May 17, 1938

Personal.

The Hon. George S. Messersmith,
Assistant Secretary of State,
Department of State,
WASHINGTON, D.C.

(Sofina)

Dear Friend,

I am afraid you must have thought it ungrateful and ungraceful on my part not to have thanked you sooner for your letters of February 18. It goes without saying that I read them with the greatest interest, but I feel very guilty at having delayed so long in telling you how much I appreciated your giving me your views so fully.

In the meantime three months have elapsed and the clouds that were hanging over the world have not been dispelled. The only signs of a silver lining I can perceive is the slight improvement in French domestic politics - a reaction against disruptive forces and towards sounder economics.

However, the ruffians in the world are continuing to insult and threaten the policemen, and no doubt they will continue to do so until the policemen are able and willing to take a firm stand.

I am sure the British lion does not enjoy having its tail twisted. Perhaps American opinion overestimates what Britain is in a position to accomplish single-handed. My English friends deny that they are letting themselves be
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fooled by Hitler and Mussolini; at any rate the Dominion Governments, who are strongly attached to principles, appear satisfied that the Home Government is acting prudently. It may be that Chamberlain is playing for time, awaiting the day when his Country might go further than it could to-day without risking a defeat. That day depends mainly, I gather, on Britain's military preparedness and on the support she can expect from the U.S.A. as well as from France.

The deep-rooted optimism of the British character is both annoying and comforting to outsiders. It is summed up in the popular conviction that 'there is a tutelar divinity for drunkards and the Foreign Office'.

Similarly, the French remain confident that 'France will always be France'. Yet France is in a very weak position to-day, with three fronts to defend - Germany, Italy and Spain. In fact the greatest menace to peace would seem to lie in Spain.

I have just received a letter from a British senior officer of one of SOFINA's Spanish subsidiaries. The following extracts may interest you:

'The hotel in Burgos had plenty of Germans in it, evidently connected with assisting the Military; all the newspapers were German, also most of the notices on the bedroom doors about regulations of the hotel.'
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"In all hotels in provincial places are portraits of Franco, Hitler and Mussolini, and in the Maria Christina Hotel of the Portuguese dictator.

"Ten large German Mercedes-Benz cars have been presented to the Government for the use of the Ministers: thousands of motor lorries are said to have been sold to the Government by this firm.

"I saw a number of Italian tanks, motor lorries, and cars, at different points, all painted irregularly brown and green to camouflage them.

"The Falangistas and Requetés display their party uniforms although it is supposed to be forbidden - these two parties are supposed to have dropped their division for the time and some wear the Falangist shirt (blue) and the Requét cap (red) but it is evident they are not really united at heart.

"The Duke of Sotomayor who generally accompanies Don Juan (the former king's son, now in Italy) was in Burgos feeling round to see what is likely to happen after the War. He had a long talk in my presence with one of our lawyers who is a Requeté and a Monarchist.

"Some are still very optimistic and think that shortage of electricity and food will quickly reduce the Reds but others think we must count upon another 5 to 6 months of war."
From other sources I gather that there are reasonable supplies of food in Catalonia, but that resistance is dictated by despair rather than hope. Massacres are expected on the entry of Franco's forces.

The only chance of avoiding these would be, it appears, some form of international military occupation ensuring fair trials and humane treatment of the vanquished. If a temporary control of this kind were established, public opinion in Catalonia would, I am told, probably force the Government to submit to Franco.

How the Franco civil régime is likely to develop is hard to foretell. There are, as you know, strong communistic tendencies amongst a large section of his supporters. On the other hand, Germany and Italy will endeavour to supply the Government with permanent advisers. Already, Swiss Jews of good standing and having important interests in Spain find that, according to Franco's instructions to his Agent at Berne, they are to be refused a visa for admission to Spain.

If a settled state of affairs could be established in that Country France would have a freer hand, especially since the agitation which Germany appears to be fostering in Morocco would probably also calm down.

I gather that Mussolini's prestige has materially suffered in Italian military circles in consequence of his
attitude on the Austrian question. Yet, in all countries the populace is eager to applaud pageants. As Napoleon said when he was congratulated on the enthusiasm that greeted his coronation: "There would be even more enthusiasm if I were being hung".

As to popular feeling in Austria I hear contradictory views. Schacht, who attended the festivities of the plebiscite is reported to have remarked: "I felt heartily ashamed for the Austrians".

In regard to the economic situation the world looks to the U.S.A. for a lead: the depression started there; a revival is expected to come from there.

I often wonder whether Washington realizes how largely American financial and labour policies affect the outside world - be it only because they are widely copied abroad, often in very different circumstances. "Quod licet Jovi non licet bovi"; the U.S.A. can indulge in a great deal of unorthodox experimentation, while similar practices have almost ruined France, placed Belgium in a difficult position, given encouragement to Nazi and Fascist theorists and even afforded pretexts to arbitrary action in Mexico and Brazil.

Yet I am inclined to think that the influence of Governmental action on economic developments - for good or for bad - is easily overestimated. At present, in my judgment, conditions would be rather favourable for a general business revival were it not for fears of war. There is so much plant
to renew and modernize, stocks of materials on hand are so moderate, and there is such an unprecedented abundance of means of payment that the present recession could be overcome at no distant date provided the bees muster courage to gather honey.

Assuming you have, with your usual courage, read this year's Sofina Report and my address to the Shareholders Meeting, I should be very glad to have your comments on both.

I am hoping to pay a short visit to the States this summer and am eagerly looking forward to this opportunity of seeing you.

With kindest regards, in which my wife joins, to Mrs. Messersmith as well as to yourself,

Yours very sincerely,