

TO Mr. Young

FROM Miss Egbert

REMARKS: Monday, the 13th

Before leaving for the West Governor Eccles asked me to send this correspondence to you with the request that you have Mr. Kock work on the speech. He would like a first draft ready upon his return -- he expects to be back in the office on the morning of Wednesday the 27th to attend the Open Market and other meetings.

Governor Eccles called late this afternoon relative to the Fortune article, talking to Mr. Kock and me. He also talked to Mr. Kock regarding this speech, giving him an idea of about what he wants him to do.

Governor Eccles will appreciate it if you will have the matter taken care of for him.
GOVERNOR ECCLES' OFFICE

THE COOPERATIVE LEAGUE

OF THE UNITED STATES OF AMERICA

GENERAL OFFICES
CHICAGO 4, ILLINOIS
343 South Dearborn Street
WAbash 2-0667

Cooperative News Service
PHILIP J. DODGE, *Editor*

Literature-Film Department
DONALD D. MARTIN



JERRY VOORHIS
Executive Secretary

NATIONAL CAPITAL OFFICE
WASHINGTON 6, D. C.
726 Jackson Place, N.W.
NATional 8765

WALLACE J. CAMPBELL
Director

CHICAGO 4, ILLINOIS

March 15, 1950

Hon. Marriner S. Eccles
Vice Chairman
Federal Reserve Board
Washington, D. C.

Dear Governor Eccles:

I hope you will remember me as a former Congressman from California, who on several occasions prevailed upon you to come up on Capitol Hill and spend some of your time educating some of us Congressmen. You may also recall a number of Conferences which we had together while I was on the Hill. As you will see from this letterhead, I am now Secretary of The Cooperative League of the United States.

The 17th Biennial Cooperative Congress of The Cooperative League will take place in Chicago on October 11th to 13th of this year. The Biennial Congress is the supreme legislative body of The Cooperative League and hence of the central organization of American cooperatives. This is our big meeting, at which policy and plans for the coming two-year period are laid down by duly accredited delegates from all our member organizations. The Congress is also attended by representatives from other organizations not necessarily members of The League, and is probably as vital a meeting of American cooperatives as takes place at any time.

Now, I am writing to invite you to deliver the principal address at our banquet meeting on the evening of October 12th. This will be the main event of our Congress and will be attended by somewhere between 700 and 1,000 people. Naturally enough, we would like you to devote a part of your address to your views about the value and proper functions of cooperatives in the present national and world situation, but on the other hand, we would want you to speak quite freely in any manner you desire regarding the monetary, economic and other problems which our country faces today.

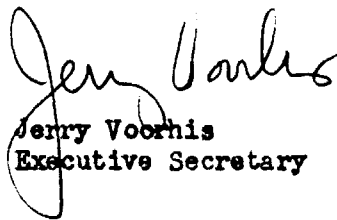
Plan To Attend
17th BIENNIAL
COOP CONGRESS
October 11-13, 1950
Chicago, Illinois

Hon. Marriner S. Eccles

Page 2.

We would be most happy to pay your travelling expenses together with whatever reasonable honorarium we might agree upon. We are not financially able to make this honorarium what we would like it to be, but we will be glad to do the very best we can. I most earnestly hope I may have an early and favorable reply to this invitation.

Sincerely yours,

A handwritten signature in cursive script that reads "Jerry Voorhis". The signature is written in dark ink and is positioned above the typed name and title.

Jerry Voorhis
Executive Secretary

JV:SK

April 19, 1950.

Mr. Jerry Voorhis,
Executive Secretary,
The Cooperative League,
343 South Dearborn Street,
Chicago 4, Illinois.

Dear Jerry:

I acknowledge receipt of your letters of March 15 and April 7, both of which arrived in my office while I was in the West.

I remember you very well and favorably while you were a member of Congress and I always enjoyed meeting with you and talking to you. Those occasions were stimulating.

I want you to know that I feel honored at being invited by your organization to deliver the principal address at its Banquet on the evening of October 12th. October is a long way off and yet I can understand that it is important for you to get your speaker lined up at the earliest possible date with respect to your principal speaker. If, however, that uncertainty is not a deterrent to you and you may still want me to address your organization, I shall be very glad to give the matter my favorable consideration.

