economic security, made a report to them in writing. This advisory council was composed of some of the leading industrialists of the country. So far as I know that report has not been made available. Perhaps other members of the committee have had a copy of that report to the Cabinet committee. I believe, in view of the fact that they have made a report and expressed their views in it, and made their recommendations in it, we ought to be in a position to know how far those recommendations have been accepted by the Cabinet committee. This committee of ours ought to have the benefit of that information.

Mr. LEWIS. Will the gentleman yield for a question?

Mr. REED. Yes.

Mr. LEWIS. To what extent does that report indicate facts as distinguished from opinions and conclusions.

Mr. REED. I do not have a copy of the report. I say that the committee ought to have a copy of it, to understand what they did report. I am just calling that to the attention of the chairman because, when we get into our own deliberations, we ought to have that information before us.

The CHAIRMAN. Without objection, the clerk will be directed to request that copies of the report referred to be furnished members of the committee.

The CHAIRMAN. The next witness is E. W. Mason, representing the Progressive Study Club, Washington, D. C.

Mr. Mason, we are operating under the 5-minute rule. Please come forward and give your name and address and the capacity in which you appear.

STATEMENT OF E. W. MASON, REPRESENTING THE PROGRESSIVE STUDY CLUB, WASHINGTON, D. C.

Mr. MASON. Mr. Chairman and gentlemen, my name is E. W. Mason and I represent the Progressive Study Club, Washington, D. C.

Listening to those who preceded me, I noticed that almost all of them represented several millions of people in a group. I must confess to you that I do not represent several millions. I have been researching here in the Library in Washington on the subject of money, depressions, bonds, and bondage, and kindred questions, and this book, "The Internal Debts of the United States", represents the book that I have read on these questions. I believe that I have information that no one else will bring you, and when I originally asked for permission to speak, I asked for 30 minutes. My material here, however, will not take that much time.

The old-age pensions in all States require the pauper's oath. I plead with you men to change that proposed law and make it an honor pension system of a pauper system. Honor the men who paid the Government taxes and pay you your salaries or pensions. The men who need—those who in active life spent their income are your best citizens. They spent their all to maintain themselves, the wealthy people, and the Government. The wealthy fattened on them; first, because they spent their pay envelops; second, because they never were paid all they earned—a part of their pay envelopes was held back. The Government has an unseen way of collecting taxes on what we consume, so these poor have been the best supporters of Government and should be honored for it. Had these men saved say 10 percent of their earnings for a rainy day or old age, they would throw 5 to 10 percent of the population out of work by that very act of so-called " thrift " and these in turn would throw others out of work and a vicious circle would have begun. In other words, if all saved 10 percent, even in our most prosperous times, it would throw a depression in less than 10 years. The pension should be based on age and no other condition. The needy will never be reached except by a pension to all regardless of wealth or poverty.

The economics of Jesus in His own words were: "Take no heed for the morrow." He envisioned an ideal government where there would be no rainy days, no depressions, no hard times, and no unemployment—and there should be none—and no interest—and there should be none.

When Henry Ford returned from one of his trips to Florida it is said he noticed his corporation were putting up great signs: "Buy a Ford and save the difference." As soon as he arrived at the office he called for the writer of the sign and copy. He took his pencil and struck out the word "save" and wrote in the word "spend", making it read: "Buy a Ford and spend the difference." The young man was given a lecture on economics to the effect that hard times are broken by spending, not by saving.

Even ex-President Coolidge in one of his newspaper articles recommended that we spend a dollar to break the panic.

I protest against the method of collecting the fund. To all intents and purposes the bill demands that the poor shall take care of their own poor, while between the lines is written the suggestion, "We have already taken care of the rich by interest on bonds to be paid by the poor in bondage." I ask that the bill be changed to have the National Government pay the whole pension and collect the necessary money by a tax without a burden.

By research, governmental and otherwise, it has been decided that approximately $2,000 represents a good living for a family. Then collect an income tax figured by arithmetical progression to 100 percent on all incomes above $2,000. Everyone would then be protected in a good living—after that there is no burden. Really, I can see no reason why any rich man should have over a thousand dollars a week income before every worker and farmer receives $40 a week, or $2,000 a year.

It is said that Plato, the philosopher, believed that no one man (freeman) was worth more than five times that of any other man to productive society. This suggestion I made allows one man to get 25 times as much as another. The American practice, as standardized by the President in N. R. A. code making the minimum pay to the textile girl as $11 a week and reported income of approximately 2 millions a week to the forgotten man, would be 1 to 180,000. That is, the girl who makes socks gets $11 a week while Rockefeller, who does no useful service, gets 180,000 times as much. This offers a real suggestion of where the tax should be levied. Tax by arithmetical progression above $2,000.

