

No. 946 E.

BRITISH EMBASSY,
WASHINGTON D.C.

August 22nd 1939.

My Lord,

Since the adjournment of Congress, on which I had the honour to report in my despatch No. 871 E of August 8th, the usual summer political lull has set in. The President has gone cruising off the coast of Nova Scotia and the Secretary of State and other important Cabinet officers are absent from Washington. Nevertheless the newspapers with their ominous reports from Europe are keeping political interest alive rather more than usual in August. There are significant items to disturb the mind of holiday makers such as the appointment of the War Resources Board referred to in my despatch No. 912 of August 15th. This Board, headed by Edward R. Stettinius Jr., Chairman of the Board of the United States Steel Corporation, will advise the Army and Navy Munitions Board on the "mobilisation of the economic resources of the country in the event of a war emergency and in reviewing and perfecting the plans already under preparation". Another reminder to the public that neutrality bills in themselves may not suffice to keep the peace is to be found in a "Gallup poll" held last week which asked:-

- (1) If England and France have a war with Germany and Italy, do you think the

The Right Honourable

United/

The Viscount Halifax, K.G.,

RCL:VALM:MS

etc., etc., etc.

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United States will be drawn in?

To this question three persons in four had a definite answer, which was "Yes" from 76% and "No" from 24%.

The second question asked was:-

- (2) If England and France go to war with Germany and Italy, what do you think our country will do?

The reply of 25% was that America would send troops, 40% thought she would send war material, and the remaining 35% thought she would attempt, at least at the beginning, to take a neutral position.

2. Before Mr. Roosevelt left for his cruise he took the opportunity, when signing a bill creating a personnel officer for the Federal Courts, of issuing a statement claiming that this action marked the final objective of the comprehensive proposals for judicial reorganization which he had made to Congress on February 5th, 1937. He claimed that the country was naturally concerned with the attainment of proper objectives rather than any one of the possible methods proposed for the accomplishment of the end. (For this statement he was severely taken to task by the "New York Times" which points out that the history of the last decade has nothing more terrible to teach than that the end cannot justify the means). Mr. Roosevelt went on to claim that six of the reforms recommended by him two years ago had been enacted into law and the seventh had been accomplished through the opinions of the Supreme Court itself. This of course referred to the fact that the Court now no longer impedes social and economic/

economic reforms. This change has in point of fact been accomplished by the law of nature owing to the retirement or death of four of the older Justices, and if Mr. Roosevelt had only curbed his impatience and not precipitated the conflict in 1937 which split his Party, he would now undoubtedly be in a far stronger position with Congress. It seems indeed as if all the President's difficulties with the legislature originated in this great act of political unwisdom. And so now we see Mr. Roosevelt, thwarted by Congress, resorting to homilies against "gambling Congressmen". At a press conference at Hyde Park he is reported to have accused the Republican minority, aided and abetted by conservative Democrats, of betting in foreign affairs against the safety of a billion and a half human beings throughout the world, and in home affairs by rejecting his "pump priming" measures of gambling on business being able to absorb the three million persons who would be cut loose from relief and Works Projects jobs in the spring. Mr. Roosevelt told his hearers that he personally hoped that his opponents might win both wagers, but if they lost the people would know whom to hold accountable.

3. In paragraph 8 of my despatch No.824 E of July 27th I described the solution of the deadlock over the Tennessee Valley Authority. On August 15th in an elaborate ceremony the Tennessee Valley Authority handed to Mr. Wendell Willkie, President of the Commonwealth/

Commonwealth and Southern Corporation a cheque for \$45,000,000 which represented the Tennessee Valley Authority's share of the purchase price of the power and light properties of the Tennessee Electric Power Company. This marked the end of a 6-year controversy between the Tennessee Valley Authority and the private utility companies supplying the Tennessee Valley. Mr. Willkie declared that he sold the properties with regret, and had been forced to do so because his Corporation could not stay in business against subsidised Government competition. Speaking for the utility companies throughout the country he demanded that the Government hereafter discontinue its competition with private companies outside the Tennessee Valley. The same day Mr. Willkie's corporation published a full page advertisement in several newspapers protesting against the manner in which the Corporation had been forced out of business in the Tennessee Valley, and claiming to have rendered good service to the communities there. The advertisement also stressed the fact that the Corporation had in the last year paid nearly \$3,000,000 taxes, most of them to local and State Treasuries, and suggesting that Tennessee might find that it had made a bad bargain after all. Mr. David Lilienthal, one of the directors of the Tennessee Valley Authority, claims that the Tennessee Valley Authority is now entering its crucial second stage. It has weathered all opposition and emerged with its power programme established, a series of huge government dams guarantees the supply of power, and more than 100 contracts ensure its market

for/

for the next twenty years. The settlement with the power companies has eliminated conflict in the Tennessee Valley and in its next stage the Authority must prove by its record that it is a sound investment for the community. I have the honour to enclose an article by Mr. Lillenthal which appeared in the Supplement to the "New York Times" of August 20th, which puts the case very ably.

4. I am sending copies of this despatch to the High Commissioner for the United Kingdom in Canada, the Department of Overseas Trade, and the Prime Minister of Australia care of the Dominions Office.

I have the honour to be,

with the highest respect,

My Lord,

Your Lordship's most obedient,

humble servant,

(SGD) R. C. LINDSAY.