

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

Dr. TOWNSEND. Yes, sir.

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

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

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

Dr. TOWNSEND. Yes, sir.

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

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

Mr. HILL. Yes; that is all right.

Mr. HUDSON. The doctor here is not qualified.

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

#### STATEMENT OF GLEN J. HUDSON, OAKLAND, CALIF.

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

The CHAIRMAN. What is your business?

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

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

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

The CHAIRMAN. The stenographer will read it.

(The question was read.)

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

Mr. HILL. What are your reasons?

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

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

Mr. HUDSON. Yes, sir.

Mr. HILL. Probably about half?

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

Mr. Hill. Three billion something?

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

Mr. HILL. And circulating with a rapid velocity?

Mr. HUDSON. Yes, sir.

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

Mr. HUDSON. Yes, sir.

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

Mr. HUDSON. In 1929.

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

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

Mr. HILL. It might be more.

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

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

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

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

Mr. HUDSON. Certainly.

Mr. HILL. And stabilize them there?

Mr. HUDSON. Yes.

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

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

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

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

Mr. VINSON. Where did you get that figure?

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

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

Mr. HUDSON. That is correct.

Mr. HILL. Where did you get it?

Mr. HUDSON. E. A. Goldenweiser, Director Division of Research and Statistics of the Federal Reserve Board, before the Ways and Means Committee of the Seventy-second Congress, on May 2, 1932, stated:

The total volume of transactions in this country in 1929 was about 1,200 billions of dollars and it decreased by 1931 to about 600 billions of dollars. This is a decrease of 600 billions, largely due to decline in velocity.

Now, Dow-Jones, if you wish further data—

Mr. VINSON. Yes; let us have it. Let us have all three sources.

Mr. HUDSON. If total transactions amount to 1,200 billions, the tax collections would produce 2,400 billion in revenue. This would create a surplus of 6 billion per year which would justify a reduction from the 2-percent tax as provided in the bill.

Dow-Jones News, December 5, 1934, reports 1,165 billions of dollars in business in 1929; deposits in New York district member banks in October 1929, are reported as \$13,633,000,000, and in October 1934, at \$13,500,000,000.

Mr. VINSON. You mean 13 billion?

Mr. HUDSON. I mean billion; yes. That is in the New York member banks only.

Mr. VINSON. You call a deposit a transaction?

Mr. HUDSON. I am not now speaking of deposits.

Mr. VINSON. I am asking you if you in your definition of transaction call a deposit a transaction.

Mr. HUDSON. No, sir, it is not. It is not a transaction until it goes into the commodities market. If you deposit a thousand dollars in your bank today, that is not a transaction.

Mr. VINSON. What has that deposit figure that you read, 13 billions, to do with transactions?

Mr. HUDSON. I was quoting from Dow-Jones to show the velocity versus the volume of money. May I be permitted to quote?

Mr. VINSON. Go right ahead.

Mr. HUDSON (reading):

New York: In October 1929, a deposit of \$1 in a New York bank was being used fast enough to do \$132.70 worth of work in a year. Last October the same dollar was being called upon to do annual work of only \$22.50. Although total deposits were approximately the same in 2 months, bank funds today are simply lying idle.

Net demand deposits in New York district member banks in October 1929, were working at the peak rate of over 818 billion dollars a year, but deposits in October this year, approximately the same total, were being called upon to do annual work of only slightly over \$153,000,000,000. For the rest of the country, the figure has dropped to a little over \$143,000,000,000 from something in excess of \$347,000,000,000.

The CHAIRMAN. At this point the committee will take a recess until 2 o'clock.

(Whereupon at 11:45 a. m., a recess was taken until 2 p. m. of the same day, Monday, Feb. 4, 1935.)

#### AFTERNOON SESSION

(The recess having expired, the committee reconvened at 2 p. m., Hon. Robert L. Doughton (chairman) presiding.)

The CHAIRMAN. The committee will be in order, Dr. Townsend and Mr. Hudson will resume their testimony.

Mr. HILL. I want to ask Mr. Hudson a question or two on this 12 hundred billion dollar turnover that you spoke about. Just what is included in that? What do you mean by that?

Mr. HUDSON. That is all the business that is transacted in the United States in the period of a year.

Mr. HILL. That includes all bank transactions, bank clearances, and so forth?

Mr. HUDSON. Everything; all business.

Mr. HILL. How much of that is credited to bank clearances or bank transactions?

Mr. HUDSON. In the year 1929 there were \$982,000,000,000. Mr. Hill, if you will pardon me, if I might be permitted to read this statement which will take only a couple of minutes—

Mr. HILL. Just after I finish this line of questions. I just want to get this information in the record in this connection. That would leave how much?

Mr. HUDSON. Over and /above the bank debits—approximately 20 percent.

Mr. HILL. It would leave practically 20 percent?

Mr. HUDSON. In addition to the bank debits, yes.

Mr. HILL. In figures, how much would it be? What would be the exact amount?

Mr. HUDSON. The exact amount would be \$218,000,000,000 outside of bank transactions. That is taking the 20 percent figure.

Mr. HILL. Can you break down that \$218,000,000,000 figure and tell us what is included in that?

Mr. HUDSON. I would be glad to if you would allow me to repeat the clearings, bank debits, as of 1929. It is not exactly \$982,000,000,000. It is \$982,531,000,000 of bank debits in the year of 1929 when your total business transactions amounted to 12 hundred billion dollars. That is approximately an amount over the bank debits of 20 percent. That is business that did not clear through the banks; in other words, over the counter, we will call it. There are lots of transactions that are made that never reach the bank, so naturally the Federal Reserve bank cannot report upon those transactions. But Dow-Jones takes those into consideration.

Mr. HILL. How much of this is subject to this 2 percent tax?

Mr. HUDSON. The whole of it; all of your business that is transacted.

Mr. HILL. I understood Dr. Townsend to say that bank deposits and payments out of banks on checks, or any transactions outside of the payment of interest in the bank or by the bank were not subject to this tax.

Mr. HUDSON. A deposit is not subject to the tax, because the transaction has not transpired yet. As an illustration, you deposit today in your bank \$1,000 and you write Mr. Jones a check tomorrow for groceries. There a transaction has transpired, on which the tax is levied.

Mr. HILL. What I am getting at is this: How much of the 12 hundred billion dollars comes within that class, that is not taxable under the provisions of this bill?

Mr. HUDSON. None of it.

Mr. HILL. The bank deposits and the bank clearance transactions all go into this total of 12 hundred billion dollars?

Mr. HUDSON. You understand that the bank debits and the bank credits are merely bookkeeping transactions. Money is deposited and is debited as it goes out. It is safe to assume that when money goes out there is a transaction transpired.

Mr. VINSON. Will the gentleman yield to me?

Mr. HILL. Yes.

Mr. VINSON. I should like to ask this question. Do you consider transactions between the bank in which the deposit is made and the correspondent bank within that total?

Mr. HUDSON. No; that is not counted in the bank debits.

Mr. VINSON. You do not count that as a transaction?

Mr. HUDSON. That is not a transaction; in fact, it is not a commodity transaction which this bill taxes.

Mr. VINSON. Your bill says, "financial transactions". What I wanted to know is whether or not that was included as a transaction.

Mr. HUDSON. It is not; no, in my judgment.

Mr. VINSON. That is a change in your debit column?

Mr. HUDSON. That is merely a bookkeeping transaction.

Mr. VINSON. I say, it is a change in your debit column?

Mr. HUDSON. Yes, sir.

Mr. VINSON. And I wondered if you included that as a transaction.

Mr. HUDSON. No more so than you would a deposit, in my judgment.

Mr. VINSON. You say that is not a part of the \$982,000,000,000?

Mr. HUDSON. When your banks show debits of \$982,000,000,000 that is merely evidence of the exchanges that are being made through the banks, the trading that has been done through the banks.

Mr. VINSON. I do not quite understand you, because in line 14, on page 2, of your bill, where provision is made for levying a 2-percent tax, it is levied on "the gross dollar value of each business, commercial, and/or financial transaction done within the United States."

Certainly, it seems to me that would be a financial transaction.

Mr. HUDSON. Are you asking me that question?

Mr. VINSON. Yes.

Mr. HUDSON. It says—

Two percent on the gross dollar value of each business, commercial, and/or financial transaction done within the United States.

Mr. VINSON. Well, you have got a dollar value there when you change your debit column because of the transaction between your correspondent bank and your local bank.

Mr. HUDSON. True you have, so far as your bank is concerned.

Mr. VINSON. If both banks are solvent, it is a dollar transaction.

Mr. HUDSON. There is no commodity transaction there.

Mr. VINSON. This does not say commodity transaction. This says "financial transaction."

Mr. HUDSON. There is no financial transaction.

Mr. VINSON. I cannot quite follow you on that.

Mr. HUDSON. Well, is there a financial transaction? Maybe I can explain it to you in this way. Let us assume I am a depositor

and I deposit in your bank \$1,000. Do you call that a financial transaction?

Mr. VINSON. I call it a financial transaction. It might not be such a financial transaction as you intend to include within your bill for taxing purposes, but certainly it is a financial transaction.

Mr. HUDSON. Oh, yes; I agree with you perfectly. But it is not a transaction, would not be considered a transaction under this bill, because if you did consider it as a transaction and taxed it, I would not deposit my \$1,000 with you.

Mr. VINSON. Take your depositor. He deposits money in the bank. He is in some other city. He pays for certain commodities with a check. That check goes through a correspondent bank. That correspondent bank certainly has a financial transaction with the paying bank.

Mr. HUDSON. Yes; but with the depositor's money. You draw a check for the purchase price of whatever you purchase. That is the transaction.

Mr. VINSON. I know, but when this check gets into the correspondent bank and before it clears, and when it does clear, you have a change in the debit column of your bank at home. I call that a financial transaction.

Mr. HUDSON. That is very true, but I do not think it would be the intent of this bill to charge that bank for the privilege of clearing that depositor's money. He has already paid the tax when he buys the suit of clothes of the tailor. That is the actual transaction.

Mr. VINSON. But, when this man takes this same money and sells the man a suit of clothes and with that money pays his wholesaler, you have a 2-percent tax on that, do you not?

Mr. HUDSON. Exactly, because the wholesaler made a profit and the tailor made a profit, and they are the ones that pay the tax.

Mr. VINSON. I do not think the language you have in this bill refers to anything about profits. It does not say there must be a profit made upon the transaction. Certainly, it would include any "business, commercial and/or financial transaction" whether a profit is made or not. Certainly, you would not contend that it would be only those transactions where a profit were made.

Mr. HUDSON. No, sir; I do not want to be held responsible for this bill.

Mr. VINSON. Well, who is?

Mr. HUDSON. I think the bill could be changed and greatly benefited—

Mr. VINSON. Whom shall we hold responsible?

Mr. HUDSON. You gentlemen in the amending of it and correcting of it.

Mr. VINSON. Who drafted this bill? Do you know who prepared it?

Mr. HUDSON. I understand it was the joint action of a committee here in Washington. As to their names I could not identify them. I think some of the Congressmen likely participated in it.

Mr. VINSON. Likely?

Mr. HUDSON. I think some of the Congressmen did.

Mr. VINSON. You have not any information on that, have you?

Mr. HUDSON. No; I have not.

Mr. VINSON. In other words, you are just—

Mr. HUDSON. I am just assuming. As I understand, it was a committee.

Mr. VINSON. What kind of a committee; a congressional committee, a private committee?

Mr. HUDSON. Not a congressional committee; no.

Mr. VINSON. This is the Townsend old age revolving pension plan?

Mr. HUDSON. Yes.

Mr. VINSON. I wonder if Dr. Townsend could tell us who drafted the bill?

Dr. TOWNSEND. It was a committee that sent in here in rough draft this bill, from the Pacific coast. While here it was gone over carefully by a committee consisting of myself and two or three other men, besides a couple of congressmen.

Mr. VINSON. Is it your understanding that financial transactions include only those transactions in which a profit is made?

Dr. TOWNSEND. No; you could not exclude those transactions which had no profit in them, because there are many transactions which are made with the intent to make a profit, which entail no profit. But they will likely entail a shifting of ownership in the bank from one account to another. But that change of itself would not be considered a financial transaction.

Mr. VINSON. If a man gave a check upon his account in a bank, to another customer of the same bank, would that be a transaction?

Dr. TOWNSEND. Yes.

Mr. VINSON. Then why would you not have a financial transaction when you have a change of your debit or credit columns in the local and correspondent banks?

Dr. TOWNSEND. You are talking about bank clearances, no doubt. Bank clearances are not commercial transactions in the sense we have in mind, of course.

Mr. VINSON. But it is a financial transaction, is it not, Doctor?

Dr. TOWNSEND. I do not think so.

Mr. VINSON. As I understood Mr. Hudson, that was within the 12 hundred billion figure; that is, there were \$981,000,000,000 of those transactions.

Dr. TOWNSEND. It would certainly not be a transaction coming under the taxing provisions of this bill.

Mr. VINSON. You do not mean to make it a financial transaction, even though the language here might indicate that it was?

Dr. TOWNSEND. Not a clearing-house transaction of a bank.

Mr. HILL. What I am trying to get at is this: How many of these bank transactions—what proportion of them—are financial transactions in this total of \$1,200,000,000,000 of turn-over? What proportion of that is not taxable under the provisions of this bill?

Mr. HUDSON. I do not think there is any of them, because the bank transactions—well, there must be a transaction outside of the bank. In the bank there is only the debit and credit of the transaction taken care of.

Mr. HILL. Will you please define for the record—so that we can understand exactly what we are discussing here—what is a financial transaction within the terms of this bill?

Mr. HUDSON. Within the terms of the bill?

Mr. HILL. Yes.

Mr. HUDSON. Any exchange of money for commodities, trade, and so forth; the payment of a grocery bill is a transaction; the payment of a doctor's bill is a transaction; the payment of a legal fee is a transaction. But simply because a change takes place in the bank, simply because you keep money in the bank, does not mean that that amount of money must be taxed, just for the privilege of keeping it there. The transaction transpires when the money revolves through the bank and not before.

Mr. HILL. Suppose I have a deposit in a bank and I draw a check payable to cash.

Mr. HUDSON. Yes.

Mr. HILL. And take the money out.

Mr. HUDSON. Yes.

Mr. HILL. Is that a transaction?

Mr. HUDSON. No, sir; not under this bill. It does not become a transaction until you have spent the cash for whatever you intend to buy with it.

Mr. HILL. How else will the bank know what these transactions are? How do they make up the figures?

Mr. HUDSON. The bank is not interested in knowing. The individual who receives the cash, or merchant, is the individual on which the tax will be levied and from whom it will be collected.

Mr. HILL. That would be a commercial transaction, where you pay cash for commodities. But you have language in here, "financial transactions." You see that in the bill?

Mr. HUDSON. Yes. It does not make any difference whether you pay by check or by cash for your commodities, it is still a transaction.

Mr. HILL. I am talking about the transaction where you get money out of the bank.

Mr. HUDSON. That is not a transaction. That is your money. You could not be charged with the tax for going to the bank or for going to your own safe in your home and taking out money. That is not a transaction.

Mr. HILL. What interpretation are you going to put on "financial transaction" in this bill?

Mr. HUDSON. When your bank transactions showed a clearance of \$982,000,000,000 in 1929, as stated heretofore, the total transactions amounted to some 12 hundred billions, which indicated very clearly that there was a 20-percent counter transaction, just such as you have related there—cashing of checks, going down and paying your bills monthly with that cash. That is the increase over the \$982,000,000,000. Whenever your bank debits are \$982,000,000,000, you can rest assured that your total transactions will be the equivalent of that, plus 20 percent.

Mr. HILL. Where do you get that 20 percent?

Mr. HUDSON. I get it from the debits of the banks in 1929, plus the difference between that and the total volume of business transacted.

Mr. HILL. Still I have not got clear in my mind what distinction is made between a business or commercial transaction and a financial transaction, all three of which are subject to tax under the provisions of this bill.

Mr. HUDSON. I see no difference. In other words, what would you call a real-property transaction? Is that a financial transaction? All transactions are financial, are they not? It does not make any difference.

Mr. HILL. Of course, your answer depends on your definition, of a financial transaction. I am trying to find out what is meant by the use of those terms, what is included within them? I would like to have you define them so that we can understand what they mean.

Mr. HUDSON. My contention is that any and all transactions, regardless of whether they are financial or cash or check or what not, they are all transactions whenever a purchase is made.

Mr. HILL. What kind of transactions go to make up this figure of 12 hundred billions?

Mr. HUDSON. All business combined, that is done throughout the Nation in 1 year. It is a combination of all of them.

Mr. HILL. That includes bank clearances, does it not?

Mr. HUDSON. Your bank clearances merely reflect the number of transactions. That is why you do not show all of the transactions.

Mr. HILL. You say that if a man draws a check for cash and then cashes that check, that is not a transaction?

Mr. HUDSON. Not taxable.

Mr. HILL. But the clearances show that?

Mr. HUDSON. You are not going to hide the money, unless you go home and hide it. That is the only way you can kill a transaction, is to go home and hide the money.

Mr. HILL. But so far as the banks are concerned, it is a transaction?

Mr. HUDSON. They would show that. They would reflect that transaction; yes.

Mr. HILL. That is all.

The CHAIRMAN. Doctor is the Townsend Old Age Revolving Pensions, Ltd., an incorporated concern?

Dr. TOWNSEND. Yes, sir.

The CHAIRMAN. What is its chief business? Where is its main office? What is the purpose of its incorporation?

Dr. TOWNSEND. It is purely an eleemosynary corporation, a non-profit corporation, with headquarters at 200 Spring Arcade Building, Los Angeles, Calif.

The CHAIRMAN. How many officers have you?

Dr. TOWNSEND. There are three in the Old Age Revolving Pensions; Mr. R. E. Clements, R. B. Townsend, and F. E. Townsend.

The CHAIRMAN. Are they salaried officers?

Dr. TOWNSEND. No; none of them is salaried.

The CHAIRMAN. You do not draw any salaries at all?

Dr. TOWNSEND. Mr. Clements and I have drawn our expense accounts merely.

The CHAIRMAN. From what source do you get the funds for your expense accounts?

Dr. TOWNSEND. Through the sale of our literature.

The CHAIRMAN. It is a propaganda organization, then?

Dr. TOWNSEND. Yes.

The CHAIRMAN. When did this thought first originate in your mind, if it did originate with you; and if not, where did you get the idea?

Dr. TOWNSEND. I have been an ardent advocate of a transactions tax as a means of raising the governmental revenues for many years, contending that it is utter folly for a government as rich as ours to borrow money for everything that they do. I have always been a very strong contender for the retirement of aged people as a just reward for services rendered over a period of forty-odd years.

The CHAIRMAN. When did you first give public expression to your views?

Dr. TOWNSEND. About November 1933.

