

Handwritten notes:
Mr. Mallet
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
AP. 5/11

BRITISH EMBASSY,
WASHINGTON, D. C.,
March 2nd, 1939

No. 253 E

My Lord,

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Since Mr. Mallet addressed to you his despatch No. 214 E of February 16th, the President's absence on the naval manoeuvres has brought about somewhat of a lull in political controversy. As definite contributions towards a "business appeasement" policy there have recently been a series of important statements by members of the Administration. The recent halt in recovery is causing a certain amount of anxiety to those who study the electoral prospects of the Democratic Party for 1940 and it is being said that the new policy of the Administration will be to "take business for a petting party". The President himself before embarking declared that business need have nothing to fear from the Administration's objectives. With the recent agreement between the Tennessee Valley Authority and the Commonwealth and Southern Corporation evidently in mind, he promised the utility companies that there would be no further expansion of federally subsidised power projects. Even more attractive to the general public was his assurance that there would be no higher taxes. The Secretary of the Treasury a few days later at his weekly press conference confirmed that he was not counting on any new taxes this year and emphasised the need for Congress to examine what taxes if any/

The Right Honourable

The Viscount Halifax, K.G.,

Etc., etc., etc.

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any were holding businessmen back. "The businessman", he said, "should understand that the Administration wants him to go ahead, and legislation should be of such a nature that it will not be a deterrent, so that the businessman can make a profit".

2. Even more important was a speech delivered in Iowa by the new Secretary of Commerce, Mr. Hopkins, who for the last two months has been quietly studying the problems of his new office and discussing them with businessmen of all descriptions. Mr. Hopkins' past record did not predispose businessmen to find him as reasonable as he now would appear to be. In his Iowa speech he assured his audience that the emphasis of the Administration had shifted from reform to recovery and that they were determined to promote that recovery as vigorously as they could, but that the confidence of business was required for this. His speech may be summarized under the following headings. Spending. Business must be properly sustained but there are periods when only government spending makes that possible. This does not entail a permanently unbalanced budget because when once recovery is achieved higher revenues will make possible both a balanced budget and debt retirement. Taxes. Mr. Hopkins was opposed to any general increase of taxation and to any taxes which might restrict the flow of capital. Utilities. Referring to the recent Tennessee Valley agreement he claimed that this ended the period of great litigation. Cheap electricity should be of course available in every home, but the rules under which it should be generated and distributed were matters which could surely be resolved. The Government had given no indication that it wished to own and operate

all utilities in the country. On the contrary it had now shown its good will and made a generous peace with the companies which ought to make it possible for private investment in the industry to be resumed. Such investment should bring greater opportunities for employment and profits. Labour. Expressing his belief in labour unions Mr. Hopkins asserted that they were necessary to safeguard the workers from unfair treatment, but urged upon labour the need for tolerance and fairness in reaching agreements with the employers. The employers should help to find a way of answering the problems arising out of industrial relations. Mr. Hopkins also urged the need for ending the division among the trade union organisations. Agriculture. No simple or final solution had yet been found but there had been a great improvement since 1932. Until the farmer regained his proper economic position in relation to the rest of the population there could be no solution of the problem of unemployment in the cities. Summing up Mr. Hopkins reiterated his belief in the American system of free enterprise and urged the need for a substantial increase in private investment. The Government desired to do everything it could to create an environment in which private investment was encouraged, and he indicated housing and railroads as fields in which such investment might be made. He called for an end of conflict between business and government, for better understanding and team work in order that the unemployed might be taken off relief and put into private employment. The speech has had a favourable press although the "New York Times" complains that there are not many specific assurances in it of the kind for which business had been hoping. The

Republican "New York Herald Tribune" admits Mr. Hopkins' good intentions but calls for deeds to follow his words.

3. The day after this speech the press published the texts of letters which the President had addressed to Mr. William Green and Mr. John L. Lewis urging them to enter into peace negotiations between their two trade union groups. Mr. Roosevelt declared that there appeared to be no insurmountable obstacles to peace and that there was in fact evident a real and honourable desire to unify the labour movement. He referred to a recent statement by the National Manufacturers' Association which showed a better understanding of the problems of labour relationship than formerly. The complicated economic and social problems of today required the cooperation of responsible citizens in all walks of life and the effectiveness of labour could only be realised by its showing fundamental unity. Enumerating the various reasons which made this unity necessary he stated that the Government of the United States and the American people believed it would be a wise and almost necessary step for the further development of the cooperation between free men in a democratic society. He therefore asked the two leaders to appoint committees to negotiate peace and offered the assistance of the Government in whatever form it might be required. Mr. Green has already accepted the President's invitation, but Mr. Lewis' answer has not yet been published.

