

Alternative Plans to Social Security Answer Key

Directions: Read the articles below and answer the questions in a complete sentence.

The Townsend Plan
Dr. Francis Townsend

ANALYSIS OF PLAN

RETIREMENT AT AGE OF SIXTY

... Approximately 8,000,000 people will be eligible to apply for the pension. Economists estimate that each person spending \$200.00 per month creates a job for one additional worker. The retirement of all citizens of 60 years and over from all productive industry and gainful occupation, will thereby create jobs for 8,000,000 workers which will solve our national labor problem.

RETIREMENT ON A MONTHLY PENSION OF \$200

The spending of \$200 per month is for a constructive purpose. First, to place an adequate amount of buying power in the hands of these citizens which will permit them to satisfy their wants that have been so restricted for the past four years. Second, to create such a demand for new goods of all description that all manufacturing plants in the country will be called upon to start their wheels of production at full speed and provide jobs for all workers.

This money made suddenly available to the channels of trade will immediately start a tremendous flood of buying, since the country has been on short commodity rations for the past four years, and since all sections of the country will be affected alike (the old are everywhere) and the poorest sections will at once become important buying centers.

All factories and avenues of production may be expected to start producing at full capacity and all workers called into activity at high wages, since there will be infinitely more jobs available and many less workers to fill the jobs, the old folks having retired from competition for places as producers. . . .

COSTS OF MAINTAINING THE HUGE REVOLVING FUND

The unthinking see a great increase in the cost of living due to the necessity for the retailer to raise his prices to meet the government tax for maintaining the pension roll. He fails to take into consideration the fact that the elimination of poor houses, organized state and county relief agencies, public and private pension systems, community chests, etc., are now costing the country the many millions of dollars per month that the Townsend plan would eliminate. And, too, would not the cost of crime and insane asylums be greatly reduced after the public became assured of the permanency of our prosperity? Further, the tremendous increase in the volume of retail business which this huge revolving fund would insure makes certain that bigger profits would be possible to the retailer through his old rates than ever before and make unnecessary the advance in prices on any articles except those classed as luxuries. Estimated from the sources available a tax of 10% will be ample to raise this fund and the tax can be materially lowered as the volume of trade increases. Competition will still continue to operate and the profit hog will still find competitors who will hold him to a fair price rate. It is the logical foundation for our worthy President's NRA—National Recovery Act.

No one will object to paying the slight advance in price for commodities for the purpose of re-establishing prosperity and, in so doing, making it possible for the elderly people to retire and live comfortably the remainder of their days, since everyone in making his purchases will be providing for his own security when he reaches the age of sixty. . . .

People of America: In every community get together at once and organize a share-our-wealth society—Motto: Every man a king.

Principles and platform:

1. To limit poverty by providing that every deserving family shall share in the wealth of America for not less than one third of the average wealth, thereby to possess not less than \$5,000 free of debt.
2. To limit fortunes to such a few million dollars as will allow the balance of the American people to share in the wealth and profits of the land.
3. Old-age pensions of \$30 per month to persons over 60 years of age who do not earn as much as \$1,000 per year or who possess less than \$10,000 in cash or property, thereby to remove from the field of labor in times of unemployment those who have contributed their share to the public service.
4. To limit the hours of work to such an extent as to prevent overproduction and to give the workers of America some share in the recreations, conveniences, and luxuries of life...

Excerpt 2:

There is nothing wrong with the United States. We have more food than we can eat. We have more clothes and things out of which to make clothes than we can wear. We have more houses and lands than the whole 120 million can use if they all had good homes. So what is the trouble? Nothing except that a handful of men have everything and the balance of the people have nothing if their debts were paid. There should be every man a king in this land flowing with milk and honey instead of the lords of finance at the top and slaves and peasants at the bottom.

...

Excerpt 3:

Now to cover the principles of the share-our-wealth society, I give them in order...

3. Old-age pensions:

Everyone has begun to realize something must be done for our old people who work out their lives, feed and clothe children and are left penniless in their declining years. They should be made to look forward to their mature years for comfort rather than fear. We propose that, at the age of 60, every person should begin to draw a pension from our Government of \$30 per month, unless the person of 60 or over has an income of over \$1,000 per year or is worth \$10,000, which is two thirds of the average wealth in America, even figured on a basis of being frozen into a few hands. Such a pension would retire from labor those persons who keep the rising generations from finding employment.

Source: Social Security Administration. (n.d.). Huey Long's Senate speeches. Retrieved from <http://www.ssa.gov/history/longsen.html>

Questions:

1. How does the Townsend Plan compare to the Social Security program?

Plan promised immediate payments in 1935, and those payments did not require that people work and make contributions. The plan was to be funded by a 2% national sales tax. There was no means test for receiving \$200 a month, everyone was eligible.

2. The Townsend Plan was very popular, why do you think this was the case?

It promised generous economic relief quickly. The sales tax formula for raising the money as simple and “painless.”

** Note, in Congressional hearings, it emerged that this plan would cost \$2.4 billion a month—\$29 billion annually—and the proposed tax would only raise, at most, \$9 billion annually. Nevertheless, some historians believe it pressured Roosevelt to put Social Security in place.*

3. Compare the Townsend Plan to the Share Our Wealth Plan, are there any similarities in their view of the role of government? Are there any differences?

Both plans assume that the government has a role to play in managing the wealth of individual citizens, and both provide for the elderly. However, the two have very different goals. Townsend’s plan was not designed to change the distribution of wealth in the United States, and that is the core purpose of Share Our Wealth.