

## *Townsend and Roosevelt: Lessons from the Struggle for Elderly Income Support*

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Senator, let me ask you what creates income? Nothing in the world but demand. Now, let us have demand, an abundant demand and we shall vastly increase the national income.<sup>1</sup> (Dr. Francis E. Townsend at a Senate hearing)

Alternative schemes for “saving” Social Security are much in the air, as Congress and the President confront the forthcoming retirement of the baby boom generation. Social Security was an integral part of the New Deal program. Its now-distant Depression-era origins are often cited as proof of an overdue need for reform by those calling for radical changes. In contrast, to those traditional liberals resisting drastic changes, Social Security’s New Deal origins put the program on hallowed ground.

Histories of Social Security’s passage focus on the views of the various “progressive” reform movements and currents of thought that eventually came together to frame the Social Security Act in 1935. The respectable reformers, government officials, and business leaders who played a part in the Act’s creation left behind a paper trail of documents, articles, and archives. For academics reviewing this history, there is a natural tendency to concentrate on this mainstream documentation.

There is a troubling element, however, in the bias toward respectability. It is often the case that those proposing radical economic and social remedies have an influence on the political process, even if their schemes are not adopted. And the proponents of respectable proposals sometimes undertake less than honorable tactics to discredit their radical critics. Such tactics are not necessarily given prominent attention when the winners write the history of their success.

At the time Social Security was before Congress, the alternative Townsend Plan—a radical pension scheme that attracted millions of devoted followers—was also under consideration. Under the Townsend Plan, each person over 60 would have been granted a monthly pension of \$200 per month—a huge sum at the time—on condition he/she not work and spend all the money within the month. The Townsend stipend was unrelated to past work history or wages. It contained no pre-funding of benefits. The Townsend Plan was decidedly not a mainstream proposal. Unlike the Social Security program that emerged, the Townsend Plan did not have behind it a long history of academic and political debate. The Townsend Plan would have involved a vast income transfer and entailed a major price increase, among other drawbacks. Moreover, the “archives” left behind by the Townsendites consist largely of propaganda pamphlets, newsletters to the faithful, and an autobiography of its founder. The Townsend Plan, in short, was not respectable—then or now.

Yet, although histories of Social Security give Townsend little attention, there is

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<sup>1</sup>U.S. Congress, Senate, *Economic Security Act: Hearings before the Committee on Finance*, Seventy-Fourth Congress, First Session (Washington, DC, 1935), 1025.

grudging acknowledgment that agitation for the Townsend Plan “was a potent political force in the passage of Social Security.”<sup>2</sup> One recent historian has suggested that the post-1935 move toward a pay-as-you-go model of Social Security—often detested by contemporary critics of the system—had its roots in continuing Townsend agitation in the period after the initial Act was passed.<sup>3</sup> This limited recognition of Townsendite influence is reason enough to re-examine the Townsend episode.

And there is another reason as well. The current debate over Social Security (and Medicare) is being conducted in what has become the traditional mode of public policy making. Learned position papers are prepared by respectable academics, policy analysts, think tanks, commissions, and government agencies. It is assumed implicitly that these efforts—as filtered through the political process—will eventually produce an acceptable “solution” to the problems posed by the baby boomers’ retirement.

The question is “acceptable to whom?” Is it really clear that the elderly boomers of, say, 2020 or 2030 will content themselves with what is viewed today as a respectable solution? The history of the Townsendites suggests a need to reconsider the idea that the boomers will go quietly into the sunset along a path chosen by present-day mainstream experts. A more likely scenario is that there will arise off-center political entrepreneurs to harness any discontent felt by the elderly of the future. The issue of the future of Social Security is not just a matter to be resolved through economic and actuarial analysis. History has lessons to teach, although those researchers and policy makers prominently involved in the contemporary Social Security debate are largely ignorant of those lessons.

## Presidential Fears

Certainly, the amount of effort aimed at discrediting the Townsend Plan in the 1930s is not consistent with a view of the Townsendites as a marginal movement of little importance. In 1936, a Congressional investigation was launched into “Old-Age Pension Plans and Organizations.” Despite its plural title (i.e. “Plans”), the investigation was focused mainly on one plan, the Townsend Plan, and on one group, Old-Age Revolving Pensions Ltd. (OARP), the official Townsend organization.

A special “Select Committee” of Congress was established to conduct this investigation. Its chair, Congressman C. Jasper Bell of Missouri, was chosen because he had a safe seat controlled by the Kansas City Pendergast machine. Bell would not have to fear electoral reprisal from angry Townsendites, or so the reasoning went within the Roosevelt administration that was very much behind the investigation.<sup>4</sup> The elderly voted in large numbers and had time to engage in political action. That was true then, now, and will likely be true when the boomers retire.

Why did the Roosevelt administration feel such stealth was required to do battle with Dr. Francis Townsend, an elderly Long Beach, California, physician, and his loyal

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<sup>2</sup>Irving Bernstein, *A Caring Society: The New Deal, the Worker, and the Great Depression* (Boston, MA, 1985), 66; Paul H. Douglas, *Social Security in the United States: An Analysis and Appraisal of the Federal Social Security Act* (New York, 1936), 307; John Duffy Gaydowski, “Dr. Townsend and his Plan 1867–1934”. (unpublished MA essay, Dept. of History, UCLA, 1970), 197–198.

<sup>3</sup>Steven A. Saxe, *The Promise of Private Pensions: The First Hundred Years* (Cambridge, MA, 1997), 98.

<sup>4</sup>David H. Bennett, *Demagogues in the Depression: American Radicals and the Union Party, 1932–1936* (New Brunswick, NJ, 1969), 178–179. See also Alan Brinkley, *Voices of Protest: Huey Long, Father Coughlin, and the Great Depression* (New York, 1982).

followers? By 1936, the administration already had won enactment of Social Security, which had been passed by Congress in 1935. According to one historian, the answer is simple: “The Bell Committee’s purpose was almost wholly political in nature; its objective was the discrediting of the [Townsend] movement and the humiliation of its leader. It aimed to destroy the Townsend organization’s effectiveness as a political force in the 1936 elections.”<sup>5</sup>

Surely, if the Townsendites were viewed as a minor fringe element, they would not have required such attention from the administration and Congress. The only “empirical” test of Townsendite potential had been in the earlier debate over Social Security. In that debate, the Townsendites had lost—in the sense that Social Security and not the Townsend Plan had been adopted. But the Townsendites had played enough of a role in that debate to suggest that they could be a political force in the upcoming election. Moreover, Townsendism showed no sign of disappearing; indeed, it was about to spawn a rash of state-level copycat movements all pushing schemes to raise elderly incomes.

Although it may seem strange in retrospect, in 1936 Roosevelt was not at all sure of the political outlook for his re-election campaign. The blank check given him by Congress in 1933 to deal with the Depression was no longer available. Roosevelt faced strong opposition from conservatives within his party as well as from Republicans. Louisiana Senator Huey Long—a nominal Democrat with his own populist, anti-Roosevelt “share our wealth” movement—hinted at becoming a candidate for President on a third-party ticket. And Long had incorporated pensionite elements into his own vague scheme. Some observers saw a fascist danger in the blind enthusiasm of the Townsendites—who might team up with Long.<sup>6</sup>

No one thought that Long—even backed by Townsend—could actually win in 1936. The fear was that a third-party Long candidacy could take enough votes from the Democrats to give the election to the Republicans. Indeed, Long had that very intent.<sup>7</sup> He figured that he could hand the 1936 elections to the Republicans by running on a third-party ticket. The Republicans would exacerbate the Depression and, in 1940, with the electorate fed up with both major parties, Long would take the presidency as a national savior.

Roosevelt’s economic policy was under attack. Particularly controversial was his decision to go off the gold standard in 1933 and then return with a devalued dollar in 1934. The currency decision entailed invalidating various “gold clauses” in private and official contracts—a matter which ultimately went to the Supreme Court and was narrowly decided in Roosevelt’s favor. However, the New Deal gold policy was denounced in a speech by former President Herbert Hoover, who remained a figure of significance in Republican politics. Responding to a letter from a supporter, Roosevelt said: “[Hoover’s view] may be a factor in 1936 but I am inclined to think at present that more serious opposition may come from the Dr. Townsends, the Huey Longs, etc.”<sup>8</sup> Plainly, the Townsend Plan, and its originator, was on the President’s mind.

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<sup>5</sup>See Bennett, 179.

<sup>6</sup>Luther Whiteman and Samuel L. Lewis, *Glory Roads: The Psychological State of California* (New York, 1936), 265–267.

