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*Mr. Officer
Mr. Mansfield
Mr. Malvern
Mr. ...
Mr. ...*

BRITISH EMBASSY,
WASHINGTON, D. C.,
January 25th, 1939

No. 101 E

My Lord,

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With reference to my despatch No. 25 E of January 10th, I have the honour to report that the Administration leaders in Congress are already having considerable difficulty over the supplementary relief appropriation of \$875,000,000 asked for by the President to cover the remaining months of the current fiscal year. The Sub-Committee of the House of Representatives, after hearing witnesses representing labour, relief organisations, and the Mayor of New York, proceeded to recommend the reduction of the appropriation to \$725,000,000. The advocates of economy recalled that the Works Progress Administration since its creation had already absorbed appropriations of \$6,248,000,000; they argued that many persons now receiving relief from the Works Progress Administration might well be absorbed into industry now that a business recovery was taking place, and that many of them had no business to be on relief at all. The debate on the floor of the House showed how strong was the feeling against Mr. Hopkins' methods of administering the Works Progress Administration and the final vote taken confirmed the Committee's cut by 226 - 137 votes. Since then the Senate has been considering the appropriation in Committee. Criticisms have been coming in from constituencies to the effect that/

The Right Honourable
The Viscount Halifax, K.G.,
etc., etc., etc.

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that the cut would throw thousands off the relief rolls in mid-winter, and a cold weather spell in Washington helped to persuade the Committee towards a compromise whereby the \$150,000,000 cut should still apply but dismissals from the relief rolls before April 1st should be not more than 5% of the present number on the rolls. A loophole would also be left for the President to appeal for a further deficiency appropriation later in the spring if unemployment still showed no serious signs of diminishing. The Senate Committee sent the Bill in this form to the floor of the Senate by a vote of 17 - 7. There is a strong movement led by the Administration leader, Senator Berkley, to restore the cut; Mr. Garner, Senator Harrison and other conservative minded Democrats are said to be on the side of economy, and the voting is expected to be close. Whatever the final outcome may be there is a growing sentiment to regard relief as a permanent rather than an emergency problem. There is much criticism that hitherto the character of the Works Progress Administration has led to inefficiency, extravagance and overlapping. It is felt that a well worked out plan for making relief a permanent feature of the social system, just as old age pensions will be under the Social Security Act, would be preferable.

2. The Senate's Sub-Committee on unemployment and relief sent its report to Congress on January 14th recommending a new Department of Public Works which with the Social Security Board would coordinate and handle all social security matters including a public works programme, a joint Civilian Conservation Corps and National Youth Association programme and unemployment insurance. Several of these recommendations

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were included in the President's message on social security, which he sent to Congress on January 16th. In this he recommended extension of the Old Age Insurance System to 6,000,000 additional earners over and above the 42½ million already covered by the existing scheme, the increased protection to be afforded to the aged and to dependent children. Another revision required was that old age pensions should begin in 1940 rather than in 1942, and should be on a more liberal scale in the early years than is provided for in the present scheme. Incompetent and politically dominated personnel were blamed by the President for having done harm in several States and he made it a condition for the receipt of Federal funds that the States should establish and maintain a merit system in selecting personnel. He urged the wisdom of building upon the principles of the existing Social Security Act rather than turning to untried and unsound panaceas, by which he undoubtedly meant schemes like the Townsend Plan.

3. Another important message sent by the President to Congress last week asked for a short and simple Statute to put an end to the present reciprocal immunity from taxation of Federal, State and local Government securities and salaries, on the ground that the exemption goes almost entirely to help those already well able to share the burden of taxation. The reform, if passed, is expected to bring in at least an additional \$150,000,000 a year in taxation. I have reported more fully on this in a separate despatch. The subject is one which is likely to arouse serious controversy.

4. The question of the re-enactment of
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processing taxes on agricultural products, repeatedly advocated by Mr. Wallace as a means of providing funds for "parity" payments to farmers under the Agricultural Adjustment Act, came to the surface again last week and seems to have been finally disposed of so far as the present Administration is concerned. There had been reports to the effect that Mr. Garner was strongly opposed to the proposed tax and these were followed by an open expression of disapproval by Mr. Morgenthau. Finally on the following day the President let it be known at a press conference that he regarded the proposed tax as a "depressant".

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5. The National Defence Bills referred to in my despatch No. 72 of January 20th are now being considered in Committee. Much is being written on the subject in the press, but there is no great inclination to criticise the principle, and the comparative moderation of the President's proposed expenditure, actually hardly more than half what is proposed for the deficiency relief appropriation for the next six months, has rather taken the wind out of the sails of all but the most pacifist critics. The American Ambassadors in London and Paris, who are here on leave, were sent down to give evidence before a special joint session of the House and Senate Military Affairs Committees. Their evidence was supposed to be kept secret but a good deal leaked out, probably by design, and the impression created was that a further crisis might be expected in Europe this spring and that no time should be lost in tackling Mr. Roosevelt's defence program. Isolationists are complaining that the President deliberately staged the meeting in order to make Congressmen's flesh creep and that the whole defence

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programme is merely designed to distract public attention from the failure of the Administration to promote a business recovery at home.