As to the payment of an honorarium of any amount, that is not necessary. I would not have any need for financial assistance. However, if I am out of public office I would be willing to have you pay my actual traveling expenses.

Awaiting your further advice and with kind regards,

Sincerely yours,

M. S. Eccles.

VE:dls

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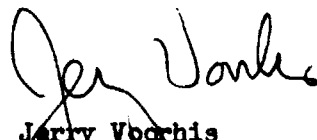
April 7, 1950

Hon. Marriner S. Eccles
Vice Chairman
Federal Reserve Board
Washington, D. C.

Dear Governor Eccles:

Referring to my letter of March 15th inviting you to speak at our Biennial Cooperative Congress Banquet on the evening of October 12th here in Chicago, I am writing now only to say that I will deeply appreciate it if you could let me know as soon as convenient whether or not you feel you will be able to be with us on that occasion. It is true that there is still some little time to elapse before October, but it is quite important that I get my program lined up at the earliest possible date, chiefly in respect to our principal speakers. I do hope your reply will be in the affirmative.

Sincerely yours,



Jerry Voorhis
Executive Secretary

JV:SK

**Plan To Attend
17th BIENNIAL
COOP CONGRESS
October 11-13, 1950
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CHICAGO 4, ILLINOIS

April 24, 1950

Hon. Marriner S. Eccles
Board of Governors
Federal Reserve System
Washington, D. C.

Dear Marriner:

I am most happy to receive your letter of April 19th and to note from it that we may hope and expect to have you as our principal speaker at the Banquet Meeting of our Cooperative Congress on October 12th at the Sherman Hotel here in Chicago. I can assure you that, should you "no longer be in public life" as you put it, this would not make the slightest difference to us. What we want is a message from Marriner S. Eccles concerning the present state of the economy of our country, as well as its future outlook and something about the role which you believe cooperatives should play in helping to solve our nation's problems. We would be quite as happy to hear from you as a private citizen in this connection, as we would if you are still Vice-Chairman of the Federal Reserve Board. In fact, our co-op people are inclined to prefer to choose their speakers from outside the ranks of those who are actively engaged in politics. This is because they try to observe the long established principle of political neutrality on the part of cooperatives.

I hope you will understand from this letter how eager we are to have you come, and while we would consider it a distinct loss to the country for you no longer to be a member of the Federal Reserve Board; nonetheless, so far as our meeting is concerned, we would value your message as much in the one case as in the other. We will be more than happy to pay your traveling expenses to and from the meeting, and feel you are dealing most generously with us in not asking for an honorarium in addition. I may say, however, that you will be speaking to about as worth while an audience as I know of in the country, and I would not have asked you had I not believed it would be a worth while group for you to take the trouble to address.

There will be only one other speaker on our Banquet program. This will be Dr. Horace Kallen, the author of the book *THE DECLINE AND RISE OF THE CONSUMER*, who has been one of the outstanding philosophical leaders of the cooperative movement for some years. We are asking Doctor Kallen to give

**Plan To Attend
37th BIENNIAL
COOP CONGRESS
October 11-13, 1950
Chicago, Illinois**


Hon. Marriner S. Eccles

Page 2.

a distinctly cooperative message, and while we will deeply appreciate any references to cooperatives and their essential role in our economy which you may care to make, nonetheless you will be altogether free to say anything you have in mind to say, and we would actually prefer you to address your remarks generally to the problems of our country and the world.

With best regards and esteem, I am

Sincerely yours,



Jerry Voorhis
Executive Secretary

JV:SK

May 17, 1950.

Mr. Jerry Voorhis,
Executive Secretary,
The Cooperative League of the
United States of America,
343 South Dearborn Street,
Chicago 4, Illinois.

Dear Jerry:

I am pleased to learn from your most cordial and flattering letter of April 24 that it will make no difference to your organization whether or not I am a private citizen at the time of your Banquet Meeting on October 12, and that you still desire me to be the principal speaker. I will be glad to accept the invitation to address your group.

