MS-4787: Abba Hillel Silver Papers, 1902-1989.
Series IV: Sermons, 1914-1963, undated.

Reel	Box	Folder
156	55	488

The Townsend Plan and social security, 1935.

1- One of the great achievements of the R. administration is the Federal Social Security Act which ~~wa~~ became law in August of this year. This act is one of the great land marks in our nation's progress towards social justice and stability. It is an expression both of the idealism of the American people and of its sound, practical sense. It is prompted ~~both~~ by humanitarian as well as by economic considerations. The Security Act is an omnibus bill ~~touching~~ governing many phases of human welfare, and will directly affect many millions of our people. It is not an emergency measure to tide over ~~the~~ depression but a continuing long-range program for protecting the American people against the major hazards of our industrial life, the economic disabilities brought on by unemployment and old age; ~~and the physical handicaps~~ It aims to protect childhood by improving ~~our~~ the nation's child-welfare and child health services; to relieve the burden of mothers of dependent children through mothers' pensions. It seeks to improve all of our public health services, the care of the blind and the vocational rehabilitation of the physically disabled. Behind all the provisions of the Security Act is the wish to mitigate human suffering, to lift from the lives of the masses of our people the fear of want, of poverty, of homelessness, of shameful dependency upon the charity of others, to give children a better chance to life and happiness, the physically handicapped a new hope, the unemployed a measure of assistance out of insurance funds as something due them and not as a dole, and to the aged something better than the prospect of the ~~poor~~-house and the bread of affliction bitter dependency.

Much, of course, had been done in our country by States and ~~individual~~ private agencies along these lines prior to the passage of the Federal Security Act. In certain fields of social welfare exceed $30 per month. i.e. if the State grants a pension of $30 a month to a dependent, the Fed. govt will add $15 a month to that pension. If the State's pension is less, the govt's will be 1/2 of whatever amount the State gives ~~it is~~. If it is more – the govt's amount will still be $15

The age limit by 1940 will be 65 years.

The average pension now paid in the several states is less than $20 a month. The Security Act at once ~~raises~~ increases the income of the needy aged by 50% (raising it to $30), with the prospect that the States, ~~will~~ wishing to get the additional Federal appropriation will raise their pension ~~to~~ at least to the level of $30 a month, thereby making the income of the pensioner $45 a month. Pensions in Great Britain are $10 a month

The second provision is the Old-Age Annuity. It is a Retirement wage. At 65 any worker, retiring at 65, will be paid an annuity by the Govt, based on a percentage of his wage while working and the number of years he has worked under the plan. The percentage is 1/2 of 1%, on any amount of annual earnings not to exceed $3000. Thus for example if a man has worked say 25 yrs. by the time he reaches 65, and his yearly earnings were ~~$~~ $1200, he will be entitled, upon retirement, and as long as he lives to annuity of $37.50 a month. If he has worked 45 yrs – $53.75. If his ~~av~~ wage was higher, his annuity will be higher – the maximum figure allowed being $85 a month.

If he dies before he reaches retirement age, govt. will pay his estate an amount equal to 3 1/2% of the wages he has earned since the Act went into effect – 1936.

These annuities will be made possible thru premiums paid both by employees & employers. Every worker will pay a tax on his wages - beginning with 1% for 1937-9 and increasing 1/2 of 1% every third year until it reaches 3% in 1948. Thereafter it will be 3%. The employer pays same amount.

The advantage of this law is that it combines a sc. retirement plan with a sound annuity principle. The superannuated whom modern industry has been forced to eliminate, are eliminated without injustice to them and without forcing them to the indignity of poor relief, and the worker is made to save ~~during~~ thru weekly insurance his premiums productive years for his non-productive old age. There is involved here no other principle than that of insurance.

These provisions for more liberal old age pensions and annuities are ~~sharp departures, and~~ notable advances in the field of caring for the aged of our people. They will involve tremendous outlays of moneys and very heavy taxation. The Old-Age annuity measure will by 1948 involve a tax of 6% on ~~production~~ the payroll of the nation, thus adding 6% to the production cost of industry. Unemployment Insurance will add another 3%. These taxes will probably amount to 3 billion d. a year. - almost as much as the U.S. Treasury has ever received in any one year. It is not yet clear how even these measures which contemplate what is clearly minimum pensions, annuities & un. benefits, will operate & what effect they will have upon our econ. structures. They are yet to be tried, and their success or ~~their~~ practicability are yet to be demonstrated. Clearly they are not all that the heart desires — the ultimate good. If they are found to be practical and workable, without putting too heavy a strain upon the econ. structure, improvements can and will undoubtedly be made in the future. The amounts paid out in Old-age pensions, and annuities, and in Un. benefits can be steadily ~~increased~~ as the finances of the nation warrant. But it is the part of econ. sanity & pol. wisdom to ~~go~~ move carefully, ~~that~~ so as not to endanger the whole program as well as the econ. system of which it is to be a part. Counsels of perfection are theoretically cogent and captivating, but in our world they always lead to disaster. All the dictatorships which exist in the world to-day, and which have bred so much misery to their people, came into being because people were persuaded not to be content with the practical and the feasible but to follow shortcuts to ~~reach out after~~ Kingdom come. ~~In~~ I am satisfied that our nation has outlined a comprehensive and courageous program of human betterment in its Security Act of 1935. It is not the last or best word, ~~but it~~ on the subject, ~~for~~ but for our day and until the experiences gained from its operation over a period of years has taught us greater wisdom — it ~~should be allowed~~ is adequate and should not be tampered with by agitation for social security measures which are extreme and extremely dangerous.

And that is why I am opposed to the Townsend Plan.

What is the T. P.? – or ~~better~~ the T. Old-Age Revolving Pension Act, or the Mc. Groarty bill in Congress

Simple! To take care of our aged properly and at the same time to solve the problem of the depression, the Fed. govt. is to give every ~~person~~ citizen, (habitual criminals excepted) 60 ~~years~~ retiring from work of age & older $200 a month. If he has a wife, 60 yrs or older, she, too, is to receive $200 a month. ~~The …~~ The receiver of these pensions must take an oath to spend the full amount within the month when it is received and within the confines of the country.

Where is the money coming from? It is estimated that there are some 8 mil. who would fall into the T. category. At the rate of 2400 a year – they would receive from Federal govt. some ~~2~~ $19.200 billion dollars. The Govt. is to appropriate 2 billion dollars to meet the first pension payments. Thereafter the payments would come out of a revolving fund created by levying a 2% tax on all business transactions – a sales tax but a sales tax not on retail sales alone – as we now have in Ohio – but on each separate financial transaction. This, it is estimated will realize the required amount. The aged will be looked after magnificently. The money which they will spend – some 20 b. annually – will put so much new money into circulation. Business would boom. The unemployed would find jobs both as a consequence of the improvement in business and thru the retirement of ~~…~~ those over 60 from jobs & positions – and all ~~world~~ our worries would be over!

2 It's all so simple, it takes your breath away and also your reason. What makes it difficult to discuss this plan objectively is that it is linked up with the passion for the aged of our land, and every criticism of the plan, is by indirection

interpreted as hostility to the old folks — or cruel indifference to them. Some one wants to give them $200 a month and you say, no! That is because you are just plain mean and hard-hearted. I venture to say that following this letter I will receive a flood of letters charging me with every crime in the calendar. Let me assure my Townsend friends that I am not unsympathetic. The subject is quickly reaching a feverish propag. stage. What with thousands of T. Clubs in the field, and mass meetings, & parades, and petitions and organization for political action & pressure, the movement is taking on the character of a Messianic stampede, and calm thinking about the Plan is becoming more and more difficult to great numbers of our people.

