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AMERICAN CONSULATE GENERAL

Berlin, Germany, May 23, 1933.

SUBJECT: With further reference to the difficulties experienced by American firms in Germany and by those German firms in which American capital is interested.

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

Handwritten signature: Henry C. ...

SIR:

I have the honor to refer to my strictly confidential despatches Nos. 1301 of May 12 and 1322 of May 22, 1933, in which I was able to report to the Department on the quite satisfactory results of the efforts of this Consulate General on behalf of American-owned German firms in Germany which had been experiencing various sorts of difficulties since the accession of the present National-Socialist Government. While it is believed that the major difficulties have been eliminated and that the interests of American-owned German firms operating manufacturing establishments in Germany are safe, there is continued evidence that from various directions foreign-owned German firms or those in which there is a foreign interest will be subjected to annoyance and interference, some of which may be of a serious character.

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There is a continued tendency on the part of various organizations of the National-Socialist party or of organizations acting under the cover of the party, and of various members of the party in official positions to exercise control over purely private business. This is taking the form of forcing Jews off the boards of directors and out of the management and of endeavoring to bring about the elimination of other persons who for some reason or other are not acceptable to the party. The Department has been informed that the Government and the party have recently taken energetic steps towards removing from certain business enterprises so-called "Kommissare" who had been placed therein by local leaders of the party and without proper authorization. The interference of these Kommissare with large and small business concerns was having serious effects as in many cases these men had no knowledge of the business in which they had been placed, and interfered with vital interests of the business. The principle of placing Kommissare in business is maintained by the Government and the party, but the Government reserves to itself the sole right of placing such Kommissare through a central organization in Berlin. This step has had a useful effect, but interference with business by the party and party leaders has not stopped.

An endeavor is now being made to secure party control of business through the placing of party men

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in either the Vorstand or Aufsichtsrat, or both. To make place for the new men those members of Jewish extraction are to be separated but the action of the party, as already indicated, has gone so far as to require the separation of persons who are not Jews but who may be from the point of view of the party undesirable, and this undesirability usually consists in their not being sufficiently enthusiastic members of the party.

There has come to the attention of the Consulate General recently the case of the German-Atlantic Cable Company. This company was put on its feet after the war through a bond issue which was sponsored in the United States by Mr. William A. Harriman. The company itself is entirely German and the capital stock is practically entirely owned in Germany. It was the first company to get a bond issue floated in the United States after the war. Mr. Harriman has since that time been on the board of directors and has taken an interest in it. Recently the company was informed by the postal authorities of the German Government that the Jews in the Vorstand and Aufsichtsrat would have to resign and that National-Socialist-minded persons should be elected to take their places, at the board meeting held last Saturday. As the postal authorities and the German Government have no ownership in the company and the only relation existing between the company and the German Government is an agreement by which a certain

percentage

percentage of the cables sent by the post office are routed by the German-Atlantic Cable Co., this action seemed most extraordinary.

I was approached by several persons who showed me a telegram which they had received from Mr. Harriman, as to whether it would not be possible for this Consulate General to intervene, but after consultation with the Charge d'Affaires, Mr. Gordon, it was agreed that as it was purely a German company it would not be proper for the officers of our Government to do anything, particularly as the only American interest was a bond issue largely held in the United States. I therefore so advised the persons who had approached me, but I suggested to them that as there is no law which makes it improper or impossible for Jews to sit on the board of directors I saw no reason why any company should separate members of its board merely because someone asked it to do so. I suggested that the telegram of Mr. Harriman should be read at the board meeting, and as it was a very excellent telegram I felt sure that it would have a sobering effect. I also suggested that as there was no reason why the Jewish members of the board should resign unless the majority of the board itself felt that they were undesirable, the board might indicate this to them so that they would take no hurried action. I am informed that at the board meeting which took place on Saturday last,

Mr. Harriman's

Mr. Harriman's telegram was read and had a very favorable effect. The Jewish members of the board did not resign and in view of the resistance which the board has shown I believe it is quite likely that the majority of the Jewish members may tranquilly remain on the board.

Up until a very short time ago when intimations were given to the Jewish members of boards of companies or to other members not approved of by the party that they had to resign, it was customary for these to resign in many cases, without even determining definitely where the request came from. These persons were afraid that if they did not resign they would be imprisoned or subjected to physical indignities. Their fears in this respect up to some weeks ago may not have been without grounds. But I am of the opinion that resistance to such orders even if they may come from authorized sources, will not result in any physical injury. The most that it can result in is confinement for a day or two. There is increasing evidence that if persons will resist these endeavors which are being made to exclude them unlawfully from their positions in industry, a real effort will not be made to get them out. An important member of the National-Socialist party in deploring the action taken by some of the party men, said something as follows: "One cannot blame these party leaders for taking this action in connection with companies, for

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although they know that they have no legal authority they find that if they give orders they are slavishly followed, and naturally if they can get away with something they will do it, and it is difficult for us to stop this sort of thing unless people put up some resistance."

I think to a certain extent this important National-Socialist was sincere and hoped that people would put up more resistance. On the other hand, one cannot ignore the fact that National-Socialists almost without exception are very glad to see Jews excluded by whatever means possible from all positions of profit or influence.

