Berlin, Germany, June 23, 1933

SUBJECT: Difficulties experienced by the German Government in its program to reduce unemployment through public works.

THE HONORABLE
THE SECRETARY OF STATE
WASHINGTON.

SIR:

I have the honor to refer to various despatches and reports from this Consulate General in which reference has been made to the program of the German Government to reduce unemployment, principally through public works. The National-Socialist party during its struggle for power made one of its principal appeals to the people on the basis that it would be able, when in power, to increase employment. As the large percentage of unemployed has been one of the principal problems of the country, this promise undoubtedly led to bringing many into the ranks of the party. Now that the party is in power and is faced by the responsibility of meeting these and many other promises, it is very much embarrassed and has been examining hundreds of plans which have been proposed, by which the unemployed may be
be set to work. In this respect the situation in Germany is similar to that in the United States, for the percentage of unemployed in both countries is about relatively the same.

It has been necessary to reject even after a brief examination almost all of the plans which have been proposed for creating employment. In this despatch I shall refer particularly to only one of the plans which has been favorably considered, that is the project of creating a series of highways from Berlin to distant points in Germany, which are to be in the nature of speedways and direct routes. A part of the cost of the highways was to be borne by the tolls to be charged for the use thereof, and all of them it is planned shall be toll roads. It has been planned to build a road from Berlin to Swinemunde, from Berlin to Hamburg, from Berlin to Cologne, and from Berlin to Munich. It was the original plan to build the one from Berlin to Swinemunde first, but this road has been already completely eliminated from the project and it is now intended that, if work is done, the one from Berlin to Hamburg is to be first constructed.

This road building project has been carefully examined by a committee of experts which has gone into every phase thereof, and I had the opportunity the other evening to talk unofficially with one of the men who has been giving very careful study to these projects. He informed me that the whole project seemed
to be surrounded with so many difficulties and to offer so little real promise of alleviating the unemployment situation that it is doubtful whether any of these roads will be built. In examining the project of the road from Berlin to Hamburg it was found that as the road is to be a speedway and as all grade crossings and bisecting of public roads are to be avoided through running the new road either above or below the existing ones, the new road will involve crossing railways or existing public road at least sixty-eight times. Each of these projects will cost at least 60,000 marks in addition to the cost of the usual stretch. It was the intention to build the roads out of granite blocks entirely of German origin and no foreign material of any kind is to be used in the projects. Those examining the matter have found that all the quarries in Germany could supply only a small portion of the blocks necessary within a reasonable period and that therefore considerable quantities would have to be imported from Scandinavia, involving the export of capital and violating the principle of using only German materials. The most important difficulty, however, which has been encountered, is that the committee has found that if the building of several of the roads is undertaken at once, the maximum number of men who can be taken from the ranks of the unemployed, will be 80,000. This has been most disappointing to the leaders of the party who had great hopes in this road building project, particularly
as it seemed the most feasible of all the many projects which had been submitted. It is realized that considering the amount of money which will have to be spent on the roads, the number of unemployed who will be put to work will be small and the public would be more disappointed through the effects of such an undertaking than approving of it.

The official with whom I discussed this matter is a National-Socialist in the confidence of the leaders of the party, but is a very sane and experienced business man. He expressed to me the opinion that the entire road building project, as so far conceived, offered no real advantages and that it would be very unwise to undertake it. This is not an indication that the project will not be undertaken because the pressure from the masses on the leaders of the party to do something to actually relieve unemployment, is becoming greater every day, and it is not unlikely that some will measures/have to be undertaken merely to make publicity even though they are already known to be economically unsound and offering no real relief.

The leaders of the National-Socialist party have recently, I am reliably informed, become very much depressed with respect to the possibilities of decreasing unemployment. They now realize that work cannot be created merely at the will of a small group of individuals, and that there are two elements which enter into every employment
employment program - the element of time and money. Most projects, especially public works projects, require a considerable period of time to carry them through, and the total number of people who can be employed in such projects considering the amount of money spent on them, is small. One of the principal elements which the National-Socialist party has to deal with, is time. They have promised rapid relief for unemployment and have not been able to meet these promises. In spite of real efforts which they are making to examine worth-while projects, they are more and more discouraged as they realize that immediate relief cannot be provided. As there is already considerable discontent in the ranks of the party with the failure of the Government to meet its promises, the party fears with reason that this discontent may assume constantly greater proportions. The other difficulty which the Government has to deal with, is that of money. It realizes the utter impossibility of getting any loans from outside of Germany, and the probability of successfully raising loans within Germany is small unless they be forced in the form of forced contributions which the Government is trying to avoid. The idea which was fondly cherished that the printing presses could be set to work, has had to be abandoned as it was realized that this action would result in immediate loss of confidence in the mark both within and without Germany, and break another promise which the party has made in a very definite way, that is that the savings of the
the German people shall not disappear through a second inflation.

I have transmitted this brief reference to the road-building program as the information comes from a well-informed source and is indicative of the deep concern which the Government has over this entire problem.

Respectfully yours,

George S. Messersmith,
American Consul General.

SOC.
GSM; HP

APPENDIX.
June 24, 1933.

The morning papers of to-day carry a report of the meeting of the Cabinet held yesterday. One of the decisions made at the meeting has direct reference to this building of roads and it seems desirable to transmit the action of the Cabinet as an appendix to this despatch rather than to prepare a separate one.

The Cabinet yesterday decided that there is to be organized a separate company known as the "Reichsautobahnen", that is Government Automobile Roads. The German Government Railway Company, which operates and
controls the entire railway system of Germany, is to have this new company as a subsidiary and to control it. The new automobile highways are to be constructed by the "Reichsautobahnen" therefore under the direction of the Reichsbahn-Gesellschaft, and the roads are to be operated, when completed, under the railway subsidiary to be organized. The new roads which are to be speedways for automobiles solely, both passenger and freight, are to be coordinated therefore with the railway system, and are to be toll roads. The method of financing the building of the roads has not yet been definitely decided upon, but there is talk of having the financing done through bonds issued by the "Reichsautobahnen", which it is believed would have the same appeal on the German market as any issues of the Deutsche Reichsbahn-Gesellschaft.

The automobile roads to be constructed, however, are to be public roads. As one of the objects in having the new highways built by a Government company is to prevent improper competition with the railways, it may be expected that the regulations issued for the use of these roads, particularly for freight traffic, will prevent much private initiative in the carrying of freight.

The Government in undertaking this building of public highways under the control of the railway system, hopes therefore not only to bring about increase in employment, but also to definitely regulate and control the carrying of freight on
automobile highways so as to prevent the competitive difficulties which have arisen in other countries where the railways have been seriously affected by the loss of freight carried on public highways. It is interesting in this connection to note that the carrying of freight by automobiles over long distances has as yet not developed in Germany to the same extent as it has in the United States and in England, and by taking this measure the German Government hopes to avoid the injury to its Government-owned railway system which privately-owned railways in other countries have suffered through automobile transport.

The plan of building public automobile highways is one which is said to be very close to the heart of the Chancellor, Mr. Hitler.

It is intended that an emergency decree which has the force of law, is shortly to be issued covering the organization of the new company "Reichsautobahnen", and as soon as it appears, a translation with appropriate comment will be transmitted to the Department as it is believed that this new development will be of particular interest to our own Government, not so much as a measure for creating employment as a measure for regulating competition between the railways and automobile transport on public highways.

George S. Messersmith,
American Consul General.