“Shortcuts to Utopia”? Townsend Test Scrip During the Great Depression

By Loren Gatch

Of the various kinds of scrip used in the United States during the 1930s, one variety issued as late as 1937 sought not to remedy hard times, but to test the feasibility of an idea: Dr. Francis Townsend’s plan for a national old-age pension. Townsend’s basic idea was to issue all retired citizens a monthly payment that had to be spent within thirty days. Funding for the pensions would come, in part, from a broad-based, national transactions tax. Townsend maintained that the surge of economic activity stimulated by the pension payments would make the idea affordable, if not self-financing. Derided by President Roosevelt and the Democratic Party as “shortcuts to utopia”, versions of the Townsend Plan were promoted by a national network of thousands of clubs with millions of members that comprised the Townsend movement. While the Townsend Plan never became law, Dr. Townsend’s advocacy and the political weight of his followers shaped the early politics of Social Security, pushing that program in a more generous direction than it otherwise would have gone.

The Townsend Plan was not a monetary panacea, in the sense that it did not propose that retirees receive pensions in special scrip or other currency. Nonetheless, it did share notions present in other, more overtly monetary schemes, namely a concern with the velocity of money and a faith in the economic potency of the money multiplier. Thus, Townsend’s ideas have been classed along with other monetary reform proposals of those years such as Irving Fisher’s stamp scrip, Major Douglas’s Social Credit, or the California “Ham and Eggs” initiative of 1938.

In early 1937, several local Townsend clubs did embark on precisely the sort of scrip experiments that the national movement had avoided. Beginning with Townsendites in Chelan, Washington, a scattering of clubs across the country sought to test Townsend’s ideas on a small scale by issuing to selected individuals an amount of purchasing power, either in the form of an especially earmarked supply of official currency or other checks and scrip, with the proviso that the individuals spend those funds as quickly as possible. In turn, local merchants pledged to assess themselves a transactions tax on the turnover of these designated funds. If the ideas underlying the Townsend Plan were sound, the reasoning went, then the surge in business ought to generate a tax revenue sufficient to replenish the funds initially paid out—a pension perpetual motion machine!

The results of these “Townsend Test” scrip issues were not particularly auspicious. Indeed, the experiments themselves were repudiated by Dr. Townsend and the national movement, claiming they distracted from the political goals of electing Townsend-friendly legislators and getting a pensions bill through Congress. Nonetheless, they were encouraging enough to the intrepid organizer of the first Chelan test, Isom Lamb, that he sought unsuccessfully to scale up Townsend-inspired scrip, in Utah and elsewhere, in the form of the United Prosperity Plan, Inc.

The Rise and Spread of the Townsend Movement

In its origin story, the Townsend Movement began with the depression experiences of Dr. Francis Everett Townsend, a retired physician in Long Beach, CA. The loss of his wealth in the 1929 crash along with the everyday spectacle of the indigent elderly led him in September 1933 to write a letter to the local newspaper calling for the creation of a plan whereby everybody over the age of 60 would be automatically eligible for a $200 a month pension, with the proviso that each person spend the whole amount at the end of 30 days. Pensions would be funded by a 2% “transactions tax” on most economic activity in the country—something like a modern-day value added tax (wages and salaries would be exempt). People on such pensions would be forbidden from working, to reallocate their jobs to younger applicants. The original plan caught on in popularity, and in February 1934 Townsend formally established the Old Age Revolving Pensions, Ltd., as his organizational vehicle.

Left: Francis Townsend, founder of the movement bearing his name. Right: A period postcard highlighted its independence from party politics.

While this plan underwent many modifications over the years, its economic premise remained fundamentally fantastic, with respect to its realism. For Townsend argued that his pension plan, rather than being a fiscal burden, would represent a great economic stimulus to the country. As old people spent their pensions on a specific schedule, the injection of purchasing power would increase the national income, thus lightening the burden the pensions would otherwise impose upon the nation. Indeed, Townsend contended, funding old peoples' retirement would result in a spending stimulus that would eliminate unemployment.

Despite its fiscal extravagance, the plan appealed to ordinary older Americans because it styled itself as a pay-as-you-go plan that didn't propose to tax the rich. Unlike the schemes of other agitators like Huey Long or Father Coughlin, the Townsend Movement was radical without attacking anybody, cloaking itself in patriotic and religious symbolism and centering upon the virtuous figure of Townsend himself, who assumed a cult-like status in the eyes of his middle-class, Protestant followers.

As one student of the Townsend Movement, Edwin Amenta, observed of the 1930s, "concocting anti-Depression remedies was becoming a national pastime", and Townsend's proposal was not unusual for the time. To Amenta, the real innovation of the Townsend Plan was not its ideas, but the mobilization strategy followed by Townsend's confederate, Robert Earl Clements. A former real estate man, Clements was the organizational genius behind the rapid transformation of the Townsend Plan into a nationwide movement. Using the sales skills of his previous profession, Clements built the national movement by delegating the organization of local Townsend Clubs to agents working on commission. In turn, the many rivulets of club dues and newspaper subscriptions produced a growing and lucrative stream of revenue that financed the expansion of the national movement, personally enriching Clements and Francis Townsend's family.

