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Berlin, Germany, October 28, 1933.

Dear Mr. Phillips:

I wish that it were possible for me to give you a clear picture of the situation as it exists here to-day, but it is as impossible still to tell how these political, social and economic experiments here will turn out in Germany, as it is for us at home to tell definitely what will be the outcome of our business and financial experiments. There is of course the fundamental difference that here the factors involved are much more varied and that, as I have said in various letters to you, there are psychological and pathological features and factors which fortunately we do not have at home. I see all kinds of people daily from practically every strata of German life and I have not found anyone, even at the top, who is in any way clear as to what will happen here to-morrow or next week. All I can do therefore is to tell you some of the things which may be signposts of the turn which affairs are taking here. I should at the outset, however, say that I still feel that the major thing we must keep in mind about Germany is that we must judge her by her acts and not by what her leaders say, and there is still a vast disparity between the two.

In my letter of September 29 I said that an English correspondent had remarked that brutality, mendacity and loquacity might well be the motto of this revolution. I think in some respects the peak of the brutality phase has been passed, but the

concentration

concentration camps and the prisons are still full and the movement towards them has not stopped. The only thing one can say is that individual physical attacks upon foreigners, Jews and opponents of the regime are fewer in number, but they have not stopped entirely. The Dutch Minister told the Ambassador that four Dutchmen had been assaulted in Berlin since October 17, which is after the strict orders regarding the treatment of foreigners were issued. The S.A. have orders not to exercise physical force and brutality, and while the period of individual action which so characterized the first six months of the revolution is not yet over, it has decreased.

It is still too early, however, to speak of Germany, as the Germans like to speak of it, as "the most orderly country in theworld". If some Americans and other foreigners give Germany a clean bill of health, as apparently more of them are doing, it is difficult in some cases to determine what the price has been, for to those of us know it is obvious that they do not know what is taking place in the country. For example, Mr. Ball, who is the foreign traffic manager of the Pennsylvania Railroads, and whom I helped here to get one of the leading Germans out of a concentration camp where he had been for months, and who knows thoroughly what the situation here is, when he got to Paris issued a statement to the press that if any Americans got into trouble here in Germany it was their fault. I suppose this was a price he felt he had to pay for what had been done. Mr. Watson, who is I believe the new President of the United States Chamber of Commerce, was here in Berlin for some days. He did not see any of us in the Government family. He gave an interview to the "Angriff", which is Dr. Goebbels' paper and which took the whole of the front page of an issue, in which he gave the present regime a complete bill of health. His price of course was the hope that the interview would buy favorable treatment for the interests of the office machine company of which he is the head; but if hebe led to anticipate anything like this, he will be bitterly disappointed.

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There is an element of brutality and harshness in the German character which I have never before believed was there, but which we must recognize as existing. Just last night I learned that the son of a friend of mine, Dr. Solf, who was formerly the German Ambassador to Japan, and who is a splendid character, has a seventeen year old son in a boys' school in Bavaria. The boy was asked to join the Hitlerjugend and said that he would like to wait a few weeks before doing so to think it over. That night five of his comrades in the school came to his room and submitted him to such mistreatment that it is believed his liver and kidneys are so seriously injured that he may not ever get well. The only punishment given to the five boys was that for two weeks they cannot take part in any of the activities of the Hitlerjugend. This story speaks louder than words and protestations, and it shows an element in the German character which we, as I have said, must recognize. Can we conceive of five boys in Lawrenceville or at Taft going into the room of one of their comrades and for some silly political reason beating him up in so brutal a fashion that internal organs are injured, probably to the extent to bring fatal results? This is the sort of thing which has happened and is happening.

The mendacity and loquacity phases have certainly not yet passed the peak. The press is just as carefully censored as before, and control over all public opinion forming means complete. Hitler, Goering and Goebbels have been much more moderate in their public utterances, but that does not mean that they have been temperate. In my opinion just as little confidence as ever can be placed in the sincerity and often in the correctness of the statements made even by the most responsible spokesmen of the Government. Probably even with respect to mendacity and loquacity a certain amelioration may be noted, but we can still not judge Germany or what is happening here by what is said, but must depend in forming our own judgment on what is happening.