That will raise all the money needed and no one will be burdened. Be sure to extend the tax to 100 percent, however.

All present taxes are consumers' taxes. The more in the family, the more tax. Simply a baby tax—the more babies the more tax. All wrong.

Take my native State, if you please. If its legislation follows out the trend of this bill, it will parcel out the burden of old-age pension to the counties. Many of the counties are now in desperate circumstances. That is the philosophy of J. P. Morgan. In his first radio address he advocated that each block look after its own poor—then no one would suffer. Today 70 percent of the Upper Peninsula of Michigan, I understand, are on relief. How can they care for their own poor? A spot that has made fabulous millions of wealth for the New York stockholders—the men who made the millions for the New York men must now bear their own burden, while the rich New Yorkers who benefited are caring for the poor in their own block. What a grim joke! You must tax the incomes and by arithmetical progression to 100 percent if you want to avoid utter destruction.

In one township 63 percent of the real estate was up for sale for taxes one year and bought in by the State. That real estate now is State forest and the fixed expenses of that county and township are constant until a township is wiped out. The assessable burden is thrown on other townships and one by one they fall out of the tax roll; the country once filled with happy homes and people become barren wilderness. This continues until now one-third of the State of Michigan has been taken in by the State for taxes. This bill contemplates taking more of that State for taxes. More of every State of the poorer areas. Near my former home is a mute pile of sawdust bigger than this office building—nay more; as big and as high as both office buildings put together, and the untold wealth which that pile implies went to the large cities and only poverty now remains.

Send, I plead with your honorable committee, to the great incomes of the Nation and bring a part of that money back to care for the aged who amassed that pile of sawdust and the pile of wealth that their brain and brawn created. Not an automobile drives the street or roadways of the Nation, not a building with modern conveniences is completed, which does not carry in its structure the products of the workers of the Upper Peninsula of Michigan. I cannot look around this building without seeing the result of their labors. I cannot go to the homes of the millionaires, as I frequently do, without seeing the products of their labor on every hand, yet today 70 percent of these laborers are on relief. Almost every red cent of the profits of their toil has slipped away to the great wealth center of the Nation and now this bill says, "Let the poor of the Upper Peninsula of Michigan care for their own poor." Robbed of their wealth and the products of their own toil the robbers now herald back and this bill takes the echo and cries, "Look after the poor in your own block; we down here in Wall Street are looking after ours." I am asking that this old-age pension system your honorable body passes should be one that will collect from those blocks that have no poor some of the amassed fortune and redistribute it back to society again.

To tax the corporations is but to sell the tax back to the poor and at a profit.

The millions and billions of fortunes are invariably amassed by special privilege of some kind, rarely by unusual intelligence, except selfish intelligence.

Four percent of the population control 80 percent of the wealth. I suggest a tax on incomes and inheritances figured by arithmetical progression as the plan to raise substantially the money for the pension system and all cost of Government. I herewith submit a table as to the workout of this plan of a tax without a burden.

(The matter referred to is as follows:)