From its beginnings in early 1934, the Townsend club network grew with extraordinary rapidity. By 1935, the movement claimed some 3,000 clubs around the country, though its support always remained strongest in California and the Pacific Northwest. Politicians noticed, and the Townsend movement became involved in the national debate over Social Security, with Dr. Townsend himself appearing before Congress that year in support of an unsuccessful bill, introduced by Representative John S. McGroarty of California, that would have established a national pension scheme along Townsend's lines.

Despite its program being panned by authorities, the Townsend movement thrived throughout the 1930s. The millions of elderly members of the Townsend club network certainly didn't see themselves as members of a special interest. Attacks upon Townsend's ideas and Townsend himself only reinforced his followers' convictions. Though hostile to Roosevelt and willing to solicit Republican support, Dr. Townsend tried to stay above partisan politics in a way that both kept his reputation unsullied and made him a martyr in his followers' eyes when attacked by conventional politicians and other critics.

Robert Clements' organizational genius imparted to the movement a certain vitality even in the face of legislative frustration. In Edwin Amenta's words, "the Townsend Plan anticipated the techniques of Tupperware and Amway." Despite the passage of Social Security in 1935, the movement continued to grow, reaching nearly 8,000 clubs and 2 million members by early 1936. Organizationally, the Townsend Plan combined an extremely top-down policy direction with a decentralized membership and financial structure. While the thousands of individual clubs didn't dictate policy, they were expected to contribute financially, via dues and subscriptions, to sustain the cause. Internally, clubs mobilized their supporters by providing them with opportunities for socialization, fellowship, and purposive activity that overcame the frequent loneliness of old age. Club members were particularly encouraged at meetings to envision the cornucopia of goods they could purchase with their new pensions. Indeed, the movement partook in no small way of the fervor of evangelical Christian revivalism, with the upright and slightly-sanctimonious Dr. Townsend leading his flock to the Promised Land.

The Townsend Test Scrip of 1937

In March 1936, Clements parted ways with the Townsend Plan, selling his share of the Old Age Revolving Plan Ltd. to Dr. Townsend for considerable personal profit. Thereafter, the movement experienced some organizational turmoil, as Townsend abandoned his figurehead position to assert more direct control over the organization and flirted with more divisive public figures like Father Coughlin and the Rev. Gerald L. K. Smith. Townsend also embarked on a more partisan political style, stumping for William Lemke's ineffectual third-party candidacy in the Presidential election of that year.

In this environment, with membership growth stalling and club revenues to the national organization plummeting, individual clubs struck out on their own with unsanctioned scrip initiatives. The first scrip plan was put into effect in January 1937 by the Townsend club in Chelan, Washington, a small town in the apple-growing part of the state. Isom Lamb, the supervisor of

Chelan's club, staked $200 on a six-month scheme whereby a pensioner chosen by lot would be given that amount of money, with instructions to spend it as quickly as he or she could. In turn, local businesses agreed to pay a two-cent tax on each time one dollar of that money was spent within the community; as the funds circulated, the resulting tax payments would build up a fund which, at the end of a month, would be available for the next eligible recipient, and so on. At least Lamb seemed to think it was feasible: "I believe this tax each month will produce enough revenue to add at least one new pensioner each month…and before the guaranteed test of six months is over we shall see all eligible under the Townsend Plan provisions in Chelan receiving the maximum $200 a month."

A person of great energy, Isom Richard Lamb evangelized the Townsend Test experiment to other Washington communities even as he ran Chelan's. The Chelan undertakings represented the original, extreme version of the idea, one that Townsend himself and his organization had backed away from by the late 1930s. Several assumptions would have to come true for it to work. The original funds would have to be a net addition to the community's purchasing power. The funds would have to remain in the community, and not leak out for external transactions. The rapidity with which they circulated had to compensate for the withdrawal of 2% tax on each transaction. Each earmarked dollar of the fund would have to be spent fifty times to accumulate its replacement by month's end. This meant that merchants pay the tax not only on the original expenditure by the lucky pensioner, but on every subsequent use of the earmarked funds throughout local commerce. This would have required extraordinary levels of cooperation among the citizens of Chelan to work.

