

Historical Precedents for Basic Income Advocacy: The Townsend Movement

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In this paper we take a historical angle on the question of how to build a movement for establishing a basic income guarantee (BIG), looking for precedents in the movement to establish of old age pensions a century and more ago (old-age pensions being uniform, universal transfer payments made to a particular segment of the population).

Our focus is the U.S. There were many actors in the movement that led to the establishment of robust old-age assistance and Social Security in the U.S., but there was one organization that truly mobilized the population. That was the Townsend Movement, and the Townsend Movement will therefore be our primary focus.² At the end of the paper we widen our focus and look more broadly at other actors and organizations and movements that advocated for BIG, or were “near-misses” in this regard, in the late nineteenth and early twentieth centuries.

The Townsend Plan and the Movement for U.S. Old-Age Benefits

In the time of the Great Depression, most advanced nations had

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² At its peak the Townsend Movement had 2 million members, more than any women’s rights or civil rights movement in U.S. history, and out-fundraised both the Democratic and Republican parties. As measured by *New York Times* coverage (number of articles in peak year), it was the eighth most publicized movement in U.S. history (Amenta 2006, 1-2).

some sort of old-age pension program in place, either instituted by labor or social democratic governments, or (like the very first national pension program established by Bismarck in Germany in 1889) instituted by conservative governments to preempt the socialists.³ The United States had only very inadequate state pension programs. In 1928, only 6 of 48 states had old-age assistance (OAA) programs, covering only approximately 1,000 persons. The Depression led to expansion, but even in 1934, only 28 states had OAA programs. Benefits were stingy, ranging from \$7.28/mo in Montana to less than \$30/mo in Maryland (Bennett 1969, 156). Provisions were typically punitive, for instance requiring forfeiture of a recipient's property to the government (Amenta 2006, 64).

In this situation, several organizations were advocating for a national old-age pension in the U.S., including the Fraternal Order of Eagles, the American Federation of Labor, and the American Association for Old Age Security (formed by Abraham Epstein in 1927) (Holtzman 1963, 22). But it was the Townsend Plan that produced a full-fledged mass movement for old-age pensions. In the absence of the Townsend Plan, it is likely that Congress would have taken some action to assist the elderly, but as we will see, the public pressure brought to bear by the Townsend organization expedited that action and made it more generous.

The figurehead and leader of the movement was Francis Townsend (1867-1960), one of seven children from a poor and devout Methodist family in Illinois, who dabbled in homesteading, land

³ Coyle (1937, 22ff), lists Germany, Great Britain, France, Italy, and the Netherlands, among others, as having pensions paid partly or fully out of taxes on employers and employees, and Australia, parts of Canada, Newfoundland, Ireland, New Zealand, South Africa, Denmark, Sweden and (pending implementation) Norway as having pension paid out of general taxes.

speculation, and teaching before putting himself through medical school. He served as a doctor to ranchers and miners in South Dakota for twenty years, then served in a medical capacity in World War I, and finally moved his family to Long Beach, California, where he found it difficult to establish a new practice as a doctor and ended up dabbling in real estate sales. At the outset of the Depression he caught a lucky break, being appointed as a public health officer for Long Beach thanks to the influence of a medical school classmate, but he lost that position in 1933 with a change in city administration. As a public health officer Townsend was appalled by the poverty he saw among the elderly in the community. Southern California was a magnet for the elderly, who had moved there, away from their support networks, in expectation of retirement in modest comfort on savings that the Depression wiped out.

In September of 1933, Townsend wrote a letter to the editor of the *Long Beach Press-Telegram* proposing that those over age 60 should receive a \$150/month pension, on condition that they not work and that they spend the money within the month. This would prevent the indignity of old-age poverty, he argued, while also stimulating the economy and freeing up employment for the young and middle-aged. The response to the letter was overwhelming, and Townsend set up shop to promote the idea and build up an organization, bringing in his former employer, real estate agent and entrepreneur Robert Earl Clements, as manager.

