



DEPARTMENT OF STATE  
WASHINGTON

June 26, 1934.

Dear Messersmith:

I shared your letter of June 6 with Mr. Phillips, and pages three and four thereof, with Herbert Feis and Frank Sayre. The Germans sent us last week a twentyone page memorandum justifying their moratorium on the general ground that no nation had made a more heroic effort to provide funds for transfer than had Germany but that this effort had been rendered vain by the policies of her creditors. It further <sup>again</sup> attempted to create a relationship between our commercial loans to Germany and Germany's payments of reparations. We cannot let this go by without some form of public answer and a rather carefully documented refutation is in process of preparation.

Luther first, and then Leitner have been coming in with a persistency worthy of a better cause and literally demanding that we start commercial negotiations with Germany. Apart from

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The Honorable  
George S. Messersmith,  
American Minister,  
Vienna.

the political or even technical phases that you pointed out so graphically and which have made a very deep impression here, this would be impossible as the very elaborate setup has not yet been approved by the President. This is to consist of a series of interlocking inter-departmental committees, together with machinery for holding hearings on the part of any interested American industry that might consider its interests in danger. I doubt if any negotiations other than with Cuba are started much before the autumn. This is a detail which the Germans brush aside and Leitner actually alleged that they could not possibly hope to pay their debts unless with countries where Germany had an active trade balance. The Secretary replied that there were certain normal economic trends, some active and some passive, and that to use debts as a pistol with which to reverse these normal economic trends was carrying the German argument to a veritable absurdity.

I am glad that you have found a comfortable Legation in Vienna and only wish that I could get some time off to come and visit you in your capital. We have been trying to assemble all crumbs of information coming into us from various sources on the Hitler-Mussolini meetings at Venice and Stra. My personal conclusion is that very little of a

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definite nature transpired and that Mussolini certainly gave up no vital interests of Italy.

A German Liberal who prefers to remain outside the borders of Hitlerland came to see me the other day. He had just returned from a trip to Vienna where he said he had asked an old friend of his, a functionary who had grown grey in the Austrian bureaucracy, the following question. He said: "You have three strong men in this country, Dollfuss, Fey and Stahremberg. Tell me, my friend, which one could arrest the others?", to which the friend replied "If the answer were clear, there would only be one of them".

Geist has taken up your mantle and has written one or two very enlightening personal letters from Berlin on developments in Germany. He is making quite a record for himself.

With cordial remembrances to Mrs. Messersmith, believe me,

As ever yours,

