

Office Correspondence

FEDERAL RESERVE
BOARDDate March 30, 1935To Governor EcclesSubject: Developments re relief billFrom J. M. Daiger and housing subsidy

... 16-852

An article in this morning's Washington POST says that Congressman Buchanan of Texas, head of the House conferees on the relief bill, "vainly sought to add an amendment making loans or grants possible under each class of work." This would indicate that a definite effort was made to have the conferees adopt the suggestion that you sent through on Wednesday.

The POST says of Congressman Buchanan's effort to insert a loans-and-grants clause:

"He was voted down. Other conferees took the stand that the purpose was work relief, and not to set up a revolving fund. One Senator pointed out that the RFC and other agencies have the power to make loans."

The following paragraph from the POST article would indicate that Mr. McCarl would not countenance a housing subsidy if one were adopted on the strength of the two new liberalizing provisions that the house conferees got into the bill and that I referred to in my memorandum of yesterday morning:

"Administration stalwarts received another bad jolt in failure of conferees to provide specifically for certain favored undertakings. In an advisory ruling, the Comptroller General has held that 'rural industrial communities' and 'subsistence homesteads' of the type now in operation at Reedsville, W. Va., do not appear to come within the appropriation."

Congressman Buchanan apparently wants the bill sent back to conference, but is apparently blocked by House rules from accomplishing this. There is a suggestion, however, that some administration spokesman in the Senate may make the point of order that the Senate conferees exceeded their authority. If this point of order were sustained by Vice President Garner, the bill would be sent back to conference. Such a development in the Senate appears improbable in view of the fact that the Senate conferees appear to stand pretty solidly with Senator Glass.

Senator Glass appears to be insistent that, if Congress and the Administration are foolhardy enough to put through such a measure as the relief bill, then the expenditures under it should be closely restricted to relief and work relief. He was defeated in his effort in the conference to amend the bill in such a manner as to require that 50% of the cost of

any project undertaken through funds provided in the relief bill be spent for direct labor. Nevertheless he has succeeded in greatly limiting the fields of operation that will be available to the President.

For example, there is a provision that would prevent the President from making loans or grants to State and local governments out of any of the funds variously allocated to other purposes. That is, the clause authorizing the President to shift appropriations up to 20 per cent of the four billion dollar total would not apply to loans and grants to State and local governments.

This would operate as a very serious limitation on your plan for municipal construction.