The elections of November 12, which of course in our sense of the word, are no elections at all, are being preceded by an intensive campaign, which has for

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its object making the people believe that German security was menaced and that they had to leave the League and the Disarmament Conference, and at the same time to appeal for approval on the basis of the intense feeling which almost every German has that Germany has been isolated and placed in a secondary position for years and is vis-a-vis other countries in an intolerable situation, which cannot continue. This feeling is so strong in Germany that it is one of the principal factors which we have to reckon with and it is found among all classes. Hitler, Goering and Goebbels are emphasizing it in all of their speeches, and although these speeches are remarkably temperate as compared with previous utterances, they are utterly insincere and the whole appeal again is to prejudice and not to reason.

As to the elections themselves, although discontent in Germany with the regime is undoubtedly growing, there will be few who will dare to stay away from the polls. Party control throughout the country is so definite over individuals that it extends down to the block, and every block has its "block guardian" who keeps close check on all the people living in it. He will know who stays away from the elections and who goes, and I think that few will dare to be brave enough to stay away, for it is impossible to tell what the consequences of abstention will be. Those who go have no real issue to vote on, and the specious issue which has been presented to them is one, as I have already said, on which all Germans feel alike. In order, however, to prevent anybody from having the temerity to register disapproval of the regime by a "no", even on a question on which they might wish to vote "yes", the ballott boxes are so arranged that everyticket which is dropped into the box, falls on top of the other, and as a record is kept by the man at the polls of the order in which the people vote, they can tell just as definitely how everybody in the block voted as if his name were signed to the ticket.

Hitler's first election speech for this campaign was made in Berlin about a week ago and was on the whole moderate enough. I did not go, but I heard the greater part of it over the radio, and in it he

referred

referred to the foreign correspondents in Germany and the foreign press campaign against Germany, in the most intemperate and obnoxious terms, and it was obvious that he was in a real frenzy which he delivered this part of his address. In none of the printed, so-called complete reports of the speech was what he said concerning the correspondents, and the foreign press correctly stated, because these remarks which the Nazi leaders allow themselves regarding foreign countries in their public utterances are always greatly tempered down when they appear in the press. They have had the effect that they desire on the excited people who assemble in these big halls for three to four hours before the speech begins.

It is interesting that in all of the campaign speeches so far Hitler, Goering and Goebbels have emphasized the unfavorable foreign press and unfavorable foreign public opinion. I mentioned in my last letter that the German foreign policy has always been one of illusion except during Bismarck's time, and that the Germans have always expected the rest of the world to believe anything that they may say whether they themselves believe it or not. This is particularly characteristic of the present leaders of the Nazi party. Hitler, Goering and Goebbels are at least in one respect absolutely the same. They become absolutely furious and practically go into a frenzy with respect to foreign public opinion and the foreign press. They suffer from the obsession that because they make certain statements which they themselves know are insincere or incorrect, that the rest of the world must believe them. It is a form of arrogance which is almost incredible, but that it exists we have to reckon with.

With respect to the Jewish question I told you in my last letter that the Minister of Commerce, Schmitt, had told the Ambassador and me that he is working on this problem and feels he has made some progress. I know that he had a conference with Hitler on this subject, which lasted from 11 in the evening until five in the morning some time ago. Schmitt was