The CHAIRMAN. Through what channel?

Dr. TOWNSEND. Simply by printing at my own expense the form of petition which we have circulated throughout the United States, a two-paragraph petition directed to the Congress of the United States, requesting the enactment of this old-age-pension law.

The CHAIRMAN. When was that done?

Dr. TOWNSEND. That was in November 1933.

The CHAIRMAN. Did you have a bill introduced at that time?

Dr. TOWNSEND. 1932 I should say, not 1933.

The CHAIRMAN. Was any bill proposed by any Member of Congress incorporating your ideas?

Dr. TOWNSEND. No.

The CHAIRMAN. Embodying your views?

Dr. TOWNSEND. No.

The CHAIRMAN. Why not?

Dr. TOWNSEND. We simply wanted to elicit the interest of the voting public in this plan of raising revenues and retiring the aged. So we circulated for many many months in different parts throughout the United States, acquiring millions of signatures of approval. Then, some months back, the discussion of the bill to be presented began, and it has been gone over through the minds of those interested for several months before it was embodied in this form.

The CHAIRMAN. Is there any propaganda being conducted now under your direction or through your knowledge?

Dr. TOWNSEND. Continuously.

The CHAIRMAN. For raising funds with which to finance the propaganda?

Dr. TOWNSEND. Nothing further than what we have been doing.

The CHAIRMAN. It was stated in the record the other day that appeals were sent out to make donations or contributions from a penny up, as much as could be given.

Dr. TOWNSEND. Yes. That was to support our agents in the field, our organizers in the field.

The CHAIRMAN. How many agents have you in the field?

Dr. TOWNSEND. We have had 6; we had 7 at one time.

The CHAIRMAN. Are they salaried?

Dr. TOWNSEND. Yes.

The CHAIRMAN. I though awhile ago you said there were only two or three men on a salary.

Dr. TOWNSEND. Those men are not connected with our office.

The CHAIRMAN. Let us get the questions of salary straight. We want to find out what organization you have, and the salaries paid. I understood from your statement a few moments ago that there were not more than one or two drawing salaries, who were connected with your organization. Let us get the entire salaried force, how many people have you employed either on a salary or commission, and what salary and what commission do they receive and on what is the commission based.

Dr. TOWNSEND. Mr. R. E. Clements is vice president and secretary, and he has all of that data.

The CHAIRMAN. You ought to know. You are the head of the organization, and you should have such data before you. You have an organization that is apparently spread all over the United States, and you are here as its chief proponent.

You ought to be able to answer that question yourself. You ought to know what the facts are and I am calling on you for the information.

Dr. TOWNSEND. All right, we have. I do not know whether it is four or five men that we have in the field at the present time.

The CHAIRMAN. You say you do not know how many you have?

Dr. TOWNSEND. We had to recall several, because we had not sufficient money to keep them in the field. They have been recalled recently.

The CHAIRMAN. Do you know the salary which each employee in the field receives?

Dr. TOWNSEND. Some of them were receiving \$50 per week and their expenses.

The CHAIRMAN. Those who work on commission, what commission do they receive?

Dr. TOWNSEND. There is no commission.

The CHAIRMAN. Did I misunderstand you when I got the impression that you said there were some who worked on salaries and some who worked on a commission basis? Did I misunderstand what you said?

Dr. TOWNSEND. Yes; you misunderstood me.

The CHAIRMAN. You say none are working on commission?

Dr. TOWNSEND. None are working on commission.

The CHAIRMAN. We should like to have the names of all the people who are working for you, who are distributing this propaganda, who draw salaries, or who get compensation of any kind.

Dr. TOWNSEND. Certainly, and I shall be glad to call on my secretary to give you that information. That is not in my province to take care of that.

The CHAIRMAN. Is the gentleman present who has that information?

Dr. TOWNSEND. Yes, Mr. Clements.

The CHAIRMAN. We will be glad to have him give us this information.

The CHAIRMAN. Mr. Clements, you heard the question. Will you answer it?

Mr. CLEMENTS. We have a considerable salaried organization in the form of clerks, stenographers, bookkeepers, auditors, and so forth, in our headquarters office in Los Angeles. It would be quite impossible for me to give you the salaries of each of those individuals.

The CHAIRMAN. Can you procure that information to put into the record?

Mr. CLEMENTS. Yes, sir.

The CHAIRMAN. What salary do you get?

Mr. CLEMENTS. I get \$50 a week.

The CHAIRMAN. And expenses?

Mr. CLEMENTS. Expenses when I am on the road.

The CHAIRMAN. How much of the time are you on the road?

Mr. CLEMENTS. Probably one-tenth of the time.

The CHAIRMAN. Where are your main headquarters?

Mr. CLEMENTS. Los Angeles.

The CHAIRMAN. When did you first become connected with this organization?

Mr. CLEMENTS. About the 1st of December 1933.

The CHAIRMAN. I believe it was testified today that each of these parties that would receive a pension of \$200 a month was to have that money deposited in a bank for him, in the bank where the pensioner did business; and then on the 1st of each month that money would be deposited to his credit, and then the bank would draw upon the Treasury of the United States, or the insurance deposit corporation, for what was needed. Tell us how that is provided for.

Dr. TOWNSEND. We expect that each pensioner will be given credit by the National Government in a form which will make it impossible for him to go to any bank in the Federal Reserve System, or one that is connected with the System, and secure the amount of money due him.

The CHAIRMAN. In what way do you expect to authorize him to get this credit?

Dr. TOWNSEND. It is not absolutely necessary for me to say what the authorization shall be, or what the form of the authorization shall be.

The CHAIRMAN. You say that he can go to any bank. He certainly would have to have some means of identification.

Dr. TOWNSEND. Yes; he should have some means of identifying himself, and that may vary. The requirements for that identity may change from time to time.

The CHAIRMAN. Or would he be just given blanket authorization that would be directed to any bank that they are hereby authorized to pay the bearer of a certain instrument, or to place to his credit in the bank the sum of \$200?

Dr. TOWNSEND. Yes, sir.

The CHAIRMAN. What would prevent him from going to as many banks as he pleased? How would the bank know whether he had the right to call upon that particular bank for his money?

Dr. TOWNSEND. Could you not conceive of a system—

The CHAIRMAN. I am not on the witness stand, and I am asking you.

Dr. TOWNSEND. There are many ways in which that could be done.

The CHAIRMAN. Give us the most practicable way.

Dr. TOWNSEND. The most practical way would be by means of a photograph attached to some sort of a card, which would give this gentleman's number, and all the data concerning him necessary.

The CHAIRMAN. How would bank B know, for instance, know that he has not been to bank A, and how would bank C know that he has not been to both banks A and B, and received money from them?

Dr. TOWNSEND. If a man chooses to go from one place to another, he would have to give——

The CHAIRMAN. I understand that this is a moving business; in other words, you presuppose that he is going to move. You do not confine the number of banks on which he may draw to one. This says any bank in the United States, as I understand it, that he can go to and present his authorization and receive his money.

Dr. TOWNSEND. You might want to cash your check one month in one place and another month in another place. We do not propose to tie anyone down to any immediate neighborhood.

The CHAIRMAN. You would have the pension paid on presentation of his photograph on the order at any bank to which he goes. Suppose that the amounts paid out by these banks exceed by a considerable sum the amount taken into the Treasury from the tax levied under this system of raising the money, how would you make up your deficit? How are you going to know whether you have money enough in your Treasury to pay the orders for pensions? How do you know that you are going to be able to meet all the demands that are made on the banks? In other words, the bank is required to pay this money. You are not going to allow the banks to pay overdrafts. That would be contrary to our law. Banks under the law are not permitted to pay overdrafts. Suppose these orders are all issued, but before they are paid, the funds in the Treasury are exhausted. Where will you get the difference to pay them? I do not think that there is half enough provided in this bill to take care of the amount authorized. Where would these banks get this money when the Treasury Department says there is not a sufficient amount to take care of these orders? How do you provide for that?

Dr. TOWNSEND. The way in which it could be done would be by a system of trial and error, such as the Government has been undergoing for the last year or two.

The CHAIRMAN. You think that the people of the country would support a banking system as loose as that? Do you think that banks would be justified in doing business on that basis? Banks should have just as much consideration of their depositors as they have of any one else. Suppose I, as a depositor in a bank, could draw a check for whatever amount I pleased and say that I would put the money in the bank later, or sufficient money to take care of the overdraft. What kind of a banking system would that be?

Dr. TOWNSEND. Suppose we collect the tax——

The CHAIRMAN. Suppose the tax is not sufficient to pay these orders. I have no doubt it will not be half sufficient. Why should not the deposits be made before payments are made? You propose to pay the orders without knowing whether the tax levied will cover the amount necessary to be paid. Is not that a loose system of doing business?

Dr. TOWNSEND. It is not going to be necessary, because we know by the transactions of the country that with this money in circulation the number of transactions is going to be prodigiously increased.

The CHAIRMAN. I am not talking about that. Suppose they are prodigiously increased. I suppose they will be. There is not any question that they will be prodigiously increased until the whole machinery breaks down, which will probably be immediately. But until that happens, what assurances have we that there will be sufficient tax collections to take care of these obligations? Have you any assurance of that, or is this just guesswork of the wildest and most rambling sort?

Dr. TOWNSEND. Have we not plenty of assurances in the fact that sufficient money has been expended in the past so that a 2-percent tax upon that expenditure will produce, we will say, \$20,000,000,000?

The CHAIRMAN. You have presented no such data as that, sufficient to convince me of that.

Dr. TOWNSEND. Then you are hard to convince.

The CHAIRMAN. In the first place, I would like to know, how do you get your figures as to the exact amount of the financial transactions in the United States? Has there ever been any accurate record of that compiled? That is guesswork?

Dr. TOWNSEND. This is not guesswork.

The CHAIRMAN. Is there a record of every dollar's worth of cattle and wheat and corn and cotton and groceries and drugs and doctors' bills and lawyers' fees and clerks' salaries, and everything of that kind? Is there any record of that anywhere in the world?

Dr. TOWNSEND. No; but we have a record of transactions that would provide an ample amount, without all that.

The CHAIRMAN. Where are the figures on which you make up your total?

Dr. TOWNSEND. We have just been quoting them to you.

The CHAIRMAN. What authority have you for the figures you have given? You have given us nothing but guesswork. There is no record made of all these transactions anywhere. If there is, I would like to know what that record is.

Dr. TOWNSEND. Let Mr. Hudson read the figures.

The CHAIRMAN. Let him read them. But let us know where he got them. Let us see whose figures they are. What we want are detailed figures. I do not want merely a total figure. I want the detailed figures that make up that total. We will be glad to hear those figures. That is information that I would be delighted to have. If there is a record of those figures anywhere in the world, I would like to know where it is.

Mr. HUDSON. May I read this statement?

The CHAIRMAN. If that is the only way by which you can give us the information, you may read the statement.

Mr. HUDSON. Thank you.

The CHAIRMAN. Surely, you could not have all of those figures on that one slip of paper?

Mr. HUDSON. I have sufficient here, and if you care to have more then I will take the time to give you more.

The CHAIRMAN. Give us the figures, and the source of the figures.

Mr. HUDSON. If these are not sufficient I will get more. That is fair enough, is it not [reading]:

House Resolution No. 3977, known as the "McGroarty bill", provides for an annuity of \$200 per month to all citizens of the United States who have reached 60 years of age or over, and who apply therefor and can qualify under section 2 of the bill.

Permanent recovery is the prime purpose of the plan and facts and conclusions are hereinafter presented in support of the plan under the following related subdivisions.

Mr. DISNEY. May I ask a question there? This goes to the philosophy of the bill. As I understand it, the bill is based on two premises. One to take care of the aged people, and the other, as you just now said, to enhance or enlarge the business of the country.

Mr. HUDSON. That is the prime object of the bill.

Mr. DISNEY. If that is the prime object of the bill, why not reduce the age limit to the age of discretion or the age of majority, and enhance business to a much greater extent?

Mr. HUDSON. Because that is not necessary. The number of aged people today in the United States is approximately the same as the total of your unemployed. It would be only folly to do what you suggest, because there is a time coming when you will be called upon to reduce the age, after you gentlemen have approved this bill. [Continuing reading:]

1. Unemployment.
2. New purchasing power and revenue.

The CHAIRMAN. That is not what I am asking for.

Mr. HUDSON. Well, I am getting down to it.

The CHAIRMAN. Well, start from that point instead of getting down to it. That is not relevant at all to the inquiry that I made.

Mr. HUDSON. It is pretty hard to start in the middle of a paragraph and get any sense out of it, Mr. Chairman.

The CHAIRMAN. You are reading some paragraph on some other matter I did not ask you about. We are asking you for detailed information as to these figures. We want to know the source of these figures of financial transactions in the United States.

Mr. HUDSON. Then from here [indicating statement] it should be read, with your permission.

The CHAIRMAN. Proceed.

Mr. HUDSON. It is understood now that the aged, answering this question—

The CHAIRMAN. Understood by whom?

Mr. HUDSON. It is understood by every one.

The CHAIRMAN. That is just another leap in the dark.

Mr. HUDSON. It is understood that we are dealing with the problem of 10,000,000 aged. You have got the same number, or approximately the same number, of unemployed, 10,000,000, or slightly over.

The CHAIRMAN. Perhaps.

Mr. HUDSON (reading):

Assuming that only 3,000,000 aged now employed retire on pension, there will be created 3,000,000 jobs by filling these vacancies.

By eliminating aliens, disqualifying criminals, and taking account of those who are financially independent, or who do not wish to retire, we estimate the number who can and will qualify for the pension will be 7½ million.

The distribution of \$200 per month to these 7½ millions of citizens who can qualify and who are, in proportion to the population, equally distributed throughout the entire country, will create such a demand for goods and commodities as to result in the necessity of employing 7½ millions who are now unemployed; thereby, employment will be given to 10½ million younger workers.

The CHAIRMAN. You have not gotten any closer to the question. You are not anywhere within gunshot of it.

Mr. HUDSON. As I have told you, I cannot start in the middle of a sentence, and if I am permitted to read this document—

The CHAIRMAN. What you have read throws no light on the question.

Mr. HUDSON. Well, it leads up to it.

The CHAIRMAN. Why do you not start at the point where it has to do with the question.

Mr. HUDSON. Because I cannot start in the middle of a sentence and make it read like sense.

The CHAIRMAN. You have already read several sentences and you have not started to touch the question yet.

Mr. DISNEY. Mr. Chairman, may I ask one other question at this point? If the prime object is to relieve unemployment and set business in motion, why not simply pension the unemployed and take care of the aged by some other way?

Mr. HUDSON. My dear sir, that is just what you have been doing, pensioning the unemployed, and putting that upon the backs of the taxpayers.

Mr. DISNEY. Is not that the theory of this bill, that you expect to pay \$200 a month in order to correct the unemployment situation; to relieve the unemployed?

Mr. HUDSON. We expect to remove the aged, who are the proper ones to be removed, from the employed field. It is not going to cost us anything to do it. It is simply the purchase price of an annuity that we all have a right today to purchase.

The CHAIRMAN. Returning to the question I asked you, the basis of your statement of the total amount of business done in this country. What is the source of those figures? From what are they compiled?

Mr. HUDSON. There is no living man today that can certify that there is such and such a total of transactions, without missing it by billions.

The CHAIRMAN. What about the amount of the transactions?

Mr. HUDSON. Nor the amount of them, other than through bank debits and your great statisticians who are supposed to be somewhere near correct in their estimates, do it that way.

Mr. VINSON. You stated in 1929 that there were 1,200 billion dollars in transactions.

Mr. HUDSON. Yes.

Mr. VINSON. Bank debits of \$982,000,000,000. In 1931 you stated that the sum total of the transactions was reduced to \$600,000,000,000. Is that correct?

Mr. HUDSON. That is correct, according to Mr. Goldenweiser.

Mr. VINSON. Can you give us the total bank debits for 1933?

Mr. HUDSON. Yes, sir.

Mr. VINSON. What is that?

Mr. HUDSON. Three hundred and three billions plus some millions.

Mr. VINSON. Three hundred and three billions?

Mr. HUDSON. Three hundred and three billions.

Mr. VINSON. Two percent of that would be what sum?

Mr. HUDSON. That would be 6 billion.

Mr. VINSON. Six billion. If it understood Dr. Townsend correctly this morning, it would take nearly 20 billions of dollars.

Mr. HUDSON. It takes 18 billions.

Mr. VINSON. I thought it was 19%.

Mr. HUDSON. No; 18 billions. That would be the maximum.

Mr. VINSON. Maybe a dollar over or a dollar under 18 billion, and it is 303 billion. What is the treatment of the debit that represents services?

Mr. HUDSON. I did not quite follow you on that.

Mr. VINSON. I wanted to know how you treated services.

Mr. HUDSON. You are speaking of the 303 billion?

Mr. VINSON. Three hundred and four billion seven hundred and sixty nine million in regard to 141 principal cities.

Mr. HUDSON. Yes.

Mr. VINSON. So that we may have it accurately.

Mr. HUDSON. Yes.

Mr. VINSON. It is a little more than your 303 billion, because when you take all the banks, bank debits in 1933 are estimated to be 442 billions. That is a little more than your figure. But in that 442 billions sum total bank debits, you have during the period of the year running through those bank debits the reasonable estimate of \$40,000,000,000 in salaries for personal services. Do you think that 40 billion would be a reasonable deduction from 442 billions?

Mr. HUDSON. You are now speaking of salaries, amounting to 40 billion?

Mr. VINSON. Yes; in your bank debits.

Mr. HUDSON. I did not add the salaries to the 303 billions.

Mr. VINSON. Of course, your 303 billions were the figures for the banks of 141 principal cities.

Mr. HUDSON. Yes.

Mr. VINSON. I want to be fair with you in regard to that. It did not include all the banks throughout the country?

Mr. HUDSON. All. It did not.

Mr. VINSON. If you take \$400,000,000,000 as the total bank debits subject to this 2-percent tax and you added 2 percent tax on every transaction that was hooked up with these bank debits, you would realize but \$8,000,000,000 would you not?

Mr. HUDSON. Yes; that is correct.

Mr. VINSON. Referring to line 3 on page 2 of the McGroarty bill, what do you understand the language "gainful competitive pursuits" to mean? You say that in order for the pensioner to get the \$200 a month, he must (a) discontinue and refrain from all gainful competitive pursuits or salaried positions of any kind.

Mr. HUDSON. I take it to mean this, that he will cease operation for income, such as salaries, and so forth.

Mr. VINSON. He would have to relinquish his connection with anything that would mean income to him? Is that correct?

Mr. HUDSON. Unless it was some income from some piece of property or bond that he had accumulated prior to the pension. You cannot take income derived from a bond. If a man has a thousand dollars' worth of Liberty bonds, as an illustration, he still can qualify for the pension. But you cannot take the interest from him, because that is something he has already accumulated in the previous years.