3. The plan is <u>really a merger of 2 plans</u>. If the two were separated it would be easier to discuss each one objectively. One is to provide adequately for our old folks.
The other is to solve the problem of the depression, of all depressions. The 2 are not at all related. And were we not in the midst of a depression, this kind of an old age plan would never have been proposed.

For it is clear that a plan to give 8 or 10 m. of people who are not themselves producers $2400 a year to live on while 90% of the producers of the nation, many of whom having families to support, hardly receive half of that sum is not only fantastic but unjust. Even in prosperous times the average income of an Am. worker was $1200 a year — and frequently he had to support a ~~family~~ wife and children on that. If it were suggested then — in normal & prosperous times before the depression, that these workers be taxed an amount which would ~~[illegible]~~ be equal to 20 or 30% or more of the nation's income to enable

~~people over 65 who are not working and who represent less than 1/12 of the voters to live on a standard at least twice as high as theirs and with no whatever responsibilities - the whole thing proposal would have been laughed out of court.~~

4- But we are in a depression, and the idea has been widely popularized that if somebody would but put money into circulation the wheels of industry would start moving again, and prosperity would return. This that is capitalized by the T. plan to the highest degree, and this is what has given it such wide currency and appeal. Put 20 b. dollars to work - give that much money to 8 m. people and make them spend it, and you have solved the econ. problem of Amer. This, you will recall, is ~~what~~ the prime argument of all org. minority groups who have demanded or are demanding grants or gifts from the govt - Amer. Legion - It was satisfied with a paltry billion or two.

5. Assuming for a moment that this is the way to bring back prosperity - taxing some people to give money to other people to spend - I could make out a much better case from a social point of view for giving these 20 b. to young married workers who have homes to build, children to rear & to educate, and whose essential needs are much greater than of old people.

6. But where really is this 20 b. coming from? Who is going to be taxed to pay it? Is the tax an income tax - an inheritance tax? A tax on wealth? No! It's a sales tax! A consumption tax. Who pays it ultimately? The worker. It is not a 2% tax - but, being a tax on all bus. transactions, i.e. every stage of production & distribution it will actually be a 10 to 20% tax.

thus money from the relatively poor or those who are themselves struggling to support their families in decency will be taken to provide comforts for old age. The rich are spared!

7. This huge tax on production will of course force the prices of commodities up to a point as yet incalculable. What provision is made to ensure that the wages of the worker who will have to pay the higher prices will be raised correspondingly. None!

8. ~~The T. advocates claim~~ Furthermore, it is not clear how the 2% tax on bus. trans. will realize the money for 20b — T. advocates have computed that in the peak year of 1929 — the volume of transactions was 1200 b. These were the figures given by the director of Research & Statistics of the Fed. Reserve Board. 2% of that would be 24 b. —

But it is evident that he included in that figure all recorded bank transactions. Do the T. advocates suggest that every check ~~shall~~ issued shall cost 2% in addition to the tax on the sale itself? Imagine what effect that would have on bank deposits and on the whole banking structure of the country — if every man had to pay a tax of $2 on every ~~$1~~ 100. check he issued — on top of the 2% tax which he paid ~~further~~ on the sale itself!

A sound econ. has estimated ~~on the basis~~ that the total bus. transactions, exclusive of bank transactions, during an average depression year such as 1933 would hardly be over 250 b. In a prosperous year, perhaps twice that amount. 2% on 500 b. is 10 not 20 b. — and the amount available for pensions would be $100 a month — not $200.

9. But would there ~~be~~ even $100? Would the scheme bring back prosperity and for how long? Does taxing one ~~group~~ section of the nation to provide purchasing power for another create new wealth in the nation? The T. Plan is not avowedly an inflationist program (it is not intended to manufacture money) except for the first 2 bi. — the rest of the money is to come out every year from taxation — 3 times the amount of all fed., state & local taxes. How do you ~~create~~ intend to stimulate prosperity, if ~~you~~ all you do is to increase the purchasing power of one section of the population while correspondingly decreasing that of the other?

10. ~~The~~ Among the 5-10 m. persons over 60, there are about 4-5 m who are gainfully employed. The Plan would ~~require~~ induce them to quit their jobs and 4-5 m. younger people would take their place. But how will this contribute to prosperity? How do you increase the wealth of a country by ~~substituting~~ exchanging one non-producing group for another? The 4-5 m. younger people now unemployed receive ~~rel~~ millions in Relief - It is proposed to put in their place 4-5 m. older people to be perm. unemployed who will receive $200 a month

Un. relief. How does ~~it~~ that increase the wealth of a people?

~~11. Wealth is never produced by taxation — or by enforced unemployment — ~~and non-production~~ or enforced idleness, or by giving non-producers big sums of money to spend out of the profits of those who work.~~

11. To give a non-producing class of 8-10 m. money to spend out of the profits of those who work is like maintaining ~~keeping~~ a standing army of 8-10 m. in the midst of the land idlers, and hoping that the moneys spent on them will make every one prosperous. Huge armies and their upkeep have always impoverished a people.

12. Wealth is produced by ~~labor~~ those who work not by those who are supported in idleness unemployed. Curtailing work, curtailing production, restricting ~~curtailing~~ output is to impoverish a country, not to enrich it. T. Plan will not create new wealth, but will only transfer purchasing power from a large class which needs it badly to a much smaller class whose ~~without~~ needs are not as great.

13. Danger in plan is that it might shake our econ. structure to its very foundations. In 1933, total income of people of U.S. was only 46 b. It is proposed to take 20 b. almost 1/2 of nat. income & give it to a class of 9% of population.

The old people will for a time earn much more & even half the others far less. What discontent that would lead to — no one can foresee, and what upheavals. It may lead to inflationary measures which will enable an old man pension of $200. to be like 200 cents. In Germany they sold postage stamps in 1920 for 5 m. marks a piece.

1. One of great achievement – "Fed. Social Security Act" – Cong. Landmark –
Expression – Prompted –
Is an Omnibus bill – covering – will affect –
Not an emergency – continuing long-range to protect
Aims to protect childhood – improving, to relieve mother
Improve all of our public health, Care blind, Voc. Rehab.
Behind all the provisions – is with – mitigate human

2. Much done before – Fed –
Old Age – 35 States
Mothers Pensions – all but 3
Blind – 27
Un. In. – Prior 1935 – Only 1

3. Purpose of Act – stimulate – supplementing.
Fed. agencies – larger appropriations & States
Tax provision – Un. Insurance.
Federal aid for Old-Age – evidence

4. Briefly – 50 m – expended – directly or thru grants in-aid
Mothers' pensions – blind – crippled – public health work
1/3 to 1/2

5. Major features – Unemp. Benefit & Old Age I
1. Beg. 1936. Federal Tax equal 1% in 36 – 2% – 37 – 3% 38
If State adopts

Act aims to reduce - subject to minimum -
a worker, unemployed, will receive
Ohio - 1/2 of weekly wage - 15 - 16 weeks.
waiting period of 3.
Large measure - protection - Face to dole
maintain mass buying power

6. The Provision for Old Age
A. Unprovided - Fed. Gov. will pay to States
1/2 up to $15 per month. Age 1940 - 65
i.e. if State pays $30 - If less
Average pension - $20. 75%.