brave

brave enough to tell Hitler that the Jewish question had economic aspects which were grave dangers for Germany and that the Chancellor could not dismiss him as Minister of Commerce on this subject with a "speech", as this is Hitler's usual way of disposing of the Jewish question. For six hours Schmitt argued and explained, but I understand that the Chancellor at the end was as unconvinced and implacable as ever. Yesterday I had another small luncheon at the house in order that the Ambassador might meet some of the more radical members of the party, and among them was a Dr. Hilland, an inexperienced and enthusiastic, but intelligent Nazi. He admitted that he was realizing for the first time that the Jewish phase of the revolution was causing them more injury abroad than any other aspect of the Nazi movement. He stated that we could take it as certain that in a reasonable time a proper percentage of Jews would again take part in all phases of German life. I told him very frankly that while I did not question the sincerity of his desire to bring about a change, I could not reconcile it with what was still happening. On October 1, on the Berlin Stock Exchange 150 brokers were definitely eliminated from the list of authorized members. Of the 150 eliminated, 85% were Jews. Very curiously, on the list were three Nazis who were probably put there as a concession to indicate that it was not a racial measure. The fact remains that 85% of the 150 eliminated, were Jews, and you can get an idea of the intense human suffering and misery which resulted, by the fact that since that time eight of the Jewish brokers eliminated have died, six from apparently natural causes and two were suicides; but it is a question whether the six who died from so-called "natural causes" did not die as a result of extreme depression or probably also brought about their own end. I also told Dr. Hilland that through one of my best informed German friends I had recently learned that at the meeting of the board of directors of an important German company two weeks ago, the chairman of the board had to place before it when it met, official letters from two Ministries that the remaining Jews on the board must be eliminated, although these Jews were considered indispensable to the business, by the Gentile directors. I said that as

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long as Germany, i.e. the party and the Government, permitted this sort of thing even though the papers were not permitted to say anything about it, they could not expect understanding of their policy abroad.

In order to appease public sentiment both at home and abroad, the newspapers have been carrying much less violent articles on racial matters, and news of action against Jews in business and in other spheres which was fairly ~~proudly~~ displayed in the press, is now soft-pedalled or entirely suppressed. As a matter of fact, I am, however, convinced that the real action against the Jews in all circles of German life is in a way more implacable than ever, for though the action may be silent, it is deadly. I learned last night that Dr. Wassermann, who is one of the cleverest bankers in Germany and who, although a Jew, was retained as the only Jewish member of the board of directors of the Stock Exchange, has been told that he will haveto leave the board. You will remember that his older brother, who was a director of the Reichsbank and of the Deutsche Bank and considered one of the few outstanding bankers of Germany, was deprived of all his positions and is now a physical wreck. The cleaning out of the Jews in the banks has been accelerated recently although one sees nothing of it in the press.

I cannot believe, however, that Schmitt's influence in the question of the Jews has not already had some effect in the entourage of Hitler. This changed attitude is not an expression of good will and not necessarily a concession to foreign opinion, but a recognition of economic and social necessity. While I am convinced that moderate elements like Schmitt are endeavoring to bring about a more reasonable attitude towards the Jews, no progress in action has as yet been achieved, and I still believe that no reversal in the Jewish policy can occur except through a change in Government, but that it will eventually come I believe is equally sure.

Everyone is deeply concerned about what may happen after the election on November 12. It is a foregone conclusion that there will be a tremendous vote and that it will be apparently a complete stamp of approval

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of the Government and all its acts. At least it will be interpreted as such for the rest of the world and considered as such in Germany by the party. This is going to make it more difficult for moderate people in the Government and in the party to resist the pressure to throw out certain people from the Cabinet and to have for the first time, as they say, complete party control. This of course they have already, but it does not satisfy radicals such as Goebbels. The campaign of Darre, the Minister of Agriculture, against Schmitt and von Krosigk, continues in unabated form. There is constant talk that after the 12th of November Schmitt, von Krosigk, ~~and~~ v. Neurath and Schacht will go, Hitler taking over foreign affairs as well as the Chancellorship, Feder going in to succeed Schacht, and some radical to follow Schmitt. Von Krosigk has not counted for much for some time. Personally I believe that Schmitt and Schacht will stay, and if they do not I think we may consider it as a disastrous victory of the radical elements. Perhaps it would be better, as some of the sensible people here believe, if v. Neurath, Schmitt and Schacht would be displaced, for it would undoubtedly bring about collapse much sooner than it can otherwise come. Schacht with all his faults is a wise and strong man compared with Feder, and it would be a real calamity for Schmitt to go. While v. Neurath is without real influence in anway, he has been an excellent balance-wheel in others, and as Hitler has made some of his major decisions in the heat of passion, you can imagine what it means if he will be Foreign Minister as well. I personally believe that so far as Cabinet changes are concerned they will not dare to make radical changes, and that whatever is done, Schmitt and Schacht will stay. I also believe that v. Neurath will be kept on, but it is obvious that he is much disturbed as to his own position, and during the last week he and Mrs. von Neurath have shown considerable evidences of mental unrest.