Mr. VINSON. This says he shall discontinue and refrain from all gainful competitive pursuits.

Mr. HUDSON. Yes.

Mr. VINSON. Do I understand you to mean that if a man had a thousand-dollar Liberty bond and he was getting, say 3½ percent, \$35 a year from it, that as long as he kept that Liberty bond and got \$35 a year he would not be able to get the \$2,400 a year under this plan?

Mr. HUDSON. You most assuredly do not. Quite the reverse. I said by applying and acquiring the pension, it does not necessarily mean that he must surrender anything he has accumulated in the past.

Mr. VINSON. Then if he has the Liberty bond and is cutting the coupons, whether it is \$35 a year or \$3,500 a year, would he still be entitled to the \$200-a-month pension?

Mr. HUDSON. Exactly.

Mr. VINSON. Then if a man had an income of \$50,000 a year—

Mr. HUDSON. We do not care if it is Henry Ford.

Mr. VINSON. Yes, Henry Ford; in the clipping of coupons, he would still be entitled to the \$200-a-month pension?

Mr. HUDSON. Yes, sir.

The CHAIRMAN. You figure out that a 2-percent tax will raise the amount of money necessary by basing it on the amount of business transactions conducted in the country, and yet when I ask you for the figures indicating the business transactions of the country you answer that there is no such record and it is only a guess.

Mr. HUDSON. No; you misunderstood me. I did not say it was a guess. I said there was no statistical data kept as to every transaction.

The CHAIRMAN. If there is not, then it must be a guess.

Mr. HUDSON. No; it cannot be. Your Federal Reserve bank certifies what the deposits and debit column showed in a certain year, and I take it that that is pretty correct.

The CHAIRMAN. If you say it is 5,000 miles or 3,000 miles or 4,000 miles from here to San Francisco, and I ask you how you know, if it has ever been measured, and you say it has not, then am I not justified in saying it is an estimate? Or a guess? You say no one has ever measured it.

Mr. HUDSON. Yes; but it has been measured.

The CHAIRMAN. You say it has not, it has never been kept.

Mr. HUDSON. I said the total transactions.

The CHAIRMAN. If you have the individual transactions they can be totaled, but who has kept the individual transactions?

Mr. HUDSON. No one. But I contend this, that there is on one that can dispute the fact that any time that your national income, that is, the net results of your national income, amounts to 80 billions of dollars and up, your total transactions are never under 1,200 billion dollars.

The CHAIRMAN. That is just a guess, that is all.

Mr. HUDSON. Oh, no; it is not a guess.

The CHAIRMAN. It is nothing but a guess. You have no record, have you? That is an opinion, that is all it is.

Mr. HUDSON. Do you then contend that the Federal Reserve bank down here is guessing?

The CHAIRMAN. No; I am not contending that. The estimate is the best estimate they can make.

Mr. HUDSON. Do you contend that Mr. Goldenweiser is guessing?

The CHAIRMAN. They estimate on total volume of business. But when you come to the individual transactions that you mention on which this is based, you admit that there is no record.

Mr. HUDSON. Your total volume.

The CHAIRMAN. That is an estimate.

Mr. HUDSON. Dow-Jones do not estimate. They do not make estimates.

The CHAIRMAN. You said so far as you knew there was no record.

Mr. HUDSON. I think their estimate is very conservative.

The CHAIRMAN. I am asking for information and I am not getting it.

Mr. VINSON. In these bank debits, of course, you have many transactions involving the payment of debts. In that sort of transaction is it your privilege under your definition here to tax that transaction?

Mr. HUDSON. Most assuredly, if it is a debt-acquiring property. In other words, if I run a grocery bill and I write my groceryman a check for \$40 for the bill, he certainly had his profit and should pay a tax. That is a debt that is paid through the bank.

Mr. VINSON. As I understood you, the payment of debts accumulated in the past, present debts, or debts that would be accumulated in the future, would bear a 2-percent tax.

Mr. HUDSON. I would not go so far as to say that. Debts that have been accumulated in the past—

Mr. VINSON. Is that a financial transaction?

Mr. HUDSON. In your term, yes; it would be.

Mr. VINSON. I am not speaking of my term, I am talking about the term in the bill.

Mr. HUDSON. I do not think that if I have a mortgage on my home now, after the passage of the bill I should be taxed for the privilege of paying the mortgage.

Mr. VINSON. You think you should be?

Mr. HUDSON. I should not.

Dr. TOWNSEND. Ex post facto.

Mr. VINSON. Is there any exclusion of that sort of payment in this bill any place?

Mr. HUDSON. No; I see none.

Mr. VINSON. But you think there should be?

Mr. HUDSON. I think so; yes.

Mr. VINSON. When you take then your exclusion of debts from your bank debits, do you not pull down your sum total very, very materially?

Mr. HUDSON. No, no. You would not since the year 1929, because nobody has been able to pay his debts.

Mr. VINSON. I know, but the debts are still there. That is what I am speaking of.

Mr. HUDSON. Yes; that is true.

Mr. VINSON. The payment of those debts is what I am speaking of now; your debts are in the debit column?

Mr. HUDSON. Yes.

Mr. VINSON. In the payment of those debts, if they are excluded from the sum total of your bank debits, that would materially reduce the total of bank debits, which is the basis of your 2 percent tax?

Mr. HUDSON. It would not reduce your transactions one bit, because of the fact if I am in business and I have a mortgage on my

farm or home of \$1,000, I am accumulating that \$1,000 through my trade channels, my business, am I not? And I come over to you as the mortgage holder and I say, "Here is your \$1,000." Have I not already paid the tax through the accumulation of the \$1,000?

Mr. VINSON. You may have done that, but I did not see anything in here to keep you from pyramiding that tax. That is one of the questions that has been rising in my mind, the question of pyramiding that tax.

Mr. HUDSON. There is no way of pyramiding this tax. If it were possible to pyramid this tax, it would not amount to anything.

I want to make this explanation: The bill is there and it is in the House. But as I said before, the bill does not meet with my approval. I would say very frankly that it does not. Naturally, your body of men have the power to correct any bill before them.

Mr. VINSON. It is rather loosely drawn, is it not?

Mr. HUDSON. I would say so, yes; very loosely.

The CHAIRMAN. Dr. TOWNSEND, I believe you just called in your friend to answer these questions with regard to statistics.

I notice on page 2 of this bill, subdivision (b)—

the pensioner shall covenant that he or she will within 30 days of receipt of said pension expend all of the same for goods, commodities, or services within the jurisdiction of the United States.

There is nothing said there about the nature of services or what may be paid for services, is there?

Dr. TOWNSEND. No.

The CHAIRMAN. Does it make any difference?

Dr. TOWNSEND. Not necessarily. They might hire individuals for the petty work, which some of these pensioners would necessarily need.

The CHAIRMAN. Take this case, for instance. Suppose a man and his wife are beneficiaries under this bill, or this law, if it is enacted. They have a son and a daughter. The old man says to his son, "You bring in my fuel and do my shopping, and I will pay you \$5 a day for doing that." That is for services. It does not say anything about the nature of the services or the price that may be paid.

The old lady says to the daughter, "You keep my house and make up my bed, and I will pay you \$5 a day." There is nothing said about the nature of the services or the price of the services in the bill. Would that come within the provisions of this law if this bill becomes law?

Dr. TOWNSEND. What of it?

The CHAIRMAN. They can take that money and put it in the bank or spend it. There is no direction as to what they shall do with it. Could the pension not be manipulated in that way so that it would not go out to increase the volume of business, nor give employment, nor stimulate trade?

Dr. TOWNSEND. It can be subject to abuses, the same as any other law, of course. However, provision is made in this bill for a committee of three pensioners in every voting district to see that the intent of the bill is carried out.

The CHAIRMAN. How many clerks, employees, and officials do you think it would take to follow up all the transactions in the United States, and see that they are all reported, and an accurate count kept

and the tax fully paid, the law honestly administered, and the funds correctly or properly applied?

Dr. TOWNSEND. It would not take any more than we have at the present time. It would not make any difference if there were an increase. Right here in Washington you see an evidence of the benefit of an increase in employees. This is the only spot in the United States that is enjoying ordinary prosperity at the present time. Why? Because of the vast increase in the employed of this community. Now, let us employ without stint. That is what we want. We want the people employed.

The CHAIRMAN. But we have to collect this tax before we can employ them.

Dr. TOWNSEND. Yes, if we have to have additional employees.

The CHAIRMAN. How many officials would it take to administer this law and collect this tax, following up every transaction between any two people? It takes two people or more to complete a transaction. A man cannot trade with himself.

Dr. TOWNSEND. You are not going to have any increase over what we have at the present time. We have plenty of facilities at the present moment for collecting this tax.

The CHAIRMAN. What are those facilities?

Dr. TOWNSEND. You can do it through the banks.

The CHAIRMAN. If John Smith sold a hog out here to Jim Jones and took a dog in exchange for it, the bank would not know of that. Suppose John Jones and Jim Smith swapped hogs, or the transaction involved a hog and a dog or a hog and a sheep, and the transaction involved \$4. Which would pay the tax?

Dr. TOWNSEND. Both, probably.

The CHAIRMAN. Both, probably; though it was one transaction?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Who would follow that up? There are transactions similar to that going on in grocery stores, drug stores, barber shops, on farms and everywhere. They are not all required to pay taxes. There is no system of taxes for every transaction in the United States.

Dr. TOWNSEND. We have a sales tax in the State of California. They have it everywhere. If you register these people and license them, have everybody take out a license, they have to obey the law.

The CHAIRMAN. I am just asking you what in your opinion will be the cost of administering this law if this bill is enacted into law.

Dr. TOWNSEND. I say, we are not interested the least in the cost of it.

The CHAIRMAN. I am sure of that.

Dr. TOWNSEND. The cost will simply be a transfer.

The CHAIRMAN. I am sure that is right.

Dr. TOWNSEND. We will simply increase the flow of money.

The CHAIRMAN. There is no question about waste or extravagance or loss, just so we get the money? You confess you are not interested in the expense. Of course, that is an admission I am glad to have.

Mr. LEWIS. Dr. Townsend, I am reading from the bill, section 2:

That every citizen of the United States, 60 years of age and over, or who shall attain the age of 60 years after the passage of this act, while actually residing in the United States, shall be entitled to receive, upon application and qualification, a pension in the sum of \$200 per month.

Application to whom?

Dr. TOWNSEND. Application to the United States Government, to the pension department of the United States Government.

Mr. LEWIS. Application to whom? If I wanted this pension, to whom would I apply?

Dr. TOWNSEND. To the pension department of the United States Government.

Mr. LEWIS. The bill does not mention that department.

Now, coming down to section 5:

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

You expect these applications to be made to the banks?

Dr. TOWNSEND. Yes.

Mr. LEWIS. The section itself, however, provides that the Secretary of the Treasury shall authorize the bank to enter to the credit of the pensioner this \$200 on the 1st of each month. Do you wish us to believe that the banks of the country, merely being authorized to do so, would enter \$200 to the credit of every person who might apply for this pension?

Dr. TOWNSEND. Why, anybody would understand, of course, that the credit would be placed to the banks by the Treasury of the United States, by an act of Congress.

Mr. LEWIS. What your bill says is, "Shall authorize the national and State banks to credit." It does not command them to credit, even if Congress should have the power to command them to credit.

Mr. COOPER. Mr. Chairman, there is a roll call in the House. Of course, members of the committee are supposed to respond to that call. I move that we recess for 1 hour and come back at 4 o'clock.

The CHAIRMAN. Without objection, we will recess until 4 o'clock. Doctor, will you please return at 4 o'clock with your staff?

(Whereupon, at 3:10 p. m., a recess was taken until 4 p. m. of the same day.)

#### AFTER RECESS

The CHAIRMAN. The committee will be in order.

Doctor, if you do not have the data available and convenient, will you please furnish for the record an itemized statement of all the collections your organization has made, the sources, and also a detailed or itemized statement of the disbursements, up to this time, with a list of the officials, the titles of the officials as well as all employees and their salaries?

Dr. TOWNSEND. Mr. Chairman, I can give you the latest audit, and we can compile the names of the employees and their salaries in a very short time. It would not be available at the present moment.

The CHAIRMAN. Have you in mind now approximately the total amount of collections up to date?

Dr. TOWNSEND. Yes; I can quote from the last audit.

The CHAIRMAN. About how much would you say? Of course, this is different and apart from the itemized statement we are asking for.

Dr. TOWNSEND. It is approximately \$40,000, possibly a trifle over. It is under \$50,000.

The CHAIRMAN. Is it a fact, Doctor, or is it not—I have seen it reported somewhere, I think in the press—that there has been some dissension in your organization and some of your directors or employees have resigned, for the reason that they had requested in view of the large amount collected there be an outside audit of the books, that was refused, and as a consequence some of the directors resigned. Is there anything to that charge?

Dr. TOWNSEND. There is nothing to that charge whatsoever. They did not resign because of a lack of confidence in our audit. We had a certified accountant make that audit.

The CHAIRMAN. That is, within your own ranks?

Dr. TOWNSEND. No; from outside.

The CHAIRMAN. An independent outside accountant?

Dr. TOWNSEND. From outside the ranks entirely. We welcome a similar audit from anyone else. We did not deem it incumbent upon us to furnish two audits. We offer anyone the opportunity to make an audit if they wish to bring an auditor in and do it at their own expense.

The CHAIRMAN. Your books are open for legitimate inspection?

Dr. TOWNSEND. At all times. They have been from the start.

May I make a request? I would like to have read into the record of this examination the prepared financial and statistical statement which Mr. Hudson has thus far attempted to present.

The CHAIRMAN. You have the privilege of having it inserted in the record.

(The following data was subsequently submitted by Dr. Townsend:)

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

Balance on hand, Jan. 30, 1934.....	\$7. 89
<b>Receipts:</b>	
Old-age revolving pensions:	
Petitions, books, literature, etc.....	9, 591. 64
Donations, memberships, collections, etc.....	2, 025. 30
Accounts receivable.....	7, 442. 36
Contributions (extension account).....	1, 119. 00
Subscriptions, refunds, etc.....	1, 347. 12
Total.....	<u>21, 525. 42</u>
Clubs:	
Dues, books, literature, etc.....	7, 701. 30
Refunds, etc.....	455. 33
Total.....	<u>8, 156. 63</u>
Extension:	
Donations, club.....	1, 327. 40
Mass meetings, radio contributions, collections, etc.....	6, 876. 24
Total.....	<u>8, 203. 64</u>
Total receipts.....	<u><u>37, 893. 58</u></u>
<b>Disbursements:</b>	
Old-age revolving pensions:	
Salaries.....	2, 252. 58
Rent and rentals.....	663. 18
Postage and express.....	1, 714. 91
Utilities.....	159. 15

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

Disbursements:—Continued.

Old-age revolving pensions:—Continued.

Printing	\$5,466.71
Buttons	112.61
Organizers and organization expense	7,388.77
Legal	84.70
Advertising	205.15
Janitor	54.75
Office supplies	649.06
Taxes	167.71
Miscellaneous	357.60
Telephone and telegrams	140.94
Commissions	706.13
Refunds	117.34
Accounts payable	741.21
<b>Total</b>	<b>20,982.50</b>

Clubs:

Organizers and organization expense	1,345.36
Modern Crusader	997.00
Salaries	219.98
Printing	392.07
Furniture and fixtures	125.00
Portage	32.64
Rentals	17.04
Refunds	19.38
Miscellaneous	19.30
<b>Total</b>	<b>3,167.77</b>

Extension:

Organizers and organization expense	2,369.61
Public meetings	851.68
Printing	177.05
Radio	508.75
Miscellaneous	1.23
<b>Total</b>	<b>3,908.32</b>

**Total disbursements** 28,058.59

**Balance** 9,834.99

Accounted for as follows:

Citizens' State Bank, Long Beach	9,767.30
Stamps and petty cash	67.69
<b>Total</b>	<b>9,834.99</b>

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

RAY S. McALLISTER,  
Certified Public Accountant.

Mr. DUNCAN. Doctor, in order that we may have a practical application of the theory of tax collection, I want to ask you this: Suppose I am a farmer. I sell 400 bushels of wheat for \$1 a bushel. Upon that \$400 there would be a 2 percent tax. It is true, is it not?

Dr. TOWNSEND. Yes.

Mr. DUNCAN. A tax of \$8. If the buyer of that sells it to the miller for, say, \$425, there would be an additional tax of \$8.50. The miller

or processor processes it and sells it for \$600. That would be a \$12 tax. He in turn sells it to the consumer for a third more, or \$800. Then there would be \$16 tax, so that between the time it was sold by the producer and the time it reached the ultimate consumer there would be a tax of \$44.50 on that original transaction of \$400. That is true, is it?

DR. TOWNSEND. No; you miss the gist of it entirely. Mr. Hudson, answer that question for him. The gentleman has missed the point entirely.

MR. DUNCAN. I would like to have an explanation of that.

MR. HUDSON. Would you mind stating the number of bushels at a thousand in order that we might have round figures?

MR. DUNCAN. I am just taking the amounts here, Mr. Hudson.

MR. HUDSON. Well, I have the amounts here.

MR. DUNCAN. Let me restate my question: If I as a farmer sold \$400 worth of wheat there would be a tax of 2 percent on that?

MR. HUDSON. Yes, sir.

MR. DUNCAN. That would be \$8. The producer of that wheat sells it to the miller for \$425; there would be an additional 2-percent tax on that transaction; that is true?

MR. HUDSON. That is correct.

MR. DUNCAN. That would be \$8.50. The miller or processor grinds the wheat and sells it to the retailer, we will say, for \$600.

MR. HUDSON. That is \$12.

MR. DUNCAN. Now, the retailer sells it to the consumer for \$800. That would be 2 percent more, or \$16.

MR. HUDSON. I did not quite get that last transaction.

MR. DUNCAN. I say the retailer who paid \$600 for it to the miller sells it to the people who consume it for \$800.

MR. HUDSON. That is \$16.

MR. DUNCAN. That is \$16. So that would be—

MR. HUDSON. \$44.40.

MR. DUNCAN. \$44.50.

MR. HUDSON. \$44.40, I have. We will not quarrel over that dime.

MR. DUNCAN. That is true. So that there would be possibly a 9-percent increase between the purchase price and the ultimate sale price to the consumer, would there not?

MR. HUDSON. There would be a total tax of 2 percent on the total sale price of \$2,225.

MR. DUNCAN. But there would be 9 percent above the original cost.

MR. HUDSON. No; I do not agree there. Granting that you are correct—which I am not admitting that you are at all—the total tax is \$44, is it not? \$400 worth of wheat is 400 bushels, is it not?

MR. DUNCAN. I am not figuring on bushels. I am figuring in amounts.

MR. HUDSON. Suppose we take today's price.

