

*7.12.39*  
*Sec.*  
*Hand*

BRITISH EMBASSY,  
WASHINGTON, D. C.,  
May 8th, 1939

No. 507 E

My Lord,

Congress has now been sitting for four months and so far has only disposed of two of its major controversial problems, the Government Reorganisation Bill and the expansion of national defence. Seven big issues are still outstanding: (1) amendment of the Social Security Act, (2) amendment of the National Labour Relations Act, (3) amendment of the Wages and Hours Act, (4) revision or extension of the Neutrality Act, (5) the amount of the appropriation and the method of disbursement for relief during the 1940 fiscal year, (6) a farm programme including the highly controversial question of export and domestic subsidies on farm products, (7) legislation to repeal, modify or continue in effect certain provisions of the tax laws which are estimated to yield an annual revenue of around \$2,000 millions. Of the above all except the tax proposals are already either in committee or through committee and awaiting action on the floor of the House.

2. There is nothing very new or revolutionary in the above legislative programme. It is, as Mr. Mark Sullivan, the well-known conservative Republican commentator, remarks, a sign that the Administration have recognised that last Autumn's elections put an end to any further New Deal innovations but that the

progressive/

The Right Honourable

The Viscount Halifax, K.G.,

etc., etc., etc.

RCL:HOC:VALM:DH

INDEX

-2-

progressive legislation already achieved by the Roosevelt régime could be retained by proper overhauling and the elimination of details which have proved unworkable. Unless on the other hand suitable pruning can be performed by the present Congress there is the risk that after 1940 a much more drastic lopping off of branches may take place. Mr. Sullivan explains the hesitations of Congress as being largely due to preoccupation with foreign affairs. Mr. Walter Lippmann gives two explanations of which the above is one and the second is that the attention of all politicians has already become fixed on the elections of 1940. He thinks both explanations plausible but insufficient, but he admits the confusion which is clouding the minds of Congressmen and inclining them to do nothing because they are not sure what they ought to do. He also lays stress upon the fact that the United States is now the only great nation left which is not mobilized for war, and as a result it is also the only nation left with a vast problem of unemployment. Washington, in his opinion, is now hesitating between three courses; the first is for the Government to spend on public works and social services vastly more than at present, in fact sums comparable to the expenditure of governments mobilised for war. The expense of this course would be so great as to put it out of the question; the second course would be to spend considerably on public works, national defence and social services and at the same time to place all manner of obstacles, real and psychological, in the way of private investment. This is the course now being pursued and it results in a low level of production, relief rather than jobs, chronic

deficits/

-3-

deficits and general demoralization. The third course would be to recognize frankly that the country is irrevocably committed to a new level of public expenditure but that the social services which have been set up can only be sustained if private investment is encouraged. Therefore if the New Deal were willing to face realities it would insist on measures to foster private enterprise. This of course is the cry of the less reactionary Republican opinion as reflected in meetings of Chambers of Commerce and other business groups throughout the country. Yet apart from soothing words from the Secretary of Commerce and the Secretary of the Treasury there is little sign of either the Administration or Congress doing anything to stimulate private enterprise and the impression exists that bankers and industrialists have given up hoping for real improvement so long as the present Administration remains in office.

3. Congress is not expected to be able to adjourn before August, although Senator Bankhead tabled a resolution to adjourn in the middle of June which was at once assailed by the isolationists on the ground that the world situation was so precarious that Congress would be shirking their duty if they went home for the hot weather. There are indeed numerous signs that the isolationists intend to prolong the neutrality discussions for many weeks. Public hearings are still going on in the Committees of each House. Perhaps the testimony of the Secretary of State which is due to be given tomorrow may help to hasten the deliberations and to convince the waverers. Section 2 of the Neutrality Act of 1937, the "cash and carry" clause,

expired/

expired on May 1st and Senator Vandenberg has moved for its reenactment. There are a considerable number of Senators, apart from the extreme isolationists, who may be tempted to support this move out of distrust for the President, hoping that the subject of further revision may thus be side-tracked. The President is most unlikely to give up the struggle for revision upon the lines of the Pittman resolution. His hand has been strengthened by Mr. Alfred Landon's broadcast speech supporting his peace appeal to the dictators and thereby implying complete disagreement with Senator Taft's outburst against Mr. Roosevelt for "ballyhooing" the international situation.

