News From Washington

By Your Congressman
CHARLES J. COLDEN

The McGroarty bill and the Townsend old age pension plan went down to defeat with 56 votes for it and 206 votes against it. It was rather disappointing that 173 members failed to vote. Having given this measure sympathetic consideration, urging that it was entitled to a hearing before the ways and means committee, and also that it should be brought to the floor of the House, I found it an extremely painful task to vote against it and to disappoint thousands of loyal and excellent friends back home. But after a thoughtful study of old age pensions in which I spent many hours and many nights delving into various authorities for information, and after listening to a discussion for 23 hours before the bill was read, I finally came to the decision that it was my duty to vote against the Townsend bill.

Briefly, I will give you some of the reasons that brought about my final decision.

(1) The Townsend plan is based upon the transaction or turnover tax. I believe this transaction tax is destructive, discriminating and would shift an unheard-of burden on the backs of the workers and farmers of this country. I believe that all sales taxes on the necessities of life, such as food, clothing and shelter, are vicious and unfair.

We have a 2½ percent retail sales tax in California at the present time. The Townsend proposal would multiply this many times. Let us compare the Townsend transaction tax with the California retail sales tax. The California sales tax of 2½ percent produces nearly fifty million dollars per year. California has about one-twentieth of the population of the United States and perhaps more than that ratio of buying power. Applying the 2½ percent sales tax to the entire United States, and if all parts of the country had a buying power equal to that of California, the total revenue raised would be about one billion dollars per year. The estimates as to the cost of the Townsend plan to pay a pension of $200 per month reach from eighteen billion to twenty-four billion dollars a year. Let us assume that twenty billion is a reasonable average. Consequently, to produce twenty billion dollars, you would be obliged to multiply the sales tax of California by twenty, which would be a retail sales tax of 50 percent upon every sale. And don't overlook the fact that the transaction tax is a multiplied and far more complicated tax than the sales tax we now have in effect in California.

The transaction tax must be paid in your street car fare, your loaf of bread, your rent, your amusement, your telephone, your doctor bills, your hospital bills, your births and babies, your funeral expenses. It is an expensive curse that haunts your every living day and so on far into the night.

(2) The transaction tax would give the chain store and the mail order house such an advantage that the independent dealer and the small merchant would be crushed. The chain store and the mail order house or any other dealer who ships from the factory to the consumer is enabled to avoid from one to three taxes of two percent each, and therefore is enabled to sell merchandise for less money. How many small merchants could withstand such a discrimination as this added to their present handicaps? In this field alone, the transaction tax would be a powerful agency to add to the profits of the big operator, crush the small dealer and augment the processes that are now enriching the few at the expense of the many.

(2) Since most taxes are ultimately passed on to the consumer, the transaction tax would immediately reduce the buying power of every wage earner, every salaried person and every farmer throughout the country.

(4) Dr. Townsend argues that his system of revolving pensions would bring prosperity, but this would be counter-acted by the fact that he also sets up a revolving tax. Every producer that sells his products, every merchant that sells his goods, every man that rents his house, every doctor, dentist, pastor, lawyer, every newspaper on each advertisement and each subscription, barber, baker and candle-stick maker, must set aside 2 percent of every transaction, including every fee and collection, to be paid to the government at the end of the month. This process of retaining and holding taxes would tie up a tremendous amount of money which would only be released when the government paid it out to the pensioner and immediately the process of setting aside this amount of tax would again reduce the circulating medium and purchasing power of the community.

(5) The 1930 census shows that this country had over thirty-six million children under the age of 15 years who are also dependents upon the wage earner and the producer. In 1933, the average income of all the people of the United States was but $27 per month or $324 per year. It would be a crushing burden to add eight or ten million more dependents at $200 per month, which is more than seven times the average earning power of the population in this country per person in 1933.

In 1929, at the very peak of prosperity with a tremendous inflation of bank credit, the average income was about $55 per month in current money, but only about $33 per month in the stabilized values of 1913, which is considered a normal year by most economists. The Townsend program of $200 per month would be nearly four times the average income of 1929 inflated credits and six times the average income during the normal year of 1913. To carry out the Townsend old age pension plan, it would be necessary to curtail in billions of dollars the amount that is now expended on the more than thirty-six million children under 15 years of age. In addition to this, it is estimated there are today nine million children on the relief rolls of the country. In other words, we would be taking from the children under 15 years of age in order to give more money to the aged than they earned during the years of their activity.

(6) Personally, I am opposed to the theory that one must retire upon receiving a pension. The provision in the Townsend plan that forces an individual to retire from productive employment would bring much unhappiness to the industrious individuals of our country.

Labor is one of the greatest blessings of life. During my residence in a country town, I witnessed a number of farmers who left their activities, moved to town to enjoy life, but after a year or so of leisure, they returned to their farms because of the joy of employment. Others worried themselves into an early grave. My own experience, and my own observation is that brief vacations are valuable and enjoyable, but that idleness, the lack of employment, the cessation from activity, is both unhappy and an unfortunate experience. I believe that in paying a pension to the aged, no restrictions should be made whatever as to their lawful activities. This retirement provision of the Townsend plan would act to prevent those who wished to do so from reentering employment when conditions became normal again.

