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Tax-less
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For All Citizens 50 Years Of Age



*Act Simply and Immediately
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Prevent Currency or Credit Inflation
Eliminate Ruinous Taxation
Stabilize the National Banking System
End Unemployment and Trade Cycles*



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National Pensions

California Headquarters:
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Price **25c**

HOW MANY?

Population groups in the United States, 1930.
(From World Almanac, 1938, p. 248)

Total population, 122,681,024.

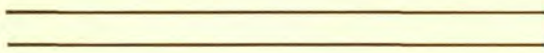
Under 50 years of age:	Males	Females
Native white, native parentage	30,044,938	29,540,939
Others, white	16,142,143	15,497,960
Negro	5,073,827	5,374,710
Totals	51,260,908	50,413,609

All, under 50 years of age . 101,674,517

50 Years and over:		
Native white, native parentage	5,383,413	5,109,963
Others, white	4,666,165	4,418,091
Negro	774,778	654,097
Totals	10,824,356	10,182,151

(Census of 1930) All, 50 years or over . 21,006,507
(Estimated, 1935) All, 50 years or over 23,719,800

(Census of 1930) All, 60 years or over . 10,385,026
(Estimated, 1935) All, 60 years or over 11,616,000



PUBLISHED BY



317 South Hill St.



UNITED PRINTING CO.

DO IT!

The great illusions are evaporating:—

Gold as the only real money;

*Security based on savings and
investments;*

Speculation as a source of wealth;

These are nearly gone, for the bulk of Americans. We have been forced to give them up, but thereby have suffered

NO LOSS

THE NEXT STEP

Is to establish an economic procedure so just, so generous, so scientific, that security and progress will follow necessarily, endlessly.

AN OUTLINE

of the problem and of its solution is in this pamphlet. The underlying ideas have been steadily promulgated since 1913. The work of many groups now makes possible their general acceptance.

YOUR PART

in this consummation is to read understandingly, to keep this pamphlet in the hands of readers, to enable us to send it to many others.

ACT NOW!

Use the order-form in the back of this book, or write us separately, enclosing money for as many copies as you wish to have or wish us to send out for you. The idea will propagate itself wherever it is read.

Faithfully yours,

NATIONAL PENSIONS

317 South Hill Street

Los Angeles, California

We shall need managers in every County in the United States, and for each 25,000 population in cities. If you can act as such, please mention the fact when ordering.

Challenge

The time has come to talk sense and facts.

Theories based on inexperience; the practice of turning business into rackets because rackets have become businesses; building a corner in the hope that a false prosperity would come around it;—such opposites of plain common sense have only increased confusion.

We cannot depend on some “happy accident” to solve the personal or the national problem. We recognize a “balance of forces” as the leading factor in mechanical, chemical, and electrical affairs. We call this balance “law”. The “laws of physics” we claim to understand. Do we understand that there is a similar balance, or “law”, of moral forces? In economics is there such a “law”, and if so do we understand and obey it?

We *apply* mathematics to physical things, in order to understand the laws that govern them. We speak of “110 volt” electrical current even though no one ever saw a volt or the current. No one ever saw the “ton” in a ton of coal. He saw the coal, and in his thought he applied to it a number, 2000 pounds, as a unit of measure.

Economics, on the contrary, *is* arithmetic. You do not *apply* numbers to economics, as you do to coal; without numbers there is no economy. The same electric current may be cheap at 1c per kilowatt-hour or dear at 4c. Whether the coal sells at \$5 or at \$20 a ton, does not change either the coal or the ton. The economy, however, changes with the numbers.

The numbers that describe wages, costs, rents, interest, profits, prices, losses, taxes, are the very stuff of economic science. Without them there is no real economy. It is only because some men are educated beyond their intelligence that they claim that economics is not a science. They have dealt with the absurdities of public and private rackets, have defended poverty amid plenty, have waged war to achieve peace, have had something for nothing, for so long that they cannot maintain their undeserved pre-eminence nor retain their destructive privileges without repudiating science. So they elect to stand pat, and economic science becomes an easy sacrifice to them. By denying that it exists they side-step the necessity to think scientifically.

We could perhaps dispense with arithmetic and science everywhere except in economics, and still get along. We might still mine and burn coal without “tons” to measure it. We might still have

HOW MUCH?

Table showing per cent that wages bear to value of product, or (*) to gross revenues, or (†) to gross sales.

(Data from Standard Statistics Co., vol. 3, No. 1, Sec. 1, p. 493, July 5, 1937, as printed in Congressional Record, remarks of Senator Bone, Feb. 21, 1938, p. 2996.)

PER CENT WAGES TO VALUE OF PRODUCT

*Telegraph	60.0
*Coal Mining	55.0
*Telephone	45.0
*Railroads	45.0
*Gold Mining	40.0
Shipbuilding	35.8
Building	35.0
Lumber	33.2
Aircraft	32.8
Office and business equipment	31.4
Machine tools	30.6
*Traction	30-50
*Lead mining	30.0
*Manufactured gas	30.0
Silk and rayon goods	26.9
Boots and shoes	26.6
Furniture	26.2
Glass	25.2
*Copper mining	25.0
Carpets and rugs	24.8
Cotton goods	24.1
Machinery	23.9
Locomotives	22.8
Textiles	22.6
Agricultural implements	22.1
Woolen and worsted goods	21.4
Radios and phonographs	21.3
Auto bodies and parts	21.2
Iron and steel	20.6
Electrical equipment	20.6
Bread and bakery products	20.1
Printing and publishing	19.1
Leather	18.1
*Electric light and power	18.0
†Department stores	18.0
Rubber tires and tubes	17.5
Cement	17.4
Locomotives	16.4
Paper	15.5
Nonferrous metal manufactures	13.9
†Variety stores	13.0
Beverages	10.9
Canning and preserving	10.9
Chemicals	10.1
†Mail order outlets	10.0
†General merchandise stores	10.0
Tin cans	9.5
Automobiles	9.1
Food	8.4
Fertilizers	7.8
Paints and varnishes	7.7
Soap	6.4
Petroleum refining	6.0
Meat packing	5.8
Cigars and cigarettes	5.4
Sugar refining	3.7
Flour	2.9

some sort of electric service without counting the "volts". But we cannot have economic order worthy of the name without numbers or without meticulous obedience to the rules of common arithmetic.

This obedience must be both positive and negative; we must do the right things and we must equally refrain from doing the wrong ones. Thus a child may learn that 2×2 makes 4, but that knowledge is of little value to him, practically, until he learns that 2×2 does *not* make 1, 17, 86, or anything but 4. Only when he is sure that he will never put down any result but 4, as the product of 2×2 , is he, that far, a scientist. The child "must" obey to make progress because he deals with law that knows no exceptions. Economics requires no less from us, and for the same reasons.

It is in this spirit of obedience to the necessities of mathematical law that the proposals set forth in this pamphlet are made. Here is not the space to discuss all of their implications, nor to relate them, positively and negatively, to the successes and failures that make up American history. A list of books and papers is printed at the end of this pamphlet, for reference. With their principal teachings these proposals are entirely consistent.

America has succeeded greatly; it has also failed greatly. Its success is not unqualified and its failures are not absolute. We can make either success or failure complete. Which one will dominate our history it is for us to say. If we follow the fearless, democratic, individualistic, scientific precedents given us by the national heroes whom we honor most — Franklin, Washington, Jefferson, Jackson, Lincoln — we shall extend their works into the future. If, on the other hand, we prefer to adopt the toryism, grafting, exploitation, collectivism of European origins, we shall thereby get European results, quickly enough. We are only now winning the war which began with the Declaration of Independence.

Nationalism

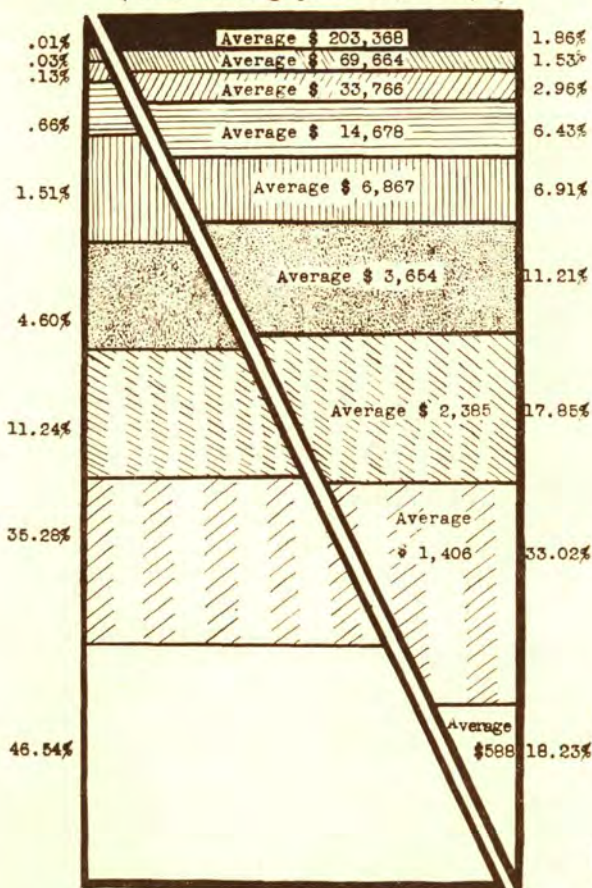
It seems to be fact in the history of war that nations never bomb each other's munitions factories and steel works. The invisible super-government of finance forbids it. It maintains its own invisibility and puts forward its nominees as the apparent wielders of power, on both sides of the conflict. Thus, American millionaire-funds helped to finance the campaign that lifted Adolf Hitler to his seat.

