Berlin, Germany, April 14, 1934.

Dear Moffat:

I wish I could tell you how much I appreciate your generous letter of March 21 with regard to the Vienna appointment. You all have made me very happy and I only hope now that I will not disappoint the confidence which you all have put in me.

One of the nicest things about it are the letters which I have had from friends and colleagues, and among these there is none which I prize and which means more to me than yours. The editorial comment at home has been interesting and unusual, and so far I have seen editorials from the Herald-Tribune, Times, the Evening Post, the Brooklyn Daily Eagle, Philadelphia Public Ledger, the Philadelphia Record, Washington Post and from several others. While it is all pleasing from a personal point of view, I think I can honestly say it is even more gratifying from that of the Service.

You have by this time seen my letters of March 24 and 29 to Mr. Phillips, and my despatches Nos. 1964 and 1970, and I am writing again to Mr. Phillips by this same pouch, under date of April 13. I could quite understand it if some at home may think that I am too pessimistic about the possibilities of negotiations with the Germans, but I believe I realize what most of the major considerations are from our point of view also, and it is quite obvious that we have our reasons for wishing to make some agreement with the Germans. There are, however, two major reasons why I think we should be very slow and very cautious and why there is little reason to believe
believe that any worth-while arrangement can be made with the present regime in Germany. The first of these is that I have no confidence in any engagement which they may make, for in spite of all protestations they will have to make it with their tongue in their cheek as they are not in a position to make any agreement which they can carry out, no matter how good their intentions may be, and what I dislike very much to say but which I think is something we must consider, it is doubtful whether they really intend to carry through any engagement which they do make. The attitude towards the outside is so cynical here that it is unsafe for us to disregard it, and then there is the second major consideration that the situation here is approaching a crisis, and anything which we might do now would only tend to prop up a regime and lengthen its hold upon Germany, and it is a regime which definitely threatens the peace of the world and which has no intention of carrying out any agreements with other countries which in any way limit its ambitions, externally or internally.

Under the circumstances I think our policy should be one of waiting to see what developments are. There will undoubtedly be pressure from certain agricultural and rawstuffs interests at home towards making some arrangement, but I think if these same interests appreciated the situation here they would understand that there is nothing to be gained for them really except the most temporary advantage in any arrangement, and even such temporary advantages under existing circumstances here are extremely doubtful. Then, too, there will be some pressure undoubtedly from New York from those financial interests which see only the protection of the interests of our German bond holders, but I am confident that this interest is extremely selfish and narrow-minded and does not take into consideration the major factors. It is illusory to speak of Germany being able to make any real payments on her interest and amortization charges on foreign obligations, unless there is a definite and fundamental change in the regime here. The exchange situation is so serious that even though they might
promise to pay a certain amount of interest and amortization in cash they will not be able to do so for more than a short period, for they will need their exchange so pressingly for raw materials that they will use this as the excuse again for breaking down any new arrangement which they may have entered into. Schacht's arguments that Germany's problem is purely a transfer one, has on the face of it certain truth, but I will not go into any discussion of it with you, for I know you appreciate all the implications. It is absolutely no use to the American bondholder to have his interest paid him in marks here, for the possibility of transfer is extremely remote and even the blocked marks here are being surrounded by so many conditions that there is practically no way of using them, and even if the American bondholder were to come here and live and try to use up his interest in that way, he would find that he could get only a most moderate amount of his blocked account, for living purposes.

The mentality of the secondary leaders is definitely bent on making Germany self-sufficient and in putting her into a position to make war. It really makes one dizzy to hear the accounts that I get from our officers in Germany and from the reliable sources which I have, of the military training and manoeuvres which are going on over here every day. Any day of the week in any part of Germany that you go to, you can see brown-shirts in all sorts of military operations, machine gun practice, target practice, throwing hand grenades, building trenches, and bodies of men moving over the ground, charging, lying down and charging again. With a despatch which Mr. Haebler from Dresden sent to the Department, he sent one of the best pictures which we have had yet, showing 125,000 S.A. men in military formation there recently.

My own feeling is that, as I have indicated in my letters to Mr. Phillips of March 24, 29 and April 13, the economic pressure which is going to result out of the exchange situation, will rapidly strengthen and spread the disillusionment which will bring about the passing of this regime, and when trouble comes I think the army will be safe, and while there will undoubtedly be
bloodshed, the S.A. will in no sense be a unit. Some of the major leaders of the S.A. will be with the army and the conservative elements, and in the opinion of many there is not a single S.A. unit which would in time of trouble act as a unit in the defence of the present Government. There are too many in the S.A. merely for their own advantage and who are in no way in sympathy with the Government. I hope to write you further along this line shortly, for I know that the situation must be quite perplexing at home. One thing seems to be clear and that is that things are moving very rapidly here and much more rapidly than anyone believed possible. It may last for months still, but for the first time since the movement came into power there is really a probability that within a reasonable time there may be a regime here with which we can deal normally in a political and economic way.

As I have not yet had any instructions about when the Department wishes me to go to Vienna, I shall probably be able to remain here until the Ambassador returns, which I should like very much as it will be very helpful to me to have an opportunity to talk with him about things at home, etc., before going to Vienna. I saw Jack last night and he says Betty is coming back Sunday evening. We are looking forward to her return very much. With every good wish,

Cordially yours,

Jay Pierrepont Moffat, Esquire,
c/o Department of State,
Washington, D.C.