B. Old Age Annuities - Retirement wage
At 65 any worker - based on % of wage and number
1/2 of 1% on any amount of annual earnings $3000.
i.e. If a man has worked 25 yrs. by time 65
wage 1200 - $37.50
45 - 53.75
Maximum $85 -

If he dies - estate 3 1/2 % since 1936.
Annuities made possible Tax - 1% beg. in 1937 -
1/2 increase every third year. 3% - 1948.

Advantage of having - combining Retirement Plan with

Annuity Prin.

Superannuated - retire - Made to save.

No other prov. involved but insurance

7 Notable Advances - tremendous Outlays

and heavy taxation.

Annuity - 6% payroll - production cost

U. Ins - 3%.

Amount 3 b. 1948. Treasury

Not yet clear, how even, unknown -

yet to be tried

Heart desires - If found practical -

Part of Econ. sanity - more carefully

Counsels of Perfection - theoretically - Goal

All the dictatorships - short-cuts

I am satisfied - comprehensive

For our day - Tampered

Offered

1. What is T. P.? — T. Old-Age Revolving Pension Plan

To take care - Fed. gov't - citizens - Wife - both

2. Where is money coming from? Estimated 10 m. 24 bn

Gov't. appropriated 2 b. Revolving Fund - 2%

The aged - magnificently -

3. All so simple - What makes it difficult - Scare on - Letters - Assure

Subject - fervently - What with clubs

4. Plan merges 2 plans - if separated.

One -

Two not at all related - Were WE not in Depression

For it is clear that a plan to give 8-10 m. -

non-producers - fantastic - unjust

Even in prosperous times - Average Am. worker

>$1200 -

If any one had suggested - workers taxed

to an amount equal 20-35% of Nat. income

- laughed out of court

our people had made commendable progress - leading other countries. In other fields it had lagged behind other countries, particularly in the fields of old age, ~~and~~ health and unemployment insurance. 35 states have to-day old-age pension laws - but nearly all of them quite inadequate. All but 3 states have Mothers' pensions. 27 states have pensions for the blind. Prior to 1935 only one state had Un. Insurance. Within the year, in anticipation of Federal legislation, 5 other states have ~~passed~~ adopted U. In. measures.

The purpose of the Federal Security Act was to stimulate social welfare ~~measures~~ activities throughout the country by supplementing State appropriations ~~for them~~ by Federal appropriations. Federal agencies have been granted large appropriations to carry on their work, and States have been offered large annual appropriations if ~~they will~~ to bring up their services to a higher level. The tax provisions of the Act ~~will~~ are such as to induce every state to adopt Un. insurance, and the promise of Federal aid will persuade the citizens of those states where there are no old-age pensions to ~~adopt~~ enact them.

Briefly the Act provides for some 50 m. to be expended annually by the Fed. Gov't either directly or through grants-in-aid to the several states for mothers' pensions, for crippled children, for the blind and for public health work. ~~In the case of mothers pensions~~ The Gov't. undertakes to give to the states within a defined limit sums equal to from 1/3 to 1/2 of what they will spend ~~on~~ give to these services.

The major features of the Security Act have to do with old age and unemployment. (See A.) There are 2 provisions for old age. One for the unprovided aged folks. The Federal Gov't will pay to those states which have old-age pensions a sum equal to 1/2 the amount expended by the state, not to

A.

The Act provides for Unemployment benefits or compensation. Beg. in 1936 a Federal tax will be paid on all payrolls equal to 1% in 36 – 2% – '37. thereafter 3% – to provide reserves against unemployment. If a state adopts an U. Ins. Act, then it will be allowed a rebate equal to 90% of this Federal tax collected from that State. This act aims to induce all states to adopt U. I. acts subject to minimum ~~requir~~ specifications established by the Federal law. A worker, who becomes unemployed, will draw unemployment benefits to an amount and for a period of weeks, determined by the State U. Ins. law.

In Ohio – (4 yrs) – Ohio Commission – ½ of average weekly wage – not to exceed $15 per week – for 16 weeks, after a waiting period of 3 weeks.

This will give a large measure tho not a complete protection. It will not immediately force him to the dole or to consume meagre savings. It will maintain mass buying power for a considerable time after ~~during~~ a depression sets in, keeping the line of depression from sagging as low as it has in recent years –

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THE TOWNSEND PLAN AND SOCIAL SECURITY

By
Dr. Abba Hillel Silver

At
The Temple

On
Sunday, November 24, 1935

One of the great achievements of the Roosevelt Administration is the enactment of the Federal Social Securities Bill in August of this year. This Social Securities Act is a notable landmark in the progress of our nation for greater economic security. This act is an expression both of the idealism of our people and of their sound, practical sense. The Social Securities Act is an omnibus bill which covers many phases of social welfare in our country and which is destined to affect close on to 30 millions of our people. It is not an emergency measure to tide over a depression, but a continuing long-ranged program. This Social Securities Act is a continuing program for protecting our people against the major hazards involved in our industrial organizations and against the economic disabilities which come with unemployment and old age. It also aims to protect childhood by improving and extending child welfare and child health agencies throughout our country and by degrees to relieve the burden of mothers who have dependent children through mother's pensions. It aims to improve all of our health institutions in our country, to give added protection to the permanently blind, to encourage social rehabilitation of the crippled and disabled. Behind all the provisions of this Social Securities Act is the desire to mitigate, as far as possible, human suffering, to give the children of our country a better chance to live and be happy, to give the disabled, the handicapped better homes, to provide the workingman with an added measure of security and an insurance against periods of unemployment when sustenance will be given to him as a right, not as a matter of charity, out of insurance funds, not out of relief funds and to give the old folks in our country a better prospect in old age than that of living in the poor house or that of bitter dependency.

Much, of course, was done in this country before the Social Securities Act was passed, both by the States and by private agencies. In some fields of social welfare, we led the world. In other fields we lagged behind many of the great countries of Europe, particularly in the fields of old age security, health and unemployment insurance.

There are today on the statutes of 35 States, old age pension laws but nearly all of them are quite inadequate. In all but three States, mothers are pensioned. In some 27 States there are pensions for the blind. Before 1935, only one State in the Union had any unemployment insurance laws. This year, in anticipation of this Federal legislation, five other States have passed unemployment insurance measures.

Now the purpose of this Federal Securities Act is to stimulate social welfare agencies throughout the country by supplementing State appropriations through Federal appropriations. Federal agencies have been granted large appropriations to carry on their work, and States have been offered large annual appropriations to bring up their services to a higher level. The tax provisions are such that will force every State in the Union to adopt unemployment insurance laws, and the promise of grants by the Federal Government for old age pensions will induce every State in the Union to pass old age pension laws.

Briefly, this Act sets aside some $50,000,000 annually to be expended by the Government directly, or indirectly by States, for mother's pensions, for the crippled, for the blind, for child welfare work or public health work. The Government will match the contribution of the

State in some instances dollar for dollar in an effort to urge them to expend funds to improve and protect the lives of the youth and adults in the country.