Townsend and Clements worked out a final version of the proposal: in order to credibly stimulate the economy, the pension would be a very generous \$200/month. It would be financed not by a sales tax, as originally proposed, but by a 2% tax on all business transactions.

Clements and Townsend organized their followers into dues-paying local clubs, and hired field organizers, working on commission, to distribute literature and organize new clubs around the country.

By the end of 1934, the Townsend organization claimed 2,000 clubs, 300,000 active club members, and 15 million "supporters" (Amenta 2006, 58). Townsend's numbers were probably exaggerated, and from this early stage in the movement documentation is scarce, but there is no question that the support his organization enjoyed was substantial. Based on sales of club literature, one historian estimates that at this stage there were about a thousand clubs with 150,000 club members (Amenta 2006, 58).

Townsend found an ally in John Steven McGroarty, a former newspaper editor newly elected as Long Beach's representative in Congress. McGroarty introduced legislation for the Townsend Plan in 1935, and Townsend came to Washington to promote it with a petition signed by millions (Amenta 2006, 85).

The timing of McGroarty's bill coincided with Congress's consideration of FDR's own suite of proposed programs known as the second New Deal, which attempted to comprehensively address issues like old age security, unemployment, disability, and health. The poorly written McGroarty bill got nowhere, and the politically inexperienced Townsend was humiliated during Congressional questioning.

But the movement was still just gathering steam. By the end of 1935, it can be reliably estimated that there were almost 4,000 clubs and over 500,000 club members. Townsend was profiled in

Time Magazine, the *New York Times*, and *Newsweek*. The *New York Times* estimated that the Townsend movement was powerful enough to unseat 73 house members (Amenta 2006, 111ff). By the spring of 1936, there were about 8,000 clubs (Amenta 2006, 127), with a new club being formed every 2 hours, and an estimated 2 million active members (Amenta 2006, 105), or about one-fifth of the entire population over age 60 (Amenta 2006, 3). In this early part of 1936, an election year, the Townsend movement was out-fundraising both the Republican Party and the Democratic Party (Amenta 2006, 127). Gallup polls showed 89% of the general population in favor of old-age pensions, and support for the Townsend Plan in particular fell between 42% and 55% (Amenta 2006, 115). The next version of the McGroarty bill had 69 co-sponsors (Amenta 2006, 116). Estimates of the number of petition signatures gathered by the Townsend organization in support of the bill ranged as high as 35 million (Stewart 2006, 223).

In 1936, at its peak of membership and publicity, the Townsend movement still did not have enough clout in Congress to pass McGroarty's revised bill (Amenta 2006, 130). But after some organizational changes the movement grew increasingly sophisticated: increasing recruitment in regions of the country where it was under-represented, demanding that Congresspersons declare themselves in favor of or opposed to the Plan, and preparing to mobilize voters for and against particular incumbents at the polls in 1938.

In 1938/39, support for the elderly was again on the Administration's legislative agenda. Again, as in 1934/35, the Townsend plan was unable to derail the Administration's agenda, but it made a much better showing than it had four years earlier,

and tilted Congress even further in the direction of generous old-age benefits in its modifications to FDR's program.

These benefits primarily took the form of increased matching funds for state OAA programs. Implementation was haphazard, as some states were more committed to providing pensions than others. The Social Security program itself was turning into a liability for the Administration on both political and technical grounds. It was taking money out of paychecks and wouldn't be paying out benefits until 1942, and thus it was undermining the Administration's Keynesian economic strategy. With Congress's 1939 amendments, the Social Security program became more generous and more "pension-like": it accelerated the timetable to begin paying benefits (to start in 1940 instead of 1942), it committed to paying out full benefits to individuals who had only recently retired and thus had not fully paid in, it covered additional workers (though still not agricultural workers), and began to cover widows, children, etc., of covered workers (Livingston 2008, 12-16).