<sup>7</sup>Robert Mann, *Legacy to Power: Senator Russell Long of Louisiana* (New York, 1992), 30–31.

<sup>8</sup>Letter from Roosevelt to Frank E. Gannett (president of the Gannett newspaper chain), March 1, 1935. Gannett had defended Roosevelt’s gold policy against Hoover’s attack in a newspaper column. The Supreme Court decision upholding Roosevelt on gold had been issued in mid-February 1935 (Official File 229 (Gold), Box 5, Franklin D. Roosevelt Presidential Library, Hyde Park, NY)

West Sacramento Calif. May 25<sup>th</sup>-36

President Roosevelt

We the members of Townsend Club No 11 West Sacramento, do respectfully ask that you use the power invested in you as President of our United States, to stop this disgraceful and un-American "Bell Investigation" so-called, and stop the persecution of our beloved leader, Dr. F. E. Townsend. and by the exercise of your high authority to thus exalt yourself in the esteem of your citizens whose rights you have sworn to protect.

We represent two hundred (200) voters in our small club.

Respectively Submitted.

President Dr. D. B. Boyd  
Secy. Mrs. C. Simpson

FIG. 1. Sample letter from Townsendites to President Roosevelt protesting the Bell hearings.

In short, the Roosevelt landslide that actually occurred in the 1936 election was not foreseen and the political climate seemed very unstable. The constant polling that characterizes the contemporary political scene did not exist in the 1930s. Indeed, 1936 was the year of the famed *Literary Digest* poll that forecast a victory for Republican presidential candidate Alf Landon. What was available to gauge public opinion was anecdotal information flowing into the White House.

Included in this inflow was a letter from a major trade union official worried that workers might be attracted to the Townsend Plan. And there were postal reports on the large volume of mail going to the Townsend organization. The special election of a Townsendite Republican congressman from Michigan, warnings that Republicans were "flirting" with Townsend, and that California Townsendites would try to infiltrate the Democratic convention were also troubling.<sup>9</sup> It was certainly *not* foreseen that 71% of voters favoring the Townsend Plan would nonetheless vote for Roosevelt.<sup>10</sup>

Of course, Townsendite voters were not aware of the degree to which the Roosevelt administration had instigated the Bell hearings; they wrote letters to the President asking him to intervene against the committee (see Fig. 1). Surely they did not know of the enlistment of the postal authorities by the administration to get Townsend.<sup>11</sup> To many elderly Townsendites, the Townsend Plan was simply an extension of the New Deal. Indeed, Dr. Townsend seemed to have that view. The Townsend Plan, after all, involved economic activism by government, social welfare spending, and an attempt to stimulate the economy. At a superficial level, was not that what the New Deal was all about?

Whatever the thinking of the Townsendites, the attempt of high New Deal officials to find some dirt on the Townsend operation went back to 1934 at least. To be sure, there were official efforts to expose the "economic and social absurdities" of the Townsend Plan, as the young Wilbur Cohen termed them.<sup>12</sup> But moving beyond a

<sup>9</sup>Letter from Victor E. Wilson, Sept. 3, 1935, summary of letter from Dan Tobin (Teamsters), Jan. 17, 1935, letter from Edwin E. Witte, Dec. 11, 1935, Official File 1542 (Townsend), Franklin D. Roosevelt Presidential Library.

<sup>10</sup>Hadley Cantril, *The Psychology of Social Movements* (New York, 1941), 209.

<sup>11</sup>Letter from the Postmaster General, April 16, 1935 (Official File 1542 (Townsend), Franklin D. Roosevelt Presidential Library).

<sup>12</sup>Edward D. Berkowitz, *Mr. Social Security: The Life of Wilbur J. Cohen* (Lawrence, KS, 1995), 30.

April 22, 1938  
 820 Brook  
 Dallas, Tex.

Honourable President  
 Franklin D. Roosevelt

Dear Friend

I do thank you that God pardoned Dr. Townsend through you it was a loveable thing to do. Of course you know God has inspired Dr Townsend to bring "his God's" supply to his people. Didn't you see that perseverance that Dr Townsend has, that is the power of God. Of course, I do not need to tell you, for you know it already. This plan will be the law of our land. Our God will put it in operation some day, God will put the desire in our present President's heart if it is a our place to use the plan but if it is not your place to put it in operation, the desire will be felt in the heart of some future President. For all power belongs to God we are his ideas doing his will.

I do thank you again for your kind deeds and wish Gods guidance for you and yours.

Your Friend and well wisher

Mrs Annie Self

FIG. 2. Sample letter thanking the President for pardoning Dr. Townsend after his conviction for contempt of Congress.

purely informational campaign, Edwin E. Witte, Executive Director of the administration's Committee on Economic Security, tried to enlist the Federal Bureau of Investigation (FBI) in the anti-Townsend endeavor.

Witte's committee, the planning task force for the administration's Social Security proposals, wrote requesting an FBI investigation in November. Among Witte's complaints were that Townsend publications made it appear that Roosevelt supported their plan.<sup>13</sup> The FBI closed the case after concluding that nothing Townsend had done warranted federal prosecution. However, Congressman Bell requested the FBI supply him with any criminal records it had on selected Townsend officials, including Dr. Townsend himself.<sup>14</sup> FBI director J. Edgar Hoover furnished files for certain individuals. But he indicated uncertainty as to whether the individuals for which files were found were the same people in whom Bell had an interest.<sup>15</sup> A later effort by Bell to

<sup>13</sup>FBI files on Townsend were made available to the author under a Freedom of Information Act request. The FBI had received complaints from private citizens about the Townsend operation earlier, but had found no cause to become involved. Director J. Edgar Hoover forwarded the files to postal authorities for investigation of mail fraud. Relevant materials concerning the Witte request include: Holtzoff to Hoover, Oct. 4, 1934; Witte to Holtzoff, Oct. 5, 1934; FBI interview with Witte, Nov. 8, 1934. The last document indicates that the Los Angeles Bureau office had been instructed to make a "discreet" investigation of the Townsend organization. A former Townsend organization employee wrote to Witte alleging mail fraud and failure to pay female employees the California minimum wage; this letter was passed on to the FBI (Shuster to Witte, Nov. 19, 27, 1934). The FBI did not seem especially desirous of pursuing Townsend but did compile information. It closed the Los Angeles investigation at the end of 1935 with a note indicating that the local U.S. attorney did not believe successful prosecution could be made (Hanson Report, Dec. 30, 1935).

<sup>14</sup>Tamm to Hoover, Feb. 25, 1936 (FBI files).

<sup>15</sup>Included was a file on an F.E. Townsend who may or may not have been Dr. Townsend (Hoover to Bell, Feb. 26, 1936, FBI files). Subsequently, during the hearings, the FBI did turn over a criminal file of one individual to the Bell committee (Tamm to Hoover, June 3, 1936, FBI files).

obtain information directly from local FBI agents (rather than going through Hoover) was rebuffed.<sup>16</sup>

### Townsend's Contempt

After Townsend's initial testimony to the Bell committee, he walked out of the hearings in a huff, escorted by Gerald L. K. Smith, a vicious anti-Semite who had been part of the Long organization. The walkout prompted a contempt of Congress citation, conviction after a trial, and a jail sentence. Requests to Roosevelt for a pardon for Townsend poured in from Townsendites and some members of Congress. (Fig. 2)

By that time, the administration—now past the 1936 election—would have been happy to oblige, hoping to put the Townsend issue to rest. But Dr. Townsend would not ask for a pardon (the normal procedure); he was content to be a martyr. Thus, when Townsend was about to report to jail, an *unsolicited* pardon from Roosevelt miraculously appeared. According to a press release, the President was persuaded by a telegram from now-benevolent Congressman Bell. Representative Bell argued that the Townsend walkout had been planned by “men of stronger will and intelligence” than the befuddled old doctor.<sup>17</sup>

As Townsend gleefully reported in his autobiography, the presidential pardon had been issued so quickly that the White House had failed to make a carbon copy and later requested he send the original back to duplicate.<sup>18</sup> Still, his walkouts from investigations were not always so successful. Townsend also marched out of a court proceeding investigating funding of his Cleveland branch. After a car chase, however, he was hauled back to court by a law enforcement officer.<sup>19</sup>

### Origins of the Townsend Plan

How did the Townsend Plan originate? Some critics said the plan had its origins in a humorous magazine article by advertising executive—and later Congressman—Bruce Barton. Writing in *Vanity Fair* in 1931 as the Depression intensified, Barton proposed as a joke that “every man and woman in the United States be retired from work at the age of forty-five on a pension amounting to one-half of his or her average earnings in the preceding five years.” Barton explained that the problem with the modern economy was underconsumption. “My remedy,” he wrote, “... is simple and Fundamental. Create a special automatic class of Consumers.” Barton went on, “Let young men do the work, and old men loaf,” a statement eerily similar to the official slogan later adopted by Townsend's OARP: “Age for leisure; youth for work.”

