[illegible] AS BITTER BATTLE LOOMS OVER PENSION PLAN IN CONGRESS

Adoption of 'Official' McGroarty Bill Not Expected at This Session; Wisconsin Educator Disputes Claims.

BY MAX STERN
Times Special Writer

WASHINGTON, Jan. 2.—Whether or not Dr. Francis E. Townsend of California is, as his backers hail him, the third great American emancipator and his Townsend Plan the gateway to old age security and perpetual prosperity, the movement he has started is certain to take a front seat when the Seventy-fourth Congress opens its final session tomorrow.

Townsendites, waxing ever more vocal and politically potent, will demand an early vote on the pending McGroarty bill, embodying a modification of their plan. They will back their claim with a huge petition and with resolutions of some 5000 Townsend clubs in 47 states.

While passage at this session is not expected, the succeeding Congress may have to reckon with this robust movement more seriously. Townsendites say the seventy-fifth will be a "Townsend Congress," and they even threaten a third party next fall if the two old parties' platforms ignore their demands.

The movement is strongest in the West, but is showing unexpected power to reward and punish in the Midwest and Northeast states and is now spreading southward.

McGroary Bill "Official"

Opposition is bipartisan. The Democrats officially point to the President's Social Security Act as the Administration's answer to the cry of the old folks. The Republicans generally are critical of the Townsend plan as the most ambitious spending program yet advanced.

As the issue stands, Townsendite hopes center in "H. R. 7614," introduced in the House last April 1 and later revised. It is better known as the "modified McGroarty bill." The Townsend Weekly refers to it as the official measure. This bill, which may again be changed, now has the following provisions:

1. A 2 per cent transaction or turnover tax on all sales, including those by producers, manufacturers, wholesalers, jobbers and retailers;

2. Supplemental taxes, including an income tax surcharge equal to 10 per cent of the present Federal income tax, and a 2 per cent tax on inheritances and gifts;

Not All Would Get $200

3. Pensions for all law-abiding men and women citizens past 60, up to $200 a month. Contrary to a widespread impression, the pending bill does not guarantee everyone past 60 a $200 monthly pension. Any 60-year-old person who has a net income of more than $2400 a year would not be entitled to the pension, and one with an income from other than personal services of less than $2400 must deduct such income from the Federal annuity. Even fully qualified pensioners would not be guaranteed $200 a month, but would share equally the money available from the proposed taxes. The only condition to an annuity is that the recipient cease all "gainful pursuit," spend his entire pension each month, and spend no more than 10 per cent of it on charity.

The plan's most forceful critic so far is Dr. Edwin E. Witte, professor of economics at the University of Wisconsin and director of the President's Committee on Economic Security, which drafted the Wagner-Lewis-Doughton Social Security Act last session.

Here are the Townsend claims and Dr. Witte's counter-claims as to the workability of "Old-Age Revolving Pensions," as the Townsend Plan is formally called.

Differ in Beneficiaries

Hardly more than 8,000,000 Americans will be affected, says Dr. Townsend, and probably only 7,500,000. But Dr. Witte says there are 11,582,000 Americans past 60. Count out the non-citizens, habitual criminals and those who will refuse to knock off work, he says, and you get 10,000,000 pensioners. To pension these would cost $24,000,000,000 a year.

The two supplemental taxes on incomes and inheritances would produce at most $2,000,000,000. Say only $20,000,000,000 is needed, suggests Dr. Witte: that is just a little less than the United States of America spent in the World War, twice all emergency Federal expenditures for the six years of depression, and considerably more than double all Federal, state and local taxes for all purposes in a year. To pension this 9 per cent of the American people, he says, would take 40 per cent of the national gross income.

But, answers Dr. Townsend, the transaction tax has no relation to national income. The Townsend Plan, he says, "is predicated not on income but the national transactions turnover. The financing of the big American family is governed by the acceleration of spending dollars.

Two-Year Start Required

The average national income of $64,000,000,000 will be supplemented by $18,000,000,000 brought about by seven and one-half million people spending each $200 a month, making a total of $82,000,000,000, which is almost back to the 1929 income peak."

