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January 4, 1938.

Personal and confidential

Dear Geist:

I have had a letter from Gilbert in reply to mine of October 25. He writes in a very sound and somewhat encouraging fashion and speaks very highly of your co-operation and his appreciation of it. He speaks of the endeavor which he is making to bring about better co-operation between the Attaches and for your information I am sending you herewith a copy of my letter to him.

The memorandum which I mention in the letter to Gilbert, I am sending to you herewith in the second draft. It will go to the Secretary and the President in this form for their informal approval before I send it out. Please consider this memorandum for your very strictly confidential information as it is not in any circulation as yet and if we do send it out it is only to go to chiefs of mission. I am sending it to you as it will enable you to see the line along which we are thinking we can operate until we get real consolidation of the services abroad.

I have had continued hectic days but I spent two days with my mother in Fleetwood and Mrs. Messersmith was away for two weeks over the holidays. She is now back and we are going to have quite a good many house guests and do a good deal of entertaining in the next three months. I am afraid that my own burden will not be any easier until the spring.

We have the budget hearings and the Committee hearings out of the way and got through them very well. I think that Congress will deal with us fairly so far as our appropriations are concerned. I am now preparing legislation on the

hospitalization

Raymond H. Geist, Esquire,
American Consul,
Berlin, Germany.

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hospitalization of our officers and clerks by the Public Health Service and we are also putting the finishing touches on the legislation for putting the Retirement Fund on a sound basis. I am still very much occupied with the reorganization measures which take up a very great deal of my time and I am glad to be able to tell you that the President has ordered the War Department to make available to us in this building about 40,000 square feet more space. While it is not exactly the solution we sought, it will make it possible for us to make many readjustments in the Department and to relieve the situation. When next you come back you will find the internal geography of the Department very much changed and I think improved. This reorganization is giving me much concern and takes a great deal of time but I have just been able to complete the first draft of my report. It will take me another two months at least to complete the reorganization and to complete the reallocation of space and to put the new machinery to work. It is my very real hope that in four months at least I may be able to have got some of these very real burdens out of the way so as to make it possible for me to work more freely and not under this very great pressure.

I have your letter of December 10, with its enclosure, concerning the Military Attache and his Aide. It confirms what I get from other sources, including certain German sources. The report on the German economic situation which you append to your letter (No. 15,597) is sufficiently damning in itself. It is an extraordinary document from the point of view of the lack of wisdom and judgment that is displayed in it. It, however, is characteristic of the reports which he has been making; only we can note that they are growing worse and continuously more lacking in judgment and soundness. I will take up this matter discreetly here in the Department and then we may determine to take it up with the War Department for it seems to me that it is a very unsafe and unwise thing for us to let this man continue on there. I think it would be better not to mention this situation to anyone, as I am sure you are not doing, as it is something which will have to be handled from here entirely.

I have noted what you say concerning the difficulties of the Jewish Telegraphic Agency and I have just read your last despatch in which you indicate that you do not see how the Embassy or the Consulate can do anything further. I have noted your opinion that the Agency may have placed

itself

itself in an impossible position by failing to carry out completely to the letter and spirit the agreement which was made. It was certainly unwise of it to issue material with the Berlin date line in view of this agreement. It looks to me as though through their own acts we are in the position where we cannot go any further. I am sure the Department will depend on your good judgment and that of Gilbert in this matter. I know that no one could have done more than you for your letter of December 5 shows to what degree you have the necessary contacts to bring such a matter to a favorable solution even in so difficult an atmosphere. I am, of course, not handling the matter in the Department but my own opinion is that we can go no further even though it may mean the cessation of the activities of the agency in Berlin. They are largely themselves responsible for the situation.

I fear, however, that we are going to have increasing difficulties in protecting our rights and nationals in Germany. I had a letter from Mrs. Marcus saying that her lawyer had told her that the Ministry of Finance had passed a decision to the effect that she would have to pay the capital flight tax on the capital amount on which she gets this income. We have not yet heard from you or the Embassy so I am not sure whether a final decision has been rendered. My own feeling is, however, that, if the Ministry of Finance has made this decision that the tax must be paid, although it is an outrage and completely improper there is little that we can do further. My recommendation would be that when we hear from you that the Ministry has made such a decision we inform you that in our opinion further representations would be useless but that the Embassy should inform the Foreign Office that we cannot agree to this decision, ~~as~~ preserving our rights and interests in this case and that we must therefore acknowledge the decision with all due reservations. I think we must at least have the last word and put our disagreement on record. Even though it leads to nothing now, it clears up the position there and lays the ground for future action if the circumstances change. Of course there is nothing further to be done by you for the present because we shall have to wait until we hear from you or the Embassy and then in due course I am sure an instruction will be sent you.

We have a telegram from Paris this morning which indicates that the German Government intends to take unilateral action in reducing the interest rates on the

Dawes

Dawes and Young loans. This is simply a further example of what we can expect to get. I fear that in the financial and in practically every other field we are going to merely have one thing after another for the carrying through of the Goering plan means just this. I think that we already have adequate grounds for retaliation and we shall have to consider the question. The only difficulty is that our own interests in Germany are so much greater than German interests in this country so that if one starts on that game it is still a question as to who would suffer the most. My feeling, however, is getting to be very strongly that we cannot much longer delay using certain instruments.

You will find that we shall insist constantly more strongly on the protection of our interests not only in Germany but elsewhere. I think you saw this tenor run through the President's message to Congress yesterday and although the reference to foreign relations was short it was strong and pretty definite. You will see our attitude becoming more and more clear and it is, of course, high time or else we will see more and more happening in the same line as what has just happened in Rumania and perhaps nearer our doorstep. The Rumanian situation is bad enough but I still think it need not be taken too tragically as I am hopeful that the course of events there may be stayed.

There is so much that I would like to write you about that I cannot begin to take more time now. I am deeply appreciative of your two notes of December 10 which gave me such helpful information with regard to the Attache situation.

I hope that your sister is continuing to make good progress toward complete recovery. I know the burden on you is heavy and I am sorry but it just seems that some of us have to carry these burdens. There isn't much we can do to avoid it. I hope the New Year will bring you and your sister a full measure of good things and that it will bring the strength to carry on, the courage and the will I know you do have and the strength I am sure a good Providence will provide.

Faithfully yours,

Enclosures:
To Mr. Gilbert;
Memorandum.

A-M:GSM:VNG