Tables of proposed inheritance and income taxes

Inheritance or income to be taxed	1-percent rate		2-percent rate		3-percent rate		5-percent rate	
	Deducting the tax	Leaves to the individual	Deducting the tax	Leaves to the individual	Deducting the tax	Leaves to the individual	Deducting the tax	Leaves to the individual
$2,000	0	$2,000	0	$2,000	0	$2,000	0	$2,000
$3,000	$10	2,990	$20	2,980	$30	2,970	$50	2,950
$4,000	30	3,970	60	3,940	90	3,910	150	3,850
$5,000	60	4,940	120	4,880	180	4,820	300	4,700
$6,000	100	5,900	200	5,800	300	5,700	500	5,500
$7,000	150	6,850	300	6,700	450	6,550	750	6,250
$8,000	210	7,790	420	7,580	630	7,370	1,050	6,950
$9,000	280	8,720	560	8,440	840	8,160	1,400	7,600
$10,000	360	9,740	720	9,280	1,080	8,820	1,800	8,200
$11,000	450	10,550	900	10,100	1,350	9,650	2,250	8,750
$12,000	550	11,450	1,100	10,900	1,650	10,350	2,750	9,250
$13,000	660	12,340	1,320	11,680	1,980	11,020	3,300	9,700
$14,000	780	13,220	1,560	12,440	2,340	11,660	3,900	10,100
$15,000	910	14,090	1,820	13,180	2,730	12,270	4,550	10,450
$16,000	1,050	14,950	2,100	13,900	3,150	12,850	5,250	10,750
$17,000	1,200	15,800	2,400	14,600	3,600	13,400	6,000	11,000
$18,000	1,360	16,640	2,720	15,280	4,080	13,920	6,800	11,200
$19,000	1,530	17,470	3,060	15,940	4,590	16,410	7,650	11,350
$20,000	1,710	18,290	3,420	16,580	5,130	14,870	8,550	11,450
$21,000	1,900	19,100	3,800	17,200	5,700	15,300	9,500	[1] 11,500
$22,000	2,100	19,900	4,200	17,800	6,300	15,700		
$23,000	2,310	20,690	4,620	18,380	6,930	16,070		
$24,000	2,530	21,470	5,060	18,940	7,590	14,410		
$25,000	2,760	22,240	5,520	19,480	8,280	16,720		
$26,000	3,000	23,000	6,000	20,000	9,000	17,000		
$27,000	3,250	23,750	6,500	20,500	9,750	17,250		
$28,000	3,510	24,490	7,020	20,980	10,530	17,470		
$29,000	3,780	25,220	7,560	21,440	11,340	17,660		
$30,000	4,060	25,940	8,120	21,880	12,180	17,820		
$31,000	4,350	26,650	8,700	22,300	13,050	17,950		
$32,000	4,650	27,350	9,300	22,700	13,950	18,050		
$33,000	4,960	28,040	9,220	23,080	14,880	18,120		
$34,000	5,280	28,720	10,560	23,440	15,840	18,160		
$35,000	5,610	29,390	11,220	23,780	16,830	[1] 18,170		
$36,000	5,950	30,050	11,900	24,100				
$37,000	6,300	30,700	12,600	24,400				
$38,000	6,660	31,400	13,320	24,680				
$39,000	7,030	31,970	14,060	24,940				
$40,000	7,410	32,590	14,820	25,180				
$50,000	11,760	38,240	23,520	26,480				
$51,000	12,250	38,750	24,500	[1] 26,500				
$52,000	12,750	39,250						
$53,000	13,260	39,740						
$75,000	27,010	47,990						
$100,000	48,510	51,490						
$101,000	49,500	[1] 51,500						

[1] Largest net income possible, as the Government would take 100 percent of all above these figures.

The most vicious part of the bill is the interest or insurance feature. This bill practically compels every young person to take out a 45-pay life-insurance policy.

An individual here and there can take out an endowment policy and pay money into the corporation and the company pass the hat to the rest of the citizens, and from the collection it can pay the insurance; but when every man and woman pays their own insurance it will not work.

Now with a little help from two or three in the audience I could jump over the sacred rail and be in the sanctuary of your honorable committee but if every one here should step up to that bar and try to put himself over by his bootstraps no one would go over for a like reason that insurance which is predicated by interest or investment is a mathematical impossibility. No one can figure interest to its end without extinction of the interest payer. No nation can long exist on interest. Because of the interest burden this bill implies it can never be worked for long. Let me illustrate:

If one of your honorable body should, on his vacation next summer, discover a new continent and decide to invite all his 20 colleagues of this committee to start a new nation there, you would have enough of everything needful except money. A wonderful country in natural resources and possibilities and you come to me as a banker and ask for a circulating medium for your new country. I would agree to furnish each of you with one thousand dollars in new, crisp, paper money and take your several notes for 1 year at 6 percent. I lend you a total of $20,000, face value. At the end of the year I return for $21,200 and you cannot furnish it. Why? Because there are only $20,000 in your country. So you have to give me a mortgage on the continent for $1,380 and you start over with another loan and another mortgage. Now don't some of you say "Now Mr. Banker, the only cost to you is the printing of those bills and that is only $6.90." Your argument would be absolutely correct for that is all the United States Government charges the Federal Reserve bank for a like amount of money.

Now, what made the difference? Just the special privilege that Congress has voted to a preferred class of its citizens, the bankers, and of course being a banker I demand a bond on your continent; eventualy I will own the continent and I would only have an investment of $6.90.

What made the difference? That Jeffersonian doctrine of "All men being created equal" having been kicked out by the Democrat Congresses of 1914, 1934, and now being kicked again in 1935. As a banker I shall own the continent.

Today I am a pauper without friends or relatives. Give me the sole privilege to coin money and I will be a millionaire tomorrow. A gentleman of affluence and respectability (?) and your honorable body would vote me 5 days to present my cause instead of 5 minutes.