Townsend never acknowledged any relationship between Barton's joke and his own later plan.<sup>20</sup> And, in any event, there were other such plans around to copy. For example, as the Bell committee pointed out, a similar pension program was copyrighted in 1931 by a dentist said to be inspired by the Technocracy movement.<sup>21</sup> But the fact

<sup>16</sup>Bell to Jones, Mar. 16, 1936; Jones to Bell, Mar. 21, 1936; Listerman to Hoover, May 1, 1936; Hoover to Listerman, May 13, 1936 (FBI files).

<sup>17</sup>White House press release dated April 18, 1938 (President's Personal File 3385, Franklin D. Roosevelt Presidential Library).

<sup>18</sup>Francis E. Townsend, *New Horizons (An Autobiography)* (Chicago, IL, 1943), 212.

<sup>19</sup>See Whiteman and Lewis, 144–145.

<sup>20</sup>See Bennett, 152.

<sup>21</sup>Technocracy called for a planned economy run by scientists and engineers with values and incomes calculated in ergs. U.S. Congress, House of Representatives, *Hearings before the Select Committee Investigating Old-Age Pension Organizations*, Seventy-Fourth Congress, Second Session (Washington, DC, 1936), 757–764; Cantril, *The Psychology of Social Movements*, 171; Whiteman and Lewis, 66.

was that well before the Great Depression, removing the elderly from competition with younger workers was seen by some reformers as a way of raising wages.<sup>22</sup>

Moreover, pension plans for the elderly had been proposed in Congress well before the Great Depression. Perhaps the earliest in the line of Congressional efforts to set up a general pension system was a bill of 1909, endorsed by the American Federation of Labor. At the time, there were doubts whether a national pension would be constitutional. But veterans' pensions clearly were legal; Civil War veterans were receiving them. So the bill proposed creating an "Old Age Home Guard" for those 65 years and over. Members of this Guard would be paid \$120 per year for unspecified "military" duties.<sup>23</sup>

Even if federal authority to establish a pension plan was questioned, there was little doubt that states could do so. By 1933, some 17 states had some kind of pension system, plans often pushed by the Fraternal Order of Eagles on behalf of the elderly. These plans typically required long residence in the state and that some or all of the cost be funded at the county level. California—Townsend's home base—had adopted the first "mandatory" plan in 1929, under which the state required the counties to set up "outdoor relief" systems for the indigent elderly.<sup>24</sup> Another eight states provided that counties could optionally create such plans.<sup>25</sup>

In short, Townsend had plenty of sources from which to compile a plan. But rather than acknowledge any inspiration from a pre-existing source, Townsend had a more poignant story of how his particular proposal was conceived. Townsend's version was that he had looked out his window and had seen old women foraging in his garbage for food. His fury at the evident injustice inspired him to come up with his own plan for the elderly.

### Townsend's Remedy

Seeing the garbage ladies led Townsend to decide, he later reported, that all citizens 60 years old and over should receive \$200 per month from the federal government. The \$200 figure was deliberately set incredibly high by the wage and income standards of the period, Townsend later explained. The idea was that with such a high number, no one would likely come up with a plan with a still larger pension. Despite this retroactive claim, Townsend's earliest version of the plan actually set the figure at \$150; apparently \$200 was too big initially even for Dr. Townsend to contemplate.<sup>26</sup> In reproducing this version in his autobiography, Townsend rewrote history and changed the figure to \$200.<sup>27</sup> In fact, there was always a fuzzy element in Townsend's pension figure. For

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<sup>22</sup>Jill Quadagno, *The Transformation of Old Age Security: Class and Politics in the American Welfare State* (Chicago, IL, 1988), 100.

<sup>23</sup>Lee Welling Squier, *Old Age Dependency in the United States: A Complete Survey of the Pension Movement* (New York, 1912), 339–347; Abraham Epstein, *The Challenge of the Aged* (New York, 1928), 259–262; Abraham Epstein, *Insecurity: A Challenge to America* (New York, 1968 [1933]), 532–533; Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy and the United States* (Cambridge, MA, 1992), 212–217.

<sup>24</sup>"Outdoor relief" referred to cash payments recipients could receive at home rather than in-kind support in poor houses.

<sup>25</sup>Epstein, *Insecurity*, 534–535.

<sup>26</sup>Townsend's letters to the *Long Beach Press Telegram*, in which the earliest versions of the plan appeared, are reproduced in Gaydowski, *Dr. Townsend and his Plan*, and in John Duffy Gaydowski, "Eight Letters to the Editor: Genesis of the Townsend National Recovery Plan, Introduced by J. D. Gaydowski," *Southern California Quarterly*, 52 (Dec., 1970), 382.

<sup>27</sup>Townsend, *New Horizons*, 138.

example, in a 1941 pamphlet, Townsend claimed the plan was never \$200—only *up to* \$200, with a then-current estimate of only \$50.<sup>28</sup>

Whatever the number—and \$200 was what rank-and-file Townsendites generally believed it to be—the only condition for receipt was to refrain from employment and to promise to consume the full pension in 1 month. The plan combined the notion of spreading work with relieving underconsumption, ideas popular during the Depression. For example, the codes of the National Industrial Recovery Act—and later the Fair Labor Standards Act—sought to spread work by limiting weekly hours and discouraging child labor. And the official rationale of the Wagner Act—as found in its preamble—was that collective bargaining would stimulate consumption by raising wages.

Townsend's pension was to be financed by a 2% turnover or "transactions" tax. But it would actually be costless, according to Townsend, since the plan would stimulate the economy by far more than the pension expenditure, a multiplier called the "velocity effect."<sup>29</sup> In one early version, the plan had the government create \$2 billion in new currency to jump-start the "revolving" feature of the plan.<sup>30</sup> The revolving terminology suggested that once started, the plan would pay for itself with the tax amply refilling the coffers due to the multiplier. If that notion seems far-fetched, it was in keeping with various "pump-priming" notions popular in the 1930s, i.e. that an initial demand shock would push the economy to a higher, permanent equilibrium.

With a \$2 billion jump-start via new currency, this version of the Townsend Plan had a money creation component (also popular during the Depression), although that element was lost as the transactions tax became the central element of finance and controversy. But language of the official Townsend literature spoke of the velocity of money (a phrase that may have been cribbed from Irving Fisher's quantity theory of money). It pointed to excess bank reserves as potential fuel for economic recovery. Thus, prevailing monetary doctrines were part of the package, along with proto-Keynesianism.

### Establishment Views

Townsend's prescription for the elderly and the Depression did not sit well with conventional economic opinion. Thus, his official pamphlet literature warned the faithful to beware of criticisms from "stock-market operators" as well as "college professors, economists, and newspaper writers."<sup>31</sup> And critics of Townsend were not in short supply. The Tax Policy League declared that the Townsend Plan would "crush business [and] bankrupt the country." Among the League's supporters was Professor Paul H. Douglas of the University of Chicago, later President of the American Economic Association and Senator from Illinois.

League literature fretted about the poor grandma who, instead of spending all of her pension in a month, as required, innocently gave her grandson a \$5 bill for his savings. Would she be targeted by a government "army of snoopers and ferrets"?<sup>32</sup> President

<sup>28</sup>Francis E. Townsend, *The Townsend National Recovery Plan: New Reference Book* (Chicago, IL, 1941).

<sup>29</sup>See Bennett, 151–152.

<sup>30</sup>Richard L. Neuberger and Kelley Loe, *An Army of the Aged: A History and Analysis of the Townsend Old Age Pension Plan* (New York, 1973 [originally published in 1936]), 58.

<sup>31</sup>J. W. Brinton, *The Townsend National Recovery Plan: The Solution of Your Problem*, 3rd edition, revised (Chicago, IL, 1936) (pamphlet).

<sup>32</sup>Mabel L. Walker, *The Townsend Plan Analyzed* (New York, 1936) (pamphlet).

Roosevelt himself kept officially quiet about the Townsend Plan. But in a letter to a young nephew, he declared it would be an economic disaster.<sup>33</sup> Presumably, these presidential views were shared with others more influential as well.