Inasmuch as October is a long way off, I hope it will not inconvenience you if I do not decide at this time the subject of my address. I would like to communicate with you at a later date regarding it.

With kindest regards,

Sincerely yours,

M. S. Eccles.

VE:dls

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CHICAGO 4, ILLINOIS

May 24, 1950

Hon. Marriner S. Eccles
Vice Chairman
Federal Reserve Board
Washington, D. C.

Dear Marriner:

I was most happy to get yours of May 17th stating definitely that you will be our principal speaker at our banquet meeting on October 12th. The meeting will be at the Hotel Sherman in Chicago, and in the course of a short time I will send you a reasonably complete program of our entire three-day Congress, so that you will be able to tell how our banquet meeting will fit in with the rest of the program.

As I told you before, I want you to select your own subject for your address and you need not feel in any great haste to do so.

There will be one other speaker on the banquet program in addition to yourself, plus a certain number of necessary introductions and possibly some awards, since this is in many respects the high point of cooperative activities in each two-year period. It will fit in best if you plan to talk for approximately forty or forty-five minutes, but since you will be the concluding speaker, you will be able to judge yourself at the time about this.

Once again let me say that we are very happy indeed to have you for our main speaker on this occasion.

Sincerely yours,

Jerry Voorhis
Executive Secretary

P.S. We would appreciate it very deeply if you could send us a photograph of yourself as soon as convenient, since we would like to use it for our publicity in connection with the Congress. J. V.

JV:SK

Plan To Attend
25th BIENNIAL
CO-OP CONGRESS
October 11-13, 1950
Chicago, Illinois

June 6, 1950.

Mr. Jerry Voorhis,
Executive Secretary,
The Cooperative League of the U.S.A.,
343 South Dearborn Street,
Chicago 4, Illinois.

Dear Jerry:

Your letter of May 24 arrived at my office while I was in the West. I appreciate having the details given therein covering your program for the banquet meeting on October 12th.

In accordance with your request I am enclosing herewith a glossy print photograph for your use in connection with the publicity. I will appreciate it if you will return the photograph to my office after it has served its purpose.

Sincerely yours,

M. S. Eccles.

Enclosure

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WALLACE J. CAMPBELL
Director

CHICAGO 4, ILLINOIS

September 8, 1950

Governor Marriner S. Eccles
Vice-Chairman, Federal Reserve Board
Washington, D. C.

Dear Marriner,

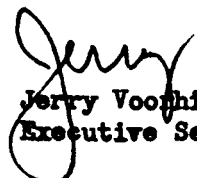
I am sending you herewith the advance program for our 17th Biennial Congress and would call your attention especially to your own name as the speaker at our Biennial Banquet on October 12. As I have explained to you in previous correspondence, yours is the major address of our entire 3-day session; and I can assure you once again that we are looking forward to it with keen anticipation and appreciation.

We want you to feel quite free to discuss the outlook for our country in any way you see fit; but, for obvious reasons, we would appreciate it if you would make particular reference to the finance outlook, to problems of inflation and deflation, the monetary supply and monetary controls and related matters in connection with which you are perhaps our best national authority. Again for obvious reasons we would hope very earnestly that you would see fit to relate what you have to say to the services performed by cooperatives as stabilizing economic influences and to the services they have rendered in the various fields in which they operate.

We will deeply appreciate it if we can have an advance copy of your address as soon as it is convenient. We will want this for purposes of properly giving publicity to your remarks, since this, we feel, is an important feature of your address as well as of our Congress as a whole. It would be helpful if you could give me a general idea as to when you feel it might be convenient for you to let us have this copy.

Please advise us when you are planning to arrive and when you are planning to leave Chicago, so that we can make whatever hotel reservations or other arrangements for your convenience which you may desire.

With best regards,


Jerry Voorhis,
Executive Secretary

JV: jr

Plan To Attend
17th BIENNIAL
CO-OP CONGRESS
October 11-13, 1950
Chicago, Illinois

September 16, 1950.

Dear Jerry:

I acknowledge receipt of your letter of September 8, enclosing a copy of the Advance Program of your 17th Biennial Congress. I note the place of honor in which you have placed me on your program as your banquet speaker!

