A RÉSUMÉ OF SOME OF THE MAJOR FACTORS IN THE ECONOMIC, FINANCIAL, AND POLITICAL SITUATION FACING EUROPE TODAY.

The history in the 19th century up to 1870, of that part of Europe comprising what is today the German Reich, is very largely the story of the rise of Prussia to a position of predominance among the German States. This position of predominance was assured after the Franco-Prussian War with the consolidation of the German States into the German Empire and with the Hohenzollern King of Prussia elevated to the position of Emperor of Germany. The policy of Bismark and of Emperor William II consolidated the leadership of Prussia and made of the German Empire a first class World Power. The rapid economic development of the Empire contributed greatly to the strengthening of its position in Europe and in the latter years of Bismark's Chancellorship and during the years that Emperor William II largely personally controlled the policies of Germany, and up to the World War, Germany's policy was definitely oriented towards expansion beyond the borders of the Reich. She acquired colonies in Africa and possessions in the Pacific. Her trade and her ships reached every part of the world. Her merchants and bankers were in practically every commercial center of the world. The Austro-Hungarian Empire was in close alliance with Germany and enabled Germany to exercise a predominant influence in the Balkans. German policy, which had been first concentrated on the consolidation of the Reich and on economic penetration throughout the world, became increasingly directed towards the exercising of political pretensions which showed clearly that she considered herself the major State of Europe.
German philosophers and German writers in the 19th century imbued the German people with a belief in the superiority of the German race and of a particular mission in the world. The Prussian doctrine of force and discipline and iron will as the sure means of carrying through the mission of Germany became more and more the spirit of the German people. Europe looked with wonder first, then with admiration, and finally with fear on this growing power and this led to the system of alliances which placed a good part of Europe in two great camps, the one comprising Germany and her allies, and the other the three other major Powers of Europe. It is perhaps too early yet to write definitely of the responsibilities for the World War, but it may be said that the major and controlling factor was that Europe believed that it was Germany's desire and will to impose German economic and political control over Europe, if not over many other parts of the world.

The World War of 1914-18 broke the military power of Germany, drove the Hohenzollerns into exile, transformed the German Empire into a Republic. Germany was divested of her colonies, and the provinces of Alsace and Lorraine went back to France. The Austro-Hungarian Empire, which had been the ally of, if not controlled by, Germany was dismembered. The map of Central and Southeastern Europe was greatly changed. The military power of Germany was broken, but Europe was left prostrate and world trade dislocated.

The story of Germany in the post-war years is too well known to require any telling here. It is sufficient for the purpose of this résumé to point out that the provisions of the Treaty of Versailles placed obligations on Germany, some
humiliating, and others impossible to meet. There grew up in the country a spirit of hopelessness which became accentuated under the reparations burden, the restriction on her armaments, the Polish Corridor, the Silesian frontier, the separation of the Saar, and the various forms of military and political control. The German people began to feel that they had lost all place in Europe and in the world, and were being oppressed by the victorious Powers. The inflation of 1923 practically took away all the resources and destroyed the spirit of the middle class, which had been one of the main supports of conservatism in the country and which represented the best of Germany in the rest of the world.

The inflation was followed by a period of increasing industrial activity and the gradual reduction of the reparations burdens and the pouring of foreign money through loans and credits provided a period of specious prosperity until the world crisis came on in 1929.

In the meantime social forces were working in Germany which were bound to have a cumulative effect, and the political situation was complicated by the fact that the German people had not been prepared for the democratic form of government which was abruptly forced on them at the end of the War, and there were some 29 Parties in 1930, none of which could command a majority, and effective coalitions became increasingly difficult. The resentments of the German people were very real and, with increased economic pressure, the feeling among the masses became increasingly strong that the responsibility for their troubles was due entirely to the rest of the world. Into that troubled atmosphere came Adolf Hitler, an Austrian house painter, who had served in the German armies during the War. The growth of the National Socialist
Party which he formed in the years immediately following the War was slow. His early adherents were for the most part from the lower classes and no one dreamed of National Socialism ever becoming a major influence in the country.

