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Vienna, November 8, 1934

*Personal  
Confidential*

Dear Moffat:

I was very glad to have your interesting letter of October 8, and am particularly happy to know that the letters and despatches which I have been sending in are giving you an adequate picture of the Austrian situation. I naturally try to have the Legation cover the situation thoroughly in our despatches, but I am trying in my letters to give you that intimate background which it is more difficult, if not almost impossible, to convey in a despatch. You will see my letter of November 8, to Mr. Phillips, which goes forward by this pouch, and as I go into certain aspects of the situation very thoroughly in it, I will touch in this letter on some other matters.

By this time you have the news of Mrs. Hammerand's release, and this case seems to be very happily cleared up. I am glad to have your comment about Granger, which is helpful, but he seemed so pleased with the visit which I made with him to President Miklas, that I think he went home quite happy. His book on Austria, which he is planning, may be quite interesting and even helpful. I feel sure it will do no harm. It was good of you to take the trouble to read the memorandum for Senator Robinson and that you find it worth while.

I got the Department's instruction with regard to Dr. Deutsch, and I can quite understand that it was not in a position to refuse the visa. As a matter of fact, I am sure it was best not to place any obstacle in the way of his going to the United States, for it would only have given an exaggerated importance to the man. On the other hand, I do wish something could be

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done toward making it understood at home that the man has really no further significance so far as the Austrian picture is concerned, and more particularly that he is not a spokesman for the Austrian Social Democratic opinion of today. He was granted a visa by our Consulate General in Prague, and sailed for the United States on October 24, and I happen to know that he has arrived there. A lecture tour has been arranged for November and December which must be under-way and which will take him, so far as I know, to New York, New Jersey, Massachusetts, Connecticut, Illinois, Indiana, and Ohio. He gave his address as the "Socialist Party", 549 Randolph Street, Chicago. I understand that the arrangements for his tour were made by Abraham Cahan, who is the editor of "Forward", a Jewish daily in New York published at 175 East Broadway. Socialist, and more particularly Jewish Socialist, interests at home are bringing him over, and it seems to me that these should know, if they do not know it, that he does not represent even worth while Jewish opinion in Austria, not to speak of responsible Social Democratic opinion. He is living on past glory still reflected on him through some of the good work which the former Social Democratic régime in Vienna really accomplished. On the other hand, Deutsch and Bauer were responsible for pushing forward the Jews too far in Austria during that period, and a part of the difficulties which the Jewish situation here now presents is due to the reaction against what Bauer and Deutsch did then. In other words, they are not really good friends of their own people, and have always been interested more in a place for themselves than in any cause which they were supposed to stand for. Deutsch and Bauer are both embittered, favor direct action, and if Deutsch were to make statements in the United States of the type he makes over here, and which really represent his opinion, he would have to be expelled from the country. I do not see that he can give a correct or objective picture of either the February happenings or of the present Austrian situation. If it were in any way possible to bring this discreetly to the attention of the proper people, I think any ill effects of his trip could at least be a good deal mitigated. I do not like to see undesirables of this kind abuse our hospitality, and Deutsch is without question, in my opinion, an undesirable.

There has been a report in some of the Austrian papers that Frauenfeld is to make a trip to the United States at the instigation of Goebbels, and that he is perfecting his English to this end. I would not be surprised if this may not be at least planned, for I think a good many people in Germany would be glad to see Frauenfeld out of Germany, where, for the time being, he is for them a liability. He is a hot-headed, irresponsible individual, and if he comes to the United States he should be treated as an absolutely negligible quantity who is discredited in Austria, and for whom the party for which he worked in Germany considers a liability.

I was delighted to see the form in which Harvard refused to accept the Hanfstangel offer for a scholarship. It was not only a fine thing to do, but was done in the direct way that it should be done. The refusal was not without effect. Hanfstangel is so thick-skinned that no rebuff has any outward effect on him, but the refusal did show that he could not get away with his effrontery, and to have accepted the scholarship under the circumstances would, in my opinion, have been very undesirable. I am particularly happy that this action was taken.

You will be interested to know that Papen's local activities since he has actually settled down here have neither helped him personally nor his cause. When Kanya was here sometime ago for a very brief visit, Papen was the only local diplomat who called on him, and it was obviously bad taste. Kanya had come here to talk with the Chancellor and the Foreign Minister, and his time was so taken up that no foreign diplomat, even though he knew Kanya, would have thought of asking to see him. I mean no one but Papen would have thought of it. Now, he has put his foot into it further by making a trip through Austria, where he is meeting with German societies, etc., in more or less closed meetings, and making speeches. The making of such trips by diplomatic officers throughout the country is something that I am very much in favor of and have always advocated as something we ought to do, but there is a time for everything, and certainly this is no time for Papen to visit Klagenfurt, and Graz, and other cities of Austria to meet with the German organizations there. He just doesn't seem to have any common sense. Von Bose and Jung, who were murdered on June 30, tried to keep him going straight as long as they lived, but he is really a very stupid man.