The Ambassador and I have been much concerned about the Nazi plans for propaganda in the United States. Ivy Lee is here as the representative of his father, and at the Ambassador's suggestion I looked into this matter, and I find that we may take it as definite that the father in New York and the son here are in the

Nazi

Nazi employ. An American lawyer here some time ago suggested to a Nazi leader the name of Lee as their propaganda leader at home, and they evidently grasped on the idea. I have been able to definitely determine through the activities and admissions of young Lee himself here, that he and his father are in charge of Nazi propaganda. This seems to be almost infamous. I am not going into this any further because the Ambassador tells me he's writing about it, so I am sure you will have more information from him.

Party men at the luncheon at my house yesterday expressed concern about feeling in the United States and said that it "must be changed". They are really concerned about unfavorable public opinion, but their propaganda plans as they have them in mind I told them would do much more harm than good. I told them that we were heartily sick of propaganda at home and that we had learned to recognize it when it showed its head. I expressed the opinion that they were not in a position to make worth-while propaganda in the United States as they did not yet have enough good to tell our people about the German regime. They had not sufficient achievement to speak of, and what they had done and were still doing was abhorrent to the sensibilities of practically all our people. I said that as long as their prisons and concentration camps were still full of innocent people, when entirely innocent people were being maltreated, when there was absolutely no liberty of thought or action, and when there was no real justice in the courts or equality before the law of all Germans, they could make no propaganda in our country, because as long as these things were so, what minor things they had accomplished would mean nothing. Nevertheless, if their propaganda abroad is in any way as clever as it is in Germany, it is a great danger and we must be on our guard. We should stop it from the beginning with no light hand, and if a man like Ivey Lee is working for them, which I believe we can take for certain, he should be exposed.

I know of no way in which to emphasize the extraordinary mentality here better than by telling you how outraged I was to learn that in circles surrounding Hitler there is a widespread feeling that President and

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Mrs. Roosevelt have practically nothing but Jewish advisers. One party man of importance told me this at luncheon yesterday. They seem to believe that because we have Jews in official positions or that important people at home have Jewish friends, our policy is being dictated by the Jews alone and that particularly the President and Mrs. Roosevelt are conducting anti-German propaganda under the influence of Jewish friends and advisers. I pointed out that if the President had Jewish friends or Jewish advisers it must be because they were fine people and because he had found them to be good citizens of our country. I said that if Mrs. Roosevelt had Jewish friends this was the most natural thing in the world as she was an intellectual woman and moved in philanthropic and educational circles, and since the Jews in the United States have taken such a fine and important part in such activities she would naturally have many Jewish friends. I told them that they must not think that because there is an anti-Semitic movement in Germany, well-thinking and well-meaning people in the United States were going to give up associating with Jews. I said that the arrogance of some of the party leaders here was their greatest defect, and the feeling that they had that they could impose their views on the rest of the world, was one of their greatest weaknesses. I said that President and Mrs. Roosevelt represented the finest American tradition and made their friends without race prejudice or favor. I said that certainly they had no connection with the anti-German feeling there was in the United States and that the feeling which existed in our country with regard to what was passing in Germany was not due to any action of our Government or of its head nor to the Jews in our country, but entirely to the actions of the German Government itself. I said that directly contrary to what they seemed to think, President Roosevelt and Secretary Hull had withstood the extraordinary pressure which had been brought to bear on them from all sides to take action which might have unfavorably affected Germany. It will be hard for you to believe that such notions actually exist among worth-while people in the German Government, but that they do was made clear to me and I took the opportunity in no uncertain language to make clear how

wrong

wrong they were and how much such arrogance injured them.