Benefits were still inadequate. Social security, even as amended in 1939, was still a sideshow compared to OAA. (Social Security payments would not overtake OAA in number of recipients until 1953 (Amenta 2006, 213).) And at the end of 1938 the average OAA benefit was still less than \$20/month, significantly less than the \$40/month old-age pension that Gallup polls said the public supported (median of responses) (Amenta 2006, 164 & 179). The Townsend movement kept up the pressure, and the *New York Times* remarked that the Administration's approach was "still in grave danger of being scrapped within the next few years" in favor of pensions on the Townsend model (Amenta 2006, 190).

In 1941, the pension movement came even closer than ever to reaching its goal, with FDR himself campaigning for a minimum \$30/month universal pension as part of the platform for his bid for a third term in office. Key Congressional committees were willing to consider it (Amenta 2006, 197ff). Townsend himself signaled willingness to compromise and to work with FDR (whom he had for eight years regarded as a bitter enemy). However, the entrance of the U.S. into World War II derailed the domestic agenda. After the war, old-age issues were low among domestic priorities, and the Townsend Movement had lost its momentum. Social security underwent some additional minor modifications in the post-War years, but it remained minimal social insurance for workers, not a generous universal pension.

The Successes of the Townsend Movement

The Townsend Movement never achieved its stated goal of generous universal pensions. And it was very flawed in certain ways that are not central to this study. (Mostly these strategic and tactical flaws can be traced to the fact that Francis Townsend, though a good figurehead for the movement, was a poor administrator and strategist.) Nevertheless, its mass mobilization raised public consciousness and exerted political pressure that left a mark on the development of old-age benefits in the U.S. Specific developments credited to the influence of the Townsend movement include the following:

- In 1934, as the Townsend Plan burst into the public consciousness, the committee charged by FDR with developing the legislative package for the second New Deal proposed to offer old-age benefits even more generous than FDR asked for (at the expense of other types of benefits—

health insurance, disability insurance).

- In 1934/35, with the Townsend movement growing in popularity, Congress modified the second New Deal package to make OAA benefits even more generous than FDR's committee had proposed.
- With the federal government offering matching funds for state OAA programs, pressure by the Townsend movement and other groups led several states, mostly in the West, to offer truly generous old-age benefits.
- In 1938/39, when the newly resurgent Republican minority derailed other parts of the administration's social policy agenda, Congress *increased* subsidies for OAA programs, though the Administration did not ask for it. This was attributed by journalists specifically to the influence of the Townsend plan and pension movement (Amenta 187).
- In 1941, though it was never enacted, the President and key Congressional committees endorsed the establishment of a minimum universal old-age pension.

Lessons from the Townsend movement

The attempt to draw lessons from a movement nearly a century old must be undertaken with caution. You can never step into the same river twice, and clearly today we are standing in the middle of a very different river than Francis Townsend did. But we might cautiously draw a few lessons about what contributed to the Townsend movement's success, and I focus on those that are particularly applicable to the shared BIG context.

1. Harness existing discontent

It is evident that Francis Townsend tapped into powerful discontent among the aged that existed before his movement gave it expression. That discontent was the product of broad social and economic forces and demographic change. With the shift of the nation from farming to industry, from rural households and extended families to urban households and nuclear families--as well as improved health that led to longer lives and a rapid pace of technological change that made older skills obsolete--older people found themselves increasingly without means of supporting themselves and without traditional support networks. In Europe, the discontent was easily incorporated into comprehensive social reform agendas. In the U.S., with its culture of individualism and lack of a robust social democratic movement, it was not until the elderly achieved the group consciousness and solidarity of an *interest group* that the discontent could find expression in the U.S. political system—and when it did, thanks to Francis Townsend, it exploded.

The circumstances of old-age politics 100 years ago were fairly unique, and we can't expect they can be reproduced. But BIG is a protean proposal that can be framed as a political agenda in several different ways, and some of them may be more potent than others at addressing social discontent. Some types of discontent that today are “under-addressed” politically, and might resonate in a mass movement, include the crises of child hunger and student debt.

