

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