

*Copies to B.L.D.*

BRITISH EMBASSY,  
WASHINGTON, D. C.

July 27th, 1939.

No. 824 E

My Lord,

Congress is now reaching its last lap before adjournment and will probably go home next week. There is a general disinclination to tackle any more important legislation although it is assumed that some action will be taken on the Works Financing Bill which will be referred to later in this despatch. What is interesting politicians much more than legislation is the question of the 1940 presidential election. It is widely stated that Mr. Roosevelt would have had much less difficulty with Congress, particularly over the neutrality bill, if he had been prepared to renounce all ambitions for a third term. There are however many reasons why he cannot commit himself on this point. In the first place the President is more aware than most Americans of the possibility of a European war and more convinced that such a war would eventually involve this country. His feeling appears to be that if there is a war he himself is the best man to be at the helm. If by the spring of 1940 the danger of war seems less he may more easily be persuaded to give up the idea of attempting to break a sacred precedent. Even then he will certainly be determined to get a "liberal" Democrat nominated at the convention, and any present renunciation on his part would weaken his authority with his party and play into the hands of

The Right Honourable

Mr./

The Viscount Halifax, K. G.,

etc., etc., etc.

95/18

Mr. Garner and the conservative wing. Last week Mr. Roosevelt appointed Mr. Paul McNutt to the important post of Federal Security Administrator, one of the new offices set up under the government reorganization plan referred to in paragraph 7 of my despatch No. 507 E of May 8th. Now Mr. McNutt has been for the last two years Governor General of the Philippines and quite successful there, but before that he was a highly political Governor of Indiana with a party machine based upon a 2 per cent levy from State employees. He now becomes responsible for the Social Security Board, the Civilian Conservation Corps, the National Youth Administration, the Public Health Service and the Office of Education, and this will give him a good national position from which to project his personality as a potential candidate and as one of the issues at the elections is likely to be bigger old-age pensions and health and unemployment insurance he may be just the man to make political capital out of his new office. Mr. Farley is said to dislike him but apparently Mr. Harry Hopkins admires him. The President when asked at a press conference whether he was training up Mr. McNutt to succeed him replied that there were perhaps fifteen charming young men who might be considered for that post, but the newspapers have had some difficulty in finding anywhere near that number to whom there is not some apparently fatal objection. Mr. Murphy and Mr. Farley are Catholics; Mr. Hopkins has lost ground and is rather a sick man; Mr. Robert Jackson has not made the headway that was expected/

expected of him; Mr. William Douglas has disappeared into the Supreme Court; Senator Wagner is ineligible because he was not born in this country; Mr. Garner is too old, and Mr. Hull has almost certainly made up his mind not to be a candidate. There is always the possibility of the President throwing his weight behind some progressive who is not nominally a Democrat and the names of Mr. La Guardia and Mr. Robert La Follette and Mr. Ickes suggest themselves, but that would presumably split the Democratic party completely. So Mr. Roosevelt himself appears once more as the logical candidate to succeed himself in 1940. This idea is utterly distasteful to the conservative Democrats and during the present Congress they have been voting in the Republican lobby more or less consistently with the idea of showing the President that if he runs for a third term there will be a coalition in the country against him as there is already in Congress.

2. The effect of "third term politics" has been seen in its most disastrous form in the final shelving of the Neutrality Act by the Foreign Relations Committee of the Senate. Looking back, it now seems that both the Administration and Senator Pittman made a mistake in not placing the revision of the Neutrality Act in the forefront at the beginning of this Congress and pushing it through before party feeling became so exacerbated. There probably is now and always has been a majority in both Houses in favour of repealing the embargo on the export of arms and ammunition but the temptation/

temptation to have one more slap at the President was too great, and in the Senate Committee there were two Senators, George and Gillette, who had been the objects of the President's party purge last summer. They could not resist the temptation of taking their revenge.

95/23. 3. The President's new spending-lending scheme, particulars of which were given in my despatch No. 737 E of the 3rd July, 1939, has been brought before Congress in the form of a Works Financing Bill. It has however already suffered considerable mutilation. The opposition which rapidly developed to the item for loans to foreign governments led to the abandonment of this item and to the substitution of a provision for the increase of the capital of the Export-Import Bank from 100 million dollars to 200 million dollars, the increase to be used for export credits and not for loans to governments. This change, combined with further cuts effected during the passage of the bill through the Senate Banking and Currency Committee, have reduced its scope from a total of 3060 million dollars to a total of 2110 million dollars, and the proposal that the monies provided should represent a revolving fund, so that they could be re-lent as soon as old loans were repaid, has been abandoned. Even after these mutilations there is a strong opposition developing in the Senate and it is far from clear whether the Government will succeed in driving the bill through in any form before Congress adjourns.

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The proposed increase by \$800 million of the borrowing powers of the United States Housing Authority has passed the Senate but has not yet been actively taken up in the House.