95/17

4. The coal strike referred to in paragraph 4 of my despatch No. 453 E of April 20th still continues and there are now 450,000 mine workers unemployed, the Western miners having now struck in sympathy with their Appalachian fellow-workers. There is risk of a coal shortage in the big cities and in New York already the underground railways have been forced to reduce their service by 25% in order to economise fuel. The President has made a direct appeal to the negotiating committees saying that the orderly processes of collective bargaining should suffice to adjust the differences between the two sides and urging the continuation of the present negotiations with the Federal Commissioner. "Time" said Mr. Roosevelt "is now important and agreement must be reached promptly".

5. Senator Byrnes has introduced a measure proposing a series of amendments to the Social Security Act all of which would increase Federal expenditure under the Act and reduce the contributions

of/

-5-

of the States accordingly. The bill lays down new requirements for unemployment insurance. It provides that State laws must provide for compensation for no less than thirteen weeks, that the normal waiting period must not be longer than a week (at present in most States it is two weeks and in some three), and that weekly payments must range from a minimum of \$5 to a maximum of \$15 a week. It seems unnecessary to go into the details of this bill at its present stage.

6. On April 27th the President sent a message to Congress insisting on the continuance of the relief system for the next fiscal year in its present form and rejecting the minor modifications recommended recently by a Senate Committee. He also rejects the proposal that the administration of relief be turned back to the States by the Federal Government and that relief be financed in the same way as the Social Security Act by a system of Federal grants-in-aid to the States with certain equivalent requirements from the States. For the new fiscal year beginning on July 1st the President asks for \$1,477 millions basing his estimate upon an assumption that Works Progress Administration employment will have to be provided for only slightly more than an average of two million persons during the next year. There are at present nearly three million on the Works Progress Administration rolls and the estimate seems unduly optimistic. It has been alleged by witnesses before the House Appropriations Sub-Committee that relief construction costs in New York City are about  $2\frac{1}{2}$  times as much as similar work done under private construction. This is the usual line of criticism applied to the Works Progress Administration. In an

attempt/

attempt to obtain greater efficiency Senator Byrnes has tabled a bill to consolidate Federal public works and relief agencies including the Works Progress Administration and Public Works Administration by creating a Public Works Agency and providing a formula based on population and number of unemployed for allocating public works projects among the States. The bill requires each State to pay at least one-third the cost of projects within its borders.

95/16

7. The President has submitted to Congress his first merger order under the Government Reconstruction Act passed by Congress at the beginning of April (see my despatch No. 393E of April 6th.) The plan which is referred to as "Reorganisation Plan No. 1" consolidates Federal welfare, works and lending activities under three independent Government agencies and centralizes the Budget Bureau and related agencies under the White House. The three new independent agencies will absorb existing units under the following plan:-

- (1) Federal Security Agency. This will take over the Social Security Board, the Office of Education now under the Interior Department, the Public Health Service now under the Treasury, the National Youth Administration now under the Works Progress Administration, the United States Employment Service now under the Labor Department and the Civilian Conservation Corps.
- (2) Federal Works Agency. This will take over all of the Works Progress Administration and Public Works Administration, the Bureau of Public Roads now under the Department of Agriculture, the Public Buildings Branch of the Procurement Division now under the Treasury, the Branch of Buildings Management of the National Parks

Service now under the Interior, the Space Assignment and Site Selection work of the National Park Service now in the Department of Labor and the United States Housing Authority now under the Interior Department. The Public Works Administration and the Works Progress Administration would however continue as subordinate agencies each under a Commissioner. (3) Federal Loan Agency. This will coordinate the activities of the following agencies; Reconstruction Finance Corporation, Electric Home and Farm Authority, Reconstruction Finance Corporation Mortgage Company, Disaster Loan Corporation, Federal National Mortgage Association, Federal Home Loan Bank Board, Home Owners Loan Corporation, Federal Savings and Loan Insurance Corporation, Federal Housing Administration, Export-Import Bank. Lending agencies concerned with agriculture, namely the Farm Credit Administration, the Federal Farm Mortgage Corporation and the Commodity Credit Corporation, are to be transferred to the Department of Agriculture. The President announces that this plan will result in an ultimate saving of between \$15 and \$20 millions a year and result in greater administrative efficiency. Unless Congress vetoes the plan within sixty days it will become effective. The House of Representatives has already approved the plan by a vote of 264 to 128. There is some doubt whether, even if it wishes to, the Senate can now block the plan, but they can of course have their say in vetoing appointments by the President to head the new agencies.

8. 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) R. C. LINDSAY