MR. DUNCAN. All right.

MR. HUDSON. When the wheat is ground into flour, then you must spread that tax over a certain number of sacks of flour, must you not? Furthermore, if I buy your wheat for a dollar a bushel, and you are the raiser, I walk to your neighbor there who is a speculator, and I say, "I just bought so-and-so's wheat. I want \$1.10 for it." And he pays me the \$1.10. He goes to his neighbor, who is a larger speculator, and he says, "I will give you \$1.20." He goes to the

elevator here and he says, "I want \$1.25 for the wheat." Each of the four have made a transaction, and they each made a profit, did they not?

Mr. DUNCAN. My theory here of the amount is correct. It is the amount of money.

Mr. HUDSON. The amount of tax.

Mr. DUNCAN. The amount of tax.

Mr. HUDSON. The amount of tax, yes, is \$44 on \$2,225 worth of merchandise, the transaction.

Mr. DUNCAN. Suppose under your theory I buy a 10-cent cigar. That would be 2 percent additional on that transaction?

Mr. HUDSON. On a 10-cent purchase?

Mr. DUNCAN. Yes.

Mr. HUDSON. Why, I do not see how you could possibly pay 2 percent on a 10-cent cigar. That is 2 percent on a dollar. If you bought a dollar's worth of cigars, naturally there would be a 2 percent transaction tax.

Mr. DUNCAN. If I bought a 10-cent cigar and paid 10 cents for it, I would not be charged any tax, would I?

Mr. HUDSON. We are not attempting to charge the individual at all, the consumer, but we charge that cigar store, when he sold 10 of you a 10-cent cigar, 2 cents.

Mr. DUNCAN. Two cents. In the States that have sales taxes, suppose the sales tax is 2 percent. If you go in to a merchant today and buy 25 cents' worth, you still pay that 2 percent, do you not, on the 25 cents?

Mr. HUDSON. You pay 1 cent.

Mr. DUNCAN. That depends somewhat on the merchandise?

Mr. HUDSON. Well; no. The merchandise has no bearing on it. It does not in our State at least.

Mr. DUNCAN. I have paid it in numerous places. The reason I asked that question, I have paid 2 percent on the purchase that I have made.

Mr. HUDSON. If the purchase was only a quarter?

Mr. DUNCAN. Yes; only a quarter.

Mr. HUDSON. Any purchase of 15 cents, and I think it is up to 30 cents, in our State, is a penny, and 30 to 70 is 2 cents, and 70 to \$1 it is 2½.

Mr. DUNCAN. There would be an opportunity here under your theory, would there not, for the merchant to collect several times the amount of this 2 percent in the way of small sales which in the aggregate make up the dollar?

Mr. HUDSON. He does not collect any tax from the purchaser.

Mr. DUNCAN. He has the right to, does he not?

Mr. HUDSON. He has not under a transaction tax. Under a sales tax he has a perfect right, and the law compels him to do so. That is the difference between a transaction tax and a sales tax. The premise upon which a sales tax is built is wrong because it dumps the whole cost of the tax into the lap of the consumer.

The CHAIRMAN. The theory upon which this tax is based, a tax on each transaction, is that this is a procedure through which you can get the money?

Mr. HUDSON. This is a procedure through which you will get the money.

The CHAIRMAN. I understood you to say awhile ago that there were several transactions in each of which a profit had been made?

Mr. HUDSON. Oh, no; you must have misunderstood me.

The CHAIRMAN. I think the record will show you referred to making a profit.

Mr. HUDSON. No; no. I said the tax is not based upon the amount of profit that the individual makes. If he is chump enough to remain in business and not make a profit, that is his fault, not ours. He owes us the tax just the same.

The CHAIRMAN. If he buys the wheat and the market declines and he has to sell it to the miller for less than he paid, he pays the tax just the same?

Mr. HUDSON. Yes. Might I enlighten you on that subject?

The CHAIRMAN. Your theory is that it gets the money.

Mr. HUDSON. It gets the money.

The CHAIRMAN. Regardless of whether or not the man can afford to pay it or whether he can pass it on, or whether he pays it out of his profit or out of his loss?

Mr. HUDSON. Exactly. It is almost impossible for him to pass the transaction tax on. But the door is wide open for him to pass the sales tax on.

The CHAIRMAN. Why do you say it would be impossible for him to pass it on? Is not the cost of anything taken into consideration in making a sale, as far as possible?

Mr. HUDSON. May I illustrate this for you?

I intend under a transaction tax that a great deal of that tax will not be passed on to the consumer, because they are going to have a lot of trouble doing it.

Mr. VINSON. Take the wheat illustration.

Mr. HUDSON. We will take 1,000 bushels of wheat. I do not know why he used the \$400 worth of wheat. It sells for a dollar a bushel. I am a farmer. I sell my 1,000 bushels of wheat for \$1 a bushel and pay the Government \$20. The doctor here has bought my wheat, as a small speculator. He walks over to the gentleman on his left and he says, "I have bought Hudson's wheat for \$1,000. I now want \$1,100 for that wheat." He then pays \$22 as the tax, the doctor does, and he must pay that tax because he has made a hundred-dollar profit. And then it goes from there to the miller, and the miller grinds it into so many sacks of flour. A bushel of wheat the world around will produce a 48-pound bag of flour. The miller sells to the grocery man, Mr. Piggly-Wiggly. He says, "I want so much for the flour." All right; and he pays it. He pays a \$24 tax. But he made \$100 on the transaction. The store now has fallen heir to the flour. It puts the flour out at \$1.50 a bag. He pays on a thousand bags of flour \$30. There are five transactions. When you total the transactions, those five dealers have paid into Uncle Sam's coffers \$122.

Now, let us see whether that could all be passed to the consumer, and if so, would it have any great effect on the matter. The 1,000 bags of flour would carry a tax of 10.22 cents on each bag. That is 1 cent and a quarter a bag. Will you please tell me how Mr. Groceryman is going to extract that tax from the purchaser? True, it will raise the price of the flour somewhat. And do we not want the farmer to get a little raise?

The CHAIRMAN. Let us go back and start with the farmer now. The farmer produces 1,000 bushels of wheat.

Mr. HUDSON. Yes.

The CHAIRMAN. The market is low, below the cost of production. He has to sell that wheat for less than his cost of producing it. Do you think it is a proper system of taxation that requires him to pay \$20 for the purpose of giving a pension of \$200 per month to some man like John D. Rockefeller or some other wealthy man that does not need it?

Mr. HUDSON. Quite the reverse.

The CHAIRMAN. No; no reverse to it. When you take it out of the pocket of the farmer when he has a loss you make him unable to pay his taxes, and his farm may be sold. Is there any equity in a system of that kind, a system that will permit a transaction of that kind?

Mr. HUDSON. Our system does not permit it.

The CHAIRMAN. Why doesn't it?

Mr. HUDSON. Because the farmer is going to have a market for the wheat that he has today and have an increased price. When our people consume all that they can consume he will not have any trouble getting \$1.25 or \$1.50 for his wheat, I hope.

The CHAIRMAN. But suppose this increases the price of labor, the price of machinery, the price of fertilizer, and the price of everything put into the production of that wheat with an inflated system. It costs him twice as much to produce as it did, or 50 percent more. What benefit, then, is 25 cents a bushel?

Mr. HUDSON. You cannot increase the cost of production of wheat.

The CHAIRMAN. You can very easily. His machinery, his fertilizer, and his labor costs are all doubled. Then along may come a bad crop year, a drought, a flood, or something of that kind, and he may not be able to get more than half the cost of production. Yet under your system he is forced to pay a tax to pay a pension to some man who may not need it at all.

Mr. HUDSON. Because under our system we have made it possible for him to sell wheat he sells now for more money.

The CHAIRMAN. You cannot prove that he has not doubled the cost of production.

Mr. HUDSON. You cannot prove that.

Mr. WOODRUFF. You say you would double the consumption of wheat in this country?

Mr. HUDSON. No; but we ought to raise the price of wheat.

Mr. WOODRUFF. You said you would double the consumption of wheat in this country.

Mr. HUDSON. No. We could increase the consumption of wheat.

Mr. WOODRUFF. Would you increase it substantially?

Mr. HUDSON. That is a question that would be pretty hard to answer. What I meant was this: The farmer is not going to sell his wheat for 30 or 40 cents, as he has had to do in the last few years. I contend this—that when you feed the people properly and allow them to use all that they can use, your consumption will be increased very materially.

Mr. WOODRUFF. I agree that it will be increased, because I think there are a great many people in this country that are underfed.

Mr. HUDSON. There is no question about that.

Mr. WOODRUFF. I think it would be interesting to you if you get the figures on the consumption of wheat in this country back in the very prosperous period from 1926 to 1929 and compare them with the consumption of wheat during the past year or two, when the consumption of wheat, as well as other food products, has been down. I think perhaps that will be of help to you. I think that it would be advisable for you to get that information.

Mr. HUDSON. We were not consuming in 1929 all that we could consume by any means.

Mr. WOODRUFF. We never have.

Mr. HUDSON. No.

Mr. WOODRUFF. And we never would, even under the proposition that you are submitting to the committee, because there would always be unfortunate people below the age of 60 who would not, perhaps, be able to get all the food they would care to have.

Mr. HUDSON. If they get all the work at a decent wage they will.

Mr. WOODRUFF. But there are so many people who cannot work; and unfortunately, there are so many people who will not work.

Mr. HUDSON. Oh, that is true. Those people we are always going to have with us.

Mr. LEWIS. We were dealing with the feature of the bill which directs the Secretary of the Treasury to authorize all National and State banks, members of the Federal Insurance Deposit Corporation, to credit each properly identified pensioner the first day of each month with the sum of \$200. I think I know the bankers in my own county and district, and would suggest that merely being authorized to do it, not a single bank in my district would enter the credit. Then the resort of the claimants, you say, would be to the Pension Office?

Dr. TOWNSEND. Why not?

Mr. LEWIS. To the Pension Office?

Dr. TOWNSEND. Yes.

Mr. LEWIS. But the bill carries no authority to the Pension Office to make such payments.

Dr. TOWNSEND. Gentlemen, it seems to me we are splitting hairs, and we are missing the point. Anything that is deemed of benefit to the entire Government of the United States, the people of the United States can put into effect. We could quibble here all day about details of how things are to be done.

Mr. LEWIS. You think this question of mine relating to the mechanics of this bill that may not have enough mechanisms in it to operate is mere quibbling?

Mr. HUDSON. I did not.

Dr. TOWNSEND. All right; we claim that it is there.

Mr. LEWIS. The bill carries no appropriation to the Pension Department, even if it might assume authority to pay the pensions.

Dr. TOWNSEND. Is there anything to hinder us from making that appropriation if the Congress can agree upon it?

Mr. LEWIS. I call attention to a very unusual circumstance in the bill. You provide that this bill shall be cited as the "Townsend Old-Age Revolving Pension Act", the "Townsend Act." Plainly on its face, your own bill does not actually provide for the payment of a single dollar pension to these expectant pensioners, even if the money could be raised in the way you have suggested.

Dr. TOWNSEND. I still do not get your question—if it is a question.

Mr. LEWIS. Is it your idea that you are merely submitting a suggestion to the lawmakers here about how the Committee on Ways and Means, if it took the time, might develop a bill that would be workable?

Dr. TOWNSEND. Yes; I am.

Mr. LEWIS. That is all you are doing?

Dr. TOWNSEND. We expect to have this bill taken as any other bill is taken, and if modifications are necessary, to make them. You do that with every bill that is presented. There are amendments offered on all bills.

Mr. LEWIS. You are expecting the Ways and Means Committee to make this bill a practical measure; is that correct?

Dr. TOWNSEND. You are trying to do that with another bill, and you are going to fail. What are you going to do about that?

Mr. LEWIS. You express your opinion about that.

Dr. TOWNSEND. No; it is not my opinion about that. You are proposing an absolutely unworkable bill. You cannot possibly pass the buck to the States and have the States pass the buck back to you and have this bill work with anything like equity and fairness. It cannot be done. I know the situation of the States. Probably you do.

The CHAIRMAN. Why do you suggest that this committee take your bill and perfect it, when right in the face of that you say the committee has no more judgment than to be proposing an entirely impracticable bill? Why do you leave anything to our discretion, in view of the statement you have just made? Why do you not come here with a bill which you yourself have perfected, if you say we are proposing a bill that is totally impracticable? I do not see the logic in that statement.

Dr. TOWNSEND. I do not suppose you are through. My supposition is that you are not through yet—that you are going to continue to try to work out an equitable and fair bill.

Mr. KNUTSON. Somewhere in your publicity matter you have stated that the passage of this legislation would jump all business up to a trillion two hundred billion dollars annually.

Dr. TOWNSEND. Yes. We think it would not stop at that.

Mr. KNUTSON. On the basis of 120,000,000 people, it would be a per capita turn-over for every man, woman, and child of \$10,000 a year.

Dr. TOWNSEND. All right. What has it been in the past? Tell me that?

Mr. KNUTSON. I do not know.

Dr. TOWNSEND. Well, you ought to know.

Mr. KNUTSON. I have never been able to find out just what it has been.

Dr. TOWNSEND. You ought to know. If these figures are right that are furnished by the Federal Reserve bank, that a dollar turned over 132 times in 1929, then what was the per capita turnover?

Mr. KNUTSON. In your literature the claim is made that the total money value of all transactions in 1933 was a trillion—we used to talk of millions when I came to Congress, then it was billions, now it is trillions—was a trillion, two hundred million.

Dr. TOWNSEND. Yes, sir.

Mr. KNUTSON. The authority for that was given as the Fifty-fifth Statistical Abstract of the United States. I sent over to the Library of Congress Friday and got the Fifty-fifth Statistical Abstract of the United States, and I could not find it. I wish that your statistician would give me the page where this information was obtained, because I am pretty busy and I would not like to go through that book again.

Mr. HUDSON. I have never made such a quotation from the Fifty-fifth.

Mr. KNUTSON. I did not say that you had made it. It has been made in the literature that has been sent out and has been sent to me.

Mr. HUDSON. That is possibly true. It does not appear in the Fifty-fifth Statistical Abstract. I could not find it.

Mr. KNUTSON. I could not, either. I spent three hours trying to.

Mr. HUDSON. I spent a whole night.

Mr. KNUTSON. We have wasted a lot of good time, have we not?

Mr. HUDSON. You bet we have.

Mr. KNUTSON. I want to say this, that this committee wants to report out the best possible pension plan because that is what we are trying to do. We want to report out the best plan that will stand up. But when you get to talking in the trillions—of course I will admit that I am a novice, it took me a long time to adjust myself to billions, but I am gradually getting around to it. Possibly before I get through with Congress, if you folks do not ride me too hard, it may turn to trillions.

Mr. HUDSON. May I make a statement that is in keeping with what you just pointed out, that the average turnover would be \$10,000 per year per capita on 120,000,000 people? That is correct.

Mr. KNUTSON. If that were true, that would mean a turnover of \$50,000 for a family of five.

Mr. HUDSON. Of course, you cannot ratio that on families.

Mr. KNUTSON. You have to go on an average basis, you know, do you not, in a way?

Mr. HUDSON. No, no, no; because of the fact that you have your great big corporations that are making this turnover for thousands of families.

Mr. KNUTSON. But how are you going to jig this up to a trillion two hundred million, and not take into consideration pay rolls?

Mr. HUDSON. We do not want to bother the pay rolls at all, except this:

We want to increase the pay rolls. We want to raise the pay roll. Pay roll has no bearing upon the transactions that are committed. In other words, if I receive my check today—which I do not have coming, but if I did have one coming—and I go into his store or his bank and deposit it, and I then begin writing my checks, now, the transaction is completed. But the pay roll would only show as a debit or a book account through the bank.

Mr. KNUTSON. But a pay roll is a part of a transaction that enters into the cost of production.

Mr. HUDSON. We have eliminated the taxing of a pay roll, or attempted to do so in that bill.

Mr. KNUTSON. I come from an agricultural district. Let us take a bushel of wheat.

Mr. HUDSON. Yes.

Mr. KNUTSON. The price is now about a dollar a bushel.

- Mr. HUDSON. Correct. That is why I made this illustration.
- Mr. KNUTSON. I was not here when you made it. Would you mind making it again.
- Mr. HUDSON. I would be glad to. It shows the tax, too.
- Mr. KNUTSON. You take that bushel of wheat.
- Mr. HUDSON. One dollar.
- Mr. KNUTSON. At a dollar. That is in a primary market.
- Mr. HUDSON. Let us make it a thousand bushels. The digits, as Will Rogers says, will not make any difference.
- Mr. KNUTSON. Let us make it one. That is easier for me to grasp.
- Mr. HUDSON. I suggested that because I have it all figured out as to what the tax would be.
- Mr. KNUTSON. All right, make it a thousand.
- Mr. HUDSON. The farmer gets \$1,000 for the thousand bushels of wheat. He pays Uncle Sam \$20.
- Mr. KNUTSON. Yes.
- Mr. HUDSON. He sells it to the smaller buyer.
- Mr. KNUTSON. That is the primary market.
- Mr. HUDSON. That is the primary market, the fellow that is buying it up and going to ship it. He in turn sells it for \$1,100. He pays Uncle Sam \$22. Now, the miller gets hold of it. He sells it for \$1,200 after grinding it into flour. He pays Uncle Sam \$24. The jobber now buys it of the miller, paying the miller \$1,300. That is a \$26 tax. Now it has reached the store.
- Mr. KNUTSON. Well, let us take the baker first.
- Mr. HUDSON. No, let us put it into the store.
- Mr. KNUTSON. No, we have to make it into bread first.
- Mr. HUDSON. All right, we will take it as far as you want it, right to the breakfast table.
- Mr. KNUTSON. Let us make bread out of it.
- Mr. HUDSON. Now, it has reached the store man. He sells the flour for \$1.50 a bag. He pays a \$30 tax. The five transactions have accumulated a tax to Uncle Sam of \$122.
- Mr. KNUTSON. That will be \$122. That is 12.2 cents a bushel.
- Mr. HUDSON. On the original thousand bushels that is correct. A bushel of wheat will always produce a 48-pound bag of flour. If they added that \$122 as a total tax, assuming that you did add it, to each purchase price of the sack of flour, each sack of flour would carry a tax of 12.22 cents. Could any flour consumer object to that?
- Mr. KNUTSON. No.
- Mr. HUDSON. What, then, have these contributors done for themselves who have contributed this tax? Each has paid in that sum of money to the United States Treasury, which is his part, or the purchase price of his annuity, that he expects to enjoy at age 60.
- Mr. KNUTSON. Well, now, wait a minute, you say this tax on that sack of flour is how much?
- Mr. HUDSON. 12.22 per sack of flour.
- Mr. KNUTSON. It is 12.2 cents on a dollar.
- Mr. HUDSON. On the original?
- Mr. KNUTSON. Yes.
- Mr. HUDSON. Oh, that is true, but you are not dealing with the original.
- Mr. KNUTSON. Yes we are, we are taking it right down into flour.