With the beginning of the world depression the growing economic difficulties in Germany accentuated the political situation. A group of industrialists feared that with the developing depression the Social Democratic legislation would become even more unfavorable to industry. Some of this industrial group also feared the increase in Communism. As a weapon against the Social Democrats and the Communists these industrialists began to finance the National Socialist movement, and Hitler, and with this financial aid began the real rise of the Party towards final power. These industrialists were not at the time of the opinion that the National Socialist Party would ever come into power, but that they could use it as a counter balance and as a lever. As the economic situation grew worse and the promises of Hitler of everything to everybody drew more and more adherents to the Party, the industrialists began to be somewhat fearful of what they had helped to create, but remained firm in their conviction that if the Party came into power they would be able to control and direct it.

In February 1933, through what may be termed an old fashioned palace intrigue, manoeuvred by von Papen, Colonel von Hindenburg (son of the President) and Dr. Neisner, the State Secretary attached to the President, Hitler became Chancellor, but his party still had a minority representation in the Reichstag. Made bold by the success and determined to seize absolute power, as this was one of the principles of the Party, new elections were
called, and immediately before the elections the Reichstag fire
took place and the responsibility was attributed to the Communists.
By a most extraordinarily well managed publicity the
German people were convinced that the Communists were seeking to
take forcible possession of the Government and that the brown
shirts of the National Socialist Party were the only bulwark against
this Communist terror of which the Reichstag fire was hailed as the
first example. The following elections gave the National
Socialists their first majority and placed Hitler and the National
Socialist Party in complete power.

Once in possession of the complete power, the Reichstag was dissolved and parliamentary government in Germany declared at an end. All other Parties were one by one declared illegal and dissolved. The National Socialist Party was declared the only Party and identical with the State. "The Party is the State and the State is the Party." This is a primary principle of National Socialist doctrine. The accession of the Party to sole power in March 1933, was accompanied by terrorist acts which had for their objective the suppression of opposition. The S. A. committed outrages throughout Germany on Jews, Communists, and persons not supposed to be in sympathy with the Government. The prisons were filled and concentration camps set up in various parts of the country. A definite campaign was undertaken against the Jews and decrees were issued by the Government, placing them under various political and social disabilities and they were subjected to economic and financial disadvantageous treatment. Thousands of persons who had belonged to other Parties were displaced from public office and private positions. The Universities and schools were made subordinate to the Party. The newspapers, the press,
the radio, and all public opinion forming means were put under
definite Party control. An endeavor was made to form a new
German Church and a movement started to abolish all other churches.
It is a primary principle of National Socialism that the Church
must be an instrument of the State, that is, of the Party, in the
same manner as the University, schools, press, and radio. The
expression of all free opinion was abolished and even minor dis-
content was punished by imprisonment in a concentration camp.

The primary doctrine of the National Socialist Party
is that its ideas must be carried through by force and terror.
The S. A. (Sturmabteilung), as the military force of the Party, was rapidly
developed until it numbered well over three million in its ranks.
It was through this semi-military force that the Party fastened
its control on the country in the months immediately following
March, 1933.

It would be impossible within the limits of this
memorandum to give even the most brief résumé of the acts of the
Party since its accession to power. It is sufficient to say here
that the political and economic program of the Party is clearly
and definitely directed towards making Germany as independent
economically from the rest of the world as possible, and towards
making her politically the preponderant factor in Europe and in
the world. National Socialist leaders feel that the Party and
Germany have a distinct mission in imposing German culture,
German power, and German exports beyond the German frontier and
all the will of the Party has been directed towards that end.
In this respect the National Socialist Germany of today does not
differ materially from Imperial Germany in the days immediately
before the World War, and politically and economically the
pretensions of Germany today are the same as they were then.

One of the immediate aims of Germany is to recover lost territories and prestige. The continuation of the world depression and the destructive effects of the National Socialist policy on German industry and finance within Germany have greatly hampered this program. On the other hand, the decreasing German exports, due to a variety of factors, have crippled the Party and are accentuating the already serious economic and financial situation in the country. The arbitrary, brutal, and despotic acts of the Party within Germany have awakened worldwide distrust of Germany and have placed her in an increasingly dangerous isolation.

