

May 13, 1936.

My dear Senator:

Your article in the May 9th issue of the Magazine of Wall Street has just come to my attention and I want to compliment you on what appeals to me as one of the best presentations of the purpose and effects of the government's program that I have seen anywhere. I, of course, lean toward it because it so ably presents a general point of view which I have undertaken to state.

I am enclosing a copy of a brief talk which I gave in New York last Friday evening, some extracts from which appeared in the press. I thought you might care to see the complete text, which undertakes to outline what I conceive to be the theory of the government's monetary and spending program and how it is working out toward a balanced budget and full restoration.

Sincerely yours,

H. S. Eccles,  
Chairman.

Honorable Robert J. Bulkley,  
United States Senate,  
Washington, D. C.

enclosure

  
ET:b

file with  
letter to  
Sen Buckley  
at

**NOTE: This article will appear in the May 9, 1936 issue of The Magazine of Wall Street, and is sent to you for immediate release. The Magazine of Wall Street, 90 Broad Street, New York, N. Y.**

# These Changing Times

Views on "The State of the Union"

By ROBERT J. BULKLEY

U. S. Senator from Ohio

As Reported by

THEODORE M. KNAPPEN

WE are in a period of national history when profound changes in government and in the relations of government to the people were to be expected. When you have free institutions, universal suffrage and an uncowed electorate you can not escape changes that may disturb those who have prospered under the existing order.

In a democracy like ours the tendency over a long period of time is for the less fortunate people to seek a better life for themselves through political action. You can't have popular government without the people getting the kind of legislation that they want—sooner or later. Therefore, we should always be ready for change and accept it as inevitable in our scheme of things.

## Progressive Improvement

As an individual I may like or dislike this or that piece of legislation, but I do not get "all hot and bothered" because we find ourselves confronted by a rather epochal surge in our common affairs. Looking back over our national life I observe that on the whole our legislative record has been one of progressive improvement. I am convinced that when the passions of the present have burned down and we can sit down on some eminence and survey what has been done in these recent years we will conclude that we have been going through the birth throes of a better age. As for the leaders with whom we conveniently identify changing policies I am neither a hero worshipper nor a scoffer. They are products of the times, and they are doing their sincere best in a world of change. The same may be said of their opponents. The antagonisms of the two groups are not primarily personal; they are merely the personal manifestation of the strain of adjustment to the times.

Turning from these general reflections to answer the questions that have been propounded to me, it is my view that there is no likelihood of further basic money legislation in the near future, and that the times for international stabilization may well be considerably deferred. I am certain that there will be no change in the content of the gold dollar by the President under his present authority, which

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expires next January. There will be no formal money inflation before that time. Any changes of similar character that may come later will be brought about by new legislation.

As to credit inflation, there is no doubt that the necessity of enormous borrowings by the Government to meet the exceptional conditions of business depression and human misery which confronted it has brought about the makings of a great boom in prices. Yet the fact is that neither the reduction of

the gold weight of the dollar nor the tremendous volume of money which the Government has borrowed and poured into circulation has caused an abrupt or extensive rise in the price level. The price rises have been unequal and happily have tended to correct disturbing inequalities in prices.

Events, I think justify the devaluation of the dollar or rather, perhaps, the departure from the gold standard; which resulted in a decline in the foreign purchasing power of money that was substantially reflected by the subsequent stabilization by Presidential order at 59.06 cents in terms of the gold value of the former dollar.

The painful battle France has put up for deflation and an invincible franc shows the wisdom of our course in choosing a measure of inflation of prices (or reflation). While we have been steadily recovering France has been getting deeper and deeper into private and public insolvency.

## No Mad Credit Period

The volume of silver the Treasury is required to purchase under mandate of Congress is not large enough to result in a significant degree of inflation. I do not expect that there will be any further legislation in this regard, and the Treasury is proceeding very conservatively and skillfully in its purchases. I think this project is now being handled in such a manner as not to embarrass the nations which use silver as their basic money, and on the other hand it is very helpful to the economy of the silver producing nations, giving them much needed credits in the United States and thus facilitating trade.

I do not think that we shall have a mad period of inflation of the credit variety. Bank credit is anything but

La Folle *de*

Business Good ~~Debt~~ Manageable

On the whole there is a tendency, I believe, for business to slow down a little in Presidential election years. However, we have the undeniable fact that we are well into this year with business rapidly expanding and recovering, and offsetting the nervousness of people over the outcome of a rather crucial electoral contest are the facts that recovery and relief expenditures will probably reach their high point this year. Moreover, something like a billion and a half dollars of soldiers' bonus money will be flowing into the channels of trade from June on. Then, too, there is the fact that there seems to be very little doubt that President Roosevelt will be re-elected, and I think that as the campaign goes on that will be recognized as a certainty. The election, therefore, will not open up any disconcerting surprises, and there will be little advance hesitation of business on that account.

