

*Copy sent to
Mr. G. G. B. L. L.*
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M. A. T. [unclear]
H. A. [unclear]

BRITISH EMBASSY,
WASHINGTON, D.C.

No. 124 E.

February 2nd, 1939.

My Lord:

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With reference to my despatch No. 101 E. of January 26th last, I have the honour to inform you that the President has already received his first rebuff from the new Congress. The Senate has by a majority of one vote refused to restore the cut in the supplementary relief appropriation which had been made by the House of Representatives. The relief measure as passed by the Senate and in this form returned to the House followed the lines mapped out in the Senate Committee mentioned in the first paragraph of my despatch under reference. The appropriation is reduced to \$725,000,000, with a proviso that reduction in the Works Progress Administration relief rolls up to April 1st shall not exceed 5% and with a further proviso that the President may in case of need ask for a further appropriation later in the session. The Senate Committee had added another amendment making it a felony for any person directly or indirectly to offer or promise any employment, compensation or other benefit provided for in the 1938 Relief Act as a reward for any political activity, or to solicit or knowingly to be concerned in soliciting

campaign /

The Right Honourable

The Viscount Halifax, K.G.,

etc., etc., etc.

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INDEX

campaign contributions for any candidate from anyone in receipt of relief. This amendment was broadened when the Bill came to the floor of the House to cover any Act of Congress, so that the Bill as it leaves the Senate defines as a felony the offering of any benefits to or soliciting contributions for political activity from any person in Government employment or receiving any compensation from the Government. This amendment was passed without discussion at the instigation of Senator Barkley, the Administration leader, who had himself been accused of receiving political assistance from Works Progress Administration workers here in his election campaign. There are signs that this will be modified again before the Bill finally becomes law.

2. The Administration leaders in the Senate had fought hard to restore the cut and their defeat represents a distinct snub for the Administration. The Vice President himself was largely instrumental in administering this snub and several of his close friends in the Senate voted for the cut. In general the vote showed a strong sentiment for public economy among all but the more radical Democrats. The Republicans are much heartened and foresee great difficulty for the President in getting any advanced legislation passed by the present Congress. It is

anticipated /

anticipated that Mr. Roosevelt must now prepare himself to contend with frequent majorities against him in the Senate unless he is ready to keep to the middle of the road. Of the 47 Senators who voted against the Administration 26 were Democrats. Among the Government's 46 supporters were two radical Republicans - Messrs. Borah and Frazier.

3. The White House Secretariat has let it be known that the President's legislative recommendations for the present session are now all before Congress. This makes it unlikely that he will sponsor any revision of the Wagner Labour Relations Act, and it even seems doubtful whether he will press for the revival of the Federal Government Reorganisation programme which was defeated last spring. The reason probably is that Mr. Roosevelt realises that Congress will have plenty of work over the national defence programme and neutrality legislation. If he is to get his way in these matters with a by no means subservient Congress he must walk warily in not antagonising Members with too controversial internal legislation.

4. The Military Affairs Committee of the Senate is getting most of the limelight just now owing to the accidental revelation of the French order for aeroplanes referred to in a separate despatch. Naval affairs are also to the fore through the proposal to fortify the island of

Guam. As a result the thoughts of legislators are being directed increasingly towards the foreign policy of the United States and already this question is being ventilated on the floor of both Houses. The President is being forced by events both external and internal to embark upon his drive against the isolationists rather earlier in the session than he would normally have chosen. It is still too early to forecast which way opinion will go.

5. In view of the great importance which the President attaches to questions of foreign policy and defence it is rather unfortunate that some of his lesser acts are antagonising the more moderate of his own supporters. A case in point is that of Mr. Roosevelt's appointment of Mr. Thomas R. Amlie to the Interstate Commerce Commission. This gentleman was formerly a Representative from Wisconsin and was defeated in last year's primary elections. He is known to be strongly in favour of State collectivism and the nationalisation of public utilities and it was for this reason that the electors of Wisconsin withdrew their confidence from him. The legislature of the State of Wisconsin has adopted a resolution describing Mr. Amlie as a Communist and protesting against the appointment. Even those who do not go so far as this feel that Mr. Amlie is a small country /

country lawyer with no proper qualifications for his new appointment. Another appointment, which has produced a revolt in the Senate Judiciary Committee, is that of Mr. Floyd Roberts as a Federal District Judge in Virginia. The two Democratic Senators from Virginia led the revolt against this nomination which the Committee rejected by a big majority.

5. The Supreme Court has rejected by five votes to two a suit by fourteen private utility companies against the Tennessee Valley Authority electric power programme. The companies challenged the Government's power programme but were told by the Court that they had no right to be free of competition and had no standing to maintain the suit. The judgment held that the vice of the position taken up by the companies was that neither their charters nor their legal franchises involved the grant of a monopoly or rendered competition by the Tennessee Valley Authority illegal. The ruling of the Court did not pass upon the constitutionality of the Government programme in setting up the Tennessee Valley Authority. It is generally held however that as a result of the Court's decision the Tennessee Valley Authority will now feel itself free to proceed with the construction of further dams in the Tennessee Valley and the sale of the surplus power produce. Some lawyers even consider the basis of the Court's opinion so wide that the Government could if it

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chase enter almost any enterprise without fear of being sued as a competitor with private enterprises. This decision undoubtedly shows how far the Supreme Court has moved from its former position of opposition to the New Deal. The liberal majority is now assured, and the only real diehards remaining on the bench are Justices Butler and McReynolds who dissented in the present judgment.

6. I am sending copies of this despatch to the High Commissioner for the United Kingdom in Canada, the Prime Minister of Australia, care of 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. Mallet.

H.M. Chargé d'Affaires.

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