An accurate picture of the corruption of British

Who Owns America? - I

CONCENTRATION OF INCOME.

(Year ending June 30, 1936)



THE TOTAL NATIONAL INCOME FOR THE YEAR ENDING JUNE 30, 1936 AS RECENTLY COMPILED BY THE NATIONAL RESOURCES COMMITTEE WAS \$59,258,628,000. IT WAS DISTRIBUTED AMONG 39,458,300 FAMILIES AND SINGLE INDIVIDUALS. THE ACTUAL DISTRIBUTION BY VARIOUS INCOME GROUPS WAS SHOWN AS FOLLOWS:

DISTRIBUTION BY INCOME GROUPS	% DISTRIBUTION NAT'L INCOME		DOLLAR DISTRIBUTION OF INCOME		INDIVIDUAL AVERAGE
	PERSONS	REC'D INCOME	INDIVIDUALS	REC'D DOLLARS	
\$1,000 yr. or less	46.54%	18.23%	18,358,949	\$10,806,660,000.	\$ 588.
1,000 to \$2,000 yr.	35.28%	33.02%	13,920,349	19,573,219,000.	1,406.
2,000 to 3,000 yr.	11.24%	17.85%	4,434,085	10,576,567,000.	2,385.
3,000 to 5,000 yr.	4.60%	11.21%	1,818,269	6,643,463,000.	3,654.
5,000 to 10,000 yr.	1.51%	6.91%	595,908	4,092,226,000.	6,867.
10,000 to 25,000 yr.	.66%	6.43%	260,430	3,810,613,000.	14,678.
25,000 to 50,000 yr.	.13%	2.96%	51,882	1,751,851,000.	33,766.
50,000 to 100,000 yr.	.03%	1.53%	13,041	908,485,000.	69,664.
Over \$100,000 year	.01%	1.86%	5,387	1,095,844,000.	203,368.
TOTALS	100.00%	100.00%	39,458,300	\$59,258,628,000.	\$1,501.80
SUMMARY					AVERAGE
\$2,000 yr. or less	81.82%	51.25%	32,279,298	\$30,379,879,000.	\$ 941.
2,000 to 10,000 yr.	17.35%	35.97%	6,848,262	21,312,256,000.	3,112.
Over \$10,000 year	.83%	12.78%	330,740	7,566,493,000.	22,877.
TOTALS	100.00%	100.00%	39,458,300	\$59,258,628,000.	\$1,501.80

politics, its effects upon the Irish people, its purpose likewise to enslave the American colonists, is to be found in the writings by and about Benjamin Franklin. To what extent has Britain changed in the intervening 150 years? A government that dethrones a king because he sympathizes with workless miners, using as an excuse his love for an American woman; that borrows billions of American money, refuses to repay it, spends billions on itself and buys ownership stocks in American industries with money owing to the American government; that consults not its people nor even its Parliament, but its financiers, on issues making the future blacker for all liberty-loving Europeans; — such a government, if it claims progress in the century past, needs several centuries more to become “democratic” in the American sense of the term.

In brief, the financial super-government of the world, operating by instinct and by common allegiance to the quest for money, has played America for a boob and Americans for suckers. In 1929-30 it attempted to remove permanent control of American finance to foreign soil by founding the Bank for International Settlements in Geneva. Control of the world's gold, then drifting toward the United States, was to be shifted to the new World Bank. On December 15, 1930, “TIME” quoted the then president of the B. I. S. and former board chairman of the Federal Reserve Bank of New York, Gates W. McGarrah, as follows: “The B. I. S. may some day become the central depository for all the gold of all the world's central banks.” This project even then had received a death-blow by the disclosures of its purposes in a speech in the House of Representatives delivered on February 10, 1930, by Representative Louis T. McFadden of Pennsylvania, then chairman of the House Committee on Banking and Currency. The B. I. S. has lingered on, a mere shadow of its intended over-lordship. Still, the United States treasury has continued to be useful to Europe, with what commitments we are not told. In this there is danger, for loans under any other name (“stabilization” for instance) would violate the spirit if not the letter of the Johnson Act forbidding further advances to defaulters and welchers.

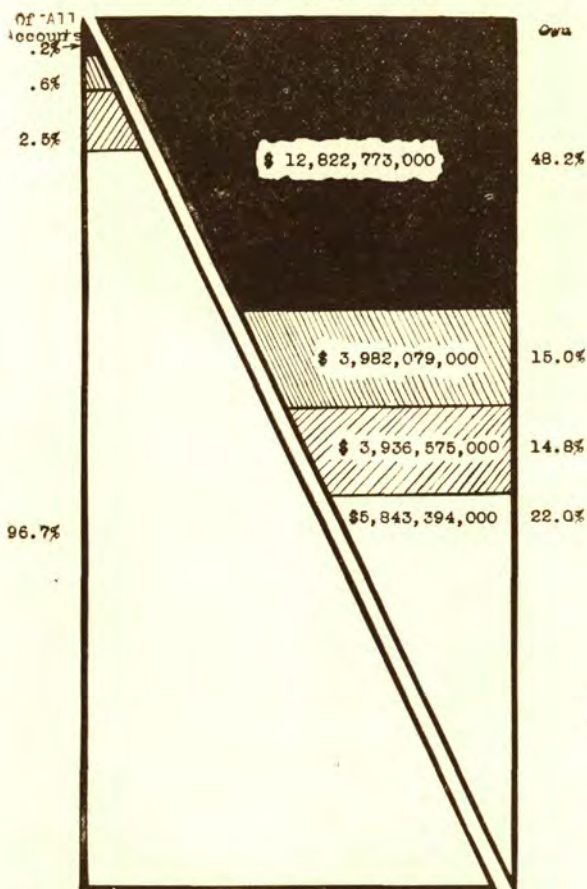
Finance knows no boundaries of nations, tongues, color, or creed. It is the universal language of exploitation and tyranny. It robs the American farmer, the Welsh miner, the Czech glass-worker, with equal complacency. It knows no mastery but its own, no service but to itself, no means but money, no end but more money.

Who Owns America? - 2

CONCENTRATION OF BANK DEPOSITS OR CASH

(On Oct. 23, 1933)

(Data from Federal Reserve Bulletin, May, 1935, p. 316,
and Congressional Record, Senate, remarks of Mr. Bone,
Feb. 21, 1938, p. 2997)



The foregoing chart shows that 49,816 accounts, out of a total of 34,186,012, (or .2%) owned 48.2% of all bank deposits. This included all "member banks" of the Federal Reserve system. These figures were for Oct. 23, 1933. Later figures have not been published. However, the Federal Deposit Insurance Corporation is compiling data as to size of accounts, to submit to Congress early in 1939.

The largest accounts shown in the chart were those "Over \$50,000". The next, "\$10,001 to \$50,000". The third, "\$2,501 to \$10,000". The smallest, "\$2,500 or less". The average sum of the smallest group of accounts was \$176 each.

The 49,816 separate accounts were probably owned by less than 20,000 names, in view of the common practice among large corporations of maintaining a number of accounts in different banks.

Such concentrations are EFFECTS of which monetary defects are the causes.

"Every city or house DIVIDED AGAINST ITSELF shall not stand."

Beauty, peace, brotherhood, — it has heard of these and calls them "utopian".

Foreign trade is the lure that leads us to take in the bait—and the hook— of international finance. We are told that prosperity would reign at home if only we could ship more goods abroad. Cotton—our No. 1 foreign-trade item—could all be used by Americans if those who raise it, and other low-wage groups, could buy and wear as much cotton clothing as do others. The cotton problem is a problem of purchasing-power, American purchasing-power or the lack of it.

Our foreign trade amounts to around 7% of our total business. Until it can be carried on with benefit to both sides, we can dispense with it and not suffer. Other nations do not want our goods; we protest receiving theirs. Agreement should therefore be easy.

It is distress at home that makes foreign trade seem so desirable, but we need to understand that the cause of the difficulty is—and that the cure can come only—in our home affairs. The proposals here made look toward a democratic liberation and stabilization of production, exchange, and consumption, among Americans at home. When that is accomplished they can trade abroad if permitted, and can stay at home if they must. Only by setting the example of an economic house in order can we show to foreign peoples—as distinguished from their financial rulers—the way of democratic economic security.

Repudiation

Surveying the economic problem at home we find the ownership and the control of property, the receipt of income, and the ownership of bank deposits or money, so concentrated into the hands of a very small number of people that ordinary business is suffocated for lack of the financial atmosphere which it must breathe to live. Millions of men cannot support themselves. Other millions live like animals and savages. Millions of women work from necessity, deprived of husbands, homes, children.

