Dear Mr. Phillips:

We have a pouch leaving tomorrow which will carry a letter I have written you dated August 18, giving a resume of a conversation which I had with one of my German friends, and also a letter dated the 21st, which I have written to Hoffat and which he will undoubtedly show you as it has some comments in it which may interest you. I want to take this opportunity of this pouch, however, to send you some further comments to supplement my despatches.

First, I want to correct a statement which I made on page 8, in the first paragraph of my letter to you of August 16, regarding the Prince of Hesse. I said that aside from being morally a poor specimen and a sexual pervert, he was also intellectually below the average. With respect to his morality and his sexual perversion there is no question, but I am told by well-informed persons that he is really above average in intelligence. The Queen Mother in Italy, I am told, is quite fond of him in spite of his failings, and he seems to have a good deal of influence with her. The King, too, I understand, is quite fond of him. Mussolini, however, I am informed, has no use whatever for him and considers him so untrustworthy and so objectionable that I think that when the question of restoration arises in Austria Mussolini does not in any sense consider him as a candidate he could support, much as certain factors might tend to influence him in that direction. Mussolini has had enough experience with men of that type to realize how little dependence can be put in them and how they can fail at crucial moments.

The situation within Austria remains quiet and I don't think we need fear any unfavorable internal developments here for the immediate future. The energetic action which the Government has been taking and the hangings and more fitting prison sentences following the trials of terrorists and those engaged in the July 25th putsch have had a salutary effect. There are no more bombing outrages and no more terroristic acts. The country has not been so quiet for months. Martial law has now been lifted over the whole country and while precautions are being maintained in Vienna and throughout the rest of the country, one sees fewer troops and Heimwehr and police on the streets, and the country has quite a
I had a talk with the Minister for Foreign Affairs yesterday and he tells me that the Government is more than ever convinced that little can come out of Papen's mission here. He tells me that Papen came and presented his letters and said that he was returning at once to Germany to take a brief rest and would then come back here. He tells me that Papen said that it would be necessary for the German Government to take certain measures such as the dissolution of the Legion and of the Austrian National Socialist Party Headquarters in Munich and with regard to the radio propaganda from Munich if his mission was to be carried through, and that he would therefore return to Germany while these measures were put into effect. He told me further that the Austrian Government had information that no action had really been taken with regard to the Legion and that they did not expect any, and as the Austrian Government was convinced that the German Government had no intention of giving up its pretensions with respect to Austria he could see no good coming out of the Papen mission.

The Foreign Minister further told me that Papen in presenting his letters had emphasized that he came as a Minister on special mission and that the President in replying had emphasized that they were receiving him as a Minister accredited in the usual manner and had ignored his statements with regard to a special mission. He said that in his opinion there was a grave possibility that some attempt might be made against Papen's life here, arranged for by Berlin, with the intention of provoking a crisis, but that they were going to do everything to avoid this being carried through. He also said that he doubted whether Papen would stay here very long and that it was not improbable that after staying a month or six weeks he might leave, saying that it was impossible for him to accomplish anything in this way to endeavor to bring about a new crisis or a near crisis in Austro-German relations. I mention what he told me to indicate that the Austrian Government has no expectations whatever of a favorable character from Papen's mission.

I had a long talk with the British Military Attaché yesterday, who is very well informed. He told me that he had had that morning a conversation with General Muff, the German Military Attaché here. General Muff is considered here as being a rather influential person in Germany and one who plays a very preponderent role in the German Legation in Vienna. He told the British Military Attaché that he had just been in Germany and had spent three days at Berchtesgaden and had had several talks with Hitler. He said that the Legion had not been dissolved and that Hitler had talked at length with him with regard to it. He said that the Legion was giving Hitler great preoccupation. General Muff said that they had taken
the arms from the Legion and they were now in the possession of
the Reichswehr. This, parenthetically I may say and as the British
Military Attaché pointed out, was already quite an admission, for
General Muff evidently did not deem it worth while to endeavor to con-
ceal the fact that the Legion had been armed and that they had done it.
The General went on to say that the Legion consists of some 8000 men
and that in accordance with the conversation which he had had with
Hitler, the proper people were now studying how these men could be
separated into small groups and settled on reclaimed land in East and
North Germany and how their families in Austria could be brought to
Germany so that they could settle permanently on this land.

The important part of this conversation is that General
Muff admitted that the Legion has not been disbanded in spite of the
reports to that effect, and that it had been armed. The rest I think
must be accepted with a good deal of reserve for General Muff said to
the British Military Attaché during the conversation that, of course,
it was a most difficult problem for Germany because she could not give
up the "Grossdeutschland" idea which must be a primary objective of
Germany's policy.