### Left, Right, or Neither?

Townsend's views on government and pensions were hard to classify on a traditional left-right spectrum. In 1934, California state politics were in turmoil due to the takeover of the Democratic Party by one-time Socialist muckraker Upton Sinclair and his EPIC campaign for Governor (EPIC stood for End Poverty in California). Sinclair called for turning idle farms and factories into worker cooperatives financed by a new state currency. And initially he called for a pension plan for the elderly.

Despite the pension element, Townsend refused to endorse the EPIC program because it "opposes the profit system."<sup>34</sup> But as a young physician in Belle Fourche, South Dakota, he conceived himself a Socialist and wrote a Socialist newspaper column. Townsend involved himself in politics early on, winning a seat on the Belle Fourche City Council. At the peak of his movement, Townsend made the mistake of inviting Socialist Party leader Norman Thomas to speak to his followers. To a booring audience, Thomas pronounced the Townsend Plan to be a "quack remedy," a particularly unkind description of a plan created by a physician.<sup>35</sup>

Much later in life, Townsend endorsed the left-wing candidacy of Henry Wallace for President on a third-party ticket in 1948.<sup>36</sup> In a letter to the Independent Progressive Party (Wallace's electoral vehicle in California), Townsend expressed his disenchantment with Republicans and Democrats alike. But he also noted that "many of our staunch Townsendites are not in accord with my views," and thus made the endorsement personal rather than on behalf of his organization.<sup>37</sup>

In spite of this endorsement, Wallace's Independent Progressive Party refused to make more than a general reference to Townsend's role in highlighting the plight of the elderly. Only the candidate of the tiny Vegetarian Party actually advocated the Townsend Plan in 1948.<sup>38</sup> Townsend himself attended the convention of the left-leaning CIO in this era, ostensibly as a reporter for his own movement's newspaper.<sup>39</sup> Yet despite his sometime leftist leanings, Townsend often seemed more at home with Republicans, perhaps because of the hostility his program drew from the Roosevelt administration.

But it was not just Townsend who was politically mercurial. His elderly followers were also hard to classify on a left-right European scale. They might favor Democrats or Republicans, depending on who was making pensionite promises. And they might

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<sup>33</sup>Letter to James Davis from Roosevelt, Mar. 6, 1935 (President's Personal File 6678 (Townsend Clubs), Franklin D. Roosevelt Presidential Library). Young Davis wanted to know the President's views for a speech at school. The letter cautions him, however, to keep the communication confidential.

<sup>34</sup>See Townsend, *New Horizons*, 170.

<sup>35</sup>See Bennett, 9.

<sup>36</sup>*Ibid.* 290.

<sup>37</sup>Letter of April 27, 1948 from Townsend addressed to "Members of Progressive Citizens of America, Friends of the Independent Progressive Party, and the Townsend National Recovery Plan" on file at Southern California Library for Social Science and Research.

<sup>38</sup>Abraham Holtzman, *The Townsend Movement: A Political Study* (New York, 1975), 184.

<sup>39</sup>Papers of Gardner Jackson, Container 72 (Townsend), Franklin D. Roosevelt Presidential Library.

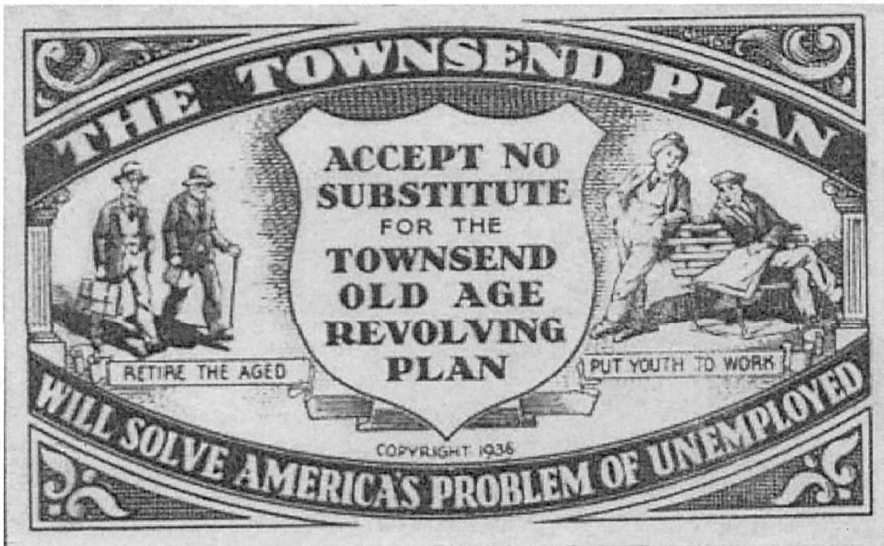
vote and support rival pensionite schemes which Townsend opposed. Such fluidity has long characterized populist movements in the U.S.

### Selling the Plan

Whatever his beliefs as a youth, after some mid-life personal misfortunes, Townsend found himself as an Assistant Health Officer for the Long Beach, California, Health Department. When he was laid off in 1933 at age 66, his interest in pensions (and his own lack of one!) clearly focused his mind on the problems of retirees. As noted, exactly how he formulated his plan is unclear. The sight of old ladies rummaging through garbage does not automatically lead to a specific remedy. So Townsend's personal creation story is incomplete.

The inspiration could have been the humorous Barton article or some other. It could also have been derived from the Social Credit movement, with its notion of a government dividend to provide sufficient consumption power. Social Credit had been imported from Britain to Canada and was soon to take over Alberta province. Townsend was attracted to Social Credit and other movements at various times. He reportedly had to be steered from such proposals by his handlers and kept focused on *the Townsend Plan* as his own movement evolved.<sup>40</sup>

Townsend initially outlined his pension ideas in letters to the *Long Beach Press Telegram*. Apart from his own residence in the city, Long Beach was at the time what California historian Kevin Starr has dubbed "the geriatric capital of United States."<sup>41</sup> But it was not just the City of Long Beach; California as a whole had become an elderly state, beginning in the 1890s—a place to retire in the sunshine—and would remain so until the influx of young job seekers during and after World War II.



That the state already had the most progressive, pre-Depression Old Age Assistance law—the Hornblower Act—when the Townsend Plan came along was no coincidence.

<sup>40</sup>Neuberger and Loe, *An Army of the Aged*, 93.

<sup>41</sup>Kevin Starr, *The Dream Endures: California Enters the 1940s* (New York, 1997), 11–12.

Demographics were the root of California's pensionite preoccupation before, during, and after the Depression. About a third of the California electorate was over age 50 during the peak of the Townsend movement. And roughly four in 10 Californians, including the elderly, were to be found in Los Angeles County. This concentration of elderly fostered pensionite communication in an era long pre-dating the Internet.

Having a plan and selling it are not the same thing, however. But Townsend soon involved a local real estate salesman, Robert Earl Clements, in working out the entrepreneurial details. The two in effect became partners in the Townsend enterprise (with Clements officially listed as "co-founder"). This partnership lasted until a later falling out shortly before Clements's testimony to the Bell committee. Clements had more business acumen than Townsend and could foresee the revenues from elderly supporters that the plan might produce. But he had the unfortunate custom of referring to the Townsend movement as a "racket."<sup>42</sup> Such sloppy verbal habits were to haunt Townsend during the Bell investigation.<sup>43</sup> Basically, however, the Townsend organization—as developed by Clements—generated revenues by requiring Townsend clubs to buy only official literature from Townsend's publishing venture.

### Moving the Politicians

As Townsend clubs formed, the movement began to wield political influence. A San Diego assemblyman was recalled in 1934 for criticizing Townsend.<sup>44</sup> San Diego merchants complained that Townsendites were demanding credit in advance of their soon-to-be-enacted pensions. This pressure was intensified by the 1934 election of Democratic Congressman, John Steven McGroarty, on a Townsend platform.<sup>45</sup> McGroarty was a former *Los Angeles Times* writer. He had led a campaign by the paper in the 1920s to revive Los Angeles's Olvera Street, the old Mexican plaza which became a major tourist attraction.<sup>46</sup> In 1933, he was named the state's "poet laureate" for his California-oriented plays and poems. Once elected, McGroarty focused his literary talents on drafting Townsend bills in Congress.

