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 is 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-percent 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 th 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 33⅓ 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 bais 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 50 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 inventions 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 suplus 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 $818,000,000,000 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 percent 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 livlihood 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.