I just learned that Dr. Ilgner, whose trip to the United States has been postponed, will probably be leaving in a month. He is a nephew of Dr. Schmidt, the big man of the I.G. Farben. I have known Ilgner for years, and before March 5 he was the contact man of Schmidt and of the I.G. Farben with the Nazi movement. Now he has practically been released from all duty with the company and in the last two months has developed into a very important man in the party. He is to be their propaganda adviser, and I think particularly for the United States. He was present at a meeting of the Carl Schurz Vereinigung, and he is to replace as President of this organization the former men who have preceded him. He is young, conceited, entirely self satisfied and thinks himself a superman. He has not hesitated in past months to give me this impression. He is intelligent and in many ways well-informed, but his arrogance and conceit make him a really impossible person. He is in addition I believe absolutely unscrupulous. He is flattered by the position which has been given him in the party, which is of course very intangible as is that of others of influence, and has become an absolutely servile instrument. If he comes to the United States he should be handled as the sort of person which he really is. No dependence whatever can be placed in his statements and it must be recognized that he is absolutely servile and unscrupulous.

The Ambassador has been splendid. He has been feted as much as he has allowed it, and every effort of course is made to force him into positions to say things favorable about Germany, which can be used here and abroad. He has absolutely refused to allow himself to be used in this way and has turned everyone of these occasions into one of drawing historical parallels, which cannot be offensive, but which is very effective. He has shown a cleverness and a resource which are highly admirable and extremely useful. An intelligent and highly placed German who has kept himself aloof from the party, told me a few days ago that the Ambassador's speeches had been exceedingly helpful to thinking Germans and had reached a much wider audience than we

might

might think. I am sure that the Ambassador has in an extraordinarily short time reached a comprehensive and objective viewpoint of the situation here, and his appointment I consider one of the wisest that could have been made.

I think one of the things that we shall have to keep in mind is that there is deep-seated resentment here in Germany among all classes about the treatment of Germany in the disarmament problem. Even a man like Dr. Curtius let his feelings get the better of him the other night. The Deutscher Klub, which is an aristocratic and conservative organization, and which has remained sufficiently objective to be looked upon with certain disfavor by the party, gave a reception for the Ambassador about a week ago, and Dr. Curtius introduced him. He made a longer speech than he intended, and towards the end gave as impassionate a demand for "Gleichberechtigung" as Hitler himself could have made. How the disarmament matter can be worked out, is very difficult to say, but we must I believe reckon with the fact that the Germans feel more deeply about this than they do even about the Corridor or frontier problems.

A good many of the higher leaders of the party and men in responsible positions in the Government who belong to the party, have asked me what I thought about their withdrawal from the Leage and from the Disarmament Conference. I have told them that I have no official comment to make because I am not in a position or authorized to do so, but when they insisted on a personal reaction I told them that I think they made a great mistake because they made it in a hurry and when they were excited, angry and suffering from resentment. One of the friends of Mr. Hitler said: "But he has reason to be angry and to be upset." To this I merely replied that it was obvious that a man who had the problems which Hitler has, must at times be greatly disturbed, but I could not conceive of any man with the responsibilities of 65 millions of people resting largely upon him, making any decision when he was angry. The unreasonableness of the state of mind of so many of the people here can be seen just when I give you his answer, which was: "But he had

every

every reason to be excited." The long and short of it is that anything that Hitler does is right for those in his entourage. I think there is little doubt that Goebbels is more responsible than any other person for the quick decision to get out of Geneva entirely. I think it is quite certain, and I think you must have had this from other sources, that Sir John Simon had a talk with Goebbels and that Goebbels was made to thoroughly understand that England could not help Germany in any way as long as they kept on doing here what they were. I understand that Sir John was very plain, very direct and just as energetic and definite as it was possible to be. I know Goebbels and I know what effect such a conversation would have on him. He would be absolutely furious. I happened to be at the Tempelhof Field to meet Senator McAdoo on his arrival from Russia, and the plane in whichGoebbels came from Geneva arrived about ten minutes before that of Senator McAdoo. I was told by a friend who was there to meet Goebbels that on getting from the plane Goebbels paid no attention to the crowd of enthusiastic Nazis who had gathered to meet him. He went post haste to Hitler and as Hitler and he think alike about all of these things and are temperamentally so much the same, I think there is every reasonnto believe that the decision to get out of Geneva was made then and there and still the same evening. You will get all sorts of opinions about Hitler, and I do not pretend that my own notion of him is the right one, but I am more than ever convinced that he is a man of very mediocre mental endowment and that his principal equipment is that he has a certain political sense which tells him when and when not he can do certain things. I am thoroughly convinced that the man is mentally a pathological case and that it is impossible to foresee what he will do.