Her foreign policy has met one reverse after another. Her efforts to secure Danzig and do away with the Polish Corridor were bringing increasing difficulties with Poland, and in early 1934 she made a ten year pact with Poland with the objective of removing danger in that direction for the time being. It is said that there are secret provisions to the pact which have aroused considerable distrust in Europe. The plebiscite in the Saar is to take place in January, 1935, and the increasing dissatisfaction in the Saar with what is happening in Germany is causing grave fears in Germany that the Saar plebiscite may be unfavorable. This would be a political defeat which the present Government might not be able to survive.

The repercussions of the 30th of June in Germany and in the rest of the world have been the most severe blow which Hitler and the National Socialist movement in Germany have suffered. In the Reichstag speech in which Hitler offered his defense and apology for the events of that day, he left the impression that seventy people lost their lives that day, without legal action or trial. In well informed circles it is known that the total
member executed that day, without trial and without charges preferred against them in the usual manner, was about three hundred, and that thousands were imprisoned. Among those executed in the so-called cleansing of the S.A. and of the Party, only some forty were in reality in the Party or the S.A. The remainder were, almost without exception, very worth while persons who, it was believed, might form the nucleus of a conservative reaction against the present régime. It is not necessary to go into the causes which led to the wholesale murders, for that is the only term which can be used, of June 30. Differences of opinion exist as to the immediate causes which led to the action, but those familiar with the real situation in Germany know that there was a definite striking in several directions, loosely speaking, both to the left and to the right.

One of the important factors of the National Socialist movement which has not been thoroughly understood abroad is that from the outset of the Party's coming into power, the so-called primary leaders have not been in definite control and their control has gradually become less. Just as the industrialists, who used their money to help to bring the Party into power, did not have any control over its policies when it did come in, so from the outset the primary leaders have only been able to carry out their will when they could bring the secondary leaders, who have the contact with the masses, into accord with them. During the first six months following March, 1933, the radical secondary leaders had their way and carried everything with them. It became apparent to some of the primary leaders that these policies would wreck the Party as well as Germany. A tendency set in
for the primary leaders to become more conservative, but they found themselves blocked by the resistance of the secondary leaders. This situation became very obvious in February and March, 1934. The S. A., which had established the authority of the Party in the country was also now making it more difficult for the primary leaders to carry through conservative action in the economic field. S. A. leaders, such as Roehm, Heines, and Ernst, became more and more insistent that Hitler must remain with them in their radical program rather than follow the more conservative counsels of men like Goering and Hess.

Coincident with the development of the split within the Party, there was also growing up in various parts of the country a tendency towards resistance to the National Socialist Party program as a whole, and a distinct fear was felt in the Party that the conservative element, through the aid of the Reichswehr, would establish a new Government. That such a resistance to the Government was slowly developing throughout the country was quite evident to careful observers, but it had not reached the point of anything like organized resistance or effort. Similarly, it would be incorrect to speak of a revolt within the Party against Hitler, for Roehm and his associates had no intention of going against Hitler, but were merely insisting that he must remain with them in their radical program rather than follow more conservative advice in the Party. Faced by this dilemma and by the fact that the S.A. holiday was to go into effect on July 1, Hitler and some of his associates determined to strike both to the right and to the left ruthlessly at the same time, and by striking terror, through wholesale executions, give the Party a
new lease on life. It is significant that the majority of the executions was not of members of the Party, but of persons outside of it. But these executions outside of the Party, with few exceptions, are still unknown to the German people and no list of the executed has as yet been published by the German Government in spite of the fact that in the days immediately following June 30 the Government stated that such a list would be given out. The list will not be published for the simple reason that the Government dare not do so. It would be unable in any way to justify the execution of several hundred persons who were innocent of all crime or offense except that of being known not to be in accord with the policies of the Party.