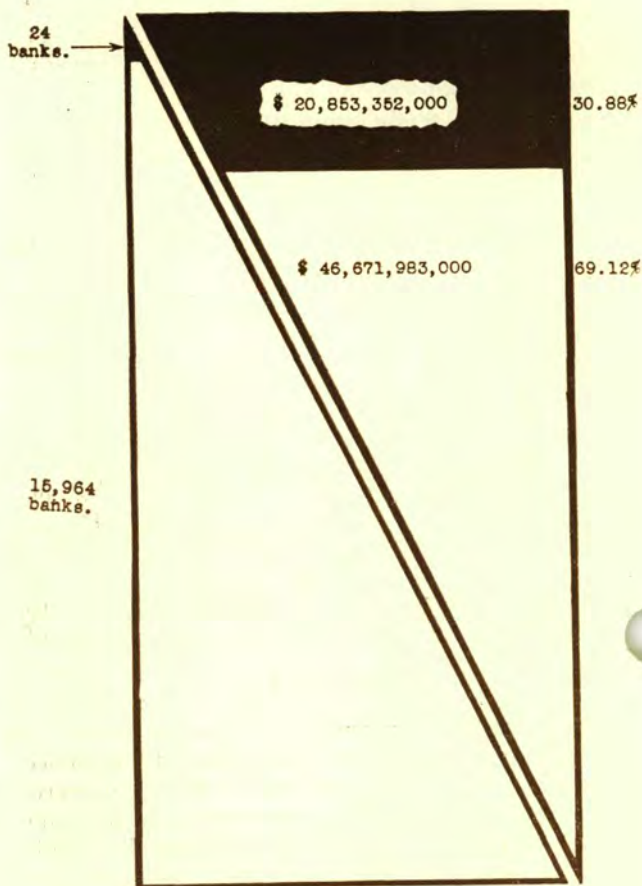
We cannot take space here to describe in detail these explosive conditions. They should shatter and destroy every citadel of complacency. We address ourselves to those who are awake and active, who know that *all* people are threatened when *any* are in danger. The self-propelled economic bullet that pierced your neighbor's heart is ever in search of victims, and it will cease only with your awakening or with your economic assassination!

Who Owns America? - 3

CONCENTRATION OF BANK ASSETS

(All commercial banks, Dec. 31, 1936)

(Data presented to House Committee on Banking & Currency by Mr. Patman, in hearings on H. R. 7230, Mch. 2, 1938, p. 37-40).



Accompanying the data shown above, are tables showing the rapid concentration of resources in the hands of banks from 1919 (average resources, 1626 thousands per bank) to 1936 (average resources, 4223 thousands per bank).

Such concentrations are EFFECTS of which monetary defects are the causes.

"Every city or house DIVIDED AGAINST ITSELF shall not stand."

Finance, speculation, gambling were obstacles to the American spirit of liberty and industry during the Revolution. Jackson encountered them when Biddle's loans to Congressmen nearly controlled the government. Lincoln took their punishments during the Civil War. And while Harding, Coolidge, and Hoover turned their backs, if the speculative "boys" didn't get theirs they must have been blind or crippled. The temporary appearance of success among big speculators makes imitators among small ones, and the moral disease spreads until a general collapse of speculation, as in 1929, causes people to search for the homelier and steadier reliances of useful work. It should not be surprising that the paths leading toward home are not found at once by those who have been accustomed to look for roads to sudden riches.

Individuals find their ways back, if at all, more quickly than do governments. The banks, the insurance companies, the stock brokers and their customers, the promoters, the newspapers, that led the frenzied procession of fictitious "dollars", do not give up their pressures and positions at once. They demand, and the government must give, relief designed to help *them*, whether it helps the general public or not. They are alert, informed, combined; the public becomes so more slowly.

So we have had and now have various devices that benefit some but not all of the people. The public has been assured, and some have believed, in a degree, that all would benefit, but as the crisis continues and deepens, the assurances are seen to be false and the hopes vain. No wonder these false props are being repudiated.

First among them is the destruction of the bounties of nature, plowing under cotton, killing pigs and dumping them into muddy rivers by the thousands. So long as any human being has a decent unfilled need for food or clothes, such destructions spit into the face of a beneficent Providence and will bring their own remorse.

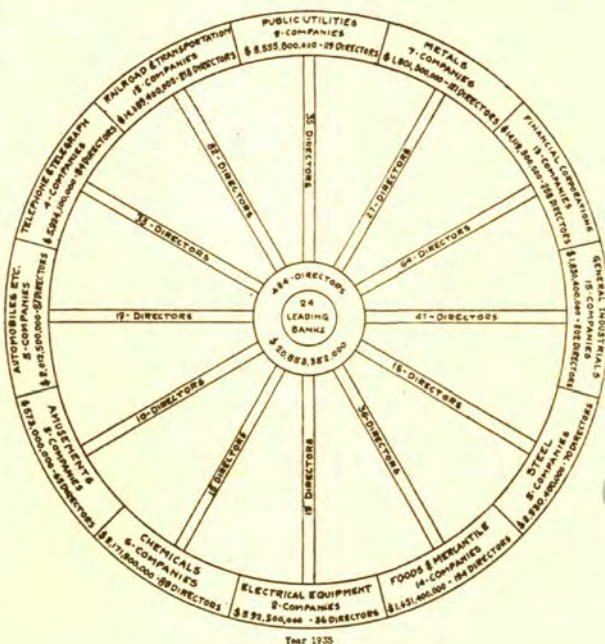
The Home Owners' Loan Corporation wears as deceptive a title as any financier ever pinned upon a come-on scheme. Sour loans that threatened to swamp the big lending corporations were taken over by the thousands. Incidental benefits to borrowers kept up the front of a benevolent purpose, while the corporation was operated by and for the benefit of the financiers. Its foreclosures took in 104,078 separate properties, by July 31, 1938. These it sells for what they will bring on the market. If a property must be sold at a loss, the cor-

Who Owns America? - 4

BANK-CONTROL OF CORPORATIONS OWNING \$56,000,000,000

(Data presented to House Committee on Banking & Currency, by Mr. Patman, in hearings on H. R. 7230, Mch. 2, 1938, p. 43, 47)

The same 24 banks that own 30.88% of the banking resources as shown in chart No. 3, appear here as dominant in 100 corporations in various industries, with assets of \$56,532,000,000.



[Year 1935. Banking Resources, 1936]

Summary by industries of 100 corporations having interlocking directorates with 24 largest banks

Name of industry	Directors	Bank connections	Number of companies	Assets (millions)	
				Jan. 1, 1930	Dec. 31, 1935
Automobiles and tires.....	87	19	5	\$2,164.3	\$2,012.5
Amusements.....	65	10	5	856.0	873.0
Chemicals and oils.....	89	15	6	2,194.5	2,171.9
Electric equipment.....	36	19	2	745.5	592.5
Foods and mercantiles.....	194	36	14	1,944.8	1,631.4
Steels.....	70	16	5	3,649.8	2,930.4
General industrials.....	202	47	15	1,956.5	1,530.4
Financial corporations.....	258	64	13	10,375.5	14,119.3
Metals.....	121	27	7	1,999.1	1,801.3
Public utilities.....	119	35	9	8,441.9	8,555.8
Railroads and transportation.....	218	82	15	14,091.5	14,389.4
Telephone and telegraph.....	84	33	4	5,255.1	5,924.1
Total.....	1,543	403	100	53,584.5	56,532.0

Such concentrations are **EFFECTS** of which monetary defects are the causes.

"Every city or house **DIVIDED AGAINST ITSELF** shall not stand."

operation forbids the former mortgagee and members of his family to buy it back. Thus the process of making the rich richer and the poor poorer goes on under government sanction, using government money. Such is the history of government, until the people awake.

The Social Security law is now recognized as a direct tax upon the earnings of the underpaid workers of the country. It is like the student's answer to Prof. Agassiz's question, What is a lobster? — A red fish that moves backwards. Good, said the professor, except that it is not red, is not a fish, and it does not walk backwards. This law does not provide security, socially or otherwise. It has piled up a bookkeeping "reserve" amounting to 95 millions for the State of California and 1810 millions for the United States. It took that sum out of wages and industry. Instead of allowing it to be used to buy goods and promote trade, it "invested" it in government bonds at 3% interest. A national society devoted to promoting social security legislation criticizes this law as having failed entirely except for the jobs it gives to the clerks who administer it.

Insurance companies have also diverted billions of dollars into bookkeeping "reserves". They worship these "reserves" religiously. Generally, insurance companies pay their losses out of current premium-income, showing the possibility of running insurance on a pay-as-you-go basis. The "reserve" superstition was borrowed from insurance practice when the Social Security law was set up by the government. "Reserves" mean nothing of practical use unless they consist of tons of beans, canned meat, metals, textiles, and other tangible goods in warehouses.

