPER. Since you have raised that question, the preceding questions on that page do not refer to the legality of the measure. I was asking you, previous to that, some practical questions.

Mr. HUDSON. Yes.

Mr. COOPER. And there was not anything at that moment in the hearing to raise any question in your mind as to the legal phases of the bill. I was simply asking you some practical questions about it, and following that then I asked you this question and you replied as indicated here.

Mr. HUDSON. I assumed, Mr. Cooper, that this bill would be corrected and amended as I have understood most all of the bills are corrected and amended before they are reported on.

I am not standing upon the technicality of the McGroarty bill or its legality; I should not be asked that.

The CHAIRMAN. We thank you for your statement.

Mr. HILL. Mr. Chairman, I have here a statement prepared by Hon. Samuel B. Pettengill, a Member of the House from the State of Indiana, discussing the subject involved in the so-called "Townsend old-age pension plan." I ask permission that this statement may go into the record.

The CHAIRMAN. Without objection, it is so ordered.

(The statement above referred to is as follows:)

#### STATEMENT OF HON. SAMUEL B. PETTENGILL, MEMBER OF CONGRESS, STATE OF INDIANA

Mr. PETTENGILL. Mr. Chairman, the current number of the Eagle Magazine, published by the fraternal order of Eagles, contains an article written by me entitled "Will the Townsend Plan Work?"

Members of your committee who have read the article have done me the honor to request that it be incorporated in your hearings for the information of the committee and the Congress.