Vienna, September 7, 1935.

No. 541.

Subject: AUSTRIA AND THE ETHIOPIAN CURRENCY SITUATION.

CONFIDENTIAL.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to my despatch No. 523, of August 10, 1935, on political events during the period August 10-15, 1935, on page 6 of which reference was made to the minting in Austria of currency for use in North Africa. It was stated in this despatch that the Legation had heard from a good private source that the Maria-Theresia Thaler, or dollar,
currently used throughout North-Eastern Africa, had always been minted in Vienna and that at the present time a concession was held by an English company, which supplied the silver and derived the adigniorage, or a portion thereof. The Italian Government, according to the report which reached the Legation, was now exerting pressure on the Austrian Government with a view to inducing it to terminate the contract with the English firm and to assign the rights for the minting of the coin to Italian interests, together with permission for the actual minting process to take place in Italy.

A member of my staff has now spoken with Dr. Wildner, Chief of the Commercial Section of the Austrian Foreign Office, on this subject. Dr. Wildner confirmed the fact that for the last few years an English firm has had a contract which allowed it to supply the materials and in some way to control the minting of this coin. Various groups, he said, had been endeavoring to get this concession away from the English firm. The contract with the English firm would be terminated in the very near future, but he was unable to divulge any information concerning any new dispositions which might be made. He was likewise unable to divulge any of the details of the arrangement under which the English firm had been operating.

Dr. Wildner added that the English firm had made surprisingly little use of its privileges for the minting of this coin and that since 1932 only 860,000 Thalers had been minted. (This checks with the Austrian export...
export statistics, which show only approximately 200,000 Thalers worth of silver coins to have been exported since 1932, and all of these in the spring of 1935. Formerly the exports had been much greater."

In view of the attitude of Dr. WIdner when approached in this matter, and particularly in view of his obvious reticence and embarrassment, it is evident that the question is regarded in the Austrian Government as a highly delicate and confidential one. It is certain that the contract with the English firm, despite the report that the firm claims it is valid for several years more, is to be terminated in the very near future. It is unthinkable that Austria, at a moment when virtual control of the Ethiopian currency would be of such major importance to Italy, would assign this concession to any other group than an Italian one. The granting of the concession to Italy would explain the complete reticence of the Austrian Government and the government-controlled press. Publicity concerning the transaction would obviously be unwelcome to Italy and might under certain circumstances even defeat or complicate the aims which she may have in view in seeking the concession. In addition to this, it is dubious whether the action of the Austrian Government in transferring to a foreign government the right to mint a coin so intimately connected with Austrian history...
history and Austrian tradition as the Maria-Theresa Thaler would be popular in domestic public opinion.

In view of all these considerations, I believe that it may be assumed with comparative certainty that the Austrian Government is preparing to transfer this concession to Italian interests at an early date. There is not sufficient technical information available at this time to enable me to judge what consequences this may have. The Department is doubtless aware that the Maria-Theresa Thaler is deeply rooted in the psychology of the native populations in North Africa. I understand that the almost superstitious attachment of the natives to this coin goes so far that a brand new coin of this sort is often not accepted, and the natives insist that the coins must be tarnished to a degree indicating a certain amount of use. Dr. Wildner stated that there had been attempts outside Austria to mint this coin and use it in North-East Africa, but that they had not been acceptable, because the natives were quick to detect the counterfeited pieces. (I suspect that these attempts were made in Italy, and that their failure may be partially responsible for the present eagerness of the Italian Government to get the legal concession). However this may be, it is assumed in Vienna among the few persons who know anything about this matter, that Italy in controlling the minting of the coin can force a currency stringency in Ethiopia by refusing further...
further deliveries to the Ethiopian Government, and might even, if necessary, be able to inflate the currency by introducing large quantities of debased Thaler through underhand channels.

The American Commercial Attaché in this city has ascertained that the English company which now holds the contract is Matthay & Co., of London. They have a permanent representative in Vienna, who is a Britisher by the name of Mokensie. It is understood that they are one of the largest firms carrying on a worldwide trade in bullion. The British Minister, with an air of complete sincerity, professed ignorance of the entire matter. It may indeed be true that it had not yet come to his attention, but it is believed that the British Commercial Secretary, who is at present on leave, has been informed about the matter. In any case, there are no indications that the British Government has attempted to bring any pressure to bear on the Austrian Government in the matter.

Respectfully yours,

George S. Messersmith.