Berlin, Germany, June 9, 1934.

Personal & Confidential

Dear Mr. Moffat:

I am taking this opportunity of writing to you in order to give my impressions of the general situation here and such information as I have been able to obtain. I am doing this in order to continue in a measure the previous efforts of Mr. Messersmith, who as you know, wrote from time to time to Mr. Phillips. I have contacts through which I obtain information which I think may be of interest to you. Besides, there are currents of activities and tendencies which it may be of value to you to have appraised.

The present political situation in Germany is exceedingly complex. Business people, shopkeepers, farmers and even the mass of the inhabitants are conscious of the fact that the country is getting deeper and deeper into a financial and economic hole; while at the same time the Government is able through its official agencies to announce a further decrease in employment. Everywhere there is a growing discontent and this is particularly noticeable among the working classes. I maintain certain contacts with people in shops from whom I have recently learned that communism is strongly on the increase among the working classes. It is stated that the 12 millions who were formerly enrolled in the Social-Democratic Party have absolutely turned their backs upon this form of socialism and have placed their hopes in communism. The temper of the present regime with plenty of words and shows and promises for the working classes, I am informed, is not deceiving the masses. Much of the unpopularity which naturally remained in the minds of conservatives has now begun in a very wide degree to possess the working classes. The workers believe that the present regime will not last, and that the Hitler Government will
will be succeeded in the comparatively near future (they think some time during the coming year) by a military Government which also will be unable to solve Germany's economic problems and that the eventual outcome will be communism. In spite of the danger of speaking against the Government, from what I learn, it seems that the German worker has made up his mind that the present regime is against him and his interests and that all he has to do is to abide his time. The antagonism between the S.A. men who are working in factories and shops and the unenrolled workers (most of whom were formerly social-democrats or communists) is disappearing and the vituperations of the S.A. men against the Nazi Government are outspoken and fearless much to the satisfaction of the other workers. In this milieu and atmosphere the process of undermining confidence in the Nazi regime is going on. There is no question in my mind, but that this situation is evolutionary and will continue until the majority of the German nation is sullenly though perhaps silently opposed to those in power. The real followers of Hitler are fanatics or persons whose existence depends upon the Party remaining in power. For the most part the great mass of workers have simply been bamboozled and fed with empty promises; and there is no question but that they realize it.

Unemployment has been decreased. The "Berliner Tageblatt" of June 8 (to-day) announces that 80,000 more persons have been put to work. This unemployment, however, has very little to do with any basic prosperity or betterment of the general situation. Women are constantly being taken out of positions in order to make way for men. The public works program is giving occupation to thousands; and every possible means is used to give people employment, or rather to force people into some sort of positions. The drive to make employers take on apprentices was a great success; and practically the whole army of youths who left school this spring have been brought under cover. Work has been spread so extensively and so widely under pressure that the wage scales have suffered considerably through this process of sharing. Men who under ordinary conditions, where the process of duress was not being applied, would receive probably seven or eight marks a work
week as a dole, are now given a minimum of employment in some shop where they can earn that amount; and I am informed that efforts are being made to bring as many persons on the dole into such employment in order to relieve the official figures of the unemployed. How long industries and small enterprises which are subject to this pressure can keep up the burden is a question. Those who look for a possible industrial crash think that this forcing of workers on the employers will be one of the strong contributing factors. I need not, of course, mention the panic buying which is going on space at the present time. People are buying clothes and articles of all sorts. The tailors and dressmakers are working up to capacity. Naturally industry is stimulated by this temporary wave of buying; but it will eventually have its serious reaction. The rumors of bread-cards and "paper clothes" have reached the masses; and those who have money to buy things are going about it now. In the face of these conditions the discontent and fear becomes more general.

I was very reliably informed several days ago that recently leaders of the Reichswehr met at Bad Nauheim and laid definite plans for taking over the Government when the situation got so bad that this appeared to be the only step left. I was informed that the plan involved the immediate arrest of the leaders of the present regime, and that they would be shot at once and that Hitler would be invited to use the pistol which he keeps in his desk. Immediately the S.A. would be proscribed and anybody found wearing a brown uniform after the coup d'état would be shot on the spot. Such persons would be treated as public enemies. I asked my informant what about the police in such an emergency, and he stated that the police could be relied upon. There would, of course, be bloodshed, but the Reichswehr would remain masters of the situation because they possess the machine guns and the military airplanes. It was also stated that General Goering would go over hand and foot to the military dictatorship with part of the S.S. and eventually show himself an enemy of the present regime. Goering is strongly against the radical tendencies manifested by the rabid leaders of the party (Goebbels, Darre, Seldte, Ley, von Shirach, Heines, Frick, Streicher) and the struggle between
Coering and these men will eventually assume important political aspects. Up to the present time my informant tells me that the Reichswehr have resisted the pressure of the Nazis to incorporate 300,000 chosen S.A. men into the army. New recruits have been already taken into the ranks. I happened to see about fifteen hundred of them last Sunday, marching from Berlin to Potsdam. They were all young men about 21 years of age; and I was able to distinguish their character and deportment from the usual run of S.A. men. The real struggle in regard to the new recruits in the Reichswehr is now going on between Roehm and the leaders of the Reichswehr. The newspapers to-night carry an article about the illness of Roehm and the necessity of his taking leave of absence, and deny that his illness has anything to do with political rumors which are being reported in the foreign press. It is an open secret, however, in Berlin, that a bitter struggle has been going on between the Nazis and the leaders of the Reichswehr regarding the new recruits. My informant tells me that the Reichswehr leaders have been successful in this struggle.