Had Christopher Columbus put a mortgage for $1 on the North American continent the day of its discovery, at compound 6-percent interest, the whole continent, including Mexico, Central America, Panama, and Canada would not equal the face value of the mortgage in 1948.

Interest steals from society and eats up the wealth and prosperity of nations. It is simply impossible to continue it for more than a few years without a national financial break-down.

To illustrate how the cancerous growth of interest works its destruction a table is here given that shows the growth to date of a single dollar if loaned, at the discovery of America by Columbus, at 6-percent interest compounded annually, viz:

1493	1.06	1672	32,969.72
1494	1.12	1684	65,939.45
1495	1.19	1696	131,878.91
1496	1.26	1708	263,757.82
1497	1.33	1720	527,515.64
1498	1.41	1732	1,055,031.29
1499	1.50	1744	2,110,062.58
1500	1.59	1756	4,220,125.16
1501	1.68	1768	8,440,250.32
1502	1.79	1780	16,880,500.65
1503	1.89	1792	33,761,001.31
1504	2.01	1804	67,522,002.62
1516	4.02	1816	135,044,005.24
1528	8.04	1828	270,088,010.49
1540	16.09	1840	540,176,020.98
1552	32.19	1852	1,080,352,041.96
1564	64.39	1864	2,160,704,083.92
1576	128.78	1876	4,321,408,167.85
1588	257.57	1888	8,642,816,335.71
1600	515.15	1900	17,285,632,671.42
1612	1,030.30	1912	34,571,265,342.84
1624	2,060.60	1924	69,142,530,685.68
1636	4,121.21	1936	188,285,061,371.36
1648	8,242.42	1948	276,570,122,742.72
1660	16,484.86		

More than enough to own by foreclosure the whole of the U. S. A.

Just as a cancer grows in the human body—until it absorbs all within its grasp and kills its victim—so grows the cancer of interest in a nation.

One dollar in gold lent out at 6-percent interest at the birth of Jesus in the year 1, compounded annually, would by the year 1936 have "grown" to the impossible sum of 6 quindecillions 913 quatuordecillions 170 tredecillions 171 duodecillions 192 undecillons 611 decillions 82 nondecillions 296 octillions 286 septillions 188 sextillions 809 quintillions 244 quadrillions 72 trillions 412 billions 553 thousands 729 dollars. If the earth were a solid globe of gold, you could not pay it. If all the planets were solid gold, they would not represent enough value to pay it.

We are now in debt over 250 billions against 150 billions of wealth—100 billions in the red and our new bonds will take us to 265 billions. Over 15 billion interest per year.

Last year we produced 40 billions of wealth and had an interest of 15 billions to pay.

If you buy a dollar's worth of fabricated merchandise, over 33 cents of it is interest and this goes into taxes and rent. Figure up your purchases of fabricated merchandise, transportation, or ordinary expenses, and one-third is interest, yet this bill contemplates interest and more interest. It will not work. The 33-percent interest in all fabricated merchandise will be 66 percent in 15 years, and 100 percent in 25 years. Somewhere between 1935 and 1960, if the interest system persists, society crashes and civilization ends and a new "dark age" is at hand. So I plead with your honorable body not to predicate an old-age pension on interest. Remember, interest is a mathematical impossibility.

Now, about the stamps, pills, and plasters provided for in the bill. What happens if everybody does not stamp up? Everybody does not buy life insurance now. What happens to the fellow who goes for groceries and stamps and has not enough for eats? He buys eats.

Economically it would be much better and cheaper for society to pay a straight pension, man fashion, after 62 or some other date, than monkey stamp fashion. If a man holds money for old age, he does not spend and he slows up the works.

It will cost no more for the vigorous youth to care for all the aged of today, and let the oncoming boys of today take care of the vigorous manhood in its decline tomorrow. Think of the saving in plasters and to stamp collectors. For an honor old-age pension I will ever pray.

In the words of the Sacred Scripture and the Ten Commandments I plead with you to "Honor thy father and thy mother that thy days may be long in the land which the Lord thy God giveth thee."

Honor not the pauper's oath which the administration bill implies. Shun interest as un-Christian and as pagan.

Remember the three great "Thou shalt nots" of Moses:

Thou shalt not steal.
Thou shalt not lend on interest.
Thou shalt not kill.

Again I would plead with you in the consideration of this bill, that you follow the political commandment of Jesus, namely, "Thou shalt love thy neighbor as thyself."

Place yourself in the position of the aged without money and ask if you would be glad to give the pauper's oath? Tomorrow some of your honorable body may be eligible. Stranger things have happened.