2. Harness the middle class

Active members of the Townsend movement were elderly (adult children on the hook to support aging parents may have supported

the idea, but they did not form the core membership) and white (the movement did not make much headway in the South). They also tended to be poorer than their peers, but they were not predominantly of poor or working class background; typically they were middle class—self-respecting, articulate, and down on their luck. They were educated and had social connections, social capital.

While there is every reason to encourage organizing among the poor and working classes today, I'd suggest that the potential beneficiaries of a universal program like BIG who are likely to be the most effective advocates and networkers and organizers are those in the middle classes.

3. Work across party lines

While Townsend and Clements made several inept moves, one that was particularly savvy was to avoid alignment with either political party and focus on an issue that could credibly be framed as American as apple pie. He sought and found allies and supporters and champions in both parties.

Today, too, if BIG is framed primarily as an anti-poverty issue it could end up as one of a myriad of causes left under-addressed in the Left's portfolio and opposed in knee-jerk fashion on the Right. If it is framed in terms of rights, or as an independent citizen's movement, with allies courted in both parties, it might (perhaps) stand a better chance of success.

4. Recruit the "biographically available"

One reason the elderly (rather than, say, the adult children on the

hook for supporting them) formed the core of the Townsend movement was that they elderly were, in the words of one sociologist, “biographically available” (Amenta 2006, 4). That is, they were retired or unemployed and had free time on their hands.

So today, while BIG could make a huge difference in the lives of (say) working single mothers, working single mothers are unlikely to take leadership roles in the movement. Three groups come to mind today as “biographically available.” One is students, a group that is perennially idealistic and willing to sacrifice for worthy causes. Another is the unemployed, though those in this group who possess the morale and energy and savvy needed for a political campaign are likely to be preoccupied with the job search. The third is, again, the elderly—with a secure if not necessarily generous income, with time and perspective, and with children and grandchildren who could benefit from BIG. The very same demographic that campaigned for old-age pensions might be the best core demographic to mobilize for a more universal BIG as well.

5. Appeal to both self-interest and altruism

Part of the genius of the Townsend Plan was what one writer calls its “social psychology” (Bennett 1969, 163): it recruited the elderly to agitate for a policy that would directly and generously benefit themselves, but could also be thought of as a matter of altruistic service. As it was the right and duty of the young and middle-aged adult to work, it was the right and duty of the elderly to spend, and by persevering in spending their \$200/month they would do the good work of lifting the nation out of its economic malaise. Indeed, the absurdly high figure of \$200 (more than twice the median income during the Depression (Amenta 2006, 4)) could be justified

only on the basis of the necessity of lifting the nation out of Depression. One of the reasons the Townsend movement withered away after World War II was that this prop—the need to spend the nation’s way out of Depression—was removed. With the end of the Depression, Townsend Plan activists could no longer advocate high pensions on the basis of altruism.

Today, the same tactic is used by those on the right to advocate tax cuts, especially tax cuts for the wealthy. On one level, advocating a tax cut is a self-interested act. But if one can convince oneself and one’s audience that it is altruistic also, and will benefit all by spurring economic growth and job creation (appealing to a doctrine of supply-side or “trickle-down” economics, or belief in a fettered Randian “entrepreneurial class”), one can advocate the self-interested policy without shame.

The same formula would work for BIG as well. BIG would directly, tangibly benefit everybody (or nearly so, depending on how it is financed), so everyone (or nearly everyone) has a material interest in establishing it. But what will get people excited about advocating it is conviction that it is *just* or *altruistic* as well. One option is to argue that BIG will help eliminate poverty. But I think we can do even better than that. (Why would people get any more excited about BIG as an anti-poverty program than they would be about any old means-tested program?) One could argue (as the Townsend Plan did, and *pace* the supply-siders) that BIG will spur economic growth and job creation by expanding consumer demand.⁴ One could frame BIG as compensation for fulfillment of civic obligations, similar to the system in ancient Athens, and thus

⁴ C.f. the arguments summarized in the first section and appendix of James Livingston’s *Against Thrift* (Basic Books, 2011).

supportive of a more robust democracy. A fourth option, if the BIG is a Citizen's Dividend financed with revenue from common resources, is to argue that it meets standards of distributive justice.