The first recipient of these test funds was one Curtis C. Fleming, a 63-year-old unemployed orchard worker chosen by popular contest at a Chelan dance hall, where the entry ticket gave each attendee one vote in the selection of the winning candidate. Fleming duly received $200 in one-dollar bills that were enclosed in a paper sleeve so that their distinct status could be identified for taxing purposes. In an article in *Paper Money* from Spring 1972, Robert S. Vanderwende described the arrangement thus:

> [t]he currency had attached, stapled in all four corners, a printed slip, the same size as the currency. At the top of the slip was printed: *"This is a Chelan, Washington, Townsend Test Dollar. Please write your name and the date it entered your hands on space below. Spend locally. If this bill entered your hands 30 days after the first date, please tear off this slip and give to Miners & Merchants Bank, Chelan."*

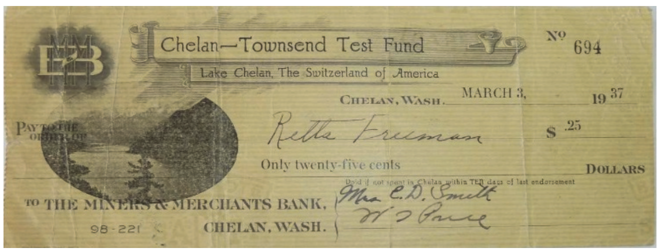
In this press photo, Isom Lamb sends the Flemings on their spending ways.

Upon receipt of the tagged notes and applying their own signatures, merchants would then set aside the requisite two percent tax. Dogged by national reporters who chronicled each of his expenditures, from his wife's visit to the beauty parlor to utilities and grocery bills, Fleming dropped some $82 the very first day. Merchants in turn maintained their separate "kitties" into which the tax revenues were to flow.

As Fleming's spending spree went on into the third week of January, the Chelan Townsend Test encountered a problem: souvenir hunters were taking the tagged notes out of circulation, some of which had already accumulated up to ten signatures. Isom Lamb also alleged that a rival Townsend group in nearby Wenatchee, known as the "McGroarty Boosters", were hoarding the notes to sabotage the experiment. In response, the mayor of Chelan appealed to businesses to collect two percent on all transactions, tagged notes or no, to accumulate the necessary funds for the next month. Indeed, Lamb suggested that a general sales tax might generate enough revenue to provide for multiple pensioners.

Why a rival group would have sought to disrupt the test is not entirely clear, though the letter Lamb claimed to have received from the other Townsend group expressed concern that the failure of an unimpeded test of Townsend scrip would have cast a shadow over the larger movement. In an editorial, the *New York Times* seemed to expect as much, anticipating that the failure of Chelan's "one-man Townsend plan" would reveal the fallacies in the national plan. In any case the national Townsend leadership had never approved the tests and would soon repudiate them once it became apparent that Isom Lamb wanted to substantially expand the undertaking.

Given the difficulties of using sleeved dollar bills, the first Chelan test generated a measly $23 in tax, barely a tenth of what Townsend Test promoters had hoped for. At the beginning of February, Isom Lamb again fronted the funds for a second experiment, but with some changes. To head off sabotage as well as souvenir hunting, for this second round Chelan adopted a different method. Mrs. Retta Freeman, a shop keeper fallen on hard times, was chosen to receive and spend the second $200, this time in the form of checks drawn upon the Miners & Merchants Bank in round amounts ranging from ten cents to one dollar. Upon receipt of a check, merchants were required to endorse the back and set aside the appropriate tax. This new arrangement was hardly less inconvenient than the old one, and the checks themselves were hardly immune to extraction by collectors. But at least the funds behind any uncashed checks ultimately remained in the bank.


Chelan—Townsend Test Fund
No 694
Lake Chelan, The Switzerland of America
CHELAN, WASH. MARCH 3, 1937
PAY TO THE ORDER OF Retta Freeman $ .25
Only twenty-five cents DOLLARS
TO THE MINERS & MERCHANTS BANK, CHELAN, WASH.
98-221
Mrs. C.D. Smith
W. D. Pruce

A Townsend-Chelan Test check (image courtesy of Lake Chelan Historical Society)

Thanks to publicity generated by the Chelan test, clubs in other communities around the country moved to undertake their own experiments in early 1937, copying to varying degrees the details of the Chelan precedent. Those communities nearest Chelan had been the focus of Lamb's evangelism. In Brewster, a town a few miles north of Chelan, Dave Sampson, a 61-year-old unemployed laborer and father of 11, was chosen to receive $200 in checks made out simply to the name "Prosperity." The club in Cle Elum, to the southwest of Chelan, issued $400 in checks to two of its members.

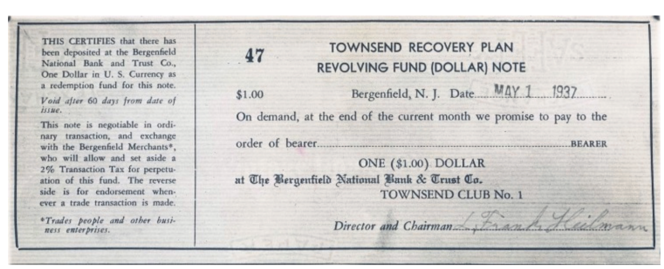
Other experiments undertaken elsewhere garnered national attention, as reporters followed the spending habits of their fortunate guinea pigs. The Townsend club in Greenfield, Massachusetts, announced it would hand out $200 in tagged bills to one of its own members, Mrs. Carrie Saben, subject to the same transaction tax. Each of the bills was accompanied by a slip which stated,

"This is a Townsend dollar. Each time it changes hands the person receiving it is requested to pay 2 cents as a voluntary transaction tax to the person paying it, who in turn is requested to pay the 2 cents to Mrs. Carrie E. Sabine or to the W.L. Goodnow store at 238 Main Street, Greenfield, Mass., for the Greenfield Townsend club. Check a square below each time the dollar changes hands."