The events of the 30th of June were a definite proof to the world that the stories which had been reaching it with regard to the inhuman and barbarous practices of the National Socialist Party, and which the German Government and the Party were denying, were correct. Well informed opinion did not need the 30th of June to convince it of this situation, but the events of that day laid the real character of the National Socialist Party and its leaders bare to world opinion. The responsibility for the actions must rest on Hitler, for the very men whom he claims to have executed for their crimes were his most intimate associates during the struggle for power and during the more than a year that he had been in power, and it is known without any question that he was entirely familiar during all this period with the character and actions of these men. Not only had he condoned their acts, but had held them up in his addresses to the German people as models and leaders. Similarly it is known in well informed circles in and outside of Germany, that men equally criminal and irresponsible as those who were executed, remain in power in Germany today and are among the
principal advisers and supporters of Hitler. With their real character he is as familiar as he was with that of those who were executed. The protestations of the German Government and the National Socialist Party which refer to the 30th of June as a cleansing action can therefore have little meaning to well informed and thoughtful opinion in and out of Germany.

One of the primary objects of National Socialist policy has been to bring Austria under German domination. National Socialist leaders have been quite outspoken in private conversations in making it clear that Austria must become a province of Germany. To understand this situation one must appreciate that Hitler did not become a German citizen until just before he reached the Chancellorship. As an Austrian he has felt an outsider in Germany until he can bring Austria as a gift to the German Reich. Those who know Hitler realize that there are only two matters on which he has a definite conviction, Austria and the Jews. Hitler's ideas therefore with respect to Austria have fitted in well with those of the primary and secondary leaders of the Party and were in accord with the whole imperial idea that German political supremacy must extend without question to the Southeast, over the whole of Austria and the Balkans.

A so-called Austrian Legion was formed in Germany and the so-called National Socialist Party for Austria had its headquarters at Munich. Some 12,000 persons comprised this legion by the spring of 1934, and they were supplied with arms by the S.A., and comprised a real army kept in Southern Bavaria ready to strike against Austria. In the meantime the Munich radio carried on a program of defamation of the Austrian Government. When the presence of the Legion and
the radio program failed to have the desired effect, a series of terrorist acts was begun in Austria. Railway tracks were blown up, telephone and telegraph poles blown down by bombs, public utilities supplying cities and towns were bombed, and officials were attacked. Money was poured into Austria to suborn officials and individuals of influence. It became definitely established that this money came from Germany and that the explosives used for these bomb outrages came from Germany also. The Munich radio proclaimed practically every week that the Austrian Government must disappear. The National Socialist Party was really waging war against Austria although Germany was outwardly maintaining peace with Austria.

The principal object of the terrorist acts was to effectively destroy the tourist traffic to Austria, as it was believed that this would so definitely aggravate the economic situation in the country as to cause an uprising from within against the Government. Previously already the German Government had taken definite action to aggravate the situation in Austria by requiring a visa fee of 1000 marks from each German planning to go to Austria except for certain well established and well defined business purposes. This was a very real blow to at least several Austrian provinces where the week end tourist business from Germany was practically the only source of income of the places. This visa fee was really an economic war measure, for it was definitely directed towards aggravating the economic situation so as to lead to the fall of the Government.

In the meantime the Chancellor of Austria, Dr. Dollfuss, definitely took the position that Austrian independence must be maintained, not only for the sake of Austria, but for European peace and that the only way to prevent German domination was by excluding National Socialists in Austria from the Government. He was constantly informed that if he would take National Socialists into his
Government Germany would cease action against Austria. Dr. Dollfuss was of the opinion that if he took only one National Socialist into his Cabinet it would be the beginning of a series of measures which would lead to definite National Socialist control, and he therefore remained obdurate in his refusal. The resistance offered by Austria and the failure of the campaign against her infuriated the National Socialist leaders in Germany in charge of this movement against Austria, and Dr. Dollfuss became the principal object of their attack because it was felt among them, and among the National Socialists in Austria, that he was the principal obstacle in their way. Their opposition took the form of personal hatred, and already towards the end of 1933 an unsuccessful attack was made by an assassin against the life of Dr. Dollfuss.