But, says Dr. Witte, no revolving fund is proposed, so before the new spenders began getting buying power back into circulation, taxes would be coming out. Dr. Townsend has admitted that it would probably take two years to enroll all pensioners. Even if there were only a three-month waiting period while the pension reserve was piling up, the "huge sales tax" would so retard business as to dry up many sources of income, according to Dr. Witte.

"A 2 per cent tax on every sale or exchange of property or service is so heavy," says Dr. Witte, "that it would completely stop many kinds of transactions. Any attempt to collect such a tax on stock and bond transactions would close every stock exchange in the country and cause it to move to Canada, since margins on stocks and bonds are far less than 2 per cent."

Denied by Townsendites

This, the Townsendites deny. The very passage of the act will, they assert, give an impetus to buying so that deflationary forces will be reversed and wealth increased.

Dr. Witte adds: "The Townsend 'sales tax plus' is such a terrifically heavy and burdensome tax that it is doubtful whether it can be collected at all." The rich will evade, the poor will pay in increased prices, and before the three-month waiting period is over we are very likely to have a complete economic collapse—a depression vastly more serious than that which followed the stock market crisis in October, 1929."

Admittedly, say the Townsendites, there would be higher prices. Take the price of a $50 suit of clothes. There are seven wool-to-suit transactions between a sheep's back and the man's back, and the tax would amount to $2.19. The 2 per cent transaction tax would, they admit, add 8 to 12 per cent to the general cost of living. "What of it?" they ask. Pork has gone up 300 per cent, with no more money to buy it.

Dow-Jones Averages Cited

Then, poses Dr. Witte: How do the Townsendites know the 2 per cent will raise enough revenue?

Estimates "based on Dow-Jones averages," replies Townsend headquarters, are that the 1929 turnover in dollars was 1165 billions, and a "composite" estimate is around 1640 billions, the Townsend base. At 2 per cent this would raise $32,800,000,000. But they need only 18 billions to pension 7½ million old folks.

Dr. Witte says there is extant no official estimate of total money-value transactions. The nearest approach is a total of bank debits, representing total business transactions in which bank checks, drafts, etc., are used, in 141 principal cities. This is 304 billions. Assuming that other cities and towns' transactions of this sort would add one-third more to this sum, Dr. Witte estimates 442 billions as the total.

400 Billions Tax Base

Since salaries for personal services would be exempted, he estimates 400 billions as the known taxable base. Taxed at 2 per cent, this would yield only $8,000,000,000, or one-third of enough. Hence, he says, a 6 per cent rate would be necessary.

The dollar, argue the Townsendites, "turned over" 132 times in 1929, 22 times in 1934. Take it at only 20 times and multiply that by the 82 billions of national annual income and you get 1640 billions. That's the Townsend tax base. But under the McGroarty bill the dollar would turn over about four times faster, or 528 times a year, says Dr. Townsend.

Asked about that by Rep. Sam Hill (D., Wash.) of the House Ways and Means Committee last February, Dr. Townsend said each dollar under the Townsend economy would speed up to 528 turnovers.

"Each transaction would bear a 2 per cent tax," said Rep. Hill. "The burden of tax that each dollar would carry would be twice 528, or $10.56.

Holds Tax Would Decrease

"Then," countered Dr. Townsend, "we will easily reduce the tax; that is, the rate of tax provided for in the bill. It can be reduced until no one will know that he is paying a tax. It will be insignificant, a half of 1 per cent will carry the entire pension role, once we get fairly going under this system."

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

Dr. Townsend—"You can not figure it out. You can not tell what the opposing forces of inflation are. There are always opposing forces of inflation. One of them lies in the fact that mass production has always a tremendous influence toward price deflation. . . . I do not think there would be any tendency toward undue inflation at all. . . . If you are in business and something happens to quadruple your volume of business, certainly you would quadruple your volume of profits."

Held Super Sales Tax

Dr. Witte says administration would be almost impossible, and would make each pensioner a snooper spying on his neighbor to see that he spent his $200. The Townsendites deny this, and say the post office could be used as a pension dispensary, paying out the annuity only on presentation of last month's receipted bills.