A black and white portrait of a middle-aged man with dark hair, wearing a dark suit jacket, a white shirt, and a diagonally striped tie. He is looking slightly to the left of the camera with a gentle smile. The background is dark and textured.

Wide World Photo

professional pessimists can not deny it. More business means more revenue.

Social and economic shifts and alterations crowd in on us so rapidly that it no longer suffices to depend upon spontaneous adjustments, which roughly met the graver problems of our national industrial development in the past. We must from now on go out to meet changes as they come and deal with them consciously.

### Problem of Chronic Unemployment

It is distressing and worrying that unemployment keeps up to such an extent and that the number of people on relief declines so little. These unconfutable facts present a stubborn problem for the future. I think that at last technological unemployment, that is displacement of labor by the power machine, has attained such a momentum that unless offsetting economic changes are deliberately made the surplus unusable labor will tend to pile up from decade to decade. We used to say that machines made more jobs than they

displaced. That was quite true; theoretically, it may still be true, but now the old jobs are destroyed with lightning-like rapidity and the new jobs come slowly into sight. Formerly we always had a shock absorber in the occupation of the West and the development of abundant natural resources to meet the demands of a growing nation and of the world. The balance that has been maintained on the whole in the past was partly due to the gradual shortening of the working hours—from 14-hour days in the forties of the past century to eight hours and even less now. We must adapt ourselves to our machines. But, unless there be direct and radical readjustment, the adaptation will be slow, and never sufficient to wipe out all unemployment of employables. It will constitute an enduring social burden, quite without relation to depression or prosperity.

In respect of the incidence of the proposed tax on undistributed profits of corporations I think the alarm about it has been overdone. Abstractly, I feel that it is an essential of the indefinite continuation of achieved prosperity

that realized profits should be distributed and go back into circulation to form the basis for new purchasing power. Society as a whole buys from itself only what it produces of goods or services, and it buys them by exchange. To the extent that what is produced is not utilized a part of the value of production is lost, and adequate buying and consuming are possible only when there is adequate distribution of purchasing power. I rather think that the tax law as finally engrossed will be quite different from the measure the house passed. You have seen quite a number of fearsome bills become docile laws, haven't you?

As to being a direct interference with corporation management the proposed tax is only one more manifestation of a long-settled policy of governments to use the taxing power to effect economic regulation. With us it began with the Constitution.

While the President has been a real legislative party leader, which he must be if we are to have responsible party rule under our system of government (which did not contemplate parties), it is surprising in view of his continuous initiative and unfailing energy and the emergency nature of the period how often he has compromised with or yielded to Congress. This talk of his being a dictator is silly; he is simply a strong leader—and Heaven knows we needed one.

Thoughtful people, of a conservative and cautious turn of mind thought the world had come to an end when this Republic was created in revolution. Others thought the nation was finished in the times of Andrew Jackson. The Civil War period was an agonizing test, the radical legislation and sentiment of the eighties and nineties—Populists and Farmers Alliance, free silver, etc.—seemed like ruin then. We have gone a long time without much adjustment in our complex of politics and economics, and demand was insistent for important changes. There is no doubt that this administration has responded to the instinctive and thoughtful wishes of the people. Time only will be the test of the wisdom of the laws we have enacted; but whatever the verdict, I am reasonably sure that what we have done will be adjudged good on the whole, and generally in the public interest, though no doubt time will expose some faults which will have to be corrected.

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## United States Senate

COMMITTEE ON BANKING AND CURRENCY

WILLIAM L. HILL, CLERK

May 14, 1936.

Mr. M. S. Eccles,  
Federal Reserve System,  
Washington, D. C.

Dear Mr. Eccles:

Thank you very much for your  
cordial reference to my article in the  
May 9th issue of the Magazine of Wall  
Street. It is pleasing to know that  
it meets with your approval.

Thanks, too, for your courtesy  
in furnishing me with a copy of your talk  
in New York, which I shall read at the  
very first opportunity.

With best regards,

Sincerely yours,

A large, stylized handwritten signature in black ink, reading "Robert J. Bulkley". The signature is written in a cursive style with large, flowing loops.

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