Now for unemployment insurance. Unemployment insurance first contemplates idleness. No one can get pay unless he is idle. Not half the people could get insured except on a life insurance basis of stamps, pills, plasters, and interest, of which I have previously mentioned. The bill contemplates ultimately to tax the laborer 2½ percent of his salary.

Let us see what that will do to the laborer. I will illustrate by this diagram which represents all the wages paid out in the United States. Section A represents 20 percent of the worker's salary which goes to taxes. Section B represents that portion of his income that is paid for interest. C will represent 2½ percent which he pays for insurance. If he pays 2½ percent for insurance, he will not spend that 2½ percent for the products of labor. That would flatly put 2½ percent of the people out of work, for if the workers of the Nation who received and spent about ten billions for merchandise last year have only $9,800,000,000 to spend this year, they will throw that portion of men out of work who live upon that $200,000 expenditure.

The line D represents that portion which the employers put into the fund. He will charge this $200,000 up to overhead, and if a good business man, will sell it at a profit to the consumer. The consumer pays more for his merchandise and therefore can buy less labor. That will throw more than 2½ percent out of work.

Now comes the Government's aid of 2½ percent. That will increase the taxes and the price of merchandise and throw another group of people out of work equal to 2½ percent.

Let us forget the fractions. The first turn of the wheel we throw 6 percent of the workers out of business, say. They begin to draw one-fourth of their former salary by insurance and that money will put back 1½ percent of those who lost their jobs. That is, at the first complete turn of the wheel, 4½ percent of the working population are idle. As only 95.5 percent of the purchasing power of the people is available, the second turn of the wheel gives us 91.2 percent of the people working the second turn of the wheel. Each turn of the wheel to zero is made by multiplying the product by 95.5 percent. As interest and taxes now take half, zero is quickly reached:

The table herewith shows how 100 percent purchasing power will dwindle by continuous multiplying the principle and product by 0.955.

First turn	95.5
Second turn	91.5
Third turn	86.9
Fourth turn	79.0
Fifth turn	

And so forth and to zero.

Here is a spiral that shows the vicious circle. That is unemployment insurance.

Again that unworkable foolish product of a hair-brained "brain truster", I want to ask your honorable body to substitute labor assurance as the policy of the Nation.

This is embodied in a bill introduced into last Congress, and reintroduced into this session by the Honorable George G. Sadowski.

It is known as H. R. 5228. That bill provides that any person of workable age that wants work can have it. It provides that the idle be given a chance to create the wealth with which they are to be fed and clothed, and without a burden to anyone.

The mechanics of that bill provides the Government set up an employment bureau in every county and large center of the United States, and any citizen who goes to that bureau, and wanting work, can have it—at private industries if possible—if not, at governmental emergency work at a price low enough not to compete with private industry, yet high enough to standardize and stabilize common or unskilled labor at $1 per hour, leaving skilled, hazardous, and undesirable to go at higher rates as volume decides.

The work-out of the bill would be that every man out of work could be put on a pay roll as fast as they could be enrolled.

The bill provides that it is the first duty of government to see that its citizens have work to the end that life, liberty, and the pursuit of happiness be preserved. For any that demand it, they shall be put on a pay roll in 48 hours after the application. What would happen to starving North Dakota? They would go off relief and go to work, and their starving horses would be fed up and put at work. The same would be true in Michigan, and in every place in the United States.

Everybody would go to work, and when the first pay day came the stores would empty and orders would go to the wholesalers, and from wholesalers to factories, and signs would go up all over this land, "Help wanted." In Dakota and Ohio and Nebraska a thousand dams could be built in each of these States to make electricity and bring its price down, so the greatest cost in a home heated, lighted, and given power would be meter reading, transportation, and bookkeeping. The electricity itself and alone could be furnished for around a tenth of a cent per kilowatt-hour. This could be duplicated in every State.

This bill provides a method of securing the money without bonds or inflation.

The water-power suggestion only covers one of a hundred things that could be done to create more wealth to enjoy. Think of the recreation districts 10,000 dams and resultant artificial lakes would give. Think of the fishing, bathing, and home sites it would produce.

Of course, it would break the monopoly that the Honorable Woodruff has of having barefooted bathing beauties of central United States camping in the desert and semidesert areas of his district in Michigan, my Michigan.

Forests, parks, roads, public buildings, all could be made by this idea.

The idle men want work, not charity or insurance. The Sadowski bill would give them work. There could be no unemployment. There could be no tramps or beggars, except where age or physical handicaps come in, for every man would have work.

No sudden natural or other calamity could greatly injure them for work is always available.