But Republicans could also benefit from the Townsendite vote. As was earlier noted, a Republican Congressman from Michigan was elected on a Townsendite platform.<sup>47</sup> Closer to its California home, Townsendites provided a boost to the Republicans' anti-EPIC campaign for Governor. Needing support against Democrat Upton Sinclair and his EPIC campaign, incumbent Republican Governor Frank Merriam endorsed the Townsend Plan while Sinclair refused to do so. The Merriam-Townsend alliance in 1934 may well have provided the margin to defeat EPIC. Merriam's win and Sinclair's loss also taught California politicians—Republicans and Democrats—in subsequent campaigns to be careful about what was said on the pension issue.

An endorsement of Townsend was actually painless for the otherwise conservative Governor Merriam. Townsend's plan was a national—not a state—program. After the election, Merriam fulfilled his political obligations merely by pushing a memorial to Congress through the California legislature favoring Townsend. At the same time

<sup>42</sup>Arthur M. Schlesinger, Jr., *The Age of Roosevelt: The Politics of Upheaval* (Boston, MA, 1960), 39.

<sup>43</sup>See U.S. Congress, House, *Hearings before the Select Committee Investigating Old-Age Pension Organizations*, 1936, 585, 593.

<sup>44</sup>See Bennett, 173.

<sup>45</sup>See Neuberger and Loe, 69–70.

<sup>46</sup>Robert Gottlieb and Irene Wolt, *Thinking Big: The Story of the Los Angeles Times, its Publishers, and Their Influence on Southern California* (New York, 1977), 155.

<sup>47</sup>See Whiteman and Lewis, 108.

Merriam recommended there be *no* change in California's state Old Age Assistance.<sup>48</sup> Merriam could have the Townsendite vote without providing Townsendite pensions.

Running with Sinclair against Merriam as the Democratic/EPIC candidate for Lieutenant Governor was Sheridan Downey. Downey later announced his support for Townsend and eventually became a Townsendite U.S. Senator from California.<sup>49</sup> Downey proposed repealing the nascent Social Security system and replacing it with the Townsend Plan. He linked the proposal to support for a nationalized central bank, a demand of popular radio priest Father Charles Coughlin. Downey argued that Coughlin's bank would "safeguard" the Townsend Plan.<sup>50</sup>

Downey's variant of the Townsend Plan would have had the central bank finance the pensions. He wanted a plan supported by money creation rather than Townsend's 2% tax. Downey's proposal foreshadowed the more flamboyant Ham and Eggs pension plan that was soon to be unveiled in California and which Downey also supported.

### The Economics of the Townsend Plan

Despite the political support the plan engendered, the economics of the Townsend Plan were soft. In 1935, for example, when the Townsend Plan competed as a proposal in Congress with Social Security, nominal gross domestic product (GDP) per capita was about \$570. Had there been no Depression, of course, the figure would have been higher, perhaps \$785 in 1935 prices.<sup>51</sup> Hence, a pension income of \$200 per month (\$2400 per year and \$4800 per couple) was a great deal of money. To put the amount in some perspective, years later famed baby doctor and best-selling author Benjamin Spock recalled his attempts to establish a pediatrics practice during the Depression. "It took me three years before I earned as much as \$100 a month *gross*," Spock reported (*italics added*).<sup>52</sup>

In fact, the amount of the proposed pension was so large that the Townsendites published budgets to prove that the monthly spending obligation could be met.<sup>53</sup> Even these budgets included refrigerators, washing machines, and radios bought on an 18-month installment plan. Presumably, the elderly would be turning over their durable appliances every year and a half unless they could come up with other forms of expenditure.

The potential elderly recipients of the Townsend pension amounted to just under a tenth of the population in 1935. Thus there would have to be a transfer from the other nine-tenths of a sum of something just short of 30% of non-Depression GDP to finance

<sup>48</sup>Frank F. Merriam, *Old Age Pensions and the Budget*, address delivered over NBC in a statewide radio program, Mar. 4, 1935 (UCLA pamphlet collection).

<sup>49</sup>His views on the Townsend Plan can be found in Sheridan Downey, *Pensions or Penury?* (New York, 1939); and Sheridan Downey, *Highways to Prosperity* (Chicago, IL, 1940).

<sup>50</sup>Also included in Downey's 1936 book on the subject is a reprint of a radio address by Downey's brother, urging in general terms a fight against unemployment without any specific plan for how this fight might be undertaken. Sheridan Downey, *Why I Believe in the Townsend Plan* (Sacramento, CA, 1936), 20–21, 44.

<sup>51</sup>To estimate the non-Depression level of GDP per capita in 1935, a mid-point interpolation of real GDP was taken between 1929 and 1941. The non-Depression nominal GDP in 1935 was then estimated as the ratio of actual nominal GDP to real GDP times the interpolated figure. The resulting estimate is about \$100 billion. Current Census estimates suggest an elderly population level in 1935 somewhat higher than the figures used in discussions of the Townsend Plan. It appears that somewhat over 12,000,000 people were aged 60 and over in that year, a little under a tenth of the population.

<sup>52</sup>*Los Angeles Times*, "Baby Doctor for the Millions Dies," Mar. 17, 1998, A19.

<sup>53</sup>See Brinton, 24; Neuberger and Loe, 72–73.

the Townsend Plan, if everyone 60 and over received it. That is, even if the plan were assumed to restore prosperity, it would still involve a very large transfer. Naturally, the transfer as a percentage of GDP at the depressed economic levels of 1935 would have been much higher, about 40% of GDP.<sup>54</sup> Of course, had it been offered, high-income people earning more than \$200 would have turned down the pension, lessening the costs somewhat.

Given its large proposed expenditure, the exact financing of the plan becomes important. Townsend's turnover or transactions tax was set at 2%, a seemingly small number if the words "turnover" and "transactions" are interpreted to mean a sales tax. In fact, the words were intended to mean a tax on each market transaction, including *intermediate* transactions. That is, the tax would be levied on the coal sold to the steel mill and again on the steel sold to the automobile plant and again on the sale of the automobile to the consumer. Basically, the tax would be imposed whenever cash changed hands.

As critics soon pointed out, such a pyramid tax would create incentives for vertical consolidation to avoid cash transactions.<sup>55</sup> That is, the tax system would create an incentive for the automobile company to own its own steel mills and its own coal mines. Such consolidation would erode the Townsend tax base, aside from its distorting impact on industrial organization. In any event, the tax would raise prices by orders of magnitude more than the small 2% figure suggested. An economist apparently supported by the Townsend organization testified before Congress that there could be a 24% price increase as a result of a 2% tax on all gross transactions and "transfers."<sup>56</sup> And like a sales tax, the transactions tax would be regressive.

There was also the issue of whether an income transfer from the non-elderly to the elderly would have a stimulative effect. The Townsend reasoning was that the transfer would move income from savers to non-savers (since the pension *had* to be spent each month). While estimates of the marginal propensity to save in the 1930s are not available, average personal saving propensities were quite low and sometimes negative during the Great Depression. Given "Hard Times," people were spending what income they had. Thus, taxing nine-tenths of the population and transferring the income to the remaining non-saving tenth would have been unlikely to have had much of a multiplier effect. Consumption loss of one group would have been replaced by consumption gain of another.

### Attracting the Elderly

The Townsend Plan may not have had much potential for an economic multiplier, but the plan did have a multiplier effect in attracting elderly acolytes. A poll taken in 1939, summarized in Table 1, revealed the obvious. Those who most favored the Townsend

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<sup>54</sup>In Congressional testimony Townsend said he assumed that 7,500,000 would take the pension out of the 10,400,000 who were then assumed to be eligible. (As noted above, current Census estimates suggest a larger fraction of the population fell into the 60 years and over category than the data used in 1935.) It was unclear exactly how Townsend scaled down from 10,400,000 to 7,500,000. He said that 1,000,000 people would not apply and some elderly would not be citizens. Even with his 7,500,000, however, the non-Depression proportion of GDP in 1935 would be 18% and the actual proportion would be 25% (U.S. Congress, House, 1935, 698).

<sup>55</sup>National Industrial Conference Board, *The Townsend Scheme* (New York, 1936), 25.

<sup>56</sup>See the statement of Robert R. Doane in U.S. Congress, Senate, 1244. Doane assumed the economy was functioning at the 1929 level. His tax collection estimate was \$18 billion, an amount consistent with Townsend's estimate of 7,500,000 beneficiaries.

TABLE 1. Public attitudes toward the Townsend Plan, 1939 (%)

Group	Favor plan	Oppose plan	No opinion
<i>Age (years)</i>			
Under 30	31	53	16
30–50	34	53	13
50–60	37	54	9
Over 60	46	46	8
<i>Economic status</i>			
Above average	17	76	7
Average	28	59	13
Poor	49	42	9
On relief or Old Age Assistance	69	26	5

Source: American Institute of Public Opinion, reproduced in Hadley Cantril, *The Psychology of Social Movements* (New York, 1941), 192.