The major feature of the Act has to do with unemployment benefits and old age pensions and annuity. This Bill decrees that beginning with next year, 1936, there shall be a Federal tax on the payroll of the nation equal to 1% in 1936, 2% in 1937, 3% in 1938 and thereafter. This tax shall go into an unemployment reserve fund which will be used for the care of those people who are against their will forced into idleness. Should a State adopt an unemployment law, it will receive a rebate up to 90% of the tax paid in by the State. In other words, through the enactment of this bill, States will practically be forced to adopt unemployment insurance measures subject to minimum benefits established by the Federal law. A worker when he loses his job will then be entitled to receive a weekly benefit equal to an amount provided by the unemployment insurance law of his State.

In Ohio, where we have been working for an unemployment bill for nearly five years, the so-called Commission Bill which will be introduced in the Legislature this month, calls for a weekly unemployment insrance benefit equal to one/half the weekly wage of the worker but not to exceed $15 for a period of 16 weeks beginning after a waiting period of three weeks.

Now this unemployment insurance measure will not give the American working man complete protection but it will give him a large measure of protection during periods of depression. When he loses his job, he will not be forced immediately to the dole or to consume his savings and the amount of money which will automatically be poured into the community by the unemployed receiving this compensation will keep a substantial sum of money in circulation even during depression. It will keep the line of the depression sagging. It will maintain the mass buying power, in other words, for large portions of the people for a considerable period of time after a depression sets in, keeping the line of depression from sagging as low as it has in recent years.

In this Act there are two provisions for old age. First of all there is a measure for the impoverished, dependent old people. The Federal Government will pay to every State which has an old age pension law a sum equal to one-half of what the State pays out in pensions to the individual but not to exceed $30 a month. If a State has an old age pension which gives the pensioner $30 a month, the Federal Government will add to this amount $15 a month so that a man or a woman will receive $45. If the State pays a smaller pension, the Government's share will be one-half the amount paid in by the State. If more, the Government's share will still be $15.

The age limit by 1940 will be 65 years.

Inasmuch as the average pension in those States which already have pension laws amounts to less than $20 a month, this Social Securities Act immediately boosts the benefit for every person at least 50%, raising it to $30. There is the prospect that the States, wishing to get the additional Federal appropriations, will be induced to increase their own provisions - to raise their pensions at least to the level of $30 a month, thereby making the income $45 a month. This is the first measure, a provision for indigent, dependent old people.

The second of these old age enactments is an annuity, a retirement wage. This is to pay at the age of 65. Any worker may retire from work and will receive from the Government an annuity based on a percentage of his wage and on the number of years he has been working since the passage of this law. The percentage is one-half of 1% on any amount not to exceed an annual income of $3,000. Thus for example, if a man has worked 25 years, by the time he is 65 years of age, and if his income has been $1200 a year, he will be entitled at the age of his retirement to receive an annuity amounting to $37.50 a month. If he has worked 45 years and his annual wage is $1200 a year, he will be entitled to $53.75. If his wages are higher, his annuity will be higher. However, the maximum receivable is $85 a month.

This is not a benefit. This is an annuity for which the worker pays. If the worker dies before he reaches the retirement age, his estate receives 3½% of the total wage earned by the worker since the act went into effect - in 1936.

Now these annuities will be made possible by a tax on the worker which will be paid by the employee and the employer, 1% beginning in 1937 and increased ½% every third year until 1938 when it will amount to 3% for the employee and 3% for the employer. Thereafter it will remain at 3%.

The advantage of this law is that it combines a retirement plan with a sound principle of annuity. It is devised to retire people when they reach an age when modern industry really has no more use for them. But it retires them with dignity and with protection. At the same time it is an annuity actuarily sound, justified by the soundest principles of insurance, an annuity which the worker has earned by paying in premiums during his productive years. This plan, unlikethe Townsend Plan, is not intended to solve the depression or any economic plans. It is purely an insurance deal aiming to stimulate savings on the part of the worker in his productive years in order to have protection during his non-productive years.

Now this measure is a notable advance in the field of caring for the aged of our people but it involves a tremendous outlay of money and very heavy taxation. The old-age annuity measure will in 1948 involve a tax of 6% on the payroll of the nation, thus adding 6% to the production cost of industry. When you add to this another 3% for unemployment insurance, you can understand that this act imposes a very heavy burden on our economic structure. These taxes will amount to about $3,000,000,000 - a larger amount than the United States Treasury receives in any one given year.

It is not yet clear how even these measures which contemplate minimum benefits for old age - certainly not maximum benefits - it is not yet clear how these measures will operate, how much of a strain it will put on our economic structure. They have not yet been tried. Their success is yet to be demonstrated. Of course, they do not represent all of our human heart's desires. The premiums to be paid weekly and the benefits to be paid weekly are small. It is hoped, however, that now that these laws are enacted, they will be tested over a period of years, and if found practicable and feasible, that it may be possible to increase the percentages steadily, as the finances of the nation warrant. But it is a part of economic sanity and political wisdom to move carefully. Our counsels of perfection, while theoretically most cogent and most appealing, almost inevitably lead to disaster. All the dictatorships which have brought so much economic misfortune upon the people were made possible because the people were persuaded not to be satisfied with a feasible or practical plan but to reach after a short-cut to Kingdom Come. There are no short-cuts to Kingdom Come.

I am satisfied that the nation has outlined a comprehensive and courageous program of human betterment in its Security Act of 1935. It marks a definite step forward for the well being of our citizens and for our day, even if it is not adequate today. It is not the last or best word on the subject but until experience gained from its operation over a period of years has taught us greater wisdom, it should be allowed to be tested. It should not now, when the laws are being put in operation, be tampered with by any agitation that may destroy not only this program but which may destroy the whole economic system of which this program is to be a part. It is this plan that I am referring to - the Townsend Plan.

What is the Townsend Plan, or as it is better known, the Old Age Revolving Plan? It is very simple. It aims to take care of old people and at the same time to solve the problem of the economic depression. And we can do both of these jobs through the simple way of giving every citizen in the United States who reaches the age of 60, exclusive of course, of criminals or inmates of asylums, $200 per month. If he has a wife, she, too, is to receive $200 per month. The only condition is that the money must be spent within the given month - the money must be spent within 30 days and within the confines and jurisdiction of the United States.

Where is the money coming from? It is estimated that there are in the United States, 10,000,000 million people who would fall into this category. 8,000,000 of the 10,000,000 would avail themselves of the offer and retire from work and get $200 a month. The Government would be called upon to appropriate $2,000,000,000 in order to make the first pension payment. Thereafter, the money would come out of a revolving fund to be levied by putting a tax of 4% on every business transaction in the United States. This sales tax which is not a kind of sales tax which we have in Ohio now - a tax on retail sales alone - but a tax on every separate business transaction. It is estimated that this tax would realize close on to 20 thousand millions of dollars which would be required to operated system. By the way, $20,000,000,000 is a large sum of money. $20,000,000,000 represents exactly three times the amount of all the dividends and interest payments made in 1929. It is about equal to all the savings deposits in all the banks in the United States. $20,000,000,000 is about three times the amount of all the Federal, State and Municipal taxes received yearly.

Now, it is hoped that by giving $20,000,000,000 to 8,000,000 people who will be forced to spend it, that this huge sum of money will immediately put into circulation much money. Business would boom, the unemployed would find jobs both as a consequence of the improvement in business and because of the millions of people over sixty who are now employed who would make room for those under sixty. Prosperity would immediately come back, and then all our worries would be over.