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6. Congress has confirmed the three nominations referred to in paragraph 5 of my despatch No. 25 E, and the only one which really provoked acrimonious discussion was that of Mr. Hopkins. The fact that the relief appropriation was up for discussion at the same time provided Mr. Hopkins' enemies with much powder and shot in the way of complaints against his extravagance and political bias. He was cross-examined by a Senate Committee and made a great point of denying a frequently repeated story in the press that he had described his philosophy as to "spend and spend, tax and tax, elect and elect". The real aim of the attacks on Mr. Hopkins was directed rather at the President himself. Several of the conservative Democrats in the Senate, such as Mr. George and Mr. Tydings, who had been the objective of the President's autumn purge of the Party, took the opportunity of showing their hostility. In the end Mr. Hopkins' appointment to the Department of Commerce was approved by 58 votes to 27. Another interesting nomination which has been confirmed by the Senate is that of former Senator James Pope of Idaho to be a Director of the Tennessee Valley Authority in place of Mr. Arthur Morgan, who was dismissed last year.

7. On January 23rd the President addressed a message to Congress covering the findings of an inter-Departmental Committee appointed to coordinate health and welfare activities. The President advocated no particular policy, but brought out two principles, one recognising the need of cooperation between the States

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and the Federal Government, and the other the need of latitude for experiment. The Committee's report recommends Federal grants in aid to the States, calling attention to inequalities of resources and medical facilities in different parts of the country. Grants would have to be made not purely on the basis of population but taking into consideration the fact that the poorer and more backward communities, which most need medical assistance, are less in a position to pay for it. Again, medical needs vary very much from State to State, and a programme which might suit an industrial State such as Massachusetts would never work in rural Arizona. As a result allowance will have to be made for experiments in different States and a too rigid Federal law might well defeat its own ends. The financial aspect of the problem is one which, as in most of the Administration's schemes for betterment, takes rather a back seat, but the cost to the Federal Government of what is proposed would apparently be very considerable.

8. There is indeed a good deal of alarm among the more sober minded Members of Congress at the spending policy of which Mr. Eccles, Chairman of the Federal Reserve System, is the chief proponent. Senator Byrd of Virginia, a well known watchdog of economy, is leading the attack on Mr. Eccles. "You think" he says in an open letter, "that the Government can purchase prosperity on borrowed money. I think that genuine prosperity must come from the productive industry of the citizens of our Republic". Nevertheless pump priming is likely to continue because without it people fear a fresh recession such as occurred when budget balancing became the fashion 18 months ago. Every dollar of pump priming in Senator

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Byrd's view deters industry from spending two dollars. But Mr. Eccles, backed by the President, believes that a high rate of spending is necessary if the national income is to be increased to the eighty billion dollar basis mentioned in the President's annual message to Congress of January 4th, and that without such an increase in the national income the budget cannot in fact be balanced.

9. A formal demand was made in the House on January 24th by a Republican Representative for the impeachment of the Secretary of Labor, the Immigration Commissioner and the Solicitor of the Department of Labor. The Resolution accuses them of high crimes and misdemeanours in failing to deport Harry Bridges, the Australian Congress of Industrial Organisations leader on the West Coast. Miss Perkins has declared that she welcomes the introduction of this Resolution and will ask for an immediate hearing so that Congress may be fully acquainted with the true facts. The Resolution has been turned over to the House Judicial Committee and may never emerge therefrom. This is the first attempt to impeach a Cabinet Officer since 1876. The motive arises from the long standing dispute over the Bridges case between Miss Perkins and the Dies Committee on Un-American Activities. The Committee heard evidence that Bridges was an alien and a Communist and the argument of Mr. Thomas, who introduced the impeachment Resolution, is that the Federal law provides that any alien who is a member of the Communist Party must be deported.

10. The Trade Agreements Act is coming in for the usual criticism in Congress and various projects are

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afoot to amend it when it expires in 1940 rather than to prolong it as Congress can do if it wishes. A Resolution has been introduced in the Senate by Senator O'Mahoney to require Senate ratification of future agreements. The House has also received Bills in a similar sense, and these have all gone into Committee. The Administration will of course oppose any such measures to the utmost, as Mr. Hull knows only too well that a trade agreement programme would be wrecked by logrolling in Congress if each agreement had to be ratified.

11. The labour movement is having serious internal troubles. Mr. Homer Martin, President of the United Automobile Workers of America, who has for months been at odds with the extremists in his own union, has now declared open war upon Mr. John L. Lewis and has resigned from the executive board of the Congress of Industrial Organisations. Mr. Martin accuses Mr. Lewis in a letter of betraying the principles and policies of a democratic labour movement and of aiming at a personal dictatorship over organised labour. He charges him with having already driven the International Ladies Garment Workers Union out of the Congress of Industrial Organisations and with now driving the Automobile Workers into the same position. Mr. Martin goes on to accuse Mr. Lewis of having adopted the methods of his Stalinist allies and of resorting to deliberate falsehood and using his lieutenants Murray and Hillman to undermine his (Mr. Martin's) authority in his own union. He has called a convention of his union for March 4th to demonstrate their support of his action.

12. I am sending copies of this despatch to the High Commissioner for the United Kingdom in Canada, the Prime Minister of Australia c/o the Dominions Office, and the Department of Overseas Trade.

I have the honour to be,

with the highest respect,

My Lord,

Your Lordship's most obedient,

humble servant,

(SGD) V. A. L. MALLEY

H.M. Chargé d'Affaires.