4. A good deal of excitement has been shown in the press regarding the passage by both Houses of the Hatch "clean politics" bill which is now up for the President's signature. The House strengthened and put teeth into the measure which originated in the Senate and it is now considered likely to hinder the President's third term ambitions by preventing office holders from attending the Democratic Convention next year. Job-holders have in the past formed a large part of the delegations to party conventions and have naturally been amenable to the politicians who got them their jobs. The number of postmasters so amenable have, for instance, made the office of postmaster-general one of great importance in the party. Under the present bill any person in a government administrative position with the exception of heads and assistants of heads of executive departments and a few others, is forbidden to use his official authority for the purpose of interfering with or effecting an election for Federal office and is forbidden to promise employment, position, work, compensation or other benefit provided for or made possible by the Act of Congress to anyone as a reward for political activity. It is also unlawful for any person to intimidate, threaten or coerce any other person to vote, and equally unlawful to deprive, threaten or attempt to deprive any person of employment or work or other benefits on account of his political activities,

7

race, creed or colour. The bill also makes it unlawful to solicit contributions for any political purpose from persons receiving compensation or employment under relief appropriations and bars the use of any appropriations made for relief for the purpose of interfering with or restricting or coercing any individual in the exercise of his right to vote at any election. Violation of the Act is made a felony with the penalty of a fine of \$1000 and one year's imprisonment. This bill was put through by a coalition of Republicans and Democrats and was sponsored by a Democrat in each House. It is understood to be intensely disliked by Mr. Farley, but it was very difficult for open opposition to be made to it as ostensibly its provisions are non-partisan and designed to clean up politics. There are rumours that the President may veto it on the grounds that it invades the citizen's right of free speech under the Constitution. Even if he signs it much will depend on how the law is observed, but it seems clear that even if relief workers cannot be coerced into voting for the Democrats, they will nevertheless still be inclined to do so from the mere fact that their jobs on Works Progress Administration and other relief undertakings have been created by the Democrats.

5. Works Progress Administration workers, particularly those in the building trade in New York, have been on strike against the 1940 relief bill referred to in paragraph 4 of my despatch No. 691 E

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of June 20th. The elimination of the "prevailing wage" clause and provision for a 130 hour month was the immediate cause. No provision had been made by Congress to increase the monthly pay, which had been calculated on the basis of how much a man should have to support his family, rather than on the value of his labour. Bricklayers, carpenters and other skilled construction workers who in private industry had succeeded in obtaining a wage of \$1.50 to \$2.00 an hour had also succeeded hitherto in continuing under these prevailing wages in the Works Progress Administration by the device of working only a small number of hours a month. Under the new 130 hour month their wage rate is now reduced to about \$.71 an hour.

Thousands of workers in New York, Wisconsin, Minnesota and other states went on strike but the Works Progress Administration officials held that there was no course open to them but to obey the Act of Congress, which had in fact been heartily supported by Colonel Harrington, the Works Progress Administrator in Washington. First the Attorney-General and then the President himself publicly declared that the men could not strike against the Government and as a result any men absent for five days were promptly dismissed. Twenty thousand strikers have now suffered this fate and as they are threatened with not being eligible for home relief their future seems a tragic one. The American Federation of Labor was largely responsible for the strike by the fact that its local units backed the strikers, but Mr. William Green has declared that "the remedy lies with Congress rather than through

strikes/

strikes on Works Progress Administration projects". Congress however shows no intention of backing down and in the last few days the strike seems to have fizzled out. Another serious difficulty of this Act of Congress is that about 650,000 workers who have been on the Works Progress Administration rolls for 18 months must now drop out for at least 2 months. It is hoped rather optimistically that many of these men will obtain private employment particularly now that business is beginning to pick up.

6. Ever since the National Labor Relations Board was created in 1935 under the Wagner Act it has been subject to much criticism for its methods of protecting the rights of workers and guaranteeing collective bargaining. The American Federation of Labor leaders have complained that the Board always favoured the Committee for Industrial Organization. Employers have contended that the Board was unfair, that it acted as prosecutor, judge and jury in the same case. There has thus been much demand for an amendment of the Act. Throughout the present Congress hearings have been taking place in Committee but the Administration policy is said to be to prolong these hearings in order to make legislation impossible this year. This policy was openly challenged last week when a coalition of the Republicans and Democrats in the House voted to create a special five-man committee to investigate the National Labor Relations Board. By this action the House administered a rebuff not only to the Administration but also to its own Labor Committee which has been holding endless hearings on the subject without taking any action. The vote, which was/



was 253-153, is applauded in the conservative press as another slap at the New Deal.

95/19

7. In paragraph 3 of my despatch No. 586 E of May 29th I referred to the Department of Agriculture's cotton subsidy policy. An export subsidy of 1.5 cents per pound on lint cotton and commensurate payments on the export of cotton goods produced in the United States became effective today. The Secretary of Agriculture in announcing this described the subsidy as part of a program designed to assure the United States its fair share of the world cotton market but said that he hoped the subsidy payments would be temporary and that an effective and equitable international cotton agreement would remove the necessity for them.

95/24

8. The deadlock between the Senate and the House under the Tennessee Valley Authority which was referred to in paragraph 6 of my despatch No. 741 E of the 3rd July has been ended in conference. The sum of 100 million dollars proposed by the Senate has been reduced to the 61½ million dollars voted by the House and the deal with the Tennessee Electric Power Company is to go forward.

9. After being in his dotage for four years as a result of a series of strokes Mr. Claude A. Swanson, the Secretary of the Navy died not long ago. His work has been done all these years by his Assistant Secretary, who is now also ailing, and by Admiral Leahy, who is off to Puerto Rico as Governor, and nobody knows yet who is to be given this important Cabinet office. Mr. Roosevelt himself will in any event keep a close eye on naval affairs in which from his wartime experience/

experience with the Navy Department he considers himself rather an expert. An interesting and admirable appointment just announced is that of Mr. Francis Sayre to be <sup>High Commissioner</sup> ~~Governor-General~~ of the Philippines. As Assistant Secretary of State Mr. Sayre has been mainly occupied with the trade agreements policy and with the inter-Departmental Committee on Philippine Affairs.

10. 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. G. LINDSAY