You will be interested to know that when I informed Mr. White of the Embassy concerning the information reported above, he said that the same news about a meeting of the leaders of the Reichswehr in Bad Nauheim had come to the Ambassador's attention from an entirely different source; and therefore Mr. White was inclined to give the report a good deal of credence.

I must say, however, that other close observers are of the opinion that no such coup d'etat will take place, and I am on the side of these observers. My chief reason against the belief in any radical attempt in the near future to wrest the power from the Hitler Party, is that any Government that would come to power would have a situation entirely too precarious to deal with. They would have to keep up a much larger and stronger system of terror than is now employed. They would not only have the ousted Nazis to deal with, though the movement would undoubtedly be delivered a death-blow, but they would have a revived communism of tremendous proportions to deal with. No German has any belief in the power of the Hohenzollern idea. A military group which would seize power would possibly have
have a certain amount of favorable support from abroad, and Germany's foreign relations might immediately improve; but the confidence of the world in Germany's future, even though it might be partially restored through the fall of the radical Nazis, would not be able to act quickly enough to help to restore well-being and satisfaction to the mass of workers through an export trade revival.

No matter how one attempts to analyse the German situation and the various factors here at work, the outlook is very dark. So long as the Nazis are in power they will never be tamed. It is inconceivable that even time will tame the turbulent spirits which are leading and influencing the German youth. The younger hordes massed into the Hitler youth which flourish in every township and hamlet in the country, will make European history of the gravest importance, if not world history, if they continue under the present leadership. The fanatical enthusiasm of these young people is the only stable asset possessed by the Hitler Party. The old fighters who followed Hitler from 1923 to 1933 may not be to-day such staunch supporters of the Fuehrer; and it is known that they are deeply discontented and grumbling over the meagre spoils of their victory. But the lack of understanding of the youth and their blind enthusiasm for the show and glamour of National-Socialism, may in the end constitute a real power. Unless a world recovery comes and sweeps this country along into a tide of prosperity, which in view of the present outlook seems very unlikely, I am of the opinion that Germany is about to enter another period of economic suffering and possibly far-reaching disintegration of her forces. Over against this the Nazis may make some desperate effort to get out of the debacle by making a military attempt in some desperate effort to break her boundaries. But the longer the Nazis' military effort is postponed, the less likely from economic causes it will succeed. The country at the present time is fighting hard to keep a proper supply of rawstuffs coming in; and it is questionable how extensively the present measures of restriction and control will succeed. The importation of rawstuffs has become virtually a Government monopoly and shortage will shortly begin to play havoc with many industries. Adjustments through creating substitutes will
will be made; and a war-scarcity psychology will begin
to demoralize the country and impair progress and in-
dustrial development. The Germans will be so desperately
engaged coping with the bare struggle for existence,
that there will be little added energy and resources
left for preparing the nation to wage a conflict with
others.

An entirely different picture will result if this
Government should be caught on a wave of prosperity. I
think this very important fact is not fully realized by
our statesmen and by those of other nationalities. I
believe this is the crux of the matter in determining
our policy. I cannot sufficiently emphasize what would
happen if the present regime were able to create a strong
Germany. This country under such conditions would
certainly rearm and definitely prepare to wage a war
against Europe in general, which would change the course
of history, if not of civilization, beyond what we even
dream, if their supreme effort would be successful. The
Germans are absolutely confident of their destiny; and
they will make the attempt to establish a hegemony (or
rather an empire similar to that maintained by the
Caesars) in Europe unless forces beyond their control
hinder the attempt. This regime will fall only if it
fails to carry out the national destiny; if it shows
signs of being able to succeed, it will endure. An
economic debacle might be the death blow to the Pan-
German idea and the supreme attempt. The Nazis are wild
with enthusiasm when they listen to their leaders; but
the conservative leaders, including the Reichswehr, the
industrialists, the nobility, and the great landowners,
are extremely fearful that the "great venture" is only
a wild dream and the sooner Germany returns to prosaic
"sanity", the better for their individual interests.
It is this great hesitation on the part of the conserva-
tives and business, and the sullenness on the part of
labor, that creates the present much deprecated "reaction",
which is now receiving attention by most of the Party
leaders. Goering, for instance, is making speeches all
over Germany during the rest of the month, against
"critics and grumblers"; and Goebbels is thundering
away to crowded houses against these "traitors".