Mr. HUDSON. Then your method would be to take it all away from the farmer.

Mr. KNUTSON. What I am trying to point out is that it is an accumulative tax.

Mr. HUDSON. Yes.

Mr. KNUTSON. Your primary tax, the terminal tax, the miller's tax, the baker's tax, and then there is the retailer's tax.

Mr. DINGELL. We have covered only half the distance. You just took your wheat and reduced it to flour. It is still in the hands of the wholesale handler of flour. It has not got to the baker yet.

Mr. HUDSON. We went down to the store. We went down to the store with the sack of flour.

Mr. KNUTSON. But the fact nevertheless remains that the tax on that bushel of wheat is 12.2 cents.

Mr. HUDSON. On the original purchase price?

Mr. KNUTSON. Yes; where do you get that cent you had? You are a Houdini when it comes to figures.

Mr. HUDSON. You cannot make it out anything else.

Mr. KNUTSON. You say that it takes a bushel of wheat to make 48 pounds of flour?

Mr. HUDSON. That is correct.

Mr. KNUTSON. Then the two terms are synonymous, are they not?

Mr. HUDSON. Yes.

Mr. KNUTSON. Whether you call it a 48-pound sack of flour or a bushel of wheat, I have a charge against that of 12.2 cents.

Mr. HUDSON. You have 10.22, if you charge the whole thing against the flour.

Mr. KNUTSON. Well, would you not?

Mr. HUDSON. That is a question that might be done but I doubt it very much.

Mr. KNUTSON. I guess we are pretty well agreed. We are not going to split hairs. I am in complete sympathy with Dr. Townsend, we should not split hairs or quibble on this thing, whether you call it 10 cents or 12.2.

Mr. HUDSON. Yes; it would not make any difference.

Mr. KNUTSON. What are you doing in this bill? You are increasing the cost of living to those who are paying this pension?

Mr. HUDSON. Yes.

Mr. KNUTSON. Those under 60, what are you doing to increase their buying power so that they can absorb the shock of the increase?

Mr. HUDSON. We are going to increase purchasing power, and we are going to increase jobs to be had by retiring the aged of the Nation, the aged workers.

Mr. KNUTSON. You admit with your plan you are going to have at least a modified form of inflation. Otherwise you could not accomplish what you say you are going to accomplish.

Mr. HUDSON. What do you term as inflation, the increase of prices?

Mr. KNUTSON. I mean that the dollar will buy less. That is inflation.

Mr. HUDSON. That might be true. Technically speaking I think that it is.

Mr. KNUTSON. To what extent would the purchasing power of the dollar be reduced?

Mr. HUDSON. As far as the tax is concerned, very, very little.

Mr. KNUTSON. According to the figures you gave me, it will be at least 10 percent, and according to my figures it will be 12.2 percent. What provision are you making to increase the pay of those who will have to pay this tax by 12.2 percent?

Mr. HUDSON. We are making it possible for them to have jobs and ample wages, by taking out the workers today who reach 60 years of age.

Mr. KNUTSON. In what part of the bill do you make provision for the workers, for those who are going to carry on?

Dr. TOWNSEND. May I speak a word in reply to that?

Gentlemen, think back a little bit. We had a war 20 years ago.

Mr. KNUTSON. Yes.

Dr. TOWNSEND. If an increase in price means a tax, we paid a 100-percent tax at that time and liked it. It was the best period of prosperity this country ever saw.

Mr. KNUTSON. And what followed it?

Dr. TOWNSEND. What followed it? Never mind what followed. We are not going to have any such thing as that follow. We propose a prosperity based on the turn-over of money such as we had in that day, and we are going to keep it up.

Mr. KNUTSON. As I understand it, then, this is a bill to abolish the morning after the night before, speaking in terms of economics.

Dr. TOWNSEND. This is going to abolish the morning after, certainly.

Mr. KNUTSON. If you can do it, I am for it.

Dr. TOWNSEND. It can easily be done.

Mr. VINSON. In approaching consideration of this bill that is on the calendar there has been considerable difference as to what constitutes a financial transaction, and I think that you gentlemen, who have given this very considerable study, should be able to submit to us a definition of "financial transaction" such as would permit a sufficient base, when you consider the 2-percent levy, as would yield the moneys necessary for the operation of this bill.

In bills of this character where you have language of that kind there must be a definition. You can have it by the Congress or you can have it by the administrative body. But I submit that, in all fairness, you gentlemen should submit the definition to us of what a financial transaction is, in your own minds. Can you do that?

Dr. TOWNSEND. Certainly.

Mr. VINSON. In that same connection, I would like to have you submit a definition of what you intend the words "gainful competitive pursuits" to mean. Just put yourself in the place of the administrative body. You are going to levy the tax. What would be gainful competitive pursuits and what would be excluded therefrom? We got a part of the way this morning on "gainful competitive pursuits", when Mr. Hudson was frank enough to say that he would include even Henry Ford or Andrew Mellon or anyone else who was clipping coupons, if they were above the age of 60 years.

Mr. HUDSON. We would be glad to submit that.

(The following definitions were subsequently submitted by Dr. Townsend:)

Definition of terms "Transaction" and "Gainful Pursuit" as used in H. R. No. 3977 known as the "McGroarty bill."

The term "transaction" for the purposes of this act shall be defined as: The sale, barter and/or exchange of either or both real or personal property, including

any trading in or of margins and/or options, and including any right, interest, easement or privilege of commercial value therein; and the rendering of any services for monetary or other commercially valuable consideration, excepting and excluding all compensation paid as a wage, salary, fee or commission to any individual for work or personal services rendered by such individual.

The term "gainful pursuit" for the purposes of this act shall be defined as: Any occupation, profession, calling or vocation, or any combination thereof performed for monetary or other commercially valuable consideration.

Mr. VINSON. Is that correct? Would you not include Mr. Andrew Mellon as a beneficiary under this bill, he being past the 60 years of age?

Mr. HUDSON. Absolutely.

Mr. KNUTSON. I was chairman of the Pensions Committee of the House for 11 years, and it was our experience that even though the pension was only twelve or fifteen dollars a month, if a millionaire was entitled to it he would put in for it, invariably on the ground that it was recognition, not for the monetary value. I used to suggest we would rather pin medals on them; it would be cheaper. But if the rich man will put in for a \$12 pension he will certainly put in for a \$200 pension if he is an American. So I think that that statement that one-third of the people who would be eligible would not apply because they do not need it falls of its own weight, based upon past experience, because the American people are getting to be pension minded, you know. It is considered a badge of honor.

Mr. HUDSON. I think you quite misunderstand that one-third not applying, because you must bear in mind that in the United States we have many, many aliens who are past the 60 years of age. Do you realize that we have nearly 4,000,000 aliens in this United States?

Mr. KNUTSON. They are not all over 60, are they?

Mr. HUDSON. Oh, no; but there is a portion of them that are over 60, because of the fact your immigration laws have been so restricted the last 15 years.

Mr. VINSON. Mr. Hudson, turning to page 3 of your bill, I believe it is marked "subsection (a)" of section 3, anyhow, it is the first paragraph at the top of page 3, I note that you provide for the licensing of all sellers of goods, commodities, and commercial things of value. Why is it that you fail to provide for licensing of those who perform services, because that is a rather substantial part of the bill?

Mr. HUDSON. And they are taxable, too.

Mr. VINSON. Why do you not license them?

Mr. HUDSON. They should be.

Mr. VINSON. They should be? That was just omitted? Is there any reason for omitting that?

Mr. HUDSON. Not a bit. We want even to license the practitioners of law, in order that they may pay their tax.

Mr. VINSON. That was simply dropped out and should not have been?

Mr. HUDSON. Should not have been; no, sir. I agree with you perfectly.

Mr. DINGELL. Does that include medical men?

Mr. HUDSON. Absolutely. They are not salaried men. That also includes all commission earners, such as life-insurance agents.

Mr. DINGELL. And brokers?

Mr. HUDSON. And so forth; exactly. You see, you have to confine this thing. The point that you are missing is this, I believe, that this

is merely the citizen's premium of his annuity to begin at age 60. It is logic. There is no question about that.

Mr. DINGELL. Did you take into consideration in your formulation of this bill, since you are trying to extend the relief to the greatest possible number of those that you consider worthy, the possibility of splitting the \$200 pension to \$100, and thus reaching twice as many people?

Mr. HUDSON. You mean by lowering the age?

Mr. DINGELL. Not necessarily. Well, lowering the age, or following some other method to find a sufficient number so that it would be \$100 per month, and twice as many people taking advantage of the Townsend plan.

Mr. HUDSON. If you reach twice the number——

Mr. DINGELL. Say you reached down to the 50-year limit.

Dr. TOWNSEND. That is too many.

Mr. DINGELL. What I have in mind in that connection is this: You know that under our present system, particularly in the field of manufacture, a man is classed as obsolete, ready for the discard, at 45.

Mr. HUDSON. Correct.

Mr. DINGELL. It seems to me that some of the people at 45 are entitled to some consideration. Why should we jump from 45 to 60, leaving that gap? I presume your supposition is based on the thought that when you take out those that are gainfully occupied above 60, they will in all probability, when they are removed from the field, take care of some of those from 45 to 60.

Mr. HUDSON. It will take care of the major part of them. Now, if I might use an illustration, we will take the railroads with which we are all familiar. We will take one section of the Railway Brotherhoods, the Brotherhood of Locomotive Engineers. In the year 1929, they had 92,000 members, that were working all on extra time. Today that membership has fallen—that is, at the beginning of 1934; I do not say today, you understand. It amounted to what? 59,000. I said to the chief engineer, "What has become of the 33,000, the difference between the 92,000 and the 59,000?" He said, "They are what we call bucking the extra board." I said, "Will you tell me then what is the average age of your 59,000 railway engineers?" "The average age is 54 years." "How many of them are above 60?" "34,400."

If 34,000 railway engineers were eliminated from the field of labor, what would happen to the 33,000 unemployed railway engineers?

Mr. DINGELL. But that is where it appears to me you have not taken them into consideration, because that element that are employed, you say, average about 54 years. They still have 6 more years to go before they will be considered for the \$200 pension under the Townsend plan.

Mr. HUDSON. Yes.

Mr. DINGELL. Now, I say, if you went down to 50 years——

Mr. HUDSON. Too low.

Mr. DINGELL. And split the pension benefit which you propose under your plan, you would take in those 39,000, or the number you mention, and give them each \$100. And I venture to say that since the Nation has become pension-minded, those fellows would prefer to get in and take \$100 pensions than to be out there on a cold winter night driving a locomotive.

Mr. HUDSON. But can you not see that if you do that, when you retire the ones that are above 60 you have already created a shortage of engineers? There are only 33,000 idle engineers, and there are 34,400 above the age of 60 that are now employed.

Mr. DINGELL. Yes; but you say that of those who are employed, there are 34,400 who average 54 years of age.

Mr. HUDSON. No; above 60. The whole of the 59,000 averaged 54, but above 60 years of age there are 34,400.

Mr. KNUTSON. I have gone through this bill quite carefully. It is not as liberal as I thought it was. For instance, I see that you have failed to make provision for dependent mothers with children; you have failed to make any provision for crippled children, for blind people, or feeble-minded people. Certainly you will admit that a mother with five or six or seven small children should be more entitled to a pension than Henry Ford.

Mr. HUDSON. Oh, yes.

Mr. KNUTSON. I understand you do not claim authorship of the bill.

Mr. HUDSON. I do not.

Mr. KNUTSON. I would call that to their attention if I were you.

Mr. HUDSON. I will be glad to.

Mr. KNUTSON. Because that is a very serious oversight.

Mr. HUDSON. I want to call your attention to this fact, though: The mother of five or six little children, through our system of intermarriage in this United States, must have at least a grandma or a grandpa living from one or the other of the parents.

Mr. KNUTSON. I have neither a grandma or a grandpa.

Mr. HUDSON. But you do not have any five or six little babies, either.

Mr. DINGELL. And you are not a mother, either.

Mr. HUDSON. But if I were the pensioner, and if your daughter married my son and was left a widow with two babies, it would certainly be my first desire to take care of her and those little children.

Mr. KNUTSON. The chances are you would want to take them all in, would you not?

Mr. HUDSON. Absolutely. That is what the aged people of this Nation would do.

Mr. KNUTSON. Why make them dependent on the old?

Mr. HUDSON. Of course, you consider that a different field from aged pensions. I think that should be taken into consideration.

Mr. KNUTSON. That would result in a bigger turnover. The more we can get into this scheme the bigger the turnover and the greater the prosperity.

Mr. HUDSON. I agree with you perfectly, because it is the velocity that counts and not the quantity of money.

Mr. HILL. Dr. Townsend, I understood you to say that in 1929 the dollar turned over 132 times.

Dr. TOWNSEND. Yes, sir.

Mr. HILL. What do you estimate would be the turn-over under the provisions of this bill?

Dr. TOWNSEND. It should be vastly increased.

Mr. HILL. About how much?

Dr. TOWNSEND. Over anything we have ever known. I do not know that there is any particular way of making a definite estimate.

I figure that under this system of taxation whereby everybody gets his shoulder under the load, making it so light that no one will feel it, particularly, seeing to it that a sufficient amount of money is in circulation constantly, forced there by the strength of the National Government, we shall be able to create a state of business that will quadruple anything we have ever known.

Mr. HILL. Quadruple? That is multiplied four times?

Dr. TOWNSEND. Yes, sir.

Mr. HILL. Say, 528 times under the plan of this bill; \$1 would turn over 528 times.

Dr. TOWNSEND. Approximately.

Mr. HILL. That is, in a year?

Dr. TOWNSEND. Yes.

Mr. HILL. That would be 528 transactions on the average for a dollar?

Dr. TOWNSEND. Yes, sir.

Mr. HILL. Each transaction would bear a 2-percent tax. The burden of tax that each dollar would carry would be 2 percent of 528, or \$10.56.

Dr. TOWNSEND. Then we will easily reduce the tax, the rate of tax that is provided for in the bill. It can be reduced until no one will know that he is paying a tax. It will be insignificant—a half of 1 percent will carry the entire pension roll, once we get fairly going under this system.

Mr. HILL. \$10.56 burden on each dollar would deflate the purchasing power of the dollar by how much? Have you figured that out?

Dr. TOWNSEND. You cannot figure it out. You cannot possibly tell what the opposing forces of inflation are. There are opposing forces to inflation always. One of them lies in the fact that mass production has always a tremendous influence toward price deflation.

Mr. HILL. If you had a velocity of turn-over of 528 times, and imposed upon that the credit turn-over which ordinarily goes along with the dollar turn-over, you would have an inflation of the circulating currency and circulating credit that would be almost beyond the power of the mind to grasp. Do you think there would be any inflationary effects from that, that would tend to reduce the purchasing power of the dollar to practically nothing?

Dr. TOWNSEND. I do not think there would be any tendency toward undue inflation at all, for the simple reason that the entire tendency of competition would be the reverse. If you are in business and something happens to quadruple your volume of business, certainly you would quadruple your volume of profits.

Mr. COOPER. I wanted to direct attention to the question which was raised in my mind by the answer made by the gentleman a moment ago. I understood you to say that although it was not now provided in this bill, it should be provided that this tax would be levied upon personal services, too?

Mr. HUDSON. Correct.

Mr. COOPER. In other words, everybody who receives any compensation for personal services of any kind or character should be taxed?

Mr. HUDSON. With the exception of the wage earner.

Mr. COOPER. As provided in this bill?

Dr. TOWNSEND. Wages and salaries.

Mr. HUDSON. Correct.

Mr. COOPER. That is, everybody.

Mr. HUDSON. Except the wage earners. You understand you are not including them, are you?

Mr. COOPER. What do you mean by "wage earners"?

Mr. HUDSON. I mean that the man who has to go out on to the street and dig ditches for \$4 a day.

Mr. COOPER. What is ordinarily termed "common labor"?

Mr. HUDSON. Yes; because he is going to pay his tax in the higher cost of his living.

Mr. COOPER. And everybody except the so-called "common laborer" would have to pay the tax?

Mr. HUDSON. Yes, sir.

Mr. COOPER. On the amount of salary or compensation received? That is, a tax to be levied by the Federal Government?

Mr. HUDSON. Yes.

Mr. COOPER. What do you think of the legal question that would be promptly raised insofar as State, county, and municipal employees are concerned?

Mr. HUDSON. I think from the employee's standpoint, there would be no question. There would be no objection on his part.

Mr. COOPER. I understand, but do you think the Federal Government has the right—

Mr. HUDSON. I do not.

Mr. COOPER. Under the Constitution to levy a tax on State, county, and municipal employees?

Mr. HUDSON. I do not.

Mr. COOPER. There would at least be that large group of citizens of the country, including school teachers and all those who receive their compensation from any unit of government, who would be relieved of the tax that all other citizens would have to pay. Do you think that would be fair?

Mr. HUDSON. I do not think you could relieve the school teacher. True, they are a salaried individual.

Mr. COOPER. Yes; they are paid by the city or the county or the State.

Mr. HUDSON. Yes; that is true, too.

Mr. COOPER. There would be all of that large number of salaried people in the country who would be relieved of this tax that you say should be levied uniformly on everybody.

Mr. HUDSON. It should, because everybody benefits.

Mr. COOPER. You admit that there would be an inequality that should not be allowed, do you not?

Mr. HUDSON. In my judgment; yes.

Mr. COOPER. Then what authority in law would we have to reach that situation?

Mr. HUDSON. I should judge that is up to the law-making body.

Mr. COOPER. That is what we propose to be right here. We propose to be just that right here.

Mr. HUDSON. You are.

Mr. COOPER. But we have a Constitution in this country, you know, that fixes the limits beyond which we cannot go. We are not now assembled to form a government or inaugurate a system.

Mr. HUDSON. That is correct.

Mr. COOPER. We do not have unlimited powers and opportunities, but we are circumscribed by the fundamental law of the land and the Constitution.

Mr. HUDSON. Yes.

Mr. COOPER. I believe you will concede that we could not reach that group, and there would be one inequality that would have to exist that would not be right. Is not that true?

Mr. HUDSON. That might be true.

Mr. COOPER. Further along that line, I invite your attention to section 6 of the McGroarty bill.

Mr. HUDSON. Yes, sir.

Mr. COOPER. In which it is stated as I read:

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

You say they should be taxed. It is the intention and the purpose to tax them. But section 6 of the bill itself in plain language provides that they shall be exempted. What explanation have you to offer on that?

Mr. HUDSON. Again, I state that I am not holding myself responsible for that bill. Of course, I think that you men have the power and should have, and that bill should be changed as you see fit.