6. Have a good plan for how to pay for the program?

I offer this one with a question mark because the lesson offered by the Townsend Plan is ambivalent. The Townsend Plan included a very definite plan for how it would be financed, but one that was politically disingenuous and economically infeasible. Townsend proposed a tax on all business transactions because a sales tax would punish the consumer. But ultimately, a transaction tax would be passed along to the consumer as well, and since it would be compounded at every step along the supply chain it would be enormous by the time it reached retail. (It would also promote vertical integration and wipe out small businesses.)

On the other hand, the fact that the economics profession unanimously condemned the transaction tax hardly dampened the enthusiasm of Townsend club members and supporters for the Plan. One could chalk this up to lack of sophistication. (One author writes of having discussed the Plan "with hundreds of old people believing implicitly in the Townsend Plan as a revelation from God" (Neuberger and Loe 1936, 329).) Or one could argue that the great mass of supporters of the Plan specifically supported the *pension* and didn't much care how it would be financed. That's not an unreasonable position to take. It was the position taken by most other pension-advocating organizations of the era: Let the politicians and their technical advisors work out the details of financing.

To the extent that the general population is more economically savvy today than it was 80 years ago, one should not emulate the Townsend Plan and advocate a financing mechanism that is clearly flawed. One could leave the method of financing up in the air. Or one could offer a financing method that is detailed and sound.

This brings us to the Citizen's Dividend. This variant on BIG is driven not by consumer need but by an abundance of common wealth that is not being equitably distributed. Making that source of revenue a centerpiece of a BIG campaign could answer in advance the difficult question of where the financing will come from, as well as (see point #5 above) being an attractive feature of the BIG program in its own right, from the standpoint of fairness.

Missed Connections

To those who are familiar with the concept of the Citizen's Dividend today, looking to land and other common resources as a possible source of BIG financing is an obvious option. But this raises a historical puzzle. During Francis Townsend's own youth, Henry George had proposed a land tax as a fair way of raising public revenue. George (1885/1910, 38) even suggested that the money could be used to pay pensions. Why did no one (as it appears) in the pension movement from the 1920s to the 1940s advocate a land tax?

I'm still digging into this question, and the most plausible answer seems to be that the dwindling Georgist movement had ossified, and failed to recognize the significance of events that passed it by. (For instance: a international Georgist conference in 1929 focused on local tax reforms and failed to note the signs of a global

speculative bubble; in 1932 the leading Georgist economist of the day dismissed the Depression casually as “a period of slack business”; other Georgist writers preached old-fashioned small-government values against the New Deal that left them as marginalized as traditional conservatives (Gaffney 2008; Dodson 2012)). In addition, in the 1930s land values had plummeted, making them an unlikely source of revenue for a huge new federal program. And in the case of Townsend, we must remember that both Townsend and his partner Clement were in the business of land speculation, and entertaining Georgist ideas might have entailed some cognitive dissonance.

The converse question presents itself as well: Why did Henry George and his followers in the late nineteenth century not advocate dividends (as, for example, Thomas Paine had done in his 1799 *Agricultural Justice*)?⁵ Even George’s advocacy of pensions was only lukewarm. In one case he attributed the idea to “an English friend” rather than himself, and merely allowed that it would be admissible to use common funds to support widows, orphans, the disabled, and “any man who should grow so old that he could not work.” That’s a far cry from the sort of universal old-age pension Townsend stood for.⁶ George’s failure to advocate distributing some of the revenue from a land tax (which he acknowledged would far exceed government’s needs) as dividends appears to reflect confidence in his belief that by eliminating taxes on labor and capital and putting land to its most efficient use,

⁵ In the primary literature I have surveyed from this period, one British author (Spender 1892, 115) recalled that Paine had called for the creation of a fund that would provide start-up capital to youth and a pension to the aged, though he doesn’t describe the funding source and he misidentifies the quotation as coming from *Rights of Man* rather than *Agrarian Justice*. I did not find a single American author from the period who mentioned Paine’s proposal.