I appreciate very much the Department's telegram about the Vacuum Oil Company. I have not seen the local manager since I forwarded my last despatch. I am glad the Department agrees with the attitude we took here. I assure you that I was more than sorry to be of the opinion we could not pursue the matter further, for I would naturally like to do everything we can for an American interest, but the local manager here had mishandled the thing so and, in my opinion, had been so imprudent, that there was nothing further that we could do properly. If he had gone at it differently, he might have been able to accomplish something, but what he wanted us to do was to try to correct a business mistake, and there is a lot of difference between that and making representations on the basis of discrimination. I have not seen him for some time, so I do not know what progress he is making towards a solution on the basis of trying to acquire the quota of another company.

Harris has gone home on a holiday, and you may see him in Washington. He has been Consul General here for several years, and he retires definitely in September or October, 1935. That is to say, he is of retirement age in September or October next year. I doubt whether he will try to get his time prolonged, and if he should try it, it should, of course, under no circumstance be done. I have not taken up this question with the Department, as I have not taken up any personnel matters since I took charge here, but for your information I can tell you that since I have been here Harris has done really no work, and I doubt whether he has done any for some years. He seems like a very nice man, and his wife is much younger, and very charming and capable. Personally I like both of them. He has fixed up a house on the edge of town, which is most attractive, and he lives very nicely and comfortably. I think he likes Vienna very much and perhaps would like to stay on here. I am inclined to doubt that he will endeavor to be kept on after he reaches the retirement age, as I think he must realize that it would be useless, but it is possible that he might at least make the attempt while he is home.

If this question should come up, I would be very glad to have you say that my view point is, that from the Service point of view, such a prolongation of his service should under no circumstances be considered. Personally I wish him well and like him,



but he gave up work some years ago and he really does not do anything in the Consulate now except to grace the office with his presence. I cannot conceive of any circumstance under which he could be induced to do any work. He feels that he has done enough. We have too many people who are deserving of promotion to keep men with that attitude in the Service when they reach the retiring age. Besides that, if it were not for the fact that he retires next year, I would feel it necessary to make some recommendations with regard to the Consulate General here which would lead to his transfer. As he is retiring anyway just at the time when I hope certain reorganization measures may be taken in our establishment here, I do not intend to make any recommendations with regard to him in a directly official way unless it should become necessary. I am only mentioning it to you in this letter at this time to make it clear that under no circumstance should it be contemplated keeping him on here after he reaches the retirement age, and if there should be any reason to mention my opinion, now or in the future, to Mr. Phillips and to Mr. Carr, and to Tom Wilson, I should be glad to have you feel free to say to them anything that I may have said in this letter about it. My attitude is a purely official and Service one on the matter.

There has been some talk recently in the press about conditions in the Austrian concentration camp at Wollersdorf and in some of the prisons in Austria in which Socialists and National Socialists are confined. Some of these reports were extremely critical of the way in which these prisoners were treated, giving the impression that they were being given the same treatment that was meted out, and probably still is, in some of the Nazi camps and prisons in Germany. I went into this matter and found that the reports were absolutely without foundation. You will be interested to know that a friend of mine here, Mr. Ferriere, who is the representative of Brown Brothers-Harriman and is a Swiss citizen, first came to Austria during the War as a representative of the Swiss organizations looking after prisoners of war. He is, therefore, familiar with all sorts of prison camps. He tells me that in view of these reports, he was recently requested by a Swiss organization, perhaps it is an international one, to visit Wollersdorf. He says that there are some five thousand prisoners there, of whom about four thousand are National Socialists, and about six hundred Social Democrats, the remainder being