The plan is so simple that it is breath-taking. It takes away your reason. What makes it impossible to discuss this plan objectively and calmly is the fact that it is tied up emotionally with the care of the old. When you criticize the plan, you are in danger of being criticized as being hostile to the old folks or cruelly indifferent to them. Here is a man who wants to give them $200 a month and you say, 'No'. I venture to say that following this lecture I will receive a flood of letters which will charge me with every crime in the calendar. This plan has reached the state of feverish propaganda. What with the organizations of thousands of Townsend Clubs in the field, and organizers, meetings and petitions and political organizations for political action and pressure that is going on, it is taking on the character of a sort of Messianic stampede so that it makes it difficult for many people to discuss the Plan objectively.

The Townsend Plan is really a merger of two plans. And if the two Plans were separated it would be easier to discuss both plans objectively. One plan is to take care of old people. The other is to solve the depression. The two are not at all essentially related and had there been no depression, such a plan would never have been evolved. It is clear that a plan to give 8 or 10 million people who are not producers a sum of money which is twice as much as the average producer receives annually, while ninety percent of the producers of the nation, many of whom have families to support, receive hardly half that amount in wages, ~~xx~~ is not only fantastic but unjust. Even in prosperous times the average earnings of an American worker is from twelve to fourteen hundred dollars a year. And most of them have the added responsibility of rearing a family and educating children. If in normal times anyone had suggested that these workers who are themselves struggling to make ends meet, should be taxed an amount equal to some twenty to fifty percent of the total national income in order to enable a class of non-producers, sixty years and over, representing less than nine percent of the population, to live on a scale at least twice as high as their own, it would have been laughed out of court. But we are not in normal times. We are in the midst of a depression.

During the depression the idea has been widelypopularized that if you can but put a large amount of money in circulation, the wheels of industry would start moving again and prosperity would return. It is that idea which is being exploited by the Townsend Plan to the Nth degree. And that is what has given it such wide currency and appeal. You may recall that every minority group who has come to Congress to ask for grants has capitalized on this argument. "If you will give us money, we will help business by putting the money into circulation." The American Legion tried it and was satisfied with a paltry one or two billion dollars.

Now, if we were to assume for a moment that the way to bring back prosperity is to tax one part of the population in order to give money to others to spend, I say, assuming that, I could make out a much greater case by giving money to young married people who have a tremendous responsibility. From a social point of view their responsibility is much greater than that of the old people who are no longer producers.

But where is this $20,000,000,000 coming from? Who is going to be taxed to pay it? By taxing incomes or through inheritance taxes, that much couldn't be raised. It is to be sales tax on the consumer which will ultimately fall with the greatest weight upon the worker, upon the relatively poor of our people. It is not a 2% tax, my friends. It is a fifteen or twenty percent tax on every stage of production and distribution and not on the last retail sale. The rich are spared in the Townsend Plan. The burden is placed upon those least able to pay. And with this large tax on consumption, goods which the worker will have to pay for, the price of commodities will rise to a point which no one has or can establish. The worker will have to pay considerably more for what he buys.

What provision has been made to see that wages will be correspondingly increased? None! Furthermore, it is not clear how this 2% on all business transactions will actually realize the $20,000,000,000. The figure most often quoted is that given by the directors of the Federal Reserve Board. Business transactions in 1929 amounted to 1200 billion dollars. 2% of that would be 24 billion. That would be adequate to cover old age pensions.

It is evident that this figure includes bank transactions. Do the Townsend Plan advocates suggest that every check issued shall cost 2% in addition to the tax on the sale itself? Imagine what an effect that would have on the bank deposits and on the whole banking structure in the country. A man would have to pay a $2 tax on every $100 check he issued on top of the 2% tax which he paid on the sale itself!

A sound economist estimated that the total business transactions, exclusive of bank transactions during an average depression year, such as 1933, would hardly be over $250,000,000,000. If you assume that in a prosperous year they would be $500,000,000,000. 2% of $500,000,000,000 is $10,000,000,000 not $20,000,000,000. The amount availabe would $100 a month per person, not $200.

But would there really be $100 a month? Would the scheme bring back prosperity? And, for how long? Does taxing one section of the people provide wealth for another? The Townsend Plan is not an inflationist measure. It does not contemplate making or manufacturing money. Except for the first $2,000,000,000, the rest of the money is to come out of the taxation every year. Do you stimulate business when you tax one large relatively needy section of the nation to provide privileges for another smaller and less needy section?

It has been intended that out of this arrangement, some four or five million jobs would be open for those not employed. There arem among the five to ten million people over 60 years, some four million employed. These people would give up their jobs and four to five million younger people would take their places. Just how can that help prosperity? How can you increase the wealth of a country by exchanging one group of unemployed for another? Here is a class of four to five million people under sixty, receiving relief. You also have four to five million people over sixty who are gainfully employed. You make these men give up their jobs. When they do that they cease to be producers. You give their jobs to the four or five million younger men who are unemployed. But you are giving these four or five million who are no longer producers $200 a month. Just where is wealth being produced? Just where are you solving the problem?

You don't produce wealth by enforced idleness in large sections of our people. Wealth is not increased by any artificial means. Wealth is produced by those who work, not by those who are unemployed. Wealth is produced out of the soil. Curtailing work, curtailing production, restricting output is to impoverish a country, not to enrich it. The Townsend Plan will not create new wealth but will only transfer the purchasing power from a large class which needs it badly to a much smaller class whose needs are not as great.

Now the danger in the plan is that it is so very popular and so very appealing that it can actually be forced upon the American people. And that would bring about an economic arrangement that one can hardly conceive of. $20,000,000,000, my friends, is almost 50% of the total national income in 1933. Our national income then was only $46,000,000,000.

It is proposed to give $20,000,000,000 to a class which is only 9% of all the population. They will, of course, have much more than they ever had to spend before. But the masses will have far less. Such a measure if passed will mean a tremendous upheaval. When the great masses of the people find themselves victimized by this Bill, they will reach out for similar claims from the Government because if the principle is sound that you can give 8,000,000,000 people $20,000,000,000 a year, why limit it to 60 years of age, etc. etc.

It iswell to remember that the $200 promised to an old person today may, if inflation sets in, be less than 200 pennies. In Germany, they sold postage stamps in 1920 for five hundred million marks a piece.

Counsels of perfection! I question even the idealism behind the Townsend Plan -- all the sincerety, all the earnestness. All our old people who are beguiled by this plan are just preparing themselves for disillusionment and heartache.

In the days to come all our energies should be focussed on seeing to it that the the measures of the Social Securities Act are given a chance to operate as successfully as possible and in the course of time, if they operate successfully, their benefits will then be increased gradually and steadily as dictated by sound principles and good judgment. There is no short cut to economic stabilization.

sermon 440

ABSTRACT OF ADDRESS DELIVERED BY RABBI ABBA HILLEL SILVER AT THE TEMPLE, ANSEL ROAD AND EAST 105TH STREET ON SUNDAY MORNING, NOVEMBER 24, 1935

THE TOWNSEND PLAN AND SOCIAL SECURITY

The Townsend Plan is simple that it takes your breath away, and your reason. What makes it impossible to discuss it objectively is that it is linked up emotionally with the care of the aged and every criticism of the Plan is by indirection interpreted as hostility and cruel indifference to them. Someone wants to give them two hundred dollars a month and you say, no! Clearly you are mean and hard-hearted. The Townsend Plan is quickly reaching a feverish propaganda stage, the character of a Messianic stampede, where clear thinking is becoming more and more difficult to great numbers of people.