Reserves of a purely financial, bookkeeping character presuppose that the population will always be divided into rich and poor, masters and servants, and that by piling up "credits" in "reserves" the poor will be in perpetual servitude to the rich. The fallacy of this superstition appears clearly in our country and our time, for we see goods in such abundance that the rich can neither use nor even waste them, — enough to make the poor richer than the kings of old time if they had the goods and leisure that are daily wasted in idleness. Financiers strive to protect their "reserves" — empty shells of departed economic power. We strive to liberate, and to distribute with equity, the abundance which the hands of the people, by the grace of God, can provide.

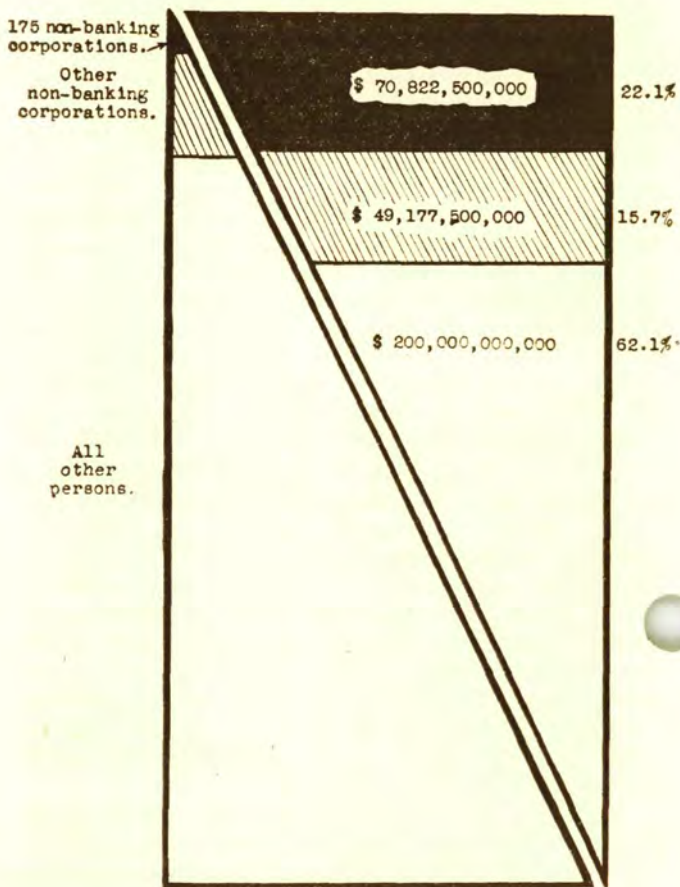
Every thoughtful person knows that we are in an emergency, and that it grows deeper daily. It

Who Owns America? - 5

CONCENTRATION OF PROPERTY OWNERSHIP IN CORPORATIONS

(Dec. 31, 1935)

(Data presented to House Committee on Banking & Currency, by Mr. Patman, in hearings on H. R. 7230, Mch. 2, 1938, p. 24-30).



The national wealth, estimated at 320 billions, is shown above as being in the hands of 175 non-banking corporations, and other corporations, to the extent of 120 billions. "All other persons" includes banks (66 billions), life insurance companies (24 billions), and similar holdings, reducing the 200 billions to be credited to 128 million people as individuals, to the vanishing point.

Such concentrations are EFFECTS of which monetary defects are the causes.

"Every city or house DIVIDED AGAINST ITSELF shall not stand."

will diminish only as we reduce it by definite action directed against its causes. Its chief cause is a monetary mistake, the *monetization of anticipated profits*, ("m.a.p.") which prevents those who produce tangible goods from enjoying all the goods they make or have made in the past. NATIONAL PENSIONS, earmarked for pensioners, merchants, manufacturers, and workers AND FOR NO OTHERS, will correct that mistake.

Accomplishment

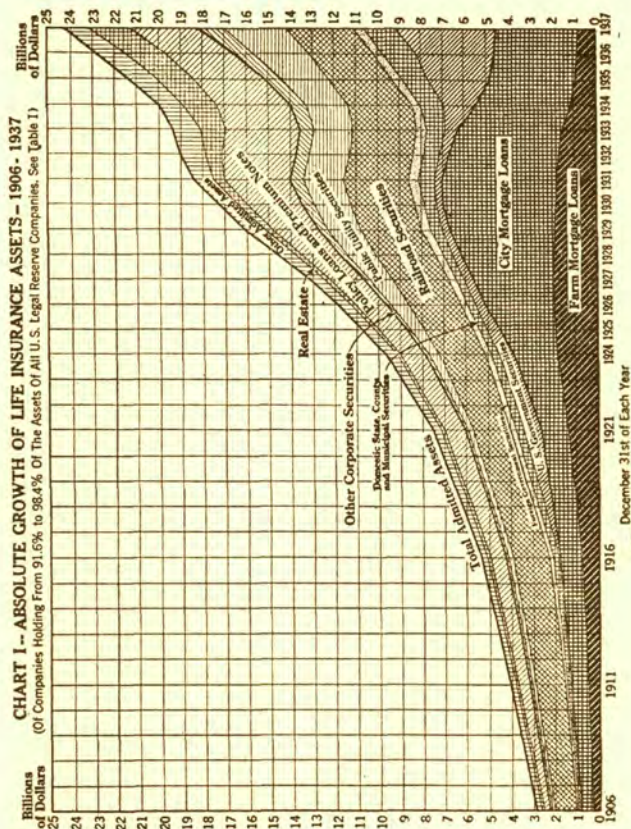
The waste of America is unparalleled in the history of the world. We cut the forests and allow rain water to take itself and our precious soil into the oceans. Since colonial days we steadily sent overseas more goods than we received, to pay interest to foreign creditors, amounting to many billions in value. This was changed when we became the creditor in the World War. So we lent even more billions in goods than we formerly paid in goods, — lent to our former creditors, nearly all of whom now as debtors refuse to repay. No wastrel people ever dissipated its patrimony with greater profligacy than did we as a nation.

Despite the waste there remains a continent of farms and cities, girded with highways for travel and communications, dotted with schools and libraries, and above all a fairly homogeneous population apt at play and at work, with a high average cultural level and easily aroused instincts of democracy and fairplay. Over-simplifying the picture and exaggerating it for emphasis, we have an invincible nation of ten thousand towns each of ten thousand people, any one of which can furnish the talent to staff the government.

Just *who* built the bridges, roadways, skyscrapers, factories, and machines that make up our modern plant? Except for what has been done in very recent years, these are the handiwork of those men to whom industry now says: "Sorry, too old; can't use you!"

No one supposes that the wages they got were always the full value of what they produced. The enormous wastage, and the enormous remainder, show the contrary. What is called "the iron law of wages" — always driven down to the minimum for which men will reproduce — has been at work in this country. (Eleven dollars a week is the pathetic basis of the new Federal hours-and-wages law). What the producers did not consume in living expenses, if any remained over, they deposited in financial institutions where it slid off into the pockets of other men. But the bridges and buildings and roads stayed, and we use them daily.

(Chart from The Association of Life Insurance Presidents,
New York, N. Y.)



"Every city or house DIVIDED AGAINST ITSELF shall not stand."

Sustenance

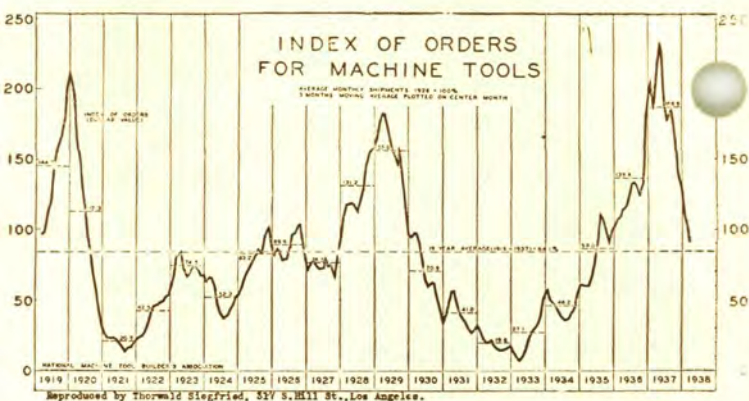
There we have an actual, tangible "reserve" if you please, which the bookkeeping "reserves" only mimic. We cannot eat or wear either the bridges or the bookkeeping, but whatever economic hindrance we may suffer from financial "reserves", the roads, buildings, machines, and bridges daily help the nation to produce more and more goods more and more cheaply.

If it were necessary to decide who has a better right to these tangible remains of industry, the men who made them or the other men who acquired them, we might decide for the former on such moral grounds as underlay the ancient Hebrew law of the sabbatic and jubilee years. Modern financial and legal reasonings would, of course, favor the latter, overlooking simple moralities.

A simpler choice is open to us. A man is not disinherited by society merely because he is hired by an employer at a wage. That is so even if the wage is top-scale, set where labor is free and in demand; and it remains true when the employer does not recapture the wage by the workings of an unbalanced economic system. What the hired man makes or discovers today is imitated a million times on some tomorrow. He has added to the common stock of society of which he remains a member. All men do the same, and no one can tell definitely where one man's contribution stopped and another's began.