Communists. He says that the camp is a model one, with quarters very comfortable, and the food excellent and abundant. There is a good hospital and plenty of all sorts of attention, as is shown by the presence of three dentists to look after five thousand men. He mixed freely with the prisoners and found them extraordinarily contented. He found the people running the camp considerate, and the discipline mild. He said that whenever there is sickness in the family of a prisoner, he is allowed to go home on parole for a maximum of four days, and that only two men so far have broken this parole. He also tells me that he visited the police prison in Vienna, where a good many political prisoners are still confined, and he found the situation there unusually good. This is the prison in which Mrs. Hammerand was held, and you will be interested to know that while she was in the prison American and English women here kept telling me how badly treated she was, and how she was deprived of this and that. When Mrs. Hammerand was released and called on Consul General Harris, she told him of her own free will and without being questioned that she had been treated with unusual consideration and kindness. I was quite surprised that she should go as far as this, for I thought that she might be quite bitter over her arrest and that of her husband. I am mentioning this question of Wollersdorf and the prison here, because of the criticism which has appeared in the foreign press and to which it is only natural to give certain credence, as we know how people have been treated in similar camps elsewhere and there is a tendency to repeat in one country the mistakes made in another. I feel that absolute dependence can be put in what Ferriere says, and, as he is an experienced observer, I thought it might be interesting to you to have this background in case this question comes up. I hold no brief for political prisoners or their jailers anywhere, but it is interesting to know that these people are treated here in true Austrian fashion.

Geist tells me that he has left Berlin for a little holiday, which I am sure he has earned and needs. He is doing a better job at Berlin than some may realize. I am sure he will be a great help to Jenkins. They are going to have their hands full in Berlin, for, in my opinion, we are going to have more and more trouble there. The cumulative effects of the Nazi policies are just beginning to be felt, and the more these effects are felt, the more there will be frantic action by those in power, and disillusionment and unrest among the mis-governed. Our interests are going to be hurt more and

more, but as this Government is bound on wiping out all foreign interests anyway, there is little that can be done. If this Government remains in power, we can definitely count on all our interests going to pot in Germany. It looks as though we were being hurt more than others, but this is more apparent than real, simply because our interests were greater and covered a wider range. You noticed that the three factories owned by the I. T. & T. in Germany are not being bothered, for they are working night and day on telephone equipment and electrical appliances for the Army, but this is only temporary relief, for their investment is in reality no safer than that of the automobile interests, and it cannot be safer than our capital investments. I do not think there is much that we can do, but certainly we cannot allow them to browbeat us in this way into giving them help, for that is what they are after. But eventually, even though we were to give way, whatever we did would not avail us, for they are determined to lay hands on or destroy all foreign interests and capital in the country. It is more than ever necessary that we should hold on and not swerve one iota from the course we have been following.

I am delighted with what the Secretary has recently said with regard to our foreign trade, and his stand against necessarily balanced trade between all countries is not only wise, but farseeing. There is such a thing as three-cornered trade, and to accept the German thesis would result merely in further shrinkage of trade and definite injury to us to their advantage. The firm attitude of the Secretary will be more than justified by the results in the future, and he is a lot wiser than some who have held themselves out as apostles in this matter. I admire his courage and sanity and steadfastness, and these are qualities which we need in a good many places these days.

May I call your attention to my confidential despatch No. 199, of November 6, with which I transmit a memorandum I have prepared on the necessity of retaining the control of our interests abroad in the hands of Americans, preferably of native Americans. I know that this problem is not a new one to the Department or to you, and I am inclined to doubt whether I have contributed anything really new in this memorandum. In view, however, of the fact that I haven't gone directly on record on this matter for some years, and never in the form of a specific memorandum, and as I have had rather wide contact with our interests in South America and in Europe during the



last twenty years, I feel that these observations may be of interest to the Department in connection with what you already have.

I wish Mr. Phillips might find time to read this memorandum, or perhaps you will bring the gist of it to his attention. I think the Secretary, who has such a keen grasp of these problems, should have this important factor in our foreign problems brought to his attention, for he would thoroughly appreciate its importance and all its implications. Perhaps you or Mr. Phillips may see that this is brought to the Secretary's attention at an appropriate opportunity. I realize how delicate a matter it is and how carefully it has to be handled, especially with reference to naturalized Americans, but I really have the conviction that at an appropriate opportunity some high ranking officer of our Government should take occasion to direct attention to this problem by using the theme for a public address. I purposely have prepared the memorandum without any heading or signature, so that the Department can use it in any way it may see fit. You will know better than I what use can be made of it outside of the Department, if any.

After all, every other country with interests abroad follows this principle definitely and, one may say, unswervingly, and it would seem that we ought to learn by their experience. It certainly fits in with the President's principles and convictions that those who handle capital have a definite obligation to the investing public. The President, in my opinion, has already done, not only a great service to the investing public, but for business generally. We are a little bit shy now about investing abroad and will be for a while, and I think it is a good thing that we are, but we will inevitably play a part in this field again and we should hold to this principle of American representatives as of fundamental importance. It is a duty which we owe to our prestige, as well as to our people.

Perhaps you will be good enough to bring a copy of this despatch to the attention of Herbert Feis, as he will undoubtedly be interested, and may have some suggestions as to what could usefully be done toward seeing that the principle is put into practice more definitely.

With all good wishes,

Cordially and sincerely yours,