Another illustration may be of interest. There came to see me yesterday an American lawyer living in Berlin who is the representative here of one of the leading law firms in New York City. He was accompanied by one of the most prominent lawyers of Berlin who is associated in a consulting capacity with the New York legal firm. They explained to me that an American company had made a loan of six million dollars to a German holding company which controls a number of brown-coal mines. Recently in order to guarantee the loan, in accord with provisions in the loan agreement, the American company asked the German holding company to deposit a part of the capital stock, which was done. Competitors of the brown-coal companies controlled by the German

holding

holding company are now making difficulties for the German company on the ground that there are Jews in the organization. The German companies have proposed to the American lawyer in Berlin representing the American lender^g that some National-Socialist of prominence be taken into the organization, i.e. into the board of directors as well as into an active position as co-manager, and that the voting power for the majority of the stock be placed in his hands. The idea of course is that if this National-Socialist is in the organization and is supposed to have the real directing power he will become the effective defender of its interests.

I informed my visitors that I could give them advice and suggestions only in an unofficial way, but that I thought it was extremely unwise to give to any party man, no matter who he might be, voting power for the majority of the stock, unless the New York principals who had made the loan, were in accord. I said that I considered in any event that such action, even if agreed to by the New York principals, was dangerous. I pointed out that though the voting power of the majority stock might supposed to be only nominal and the National-Socialist co-director merely a figurehead, in practice he would have the voting power which would give him practically absolute control over the business. I pointed out that what everybody in Germany to-day is after most

is a good job or any kind of a job, and that if a National-Socialist were placed in this particular business with such absolute control in his hands, he would be beset by all kinds of applications for positions which it would be difficult for him to withstand, and that the business might undergo a complete reorganization through his intervention, and that obviously through the placing of new and inexperienced persons merely for party reasons or allegiance, the business might be destroyed by the action of the firm itself even more effectively than its competitors could destroy it through disloyal or improper competition. I suggested that if any such National-Socialist were taken into the board or given a decorative position in the management, his powers should be so closely limited that he could in no sense interfere with the proper management of the business. I suggested that if a really worth-while person could be found of sufficient prominence and influence who would accept a position in the company and be willing to defend its interests without indulging in improper interference, it might be a good investment for the company to pay him a good salary. I did not fail to point out, however, the grave dangers which lay in their giving such a person real powers.

My visitors seemed to find the information which I gave them unofficially, interesting and believed it to be sound. The incident has been cited merely to

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show the difficulties which surround not only foreign firms, but also German firms.

There is another manner in which the party or rather important persons in it are endeavoring to get control of business. It has recently been suggested to an entirely American-owned German firm engaged in manufacturing in Berlin that in order to avoid difficulties in any way it deposit 54 % of its stock with the Gold-Discount Bank or with the Reichsbank giving it the voting power of the stock. This suggestion is made on the ground that if the American capital of the firm should be used by competitors as an argument against it, the American firm could state that the capital control is really in the hands of a German bank. I pointed out to the Americans who brought this suggestion to me for advice that this might work out very well, but that one must not fail to keep in mind that the banks are the only part of the German economic structure which have not yet been "coordinated" and that steps in this direction may be expected at any time. I pointed out that one or two of the large German banks are already under direct control of the Government and that it is not unlikely that this control will be extended over the other banks. I pointed out that placing 54 % of the stock with its voting power in the hands of a German bank is practically equivalent to giving it into the hands of the Government, and as the party is the

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Government, it merely means eventual and complete party control of the business. I said therefore that as a matter of ordinary prudence I felt that no American company should deposit 54 % of its stock with full voting power in any way which meant loss of control over the business.

It is not possible to determine definitely where this suggestion for the deposit of 54 % of the stock comes from. It has been made, however, to several foreign firms, not only American. It seems to be pretty clear that the object is to get indirectly the control of various companies into the hands of the party.

In conversations with various leaders of the National-Socialist party they have frequently made to me the statement: "Everyone in Germany under the cover of the national revolution is trying to carry out his own little revolution." This is obviously true and is the cause of much of the interference in business and in other aspects of German life, as I have pointed out in previous despatches. One can believe and I think accept definitely that many of the leaders of the National-Socialist movement are honest and altruistic, but on the other hand there are ample indications that members of the party, large and small, are endeavoring to use the party and its organization to get power, positions and business advantages. That this is so is becoming

increasingly

increasingly evident and greater resistance is developing. Orders which seem to come to business from official or semi-official sources are no longer carried out as slavishly as they were at first. This resistance it is believed is absolutely necessary if the German business structure is not to succumb.

I have endeavored in this despatch not to take a pessimistic outlook, but to merely point out conditions as they are. I believe that the highest leaders of the party do not wish foreign interests or foreign capital disturbed. I believe that they do not wish the economic machinery of the country in any way upset for they know how dangerous it is not only for the country itself, but for the party. It is equally clear, however, that sufficient time has not yet elapsed for the authority and the ideas of the top to permeate very far down, and that this interference with business will continue for a considerable time to come. That the seriousness of this interference is recognized is clear and that the leaders at the top wish to stop it I believe is undoubted, but the steps which have so far been taken to stop it have not yet been sufficiently energetic. Unless more energetic steps are taken to stop unwarranted interference in the business and financial structure of the country, damage will be done to foreign and to German interests which will have a far-reaching effect and which will greatly reduce

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the economic structure of the country, affecting
thereby not only its internal, but external position.

Respectfully yours,

George S. Messersmith,
American Consul General.

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A true copy of
the signed original.
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