I am leaving for the West tomorrow and will not be back until the end of the month, so I will have no opportunity to prepare an address until after I return. It may be that I will decide not to prepare a written one. In any case, I am sure it would not be ready in time for me to send you an advanced copy. I have in mind discussing the outlook for our country, particularly with reference to the inflationary problem and its relationship to fiscal and monetary policies.

I will expect to arrive in Chicago by plane sometime during the day of the 12th. I usually stay at the Blackstone Hotel and have hoped to get a reservation there. If you could make such a reservation there now and advise me, I would greatly appreciate it as I would not have to bother writing direct to the Hotel.

With kind regards,

Sincerely yours,

M. S. Eccles.

Mr. Jerry Voorhis,
Executive Secretary,
The Cooperative League,
343 South Dearborn Street,
Chicago 4, Illinois.

P.S. I would expect to be leaving
Chicago on October _____.
M.

Advance Program

17TH BIENNIAL CONGRESS

of

**THE COOPERATIVE LEAGUE
OF THE U.S.A.**

October 11, 12, 13, 1950

SHERMAN HOTEL

CHICAGO, ILLINOIS

OCTOBER 11

8:00 — 9:30 Registration

9:30 — General Session

MURRAY D. LINCOLN

Chairman

Invocation: Reverend **CAMERON P. HALL**, Federal Council of Churches

Welcome by **JACOB LIUKKU**, President of Central States Co-operatives Inc.

Report of Rules Committee

Appointments of Committees:
Resolutions, Credentials, Nominations

Report of the President

Report of the Secretary-Treasurer

12:30 — Lunch (Bal Tabarin, Sixth Floor)

COOPERATIVES BUILD INTERNATIONAL UNDERSTANDING

S. I. HAYAKAWA

Toastmaster

TOYOHICO KAGAWA

President of

The Cooperative League
of Japan

A. B. MacDONALD

General Secretary

The Cooperative Union of Canada

JOHN DAVIDSON

Director of

Scottish Cooperative
Wholesale Society

FERNANDO CHAVES

Representative of the
Pan-American Union

2:30 General Session

J. E. PHILLIPS

Chairman

Presentation of "Four Year Forward Program"

HOWARD A. COWDEN

3:15 Delegates Work Sections

Cooperative Development in New Areas

E. A. WHITNEY, Chairman — Parlor L — Mezzanine Floor

A Public Interest Legislative Program

HARRY CULBRETH, Chairman — West Room

Member Participation and Membership Growth

JUSTIN C. STEWART, Chairman — Crystal Room

Inter-Cooperative Relationships

LEONARD COWDEN, Chairman — Primrose Room

Cooperative Public Relations

GLENN THOMPSON, Chairman — Louis XVI Room

A National Education and Research Program

C. MAURICE WIETING, Chairman — Gray Room

7:45 General Session

MURRAY D. LINCOLN

Chairman

**THE PRICE SPREAD BETWEEN PRODUCER AND
CONSUMERS AND WHAT COOPERATIVES
CAN DO ABOUT IT**

Panel Discussion

JOHN SIMS, M. W. THATCHER, ARNOLD ZANDER,

JOHN H. DAVIS, TED SILVEY*

MURRAY D. LINCOLN — Summary

OCTOBER 12

9:00 General Session

GORDON LOVELESS

Chairman

**A HALF CENTURY OF COOPERATIVE PROGRESS —
AND A LOOK AHEAD**

Farm Supplies: I. H. HULL

Credit Unions: THOMAS DOIG

Petroleum: BRUCE McCULLY

Insurance: F. F. RONDEAU

Farm Marketing: J. K. STERN

Groceries: WILLIAM TORMA

Rural Electric: WILLIAM V. THOMAS

Housing: ABRAHAM E. KAZAN

Health: DR. JOHN O. McNEEL

***invited**

12:00 Special Group Lunches

1:30 Delegates Work Sections

(Same as meetings on October 11th, 3:15 P. M.)

6:30 Biennial Banquet

Grand Ballroom, Mezzanine Floor

A. J. SMABY

Toastmaster

Invocation: His Excellency Most Reverend BERNARD J. SHEIL, D.D.