Plan were elderly and/or poor. Money flowed into Townsend's publishing organization—which provided the official literature and newspaper—from Townsend clubs around the country. As letters flooded Congress in 1934–35 in support of the Townsend Plan (as opposed to the New Deal administration's Social Security proposal), angry senators began to grill Townsend and Clements about their organization's finances.<sup>57</sup> These hearings provided the impetus for the later Bell committee investigation.

It is apparent that there were really two worlds in collision in 1935. On the one hand, there were the planners in the Roosevelt administration, combined with reformers of various stripes and respectable academics, who were putting together Social Security with the assistance of Congressional allies. On the other hand, there were the Townsendites and their Congressional allies with a rival proposal. The paradox was that the administration's pioneering proposal for federal assistance for the aged was being condemned by the elderly electorate. As one commentary of the period put it:

Here was President Roosevelt, ready and eager to launch a system of paying every old person thirty dollars a month. No President in history had done anything except give lip service to so advanced a proposal. Now Mr. Roosevelt actually was suggesting that it become law. And millions of people west of the Mississippi were ridiculing and condemning his proposal! The Townsend club members were well aware that thirty dollars was exactly one hundred and seventy dollars less than what Dr. Townsend planned to give them.<sup>58</sup>

In fact, as noted earlier, the Townsend Plan \$200 figure was not as solid as its supporters thought. Congressman McGroarty introduced a second version of the plan that specified that the pension could not *exceed* \$200, i.e. it could be less, depending on funding.<sup>59</sup> The new version caused splits within the Townsend organization, as well as a split between Townsend and McGroarty. Ultimately, it was Social Security that emerged victorious from Congress. Yet, as indicated above, observers then and later saw a link between the eventual passage of Social Security and Townsendite pressure.

<sup>57</sup>See U.S. Congress, Senate, *Economic Security Act*, 1015–70.

<sup>58</sup>See Neuberger and Loe, 85.

<sup>59</sup>The bill is reproduced in Neuberger and Loe, 319–29.

Social Security—as proposed by the Roosevelt administration—was a radical departure from the traditional role of the federal government. And it came along at a time when opposition to the New Deal was growing in Congress and the Supreme Court was invalidating earlier New Deal legislation. Apart from its centerpiece, the defined-benefit pension, the Social Security Act created a federal-state system of Old Age Assistance (for elderly who did not qualify for the basic job-related pension), unemployment insurance, and welfare as we (used to) know it. It is hard to imagine a more sweeping (and therefore controversial) piece of social legislation.

Also in the Congressional hopper at the time were the “Lundeen Bill,” a more generous scheme without much external political support, and the Townsend Plan—backed by its “army of the aged.” The Lundeen Bill was a comprehensive unemployment relief bill that included old age as a category of inability to work. Because of its high benefits—the unemployment benefit was essentially 100% of the wage—it was estimated to cost almost as much as Townsend’s proposal.<sup>60</sup> Indeed, critics of both Townsend and Lundeen linked the plans together as examples of wildly unworkable schemes.<sup>61</sup>

With the Townsend Plan the most popular “radical alternative”—as historian William Graebner termed it—the somewhat less radical Social Security plan became the moderate option.<sup>62</sup> Voting for Social Security was the only viable option for many conservatives in Congress who did not want Townsend. To be against Townsend *and* Social Security was to be clearly anti-elderly. Yet even after the Social Security Act was passed in 1935, the newly established Social Security Board felt the need to combat continuing Townsend agitation. Its initial approach was to encourage the preparation of “neutral” academic studies that would expose flaws in the Townsend Plan. However, the 1936 Bell committee investigation soon became the primary means of discrediting Townsend and his organization.<sup>63</sup>

### The Bell Tolls for Townsend

Viewed in historical perspective, the transcript of the Bell investigation into the Townsend Plan is startling. Should such an investigation have been conducted in the age of television, Dr. Townsend would probably have emerged as a hero, despite the unfavorable information revealed. The investigation was so overtly aimed at destroying Townsend that his walkout from the hearing would have evoked nation-wide cheers, had it been televised on the modern-day Six O’Clock News. But there was no Six O’Clock News back then.

The flavor of the questioning can be found in committee accusations that Dr. Townsend was a closet atheist or Communist. He was questioned as to whether he belonged to a church (no) and whether he believed in God (yes). The committee’s line of questioning in this regard may have been triggered by the tendency of Townsend club meetings to take on a religious aura with the singing of “Onward Pension Soldiers” and “Glory, Glory, Hallelujah; Our Plan is Marching On.”<sup>64</sup> As the committee certainly

<sup>60</sup>The Lundeen Bill was pushed by an alliance of Communists, social workers, and Farmer-Laborites. Lundeen was a Farmer-Labor representative from Minnesota; see Douglas, *Social Security in the United States*, 74–83.

<sup>61</sup>See Quadagno, 109.

<sup>62</sup>William Graebner, *A History of Retirement: The Meaning and Function of an American Institution, 1885–1978* (New Haven, CT, 1980), 192–197.

<sup>63</sup>Charles McKinley and Robert W. Frase, *Launching Social Security: A Capture and Record Account, 1935–1937* (Madison, WI, 1970), 454.

<sup>64</sup>Nicholas Roosevelt, *The Townsend Plan: Taxing for Sixty* (Garden City, NY, 1936), 13–14.

knew, various ministers had become Townsend supporters. Asked by an interviewer on a newsreel of the day whether the Townsend Plan would work, a Townsendite preacher responded that “We believe God is on our side and with God all things are possible.”<sup>65</sup> To such supporters, Townsend-as-accused-atheist was surely shocking.

The committee pointed out that elderly atheists and Communists who received the proposed Townsend pension might spend their funds in promoting their evil causes. Thus, the Townsend Plan was depicted as a vehicle for furthering atheism and Communism. (Not mentioned was the fact that atheists and Communists who received Social Security payments—which Congress had previously enacted—could also spend the money to further their beliefs.) The Bell committee also heard from a Daughter of the American Revolution, a former Townsend club official, who testified that she now realized that the plan was Communistic.<sup>66</sup>

Disparaging editorial comments and interjections by the committee members were frequent, as in this exchange about Townsendite radio programs:

Committee Counsel James B. Sullivan: “The headline of ‘Wolves in sheep’s clothing’ is on the address made on Sunday, February 2, 1936, ‘Blood money attacks Townsend plan’ by Edward J. Margett, which was given over stations KFRC, KHJ, KGB, KDB, KMJ, KFBK, KGW, and KERM.”

Congressman Joseph A. Gavagan: “It is too bad they did not have a station called KNUT.”<sup>67</sup>

The damage to Townsend was primarily indirect. There was Clements’s reported description of the movement as a “racket.”<sup>68</sup> There was a Townsendite reverend who—the Bell committee let it be known—wrote letters too obscene to be reprinted in the published hearings.<sup>69</sup> And there was the matter of the above-mentioned Edward J. Margett.

Margett was a Townsend movement official who had previously been indicted (but not convicted) for assorted crimes such as pimping and bootlegging. Townsend insisted on keeping Margett on the payroll even when reports of his shady background surfaced, on the grounds that Margett had been “cleared.”<sup>70</sup> But Margett was said to have described himself as “cleaning up” financially in the Townsend movement.<sup>71</sup> And he went into hiding when called to testify.<sup>72</sup>

Probably the greatest damage done to Townsend was the revelation of the large sums the movement had produced for its founder through contributions, dues, and sales of literature. Townsend and his partner Clements owned Prosperity Publishing Company, which put out the *Townsend Weekly*, the movement’s newspaper. There was revenue from sales of the newspaper and other publications as well as newspaper advertising income from dubious patent medicines such as “Kuhn’s Famous Remedy” and “Juvenus” for “weak glands.”<sup>73</sup>

As Clements’s testimony wore on, the income he admitted receiving tended to rise under committee grilling. The committee inquired about various items on his expense

<sup>65</sup>New Line Home Entertainment, *March of Time: The Great Depression*, vol. 3 (VHS videotape), 1995.

<sup>66</sup>See U.S. Congress, House, *Hearings before the Select Committee Investigating Old-Age Pension Organizations*, 1936, 580, 681, 752, 765–767, 895.

<sup>67</sup>*Ibid.*, 116–117.

<sup>68</sup>*Ibid.*, 585, 593.

<sup>69</sup>See Whiteman and Lewis, 124–125.