Dr. Witte assails the whole plan as a super-sales tax that would bear down hardest on the very poor. The smaller the income the more burdensome a sales tax, he says. Such a tax, he adds, favors chain stores, mail order houses and other large distributors, whose turnovers are less than smaller concerns.

He charges that Dr. Robert L. Doane, "the one economist of note" to support the plan, is a sales tax advocate. While the American Federation of Labor, Farmers' Union and "progressive organizations generally" oppose the plan, he says Big business is "strangely silent," while the bulk of its supporters in Congress are conservative Republicans "long known as advocates of the sales tax."

Burdensome on Poor, Is Claim

"It is a multiple sales tax, the largest and most burdensome ever proposed," says Dr. Witte. "It is especially burdensome on the poor, because it does not exempt food and other necessities, and it applies not only to goods but to services, as no other sales tax ever has. It is not levied in accordance with ability to pay. Whether the old people would get anything at all is doubtful, but there's no doubt what the people as a whole will get—a sales tax plus, heavier and more burdensome than any tax ever proposed."

"It may be," he concludes, "that the Doctor and his business associate, Mr. Clements, are fooling the big business boys and not the old people.

"But this would be the first time that big business has been fooled about a sales tax; and the more likely explanation of the fact that Wall Street does not fight the Townsend Plan is that through the proposed 'sales tax plus,' it hopes that the progressive forces of the country may be split, President Roosevelt defeated for re-election, and the old age pension movement completely side-tracked."

MERCY KILLER?

Confessing, police say, that she poisoned a patient to "end her suffering," Marie Simone Sevigny, 26, Woonsocket, R. I., practical nurse, shown after her arrest, faces investigation of the deaths of eight other patients. She was held without bond, charged with murder, and her mental condition will be tested.

U. S. LAUNCHED ON EXPERIMENT TO AID JOBLESS

Tax on Employer to Build Up Huge Unemployment Fund Starts.

By Scripps-Howard Newspaper Alliance

WASHINGTON, Jan. 2.—The new year today ushered in America's first Federal plan of unemployment insurance, and with it a new Federal tax on industry.

The tax, payable in 1937, is 1 per cent of the total 1936 pay roll of each affected employer.

Ninety per cent of the Federal tax, however, will be refunded where the employer is in a state which has set up an unemployment insurance system that satisfies the government. Thus Congress hopes to stimulate the creation of such systems in all states—since workers losing their jobs will get no benefits from the tax unless their states thus cooperate.

The 1 per cent tax is expected to yield $200,000,000 and to affect 17,500,000 workers. The levy will rise to 2 per cent on 1937 pay rolls, and thereafter it will be 3 per cent.

Immediate protection is in sight for the wage-workers of eight states and the District of Columbia, where unemployment insurance laws have been enacted.

Existing Laws Vary

The government has accepted, however, only the systems of the District and of Wisconsin, New Hampshire, California and Oregon. The laws of New York, Massachusetts, Alabama and Washington are as yet unaccepted.

These nine laws are not all alike. California's, for instance, provides for a contribution from the workers of one-half that paid by the employers. The District of Columbia provides for contributions from Congress, but none from workers.

Because the nine existing laws cover several large industrial states, it is estimated that more than one-third of the eligible wage earners already are embraced by state systems. Fourteen state Legislatures meet in 1936, and in each a determined drive for similar legislation is expected, in order to keep the tax money at home.

Certain employes are exempted. These include employers of eight or fewer workers; employers of farm labor or domestic servants; city, state and Federal governments; church and charitable institutions, and the owners of documented vessels.

The pay roll tax will work this way: Suppose a business man in one of the 40 states that lack unemployment systems employs 10 workers and his 1936 pay roll totals $20,000. At the end of 1936 he would pay the government 1 per cent of this, or $200; at the end of 1937, $400, the next year, and annually thereafter, $600. But if his state sets up his own system, he will pay only 10 per cent of these sums to the Federal government, plus a state tax. Some states have levied a higher tax than the Federal one, some a lower.

The first installment of the tax on 1936 pay rolls—one-fourth of the total tax—is not due until Jan. 31, 1937, but the Treasury has ordered that eligible employers begin keeping records at once.