The Townsend Plan is really a merger of two plans. If the two were separated, it would be easier to discuss them objectively. One is to provide adequately for the aged. The other is to solve the problem of the depression and of all depressions. The two are not at all related and were we not in the midst of a depression this type of an old age pension plan would never have been proposed.

For it is clear that a plan which proposes to give eight million people who are not themselves producers, twenty-four hundred dollars a year each to live on, while nineth percent of the producers of the nation, many of whom have families to support, receive hardly half that amount in wages, is not only fantastic but unjust. Even in prosperous times the average earnings of an American worker is from twelve to fourteen hundred dollars a year. And most of them have wives and children to support. If in normal or prosperous times anyone had suggested that these workers who are themselves struggling to make ends meet, should be taxed an amount equal to some twenty to fifty percent of the total national income in order to enable a class of non-producers, sixty years and over, representing less than nine percent of the population, to live on a scale at least twice as high as their own, it would have been laughed out of court.

But we are in a depression and the idea has been widely popularized among us that by putting a large amount of money into circulation the wheels of industry would begin to move again and prosperity would return. This notion xx is capitalized by the Townsend Plan to the nth degree and this is what gives it such wide currency and appeal. You will recall that every minority group which has turned to the Federal Government for grants of money has exploited this argument to the utmost. The American Legion was satisfied with a paltry one or two billion.dollars. The Townsend Plan wants no less than twenty billion dollars.

Assuming for a moment that the best way to bring back prosperity is to tax some part of the population in order to give money to another part to spend, one could make out a better case by giving these twenty billion dollars to the young married people rather than to old people, to workers who have homes to build and children to rear and educate and whose essential needs are much greater than those of old people.

Where really is the twenty billion dollars needed to operate the Townsend Plan, the Revolving Old Age Pension Plan coming from? It is not an inflationist measure. The money, except the first two billion dollars, is xx to come from taxation. Who is to be taxed? The rich? No. The two percent tax contemplated in the Townsend Plan is not an icome tax or a tax on inheritance. It is a sales tax, a tax on every stage in the production and distribution of goods. Who pays this tax ultimately? The worker. The two percent tax, of course, is not really a two percent tax. It is a tax on every business transaction. Actually, it will amount to a tax of fifteen to twenty percent or more. Thus, money from the masses of our people, who are themselves struggling to maintain themselves and their families in decency, is to be taken in order to provide a standard of living for old people far higher than that which they themselves enjoy and that which the great majority of the old people ever enjoyed. The two percent tax on all business transactions will, of course, boost prices of commodities up to a point which no xx one has or can establish. What provision is made to insure that the wages of the workers who will have to pay higher prices for what they will buy, will be raised correspondingly? None!

Furthermore, it is not clear how the two percent tax on business transactions will realize the hoped for twenty billion dollars. I understand that the figure of twelve hundred billion dollars, representing the volume of business transactions in 1929, is being used as a basis by the Townsend Plan advocates. But it is evident that this figure must include all bank transactions. Does the Townsend Plan suggest that every check issued shall cost two percent in addition to the tax on the sale itself? Imagine what effect that would have on bank deposits and on the whole banking structure in the country. A sound economist has estimated that the total business transactions, exclusive of bank transactions in 1933, an average depression year, would be ~~from~~ some 250 billion dollars. If this figure were doubled for a normal year, the two percent tax would allow not twenty but ten billion dollars of the amount available. Pensions would be not two hundred dollars but one hundred dollars a month.

But would there be even one hundred dollars? Would the scheme bring back prosperity and for how long? Can you tax one section of the population to ~~xxxxx~~ provide purchasing power for another and create new wealth? To give a non-producing class of eight or ten million to spend out of the pockets of those who work and need it themselves is like maintaining a standing army of eight or ten ~~six~~ million soldiers in the midst of the land and saying that ~~they~~ the money spent on them will make every one in the nation prosperous. On the contrary, huge armies and their upkeep have always tended to impoverish a nation. The Townsend Plan suggests that returing some forty-five million people over sixty years of age who are now gainfully employed would be creating jobs for that number of poeple under sixty years of age who are not at present unemployed. But how will this contribute to prosperity? How can you increase the wealth of the nation by have one non-producing group exchange places with a producing group. In place of the minimum unemployment relief which the country is now paying to the four or five million unemployed, it would be paying a maximum unemployment relief to the unemployed.

The Plan, if put in operation, can only lead to a terrific inflation even though the   of the measure are not themselves inflationist. When that sets in the two hundred dollars promised to old people will probably not be worth two hundred cents.

Our Federal Government, last August, passed the Social Securty Act which contains two provisions for old age. The Federal Government will add to old age pensions granted by states, a sum equal to one-half of what the state expends and not to exceed fifteen dollars per month. Inasmuch as the average pension in the country today is $20 a month, this Federal act tends to increase pensions by at least seventy-five percent. There are prospects of more liberal pensions in the future.

The Security Act also sets up an old age annuities plan, a retirement wage. At sixty-five, any worker may reture and receive an annuity for the rest of his life based on a percentage of his wage and the number of years he has worked under the Plan. The maximum under this plan would be eight-five dollars a month. This law is a sound comination of a retirement plan super-annuated with old age insurance, based on sound actuarial principles. This plan will involve heavy outlay and taxation. By 1948, it will call for a six percent tax on the payroll of the nation to be payed half and half by employe and employer. It is not yet clear, of course, how this plan which contemplates only minimum percentages will operate and what strain it will put upon our economic structure. It doesn't meet with all of our hearts' desires, of course, but if found workable and feasible, the percentages may be increased as experience dictates. It is a part of economic sanity as well as of political wisdom to look carefully in these   . Councils of perfection are theoretically cogent and appealing. Actually they lead to disaster. All the dictatorships in the world today are due to the fact that people have sought short cuts to prosperity and to Kingdom Come. The Federal Social Securities Act should be given a chance. It should not be tampered with by agitation for extremen measures such as the Townsend Plan contemplates.

THE TOWNSEND PLAN AND SOCIAL SECURITY

Delivered By
Dr. Abba Hillel Silver

At
The Temple, Cleveland, Ohio

On
Sunday, November 24, 1935

One of the great achievements of the Roosevelt Administration has been the enactment of the Federal Social Securities Bill in August of this year. This Social Securities Act is a notable landmark in the progress of our nation towards greater economic security. It is an expression both of the idealism of our people and of its sound, practical sense. The Social Securities Act is an omnibus bill which covers many phases of social welfare in our country and which is destined to affect the lives of close unto 30 millions of our people. It is not an emergency measure to tide over a depression, but a continuing, long-range program for protecting our people against the major hazards involved in our industrial life and against the economic disabilities which come with unemployment and old age. It also aims to protect childhood by improving and extending child welfare and child health agencies throughout the country. It will relieve, through mothers' pensions, the burdens of mothers who have dependent children. It will improve our health institutions and will give added protection to the permanently blind. It will assist in the rehabilitation of the crippled and disabled.

Behind all the provisions of this Social Securities Act is the desire to mitigate, as far as possible, human suffering, to give the children of our land a better chance to live and to be happy, the disabled and the handicapped better care, the workingman an added measure of security through insurance, not relief, against periods of unemployment, and old folks in our country a prospect in their old age better than that of the poor house and bitter dependency.