Mr. COOPER. I understood you to state awhile 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. COOPER. Thank you very much. That is very kind.

Mr. HUDSON. I mean, as to this bill.

Mr. COOPER. Yes; that is what we have under consideration.

Mr. HUDSON. However, that can be readily changed and amended.

Mr. COOPER. You think it would have to be changed in many respects, do you not?

Mr. HUDSON. Possibly.

Mr. COOPER. Just one other point now, along the line of the inquiry of my colleague from Washington on this question of the turn-over. I can appreciate that the question of the velocity of money is a great factor.

Mr. HUDSON. Yes.

Mr. COOPER. I understood you to state in the course of your presentation here that a dollar turned over 132 times a year.

Mr. HUDSON. No, no.

Mr. COOPER. In 1929.

Mr. HUDSON. In 1929. I was quoting from Dow-Jones. But we have not taken that 132 times into consideration. For your information, the average turn-over for the last 5 years, which have been low years you will admit—

Mr. COOPER. Yes.

Mr. HUDSON. Was an average of 34 times.

Mr. COOPER. Thirty-four times?

Mr. HUDSON. Yes. Now, that is 1930 to 1934, inclusive. If you want to estimate and use your average turn-over of 34 times, I think it is only fair to admit that the pension money would not turn less times than our money has the past 4 years, any one of them.

Mr. COOPER. I think there is no question but what we all want to be fair, and we want to analyze these things.

Mr. HUDSON. Thank you. I appreciate that very much. I know you have been.

Mr. COOPER. You would not for a moment advocate anything you did not think could be thoroughly analyzed?

Mr. HUDSON. If I did not think this was sound, Mr. Cooper, I would not be here.

Mr. COOPER. I am sure of that. That is the purpose of this analysis.

Mr. HUDSON. Exactly.

Mr. COOPER. To try to separate the shadow from the substance, and find what we have to take hold of as practical legislators, endeavoring to represent the American people.

Mr. HUDSON. Correct.

Mr. COOPER. On the basis of your figures that a dollar turns over and had turned over an average of 34 times—

Mr. HUDSON. That is Dow-Jones, however. Yes; that is all right.

Mr. COOPER. I believe you said that that is your thought, too.

Mr. HUDSON. Yes.

Mr. COOPER. That would be, of course, levying a tax of 2 percent?

Mr. HUDSON. Yes.

Mr. COOPER. It would be 68.

Mr. HUDSON. Oh, but you must levy the tax on the value of the dollar, not on the turn-over.

Mr. COOPER. I understand, but in the end you wind up with that percentage, do you not?

Mr. HUDSON. No, no; you do not, Mr. Cooper.

Mr. COOPER. Each time the dollar turns over it carries that transaction tax?

Mr. HUDSON. Yes; but you must bear in mind that you must take your total transactions. I think what you would like to have is this: In other words, if your dollar turns 34 times, the 18 billion then must be turned 34 times 18 billion. Then that would produce in commodities or purchasing power 612 billion 446 million. You take then your tax on your total of 900 billion, and you produce 18 billions of dollars in revenue, do you not?

Mr. COOPER. On the 2 percent?

Mr. HUDSON. Yes.

Mr. COOPER. I believe you went into this before to some extent, I do not know exactly on this question or not, but the 1930 census shows there were 10,385,026 people of 60 years of age and over. That is the 1930 official census of the Government.

Mr. HUDSON. Yes; I think the 1930 census gives it slightly under, and another report gives it slightly over. Our records show 10,383,000. I am speaking of our insurance statistics.

Mr. COOPER. The cost of paying \$200 a month would be \$2,400 a year?

Mr. HUDSON. Yes.

Mr. COOPER. The cost of paying \$2,400 a year to those 60 years and over of course would amount to \$24,924,062,400.

Mr. HUDSON. Yes, Mr. Cooper, but you cannot hope to pension that number.

Mr. COOPER. Assuming that you could, that is what it would amount to?

Mr. HUDSON. That is what it would amount to; yes.

Mr. COOPER. In order to raise this amount of money by a 2-per-cent tax there would have to be this enormous figure that has been quoted repeatedly here today of \$1,200,000,000,000 in volume of business?

Mr. HUDSON. Correct.

Mr. COOPER. Taxable volume of business in the country?

Mr. HUDSON. Yes.

Mr. COOPER. Of course, that could result only in one thing, and that would be an unusually large increase in commodity prices, would it not?

Mr. HUDSON. I think your commodity prices are going to step up. We hope that they do. That is what the administration has been trying to do.

Mr. COOPER. In order to approach any such tremendous volume of turn-over of business transactions in this country, it would require an unusually large increase of commodity prices, would it not, to sustain that enormous volume?

Mr. HUDSON. No; Mr. Cooper; I do not agree with you there, because of the fact it would not necessarily have to hoist the prices of everything up to where they would be out of reach. You must bear this in mind, that when you turn over as much as a billion and a half of money per month, you are going to create a great demand for commodities.

Mr. COOPER. Yes; and one result of that, of course, is rising prices. The greater the demand for anything the higher the price goes. Is not that the common experience of all of us?

Mr. HUDSON. We are going to be able to supply the demand for many years to come, in my judgment.

Mr. COOPER. I understand, but now you must admit that it is common sense and common experience with all of us that the greater the demand the higher prices go.

Mr. HUDSON. Yes.

Mr. COOPER. We have always experienced that, have we not?

Mr. HUDSON. That is true, if the commodities cannot be had, if there is scarcity.

Mr. COOPER. I understand.

Mr. HUDSON. But I do not think there would be any scarcity.

Mr. COOPER. But to the extent that you do increase the demand for them, to that extent there is going to be a rise in commodity prices?

Mr. HUDSON. A rise, and a justifiable one.

Mr. COOPER. What is going to happen to this vast number of people in this country below the age of 60 years, who would have to meet these greatly increased prices of everything they had to buy? What is going to happen to them?

Mr. HUDSON. Their profits have increased. Their wages have increased.

Mr. COOPER. Is there anything in this bill about the wages of these other people?

Dr. TOWNSEND. It does not need it.

Mr. HUDSON. Oh, no; there is not.

Mr. COOPER. It is not treated here at all?

Mr. HUDSON. No; it is not.

Mr. BROOKS. How do you figure out the wages of a man under 60 years old under this forced expenditure will be increased? That is what I do not see.

Mr. HUDSON. Through the scarcity of labor.

Mr. BROOKS. You admit that you have no idea of where prices are going to go.

Mr. HUDSON. Oh, I do not think the tax would raise prices 5 percent; that is, the tax itself.

Mr. BROOKS. Do you not think that the expenditure of \$24,000,-000,000 a month would increase prices?

Mr. HUDSON. It is not an expenditure.

Mr. BROOKS. It is not?

Mr. HUDSON. It is the purchase price of an annuity or an investment.

Mr. BROOKS. Do you not think that that would increase prices?

Mr. HUDSON. We want the prices to increase.

Mr. BROOKS. I say, do you not think that it will increase it?

Mr. HUDSON. We want them to; yes. Yes; I think it will. But I do not think it is going to bring wheat up to \$2 a bushel.

Mr. BROOKS. You have no idea then of what it is going to go to? Is not that \$24,000,000,000 inflation?

Mr. HUDSON. Inflation?

Mr. BROOKS. Leave the pension out of it. Is it not new money? Is it not the same thing as issuing new money?

Mr. HUDSON. No; you do not need another cent of money in this country of ours, if you will just take it out of its hiding place and start it to work.

Mr. BROOKS. You have forced this Nation to spend \$24,000,000,000 a year. Is not that the same as though you issued new money?

Mr. HUDSON. I am not forcing the Nation to spend 1 cent. We are not asking the Nation to spend 1 cent.

Mr. BROOKS. Under your system, you ask that every man over 60 spend \$200 a month.

Mr. HUDSON. Yes.

Mr. BROOKS. It equals \$24,000,000,000 a year. Is not that just the same as though we issued new money?

Mr. HUDSON. No; we do not need any other money.

Mr. BROOKS. Does it not have the same effect on the commodity prices? Does it not have the same effect on the depreciation of the dollar, and does it not have the same effect on the depreciation of wages as though it were new money?

Mr. HUDSON. You will never depreciate wages when you will not depreciate the commodity prices.

Mr. BROOKS. Does not your advance of prices decrease your wages?

Mr. HUDSON. No.

Mr. COOPER. I am seeking some information here and I would like to analyze it a little further, if I may. I believe you agreed

with me a moment ago that in order to approach the tremendous volume that would have to be attained in order to support this plan here, we would have to have considerable increase in all commodity prices.

Mr. HUDSON. Oh, yes.

Mr. COOPER. There cannot be any doubt about it?

Mr. HUDSON. There will be an increase; yes.

Mr. COOPER. It has not been my good fortune to enjoy the acquaintance of the gentleman, and I think it would be fair to ask a few practical questions with reference to your background.

Mr. HUDSON. I would be glad to give it.

Mr. COOPER. You are here before us as an expert on these matters. I assumed from what Dr. Townsend said that you were an economist of considerable experience.

Mr. HUDSON. I am not an economist at all.

Mr. COOPER. Just what has been your field of endeavor?

Mr. HUDSON. Life underwriter statistician, all of my life since coming out of school 25 years ago.

Mr. COOPER. Twenty-five years' experience as an actuary and statistician?

Mr. HUDSON. Yes, sir.

Mr. COOPER. You have not had experience and would not undertake to qualify as an economist?

Mr. HUDSON. I would not.

Mr. COOPER. Has this plan had the consideration of and has it been analyzed by any of the economists of the country that you know of?

Mr. HUDSON. Yes; it has been analyzed by a number of the economists that I know of; but there is one factor of the plan that is overlooked and that is that this is, strictly speaking, gentlemen, an annuity plan. There is nothing else to it. The life-insurance companies base their annuity charge upon the expectancy of life. This plan proposes basing the charge upon the revolution of the dollar rather than the individual.

Mr. COOPER. I believe you will agree there is a great field for very careful study and analysis here.

Mr. HUDSON. Oh, indeed, indeed.

Mr. COOPER. I believe you, in line with your very frank statements here will also agree that this should have the most careful consideration of experts who are qualified to analyze it in that field.

Mr. HUDSON. Yes.

Mr. COOPER. So far as you know that has not been done?

Mr. HUDSON. I think it has been attempted.

Mr. COOPER. But not completed?

Mr. HUDSON. But more or less as ridicule rather than a real attempt to analyze it. I think you must bear this in mind, Mr. Cooper, please, and I want to state this fact, why I was drawn to Dr. Townsend's plan. I thought it was the most silly, ridiculous thing I ever heard of until 4 months ago. But I never allowed a mathematical problem to down me, and I went to work on it. I discovered that it is just as possible to base a correct actuarial charge upon the turning of that dollar as it is upon this human life. Thereafter, what work I have done for the plan has been gratis. I have not received one penny for it, nor have I made any charges.

Mr. COOPER. I assume, then, of course, you are a licensed actuary?

Mr. HUDSON. I am not.

Mr. COOPER. And a member of an actuarial society or organization?

Mr. HUDSON. None at all.

Mr. COOPER. What insurance company is it with which you have been connected as an actuary?

Mr. HUDSON. None.

Mr. COOPER. But I understood you to say that for 25 years you have been an insurance actuary.

Mr. HUDSON. And statistician; yes. But I have no immediate connection as an actuary for any company at the present time, nor have I ever had.

Mr. COOPER. You are not employed by or connected with any company?

Mr. HUDSON. No, sir; but I have been in the actuarial work and life underwriting.

Mr. COOPER. I probably did not understand, but you mean just practicing your profession?

Mr. HUDSON. Yes, sir.

Mr. COOPER. For anybody who wants to employ you?

Mr. HUDSON. Yes, sir.

Mr. COOPER. But not employed by or connected with any insurance company?

Mr. HUDSON. No, sir.

Mr. COOPER. More or less an independent operator?

Mr. HUDSON. There are thousands of them.

Mr. COOPER. One other question, if I may, please, sir. That is, you realize, of course, the tremendous increase of the amount of money involved here over the present revenues of the Government, do you not? You know what the present total revenue of the United States Government is, do you not?

Mr. HUDSON. You mean the national income?

Mr. COOPER. No; I mean the revenue.

Dr. TOWNSEND. The tax revenue.

Mr. HUDSON. Oh, yes; the tax revenue.

Mr. COOPER. The tax revenue of the National Government. You are also familiar with the revenues of the State governments and municipalities, I assume?

Mr. HUDSON. Somewhat. I am quite familiar with my own State.

Mr. COOPER. You know that the sum contemplated here in order for the Federal Government to be able to pay these pensions and assume this financial responsibility is many times the present total revenue of the Government, do you not?

Mr. HUDSON. Yes.

Mr. COOPER. You realize that?

From a practical angle, what are we going to use for money to pay all this?

Mr. HUDSON. Such time as business revives?

Mr. COOPER. Yes. Now, what about that?

Mr. HUDSON. Mr. Cooper, if the Government provided the first month's pension, thereafter there would not be any necessity of making any other provision.

Mr. COOPER. Have you carefully considered that statement?

Mr. HUDSON. I think I am quite correct in making that statement.

Mr. COOPER. Do you believe in 1 month's time there is going to be—

Mr. HUDSON. Possibly not in 1 month's time.

Mr. COOPER. In 1 month's time there is going to be such a tremendous increase in the volume of business in this country that this plan would be absolutely assured from that time on?

Mr. HUDSON. If you take your low of 1933, you are safe in saying that, because of the fact—

Mr. COOPER. I mean, take the situation just as we find it.

Mr. HUDSON. Yes, as it is today.

Mr. COOPER. Right today, in this country of ours.

Mr. HUDSON. I think inside of 3 months the plan would be self-liquidating.

Mr. COOPER. I understood you to say just now 1 month. Which is it, 1 or 3?

Mr. HUDSON. I would say, to be safe, if you wanted to pin it right down, 3 months.

Mr. COOPER. That would take about 6 billion dollars, would it not?

Mr. HUDSON. No; it would take 4½.

Mr. COOPER. Four and one-half billion dollars?

Mr. HUDSON. Yes.

Mr. COOPER. To operate it for 3 months?

Mr. HUDSON. Yes.

Mr. COOPER. Then you say there could be no doubt, no doubt whatever, that from that point on it would be absolutely successful and there could not be any question about its success?

Mr. HUDSON. In my opinion; yes. But bear in mind that your Government has had 3 months in which to collect the tax, and the tax collections would be much greater than your 4 billion.

Mr. COOPER. So you think then that 3 months would be all that would be required—

Mr. HUDSON. I think it would be ample.

Mr. COOPER. To place this on an absolutely safe basis?

Mr. HUDSON. Yes; I want to qualify that statement, and I want to bring it back to the month. I think if the United States Government financed the first month and started the tax collection, the likelihood is that the tax collection would be at least 33½ percent within 30 days, because you have to bear in mind that when you start out your billion and a half dollars and they turn 34 times, it produces a lot of money.

Mr. COOPER. Then you are back to your original statement that 1 month would be sufficient to insure the success of the system?

Mr. HUDSON. I think it would prove itself; yes.

Mr. COOPER. Just one other thought, if I may. I do not want to detain you unduly, but I am seeking information as far as possible.

Mr. HUDSON. That is all right.

Mr. COOPER. That is on this question of this tremendous advance in the cost of living and the prices of everything that the people of the country have to buy. I cannot for the moment forget the vast population in this country under 60 years of age, but have some concern about all of those people who do not get the \$200 per month. What is going to happen to them, just on the basis of a fair, frank statement? What in your opinion is going to happen to those people?

Mr. HUDSON. The greatest thing in the world. It is not going to hurt those people. They are going to be benefited. You are not going to hire a man for \$75 or \$90 a month or \$2 a day, which you have been doing heretofore. We are going to have everything advance in keeping with the advancement in commodity prices.

Mr. COOPER. But that is what he is getting now.

Mr. HUDSON. Yes.

Mr. COOPER. How long in the future is that coming when he is going to get double the salary he is now getting?

Mr. HUDSON. Well, that "double" is quite a sum of money, now, because the tax would not require any doubling of the salary.

Mr. COOPER. I understood you to say the man getting \$75 would get \$100 to \$150.

Mr. HUDSON. We hope to live to see the day after the adoption of this plan that the minimum wage would be \$200 a month.

Mr. COOPER. \$200 a month minimum wage in the country?

Mr. HUDSON. I think it should be.

Mr. COOPER. When in your opinion would that time be?

Mr. HUDSON. Possibly a year to 18 months.

Mr. COOPER. You think within a year to 18 months that would be accomplished?

Mr. HUDSON. I think it could. In other words, Mr. Cooper, when you remove from the working field that great horde of workers, bear in mind that you have not killed their consumptive power, and the man who steps up into their place is a producer as well as a consumer.

Mr. COOPER. Yes; I understand all that, but what is going to be happening to him during that year or a year and a half?

Mr. HUDSON. They are going to be working. As soon as you start your retirement, as soon as you start retiring the aged, you are going to be creating vacancies right down the line.

Mr. COOPER. Yes; but are they going to be working at sufficient salaries and wages to be able to meet this tremendous increase in the cost of the things they have to buy?

Mr. HUDSON. I think you are enlarging upon the cost of the increase at once in commodities beyond any—I think you are too high.

Mr. COOPER. My only reason for a thought along that line is, when I see the sum of \$1,200,000,000,000 out here——

Mr. HUDSON. Of business.

Mr. COOPER. I cannot keep from feeling that there is going to be a tremendous increase in the prices of everything to roll up that volume of business in this country.

Mr. HUDSON. Will you not agree, then, that everybody was working that wanted to work in the years 1928 and 1929, and do you not realize that living costs were less in 1929 than they were in some of our down years? In which year was the worker the best off? If I have a dollar in my pocket and shoes are selling for \$3 a pair, I am still \$2 away from a pair of shoes. But if I have work and \$3 in my pocket, I can purchase the pair of shoes. The one thing that is wrong with our present system is not overproduction, but rather underconsumption.

Mr. COOPER. That may be all true, but in 1929, what was the total volume of business in this country?

Mr. HUDSON. Twelve hundred billions, approximately.

Mr. COOPER. What is the basis for your figures on that?

Mr. HUDSON. I have three sources of information; three sources of statisticians.

Mr. KNUTSON. Would you put into the record the three sources?

Mr. HUDSON. Yes; I have it right here, in your record.

Mr. KNUTSON. All right, thank you.

Mr. VINSON. Referring to your figure of 1930, of those above 60—I believe you said 10,385,000?

Mr. HUDSON. Something like that.

Mr. VINSON. How many persons above 60 are now gainfully employed?

Mr. HUDSON. According to the 1930 census, there were approximately 4 million.

Mr. VINSON. Approximately 4 million?

Mr. HUDSON. Yes.