At the present time the Nazis are bending their
whole strength to combat the depression and to maintain
themselves
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themselves in the face of a threatening economical and financial crash. The conservative leaders such as Schmidt, Minister of Commerce, von Krosigk, Minister of Finance, von Neurath, and a few others, are fighting tooth and nail to stop the radicalism which raises so much trouble for the country abroad. They want the Jewish question pressed to the background; but Streicher (the Jew-Baiter of Nuremberg) shocks the world with his "ritual number" and then gloats over the storm he raises in the foreign press; these conflicting forces give rise to serious struggles in the cabinet, which Hitler seems powerless to control. Schmidt, the Minister of Commerce, has fought some heroic battles and has accomplished almost the impossible against some of the most powerful elements in the Nazi movement. I refer particularly to the Party organizations, such as the National Socialist Federation of Retail Merchants which was bent upon annihilating the department stores and the trusts and all Jewish enterprises at one fell swoop. The opposition waged by Schmidt against these organizations, which were cut to accomplish in fact and deed the original program of the Nazis, has threatened to unseat him many a time. He is still at war and harder than ever against these radical forces, against Goebbels and Streicher and many others, and this show-down has always been expected here, but does not arrive, though the situation from day to day gets economically and financially worse.

The gravity of the situation is further reflected in the treatment of prisoners in the concentration camps. I was informed three days ago by a German who visited a prisoner in one of the camps in the central part of Germany, that the discipline has become unusually severe. No more persons who are known to be out of sympathy with the Government are to be let out under any circumstances. The Government does not intend to add to the critics and grumblers; and the personal welfare of these persons is taken no longer into consideration. Some who have been imprisoned since the advent of the regime in March, 1933, are beginning to break down in health and spirit. The strictest rules regarding visits are applied. Prisoners are not allowed to be greeted cordially by friends or relatives. It is forbidden to shake hands with a prisoner, or for a member of a family to show affection or grief. A wife when visiting a husband, may not be accompanied by any children. It is
also known by the S.A. that a good many of their fellows are in the concentration camps. Since the camps are policed entirely by the S.S. (black shirts, whose leader is Himmler, Chief of the much-feared Secret Police), there is a hatred between the S.A. and the S.S.; because the former regard the latter as their potential gaolers.

With regard to the Jewish situation, I am convinced from close observation since the beginning of this regime, that the German people on the whole do not share the rabid anti-Semitism which the Nazis advocate, no more than do they sympathize with the persecution of the protestants and catholics and the compulsory coordination of everything under the sun with the Nazis' scheme of things. The Jewish situation is purely a result of Nazi action. The permanent suffering and hardship results from the laws which have so dreadfully discriminated against these people; but the Germans are inclined to show no interest in the matter. Streicher and other fanatics keep the thing alive; but the German public is tired of it and disgusted. Where a Jew competes with a Christian, probably some villain will take a hand in terrorizing the Jew, and if the Nazi influence is strong enough to do substantial harm to the Jew, he will certainly be victimized. The leaders keep the "Jewish Pest" before the public attention and attribute all failures and calamities to them, using the Jews as scape-goats as Nero did the Christian. A good deal of ancient and modern history is reenacted here every day. If economic distress becomes acute, there may be even more serious times ahead here for the Jews in this country.

I hope you will find this of interest. In my next letter I shall give you certain impressions I have concerning the attitude of the Germans toward the Disarmament Conference, the Austrian question, and a number of other important aspects of the situation.

I may say in concluding, that everything is going splendidly in the office. I have the most loyal support from my colleagues and staff. The Ambassador keeps in touch with me and it is a great pleasure to cooperate with him. I see him continually, both at
the Embassy and in his home, where I am frequently welcomed by Mrs. Dodd and the children, with whom I have struck up a kind of friendship. I have been helping them a good deal in personal matters which they very much appreciate. I am delighted to work with Mr. White, Mr. Wilson, Mr. Flack and Mr. Armstrong. We meet, of course, nearly every day on business or socially and the greatest harmony prevails. There is certainly no friction in Berlin. I am very closely in contact with the Commercial and Agricultural Attaches, and could not wish for better or more helpful colleagues. I think that Douglas Miller is a very valuable man to our Government. He certainly helps in every way and I find him thoroughly informed about every phase of the economic life here.

I must say that the separation from Mr. Messersmith is a real personal blow. We worked so closely together that we became attached and devoted friends. I have the confidence that we shall be together again. After the fine relations that we have had this is almost inevitable; and I am sure if you would ask him, he would say the same things.

With kindest regards, believe me,

Cordially and sincerely yours,

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