The goods efficiently produced today flow from the services of the men now employed, coupled with the present use of means provided by other men in the past. Some of these are no longer with us; these we honor. Others could enjoy the riper years of experience and insight; these, in the main, we neglect. As a society we took the best efforts they could give us; we dissipated their savings; we favored their exploiters and taxed them at every turn. Now, if we are ever to start on the road toward regaining our economic sanity and moral self-respect, we owe it quite as much to ourselves as to them, to provide them a decent, sustaining revenue, on the sole ground of age, out of the products of the prolific social mechanism which they helped to create. We complain of its idleness and of its present restricted output; in this field of old age pensions it can be justly enlarged.

To begin the discussion, let us set the age of eligibility at 50 years. The man over 50 who can get a job is the exception. The moderate sum of \$50 per month seems reasonable. The amount



Signposts of Depression

By F. A. BLETHEN

With deadly accuracy the coming of depressions is indicated by the record of machine tools placed in operation. History shows quite plainly that when industry has installed new machinery at a rate greatly exceeding the average, for two years in succession, that a major depression will follow within a year, and that the vicious cycle of unbalance will require from 8 to 10 years to overcome, even partially.

We had two years of such industrial expansion in 1919 and 1920, followed by the 1921 depression. 1928 and 1929 were two more years of great industrial development, and the depression that followed is still fresh in our mind. Then, contrary to the general understanding that "capital had been dried-up by so-called "unwise" government policy and attitude towards business, industry spent more for machines in 1936 and 1937 THAN IN ANY OTHER TWO YEARS OF OUR INDUSTRIAL HISTORY.

At the end of 1936 the "signpost" was pointing to another depression, altho the actual recession started in the summer of 1937, reaching the acute stage by winter. In December, at the Congress of American Industry, a sober warning was given by Virgil Jordan, president of the fact-finding National Industrial Conference Board. He declared:

"This country is in a thoroughly rotten shape. It is sick to the core with economic disorders and political diseases. In essence they are the result of more than 20 years of unsound economic policy and false economic thinking persistently pursued by both Government and the business community. I BELIEVE WE ARE NOW IN A MAJOR DEPRESSION WHICH INVOLVES THE POSSIBILITY OF A BREAKDOWN OF OUR ECONOMIC AND POLITICAL ORGANIZATION."

can be raised, after it has worked successfully, easier than a larger sum could be adopted at the start.

The pensioner may work or not, as he chooses. The pension will help him, if he works, to find his best, mature self-expression.

Practicability

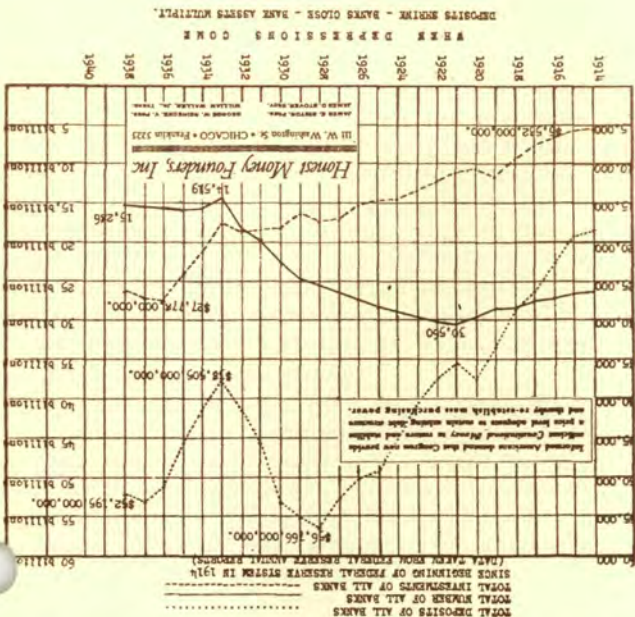
Immediately the question arises, How is it to be done? And with the question comes the objection that many proposals having the same objectives are patently impracticable.

We may well approach this problem with caution. Workability is fully half of the solution. The other half — the ability to produce enough goods for all — has been solved.

We will be helped by glancing briefly at the past. Figures compiled by The National Industrial Conference Board, of New York, show that the income produced by the nation rose from 27.2 billions in 1909 to 83.0 billions in 1929. For the 21 years the total income produced amounted to 1168.0 billion dollars in value.

Now, it is the sound theory underlying American business practices that a man, a community, or the nation, can start afresh every day or month. By exerting itself it can produce goods out of raw materials, and by permitting every man to exchange the goods he makes for goods he wants, all of the goods can be removed from the market to make room for new goods. This exchange, of course, involves translating goods from the numbers of pounds and tons, into the numbers of the dollars they cost to make. It also involves their sale in a competitive market, and in theory, as the goods leave the market their sale retires the debts incurred for making them.

At the expiration of the 21 years mentioned, however, we found the country and its people burdened with debts that had not been retired year by year, and that could not then be retired, of about 232 billion dollars, or about 20% of the 1168 billions of income produced. That is the problem in its largest form. Solutions that are not based upon an understanding of the reason for the existence and persistence of the debt-load are likely to fail. We shall not attempt here to discuss that phase of the matter, beyond referring to the books listed at the end of this pamphlet and also pointing out the pivotal fact in a sentence. Before 1909 the general practice of banks did not permit them to lend merchants or manufacturers the whole costs of their goods; afterwards, and particularly with the advent of chain-banking, it



became the custom to lend them more than the costs, namely, the prices, of their goods, as in the financing of installment paper; thus they put out credits which no one had the means to redeem; namely they *monetized the anticipated profits* (abbr. "m.a.p.") of trade, and these in the main constituted the 232 billions of accumulated debt.

We leave the analysis of past experience with the statement that no future plan can succeed unless it shall correct the error of the past procedure, in so far as it uses that procedure. Inasmuch as past business and banking methods accumulated unpayable debt (a process still going on), the financing of national pensions must be so arranged that the error will not occur in the issuance and redemption of pension moneys. That having been done in the proposals here made, we advance them confidently as embodying all of the good and none of the bad of our past financial history.

It is a truism, as sound as any axiom, that —

MONEY JUSTLY ISSUED UNITES MEN IN EQUITY!

Who will question the justice of issuing money to those who built our nation, and whose further labor we do not now need? Except for the workers of the past, there would be no nation, no banks, no money, no credit.

The complete proposal consists of nine steps, each one of which is vital to the others. Any judgment for or against the plan as a whole would be faulty if it did not take all of them into account. In the main, the various steps are repetitions and continuations of established currency and banking practices. Where they vary in details, the variances are designed to insure the complete success of the program.

Preliminary

Business is carried on mainly with bank deposits, transferred by check. A little — a very little — metal and paper currency is used for small change. In one four-year period the New York clearing house used only \$1.87 cash for each \$1000 cleared — less than 2/10 of 1% cash; the rest was deposit-money.

Deposits are created—made out of nothing, by marks written on ledgers—when somebody extends "credit" to somebody else. We are here concerned with government credit and shall trace it. The government issues bonds for some millions of dollars, bearing interest. The banks "buy" them, with what? With entries on their books giving the government the right to draw checks for its expenses and for relief.

However far these relief checks may travel, however often they may be deposited and checked out again, they always end up by causing a mark to be made in the ledger of some bank. There is no escape from this routine. They began as book-keeping credit, and they always return to the same form. Banks "pay off" by giving the payee the right to draw checks of his own.

Relief checks go to W P A workers; they endorse them to stores, stores to manufacturers, and so on. The W P A claims that for each dollar it spends several other dollars' worth of work are done. That means that the manufacturers of the goods sold to W P A workers, pay the money to their own workers who buy more goods, so that the W P A dollar circulates several times.

The question is, Why does not the W P A dollar keep on circulating indefinitely? The answer is that there are several deductions from it that do not ultimately go back to buy goods. Interest on the bonds is one, although that is not so large a factor as it is sometimes said to be. The profit of the financier, merchant, jobber, manufacturer is another.

Here we need to separate the idea of profit into its two parts. One is profit taken in goods — better clothes, houses, education, travel, etc., for the worker and his family and for the business man and his family. The other is profit taken at the middle of the cycle of "production — exchange — consumption," *in cash*. And cash means bank deposits.

When profits are kept out of the trade cycle, in cash, and the cash is not spent for goods, the normal sale of that same quantity of goods is never consummated. There is no other money to buy them, for the practice is universal and all goods suffer for lack of buyers. When the cash deposit was originally created, especially in private manufactures, it was a debt and the debt was promised, directly or indirectly, to be paid off by the sale of the goods. That part of the goods that could not be sold normally was matched by that part of the debt which could not be paid. So somebody gave a mortgage for it, the mortgage was bought by some insurance company for its "reserves" or by some bank as an investment, and that is the way the 232 billions of unpayable debt that hung over us in and since 1929 originated.

The goods could not be kept in warehouse for 21 years, as the banks and insurance companies could save up the debts, transferring them from one person to another. So the goods were "in distress," as they say, and were sold at a sacrifice,

were burned in desperation, went bankrupt, were sold" to foreigners who never paid for them, *were spent in war*. That is the principal "blessing", the main cause, of war—it uses up goods which the people at home need but do not have the purchasing power to buy.