Mr. VINSON. How many persons in the whole United States at this time are unemployed?

Mr. HUDSON. Approximately 10 million.

Mr. VINSON. Then the payment of pensions to those above 60 years of age would take out of employment only 4 million, and you would still have 6 million unemployed?

Mr. HUDSON. I do not think you can take out the whole 4 million. Say 3 million that will retire.

Mr. VINSON. If you take out only 3 million, then you would have 7 million unemployed, would you not?

Mr. HUDSON. Correct. But the very moment that you take out the 7½ million pensioners and they begin functioning as pensioners, the production of commodities would become so great that for each pensioner you retire on \$200 a month there will undoubtedly be created more employment.

Dr. TOWNSEND. A job for each one.

Mr. HUDSON. In other words, if it created a job for each of your pensioners, you have created employment for 7½ million men. That is allowing man for man.

Mr. VINSON. You have 6 million of those above 60 that are not gainfully employed, according to your own statement.

Mr. HUDSON. That is true.

Mr. VINSON. When you pension them you have not taken those out of employment. In other words, you have not taken them out of a job that the man who is under 60 may replace them in.

Mr. HUDSON. That is very true, Mr. Vinson, but they are going to become commodity users, are they not? And who is going to manufacture the goods and the merchandise that they consume? If you go out today and buy \$200 worth of desk per day or per month, you have created full employment for one man. You would not mean to tell me that it would not take a good workman to make a good desk.

Mr. VINSON. I do not just get the idea of the working man creating this \$200.

Mr. HUDSON. The working man is not creating it.

Mr. VINSON. He may create an article that would sell for \$200, but as I understand it, the \$200 is to be paid out of the Federal Treasury.

Dr. TOWNSEND. It will produce the wealth.

Mr. VINSON. Yes, but you get the hundred percent of the wealth payable to the pensioner.

Mr. HUDSON. Mr. Vinson, you likely misunderstood me. I said this, that if you pensioned 7½ million aged people today and they started spending their \$200 a month for commodities, how many men would it take to manufacture those commodities?

Mr. VINSON. That is a question I am asking you.

Mr. HUDSON. I say it would take from 5 to 7 million.

Mr. VINSON. If it took 7 million you would have practically 100 percent employment.

Mr. HUDSON. You would; yes. If it took man for man, you would reduce your employment 100 percent.

Mr. COOPER. Take for illustration an old person who has never been used to anything like \$200 a month. Suppose in 1 month or 2 months they buy all the things that they think they can use. Then what are they going to do with the money the rest of the time?

Mr. HUDSON. Mr. Cooper, if an old couple or an old gentleman wants to live decently and cannot consume and do good with \$200 a month, then I feel sorry for him.

Mr. COOPER. You have to consider this from a practical angle.

Mr. HUDSON. Yes; that is true.

Mr. COOPER. Just assume that many, many aged people have never been used to any such sum as that, have never had the experience, never been trained to use that amount of money. Of course, for the first month or two they can think of things they would like to have. Then what are they going to do with the money after that, when they have never had any training or experience in using that amount of money. Can you not appreciate that that would offer some difficulty?

Mr. HUDSON. No, I cannot, Mr. Cooper, that it should offer any difficulty at all.

Mr. COOPER. You do not think there would be any difficulty there?

Mr. HUDSON. There are many old people in this country that have never enjoyed \$200 a month, thousands of them, hundreds of thousands of them. Of course, some of them might drop dead after the passage of this bill, I will agree to that. But they do not need any training on how to spend that \$200 a month. People are pretty well trained on how to spend money, if they have the money to spend. You just try them out.

Mr. COOPER. You do not anticipate there would be any practical difficulty at all?

Mr. HUDSON. None at all.

Mr. COOPER. Along that line?

Mr. HUDSON. And if there were, then he should go around the block and hunt up that poor widow that this gentleman spoke of over here, with four or five children, and say, "All right, little lady, I will take care of the babies from now on."

Mr. COOPER. That would be all right under this plan?

Mr. HUDSON. Absolutely. He can clothe them and feed them, if he sees fit to do so.

Mr. COOPER. Is not that limited to a percentage under this bill?

Dr. TOWNSEND. No; commodities; buy commodities.

Mr. HUDSON. That is limited to charitable or organized institutions.

Mr. VINSON. Institutions of charitable, church, and fraternal organizations.

Mr. HUDSON. Yes; but the widow with the children is neither of those.

Mr. KNUTSON. She is charity.

Mr. COOPER. That would be charity.

Mr. HUDSON. Yes; I guess you are right about it. Well, he could spend \$30 a month there.

Mr. COOPER. That is limited to 15 percent.

Mr. HUDSON. Yes.

Mr. COOPER. That would be \$30.

Mr. HUDSON. That would be \$30.

Mr. COOPER. Yes. You think then there would be no practical difficulties encountered along that line?

Mr. HUDSON. None at all, Mr. Cooper.

Mr. COOPER. What do you estimate the expenses would be for the administration of this plan?

Mr. HUDSON. Of course, that is a question that would have to be answered by the Government. I can tell you this, our sales tax in the State of California is limited to 2 percent and it has cost 1.7 to operate so far.

Mr. KNUTSON. 1.7 percent?

Mr. HUDSON. Yes.

Mr. COOPER. It has cost 1.7 percent to collect and administer a 2-percent tax?

Mr. HUDSON. 2½ percent.

Mr. COOPER. A 2½-percent tax?

Mr. HUDSON. Yes.

Mr. COOPER. Do you mean to imply then that you think it would take 1½ percent—

Mr. HUDSON. I do not.

Mr. COOPER. For instance, to administer this?

Mr. HUDSON. I do not; because the State had no machinery set up to collect their taxes with. They had to make the house all over, while your Government had the tax ability to do so and has it in operation.

Mr. COOPER. Yes; but you do not mean to say the Federal Government has the machinery or the administrative force necessary now to administer any such plan as this, do you?

Mr. HUDSON. I would say that they did not; no. I think they would have to strengthen it. But it is costing the Government very little to collect their 1 percent of the gasoline tax.

Mr. COOPER. All of this administrative expense would have to be paid for, would it not?

Mr. HUDSON. Oh, yes.

Mr. COOPER. That would all have to be paid for?

Mr. HUDSON. Yes.

Mr. COOPER. Certainly the collection of the gasoline tax at the source is not a fair illustration of the tremendous administrative difficulties that this plan would involve.

Mr. HUDSON. That is very true, Mr. Cooper, but that gasoline tax—our tax is going to be collected at the source, too, of the gasoline. Many of your other taxes are, too.

Mr. VINSON. Are you correct on your gasoline tax statement? You collect one tax at the source, but then when you have your transaction and retail it, you collect it again.

Mr. HUDSON. Oh, yes; that is true. There are several sources, but the sources are all easy to get at.

Mr. COOPER. How many inspectors do you think would be necessary to supervise the administration of this plan?

Mr. HUDSON. I am not familiar with the subject, Mr. Cooper. It would just be a guess on my part. That is, like my attempting to answer a legal question.

Mr. COOPER. It would involve transactions between all the citizens of the whole United States?

Mr. HUDSON. Oh, I agree with you there. I agree with you there.

Mr. COOPER. I am confident you would be fair enough to agree there would be a tremendous amount of administrative expense. There could not be any doubt about that, could there?

Mr. HUDSON. I do not think so.

Mr. KNUTSON. Do you think it will be possible to take up all the unemployment slack through the administration of this measure? I mean, in this administration. Could you put all the idle to work administering this bill?

Mr. HUDSON. No; I did not get what you meant. I do not think there would be any objection to taking up some of the unemployment there.

Mr. KNUTSON. Is it your contention that the greater the volume of the turn-over and the velocity of money, the greater the prosperity?

Mr. HUDSON. I certainly do. Velocity is what counts.

Mr. KNUTSON. If that be true, why was not Germany prosperous in 1921 to 1926? For instance, when I was over there I paid 780,000 marks for breakfast which would mean \$187,500 in American money under normal values. That is velocity; that is turnover. It is also inflation and that is what I fear most in your plan. What would \$200 per month amount to under such conditions? Nothing!

Mr. HUDSON. No; that has nothing to do with turnover.

Mr. VINSON. It has nothing to do with this? ☞

Mr. HUDSON. No.

Mr. VINSON. I do not know why you are proposing this. You are proposing to issue at least 18 billion dollars' worth of new money.

Dr. TOWNSEND. No.

Mr. HUDSON. No; no.

Mr. KNUTSON. Of course, you will have to do it. You must have a medium of exchange.

Mr. HUDSON. All right. I contend this: If this country was able to do in the years of 1928 and 1929 the vast volume of business that it did do, and then fall down from 1929 to 1933 and 1934, less than 59 percent, the velocity has a whole lot do with it.

Mr. KNUTSON. My dear sir, you would have to issue new money under your plan.

Mr. HUDSON. We do not need any new money. We have plenty of money.

Mr. KNUTSON. If I am given \$200, my money looks exactly like the money the wage earner gets. I have to spend mine, but he does not.

Mr. HUDSON. Yes.

Mr. KNUTSON. How are you going to differentiate between the money that is given me for a pension and the money that is given this man as a salary?

Mr. HUDSON. We do not want any differentiation.

Mr. KNUTSON. What is to prevent me from hoarding it?

Mr. HUDSON. Your pension money?

Mr. KNUTSON. Yes.

Mr. HUDSON. My dear friend, when you take the oath that you will spend, we take your photograph and qualify you, and your thumbprint—assuming that it worked out in that way—and you are handed a check book upon the bank in which your \$200 would be drawn upon. We will ask you to surrender the check stubs at the end of 30 days, and have the bank check it.

Mr. VINSON. And if you do not spend the money, send you to the penitentiary?

Mr. HUDSON. No, but cut off your pension. How foolish you would be; how foolish any old person would be.

Mr. KNUTSON. Suppose I gave it away?

Mr. HUDSON. We will never give you any more. We will cut you off, because you have taken an oath to spend for commodities in the commodity group.

Mr. KNUTSON. As I see it, we are now on one of the weakest places in this scheme.

Mr. HUDSON. You mean that is a weak point?

Mr. KNUTSON. Yes.

Mr. HUDSON. I cannot see anything weak about that.

Mr. COOPER. I understood you to state a short time ago that this whole plan is based upon the mechanics of money, the velocity of money.

Mr. HUDSON. Of the dollar, yes.

Mr. COOPER. Do you know whether any consideration has been given by any of the outstanding authorities of the country on those subjects to this plan?

Mr. HUDSON. I do not think there has, Mr. Cooper, because this plan has developed from nothing, from a nickel, you might say, and they have had no money with which to hire experts. On the other hand, the experts that have been hired, so to speak, to laugh at this proposal, have not gone into it.

Mr. COOPER. How much money has the organization for which you speak raised, all told?

Mr. HUDSON. In the last financial statement, approximately \$40,000.

Mr. COOPER. Is that the entire amount?

Mr. HUDSON. That is the entire amount, as I understand it.

Mr. COOPER. For the whole time that this plan has been worked on?

Mr. HUDSON. That is what I understand, Mr. Cooper, and that is what the audit shows.

Mr. COOPER. That audit shows that the entire amount of funds that have been received by this organization will not exceed slightly more than \$40,000?

Mr. HUDSON. Yes, sir.

Mr. COOPER. I understand that is correct, from you, is it, Doctor?

Dr. TOWNSEND. That is correct.

Mr. COOPER. Getting back to the question—you led me off into that inquiry—that I was presenting to you, do you think it would not be fair and the proper thing for this plan to be analyzed by the outstanding authorities on the question of velocity of money and what is commonly called money mechanics?

Mr. HUDSON. I see nothing wrong with that.

Mr. COOPER. You think that ought to be done, do you not?

Mr. HUDSON. I see nothing wrong with that.

#### FURTHER STATEMENT OF DR. F. E. TOWNSEND

Dr. TOWNSEND. May I have a word here? What are economists? On what do they base their conclusions? On precedent, do they not? Gentlemen, we have arrived at an unprecedented age, something the world has never seen before. This new age is presenting new problems. We have been enabled by the ingenuity of our people, and their inventiveness, to arrive at an age where we can produce infinitely greater abundance than we can consume under our present system. The economists do not know anything more about that than you or I, not in the least, because this is a new condition. It is going to require a new solution. Our great ability to produce wealth is here, due to the machine and the power of nature applied to the machine, something that the world has never known before. It is only about 25 years since mass production began in this country.

We had no knowledge of this new situation until it came upon us suddenly. The Great War expedited mass production terrifically. We found immediately after we got into the war that we could not only supply ourselves with great abundance, but we could supply the rest of the world, and we did it. We did it with the least amount of labor that we ever used in the world, because 4,000,000 of our best laborers were abroad and could not be used.

This situation today, with our ability to produce away up here and our ability to consume down here [indicating] is what is ruining the country. Here is the great army of unemployed in between.

Gentlemen, we have to face the fact that they will never again be employed. The machines have made that utterly impossible. They cannot be employed.

Now, what are we going to do? What shall we say of a government that persists in maintaining a great mass of humanity in a pauperized state, when we are able to produce in superabundance? That is the new problem ahead of the world. We maintain that all citizens should be permitted to be useful. No class of them should be shoved aside as worn-out lumber. We say that this class of the aged can be made extremely useful to humanity in creating the market for goods which our present new ability has made it possible for us to produce. We cannot produce these goods and sell them unless we have the market. We have to put a class of our people in a position to make and maintain that market. There is only one class that we can all agree upon as being the class necessary to do that, and that is the class of the aged. So let us start with the age of 60. It will not be 5 years until we will reduce it to the age of 45 or 50, because machine production is going to increase infinitely from this time on. We have never known what machine production is going to do for this world, but we are on the verge of something tremendous. Millions of inven-

tions are ready to go the minute the market is assured for the products that those inventions will produce.

Gentlemen, this is a new age. Gentlemen, this is the last Congress in the United States that is going to uphold the old economic system. Do not forget that for a minute. I hope it will be the first Congress to inaugurate a new system whereby the distribution of wealth may be made more equitable. It is going to be done.

We believe here is a rational method of procedure: Retire a certain number of elderly people and make of them the means whereby we may have a steady, dependable market, so that we may never have these depressions, this great army of unemployed, again. That can be done. That is within human ingenuity. Certainly, if we have the ingenuity and the brains to produce with these new mechanical means of ours, we have the ability to distribute equally just as well or much more so than we ever have had before. I would like to see a situation come out of this whereby there would be no violent turnover of American institutions. We can do that if we will use common sense. If we neglect things and let them drift as they have for the past 5 years, we are never going to have an opportunity to salvage anything that we hold dear in this Government.

The CHAIRMAN. Giving you credit for due intelligence, which we all gladly concede that you have, how many equally intelligent, equally patriotic, and equally well-informed people are there in this country that have panaceas entirely different from yours, and just as certain their schemes will solve this economic difficulty as you are certain yours will solve it.

There are many who have had an equal opportunity to study the problem, who have equal surroundings and environments, who have had the benefit of the advice of economists and all facilities and all avenues of information that are available to the human mind, who have come to the firm conclusion, which they believe as strongly as they believe in death and eternity, that they have a panacea for the ills of this country. How, then, can we differentiate between those schemes—and I am not talking about yours, but about these new schemes—that are so religiously held?

Dr. TOWNSEND. I have 20,000,000 of people who have sanctioned my plan. They are increasing by the hundreds of thousands recently.

The CHAIRMAN. They are sanctioning it because you will give them something. Surely you will not contend that is any evidence of its fairness. They have not come here and heard this discussion. You have not gone into their homes and explained to them, explained to somebody who has a counter-opinion—

Dr. TOWNSEND. We have done that very thing.

The CHAIRMAN. They have not heard all the facts and the arguments pro and con. They have just had the lure of \$200 to each pensioner, \$400 to a family, dangled in their faces. Of course, naturally, they grab at that.

Dr. TOWNSEND. They are not so dense that they cannot see that this expenditure of money is going to create a tremendous—

The CHAIRMAN. You would not say that each one of the people who sanctioned this scheme could, upon their own initiative, their own knowledge, their own understanding, and their own ability, work out a scheme to solve our economic problems? And if not, were they in a position to pass upon yours?

Dr. TOWNSEND. Now, look here. That argument of yours——

The CHAIRMAN. That is not an argument. I am just asking you.

Dr. TOWNSEND. That suggestion of yours entails an entire lack of intelligence on the part of the American people.

The CHAIRMAN. Not at all. But you would not say that every person who has signed your petition has a knowledge of cause and effect and of all the things connected with this question and has given the situation sufficient study to pass upon a great economic question like this. That is no reflection upon their intelligence at all; not in the slightest. But do you think they have had the opportunity and that they possess the information and the knowledge to pass upon the soundness of a great economic problem like this—all of them? If somebody else came along with an entirely different project, an entirely different scheme, which you would say was unsound, and offer them \$200 as you have, would they not take to that just as they have to yours?

Dr. TOWNSEND. No; they would not.

The CHAIRMAN. What evidence do you have they would not?

Dr. TOWNSEND. For the simple reason that they can see the sense of this plan. They realize as well as we do that it is volume of business that we must have—rapidity of turn-over.

The CHAIRMAN. What about the great number of people that have studied it carefully that do not see the sense of it, that are not direct beneficiaries, that are patriotic, that have the welfare of the country at heart, that want to preserve our institutions and save them for posterity? What about the great number of people who do not see the sense of it, or that see the nonsense of it? What are you going to do with them?

Dr. TOWNSEND. They are going to be converted to our point of view, and they are by the hundreds of thousands weekly.

Mr. COOPER. Doctor, just to be frank and fair, as I am sure you want to be, you do not undertake to say that all of these people to whom you have referred have studied and analyzed this bill that is presented to this committee for consideration, do you?

Dr. TOWNSEND. Not any more than they have any other legislative problem.

Mr. COOPER. All right.

Dr. TOWNSEND. But it is a simple problem that a child of 10 could understand if they took the trouble.

Mr. COOPER. Are we correct in assuming that you are here advocating that this committee favorably report the McGroarty bill as the old-age pension section of the administration measure? That is what you want us to do?

Dr. TOWNSEND. Certainly.

Mr. COOPER. You are satisfied with this bill as it now stands?

Dr. TOWNSEND. I have no doubt but that the bill would be revised. I had no doubt when it was presented that the bill would be.

Mr. COOPER. As the bill is presented to us?

Dr. TOWNSEND. The essential features of it; yes.

Mr. COOPER. That is, you are satisfied with it, and that is what you are advocating?

Dr. TOWNSEND. With the essential features of the bill, and amendments, I expect.

Mr. COOPER. What would these 20,000,000 people of whom you speak think about revising it? In what respect would they want it revised or changed in order to meet their views?

Dr. TOWNSEND. Any change which does not affect the essentials of it, the method of raising the money and the amount of the money paid to the pensioners. Those are not going to be changed.