In inaugurating the program, the president of Greenfield's club did not shortchange on the rhetoric. "And just as those few scattering shots at Lexington foretold the booming of the cannon at Bunker Hill…so the spending of this $200 in Townsend fashion among the merchants of Greenfield will foretell a bigger, better day when the Townsend plan is a law and not a dream…Mrs. Saben, you are our beloved herald of better times. God speed you on your sacred errand."

In Moberly, Missouri, a local stationer proposed to bankroll the issue of $1,200 in "Townsend Money", upon which would be levied a three percent tax. The Hot Springs, South Dakota club chose Rufus Pack, a 77-year-old painter, to spend $200 for the first of a three-month experiment. Instead of tagged currency, the club would convey to the pensioner the equivalent in scrip, backed by standard funds in the club's treasury. To foil the impact of souvenir hunters, the scrip was to be called in and reissued at certain dates, allowing abstracted specimens to be replaced with new ones. A club in Sarasota, Florida, issued 500 cards which participating merchants were to punch with each transaction. Once a card was completely punched, it could be redeemed with the merchants for the cumulative tax. Fulton, New York's club raised $200 which it then used to back an issue of scrip divided evenly among four lucky members.

At about the same time that Carrie Saben began her spree, the town of Bergenfield, New Jersey undertook its experiment not so much out of any fervent local belief in the Townsend Plan but for the sheer publicity. After raising $200 by selling 25-cent chances to local citizens, the winner was chosen by lot to receive a like amount of "Townsend Recovery Plan Revolving Fund (Dollar) Notes" drawn on the Bergenfield National Bank & Trust Co. Harry C. Fichter, a thirty -year-old home builder from Tenafly, hardly qualified as a "pensioner", but his ticket drawn by the spin of a wheel at a Townsend club social entitled him to the windfall. Other clubs looking into running their own Townsend tests included those in Ogden, Utah; Middleboro and Springfield, Mass; Cleveland, Ohio; the California cities of San Jose, Ontario, and Santa Cruz; and Harlingen, Texas.


THIS CERTIFIES that there has been deposited at the Bergenfield National Bank and Trust Co., One Dollar in U. S. Currency as a redemption fund for this note.
Void after 60 days from date of issue.
This note is negotiable in ordinary transaction, and exchange with the Bergenfield Merchants*, who will allow and set aside a 2% Transaction Tax for perpetuation of this fund. The reverse side is for endorsement whenever a trade transaction is made.
*Trades people and other business enterprises.
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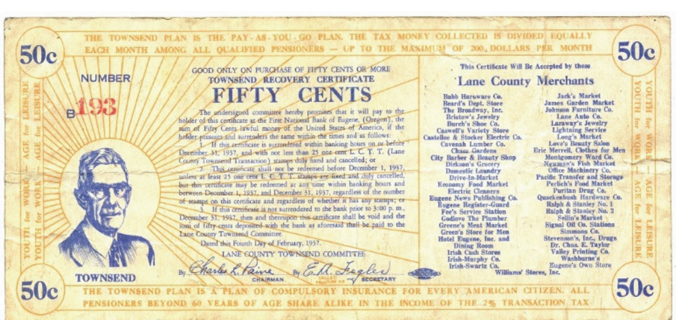
TOWNSEND RECOVERY PLAN
REVOLVING FUND (DOLLAR) NOTE
$1.00 Bergenfield, N. J. Date MAY 1 1937
On demand, at the end of the current month we promise to pay to the order of bearer BEARER
ONE ($1.00) DOLLAR
at The Bergenfield National Bank & Trust Co.
TOWNSEND CLUB No. 1
Director and Chairman

Bergenfield, New Jersey's Townsend scrip

The Townsend Stamp Scrip of Eugene and Springfield, Oregon

Unlike the use of circulating checks in Chelan and Brewster, the Townsend club of Lane County, Oregon undertook at the beginning of February to issue actual scrip. While it is unclear as to whether Isom Lamb had any specific influence upon this choice of medium, carrying out a Townsend test using the stamp scrip method was an intuitive way of implementing a version of the movement's core ideas, and moreover brought together two fads, one new and one old. Instead of merchants endorsing the instrument, as in Chelan or Brewster, and accumulating the two-percent tax receipts themselves, under the Lane County plan tax stamps could be purchased in advance and affixed to the back of the note, much as was done during the national stamp scrip boom five years earlier.