Pensions From Waste

The waste which we have suffered, as a nation, is the source from which *NATIONAL PENSIONS* are to be paid. What harm would have come to anyone if the 232 billion dollars of debt had been paid out to the old folks, year by year, from 1909 to 1929? That would have been nearly 11 billion dollars a year for pensions—astounding! Had that been done there would have been no dizzy speculation, no violent crash in 1929, no industrial paralysis, perhaps no war in 1914 or in 1917 because we could have bought all of our own goods for home use. We could have spelled **P R O S - P E R I T Y** in fadeless capital letters that would have shone around the world. And by our good example we could have saved the world from its present peril. That is something we cannot do with armies or navies.

The nation has proved that it can waste ten billions a year, besides wasting young folks in war, old folks in want, and workers in the weariness of doubt, stress, and perplexity. If that has not ruined us, we shall not be ruined — but rather saved — **BY TURNING THE WASTE OF IDLENESS AND CONFUSION INTO PENSIONS AND USEFUL GOODS.**

We propose to do that by using accepted methods of business and finance and by using existing officers and institutions. Minor changes will be made, in important details, the chief of which are concerned with making it certain that the pension moneys will not be locked up in big, idle pools of privately owned credit, but will buy goods again and again and again.

We have already said that bank deposits or cash stop buying goods mainly because they are drained off as profits taken in cash but not in goods. This process can be illustrated by following \$1000.00 through several cycles in each of which the cash profits taken by the financier, manufacturer, jobber, and merchant amount, together, to 30%.

After the first sale, there will be \$700.00 in the hands of workers, to be used to buy goods again, and \$300.00 to be "invested" in mortgages or stocks. Similar results follow succeeding sales, as shown in the table:

<i>Sale</i>	<i>Price</i>	<i>Costs, Wages</i>	<i>Unused Cash</i> <i>Profits</i>
First . . .	\$1000.00	\$700.00	\$300.00
Second .	700.00	490.00	210.00
Third . . .	490.00	343.00	147.00
Fourth . .	343.00	240.10	102.90
Fifth . . .	240.10	168.07	72.03
Sixth . .	168.07	117.65	50.42
Totals . .	\$2941.17	\$2058.82	\$882.35
		882.35	(recaptured)
		\$2941.17	

If it required sixty days for each complete cycle of "production — exchange — consumption", the table would show the lapse of a year, at the end of which only \$117.65 of the original \$1000.00 would be still in the market *for goods*. The rest exists as suspended credit or debt, and the goods it should buy are first held over, then sold at a loss, or sacrificed in bankruptcy. Later when the debt is to be paid, the goods that should have redeemed it are gone. That is the dilemma to be avoided in paying NATIONAL PENSIONS.

The successive cycles, from production to consumption, begin before former ones are completed. They overlap daily. Accordingly, six may be too few for the year's turnover in many businesses. On the other hand, certain businesses (notably in the marketing of foodstuffs) may not make 30% profit. The table of figures, therefore, is used only for purposes of illustration. Twice the number of cycles in a year, at half the profit, would produce about the same net results.

That the table fairly represents the average of all business, appears from the fact that the huge sums of Federal relief money (raised on bonds, issued by Treasury checks, and deposited, as here outlined for pension funds) disappeared from useful activities in a little over a year after their being spent. Instead of re-capturing the W P A funds after they had ceased to pay for goods or labor, the government permitted financiers, speculators, giant corporations, and insurance companies to take what the government should have re-taken, as it will re-take National Pension funds when they no longer move goods or pay wages not exceeding \$10,000 a year per man. Failing that, the W P A money is now locked up as shown in Charts 1 to 6, pages 4 to 14, of this book.

It is doubtful whether any figures sufficiently accurate to make the foregoing table fit accurately all business, or all concerns in any one line of business, exist. However, it is definitely known that of all payments made in the United States about 65% are for wages, leaving about 35% for profits, hundred-thousand-dollar salaries, corporation lawyers' fees, and unproductive graft. On the other hand, we have shown an excess of about 20% during 1909-29, which might easily have become 30% if panics, bankruptcies, and speculations had been less. The table therefore is sufficiently near the truth to be useful.

STEP 1 — Registration

or over will register, on identification blanks similar to those now used by the Postal Savings Banks at (a) any bank of his own choosing, or (b) at any postal savings bank. Falsification as to age or citizenship or duplication will disqualify the culprit from thereafter receiving any pension.

STEP 2 — *Tabulation*

The results of the registration will show how many persons are entitled to pensions, where they are located, and the agencies they have chosen through which to receive payment. The amount of money to be supplied therefor becomes a matter of simple calculation.

STEP 3 — *Bonds Issued*

The government of the United States will issue its bonds, in *large* denominations (inasmuch as they will not be bought and sold for private investment), for enough to cover the need. There are 23,728,000 people over 50 years of age in the country. If they were all eligible, it would require \$14,236,800,000 to supply them each with \$50 per month for a year. Part of this sum would revolve in repeated purchases of goods, part of it would come back to the Treasury of the United States at the end of the year. These steps will be explained later.

These bonds will read exactly as do the bonds now issued, excepting (a) they will mature "on demand" instead of on a fixed date, and (b) they will bear *no interest*. When the government promises "to pay to the bearer, on demand, without interest, One Million Dollars" it engages to pay out one million \$1 bills, or other denominations to that amount. The inconvenience of handling large sums in currency-bills is a guarantee, then as now, that such demand will not be made. If it is, or if the government, for any reason not now discernible, decides to retire the pension bonds, it can do so at any time by replacing them with currency or with credit certificates or with any other documents of like tenor. We understand the bond procedure, because it is in daily use. Every bond now owned by the banks can be converted into currency now in case of need. It will be the same in the case of the pension bonds.

STEP 4 — *Checking Credit*

The pension bonds will be deposited in the Federal Reserve banks for checking credit, and the Treasury will issue to each private bank and to each postal savings bank a check for the amount to be disbursed that month. The bank, in turn, will enter upon the ledger card of each registered pensioner a credit of \$50 for the month, and will

issue to each pensioner a book of blank checks which he can fill out as needed to pay for his purchases.

The services of the banks will be paid for by the pensioners, out of their pensions, at a rate fixed by law, perhaps 2c per check drawn, 6c per deposit entered. Payees to whom pension checks are drawn will do the same.

Distinctive Color

Present bonds, bank notes, checks, etc., are mainly printed on white paper with green and black ink. A distinctive color will be selected for NATIONAL PENSION bonds, currency, ledger cards, checks. We may assume that the color will be a light brown for the paper and a dark brown for the ink, and we may refer to pension funds and moneys derived therefrom as "brown" money or trade, and to the present customary transactions as "white" money or trade.

The purpose of the distinctive color is to permit an easy check on *the amount* of "brown" trade done by any one during the year. The cash profits which he is accustomed to taking on "white" trade he will take then as now, paying his income tax as provided by law. On "brown" trade he will take out all of his costs, the same as permitted by income tax laws as to "white" trade, except that his own and his employees' salaries will be considered as costs only up to \$10,000 a year each. The clear profit in "brown" money, above all costs, and above salaries up to \$10,000 a year each, which the government has handed to him by issuing NATIONAL PENSIONS, he will pay back to the Treasury, in "brown" checks, 100%. This will avoid the disappearance of purchasing power, as shown in the illustration used on page 22, for the Treasury will issue it again as NATIONAL PENSIONS in the year following. These details will be discussed later, and are mentioned here mainly to state the reason of recording all pension transactions on paper of a distinctive color.

Let no one say that business-men would object to "brown" pension money, merely because of the slight extra trouble of listing *totals* of "brown" transactions. In theory, they sell goods for "cash"; but they "charge it", investigate their customers' pedigrees, psycho-analyze them, sue them, black-list them, maintain credit ratings, collection agencies, and spies, to get that addition to their business above what straight "cash" would permit. In comparison, keeping a list of "brown" sales, separate from "white" (and merely as to totals) is a trifle. Moreover, should that slight difficulty be urged as an ostensible objection but for dif-

ferent and hidden reasons, the proper answer to such objectors would be to ask them *to favor the issuance of all money, for all industry as well as for pensions*, on the system here proposed. Then no distinctive color for either will be needed.

STEP 5 — *Currency*

The exaggerated idea commonly held, as to the part played by currency, (green bills and coin), in daily business, is due chiefly to the fact that we have it in our pockets, and to the fact that a \$1 bill in pocket impresses the senses more than a \$10,000 check in a bank. We have about 6 billions of paper money, and much of this is in Europe, in South America, and in Cuba. Less than 1 billion is in the hands of American banks and probably less than 1 billion is in use as pocket money.

This currency is of three kinds, United States notes dating from Civil War days, silver certificates issued on silver held by the Treasury, and Federal Reserve notes issued against government bonds and other eligible paper. We hardly notice the differences between them.