Much, of course, was done in this country before the Social Securities Act was passed, both by the States and by private agencies. In some fields of social welfare, America led the world. In other fields America lagged behind many of the great countries of Europe, particularly in the fields of old age security, health and unemployment insurance.

There are today on the statute books of 35 States, old age pension laws but nearly all of them are inadequate. In all but three States, mothers may receive pensions. In some 27 States there are pensions for the blind. Before 1935, only one State in the Union had any unemployment insurance laws. This year, in anticipation of Federal legislation, five other States have passed unemployment insurance laws.

The purpose of the Federal Social Securities Act is to stimulate social welfare effort and agencies throughout the country by supplementing State appropriations with Federal aid. Federal agencies have been granted large appropriations to carry on their work, and States have been offered large annual appropriations to bring up their services to a desired level. The tax provisions are such that States will be induced to adopt unemployment insurance laws. The promise of grants by the Federal Government for old age pensions will induce the States which as yet have no such laws to adopt them.

Briefly, this Act sets aside some $50,000,000 annually to be expended by the Government directly, or indirectly through the States, for mothers' pensions, for the crippled and the blind, for child welfare and public health work. The Federal Government will match the contributions of the States, in some instances, dollar for dollar.

The major features of the Act concern unemployment benefits and old age pensions and annuities. This Act provides that beginning with next year, 1936, there shall be a Federal tax on the payroll of the nation equal to 1% in 1936, 2% in 1937, 3% in 1938 and thereafter. This tax shall go into an unemployment reserve fund which will be used for the care of workers who, against their will, are forced into idleness. Should a State adopt an unemployment insurance law, it will receive a rebate up to 90% of the tax paid in by the State. In other words, through the enactment of this Bill, States will find it to their advantage to adopt unemployment insurance measures, subject to the minimum requirements established by the Federal law. A worker, on leaving his job, will then be entitled to receive a weekly benefit equal to an amount and for a period provided for by the unemployment insurance law of his State.

In Ohio, where we have been working for an unemployment insurance law for nearly five years, the so-called Ohio Commission Bill, which will again be introduced in the Legislature this coming month, calls for a weekly unemployment insurance benefit equal to one-half of the weekly wage of the worker but not to exceed $15 for a period of 16 weeks following a waiting period of three weeks.

Unemployment insurance, of course, will not give the American working man <u>complete</u> protection but it will give him a large measure of protection. When he loses his job, he will not at once be forced to ask for charity or a governmental dole or see his meagre savings consumed in involuntary idleness. The amount of money which will automatically be poured into the trade channels of a community by the unemployed who will receive and spend their unemployment benefits will put a large sum of money into circulation during an industrial depression. This will keep the line of the depression from sagging too low. It will maintain the buying power of the nation.

In the Social Securities Act there are two provisions for old age. First, there is a measure for impoverished, dependent old people. The Federal Government will pay to every State which has an old age pension law a sum equal to one-half of what the State pays in pensions but not to exceed $15 per month per beneficiary. If a State has an old age pension which gives the pensioner $30 a month, the Federal Government will add to this amount $15 a month so that the man or woman will receive $45. If the State pays a smaller pension, the Government's share will be one-half of the amount paid by the State. The universal age limit, by 1940, will be 65 years.

Inasmuch as the average pension in States which already have pension laws amounts to less than $20 a month, this Social Securities Act immediately raises the benefit for every person at least 50%, raising it to $30. There is the prospect that the States, wishing to get the maximum Federal appropriation, will increase their own allotments.

The second of these old age enactments is an annuity - a retirement wage. Any worker may retire from work at the age of 65 and will receive from the Government an annuity based on a percentage of his wage and on the number of years he has been working following the passage of this law. The percentage is one-half of 1% on any amount not to exceed an annual income of $3,000. Thus, for example, if a man has worked 25 years, by the time he is 65 years of age, and if his income has been $1200 a year, he will be entitled to $53.75. If his wages are higher, his annuity will be higher. However, the maximum receivable is $85 per month.

This is an annuity for which the worker pays. If the worker dies before he reaches the retirement age, his estate receives 3½% of the total wages earned by the worker from the time the act went into effect - in 1936.

These annuities will be made possible by a tax on the national payroll. It will be paid by the employee and the employer, 1% beginning in 1937 and increased ½% every third year until 1938 when the tax will be 3% for the employee and 3% for the employer. Thereafter it will remain at 3%.

The advantage of this law is that it combines a retirement plan with a sound principle of annuity. It is devised to retire people when they reach an age when modern industry, by and large, no longer employs them. But it retires them with dignity and with protection. At the same time it is an annuity, actuarily sound, justified by sound principles of insurance, an annuity which the worker has earned by paying in premiums during his productive years. This plan, unlike the Townsend Plan, is not intended to solve the problem of economic depressions. It is purely an insurance plan aiming to stimulate savings on the part of the worker during his productive years in order to protect him during his non-productive years.

This measure is a notable advance in caring for our aged but it involves a tremendous outlay of money and very heavy taxation. The old-age annuity measure will, in 1948, involve a tax of 6% on the payroll of the nation, thus adding 6% to the production cost of industry. When you add to this another 3% for unemployment insurance, you can understand that this Act imposes a very heavy burden on our economic structure. These taxes will amount to about $3,000,000,000 annually - a larger amount than the United States Treasury normally receives in a given year.

It is not yet clear how even these measures, which contemplate after all, minimum benefits for old age, will operate or how much of a strain they will put on our economic structure. They have not yet been tried. Their success is yet to be demonstrated. Of course, they do not represent all of our hearts' desires. The benefits to be paid are undeniably small. It is hoped, that after these laws shall have been tested over a period of years, and found practicable and feasible, the benefits to be paid will be steadily increased as the finances of the nation will warrant. But it is part of economic sanity and political wisdom to move carefully. Counsels of perfection, while theoretically most cogent and appealing, almost inevitably lead to disaster. All the dictatorships, which have brought such economic misfortune upon their peoples, came into power because people were persuaded not to be satisfied with that which was feasible and practical but to reach out after short-cuts to Kingdom Come. There are no short-cuts to Kingdom Come!...

I am satisfied that the nation has outlined a comprehensive and courageous program for human betterment in its Security Act of 1935. It marks the first definite step forward, even if it is not altogether adequate. It is not the last or best word on the subject, but until experience, gained from its operation over a period of years, shall have taught us greater wisdom, it should be permitted to operate. It should not now be tampered with by any agitation that may destroy not only this program but the very economic system of which this program is a part. And that is why I am opposed to the Townsend Plan.

What is the Townsend Plan? It is quite simple. It aims to take care of old people and at the same time to solve the problem of the economic depression. Both of these things are to be achieved through the simple device of giving every citizen in the United States who reaches the age of 60, exclusive of criminals or inmates of asylums, a sum not to exceed $200 per month. If he has a wife, she, too, is to receive a sum not to exceed $200 per month. While the McGroarty Bill which embodies the Townsend Plan speaks of a sum of "not to exceed $200", for purposes of propaganda and in the minds of the average devotee of the Plan, the sum of $200 is constantly present. The only condition is that the money must be spent within the month when it is received and within the confines and jurisdiction of the United States.