In the Lane County experiment, forty businesses in the city of Eugene contributed $400, which was placed in trust at the First National Bank of Eugene as backing for the scrip. The notes came in two denominations: 50 cents (with space on the back for fifty 1-cent stamps) and 1 dollar (with space for fifty 2-cent stamps). The orange and blue scrip features a portrait of Townsend, gaunt and bespectacled, from which an obvious halo radiated across the face of the note, reflecting the characteristic reverence that members felt towards their leader. Framed by typical Townsendite slogans, the field of the note is otherwise taken up with a list of the participating Eugene merchants and the terms and conditions of the scrip's use. Notes were to circulate until they accumulated the full complement of "L.C.T.T" stamps, when they could be redeemed for their face value in cash at the bank. Between December 1 and December 31, 1937, notes could be duly redeemed, whatever the quantity of stamps they sported. On the afternoon of the 31st, however, the note became invalid, with ownership of the funds backing it reverting to the Lake County Townsend club. These rules had the effect of allowing for some sort of test of the Townsend plan while anticipating the actions of souvenir hunters who had proved to be such a nuisance in Chelan. The

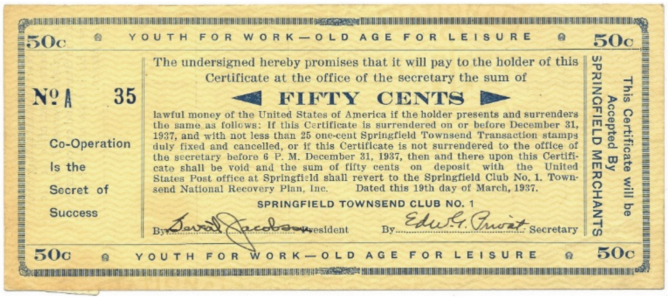


Lane County Townsend scrip circulated in Eugene, Oregon. Spaces for stamps appear on the reverse.

two lucky recipients of Eugene's scrip, Mrs. Calvin E. Hill and Henry Folz, duly went on their spending sprees.

Using stamp scrip instead of endorsable checks or some sort of improvised money sleeve proved superior with respect to collecting the transaction tax, as opposed to relying upon merchants to maintain their separate "kitties", as in Chelan. However, the same problems that disrupted so many stamp scrip experiments between 1932 and 1934 were present in this new undertaking as well. Who would pay for and apply the stamps, the merchant or the customer? How could the experiment prevent collusive cheating whereby buyers and sellers exchanged scrip, but without using stamps? Moreover, testing the core premise of the Townsend Plan—namely, that an increase in the velocity of money would provide such an economic stimulus that the plan would be, to some substantial extent, self-financing—required that stamping should take place according to time, and not transaction. This had been, after all, Professor Irving Fisher's recommendation in 1933, when he put forth his national plan for stamp scrip. Yet, most of the hundreds of stamp scrip experiments undertaken during 1932-34 were of the transaction variety instead. Of these, only a few ended successfully, in the sense that customers and merchants cooperated in supplying and affixing the necessary stamps to most of the scrip notes. Users of stamp scrip had to be mobilized and motivated to use it properly, and success required that experiments be conducted on a small scale. Attempts to scale up stamp scrip experiments beyond a few hundred to a few thousand notes invariably ended badly, as when Charles Zylstra tried to expand the precedent of Hawarden, Iowa, or when Winfield Caslow peddled his "Recovery Certificates" in Chicago (see *Paper Money*, Mar.- Apr. 2009).

The apparent purpose of the various Townsend Tests was not to seriously propose a monetary version of the good doctor's national plan, but simply to test the proposition that a particular pensioner's grant of $200, in whatever form, would generate additional business of a volume sufficient, if taxed at 2% per transaction, to produce a self-sustaining fund available to the next pensioner. Some experiments varied in their details from Townsend's formula. Following Eugene's example, the Townsend club in Springfield, Oregon issued its own scrip in March 1937. Apart from adopting almost identical language with respect to when and how the scrip should be redeemed, the Springfield club planned to issue only $100 worth of scrip, to be divided among four different club members.



Springfield, Oregon's Townsend scrip was modeled on Eugene's. Spaces for stamps appear on the reverse.

Given the good humor with which some of these Townsend Tests were reported upon nationally, the atmosphere in which they were undertaken resembled more a contest than a serious experiment. Choosing the winning participants, by lot or some other kind of vote, was itself part of the fun. Once underway, the spending habits of the winners were usually subject to droll scrutiny by the newspapers, with the expectation that part of the game entailed unloading their purchasing power as soon as possible. C. C. Fleming's purchases were documented in minute detail. Harry Fichter blew through his allotment in twelve days, starting off with linoleum flooring for his mother. Carrie Saben took the entire month, beginning with some haberdasheries for her husband, upon whom she doted.

Some spenders encountered pitfalls and larger problems. Retta Freeman, the second Chelan tester, had her monthly state pension of $17.50 a month temporarily docked, as state law required recipients to be indigent. Rufus Pack in South Dakota simply couldn't unload his funds within thirty days: a set of false teeth that he had ordered did not arrive in time, leaving him with sixty dollars unspent. Carrie Saben had to pause in her shopping to recover from an automobile accident. John S. Adams, one of the two Cle Elum "testers", alas died with $25 left to spend. Isom Lamb declared that the remaining balance of this allotment should go towards funeral expenses.