(7) I think it is a fallacy to believe that any nation, state, county or city can enrich itself by taxation. It is not taxation but production that enriches our country. Dr. Townsend filed a statement in the hearings before the House ways and means committee, in which he estimated the entire national income for 1932 and 1933 approximated forty billion dollars for each year. How can you take about one-half of all the nation's income in taxes and produce prosperity? Remember the producers, the workmen and the farmers, and all consumers, must shoulder this burden, and this twenty billion additional tax must be paid on top of the city, county, state and federal taxes that are reaching the limit.

(8) No reliable estimate has been submitted as to the cost of the administration of the Townsend plan. One of the most expensive features is that each pensioner must expend his pension within the current month. It would be unlawful for him to conserve any resources for sickness, burial and other emergencies. It would require an army of investigators and other officials, at tremendous expense, to enforce such a provision.

(9) Much has been said about the testimony of Robert R. Doane, the economist. His statement was to the effect that the transaction tax would produce but a fraction of the amount claimed by Dr. Townsend. Mr. Doane estimated the income from the transaction tax would be around four billion dollars instead of eighteen to twenty-four billion dollars estimated to be necessary to carry out the $200 per month plan. The evidence offered in the hearings was to the effect that in France and in Germany, where a modified turn-over tax is in effect, that it does not produce anything like the amount estimated by Dr. Doane for the United States.

(10) The second Townsend revised plan contains the pernicious transaction tax and other obnoxious features of the first bill and also throws into the discard the $200-per-month proposal. It has also caused a great many Townsend advocates to believe that they are still to get the $200 per month because the bill contains the phrase "not to exceed $200 per month." The new bill merely provides that whatever amount of revenue is produced shall be equally divided among those who are eligible for pensions. Under the revised Townsend plan the amount of the pension would probably not materially exceed the proposal of the administration bill for $30 per month, or more if the state desired. Such states as will meet the requirements will receive one-half from the federal government for a $30 pension and one-third if the state pays $45 per month.

(11) The revised Townsend pension eliminates the clause in the first bill which denied benefits to persons in insane asylums, eleemosynary institutions or in jails or penitentiaries. I agree to the provisions of the first Townsend bill that eliminates the Al Capones, the gangsters and racketeers who have been preying upon the citizenship of this country.

(12) Under the provisions of the Townsend plan, a person who has come from a foreign country like Mexico, or any other country, who has become a citizen, is entitled to this pension. Those who have lived in the country for 60 years and who have aided in the production of the wealth in this country and those who are now paying the bill, should have some preference over the aged of other countries.

I will be glad to send a copy of my remarks in the Congressional Record to any one who desires a more detailed statement on this subject. I also reaffirm my statement that I favor the most generous pension that we can secure and pay for. My own thought is that the unfair distribution of wealth is our paramount problem; and that pensions should be somewhere in the neighborhood of the average income of all the citizens of the United States, namely, from $30 to $50 per month; and the cost be placed in such a manner as to break down huge fortunes.

Shredded Newspapers Make Pay Checks At Goodwill

Salvage which is more than saving old newspapers from immediate destruction. The picture gives a glimpse of Goodwill's way of making yesterday's newspapers an asset to the commercial world and at the same time making money for handicapped individuals.

Yesterday's newspapers go on for further usefulness to merchants who buy them and the money goes to workers who are lame, or blind, or deaf, or otherwise handicapped. The old papers which come in a constant stream to Goodwill Industries have to be sorted, graded and sold.

Shredded and baled newspapers, shown in the picture, are on their way to packers who buy them for packing around fragile and expensive articles. They are also on their way to bring in money to 400 handicapped workers' pay envelopes.

Proceeds go to the individuals many of whom have hunted the county over for work and at last found it at Goodwill Industries because people save their discarded papers and magazines to be collected by Goodwill truck drivers instead of burning them. Instead of seeking "county relief" these individuals are doing something useful and are being paid for their work.

More than three thousand tons of paper came to Goodwill last year; 786 tons of rags; 190 tons of iron; 10,138 tires; all helped to keep 400 employed throughout the year. Goodwill can use anything you do not want except tin cans.

Palos Verdes Drive To Be Surfaced

Palos Verdes drive, graded several months ago by SERA and CWA labor, is to be surfaced with an oil coating that will make it satisfactory for automobile traffic, by the county road department.

Allocation of $4,527 from the gasoline tax funds of the Fourth Supervisorial District was asked of the board of supervisors this week. Although Supervisor John R. Quinn was en route to Chicago and Washington in the interests of a Public Works grant for Ballona creek, it was understood he had requested the amount be appropriated, following a meeting of the board's road committee prior to his departure.

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