GOVERNOR MARRINER S. ECCLES

Vice-Chairman, Federal Reserve Board

OCTOBER 13

9:00 General Session

HOWARD A. COWDEN

Chairman

Invocation: Rabbi HERMAN E. SCHAALMAN

**Director of the Chicago Federation of the Union of
American Hebrew Congregations.**

The Place of Cooperatives in a Free Society

Doctor HORACE M. KALLEN

Discussion and Adoption of The Four-Year Program

12:00 Recess for Lunch

1:00 General Session

MURRAY D. LINCOLN

Chairman

Presentation of Women's Committee Program

Mrs. HAROLD ROBISON

Report of North American Student Cooperative League

LUTHER BUCHELE

Report of Resolutions Committee

Report of Nominations Committee

Elections

Other Business

Adjourn

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WALLACE J. CAMPBELL
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CHICAGO 4, ILLINOIS

September 20, 1950

Governor Marriner S. Eccles
Federal Reserve System
Washington, D. C.

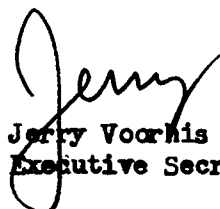
Dear Marriner:

We have your letter of September 16th, and while, for the reasons that I have already explained, we would like very much to have an advance copy of your address, I can well understand that it may be impossible for you to furnish us with this, and we will indeed be so glad to have you as our speaker that we will certainly not insist upon a detail of this sort. I would only like to point out that you will be the one person on our program in whom the press will be more interested than any one else and that if you can give us just three or four paragraphs on a page and a half of things that you will include in your remarks, that will satisfy the press with the quotations that they will want so much.

I just finished calling the Blackstone Hotel, and they tell me that for the night of October 12th they are absolutely filled up. They told me that you had stayed there many times and that they would certainly like to take care of you, but that as matters stand at present, they cannot. They, however, promised to call me in case they have any cancellations and assured me that your name would be at the top of their list in case such cancellations do occur. Meanwhile, we will continue to hold the room which we had already set aside for you at the Hotel Sherman, which is where the sessions of our Congress will be held and which will, I hope, be all right in case the Blackstone does not come through.

Please be sure to let us know if you want any one to meet you at the train or at an airplane, or whether you would prefer to have us simply leave you to your own devices until the times comes for you to be with us at the Banquet. We will only want to do whatever is most in line with your own desires.

Sincerely yours,


Jerry Voorhis
Executive Secretary

**Plan To Attend
10th BIENNIAL
CO-OP CONGRESS
October 11-13, 1950
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JV:SK

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JACK T. JENNINGS, *Repr.*
Cooperative News Service

CHICAGO 4, ILLINOIS

October 6, 1950

Governor Marriner S. Eccles
Federal Reserve System
Washington, D. C.

Dear Marriner:

Upon calling the Blackstone Hotel today, we have been informed that they have a very nice room with bath which they are holding for you for arrival in the afternoon on October 12th, and they are holding the room tentatively also for the 13th. We want to do everything we can to provide for your convenience.

If you can still do so, we would like to have word from you telling us approximately when you will arrive and when you will expect to leave.

The Banquet will begin at 6:30 P.M. at the Sherman Hotel and will be held in the Grand Ballroom. Did you want some one to pick you up at the Blackstone Hotel and bring you over to the Sherman, or do you just want to come over?

We are all looking forward to this great occasion when you will be with us.

Sincerely yours,

*Meet at press
room Mez floor
at 6:15 p.m.*

JV:SK

Jerry
Jerry Voorhis
Executive Secretary

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CHICAGO 4, ILLINOIS

October 20, 1950

Governor Marriner S. Eccles
Federal Reserve Board
Washington, D. C.

Dear Marriner:

I am writing to thank you very much for having come to speak for us at our Biennial Banquet. I need hardly tell you that one or two of the things you said aroused some controversy, and I just hope that you understood the spirit in which our people discussed so earnestly with you some of the points that were raised. You would, I think, have been greatly heartened had you been able to realize how many of us found ourselves in basic agreement with your major economic message.