The substance of any serious experiment, though, lay not in getting people to spend money in a hurry, but in assuring that the earmarked funds continued to circulate as rapidly as possible, after their initial expenditures, to build up transaction tax receipts. Chelan's experience showed how difficult this could be, sabotage or no. After both Fleming and Freeman had gone through their allotments, only $67.40 remained to finance the next recipient. Bergenfield merchants managed to collect only $26.40 in tax receipts, and that included five dollars contributed by the National City Bank of New York, which wanted specimens of the scrip for its currency collection. Carrie Saben produced some $19.77 for her club. Halfway through its month, Cle Elum's test produced less than half of the sum necessary to replenish the pension fund. Yet once these various 'testers' ran through their $200 grubstakes, the publicity faded to the detriment of the tests. In Eugene, for example, the local paper reported that the first piece of scrip was turned in, completely stamped, barely two weeks after the experiment began. Yet the next newspaper mention of Eugene's Townsend Test scrip did not occur until late December, when the Townsend club announced that remaining scrip would be called in for redemption, whether stamped or not. After a peak circulation of $700, some $200 was still outstanding.

Isom Lamb Markets his Prosperity Plans

Generally, the paltry tax take from Townsend Tests around the country seemed to disprove the viability of the Townsend Plan, but this did not dissuade Isom Lamb from pursuing bigger ambitions. Francis Townsend himself had dismissed the Chelan episode as "useless because it is confined to a single locality." Indeed, Lamb countered, it was the very smallness of scale that had doomed the various experiments. By the end of February, with the second phase of Chelan's test coming to an end, Lamb proposed a national version of Townsend scrip, whereby upwards of "100,000" people would receive $1 "bonds" issued against funds deposited in banks. In this stamp scrip scheme, pensioners would be obliged to spend their $200 in bonds within thirty days. Each bond would have to be validated with a two-cent stamp applied every three days to keep circulating and would be retired after accumulating fifty-five stamps (with a ten percent margin for plan expenses). No bond could remain outstanding for more than seven months.

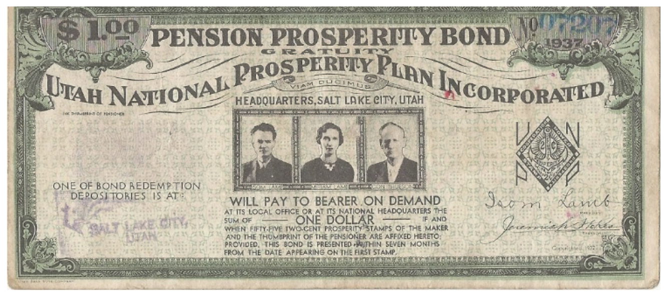
While these features seemed to address the velocity problem encountered in Chelan and elsewhere, what really distinguished Lamb's proposal was his evident readiness to market the bonds to pensioners in exchange for their upfront $200 investments, in real money. Rather than undertake light-hearted experiments in which "testers" won the opportunity to embark on isolated community-financed spending binges, Lamb had converted the premise of the Townsend Tests into a marketable annuity that promised an indefinite series of $200 monthly payments in scrip based on a single investment of $200 actual dollars. Investors were promised that they would double their money, in terms of the scrip's purchasing power, month after month, all financed by the financial magic of continual stamp sales!

Only on the most extravagant assumptions as to scrip turnover could Lamb's plan be anything but a pyramid scheme. At this point, alarmed that Lamb was using his relationship with the Townsend Plan to fleece the elderly, the national organization disavowed their former organizer, and a Wenatchee gathering of Townsendites voted to remove Lamb as their delegate. On top of this, the Chelan Chamber of Commerce issued a report sharply critical of its Townsend Tests, concluding that they "proved that needy old people can spend $200 in one month, nothing else." Lamb also bickered with Chelan authorities about the size of the tax take, claiming that the low reported numbers did not include the funds set aside to finance Retta Freeman's purchases, as well as those of her successor. Taking those sums into account, Lamb claimed, the Chelan tests were actually working. Nonetheless, by the beginning of March 1937, Lamb was out of Chelan and out of a job.

Though repudiated by the national Townsend leaders, Isom Lamb was careful himself not to break with the organization, as he needed his association with the Townsend movement to sell his bonds to elderly investors. Indeed, he defended his plan on the grounds that it was unfolding now, whereas the prospects for the Townsend Plan ever becoming national law were uncertain at best. At the beginning February Lamb had recruited Townsendites in Ogden, Utah to start a test in that town; with his Washington state links severed, Lamb relocated to Utah to continue organizing on behalf of his bond plan, now styled as the "Utah Prosperity Plan."