You are better informed with regard to the German situation
through other sources than anything I can give you from here, and I
cannot give you any definite information with regard to the contro-
versy concerning Hindenburg's will. It is interesting, however, in
this connection that when the foreign press immediately after his death
raised the question of such a will, Goebbels came out definitely in the
ANGRIFF at once emphatically denying that there was such a will.
Then on just 15 days afterwards and a few days before the election the
will is made public and commented on at great length in all the German
newspapers including the ANGRFF. I don't know what actually happened,
but that they should either suppress or distort a will is entirely
within National Socialist tactics. I think I told you in one of my
letters about eight months ago that Goebbels said that before every
election or before every great far reaching action a master stroke to
impress public opinion was necessary, and he told me how this had been
done. It would not surprise me therefore, if after first deciding
to suppress the will, a distorted version of it was later published
used as the master stroke before the recent election. The newspapers
here and in other countries outside of Germany stated that the real
fact of the will was suppressed although the contents were known to
various members of the Hohenzollern family outside of Germany, and
that their silence was secured under threat that their property in
Germany would be confiscated if they said anything. As I happen to
have rather intimate knowledge of the extent of the Hohenzollern hold-
ings in Germany, this threat of confiscation may have been very effect-
ive.
With respect to the situation here, the Government is undoubtedly faced by some grave decisions. The trials are taking place all over the country of the men who were arrested for complicity or participation in the July 25 putsch. The trials have been conducted in a very fair way and considering the circumstances the number of hangings have been few, but some more severe prison sentences are being meted out. So far, however, only the more simple people have been brought before the courts. Some of the leading instigators and agents here and tools of Berlin and Munich, have escaped from the country. They got out for the most part on the afternoon or evening of July 25, to Germany. Rintelen, however, as you know, is in prison here, that is, in the hospital under prison guard. As to his guilt there does not seem to be the slightest doubt. Two high ranking police officials in Vienna, Steinhausl and Gotzmann, are also under arrest. Yesterday, to the very considerable surprise of everyone, Dr. Bachinger, a former member of the Cabinet and just a year ago the Under Secretary for Public Defense, was arrested. All of these men were acting more out of promises of personal advancement than out of political convictions. Of their guilt there seems to be no doubt, but their adequate punishment is going to be a difficult matter. I think it is one of the greatest preoccupations of the Government.

What to do with Dr. Rintelen is perhaps the most serious matter. He was, after all, a big figure in the country and if he is brought to trial a mere prison sentence for him when the tools have been hanged will cause a bad impression. On the other hand to condemn him to death is a thing which the Government will wish to avoid. I have already told you that the stories that he was shot instead of endeavoring to commit suicide may, I think, be discarded. His health is improving in the hospital and his property has already been confiscated. If he is brought to trial and the Government brings forth the evidence it has, he would have to be given capital punishment under the law. I have refrained from asking any of my friends in the Government about what they are going to do, because I know it causes them a great concern, but the general impression among my colleagues here seems to be that he will be "too sick" for a long time to be brought to trial, and in the meantime the Government may find some solution.

One of the distressing factors about this whole affair is that the more closely one goes into it, the more sordid it becomes. There are people in Austria, just as there are in Germany, with whom the "Grossdeutschland" idea is a religion and one can therefore conceive of their acting in a fanatical manner for the sake of their principles. One finds, however, that the higher ups like Rintelen who were concerned in the July 25 putsch and in the murder of Dollfuss, were for the most part acting for money or to satisfy personal ambitions which were to be rewarded by the new regime. I think this idea, too, is permeating through the people here in Austria and is strengthening the attitude against political union with Germany.
The various trials throughout Austria are bringing out interesting details and they show how really barbaric and inhuman was the action of the Nazis in some of the villages where they attacked the police, troops, and Heimwehr. In many cases it was just sheer murder. In almost all of the trials the people say that they did not really know what it was all about and that they were "defending the new Government". There isn't any doubt, however, that most of them knew what they were doing, but the trials do not show to what extent many had been used in the country and how these simple people had been misled by all sorts of promises.

General Muff, to whom I have already referred, made an interesting statement to the British Military Attaché in his conversation with him yesterday. He said that, after all, the National Socialist Party in Germany had underestimated what it was up against in Austria. He said that they were thinking in terms of Dollfuss, Starhemberg, and the Heimwehr as their opposition when as a matter of fact these were mere puppets and what they were up against in reality were the Vatican, Italy, and the Jews of the world. He said that almost any one of these elements was at the present time sufficiently strong to stop Germany from succeeding in Austria, but that together this made any action towards the absorption of Austria hopeless.

When Ambassador Long was here on Sunday he asked me if there was any possibility of Starhemberg's going to Rome as the Austrian Ambassador. He said that there was talk of this in Rome before he left. I told him that I thought there was no possibility whatever of such a thing; that under no circumstances would Starhemberg consider going to Rome. I had heard nothing of this here, but after the Ambassador's remark I began to look into it and found that no one here believes that this has even been seriously considered and certainly not by Starhemberg. It has been a practice here to get inconvenient people out of Austria by sending them as Minister somewhere, but Starhemberg is too strong to be sent out even if they wanted to. I think Starhemberg eventually wants to be Chancellor and it is not improbable that he will be, but he realizes that now is not the time and is really giving Schuschnigg whole hearted support. I have already told you in a previous letter we cannot put too much confidence in Starhemberg's restraint, but he has shown greater intelligence and restraint than he has been given credit for by most people. I think he will be found playing ball very well until the time comes for him in the natural course of events to be Chancellor.