There is in history a splendid illustration of the possible workings of the Sadowski bill if passed by Congress. In the year 1816 a world-wide panic was on. One of the worst of history. Every symptom we now have they endured except one. That exception was the interest burden. It was worse than this panic or depression or famine. Incidentally, I understand that the Mellon fortune was established in this panic and their family history shows they learned how to turn all succeeding panics to good family and fortune account, and the panic of 1920 to 1935 will probably be no exception.

In the English Channel is a group of islands of independent government known as the " Channel or Guernsey Islands." They used British and French coins. The bimetallic-money system had broken down, the money had all become hidden as our gold did at the beginning of our depression in 1920. No money, and people starving and suffering on every hand, starving in the midst of plenty. What was the matter? Just the same as now, the people had no money.

The story of the success of the Venetian monetary system was known to them. The collapse of the French Assignats they knew about and the success of the monetary system of Great Britain that put Napoleon on the Isle of St. Helena was valid in their minds. Their governing body was called the " States."

During this panic there was a demand for a new market house where stalls could be rented to merchants and farmers. No one individual could finance it. The " States " tried to borrow on its bond, but no money could be secured at home or abroad.

The president of the " States " thought out a plan of issuing their own money and brought it before the " States." This was the plan: The market house should cost £4,000, or about $20,000. While they had no money the brickmaker had an "overproduction " of bricks, a farmer just a little way from town had an " overproduction " of well-seasoned lumber, more than would be needed. Out at the lime rock they could secure all the lime that they needed, for even nature had an " overproduction."

A local dealer had all the other supplies which they needed, in fact he also had an " overproduction."

They had carpenters, masons, and painters in abundance with an "overproduction" of time on their hands. There was just one thing lacking—they had no money.

So the President of the "States" proposed that new fiat money be printed and given to the brickmaker for his bricks, to the cement man for his lime, to the farmer for his lumber, to the stoneworker for his stone, to the merchant for his supplies, and to the laborer for his labor.

On May 12, 1820, it was so voted, the conditions being that all persons would accept the money and that as the stalls were rented in the market house this money would finally be taken out of circulation, being redeemed as the rent was paid.

The work started. The farmers sold their materials and hauled them in and received the fiat money in payment. Then they went to the stores and bought goods and went home happy.

The laborer did likewise. The storekeeper accepted the money. He bought other kinds of farm produce and also paid his help with it. Business began to improve as the money began to circulate. The people of the island soon found that they did not really have any "overproduction."

Of course all sorts of arguments that could be imagined were used against the plan. "Would the money be good? Can you have money without paying interest? Of course it will not be any good if there is no bank that is backing it up." All the doubts and fears of the timid and the intrigues of the bank propagandists came up, but majestically the market house was reared and on Saturday, October 12, 1822, it was opened with a great celebration. The building cost a trifle over $21,000. It was estimated that the rental of the stalls would be about $750 a year and that with other revenues being added that it would take about 12 years to redeem the money from circulation.

The fact was that in 5 years from its opening the amount received from the rental of the market house was four times the amount which had been estimated. It was a grand and glorious success. The market house was paid for in one-fourth the time and not one penny went to a banker for interest.

A meeting was called for a jubilee at the payment of the debt. As this new money came into the "States" treasury for market-house rentals, it was taken from circulation and locked up in the vaults. At the jubilee meeting it was brought out and placed in a fireplace and burned. The money was gone, but a spended market house free from debt stood there to testify to the goodness, usefulness, and soundness of the "States" money.

The idea "caught" and issue after issue of new money was made. First there was an issue amounting to $20,000 for road work, the money to be redeemed out of taxes. People went to work building roads and widening those which were already made so that two four-wheeled carts could pass abreast, which was an unheard-of thing on the island.

Another issue of $25,000 was made to pay off bonds bearing 4½ percent interest.

In 1826, $50,000 in notes were issued for schools and Elizabeth College. Part of this issue was "loaned" to the neighboring island of Sark.

The success was so great that the people " just went mad " over their new-found method of getting money for " nothing ", so they grew more reckless, and while much of the Old World was in a depression everybody on the island of Guernsey was at work, getting paper money for their services and paying the merchants with it. Terrible as it may seem to have everybody at work, another issue of their " fiat " money was made in 1827, amounting to about $60,000. This was used to change the narrow Rue de la Fountaine, which ran by the market house, into a then modern street. Buildings were torn down and new ones erected, and as the rents came in the notes were redeemed from circulation.

Again, in 1828 and 1829 other issues of $42,000 and $55,000, respectively for Elizabeth College and road improvements, and a $5,000 issue for health work, due to a threatened epidemic of cholera, was made in 1834.