Where is the money coming from? It is estimated that there are in the United States 10,000,000 people who would fall into the category of beneficiaries under the plan. 8,000,000 of the 10,000,000 would avail themselves of the offer and retire from work if they are now employed and receive $200 a month. The Government would be called upon to appropriate $2,000,000,000 in order to make the first pension payment. Thereafter, the money would come out of a revolving fund to be levied by putting a tax of 4% on every business transaction in the United States. This is not a tax on retail sales alone, but on each and every separate business transaction. It is estimated that this tax would realize close on to 20 thousand millions of dollars annually which would be the amount required to operate this plan. $20,000,000,000 is a large sum of money! $20,000,000,000 represents exactly three times the amount of all the dividends and interest payments in the United States in 1929. It is about equal to all the savings deposits in all the banks in the United States. $20,000,000,000 is about three times the amount of all the Federal, State and Municipal taxes received yearly.

It is hoped that by giving $20,000,000,000 to eight million people who will be forced to spend it, money would be put into circulation, business would boom, the unemployed would find jobs, both as a consequence of this improvement in business and because millions of people, over sixty, who are now employed would make room for those under sixty now unemployed. Prosperity would come back, and all our worries would be over for ever and aye.

The plan is so simple that it not only takes away your breath but also your reason...What makes it impossible to discuss this plan objectively and calmly is the fact that it is tied up emotionally with the care of the aged. When you criticize this plan, you are in danger of being branded as a plutocratic foe of poor old folks or at best a man cruelly indifferent to them. Here is Dr. Townsend who has a nice plan to give every man over sixty $200 a month and you, heartless man, say 'No'. I venture to say that following my lecture this morning I shall receive a flood of letters which will charge me with every crime in the calendar. This plan has unfortunately reached a stage of feverish propaganda. What with the organization of thousands of Townsend Clubs, organizers, meetings, petitions and political pressure, the movement is taking on the character of a Messianic stampede which makes it difficult for many people to discuss it objectively.

The Townsend Plan is really a merger of two plans. If the two plans were separated it would be easier to discuss each plan objectively. One plan is to take care of old people. The other is to solve the depression. The two are not at all essentially related, and had there been no depression, such a plan would never have been seriously discussed. For it is clear that a plan which proposes to give 8 or 10 million people who are not themselves producers a sum of money monthly which is twice as much as the average producer receives in wages - ninety percent of the workers of the nation, (many of whom having families to support) receive less than a hundred dollars a month in wages - is not only fantastic but unjust. Even in prosperous times the average earnings of an American worker was from twelve to fourteen hundred dollars a year. Most of them have the responsibility of rearing a family and educating children on that income. If in normal times anyone had suggested that these workers, who are themselves struggling to make ends meet, should be taxed an amount equal to some twenty to fifty percent of the total national income in order to enable a class of non-producers, sixty years and over, representing less than nine percent of the population, to live on a scale at least twice as high as their own, it would have been laughed out of court. But we are not in normal times. We are in the midst of a depression. During the depression the idea has been widely popularized that if you can but put a large amount of money in circulation, the wheels of industry would start moving again and prosperity would return. It is this idea which is being exploited by the Townsend Plan to the utmost. It is this which has given it such wide currency and appeal.

You may recall that <u>every</u> minority group, which comes to Congress for grants and hand-outs has capitalized this argument: "If you will only give us money, we will help business by putting the money into circulation."

If we were to assume for a moment that the way to bring back prosperity is to tax one part of the population in order to give money to another part to spend, I could make out a much stronger case for giving this money to <u>young married people</u> who have far greater obligations and responsibilities to meet in that they have homes to build and families to rear, support and educate.

But where is this $20,000,000,000 coming from? Who is going to be taxed to pay it? By taxing incomes or through inheritance taxes? <u>No!</u> So much sums of money could not be raised through these channels. It is to be through an extended and universal sales tax which will fall with the greatest weight upon the workers and upon the relatively poor among our people. It is not a 2% tax, my friends, as the advocates contend. It is a fifteen or twenty percent tax, for it is a tax on every stage of production and distribution and not on the final consumer's sale only. The rich are spared in the Townsend Plan. The burden is placed upon those least able to pay. This tax on production, its financing, its distribution and its ultimate consumption which the worker will have to pay will force the price of commodities up to a point which no one has as yet established or can establish.

What provision is made in the plan to see that wages will be correspondingly increased? None! Furthermore, it is not clear how this 2% tax on all business transactions will actually realize the $20,000,000,000 needed. The figure most often quoted is that of the total business transactions of 1929 - 1200 billion dollars - 2% of which would be 24 billion dollars. That would be adequate to cover old age pensions under the Townsend Plan. But it is evident that this figure must include bank transactions. Do the Townsend Plan advocates suggest that every check issued shall cost 2% in addition to the tax on the sale itself? Imagine what an effect that would have on the bank deposits and on the whole banking structure of the country! A man would have to pay a $2 tax on every $100 check he issued, on top of the 2% tax which he paid on the sale of itself!

A sound economist estimated that the total business transactions, exclusive of bank transactions, during an average depression year, such as 1933, would hardly be over $250,000,000,000. If you assume that in a prosperous year, the amount would be $500,000,000,000, 2% of $500,000,000,000 is $10,000,000,000 not $20,000,000,000. The amount available would be $100 a month per person, not $200.

But would there really be even $100 a month? Would the scheme bring back prosperity? And, for how long? Does taxing one section of the people to provide wealth for another bring prosperity? The Townsend Plan is not an inflationist measure. It does not contemplate making or manufacturing money. Except for the first $2,000,000,000, the rest of the money is to come out of taxes each year. Do you stimulate business when you tax one large and needy section to provide comforts for another smaller and less needy section?

It has been maintained that under the Townsend Plan some four or five million jobs would be open for those not now employed. There are among the ten million people over 60 years, some four million who are now employed. These people would give up their jobs and four to five million younger people, not now employed, would take their places. Justhow will that help to restore prosperity? How can you increase the wealth of a country by substituting one group of unemployed for another? You will be simply increasing the size of the dole to the unemployed who will now belong to the older Townsend age group and will receive $200 a month, in place of the much smaller amount of relief which the younger unemployed are receiving today.

You do not produce wealth by enforced idleness among people of twenty or among people of sixty. Wealth is not produced by non-producers! Wealth is produced by those who work. Curtailing work, curtailing production, curtailing consumption is impoverishing a country, not enriching it. The Townsend Plan will not create new wealth but will only transfer the purchasing power from a large class which needs it badly to a much smaller class whose needs are not as great.

The danger of the plan is that it is so very appealing because of its generous promises to the elderly people of our population which, by the way, are increasing steadily as the years go on, thanks to the advances of medical science and general health conditions in our country. The elderly people see in this plan nothing but the prospect of comfort in their old age to which they believe themselves entitled. They do not realize that while they may, for a time, have more than they ever had, the great masses of the people will have far less. I say, only for a time. Because the plan, if put into operation, will bring about a colossal economic upheaval which will result in desperate inflation and which will make the $200 promised to the old people worth less than 200 pennies. In Germany, in the post war era, they sold postage stamps for five hundred million marks a piece!....

No one questions the sincerity and idealism of Dr. Townsend and of many of his followers. But the old folks who are being beguiled by the millennial glamor of this plan are simply preparing themselves for disillusionment and heartaches.

Common sense as well as social vision dictates that our energies should be applied in the coming years to the putting into successful operation of the Federal Social Security Act. This measure should be amended and made more generous as future experience and the economic progress of our country will dictate.