<sup>70</sup>See U.S. Congress, House, *Hearings before the Select Committee Investigating Old-Age Pension Organizations*, 1936, 102–115, 695, 911–967.

<sup>71</sup>*Ibid.*, 909.

<sup>72</sup>See Whiteman and Lewis, 129–130.

<sup>73</sup>See U.S. Congress, House, *Hearings before the Select Committee Investigating Old-Age Pension Organizations*, 1936, 183–184.

account down to whether it was proper for him to have charged certain laundry bills.<sup>74</sup> But it was the revelations about raw income received that were most damaging. Townsend eventually bought out Clements's share in the publishing venture after the two had their falling out. Clements received \$25,000 for his shares on top of a dividend from those shares of another \$25,000. In addition, he had received a regular salary for his work, bringing the total received during his affiliation with the Townsend movement to something like \$75,000.<sup>75</sup> For the vast majority of Townsend supporters such sums (in 1936 prices) would have seemed incomprehensibly vast.

Townsend was also embarrassed by the testimony of Robert R. Doane, an economist the movement had apparently supported during the earlier hearings on Social Security. Questions had been raised at the time concerning who was paying Doane and whether he was a double agent. University of Wisconsin economist and Social Security expert Edwin E. Witte believed that Doane in fact worked for "big business" interests desirous of embarrassing Roosevelt and undermining support for Social Security by linking it to Townsend's scheme.<sup>76</sup> In any event, when brought before the Bell committee, Doane now fell over himself to please its members and be hostile to the Townsend Plan.

He testified that the Townsend Plan could not possibly work due to an insufficiency of revenues that the transactions tax could provide. Moreover, he testified that both Clements and Townsend knew the plan had a deficient revenue base and were hiding that fact.<sup>77</sup> Finally, Doane testified that the Townsend Plan would lead to rationing, although how was not made clear:

Chairman C. Jasper Bell: "When you say we would have to have a rationed economy, you mean a forced economy; do you not?"

Dr. Doane: "Oh, yes."

Chairman Bell: "Forced at the point of a bayonet; is not that right?"

...

Congressman J. William Ditter: "Well, it would be the collective system of the Communists; would it not?"

Dr. Doane: "There would have to be some central authority directing all this."

Congressman Ditter: "There would have to be commissars, similar to commissars in the Soviet Union?"

Dr. Doane: "We could not do it under our present constitutional form of government."

Some testimony produced by the committee revolved around whether the Townsend movement had broken any laws by engaging in political activity, such as endorsing candidates. Such evidence, however, could not have been very hurtful to Townsend. His supporters were obviously engaging in political activity. Politics was what they wanted to do. But there was also testimony that Townsend had referred to his supporters as "old fossils [who] don't know what it is all about."<sup>78</sup> Townsend was never given the chance specifically to deny the remark, but its appearance in the public record could not have helped him with his constituency of "fossils."

<sup>74</sup>*Ibid.*, 89.

<sup>75</sup>*Ibid.*, 316–317.

<sup>76</sup>Letter from Edwin E. Witte to Merrill G. Murray of the Social Security Board dated Dec. 11, 1935 (Official File 1542 (Townsend), Franklin D. Roosevelt Presidential Library).

<sup>77</sup>See U.S. Congress, House, *Hearings before the Select Committee Investigating Old-Age Pension Organizations*, 1936, 229–308, 409.

<sup>78</sup>*Ibid.*, 586, 593.

### Townsend and Roosevelt: Hell Hath No Fury

The “relationship” of Townsend with President Roosevelt—if it can be called that, given its one-way nature—was a peculiar one. Townsend desperately wanted his pension plan to be a central part of the New Deal. From the plan’s earliest days, Townsend and his supporters constantly wrote to Roosevelt. Initially, the goal was to obtain an interview with the President so that Townsend could “explain” his plan. Then it was to stop the Bell hearings. Later it was to grant Townsend a Presidential pardon for his contempt-of-Congress conviction.

In 1936, Roosevelt—having scorned his erstwhile suitor—saw his nightmare of a third-party candidacy involving Townsend develop. Long was assassinated, but one of his followers—Gerald L. K. Smith—took over parts of Long’s “Share Our Wealth” movement. Smith joined forces with radio priest (and fellow anti-Semite) Father Charles Coughlin and Coughlin’s Social Justice movement to form the Union Party. They in turn enticed Townsend to link up with their new party. The party then nominated an obscure North Dakota Congressman—William Lemke—as its Presidential candidate.

Lemke was a quasi-Republican who nonetheless supported Roosevelt initially. He began his political career in the Non-Partisan League, a group with populist and agrarian elements fighting against railroads, financiers, and grain elevator operators. Lemke backed bills for free silver and other currency expansion while in Congress. And he supported a moratorium on farmers’ debt. But he was never quite in control of his own Presidential campaign; Coughlin and Smith tended to dominate.

Smith’s contribution to this effort was a Union Party convention speech condemning “Franklin D. Jews-Evelt.”<sup>79</sup> The Union Party’s official platform had overt Coughlinite elements echoing Coughlin’s monetary conspiracy beliefs. It called for a new central bank to replace the Federal Reserve and new currency to buy back the national debt. The platform combined this monetarism with Long-ish demands for limits on annual incomes and inheritances. Economic security for the aged was promised, reflecting the Townsend component. But the official Townsend Plan itself was not actually in the platform and Lemke was personally slow in endorsing the pension plan.

This omission of the Townsend Plan may have been Coughlin’s influence. Before the Union Party alliance of convenience, Coughlin had once called the Townsend Plan “economic insanity.” At one point, Coughlin supported the Lundeen Bill, the above-mentioned alternative to Social Security that would have taxed the rich to provide pensions and unemployment benefits.<sup>80</sup>

Townsend’s connection with Long’s (and now Smith’s) Share Our Wealth movement was as tenuous as its link to Coughlin. The “co-founder” of the Townsend movement, Robert Earl Clements, had had an amiable chat with Long before the latter’s death. But no meeting of minds resulted.<sup>81</sup> As a result of the Union Party’s weak support for the Townsend Plan, Townsend’s supporters were not called out to obtain the petitions necessary to put Lemke on the ballot in California and some other states. Thus Lemke was not available as a choice to California’s Townsendite voters except as a write-in. In the end, Townsend—as a Californian—said that even though he sup-

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<sup>79</sup>Smith’s pro-Nazi sentiments got him into legal trouble during World War II. After the war he campaigned against Eisenhower as “Ike the Kike” and called for deportation of blacks and Zionists.

<sup>80</sup>See Whiteman and Lewis, 137.

<sup>81</sup>See U.S. Congress, House, *Hearings before the Select Committee Investigating Old-Age Pension Organizations*, 1936, 330.

ported Lemke, he would vote for Republican Alf Landon so as not to waste his vote on a write-in candidate. Moreover, the California Democratic Party, under the leadership of then-Chairman (and later Governor) Culbert Olson, had planted infiltrators in the Townsend clubs. Their task was to hold Townsendite votes for Roosevelt.<sup>82</sup>

Lemke was no Huey Long when it came to campaigning. His only “major” endorsement was by “General” Jacob S. Coxey, who had led an “army” of the out-of-work to Washington in 1893 demanding unemployment relief and money creation for public works.<sup>83</sup> As were the later leaders of the 1932 Bonus March on Washington by World War I veterans, Coxey was arrested and became a folk hero. But such an endorsement, combined with the lukewarm support of Townsend, could not dent Roosevelt’s popularity. Lemke received fewer than 900,000 votes, 2% of the total. Townsend wrote to Roosevelt in 1937 congratulating him on his re-election and again requesting an interview.<sup>84</sup> Of course, no such interview was ever granted. Frustrated, Townsend tried to start his own political party in California in the late 1930s, but it never amounted to much.<sup>85</sup>

In 1940, Townsend tried a new tactic to win Roosevelt’s attention. He sent a letter to the President inviting him to speak to the annual Townsend convention about the growing national defense effort.<sup>86</sup> Townsend may have thought that an invitation to speak on a non-pension issue would entice the President, particularly in an election year. The letter sparked discussion within the administration about how to respond; public support for military affairs prior to Pearl Harbor was weak. But Roosevelt was not about to lend credence to Townsend; he would not even send a representative to the convention.

In the end, the President simply answered Townsend’s invitation with his own letter describing the defense effort. But the Townsend/defense issue did not die. Again in 1941, but before Pearl Harbor, the administration received a recommendation from an official charged with the West Coast defense effort that Roosevelt—or at least the Vice President—should meet with Townsend. Such a meeting, it was suggested, would increase popular support for defense preparations.<sup>87</sup> But as before, no such meeting was arranged.

