

tax revenue could be obtained by increasing the tax rates on incomes, inheritances, and gifts is bound to be disappointed. This will be especially true when it is realized that the transactions tax will destroy most incomes out of which the taxes must ultimately be paid. Even under more favorable conditions there are limits beyond which such tax rates cannot be raised without destroying capital accumulation.

Capital investments and employment in this country would probably come to an end under the burden of the transactions tax, and an attempt to place a still greater burden upon incomes would be futile. The income, inheritance, and the transactions taxes combined could not pay the bill which the Townsend Plan would impose upon the American people. A tax burden seven times the present one (1934) could not possibly be paid.

(4) *The transactions tax would turn us into a nation of liars and lawbreakers.*

A tax on every transaction is an appalling thing to contemplate and it would be an amazing thing to witness. The bookkeeping involved would be tremendous. Evasions would be practiced daily, and our country, of necessity, would be turned into a nation of liars and lawbreakers. This would be the only alternative to complete ruin. People would not endure such a situation. The old Whisky Rebellion would be as nothing compared with the rebellion that probably would sweep this country if Congress should be so foolish as to enact into law this fantastic and impossible Plan of the misguided Dr. Townsend.

(5) *Czaristic powers would be given the government and the law would be unconstitutional.*

The plan provides that all sellers of goods shall be licensed, but it does not specify the licensing authority. Since the proposed bill stipulates that the amount of the license fee shall be fixed by the Secretary of the Treasury,

it seems that it is he who is to license all businesses.

Is there any one who cannot imagine the state of affairs that would exist if all businesses were to be licensed by the Federal Government? Is there any one who cannot imagine the swarm of government agents and inspectors that would be let loose upon the people of this country? Every person who would attempt to sell anything would be brought under the arbitrary authority of the Secretary of the Treasury. Our conventional and Constitutional rights in property, our right to make a living, would disappear. The Czars of Russia never had a power over their subjects equal to the power that this Townsend Plan would place in the hands of the Federal Government.

Of course, such a scheme would be unconstitutional; but that fact apparently has no significance in the minds of Dr. Townsend or of his aids.

(6) *Their circulation-of-money theory puts the cart before the horse.*

Another major fallacy in the Plan lies in the notion that the spending of money is all that is necessary to aid recovery. The Townsendites say in some of their literature that because money does not circulate, there is general stagnation in business. They apparently do not understand that it is because business has been in a state of stagnation that money does not circulate. Like so many inflationists, they put the cart before the horse. They do not seem to understand that as business recovers in a sound manner the necessary amount of medium of exchange will be drawn into circulation automatically, and as needed.

On the contrary, they maintain that all that is necessary to generate recovery is to put money into circulation. Therefore a system of circulating money must be set up, and they call upon the national government to assume the function of making money circulate.

The fallacies in such a notion ought to be