In about 15 years over $400,000 were issued (£80,000). On account of the constant burning of the old issues as redeemed at no time was there over $300,000 (£60,000) of this money in circulation. In short, the people's money was a tremendous success.

In all communities some are always wondering how they can prey on the public and rob them legally and in a respectable manner. The island of Guernsey was no exception. Note the contrast when private bankers interfered.

As early as 1826 they began to show their hands. There were no banks on the island during these boom years, but the itch of some people to get the banker's rake-off from the public was manifest in the finance committee. They raised the question of the danger of issuing so much money " against produced wealth ", that some members asked for permission to get the O. K. of the King of England. They were voted down.

In 1829 the Guernsey Banking Co., Ltd., opened its doors. One of the members of the finance committee who was opposed to the government money was an officer of the new bank, and the bankers went direct to the King to get him to squelch the new money. The King referred it back to the " States."

Another new bank, the Commercial Bank, was organized in 1830, and then each bank demanded equal rights with the Guernsey government to issue notes.

Note well the difference between the bank notes and the government notes. The government notes were issued on " wealth produced ", as in the erection of the market-house, the building of docks, improvements of schools and colleges, etc., etc., and was redeemed by incomes (rents) and taxes. The government notes had the entire wealth of the island in back of them, including the banker's wealth as well.

The bank notes had nothing in back of them except the banker's wealth, if any.

The government fought the banks in the " States ", but slowly one man after another was won over, until finally on October 9, 1836, a contract was signed by Daniel de Lisle Brock, the banks' opponent, giving the banks the right to issue money. The agreement stipulated that no more than $200,000 of " States " money would be allowed in circulation. This required the government to withdraw $75,000 from circulation, but not redeeming it, and to give the issuing privilege for that amount to the banks. The banks took $75,000 in bonds from the government as a pledge that at some future time the government would pay for the notes. That was in 1836. Without bank interference these notes would have been redeemed from circulation by 1840, yet at this date, 1935, 99 years later, the debt still hangs over the island as " the banker's basis of currency ", and $2,250 yearly has been paid the bankers for interest on the bonds alone, a total of $220,000, and they still owe the $75,000. That is not all. The same banks issued money against that $75,000 debt, on customers' notes and loaned out their own notes and have since collected another million from the public just to get money in circulation.

It was in circulation before the banks came. Business boomed and ran away with itself in improvements, education, health, and happiness.

Today they have a 96-year-old leech on their backs which has sucked over a million dollars from the public in that time that has been entirely uncalled for, and now a panic stalks the Island, again, and they do not know enough to retrace their steps because the banker thinks for them.

In issuing money on " wealth created " there can be no inflation, even if we had 50 or 500 billions of currency, instead of 5 as now. There would be no inflation because the wealth would be created and would always be greater than the circulating medium. Gold can be inflated by issuing more paper money against it than you have gold. The more paper money issued against gold, the more it is inflated and the more uncertain its value becomes. " Debt " money, Federal Reserve notes, or national bank notes are inflated, for the more there are issued the more debts there are created. To create a debt is to deflate the value of the wealth by which the debt is secured, and to create more uncertainty as to the repayment of prior debts.

On money issued on " wealth created " and redeemed by taxes or earnings, the rule is: The more money issued, the more wealth created.

We want more money and more wealth.

The parallel between conditions in the good old United States of America today (1935), and in the island of Guernsey, in 1815, when the new money was first proposed, is apparent.

If we issued new money and paid it out on wealth as created and started improvements at once, every man in America could go to work in a few weeks.

Business would boom. Houses would be painted. Vacant stores would be cleaned and filled with merchandise, ceasing to be eyesores. New houses would be erected. The standard of living, which is fast falling today, would rise as we all want it to do.

And who would suffer? Only the big banker leeches.

Even the small bankers would be blessed and would be successful, whereas now they are failing.

The Sadowski bill would work like the Guernsey Island money. It would be paid out by the Government to the otherwise unemployed as they create wealth and it would be redeemed from circulation by taxes or service as was the Guernsey Island money.

If one man or a million men are thrown out of work, by the terms of the Sadowski bill they would be creating new wealth and getting new money for it. The new money would automatically be taken from circulation by taxes or for services rendered making an automatic balance, so that neither too much money could be put into circulation or too much taken out. No one would get something for nothing. Each man would get pay for what he does. With work always available, there could be no unemployed, no suffering, no panics, and no need for foolish unemployment insurance that only guarantees idleness.

