

Political-economic Situation 95/24/39

July 3, 1939¹²

Foreign Office

No...44...E

My Lord,

In my despatch No. 691 E of June 20th

I reported a greater activity on the part of Congress. This activity in the past week has resulted in a lamentable display of incompetence, partisanship and log-rolling.

Midnight, June 30th, is the fiscal New Year's Eve, and it brought with it an automatic deadline for appropriations for the new fiscal year and the expiry of several major items of temporary legislation such as the power to devalue the dollar and to maintain a stabilisation fund. These matters, as well as the 1940 relief bill, were up to the Senate, while the House of Representatives was debating neutrality legislation. Last week's debates have served to emphasise more sharply than ever the discord between the President and the anti-New Deal section of the Democratic Party, and the Republican opposition has been able to take advantage of this discord and of the ineptitude displayed by the Administration leaders in both

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Houses. On the issues of taxation and economy, of relief administration and of neutrality, the President either failed or only partially succeeded in getting Congress to follow his lead. The motive behind this opposition to the President is no doubt partly the usual tendency towards the end of a President's second term to assert the independence of Congress from the Executive. Recent talk about a third term for Mr. Roosevelt has accentuated the opposition of the conservative wing of the Democratic Party. On top of this the influence of European events can be detected. The desire of Americans to live their own life, independent of Europe's quarrels for domination is strong just now, and consciously or unconsciously members of Congress feel moved to strike at the extraordinary powers obtained by the President at the beginning of his first term because they feel the shadow of dictatorship hanging over the world. The U.S. is today obsessed by Europe.

2. At the beginning of last week a revolt developed in the Senate against continuing into the new fiscal year the President's devaluation powers which were first granted to him in the emergency of 193³~~4~~. In the House meanwhile objections to the conduct of the Works Progress Administration were crystallized in an appropriation bill imposing the drastic restrictions on the agency's actions described in paragraph 4 of my despatch No. 691 E. The President returned from Hyde Park on Tuesday and attempted to influence events, but in vain. After a long series of complicated manoeuvres described in my despatch No. ^{Y40E} of^{July 3}..... the Senate failed to act on the devaluation bill before the end of the fiscal year and at the same time, although no similar opposition had been raised to the continuance of the stabilisation fund, no bill was passed to renew it. The silver group of Senators from the Rocky Mountain States by their selfish and sectional insistence on

(Mr. Pinsent's despatch)

increasing the already exaggerated price which the Treasury has to pay for domestically mined silver, played right into the hands of the Republican opposition and ~~were~~ principally to blame for the tangle which has now come about. It is now believed that legislation can be passed this week to continue the two expired acts, but there is a certain amount of doubt as to the legality of such legislation.

3. The Senate after conference with the House succeeded in reaching an agreement on June 30th on the 1940 relief bill and the President was able that evening to sign a measure which assured the continued operation of the Federal relief machinery. The total expenditure agreed upon was \$1,755,600,000. Of this the W.P.A. got \$1,477,000,000 which was the sum asked for by the President, but the restrictions already described in paragraph 4 of my despatch No. 691 E were not to the President's liking. Even the impassioned advocacy before a Senate Committee

To see if it was possible to get the Senate to agree to the relief bill on June 30th. The bill was approved by the Senate on June 30th and the President signed it on July 1st. The bill provided for the continuation of the Federal relief machinery for 1940. The total expenditure agreed upon was \$1,755,600,000. Of this the W.P.A. got \$1,477,000,000 which was the sum asked for by the President, but the restrictions already described in paragraph 4 of my despatch No. 691 E were not to the President's liking. Even the impassioned advocacy before a Senate Committee

of Miss Tallulah Bankhead, the Speaker's
Daughter
~~niece~~, was unable to induce legislators to
 restore the Federal Theatre Project, which the
 House had insisted upon dropping because
 some of the plays performed contained what
 it considered seditious lines.

4. The ^{tax} bill remodelling the
 Corporation Tax and renewing the excise
 duties has proved to represent a compromise
 acceptable to Congress. It became law as

"³⁹ the Revenue Act 19~~38~~ on receiving the
 President's signature on 29th June. Its
 provisions correspond substantially to those
 outlined in paragraph 2 of my despatch
 No. 586 E of 29th May, 1939.

5. One of the few good
 deeds of the Senate in
 recent weeks was
 performed almost
 healthily, so little
 comment did it
 arouse. The Anglo
 American barter
 agreement for rubber
 and cotton signed
 in London on June 27th
 was approved by the
 Senate without debate
 and then made ready
 for ratification by the President.
 The N.Y. Times' comment
 is that "Great Britain
 seems to have gained
 little except some
 rather problematical
 food will."

6. Another important matter which
 has been seriously hampered by Congressional
 delay was the Tennessee Valley Authority
 project referred to in paragraph 5 of my
 despatch No. 691 E. The bill did not reach
 the Senate before the end of the fiscal year
 and in consequence the deal with the
 Tennessee Electric Power Company is off for

the time being and a contract will have to be negotiated all over again. It seems probably however that no insuperable difficulties will be found to such action.

7. I am reporting separately upon the neutrality bill which has emerged from a debate in the House of Representatives. It is a feeble and probably unworkable compromise and the debate was conducted on the lowest possible level. The statement made by Mr. Cordell Hull seems to indicate that the Administration will continue to fight in the Senate for the abolition of the arms export embargo clause, but the unexpected revolt of the House may have put fresh heart into the Opposition in the Senate, and it is not impossible that Congress may adjourn with no new bill to replace the existing one.

8. The Government reconstruction under Reorganisation Plan No. 1 referred to in paragraph 7 of my despatch No. 507 E of May 8th has now automatically come into force and the reshuffle of government agencies is

taking place. Mr. John M. Carmody, former Head of Rural Electrification, has been put in charge of the Federal Works Agency, and Mr. Jesse Jones of the Reconstruction Finance Corporation, has been made Head of the Federal Loan Agency.

③. Serious scandals continue in different parts of the country. Judge Martin T. Manton, the Senior Judge of the Second Federal Circuit Court of Appeals and, incidentally, the highest ranking judge in the country after the nine Supreme Court Justices, has been sentenced to two years' imprisonment and a fine of \$10,000 for accepting bribes on a large scale, some of them from disreputable abortionist doctors in New Jersey. In Louisiana the President of the State University, Dr. James Munroe Smith, has fled to Canada after speculating with hundreds of thousands of dollars from the University's funds and losing them all. Dr. Smith was a nominee of the late Senator Huey Long, who once explained that he had chosen

him/

him because "he had a hide as tough as an elephant's". The scandal has involved Governor Leche, another of Long's gang, who hastily resigned on grounds of ill health.

It is however impossible to believe that political racketeering in Louisiana has been brought to an end by these revelations, ^{for} ~~as~~ the new Governor is Huey Long's brother, Earl K. Long. He has unctuously announced that his motto will be the Biblical text "Better is a little with rightousness than great revenues without right", but he will prove to be a unique member of the Long political gang if his deeds do not belie his words.

/0. 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.