Though not himself from Utah, Lamb's credibility was helped by the fact that he was Mormon, and that his wife, Miriam, was a Utahn and had family in Parowan. Invited to promote his ideas in Utah by Con Theuson, the state Townsend manager, Lamb encountered such receptive audiences that he effectively took over the Townsend clubs in Weber County, converting them into vehicles for promoting and using his prosperity bonds. Establishing his headquarters in Salt Lake City, Lamb embarked upon a recruiting effort to build support for his bond plan across the state, using the same organizational techniques by which the Townsend movement itself had spread.

Initially, Lamb proposed six Townsend Tests in Logan, Brigham, Ogden, Price, Richfield, and Provo, mobilizing the local club's members to undertake the necessary solicitation of business support, first to accept the prosperity bonds in payment for goods and services and second to purchase the necessary stamps. Business cooperation on that scale was a tall order, and Lamb tried to ease this by establishing redemption facilities at which merchants could convert their bonds into cash without any further need to apply stamps. By the third week of March, Lamb officially launched the "Utah National Prosperity Plan", now completely separate from the Townsend movement, with an organization of that name incorporated under Utah law by Jeremiah Stokes, a Salt Lake City attorney and author who ten years previously had himself been convicted of securities fraud. Stokes additionally served as treasurer of the plan. Miriam Lamb served as vice president, and J. D. Lamb, identified as Isom's brother, was installed as "national cashier." Investors recruited from the ranks of Utah Townsendites were invited to join the plan with a membership fee of 50 cents a month, which would make them eligible to be chosen to receive $200 allotments of Lamb's prosperity bonds whose circulation, Stokes maintained, would generate proceeds from prosperity stamps sales such to assure the pensioner "a perpetual income of $200 a month."



A Pension Prosperity Bond of the Utah National Prosperity Plan, Inc. These probably went into circulation in late March, 1937. Spaces for stamps appear on the reverse. A similar note issued in May replaces the word "Utah" with "United", reflecting the organization's change of name.

The scrip is an attractive product of the Utah Bank Note Co. (founded in 1935, and still in business as UBN Printing Services), with black text on green safety paper and an ornate green border framing the text announcing the entity, the location of its headquarters, and the name and amount of the denomination. At the center of the note is a somber triptych of facsimile portraits of (from left to right) Isom Lamb, Miriam Lamb, and Con Thueson, above which is a banner bearing the Latin expression "Viam Ducimus" (We Lead the Way). Underneath the portraits are instructions as to how the note should circulate. To the left of the note are fields identified where the pensioner is to apply an ink thumbprint, and in which city the bond's redemption office can be found. To the right of the note, underneath a vignette of the prosperity stamps which are to be affixed to the back, are the signatures of Isom Lamb (President) and Jeremiah Stokes (Treasurer).

So far, Lamb's prosperity plan represented just a more extensive and ambitious version of the earlier Townsend Tests. But there were two important differences. First, in addition to acquiring bonds by being chosen to receive their gratuitous allotments, members could actually "self-finance" by purchasing their initial supply of bonds for $200 in real money, secure in their expectations that the stamp sales generated from the bonds' circulation would provide them with an indefinite monthly income of $200 (presumably also denominated in bonds). Secondly, members who so purchased their bonds were encouraged to recruit others to do the same, with the proceeds of those later sales reimbursing the earlier bond purchasers. Thus, what Lamb and his associates were embarking upon was not merely yet another experiment with "velocity dollars", but a scheme of chain marketing based upon the fantastic premise that Lamb's bonds would circulate so quickly that the investor-members of the Utah National Prosperity Plan would double their money in one month.

In launching this scheme, the publicity given to lucky volunteer bond recipients became the hook that brought in self-financers prepared to pay upfront. Lamb's entry into Utah split the Townsend movement there, but significant numbers of Townsendites migrated into Lamb's prosperity plan, providing staff for the new enterprise. In addition to Con Thueson, the president, vice-president, and secretary of the Weber County Townsend organization all joined with Lamb and vouched for his legitimacy among Townsend supporters. To expand their sales outreach, plan officials conducted classes in which attendees were promised their own $200 a month in bond salaries for recruiting new pensioner-investors. By the end of March, the first six pensioners in Ogden signed contracts, paying the plan $200 in exchange for the monthly equivalent in bonds, as did seven others Salt Lake City.

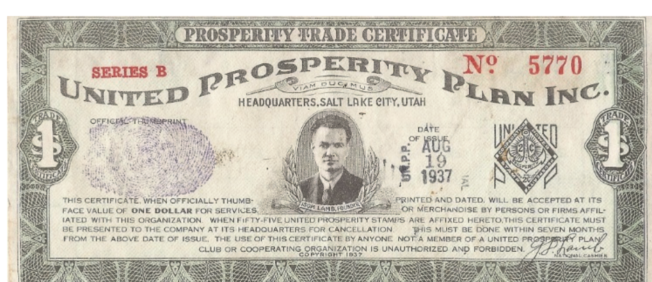
As Isom Lamb embarked that spring upon a speaking tour to spread his financial gospel throughout Utah, a number of problems emerged. The Ogden Chamber of Commerce came out against the plan, urging merchants not to participate in Lamb's "uneconomic and entirely unworkable brainstorm." The city commissioners of Ogden voted to refuse to accept bonds in payment to the city. Likewise, the Weber County medical association declared that its members would not accept bonds in payment for their services. Without pronouncing on the merits of the plan, the LDS Church advised that it did not endorse use of the bonds and was otherwise not connected with scheme. In particular, the Church announced it would not accept the bonds in payment of tithes, as this would have required the Church to purchase the stamps necessary to keep them circulating.