It is probable that 300 or 400 millions of "brown" currency will be enough to make change and act as pocket money for pensioners. It will be issued against an equivalent amount of pension bonds and will read as do present Federal Reserve notes, distinguished only by the brown color. It will be drawn from banks by checks of pensioners and others, as needed. It will have all the privileges and virtues of present Federal Reserve notes.

It is a physical and practical impossibility to conduct any considerable part of the nation's business with currency. With much of our present currency in foreign lands and with some of it permanently lodged in safes, the Bureau of Engraving at Washington prints about *four tons* of new money every working day in the year, to replace worn out bills. These bills weigh about 500 to the pound. The country uses some 50 billions of bank deposit money. This changes hands at least six times a year, making a total of 300 billions of money transactions. If all of these were conducted with paper bills printed at Washington, instead of checks, handling money would begin to take on the cumbersome difficulty of handling the iron money of ancient Greece or the stone money of the island of Yap.

"Brown" currency will have all of the privileges and virtues of present "white" money. It will pay any debt, all taxes, buy any property or goods or services. The only difference between "white" business and "brown" business will be the return to the Treasury of 100% of speculative cash busi-

ness profits in "brown" money, above costs and individual salaries of \$10,000 a year each. Large salaries, paid from "white" money, may continue as now. Insofar as wages are paid from "brown" pension funds, there will be a ceiling on salaries, at the \$10,000 level, and a general tendency to level salaries and personal earnings up to that figure.

STEP 6 — *Circulation*

The situation of the pensioners, with \$50 per month of "brown" money in hand, will be the same as though they had that amount of the present "white" funds. They will buy with it whatever they wish or need, at any time, in any place.

Merchants receiving "brown" checks or currency will deposit them in bank, and will draw "brown" checks of their own to pay for merchandise received from jobbers or manufacturers. These will do likewise. All of them will pay their employees with "brown" money or with "white", without distinction, both of them, from the standpoint of the employees and of the employers, having equal standing. As already shown in the table on page 22, much of the "brown" money (and also the "white") will make several circuits of the goods market. It will be spent first for goods, then for wages; then for goods again, then for wages; again for goods, and so on. In order that no part of "brown" funds may accumulate in speculative pools, on the one hand, and as unpayable debt, on the other, it is provided that at year end the excess above what is used to make and to buy goods—and services up to \$10,000 a year—shall be returned to the Treasury, 100%, as shown in the next step.

STEP 7 — *Income Tax*

Under present income tax laws single persons with a net income of \$1000 or more, married persons with net income of \$2500 or more, and all persons with gross income of \$5000 or more must file returns to the government. This practice will continue, and income from "white" and from "brown" business will be added together to make the totals.

Each seller of services or property of any sort, whether as a merchant, stock broker, or landlord, will be required to keep a record of sales for "brown" money, in order that he may be able to make a statement on his income tax forms of the proportion which his "brown" business bears to his "white" business. His net gains will be divided in the same proportion. Thus if 80% of his business sales is "white" and 20% "brown", his gains will be thus apportioned. The first part

(80%) will pay income tax according to present laws. To the second part (20%) will be added 100% of that part of all personal salaries paid and charged in as costs, which exceeds \$10,000 a year each; the sum so computed will be paid back to the national Treasury, 100%, in brown checks, to be paid out again in pensions the next year.

On 14 billions paid out for pensions in a year, about 42 billions of new business will be done at cost, with maximum salaries of \$10,000 a year. About 20% (2.8 billions) will be saved by workers (not speculators) and about 11.2 billions will return to the Treasury, recaptured, to go out as pensions in the following year. No interest being paid on the bonds, the addition of 2.8 billions a year to the national debt will cost nothing, exactly.

The only new accounting detail which NATIONAL PENSIONS impose upon business is that of determining what part of sales was made for "white" money, what part for "brown". This slight burden will not be felt, in comparison with the great relief of having a greater volume of sound, cash business, greater regularity, and a new ease in paying adequate wages to all workers.

It can be seen that this method of issuing, recapturing, and re-issuing "brown" money could be applied to "white" money as well. In that case, of course, the use of a distinctive color for pension funds would be needless.

STEP 8 — *Savings*

The re-capture of that portion of "brown" pension funds, will prevent their sequestration, away from the channels of trade, in large pools of stagnant credit. On the other hand, "brown" money not so re-captured will flow constantly through the channels of trade from pensioners, to merchants, to wage earners in industry, repeating the cycle about every sixty days. There will be no hindrance to pensioners, to wage earners, to small merchants, or to salaried executives earning up to \$10,000 a year, who wish to save some of their "brown" money for future use.

The 100% re-capture of "brown" speculative profits will tend to prevent the use of "brown" money for speculative purchases. That means that "brown" money will tend to be used to buy the more ordinary goods and services, constantly returning to and through the hands of those who make the goods and render the services. The savings of "brown" money will therefore be in small units, distributed among millions of persons. They will accumulate their savings in the form of credit balances on their "brown" bank accounts, subject to check at any time.

STEP 9 — 100%-Reserve Banking

There will be no way for pension money ("brown") to come into existence, in the first place, except through pensions. No one will be able to create or lend "brown" money except as it was issued for pensions. It will differ from "white" money in that respect, for bankers can lend "white" money, by check, for many times the currency or bonds which they have actually in hand. This is true because it is privately created, and it would cease being done if "white" money were issued by the government, for permanent use, in the manner here proposed for pension funds. In the course of time, as savings of "brown" money accumulate, there will be lendable "brown" funds in the banks. Each dollar of it will be derived from a pension bond issued by the government. The money will belong not to the bankers, who will be trustees of it, but to their depositors. It will be the depositors' property, *not a mere claim against the bank*. If and when the banks find that "brown" money can be lent to advantage, they will act as lending agents for their depositors, dividing the gains from such lending, if any, with their depositors as may be determined from time to time by law or by private agreement.

This 100%-reserve "brown" money will accumulate from year to year, augmenting the monetary capital resources of the nation. About 50 billions of "white" deposits now serve inadequately. One defect in them is that they are temporary, requiring renewal perhaps every 60 days, and thus requiring a total issue and retirement of as much as 300 billion dollars each year, in the country as a whole.

There is therefore ample room on the books of the banks for the creation of a back-log of 100%-reserve "brown" money which will not fluctuate in quantity arbitrarily and which will feed the industrial tree with nourishing financial waters where it most needs them—at its roots.

By the table used on page 22, more than 80% of "brown" money paid out for pensions will be re-captured each year, leaving about 20%, or less, of the 14 billions, outstanding, to be used in further purchases or savings. If the entire balance of 20% were saved, the addition to 100% bank reserves would not exceed 3 billions a year. It would cost the nation nothing to create or maintain these funds. It would take nearly twenty years for them to reach the sum of temporary money now used by banks, and it would take a

century to accumulate enough to meet the entire war's needs of the country's business.

Business will grow, besides. Thus there will be ample employment for both temporary "white" money, and for such permanent "brown" money as people may wish to save.

Commercial Effects

U. S. Department of Labor Bulletin No. 658 claims that for each hour of labor directly performed for the W P A, about 2.5 additional hours of indirect labor were stimulated through the demands for materials. The table we have used on page 22 shows total sales of about \$2.9 for each \$1 issued as pensions. From such calculations we may conclude that a national income like that of 1936 of 60 billions results, directly and indirectly, from basic expenditure of 20 billion dollars; further, that 14 billions of pension money, if all of it is spent, will increase national business by about 42 billion dollars a year, or 70%. This new business will naturally be divided between stores and factories now in business and new ones that will start up. No man can tell who will get how much. It would be conservative, however, to expect an increase of at least 25% in the business done by existing stores handling staple merchandise, the remaining 45% going to new and smaller establishments.

We shall therefore use as an illustration, a store now doing a gross business of \$400,000 a year, with executives drawing \$10,000 a year or less, and making a small net profit of 4% on its turnover, — total gains \$16,000.

Next year its sales are increased 25% in "brown" money. It therefore does a gross business of \$500,000. It can probably handle the larger volume without increase in rent, in the same space it now uses, with the same executives, and with less than 25% increase in clerk-hire. In other words, its unit-cost of doing business is lowered by having the increased volume. It may therefore make a profit of 5% instead of 4%, raising its total gains (before income tax) from \$16,000 (4% on \$400,000) to \$25,000 (5% on \$500,000).

On its income tax return it will show net gains of \$25,000. It will show \$400,000 of "white" business and \$100,000 of "brown" business. Dividing the \$25,000 net gains in the same proportion, it will have \$20,000 net gains on "white" business against \$16,000 the year before, despite the fact that it will pay 100% of "brown" net gains, or \$5,000, to the national Treasury, to be paid out again as pensions in the next year.

In addition to the increased efficiency of business due to a larger volume of trade, there will be economies resulting (a) from better credit standing of customers and less trouble in making collections; (b) from less competition among merchants striving to take the same dollar from one another because there are too few to go around, hence reduced advertising costs; (c) from definite location of purchasing power in certain persons at certain addresses at definite times; (d) from increased regularity in demand for staple goods, instead of the hectic chase after fashions and foibles, to gain quick but elusive profits. It will be easier to pay adequate wages in "brown" funds, thus increasing purchasing power where it is most needed.