I hope very earnestly that the time may come again before long when you can speak to another of our meetings and that your experience this time has not discouraged you from a willingness to do that on some future occasion.

I want to repeat what I wrote you once before; namely, that we will be most delighted to pay your expenses to and from our meeting if you will let us know what the amount of them was. It is obviously impossible to expect to compensate financially a person like yourself for a contribution such as you made, and I recall that when I suggested an honorarium before, you rather vigorously rejected the idea. I do want you to know, however, that we would be very glad to do that also so far as our side of it is concerned.

With best regards, I am

Sincerely yours,


Jerry Voorhis

JV:SK

December 1, 1950.

Mr. Jerry Voorhis,
Executive Secretary,
The Cooperative League
of the United States of America,
343 South Dearborn Street,
Chicago 4, Illinois.

Dear Jerry:

Your letter of October 20 arrived shortly after I had left for an extended trip in the West. I appreciate very much your writing to me.

It may be that I should have avoided the mention of the very controversial subject of taxation of cooperatives, at least before your organization. I am delighted to know that in spite of the referred to unpopular remarks you feel your organization was in basic agreement with my major economic message.

An article of mine entitled "The Defense Of The Dollar", appeared in the November issue of Fortune Magazine several weeks after my meeting with your organization. Because I know you are interested in the whole subject of money and liberal economics, I am sending to you herewith a reprint of that article. I should like to know, if you take time to read it, what your reaction is to it.

I appreciate your offer to pay my expenses to your meeting as well as give me an honorarium. As I advised you previously, I do not expect compensation for anything I do in line with my public duty and the Federal Reserve Board pays all expenses for its members when traveling on public business, therefore, it will not be necessary for your organization to reimburse me.

With kind personal regards,

Sincerely yours,

M. S. Eccles.

Enclosure

VE:dls

October 23, 1950.

Mr. Jerry Voorhis,
Executive Secretary,
The Cooperative League
of the United States of America,
343 South Dearborn Street,
Chicago 4, Illinois.

Dear Mr. Voorhis:

Your letter of October 20, addressed to Governor Marriner S. Eccles, was received in his office today. This is to inform you that Mr. Eccles left for the West yesterday and will not return to Washington until the middle of November.

I am sure he will be very much pleased with the contents of your letter. For his information I am forwarding a copy of the letter on to him, and no doubt you will hear from him on his return to the office.

Very truly yours,

Va Lois Egbert,
Secretary to Mr. M. S. Eccles.

VE:dls

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CHICAGO 4, ILLINOIS

December 12, 1950

Governor Marriner S. Eccles
Federal Reserve Board
Washington, D. C.

Dear Marriner:

I am very grateful for your letter of December 1st and also for your sending me a reprint of your very challenging article which appeared in FORTUNE. As a matter of fact, I had already read it in the magazine itself, and as always I found it profoundly interesting. I also find myself in hearty agreement with your whole thesis, as you will readily know. You are one of the few people in positions of leadership in the financial world who explains how our monetary system operates so that the average reader can understand it. I need hardly tell you I would support whole-heartedly the monetary program which you outline in this article.

There are only two points where I would take exception to what you have to say. If I believed that any "income" was now being received by any of the cooperatives with which I have to do and was at the same time escaping taxation, I would be the first to criticize the situation and to call for its correction. The point, as we attempted to explain to you after our Dinner here in Chicago, is that, whereas a case might be made to show that some of the cooperatives which are exempt under 101(12) may have unallocated reserves which should be defined as income and which might therefore be taxable and whereas that same group of cooperatives does, in fact, escape taxation on money used to pay interest on stock; nevertheless, on the other hand, all other cooperatives - which happens to include the membership of The Cooperative League - do now pay full taxes, not only of all other sorts, but also federal corporation income taxes on any money which they are not obligated to pay to their patrons as patronage refunds. This patronage refund money is in practical effect, "other people's money" and does not belong to the cooperative at all.

The only other question I would raise is just what you mean when you refer to farm, labor, educational and religious cooperatives. I think I know what you have in mind with respect to all four of these designations of cooperatives, but would be interested in having you elaborate a little bit on this point.