The German pretensions against Austria and the almost overt action on the part of the Government and the Party against a friendly power aroused great concern in Europe where it was feared that a Nazi Government in Austria would mean German domination and eventual absorption and that this was the beginning of further German penetration and aggression towards the Southeast. Although this situation caused concern in London, Paris, and Rome, as well as in Prague and Belgrade, a variety of considerations entered into the problem and it was the Italian Government that was the most disturbed. It could not look with tranquility on a National Socialist Government on its own frontiers and Mussolini, who had in the meantime learned to know Dr. Dollfuss and form a real friendship with him, began to give support to the Austrian Government. This support became solidified on the economic side through the signature of the Rome Protocols by which Italy, Austria, and Hungary established a degree of economic cooperation and to which Protocols the way open was left for other States in Europe. The Rome Protocols
a recognition of the realities of the situation in Southeastern Europe in that they realize that the problem is both economic and political.

When the situation in Austria became aggravated through the bombing outrages, the Munich radio propaganda, and through organization from Germany of the National Socialist groups in Austria, and it became definitely known that the Austrian Legion was being armed not only with the knowledge of the German Government, but by it, and might be used at any time to cross the frontier of Southern Bavaria into Austria, the Italian Government gave assurances to the Austrian Government of active support, if necessary military, in case Austria was invaded. In the conversations which took place in Venice in late May or early June, 1934, between Mussolini and Hitler, it is generally understood that Hitler agreed that German interference in Austria should stop, although he did not specifically assume responsibility for what had been taking place.

After the Mussolini-Hitler meeting the bombing attacks continued and the activity in the Austrian Legion became more apparent and it was evident to Mussolini that Hitler was either deliberately breaking his promise or could not keep it. Mussolini, who for various reasons had been supporting Hitler, came to the definite conclusion that he must act on what he had long known to be true, that is, that Hitler himself was irresponsible and that the secondary leaders were in definite control in Germany. This fact had been recognized in France for some time, but this recognition had not carried as much weight as it ordinarily would in Rome and London in view of the previous French policy.
On July 25 a group of National Socialists seized the Foreign Office in Vienna and made prisoner those members of the Cabinet in the building. They seized the government owned broadcasting station at the same time and sent out a message to the effect that Dr. Dollfuss had resigned and that Dr. von Rintelen, who was the Austrian Minister in Rome, was forming a new Government. The group which had taken possession of these two buildings was overpowered, by the early evening, but not before Dr. Dollfuss, the Chancellor, had been deliberately shot in the Foreign Office. There was no other disorder in Vienna and the rest of the city remained quiet except for these two spots. In the late afternoon of July 25, and on July 26, 27, and 28 there were uprisings of Nazi groups in isolated spots in Austria, but they were quickly suppressed, scattered, or taken prisoner. The principal fighting took place at Leoben, where the works of the Alpin Montan Gesellschaft are situated, which company is largely German owned and controlled. This is the only spot where the National Socialist action reached any proportions, and probably as many as 100 people were killed in the fighting. It is definitely established that the officials of this company, who were Germans, were largely responsible for the uprising in that section and for its intensity as the arms had been supplied with their assistance and connivance.

By July 29 the situation in Austria was entirely quiet and the Government in complete control. Not only was the National Socialist putsch a complete failure, but the failure of the people to rise showed that the real National Socialist strength in the country had been much exaggerated. The principal leaders of the revolt fled to Germany already on the afternoon of July 25. Dr. von Rintelen, who was to head the new Government and who was undoubtedly in the plot, was arrested and endeavored to commit
suicide. Some of the principal police officers in Vienna and a former Secretary of State for Defense were found to be involved and were not able to flee and were arrested. The circumstances surrounding the putsch clearly showed that the principal and immediate object was to kill Dr. Dollfuss and to remove him as the principal obstacle against National Socialist control. The evidence rapidly developing clearly showed that the responsibility for the organization of this attempt to overthrow the Austrian Government was in National Socialist circles in Germany, and the evidence which accumulated in Germany and in other countries clearly pointed to the fact that it was known in Berlin and Munich several days before the putsch took place what was planned and when the action was to be taken.

The murder of the Chancellor, who after he was shot was not even permitted to have medical assistance, had a very deep effect on public opinion in Austria and greatly strengthened the position of the Government. The Chancellor, dead, was even stronger than he had been alive, and the new Government, which was formed under the Chancellorship of Dr. Schuschnigg, let it be known that it would work unswervingly along the lines of the Dollfuss tradition, and all personal internal animosities and difficulties in the Government were forgotten under the influence of the murder of the Chancellor, and the Government issued statements making it clear that it would resist all attempts against Austrian independence and interference in her internal affairs.