Mr. COOPER. You insist that the \$200 a month to everybody over 60 years of age could not be changed?

Dr. TOWNSEND. Yes, sir.

Mr. COOPER. As the bill now stands—as it is presented to this committee for consideration—if you were sitting in the seats that we occupy, would you vote to report this bill, and then, as a Member of the House of Representatives, vote to pass it?

Dr. TOWNSEND. I would, with certain amendments—certain corrections which have necessarily been left to the Secretary of the Treasury and which were expected to be left to the committee passing upon the bill.

Mr. COOPER. You admit, then, that the bill should be amended and changed?

Dr. TOWNSEND. Certain elements in it, yes; certain features of it.

Mr. COOPER. Then you agree with Mr. Hudson when he very frankly responded to me by saying that if he occupied the position of responsibility as a member of this committee he would not vote for this bill as it now stands?

Dr. TOWNSEND. I cannot speak for Mr. Hudson.

Mr. COOPER. You speak for yourself. Would you do it?

Dr. TOWNSEND. I would if there were no other way of adjusting the affairs of this country. I would rather than see it drift along the way we have for the past 6 years—unemployment increasing, poverty increasing.

Mr. COOPER. Just one more time, if I may, to present the plain question. I expect the frank answer which I am confident you will give.

As the bill now stands presented to this committee for consideration, would you vote for it as it is now, or not?

Mr. TOWNSEND. I would.

Mr. COOPER. You would. Then you do not agree with your own associate who appeared before this committee along with you?

Mr. VINSON. You say that you recognize that there should be certain amendments. To what amendments do you refer, Doctor?

Dr. TOWNSEND. Those amendments that you have mentioned here, perhaps, which you say would conflict with the Constitution of the United States. I have not gone into the constitutionality of the method of raising this tax, of imposing this transactions tax, but I do not believe that it is unconstitutional in any feature.

Mr. VINSON. You say that you favor certain amendments. To what amendments do you refer?

Dr. TOWNSEND. I would refer to any amendment which would make the collection of the tax, the imposition of the tax, easier and more adaptable. I would not alter in any respect the essential features of the bill.

Mr. VINSON. You have no particular amendment that you would suggest that should be incorporated in the bill at all?

Dr. TOWNSEND. No; but such have been suggested here today.

Mr. VINSON. What ones of those do you favor?

Dr. TOWNSEND. I do not know that there are any of them that I favor particularly.

The CHAIRMAN. You just now mentioned, if I did not misunderstand you, Doctor, that you would favor such amendments or changes as the Secretary of the Treasury might deem advisable. What discretion did you mean to leave for the Secretary of the Treasury?

Dr. TOWNSEND. The setting up of the detailed arrangement for collecting the tax, setting up the machinery.

The CHAIRMAN. There would not be any change in the fundamental principles of the bill?

Dr. TOWNSEND. No.

The CHAIRMAN. You just mean administrative changes.

Have you any other witnesses that you want heard, Doctor?

Dr. TOWNSEND. None that I know of.

Mr. HUDSON. May I say this:

Mr. Cooper, in reference to the administration clause, you did not understand that it took 1.7 percent for the State of California to collect a 2.5-percent tax? It is 1.7 of the total sum collected. You understood that, did you not?

Mr. COOPER. I understood your statement to be that the administrative expense was 1.7 percent.

Mr. HUDSON. 1.7 percent.

Mr. COOPER. Of a 2.5-percent tax.

Mr. HUDSON. No; of the total tax collected. We collected \$90,000,000.

Mr. COOPER. I am glad to have you clear that up.

Mr. HUDSON. I thought you might have misunderstood it.

Mr. HILL. Dr. Townsend, we have outstanding currency at this time in the amount of about five and one-half billion dollars. You recognize the principle, do you not, that a dollar turning over 10 times does as much work as \$10 turning over once?

Dr. TOWNSEND. Yes.

Mr. HILL. In estimating the volume, that is, the available amount of dollars in commerce, you take into consideration both the volume of the money, the amount of it outstanding, and the velocity of its circulation. In estimating how much money we have for use, you multiply the volume by the number of times it turns over in a year. If you take five and one-half billion dollars and multiply it by 500—you said you hoped it would turn over 528 times—you would have \$27,500,000,000, because there would be that much money available for us. And when you superimpose upon that the usual amount of credit that circulates as cash, which is ordinarily to be considered about 9 for 1, you would have an estimate of the volume of circulating money and circulating credit which circulates as cash with which to do business.

With all of that vast amount of money, you can see that the supply of money would be very, very large. Would that not have a tendency to decrease very materially the purchasing value of the dollar, and would it not defeat the end which you are seeking here, of placing purchasing power in the hands of the people, if you put that great amount of circulation both of cash and credit into the channels of commerce?

Dr. TOWNSEND. There would not be any 500 turning, of course. Every turnover, however, is going to increase the production of wealth in this country. The distribution of that wealth will become easier and simpler as production increases. It need not entail the use of any great increase of the cost of commodities at all, for the simple reason that there are tendencies all the time at work to prevent inflation. One of the chief is competition, and the other would be the mass production entailed by this new volume of credit and money. We will produce infinitely cheaper all the time as we go along into the mass production of goods. The tendency of mass production is always to lower prices.

Mr. HILL. That was not the result in Germany. It made the mark absolutely worthless. While they had the volume too large, it made the money worthless.

Dr. TOWNSEND. That was printing-press money and nothing else that was not credit. That was money that they ran off in the printing presses. We do not propose to do anything of that sort. We do not propose to increase the number of dollars by one. Even Mr. Goldenweiser, of the Federal Reserve bank, states that this plan will have a deflationary effect upon prices. I believe him.

Mr. HILL. You mean, make commodity prices cheaper?

Dr. TOWNSEND. It will have a tendency to reduce prices.

Mr. HILL. That is the thing you are seeking to avoid, is it not? You want to increase your commodity prices.

Dr. TOWNSEND. I mean have a tendency to hold prices down, not to inflate them.

Mr. HILL. Which end of this argument are you going to take?

Dr. TOWNSEND. I do not take either. I can afford a happy medium, a happy mean. We know that we can stand a 100 percent rise in prices.

Mr. HILL. Do you not recognize the fact that the more money you have the higher commodity prices will be?

Dr. TOWNSEND. Not always; not necessarily.

Mr. HILL. All right. Then if we do not agree on that, there is no use to pursue the discussion.

Dr. TOWNSEND. We have had a 100-percent tax, you might say, on commodities in this country, if price means anything, because during war times we paid 100 percent on the average higher than we are paying at the present time, and we liked it. It gave us a tremendous new prosperity. Now, price—what does it mean? It does not mean a thing if you have the money with which to buy, and we propose to see that the people get it.

Mr. HILL. Suppose the price of wheat should be \$5 a bushel, and you were getting \$200 with which to buy. You could buy one-fifth as much with \$200 as you could if wheat were a dollar.

Dr. TOWNSEND. If wheat goes up, then wages go up. We are going to have a \$10 minimum wage in this country.

Mr. HILL. That makes the cost of their commodities higher, and your \$200 would buy less and less as the cost rose.

Dr. TOWNSEND. They will rise only to a certain height.

Mr. HILL. That is all.

The CHAIRMAN. Right there, Doctor, if costs should rise very considerably, unexpectedly to you, then would you favor increasing the amount of pension that each of these people should receive?

Dr. TOWNSEND. Why, no.

The CHAIRMAN. If it takes \$200 now to take adequate care of supporting them, suppose the price of the necessities of life increased; then why should they not have just twice as much pension?

Dr. TOWNSEND. But it will not do anything of the sort.

The CHAIRMAN. But suppose it should do that?

Dr. TOWNSEND. Why suppose?

The CHAIRMAN. Then would you favor increasing the pension?

Dr. TOWNSEND. Why suppose anything of the sort?

The CHAIRMAN. It is a matter of opinion?

Dr. TOWNSEND. It is a matter of opinion.

The CHAIRMAN. You would not confine it all strictly to your opinion?

Dr. TOWNSEND. You may believe that it will advance. I do not.

The CHAIRMAN. In the event it should increase the cost of living, 50 percent, would you give a 50-percent increase in the pension? I am not trying to tie you up. I just want your viewpoint.

Dr. TOWNSEND. What a simple thing it will be if we find that this—

The CHAIRMAN. That takes \$100 to be added, now.

Dr. TOWNSEND. If it is too much, if it has a tendency to run the price too high, what a very simple matter it would be to reduce the number of pensioners or to reduce the amount. This is an adjustable plan. There is absolutely nothing iron-clad or fixed about it.

The CHAIRMAN. You could never agree on that, once you got started.

Dr. TOWNSEND. I know we should never agree to any reduction, because I know that this Nation has the ability to produce wealth to the extent that everybody, every soul in this land could afford to live on a standard of living of \$2,500. That is David Cushman Coyle's assertion. He says that we could have \$5,000 a year, each individual of us. And Stuart Chase is another authority for that statement, that we could have \$2,500 a year income for every man, woman, and child in this country with our present ability to produce wealth. Why in Heaven's name should we not use this ability for the benefit of all?

The CHAIRMAN. Do you think you could make everybody prosperous by this bill?

Dr. TOWNSEND. Certainly we can.

The CHAIRMAN. There has always been a large number of unemployed in this country, who are not willing to work in honorable employment and who are not now engaged. We cannot take care of that class of people by a system of this kind, can we?

Dr. TOWNSEND. We do not propose to alter the attitude of the human beings of this country at all. We are simply going to alter the monetary system of this country, so monopoly shall not take an undue share of the wealth, so that those who labor may have their share of it.

The CHAIRMAN. I think everybody would get in under that, if we could agree on the means.

Have you completed your statement?

Dr. TOWNSEND. Yes, sir; I wish to have our report read into the record, however.

The CHAIRMAN. That will be done. If you wish to extend your remarks or make any supplemental remarks, you may do so.

(The matter referred to follows:)

#### THE TOWNSEND OLD-AGE REVOLVING PENSION PLAN

House Resolution No. 3977, known as the McGroarty bill, provides for:

An annuity of \$200 per month to all citizens of the United States who have reached 60 years of age or over and who apply therefor and can qualify under section 2 of the bill.

Permanent recovery is the prime purpose of the plan and facts and conclusions are hereinafter presented in support of the plan under the following related subdivisions: (1) unemployment; (2) new purchasing power and revenue; (3) annuities; (4) stabilization of national income; (5) possible savings.

#### UNEMPLOYMENT

The facts are: There are 10,000,000 now unemployed (radio address Harry Hopkins). There are 20,000,000 now on charity and the number is increasing (radio address Harry Hopkins). There are 10,300,000 over 60 years (1930 census). There are approximately 4,000,000 over the age of 60 who are steadily employed (1930 census).

We conclude that: Assuming that only 3,000,000 aged now employed retire on pension, there will be created 3,000,000 jobs by filling these vacancies.

By eliminating aliens, disqualifying criminals, and taking account of those who are financially independent or do not wish to retire, we estimate the number who can and will qualify for the pension to be 7½ million.

The distribution of \$200 per month to the 7½ millions of citizens who can qualify and who are, in proportion to the population, equally distributed throughout the entire country, will create such a demand for goods and commodities as to result in the necessity of employing 7½ millions who are now unemployed; thereby, employment will be given to 10½ million younger workers.

#### PURCHASING POWER AND REVENUE

When 7½ million citizens take an oath to and do spend \$200 monthly an aggregate sum of 1½ billion dollars of purchasing power is added each month.

The average annual turnover per dollar for the past 5 years was 34 times (Dow-Jones).

Thus the 18 billion dollars forced into trade channels, multiplied by the average annual turnover of 34 times, produces 612 billion dollars of new business created by the pension roll. Add Federal Reserve bank debits for the low year of 1933, to wit, 303 billion 426 million and the total is 915 billion 426 million.

Therefore a 2 percent transaction tax upon the aggregate of 915 billion will produce, in revenue 18 billion 308 million, or 308 million more than required for the payment of pensions.

E. A. Goldenweiser, Director of Division of Research and Statistics of the Federal Reserve Board, before the Ways and Means Committee of the Seventy-second Congress, on May 2, 1932, stated: "The total volume of transactions in this country in 1929 was about 1,200 billions of dollars and it decreased by 1931 to about 600 billions of dollars. This is a decrease of 600 billion, largely due to decline in velocity."

If total transactions amount to 1,200 billion, the tax collections would produce 24 billion in revenue. This would create a surplus of 6 billion per year which would justify a reduction from the 2 percent tax as provided for.

Dow-Jones News, December 5, 1934, reports 1,165 billions of dollars in business in 1929; deposits in New York district member banks in October 1929 are reported at 13 billion 633 million and in October 1934 at 13 billion 500 million. From this recognized authority we quote the following:

"New York.—In October 1929, a deposit of \$1 in a New York bank was being used fast enough to do \$132.70 worth of work in a year. Last October, the same dollar was being called upon to do annual work of only \$22.50. Although total deposits were approximately the same in 2 months, bank funds today are simply lying idle.

"Net demand deposits in New York district member banks in October 1929 were working at the peak rate of over \$818,000,000 a year, but deposits in October this year, approximately the same total, were being called upon to do

annual work of only slightly over \$153,000,000,000. For the rest of the country, the figure has dropped to a little over \$143,000,000,000 from something in excess of \$347,000,000,000.

"Deposits in New York district member banks during October 1934, averaged \$6,816,000,000 compared with \$6,165,000,000 in October 1929, while the rest of the country showed \$6,694,000,000 against \$7,468,000,000 in 1929. The total this year was \$13,500,000,000 compared with \$13,633,000,000.

#### "FUNDS HELD IDLE

"But the employment of bank-deposit credit is lower today than for any time since the close of the World War.

"This is evidenced by figures of debits to deposit accounts, chiefly checks against these accounts, in 141 leading centers in the United States which show the number of times that a dollar of deposit credit is used, or turned over.

"It indicates that there is a potential volume of idle funds tied up in these 'inert' deposits awaiting an opportune time for use."

This illustrates the importance of Mr. Goldenweiser's statement when he said: "You cannot make up for velocity by volume, because velocity is so much more of a factor than volume."

We submit that the Townsend plan will increase the velocity of the dollar turn-over because of its forced spending feature.

Federal Reserve bank debits as reported in 1929 were \$982,531,000,000 (authority, Federal Reserve bank).

Since the above figures are predicated on bank debits an additional 20 per cent could be added with safety to the above figures for other transactions not clearing through banks.

When the pension fund for the first month is provided by the Government, the transaction tax will therefore replenish the pension fund which will revolve monthly in trade channels. Thus you have created a revolving fund.

The Townsend plan is in effect the involuntary collective purchase of retirement annuities. The transaction tax compels all to pay that all may benefit. The plan provides that every citizen 60 years of age or over may retire from gainful pursuits and accept a \$200 per month pension or annuity for life. This amount must be spent within 30 days after its receipt. This tax is the citizen's premium for the purchase of said annuity and should not be considered lost, but rather as a savings for old age.

Insurance companies have been operating in our country successfully for over a hundred years and have been advocating the purchase of annuities by our citizens. Their charge is based and computed upon the expectancy of life, while the Townsend plan of computation is based upon the turn-over of the dollar, and is equally as sound.

#### NATIONAL INCOME

	Amount of income	Loss compared to 1929	Authority
1929.....	\$83,000,000,000 plus.....		S. Doc. 124, 73d Cong.
1930.....	\$70,000,000,000 plus.....	\$13,000,000,000	Do.
1931.....	\$54,000,000,000 plus.....	29,000,000,000	Do.
1932.....	\$39,000,000,000 plus.....	44,000,000,000	Do.
1933.....	\$40,000,000,000 minus.....	43,000,000,000	Associated Press reports.
1934, approximate.....	\$45,000,000,000.....	38,000,000,000	Do.

The above table illustrates the fact that as compared to 1929, national income in a 5-year period has suffered a total loss of 167 billion dollars. Had the Townsend plan been in effect in 1930 to 1934, inclusive, during this 5-year period the cost in tax would have been 90 billions of dollars and our national income would never have fallen below 1929 income. Therefore cost of the plan of 90 billions of dollars versus loss of national income of 167 billions would show on the credit side 77 billion dollars. If the Townsend plan can avoid the continuance of such losses is it not worthy of consideration?

The Townsend plan does not tax the present national income, but the tax is based upon business transacted.

## POSSIBLE SAVINGS

The savings to government, national, State, county, and municipal, under this plan will be manifold and too inclusive to be more than indicated here: (a) Decrease of public debt; (b) release of funds now expended in dole and wages; (c) release of funds now allocated to support commodity prices; (d) elimination of necessity of appropriation to many pensions, institutions, etc.; (e) discouragement of crime and illegal practices which an honest livelihood would tend to lessen.

For the first time in the history of our Government our citizens by the millions are asking to be taxed to purchase for themselves security, contentment, peace of mind, and the elimination now and forever of hardships, worry, privation, and fear from their declining years.

We are not asking for a dole or charity.

Our discussion has been based upon cold figures, while in the larger sense we need but reflect the broken spirits, despaired hopes, etc., which this depression has visited upon us, which are beyond all computation in dollars.

OLD AGE REVOLVING PENSIONS, LTD.

Dr. F. E. TOWNSEND, *President*.

R. E. CLEMENTS, *Secretary*.

The CHAIRMAN. We hope the committee has given you adequate opportunity to express your views. We thank you for your appearance and the information you have given the committee. We thank you also, Mr. Hudson.

I would like to give you this little statement, Dr. Townsend, to remind you of the statement that I would like to have you put in the record as to the receipts and the expenditures.

Mr. HUDSON. May I correct my remarks?

The CHAIRMAN. Yes; you will have that privilege.

Mr. HILL. Mr. Chairman, with reference to the calendar today, Mr. Samuel W. Reyburn, president of the National Retail Dry Goods Association, and Mr. Hutzler, vice chairman of a committee appointed by that association, were placed on the calendar inadvertently for tomorrow. Mr. Reyburn has engagements which will necessitate his being in New York tomorrow and, of course, he cannot be here. I am sure the committee would like to hear from this association, and therefore I ask unanimous consent that Mr. Reyburn and Mr. Hutzler be called at this time.

Mr. VINSON. Do I understand that they were placed on tomorrow's calendar through mistake?

Mr. HILL. Yes, sir. Mr. Reyburn was placed on the calendar for tomorrow by mistake. He cannot be here tomorrow, and he wanted to be heard today, if possible. He is here now. I understand his testimony will not be very extended. It will not take a great deal of time to hear him.

The CHAIRMAN. Mr. Hill asks unanimous consent that at this time Mr. Reyburn be heard, to be followed by Mr. Hutzler. If there is no objection, we will hear Mr. Reyburn at this time.

Mr. Reyburn, please give your name and the capacity in which you appear.