I think you will be interested in the present reaction to the Japanese here. Some time ago the Germans decided to send a naval vessel to Japan. When the dishipce was some distance off from Japan, it suddenly occurred to the commander that he did not know how under the new laws he should allow his men to conduct themselves ashore. Sailormen when they go ashore are apt to visit brothels and dance-halls for their amusement, and

in view of the orders which had been issued in Germany that good Germans must not have anything to do with women who are not Aryan, the commander was in doubt as to whether the Japanese were considered Aryan. He telegraphed home and he was told that the Japanese were Aryans. This started the party here thinking about this matter, for the Japanese Ambassador had also asked the authorities in view of the racial prescriptions recently issued, to find out whether his people were being placed in a secondary position. The result is that there have been learned dissertations instigated by the Government, which show that the Japanese are not an inferior people, and a good German can marry a Japanese therefore, but not a Jew. The present Government is definitely courting Japan, and on the evening of October 27, when a reception was held in the Kroll-Opera for a Japanese prince visiting here, party members and leaders of the Government hastened to go there. Excellenz Behnke in his address said that he hoped a strengthening of the relations between Japan and Germany could be brought about, for in the moment they found themselves in the same political situation. By this he referred to what the Germans are always telling the Japanese, that both countries are cordially hated by the whole world and must therefore stick together. It is very interesting that Mr. von Neurath found time to go to this reception, and here I would like to point out that although I have been here for three years and although the American colony and the American Chamber of Commerce hold very important dinners several times a year, the Foreign Minister has, to my recollection, on not one occasion found time to come. Von Buelow came to one of these dinners; to the others they send Dieckhoff, or Fuehr. I have always felt that they deliberately slight us on these occasions.

Within the party the situation I think is quite critical. Goering has been kept quite a good deal in the background recently because there has been a fear that something will come out of the Reichstag fire trial which will make it necessary to eliminate him. There seems to be little doubt among well-informed people that the Reichstag fire was the creation of the mind of Goebbels and carried out by Goering. The imminence of the election, however, has made it necessary

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to bring Goering back into the picture, and he is now making speeches almost every day. Goebbels, however, is his implacable enemy,and Goering despises Goebbels. Goering in spite of his vanity and his weaknesses is not such a bad man. He is one of the most moderate men in the party and has surrounded himself with good men. He is against the radical measures of Goebbels and that wing of the party, and would like to see a reasonable, decent Government. Hitler, however, has been a good deal upset with Goering for all sorts of reasons, and Goebbels is the man who has Hitler's ear. I do not think, however, that there is any possibility of Goering being eliminated. On the other hand, the situation has changed a good deal from some months ago, when it looked as though Goebbels was gradually, but definitely going out of the picture. For the time being, Goebbels is the stronger of the two, but as Goebbels is so cordially disliked by most of the party leaders I do not think he will succeed in doing any harm definitely to Goering, and that eventually Goebbels is much more apt to pass from the picture than Goering.

The names of the persons who are to head the party list for Reichstag members, has been published. It is significant that the list does not contain the name of Schmitt, the Minister of Commerce, and that it does contain the name of Dr. Hugenberg. That Hugenberg should have allowed his name to be used, is characteristic of him. I think I told you months ago that Hugenberg is simply a vain and very largely ignorant person, who wants to be in the limelight, and that he should allow his name to be used now, is significant of what he really is, and will destroy what little influence he may have had left.

Since dictating this letter up to this point I have had conversations with some more of my friends, and I am inclined to be quite pessimistic with regard to what may happen after the election. There are of course all sorts of rumors all the time as to what the party will do after the election, and much of these I have discounted, but it is beginning to look as though there is a real possibility, as I have already intimated in this letter, that certain of the better members of the