Similar results, with even greater economies due to increased volume of business, will appear among the manufacturers who supply the merchants.

No Inflation

Inflation is an evil to be avoided. Inflation comes when the supply of money outruns the supply of goods. The supply of goods can become short through refusal of producers to make them, for reasons of economic uncertainty mainly due to taxes that exceed the ability of industry to pay.

However, all of these factors are absent from the operations herein outlined. True, prices of staple goods will "stiffen" through the absence of goods sold in distress because there are no buyers for them; on the other hand, other goods now sold at high prices, loaded with profits to cover risk, will be cheaper as the risks of no-sale and of non-payment subside. Merchants will not need to destroy one another to sell their goods. On the other hand, there will be a known increase of purchasing power, available on certain dates, to certain people of known locations, habits, and ages. Give sixty days' advance notice of the fact, and increased goods to supply the coming demand will meet it on the spot. Thus the gamble which creates inflation will be absent.

No Tax

"Brown" pension money, issued by the government, travels through regular routes from pensioners to merchants, to workers, back to merchants for more goods, again to workers, and so on around and around. In the end it is all accounted for under two heads, (1) the unneeded excess is re-captured or (2) it is saved by workers

(not by speculators) for future use and thus supplies bank reserves on a 100% basis.

NATIONAL PENSIONS, therefore, need no tax to justify, liquidate, or redeem them. The part re-captured reclaims for the government the portion which is not used finally to pay wages.

The destructive effect of ordinary taxes is not generally appreciated. If a merchant makes \$10 profit on selling \$100 worth of goods, he can pay a tax of \$10 by foregoing any advantage to himself from the business. The moment his tax rises to \$11, however, he can no longer do the business at all. The community loses \$100 turnover of business for the sake of the excessive \$1 of tax. Many of the recent and repeated declines in business activity are caused by the invisible but inexorable arithmetic which destroys business when taxes exceed net gains.

Conclusion

Reformers have generally argued for their advanced steps on the grounds of what is right and just, — that is to say, on moral grounds. Admittedly the argument has had all too little force, in years past, when the advantage seemed (but only seemed) to lie on the side of chicanery, “smartness”, and all the evils that led to, but not inside, the jail door.

It is our privilege to live in a time when morals and necessity join hands, — when the moralist who is not also a scientist, and the scientist who is not also a moralist, loses all permanent authority. In brief, only that which is right will work, and to find something that will work we must find what arithmetic, equity, and justice support.

It will surprise most readers to find the foregoing ideas supported by NATIONAL PENSIONS as herein proposed. Because they will bring benefits to all parts of the population, we are surprised to find them also just justified by the logic of the old folks’ past contributions to society, and vice versa. That unity of interest and justice, of selfishness and altruism, and of the centrifugal and centripetal forces of the economic universe, is the guarantee that the system will move as smoothly, rapidly, and irresistibly as does the earth in its orbit around the sun.

The first and immediate step is the wide distribution of full information. This pamphlet is designed to act as the first vehicle in the caravan. Will you keep it moving from hand to hand, as rapidly as it is read? That is your opportunity.

(The End)

Books Recommended

Alexis de Tocqueville. "Democracy in America". Although written in 1835, it is still indispensable reading for Americans.

Carl Van Doren. "Benjamin Franklin". Book-of-the-Month for October, 1938.

Marquis James. "The Life of Andrew Jackson". Pulitzer Prize Award, 1938.

Walter Bagehot. "Lombard Street". 1874. The invention of "cheque" money. The beginnings of modern banking and currency.

E. C. Riegel. "The Meaning of Money". 1935. The views of noted economists in question and answer form, showing complete disagreement on most questions.

Latzko. "Lafayette: A Life". 1937. Written in German, by a Pole, and published simultaneously in German, French, English.

Chas. A. and Mary R. Beard. "The Rise of American Civilization". 1930.

Thorwald Siegfried, of Los Angeles.

"The Answer to 'Profits' ", a reply to the "Profits" of Foster & Catchings. 1926.

"Questions & Answers on Monetary Administration". The same questions listed in Riegel's "The Meaning of Money" (see above), with additional answers. These are re-printed, by permission, from the issues of The Christian Science Monitor of Dec. 30, 1932, Jan. 15, 1934, Jan. 16, 1934.

"The Siegfried Plan, For an Honest Exchange of Values, By the Issue of a Sound Money". 1931. Speaking of this book, Dr. Virgil Jordan, now President of The National Industrial Conference Board, of New York, said: "The idea of basing currency or credit control upon a labor-unit is not new, of course, but I do not recall that I have seen any concrete proposal, except yours, whereby it might be practically applied."

"A Necessary Addition to the Banking Act of 1935". 1935-6. Supplied to Members of Congress, Committee members, and government executives, and re-printed on pages 12447-8-9 of the Congressional Record for August 25, 1935, in the remarks of the Hon. H. Jerry Voorhis.

"The Farmers' Dollars". 1926. A study of the depletion of farm income, through financing with dollars based on urban values. Re-printed in the Congressional Record of November 23, 1937, pages 507-8.

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A Brief Outline

How NATIONAL PENSIONS Will Be Paid

In Cash. Debt-less. Tax-less.

(See details inside)

- 1—All citizens, 50 years or older, register at any bank of their own choosing or at any postal savings bank. Falsification of age, or citizenship, or duplication, will disqualify culprit from future benefits.
- 2—Tabulation of registered pensioners, out of 23,728,000 persons over 50 in the country, will show where payments are to be made. If all register, \$50 per month or \$600 per year, would require \$14,236,800,000.
- 3—U. S. Government will issue bonds, payable on demand, callable at will, bearing *no interest*, in large denominations inasmuch as they will not be traded in for investment.
- 4—The bonds will be deposited in Federal Reserve banks for government checking credit. The Treasury will draw checks to each local bank or postal savings bank to cover its NATIONAL PENSION disbursements, month by month. The bank will enter a credit to each pensioner of \$50 each month, and will supply him with a check book to use in paying out the money. Banks' charges at 2c per check, 6c per deposit, etc., will be fixed by law and will be paid by pensioners, in "brown" checks.
All bonds, currency, ledger cards, and checks for NATIONAL PENSIONS will be printed in a distinctive color, perhaps "brown", to distinguish them from present "white" business. The purpose of the separation is to know the proportion of business done on "white" and on "brown" money, at the end of the year.
- 5—Currency (bills) in "brown" will be issued as needed for pocket money and change, against the bonds, as is now done, pension currency reading like present "white" money and having all the privileges and virtues of present Federal Reserve notes.
- 6—Pensioners will spend their currency and checks for whatever they wish to buy. Merchants will deposit "brown" checks in "brown" accounts and drawn "brown" checks of their own for goods, for payrolls, for rent, etc. Manufacturers will do the same. Payrolls paid in "brown" or in "white" money will be spent for goods and make repeated circuits of the market. At each circuit the amount is reduced by the deduction of pure cash profits, used for investment purposes. These deductions from "brown" pension funds are re-captured by the government at income-tax time.

A Brief Outline

How NATIONAL PENSIONS Will Be Paid

In Cash. Debt-less. Tax-less.

(See details inside)

(Continued)

If the government issued all "white" money, by the same process here outlined for "brown" pension money, it could equitably recapture the portion not spent for goods or services, inasmuch as the purpose of the advance was to finance such basic production-exchange-consumption.

With six circuits of the market each year, each \$1 will make sales of \$2.9 and over 80c will be recaptured, as shown in the following table based on an *aggregate* cash profit of 30%, taken by manufacturer, middleman, merchant, financier—

<i>Sale</i>	<i>Price</i>	<i>Costs Wages</i>	<i>Recaptured Cash Profits</i>
First	\$1000.00	\$700.00	\$300.00
Second . .	700.00	490.00	210.00
Third . . .	490.00	343.00	147.00
Fourth . .	343.00	240.10	102.90
Fifth . . .	240.10	168.07	72.03
Sixth . . .	168.07	117.65	50.42
Totals: \$2941.17		\$2058.82	\$882.35 (recaptured)

- 7—Income tax statements will show totals of "white" and "brown" business. Net gain will be apportioned in the same ratio as "white" to "brown". If "brown" money increased business 25%, that part of pure profits (with a ceiling on salaries paid in "brown" money, of \$10,000 a year each) would be recaptured 100%, payable in "brown" checks. Business would benefit by reduced unit-costs of doing business, less risks and losses, greater ease in paying adequate salaries.
- 8—Savings will be in earned money, not in speculative profits; hence they will belong to vast numbers of people, accumulated as unspent checking credit, "brown".
- 9—"Brown" money can originate only in pensions; it cannot be created with a pen. Thus accumulated savings, left in banks, will furnish lendable "brown" funds, with 100%-reserves of *permanently existing credit*. This will grow at the rate of about 2.8 billions a year (20% of 14 billions), ultimately giving the country the needed volume of stable, democratically owned bank-credit.