4. Labour questions have also been the subject of three important decisions by the Supreme Court on February 27th. In each case Mr. Frankfurter took no part, having only recently taken his place on the bench, but the two other Roosevelt nominees, Justices Black and Reed, in

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each case dissented from the majority decisions. All three judgments are a severe blow to the National Labor Relations Board set up to administer the Wagner Act. In the first and most important case the Court denied to the Board the right to compel the reinstatement of sit-down strikers in the Fansteel Metallurgical Corporation's factory at North Chicago. The majority of the Court denounced the strike and condemned the Board for exceeding its authority. The strike "was a high-handed proceeding without a shadow of legal right. To justify such conduct because of the existence of a labour dispute or of an unfair labour practice would be to put a premium on resort to force instead of legal remedies and to subvert the principle of law and order which lie at the foundations of society". All the Justices were agreed that the Wagner Act is constitutional; they agreed that the Fansteel company was guilty of certain unfair labour practices under the terms of this Act; they agreed that the National Labor Relations Board has power under the Act to reinstate employees on strike as a means of redressing such unfair labour practices. Where the Justices disagreed was on the question whether this power of the Board to require reinstatement was affected by the nature of the strike itself. The Chief Justice speaking for the majority of the Court held that since the sit-down strike was and always had been illegal, when the Fansteel Company refused to reinstate certain of its employees who had taken part in a sit-down strike it stood absolved of any responsibility to do so under the Wagner Act owing to the conduct of those engaged in the sit-down strike. The two dissenting Justices on the other hand held that the law gave the Board power to require reinstatement by

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the company of all its employees.

5. The second judgment rejected a ruling by the National Labor Relations Board that the Columbian Enamelling Stamping Company of Terre Haute had declined to bargain collectively with the union the striking members of which the Board demanded should be reinstated because of this alleged failure to bargain collectively. The third decision rejected an order by the National Labor Relations Board against the Sands Manufacturing Company of Cleveland, holding that there had been no discrimination against union members nor refusal to deal with them.

6. These important decisions go a long way to substantiate criticism which has frequently been voiced against the partiality which the National Labor Relations Board has been showing in its interpretation of the Wagner Act. It is now presumed that the Supreme Court decisions will force the Board to modify its administrative policy. The sit-down strike has been definitely outlawed by the Court, and even the minority did not express any doubt about its illegality. It has been ruled by the Court that employers still retain under the Wagner Act certain fundamental rights. Where employees themselves have violated a labour agreement they cannot come into court and charge the employers with unfair labour practices under the Act because of the discharge of men who have violated their contract with the employers. The "New York Times" in commenting on these decisions of the Court lays stress upon the need for legislative revision of the Wagner Act. Senator Wagner himself has declared that the Act can best be clarified not by Congressional amendment but through interpretative findings/

findings by the Courts. The "New York Times" however feels that such findings may well be upset in the course of a year or two if the next two vacancies on the bench were to be filled by men of the political complexion of Justices Black and Reed. It would therefore be wiser if Congress were to set to work to amend the Act in the light of the decisions already given by the Court. Already several bills are waiting in their pigeon holes aiming at such amendment of the Act, but Congress may find itself too busy to tackle them during the present session.

7. Congress has been mainly occupied during the last fortnight with the Administration's defence programme, and considerable progress has been made. The May bill to increase the Army air corps, referred to in paragraph 4 of Mr. Mallet's despatch No. 214 E, reached the Senate with the aeroplane figures reduced from 6,000 to 5,500. The Senate Military Affairs Committee has raised the figure to 6,000 again, but the debate now taking place on the floor of the Senate may not confirm this increase. The debate is ranging over a wide field and has not produced any very striking speeches so far. The Naval Appropriations Bill was passed by the House after the deletion of a small appropriation of \$5 millions for harbour improvements in the Island of Guam. It is now in committee in the Senate. It is being generally said even in Republican

circles/

circles that not more than a dozen Senators are really opposed to the defence bills.

8. Mr. Thomas E. Dewey, the District Attorney of New York who is already popularly considered to be running ahead for the Republican nomination in 1940, added a new feather to his cap last week by securing the conviction of the Tammany district leader James Hines on all thirteen counts of an indictment branding him as a political ally of the underworld in the operation of a \$20 million a year policy racket. Hines will certainly spend several years in prison. The circumstances of the earlier trial and its breakdown are described in my despatch No. 853 E of September 19th. It is generally considered difficult to secure a conviction on a retrial of this kind, and Mr. Dewey's persistence and skill has earned him very high praise. The conviction of Hines is a very severe blow to the Tammany organisation which has in recent years been steadily losing its hold upon New York politics.

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9. 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.

W.H.

I have the honour to be,
with the highest respect,
My Lord,

Your Lordship's most obedient,
humble servant,

(SGD) R. C. LINDSAY