⁶ On another occasion, George declared to an English audience that every widow deserved a pension as a matter or right, irrespective of need (George, Jr., 1904, 426).

universal prosperity would follow. It also appears to reflect a compulsion to align himself with traditional values of thrift and hard work and to avoid giving anyone the idea that he would endorse idleness or dependence.

Ideas reminiscent of Paine and George occasionally crept into the debate in the 1930s. One author who was otherwise critical of the Townsend plan enthusiastically endorsed Townsend's idea of a universal pension (as opposed to FDR's patchwork of targeted assistance and insurance) with the argument that those who had lived in the nation their whole lives, no matter what their occupation, had earned the right to a *dividend* of the national prosperity (Coyle 1937, 105ff). And parodists of the pension movement asked, if having retirees spend money is so good for the economy, why stop with the elderly? Why not require people to quit work and start spending public funds at 45 (the writer's own age)? (Barton 1931) In principle, many of the arguments elaborated in the 1930s for a universal old-age pension apply equally well to an even more universal BIG or Citizen's Dividend.⁷

⁷ Certain types of objections raised to the Townsend Plan might be anticipated to be raised to BIG as well. Nicholas Roosevelt (1936) wrote: "The Townsend Plan contains the insidious poison of dependence.... One of the chief reasons for saving will be gone—saving against old age. Worse still, the knowledge that at sixty—or at forty-five [a reference to Barton's satirical article]—a comfortable pension from the government will be forthcoming strikes at the very root of that desire for economic independence which has been the motivating force of the growth of America. . . . In recent years, for political reasons this sort of individualism has been mocked or derided. But it has been an ugly mockery of those traits of character that made America great: self-reliance, initiative, courage and thrift. Never before have these virtues been so much needed. The Townsend Plan, by making millions dependent on the government, would sap the strength of the American character. It would make self-reliance superfluous, initiative futile, courage unnecessary and thrift foolish." (59) In a nutshell, "the Townsend thesis rests on the false doctrine that it is more blessed to loaf than to produce" (61). Ironically, casting about for an alternative, this conservative author endorses the *European* (social-democratic) pension model as an alternative to the Townsend Plan. (62)

A sober British study (Spender, 1892) tackled this objection head-on, and concluded that "There is no sufficient ground for thinking that the grant of a small pension at 65 would discourage thrift or injure the character of the recipients" (161). Furthermore, "The only method of dealing with the whole problem of poverty in old age and superseding out-door relief, is to adopt the plan of paying a uniform pension to all persons on attaining the age of

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65, without any previous contributions. This plan would be free from most of the objections [e.g., demoralization, perverse incentives] which attach to out-door relief as presently administered." (160-161)

One source (Neuberger and Loe 1936, 187ff) compared Townsend's plan with the dividend schemes of Major C.H. Douglas, the Scottish theoretician of "social credit," and William Aberhart, the Canadian politician who implemented a version of social credit as governor of Alberta. Neuberger and Loe mistakenly identify the Townsend Plan as "a glorified version of the *social credit* scheme"—in fact, the origins and purpose of the two types of dividend schemes are very different. Social credit is based upon the idea that the total value of firms' production is not matched by the total value of the compensation (wages, salaries, dividends) they provide to households, which inevitably leads to overproduction (rather, underconsumption) and economic slumps. The solution offered is to artificially introduce additional spending money into the economy via dividends (checks from government to households). This comparison again raises the question of missed connections: if social credit caught on in Western Canada, why did it make so little headway in the U.S.?

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