In the rest of the world, and particularly in London, Paris, and Rome, the murder of the Chancellor and the attempt to overthrow the Government had very definite repercussions. On July 25, as soon as the Italian Government got the news of the
putsch, Mussolini gave orders to the Italian Army Corps which had for some time been near the frontier, to mobilise immediately and be prepared to move into Austria. No secret was made of Italy's intention to move to the support of the Austrian Government if the Austrian Legion in Bavaria or German troops marched into Austria from the North. It is the general impression in well informed circles in Europe that it was the prompt and decisive action of Italy which stopped the advance of the Legion into Austria. As Italy's action might have resulted in immediate mobilisation in Yugoslavia as well as in Czechoslovakia, though for somewhat different reasons, and as incidents between the Yugoslav and Italian troops once in movement might have been difficult to avert, it is impossible to tell what the results would have been. The stage was all set for the possibility of armed conflict which might rapidly have involved one country after another. The rapid control which the Austrian authorities secured over the situation made Italian military action unnecessary, but it is quite evident from more recent declarations that Italy is determined in the future, as she has shown herself in the past, to resist with military force any attempt by Germany or from Germany against Austrian independence.

Austria is only one of the Succession States of the old Austro-Hungarian Empire, and after the World War she was put into a house by the Powers, with the plans for which she had nothing to say. Her population today is about six and a half million, of which two and a half million live in the one large city of the country, Vienna. The way in which the old Empire was divided was such that the Austria of today is an economic unit which under existing conditions finds it difficult to maintain itself.
Austria could have normal trade relations with her neighbors and live in the house into which she has been put, but this is not a time of normal trade relations and the tariffs, quotas, contingents, exchange agreements, transfer problems, and the special agreements between States which amount to practically barter, have completely upset the former normal channels of trade and in many cases highly unnatural and artificial situations have arisen which have made it exceedingly difficult for Austria and many of the other States of Europe to maintain a balanced economy. Every new effort to ease the situation in one spot in Europe, or in one particular respect, seems to complicate the situation as a whole. All Europe in a way seems to be in a state of trade war with all its disastrous consequences. Austria has found it exceedingly difficult to live in the house into which she has been put. She has found it more difficult than some of the other States. She has had to have help at various times from other European States, principally England and France, and more lately Italy. The people have suffered a great deal during these years and are very tired as a result of the struggle to maintain themselves. There is in many States of Europe, particularly in Austria, an economic weariness which is equivalent to a war weariness following political disturbances.

This naturally brings about political unrest and dissatisfaction and political passions run higher and deeper than when people's economic existence is assured. The interest which other European States have taken in Austria and the financial supervision
of the League of Nations have assisted in clearing up the economic situation somewhat, and Austria is really in better shape than she was a year ago. Her budget, until recently, was balanced when it was thrown out of balance by the unusual expenditures which the Government put to as a result of the Socialist uprising in February and the Nazi putsch in July. Unemployment is not quite as large as it was a year ago. Trade in general is somewhat better, partially as a result of the increased armament program in Germany. The banking structure has been thoroughly reorganized and is in comparatively good shape. She has continued paying the interest on her foreign debt, although this has become such a heavy burden on the budget that the League of Nations is now considering that the States guaranteeing at least one of the League loans for Austria shall reduce the interest and probably postpone the payment of the principal somewhat. In spite of this improvement the Austrian economic situation is critical, but is not nearly as bad as might be expected in view of the general and disorganized and demoralized situation in Europe. It is generally considered that if the country can have political peace and if the menace to its independence is removed and interference in its internal affairs stopped, there would be a natural improvement in the economic situation.

But Austria is in the peculiar position of not being permitted to have internal peace. There have been so many internal difficulties and political passions run so high that parliamentary government has been abandoned and a sort of Fascist Government is in power, but this Government cannot be compared with either Fascism in Italy or National Socialism in Germany. The Government of Austria at present is not based on elections and is in that sense an arbitrary Government, but it is generally conceded in Europe, and probably now by a majority of the Austrian people, to be the best Government that the country can hope for for the time being. The late Chancellor Dollfuss was a man of really outstanding
qualities and a great patriot, and while he may not have been universally loved, he was generally respected for the honesty and sincerity of his purpose. It is generally conceded that he was trying to give Austria a good Government and that the persons associated with him were a decent and patriotic group.