Townsend’s futile efforts to achieve Presidential recognition suggest he never understood the degree to which Roosevelt regarded him as a dangerous crackpot. Nor did he comprehend the extent of the efforts by the administration to discredit him through the Bell hearings. He may also not have understood the indirect impact his movement had in pushing Congress to enact the Social Security plan he had scorned as inadequate. Yet even after the initial enactment of Social Security, Townsendite pressures had an impact on the program. In particular, the Congressional decision in 1939 to move the program toward pay-as-you-go and away from Roosevelt’s original preferred fully

<sup>82</sup>See Bennett, 221.

<sup>83</sup>With his monetarist leanings, Coxey named his son “Legal Tender.”

<sup>84</sup>Letter from Townsend to Roosevelt, Mar. 2, 1937 (Official File 1542 (Townsend), Franklin D. Roosevelt Presidential Library).

<sup>85</sup>Leonard Leader, *Los Angeles and the Great Depression* (unpublished PhD diss., Dept. of History, UCLA, 1972), 150.

<sup>86</sup>Letter from Townsend to Roosevelt, May 26, 1940 (Official File 1542 (Townsend), Franklin D. Roosevelt Presidential Library).

<sup>87</sup>See materials related to Paul McNutt’s recommendation in the Townsend folder for years 1941–45 (Official File 1542 (Townsend), Franklin D. Roosevelt Presidential Library).

funded model must be seen against a background of continued agitation by the Townsendites and related groups.<sup>88</sup>

### Townsend in the States

Townsendism lived on at the state level for another decade and a half after the enactment of Social Security. As had California under Governor Merriam, several states passed memorials to Congress endorsing the Townsend Plan.<sup>89</sup> One variant of Townsendism in California was the outlandish Ham and Eggs plan, a scheme to pay everyone in the state over 50 “Thirty Dollars Every Thursday” to be financed out of a new state currency. This scheme received 45% of the vote in a 1938 referendum and probably would have passed had it not been for the shenanigans of the con artists who promoted it.<sup>90</sup> The Ham and Eggs movement began to splinter thereafter but was able to keep California politics roiling for several years. A Townsend-like scheme in Ohio, the Bigelow Plan, also went down to electoral defeat in the late 1930s.<sup>91</sup>

More successful were those political entrepreneurs who adopted more moderate approaches, accepting the existing state systems of Old Age Assistance, but demanding higher payments. In Colorado, a rump Townsend group moved in this direction and amended the state constitution, ultimately pushing up benefit amounts after much litigation and political *Sturm und Drang*.<sup>92</sup> In 1942, Earl Warren successfully won the California Governorship by courting Townsendites, Ham and Eggers, and other pension advocates by promising to do something (unspecified) about the pension issue. Once elected, he created an advisory commission of pensionite representatives and raised state Old Age Assistance.

Unfortunately for Warren, the pensionites were not easily mollified. During his second gubernatorial term, Warren returned from campaigning for Vice President in 1948 to find that a one-time Ham and Egger, George McLain, had succeeded in passing a referendum. Under its provisions, the state’s Old Age Assistance benefit was substantially raised and control of the program was shifted to the California Department of Social Welfare. That department was placed by a clause in the referendum under the directorship of a woman associated with McLain’s pension group. It took a second referendum a year later to repeal these administrative provisions (although the higher benefit amount remained in place). Thanks to these state-level pressures, Colorado and California had the highest state Old Age Assistance in the early 1950s.<sup>93</sup>

<sup>88</sup>Under the changes, pensions began to be paid in 1940 rather than as originally scheduled, in 1942.

<sup>89</sup>See Holtzman, 192.

<sup>90</sup>A contemporary description of the Ham and Eggs movement and its antics can be found in Winston Moore and Marian Moore, *Out of the Frying Pan* (Los Angeles, 1939). A modern interpretation can be found in Daniel J. B. Mitchell, *Pensions, Politics, and the Elderly* (Armonk, NY, 2000), 23–81.

<sup>91</sup>On the Bigelow Plan and its proponent, see Daniel R. Beaver, *A Buckeye Crusader*, unpublished manuscript available from the University of Cincinnati library, 1957.

<sup>92</sup>The Colorado movement is described in O. Otto Moore, *Mile High Harbor* (Denver, CO, 1947); and Stephen J. Leonard, *Trials and Triumphs: A Colorado Portrait of the Great Depression with FSA Photographs* (Niwot, CO, 1993).

<sup>93</sup>Floyd A. Bond *et al.*, *Our Needy Aged: A California Study of a National Problem* (New York, 1954), 241.

## Lessons for the Past and Future

The ingredients of the Townsend Plan were taken from various ideas, doctrines, and social currents prevalent at the time. Certainly, ideas about stimulating the economy through government spending and providing old age security were not exclusively those of the Townsendites. Such notions were part of the New Deal as well as other social movements of the period. The enemies of New Deal legislation sought—as Roosevelt feared—to make just such connections between the New Deal and Townsend. For example, an anti-Townsend analysis of the time by the National Industrial Conference Board stated:

Those who regard the Townsend scheme as dangerous and delusive should remember that it is only a logical extension of the same assumptions upon which almost all public policies in the United States are based at the present time. Its widespread acceptance is a natural and inevitable consequence of the forces of mass emotion which have been set in motion and stimulated into political activity by the systematic propagation of these same assumptions in securing support of similar schemes through the exploitation of popular ignorance, envy, and prejudice during the past three years.<sup>94</sup>

The difference between Townsend (and other off-center movements of the period) and the New Deal was that Roosevelt was more cautious and had “respectable” analysts to work on his proposals. He tried to avoid proposals that seemed radical and, where his proposals were in fact radical (as Social Security certainly was!), to put them in non-threatening formats. Thus, the Social Security system was set up to look like one of the (relatively rare) private pension plans then in existence, with a trust fund and defined benefits based on past wage earnings. Indeed, in the initial stages of the development of the Social Security plan, Roosevelt wrote that “The system ought to be operated through the post offices. Just simple and natural—nothing elaborate or alarming about it.”<sup>95</sup> And, indeed, the initial distribution of Social Security numbers was carried out through the Post Office until Social Security offices could be established.

In the end, the basic design of Social Security was heavily influenced by the (few) liberal-minded businessmen who worked with the Roosevelt administration’s planners.<sup>96</sup> What eventually passed was decidedly not the Townsend Plan. But pressure from the Townsendites inadvertently helped to pass it. When Social Security was modified and pushed toward an earlier 1940 payout—shifting toward pay-as-you-go—the continuing Townsend agitation again played a role in Congressional policy.<sup>97</sup> It was not that Congress wanted to pass some version of the Townsend Plan *per se*. However, the Townsendites represented a continuing source of agitation for doing more on pensions.

As for the Townsend movement itself, its sudden rise and later dissipation is typical of populist movements—particularly those centered on a single individual. Townsend had poor political judgment. He failed to perceive the depth of opposition to his plan, failed to understand the degree to which the Roosevelt administration saw him as a

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<sup>94</sup>See National Industrial Conference Board, *The Townsend Scheme*, vii.

<sup>95</sup>Quoted in Bernstein, *A Caring Society*, 50.

<sup>96</sup>Sanford M. Jacoby, *Modern Manors: Welfare Capitalism since the New Deal* (Princeton, NJ, 1997), 209–214; Ann Shola Orloff, *The Politics of Pensions: A Comparative Analysis of Britain, Canada and the United States, 1880–1940* (Madison, WI, 1993), 288–289.

<sup>97</sup>See Sass, 98.

threat, and was unable to adapt to wartime and post-war prosperity. For all that, he left an inadvertent mark on the history of American social welfare.

There is no suggestion here that when the baby boomers retire, some mechanical copy of Townsendism will reappear. Future political entrepreneurs will derive their proposals from the circumstances and currents of thought then prevailing. But the elderly will be available for organizing around the key issues of concern to them. They may not win whatever it is they will want—as the Townsendites did not win. But they could be influential. As the contemporary issues of gun control and abortion restrictions demonstrate, well-organized, single-issue voters are hard to ignore.

Finally, the tactics used against Townsend by the Roosevelt administration and its supporters in Congress were not nice. The administration played to win, confident that its Social Security program was what the nation needed and that the Townsendites represented a threat to their proposal. Then, as now, and as in the future when the baby boomers retire, politics has tended, tends, and will tend to be a bare-knuckle contest.