Cabinet

Cabinet may go. I believe that the talk ofputting Feder in Schacht's place may be disregarded, for Schacht has evidently decided that there is only one thing to do, and that is to hold his place, and all that he has done recently has been in that direction. He is so pliable an instrument now that I believe he will be kept on, but even a very poor Schacht is better than anyone else whom they could put into the Reichsbank now. The position of Schmitt, however, is seriously menaced, and if you hear that he has to go an does go, you can take it as a very bad sign. The principal attack of course on Schmitt is being made on the ground that he wants to be more reasonable in the Jewish question. Several of the leading bankers and business men in the country, many of whom are very close to Hitler, have told me over the weekend that they are very pessimistic. They feel that tremendous numbers of people are going to be made miserable by all sorts of persecutions in order to make place for party people, and the displacements in business, banks, etc. are by no means at an end. They feel that the unreasonable elements in the party are gaining power. I am more pessimistic than I have been at any time because I had good reason to know that more and more people in the party were beginning to feel less and to think more. The frenzy which is being aroused over this election seems to have upset everything, and certainly for the moment the radically disposed are on top.

One of my friends in the party who frequently brings me in contact that radical party men in order to have them get a foreign point of view, has just told me that it is useless to try to do anything with some of the radicals until after the election. He says that this election has aroused active discussion of a lot of things which they thought they had definitely pushed into the background. Of course, there is still the possibility that after November 12, when Hitler feels himself in more strongly than ever, he may take the reins into his hands as he has in the past and steere a moderate course. As I have so often said, it is impossible to foretell what turn events will take, and Mr. Hitler himself is too uncertain a quantity as long as he allows himself the luxury to make decisions when he is angry.

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The Ambassador and I have on every occasion pointed out the danger of Germany's rearming and of making decisions in a hurry, and of taking any action which will further increase distrust of Germany. That these people want to rearm, is unquestionable. I am not talking about the great mass of the German people, but of the majority of the leaders. Most of the S.A. already have rifles, and the other evening coming back from the golf club I saw three S.A. men with rifles slung over their shoulders, the rifles being enclosed in a canvass cover tightly fitting the gun. You have heard about the noise over the arrest of the British journalist in Munich, and while I have not gone into the facts as yet, I think there is no doubt but that there are rifles available for most of the S.A.,and they will not be able to resist much longer putting them into their hands. New admissions to the S.A. had been stopped for some time, but every day in Berlin now you can see groups of recruits marching through the streets on their way to S.A. headquarters where they can be fitted out with uniforms. From the type of people whom you see among these recruits one can only gather the impression that they are taking anyone who wants to join, and joining now as in the past is very popular, for it means a good uniform and good food.

Last evening a well-known German who has not been in sympathy with the party or the present Government, told me that he had just come back from England and France and that he was now in thorough sympathy with the party. He said that he was convinced that England and France would do nothing against Germany in spite of what Germany might to do rearm, and that he saw no reason why Germany should not rearm. This is getting to be the psychology here. They feel that no one will stop them and why not go ahead? When I have tried to point out to my friends in the party that Germany's rearming in this way will definitely isolate her politically and economically, they seem to be prepared to take the risk.

As I see it now, we are in for a hard time and that nothing can stop this Government unless there are severe economic reverses. If Germany's export balance decreases either through the boycott or for any other

reasons

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reasons, her position internally will be menaced. I have been interested, however, to find that some of the business leaders here feel that the danger is just as great economically from within as from without. They feel that Germany's industrial and financial structure has been so much weakened by putting inefficient people in places where technical and administrative knowledge is needed, that her internal economy is in danger of breaking down. Whether they are right about this I am not able to say. In the meantime I do not see anything for us to do except to be exceedingly firm with Germany in any matter that we have to discuss with her. I think we must refuse to have any further relations with her than are essential for ordinary intercourse. I think we must be as cold and as reserved as we can be and that we must let the German Government understand all the time that we are thoroughly aware of what is really going on in the country. I believe we must let them know on every proper occasion that we must form our judgments on our appraisement of their acts rather than of their declarations and protestations. I believe in this way we can perform a very useful service, because this will exert a moral pressure which will have an effect. They are going to try to court us in every possible way, and if we will remain objective and cool, and will not tolerate their propaganda in the United States, I think we will be doing Germany as well as ourselves and the whole world a service.

Believe me,

Cordially and sincerely yours,

The Honorable
William Phillips,
Under-Secretary of State,
Washington, D.C.

A true copy of the signed original