Of all these headwinds, opposition from organized business interests would have been particularly problematic, as merchants' cooperation was essential in maintaining the circulation and stamping of the prosperity bonds. On top of all this though came a blow from the state of Utah in the form of a letter in mid-April from A. Ezra Gull, the director of the state's securities commission, advising the public that while the UNPP was a Utah corporation, it had not secured permission to market its "fiat money" bonds to investors. Gull questioned "the advisability of paying $200 for bonds for which a market has not been established." Lamb struck back with a libel suit against Gull, claiming moreover that as a charitable enterprise the UNPP was not obliged to register its bonds with the state.

Pending a resolution of this conflict, Lamb and his group continued its recruitment, expanding beyond Salt Lake City and Ogden to establish a presence in Provo, Price, Brigham and other cities. By early May at least sixty members of the plan received their first $200 installment in bonds. With an eye towards operating in other states, the group altered its name by substituting "United" for "Utah", a change that was duly reflected in subsequent printing of its prosperity bonds. A third version of Lamb's bonds, issued in late August 1937, features a single portrait of Isom Lamb and the name "United Prosperity Plan, Inc." In addition to stumping around the state and promoting his ideas via a weekly radio program, "Isom Lamb's 'Now!'", Lamb even prevailed upon the first two Chelan testers, C.C. Fleming and Retta Freeman, to travel to Salt Lake City to provide their testimonials on behalf of the scheme.

Conflict with the authorities came to a head in late June, when Utah's Secretary of State called for the plan's officers to appear before him to argue why their corporate charter shouldn't be revoked. Even as he pushed back against opposition by the state and the Chamber of Commerce, Lamb had incorporated the plan in California as well, and sought permission from officials there to market the bonds. By July, Lamb and Gull had agreed to drop actions against each other if the UNPP would formally apply for the state's permission to issue bonds.

Lamb delayed providing the state with an audit of the plan's accounts, and for good reason. Before the state could settle with the UNPP, Lamb and the organization of which he was president parted ways when it was revealed that Lamb had taken $17,000 from its reserves, ostensibly to fund his expansion activities in California. Whether this was true or just an excuse for theft, Lamb's actions crippled the plan's ability to



A Prosperity Trade Certificate issued by the United Prosperity Plan, Inc. Dated August 19, about the time of Isom Lamb's departure from the organization.

redeem its bonds, leading desperate investor-members of the plan to assess themselves additional contributions to restore their backing.

With Isom and Miriam Lamb having fled back to the Los Angeles area, J. D. Lamb, Thueson, Stokes, and the remaining leaders in Utah unsuccessfully pursued a civil suit against their former boss, seeking return of the funds. In late September they concluded a settlement with state authorities, reincorporating their plan as an organization "to carry on Christian, social and charitable work", and changing its name back to "Utah". While it was unclear if the reconstituted plan could dig itself out of the financial whole in which Isom Lamb had left it, the question was rendered moot when the federal Securities and Exchange Commission weighed in. On October 18 a federal court in Utah enjoined Lamb and his confederates from selling prosperity certificates without seeking their registration with the Securities and Exchange Commission. With that, Lamb's ambitions to strike it rich were permanently put to rest.

Conclusion

Ultimately, some twenty different Townsend clubs (including Isom Lamb's prosperity bonds) either considered or actually embarked upon scrip experiments. Though the Townsend movement's local flirtation with scrip ended in 1937, popular interest in a pension scheme involving scrip continued into 1938, with California's electoral struggle over the "Ham and Eggs" initiative (see *Paper Money,* Nov.-Dec. 2008). As with other reform movements with a monetary element, like Sinclair Lewis's "End Poverty in California" campaign of 1934 (see *Paper Money,* Jan.- Feb. 2012), Dr. Townsend opposed them as either distractions from his own agenda, or unacceptably radical. Despite the lack of any decisive legislative victories, Townsend and his army of the elderly continued to be a factor in pension politics at the state and national level. In 1938, efforts were mounted to create pension plans in eight states, though Townsend himself opposed these as well. Generally, Dr. Townsend had an unfortunate habit of attacking not only opponents of old-age pensions, but those proposing pension plans that competed with his own. In this way, he alienated potential allies for the broader cause. Nonetheless, Edwin Amenta credits the Townsend movement with having pushed Roosevelt and the Democrats in 1939 to consider revisions to the original Social Security Act that accelerated payments and made them more generous. By the 1940s, however, the movement declined in relevance and became marginal to the subsequent politics of Social Security.

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