

MEMO from the desk of . . .

HARRISON N. HILES

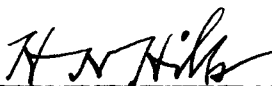
Feb. 11/45

Mr. Eccles' secretary, or the person
who opens this letter:

Will you kindly bring the attached
letter to Mr. Eccles, himself, and let him
decide if he would care to reply to
Dr. Townsend's communication.

Thank you so much for your cooperation.

Cordially yours,



Harrison N. Hiles
Assistant to Dr. Townsend

HNH:EF

Townsend Plan

National Headquarters
450 EAST OHIO STREET
CHICAGO 11, ILLINOIS

Feb. 12, 1945

TOWNSEND NATIONAL WEEKLY, INC.
TOWNSEND NATIONAL RECOVERY PLAN, INC.

DR. F. E. TOWNSEND
FOUNDER AND PRESIDENT
R. C. TOWNSEND
SEC'Y AND TREAS.

Dear Mr. Eccles:

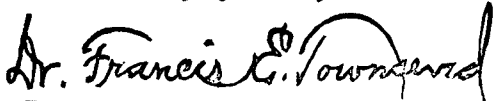
We should be flattered if we thought you had been influenced at all by Townsend Plan propaganda, but are realistic enough to assume you've never read a piece of it in your life.

We know your thinking is independent and are happy to see you have arrived at virtually the same conclusions as have we.

Enclosed is a tear-sheet from the Feb. 3 issue of Townsend National Weekly which bears a report on your talk before New York employers. We hope you like the way we handled it.

Also enclosed is a summary of the book-length report on the Townsend Plan's effect on our economic system, prepared by Dr. John Donaldson of George Washington University. I have marked a few paragraphs which I hope will catch your interest. If you would ever be interested in discussing this program, I should be happy to call upon you at your office. Our talk, if you preferred it that way, could be kept off the record. Thanks for your interest

Sincerely yours,


Dr. Francis E. Townsend

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The citation for the original is:

Townsend National Weekly, "Marriner S. Eccles Urges Adoption of Plan Principles," February 25, 1945.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 15, 1945.

Mr. Williams

Subject: _____

From Mr. Thurston

It is evident that the Chairman's position is being twisted to give approval to the Townsend Plan. He wants to correct this before it gets any further.

His recollection is that the Townsend Plan rests on a sales tax theory, which would be the antithesis of what the Chairman, of course, feels is essential in the postwar. In other words, he believes in increasing mass buying power and not taking it away to support the superannuated. Moreover, \$200 a month is not a minimum but an absurd maximum.

He wondered if you could suggest a reply after looking over the attached brochure on the Townsend Bill. It is a rather clever letter from the Doctor.

A handwritten signature in dark ink, appearing to be 'J. H. S.', is written above a horizontal line.

Attachments

February 28, 1945.

Dr. Francis E. Townsend,
450 East Ohio Street,
Chicago, Illinois.

Dear Dr. Townsend:

Your editorial comment on my recent speech is unfortunately misleading. While I strongly favor expanding Social Security programs and increasing the responsibility of Government for maintaining full employment, I am unable to accept your program as a practical one for reaching these goals.


It seems to me your program is subject to criticism on three major points:

1. It contemplates expenditures for old age and disability benefits too large to be practicable.
2. The benefits provided to the groups covered are disproportionate to those available to numerous groups whose claims are equally pressing.
3. The method of financing is, in my opinion, unsound. A 3 per cent gross income tax, even with a moderate exemption, would tend to reduce consumption about as much as the benefits paid out increased consumption. Thus, the program would contribute little or nothing to a solution of the major postwar problem of expanding total consumption. Moreover, in such a large-scale shift of consumption from one group to another, long established relationships among industries and occupations might be disturbed so seriously as to impair the operation of the economy.

A re-reading of my speech in the light of these comments will, I think, make it evident that my position is substantially different from the economic analysis underlying your program.

Sincerely yours,

M. S. Eccles,
Chairman.

KBW:ET:b


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The citation for the original is:

Bainbridge, Sherman J. "He Says..." *Townsend National Weekly*, March 31, 1945, p. 4.

An editorial cartoon under copyright protection has also been removed.

The citation for the original is:

"Truth Will Be King." *Townsend National Weekly*, March 31, 1945, p. 4.

DR. FRANCIS E. TOWNSEND

FOUNDER OF
THE TOWNSEND PLAN

450 East Ohio Street
Chicago 11, Illinois

March 28, 1945

Mr. M. S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Mr. Eccles:

Thank you for your letter, which disclaimed advocacy of the economic program for which we stand. I am afraid you misunderstood my letter, or maybe I did not make myself clear. I did not mean to intimate that you believed in the Townsend Plan, but rather that Townsend Planners believe whole-heartedly in the statements you expressed before the New York employers.

As a matter of fact, the things you expressed there -- while probably only part of your philosophy -- constitute almost the whole of the Townsend Plan philosophy. We believe that the American economy can be stabilized at high levels only by maintaining a constant high stream of purchasing power; that such purchasing power must be in the form of high wages to the employed and somewhat lower monthly annuities to the disemployed -- the aged, blind and disabled; that finances for such annuities must be provided out of income taxes rather than payroll or sales levies which, by reducing available purchasing power, would defeat the whole purpose of the program.

That's what we stand for, no more and no less. The Townsend Plan proposes no "set" sum whatever, as annuities to the disemployed; it suggests the distribution of whatever monies can be raised through a monthly levy against 3 percent of the gross incomes of individuals and businesses, with a \$1,200 exemption annually on individual incomes.

I enclose an editorial answer to your letter, although your name was not used publicly in connection with this answer. I repeat that I believe our thinking is very close to that expressed by you in your talk, and that millions of Americans organized into Townsend clubs throughout the nation will one day win enactment of the principles embodied therein.

Sincerely yours,


Dr. Francis E. Townsend

FET:EF
(enc)

March 31, 1945.

Dr. Francis E. Townsend,
450 East Ohio Street,
Chicago 11, Illinois.

Dear Dr. Townsend:

On behalf of Mr. Eccles who is temporarily out of the city, I wish to thank you for your letter of March 28 enclosing the copy of the Townsend National Weekly and the replies to the points made in his letter to you.

I know he will be interested in seeing it on his return, and will appreciate the very fair manner in which you have dealt with the views he expressed and your replies thereto.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:b