Governor Marriner S. Eccles

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I also question just a little bit the soundness of your argument as you present it against increases in wages and salaries. Certainly, I would agree that sharp increases in wages and salaries tend to create a further inflationary spiral and also that they cause a greater draft upon available supplies of goods and may therefore create further tendencies toward price inflation. However, when you argue against such increases on the ground that they reduce profits and thereby deprive the government of revenue, it seems to me you are on less solid ground. While it may well be true that in some instances the government would get more dollars from an excess profits tax on a corporation than it would get from individual income taxes on its workers if a part of this profit were distributed as wages; nonetheless, it seems to me that to argue against wage increases on this ground is unsound from a basic economic point of view. We might in such cases have to increase individual income taxes, but it would seem to me that the country is in a healthier condition if profits are not exorbitantly large and if the rank and file of the people have a better general level of income, even if under circumstances which you so ably describe in your article the government is compelled to take more of it away in the form of individual income taxes.

I hope I have not bored you too much with this long letter.

Wishing you every happiness for the Christmas Season, I am

Sincerely yours,



Jerry Voorhis
Executive Secretary

JV:SK

TO Mr. Lindholm

FROM Gov. Eccles

Tuesday, December 19, 1950

REMARKS:

3:30 These are the letters about
which I just talked to you
on the telephone.

M.S.E.

GOVERNOR ECCLES' OFFICE



January 17, 1951.

Mr. Jerry Voorhis, Executive Secretary
Cooperative League of the United States of America
343 South Dearborn Street
Chicago 4, Illinois

Dear Jerry:

In your letter of December 12th I was glad to note we are in agreement that equal treatment of equals is a must for efficient tax collection at high rates. The treatment accorded cooperatives in the application of the corporate income tax is one of a number of places in our economy where additional legislation is needed to uphold the revenues and taxpayer morale. Major emphasis in new tax legislation regarding cooperatives should be focused on the favors enjoyed by those cooperatives which are now eligible for benefits arising from an agricultural classification.

Certainly the payment of patronage dividends to members of cooperatives and particularly those which arise entirely from business transacted with the recipient are sufficiently different from ordinary corporate dividends to justify different tax treatment and perhaps tax exemption. However, patronage dividends do not always meet these requirements completely, and possibilities of abuse arise. To prevent the magnification of these benefits by other taxpayers seeking special tax favors, and also to expand the Government's revenue, patronage dividends that are not paid in cash to members and which are not attributable entirely to business transacted with the recipient of the dividends should be entirely or partly taxed.

The principle of equal tax treatment of equals would certainly not be met solely by increasing the taxes related to cooperative economic activity. In addition other economic groups such as life insurance companies, oil companies and economic activities organized under the control of organizations bearing the educational and charitable label must be subject to additional taxes. The 81st Congress in the Revenue Act of 1950 made a hesitant step in this direction.

My point regarding tax payments and higher wage and salary payments seems to me obvious if higher wage payments are made out of profits as the advocates of higher wages frequently argue should be the case. A general increase in wages would be economically undesirable at this time on broader grounds than from the tax standpoint.

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Mr. Jerry Voorhis

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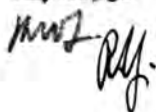
But from the tax standpoint only, such increases would be undesirable as long as the marginal tax on profits was higher than that on wages. As you point out, however, dissatisfaction is likely to develop in labor ranks when profits are expanding and wages are not. This dissatisfaction could be mitigated and the revenues increased if a freeze were placed on executive salaries, expense accounts, and advertising bonuses of all types, and if a high excess profits tax were collected. Higher wages under conditions of a strictly limited supply of consumer goods does not mean an improved standard of living but only additional inflation, with reduction in the value of dollar assets including labor pension funds, possible economic disorganization, and a reduction of total production.

I have enjoyed this exchange of ideas very much. The Cooperative League is very fortunate to have a man of your broad interests and understanding as an Executive Secretary.

Sincerely yours,

M. S. Eccles

RL/RV:j1

A handwritten signature in dark ink, appearing to be 'M. S. Eccles', written over the typed name.

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