There is another item which may interest you. I learned from a very reliable source that in French Military circles, and that the opinion is shared by Francois Poinset, it is felt that the situation
in the Reichswehr is as follows. First, most of the ranking officers are more and more disappointed with and in opposition to Blomberg. Second, that the oath which they have taken to Hitler they felt was under duress and that it would therefore sit quite lightly with them. Third, that among the officers and the ranks there are no more than 20% who may be considered as having any sympathy with the Government.

I am afraid that this letter has been a little gossipy and somewhat disjointed. I feel, however, that this situation over here is so complex and so important and so full of possibilities that I should give you all the information that I can send you which I think may be worth while. You can be quite sure that there is a great deal which seems interesting which I do not send because I am not sure of the sources or that it may have been given to me with tendentious purposes. I try to sift it all before I write and it is these isolated items which are necessary to an understanding of the whole picture.

Basically the situation remains unchanged except that it has been a good deal clarified by recent events. Germany is still determined to absorb Austria and to carry through her political and economic ambitions in Central and Southeastern Europe. Italy fears this political extension by Germany and does not want her on her frontier and even if she does not have as well defined political ambitions in Central and Southeastern Europe, she feels it absolutely essential that she participate in the economic developments in the Danubian States. In both the political and economic field, more particularly in the latter, the interest of Germany and of Italy are opposed in this part of the world and Austria becomes the immediate bone of contention and will be the center of the storm if it does break. Italy, I think, will be a good deal more careful now about taking independent political action, but she is determined that German aggression on Austria must be met by immediate action on her part as a matter of self-preservation. England and France, for the time being, find it desirable to support the independence of Austria and thus to support Italy's policy in this respect, but I don't think that either of them is happy about the situation. That this is so, however, has brought about a temporary stabilization, for Germany has been brought to heel, fearing a disaster which would precipitate an international crisis. Now that independent military intervention by Italy for the time being does not seem so imminent, the next manoeuvres will be in the economic field. An endeavor will be made to extend the Rome Pacts to the Little Entente and Czechoslovakia through a benevolent attitude by the French, which latter attitude is always problematical and unstable. In the meantime Germany's pretensions
in Austria, for it is the first objective, will not stop, but her efforts will be directed in more underground channels so as to less shock public opinion, but perhaps these efforts may be even more dangerous. Austria herself is faced by the problem as to how far she can go with Italy, for she has no more desire to be under Italian domination than under German. The military aspects in case of a European conflagration also concern France and England, for they do not feel that they can depend upon Austria in the event of a general conflict. They feel that, after all, Austria is a German speaking country and that in the eventual line up in a European conflict Austria might be on the side of Germany. I believe that nothing has been settled and that the key still remains in Berlin. If no fanatic action is undertaken from Berlin against Austria, the immediate peace of Europe is not threatened by this problem, but the eventual settlement is still far from clear. I have the personal conviction that on the whole the situation is more dangerous than it has been for some years. I still feel that nothing will happen, but I would not be prepared to say that nothing will happen. We have to reckon with too many factors which are uncontrollable, and we have to reckon with a Government in Germany which has shown what it is capable of and as long as that situation remains as it is, no one can prophesy even for tomorrow.

Now that the election is over in Germany, I think we can look forward towards various actions which will be directed toward reassuring the rest of the world, as well as towards consolidating the increasing opposition within the country. There has been talk for some time that Hitler’s next internal move will be to eliminate some of his more radical advisors. There is talk that Goebbels will go to Warsaw as Ambassador and as he is really a craven at heart and knows that he is a marked man, it is unlikely that he is quite prepared to go out of the country. It would be a great come down, but as it means saving his skin and satisfying the ambitions of Frau Goebbels, it is not an impossible solution. Baldur von Shirach, the leader of the Hitler Youth, will undoubtedly have to go in any attempt to give the Government a new lease of life, for there is general rebellion against this unprincipled ambitious young man’s continuing at the head of the Hitler Youth. There is talk also that Darre and Ley must be displaced, the former to appease the farmers and the latter the workers.

These steps would undoubtedly increase the strength of Hitler, but would at the same time decrease the prestige of the Party. There is talk also that von Neurath will have to go probably again to Rome as Ambassador so that von Rippendorp can take his place. I think von Neurath would be quite happy to go, but his replacement by von Rippendorp cannot reassure the chancelleries of Europe in which he is already pretty well known.
We can look forward to reassuring declarations with regard to peaceful intentions and even probably some steps which might look towards conciliation with the Jews, but all this will be a frantic bid for support of the regime and for foreign credits. I have no confidence whatever in any of these moves, for I think the basic principles and policies remain the same and this is particularly true with respect to German aspirations, politically and economically in the direction of Austria and beyond her in the Danubian area. So much else will have to be sacrificed in the way of prestige that I doubt if there will be any let up in that direction. We can only wait and see.

I am going with my family tomorrow for the week end to Salzburg and will be for the first time out of Vienna since I came here.

With all good wishes,

Cordially and faithfully yours,