I have just two brief matters I would like to present, Mr. Chairman.

The CHAIRMAN. How long would you require?

Mr. MASON. Five minutes.

The CHAIRMAN. The Chair does not have the authority to extend the time unless it is requested by a member of the committee.

Mr. BACHARACH. I move the gentleman's time be extended.

The CHAIRMAN. Mr. Bacharach asks unanimous consent that the gentleman's time be extended 5 minutes. Without objection, you may proceed.

Mr. MASON. Thank you. I wish to discuss two charts that I have here on the subject of unemployment insurance. This blank (indicating on chart) shows the total wealth paid the laborers of the Nation in a week. This bottom half represents what is taken out of the laborers each week for taxes and interest; 33 cents of every dollar of what they spend in the store is interest, and 20 percent of it is taxes.

The system of unemployment insurance provides that 2 percent, let us say, is charged the laborer, 2 percent the employer, and 2 percent the Government. If that were done, when you deduct the 2 percent from the laboring man, he buys 2 percent less of goods, and throws 2 percent of the population of the country out of employment.

You start here [indicating on chart] with your line of employment and when those unemployed buy less, you add another line and another, and unemployment insurance, if carried to its logical end, would wipe out all industry and all labor.

This little chart here shows how the vicious circle would start. This represents your money [indicating]. You start here, and it grows less and less, until you get to zero. There is no way to figure out unemployment insurance without throwing every man out of work. It will not figure out. It is a mathematical impossibility.

Mr. WOODRUFF. Mr. Chairman, I should like to ask the witness a question. I am sorry that I missed nearly all of his previous discussion of this subject. But is it your opinion, Mr. Mason, that we are bound to have periods of unemployment in this country?

Mr. MASON. We will have them unless we change the system. Unemployment today is caused by two things. When you lay a dollar down on the counter for a dollar's worth of fabricated merchandise, as that dollar travels around the table, at the end of the line it will not hire another man to do the work. The interest taker takes 33 percent out of every dollar of expenditure. They take $12 out of $36 spent for clothes, which will not allow you, when you buy a suit of clothes, to hire another man to take your place. Of course, this particular panic we are in now was a premeditated affair. Every panic in history was. I have read the story of over a hundred panics, and every one was premeditated, it was intended to put people out of work and rob many of our citizens of the wealth that they created.

The CHAIRMAN. If there are no further questions, we thank you for the information you have given the committee.

The next witness is C. A. Hathway, New York, representing the Communist Party in the United States.

STATEMENT OF C. A. HATHWAY, REPRESENTING THE COMMUNIST PARTY IN THE UNITED STATES, NEW YORK CITY

Mr. HATHWAY. Mr. Chairman and gentlemen, my name is C. A. Hathway, 50 East Thirteenth Street, New York City, representing the Communist Party in the United States.

The CHAIRMAN. We are proceeding under the 5-minute rule, Mr. Hathway, but your time may be extended by unanimous consent of the committee.

Mr. HATHWAY. I will make the statement of our position brief and to the point.

The Communist Party is opposed in toto to the administration's economic-security bill as introduced by Senator Wagner and to its underlying provisions. We do not believe that this bill can be amended in the interests of the workers.

The Communist Party counterposes to this and urges the adoption of the workers' unemployment, old-age, and social-insurance bill, H. R. 2827.

In our opinion, the Wagner bill is not designed to provide social security for the masses of the people. In our opinion this bill is designed, rather, to provide security for the rich who dominate the country.

The aims of the sponsors of the Wagner bill, in our opinion, are, first, to quiet the masses who are today increasingly expressing their discontent with the crisis conditions that exist by offering them a sham measure that will give them in reality nothing.

Secondly, the sponsors see in this the possibility of lowering the cost of caring for the millions of unemployed in the country today; and, thirdly, by lowering the cost of caring for the unemployed the sponsors of the bill see the possibility in this of lowering the living standards of the American people as a whole, in order to increase the profits of the rich.

Specifically, the theory that each State should insist on its own law in relation to unemployment insurance is a negation of all effective social-insurance legislation.

In the first place, if one waits for the States, each one, to adopt an unemployment-insurance bill, the workers of the United States will be running around for the next 20 years waiting for unemployment insurance, as they have waited for all other forms of social legislation.

This bill will not serve quickly to give to the millions of unemployed real unemployment insurance.

Secondly, the basing of insurance on the States will involve the problem of residence not only for actors, as was pointed out by a previous speaker, but for literally millions of workers, because workers, particularly in periods of unsettled industrial conditions, move from one city to another in a desperate hope of finding jobs. You