What has complicated the situation is that Austria has not been more recently permitted to live her own life. Ever since the end of the War there has been a feeling in Germany that there should be some sort of political union of Austria and Germany. This whole problem is too complicated to be gone into properly in this memorandum, but roughly speaking it may be said that there were two schools of thought in Germany about this. One school believed this necessary in order to increase Germany's military power by bringing Austria as a German speaking State into the German Reich. The other group does not think so much of the military considerations as it feels that Austria in an economic way needs Germany as much as Germany needs Austria. There is no doubt that in this latter group there are many who are sincere in their belief that for both countries the closest cooperation in the economic sphere is essential. If the National Socialists had not come into power in Germany and begun a series of exaggerated and aggravated acts against Austria in the political and economic field, it is quite within the realms of possibility that gradually very close economic relations would have developed between the two countries equivalent perhaps to a sort of customs union, and that this would have gradually developed into a political union, but perhaps still maintaining the independence of Austria as a separate State.
There were quite a number of people in Austria, more particularly those belonging to the old Pan-German Party, who felt a distinct community of interest with Germany and who were of the opinion that the economic situation of Austria would be much improved by a commercial union, and among these were undoubtedly some who were willing to go as far as political union in order to get economic advantages which they believed would come out of it. Not all Pan-Germans in Austria were National Socialists, for Pan-Germanism does not necessarily involve political union, but a primary doctrine of National Socialism is that political penetration and absorption of Austria is essential. There was a time when the National Socialist Party in Austria was fairly strong, but as the months went on and National Socialism in Germany showed its real face, and as it became evident that the Party was ruining the economic and financial structure of Germany the feeling grew in Austria that there could be no political union. It was when the National Socialists in Germany and in Austria saw that they were making no progress towards overthrowing the Austrian Government that they began that series of measures already referred to in this memorandum which had for their object the fall of the Dollfuss Government and the substitution of one which would gradually, or quickly, bring about economic and political union.

Although the events of June 30 in Germany, and July 25 in Austria have solidified Austrian sentiment against political union with Germany, and although these same events have consolidated England, France, and Italy in their determination that Austria must remain an independent State, the situation in Austria itself
is not a happy one and the danger is by no means past. The possibilities for a European conflict still exist, for if there is further aggression from or by Germany against Austria, the determination of Italy to act, even though she has to act alone, seems certain. Although England, France, and Italy some months ago joined in a tripartite declaration supporting the independence of Austria, Italy is the only one which has shown a definite intention to support this declaration with military force. As action by Italy alone might precipitate a very unfortunate situation and lead to a general war, an effort is now being made to bring about a more thorough understanding between England, France, and Italy on the basis that if these three Powers will reinforce their declaration by one that they are prepared to use sanctions, this will be the surest guarantee that there will be no aggression.

This assumption is based on the belief that Germany’s pretensions with respect to Austria will stop only when she knows definitely that there will be united action by these three Powers in support of Austria. The Austrian Government is determined to maintain peace and order within Austria, and is determined to maintain Austrian independence, but as the country is primarily demilitarised and is comparatively weak, it is clear that Austria herself would be prostrate before Germany or any other aggressor. The maintenance of Austrian independence is therefore dependent on the support of other European Powers and the Austrian will for independence of itself would avail nothing. As the maintenance of peace in Austria, and the maintenance of Austrian independence have become a European problem and a primary factor in the maintenance of European peace, the problem of Austria and of Central Europe is for the first time since the end of the War getting
the attention which the problem must have. It is only when this problem is settled that there can be a beginning of political peace in Europe, and it is only when there has been a beginning of political peace that there can be a beginning of economic recovery and a correction of the mistakes which were made in the treaties at the end of the war.

There are those, however, who are close students of the European situation who are of the opinion that the threat to European peace will not be gone, and that European economic recovery cannot begin until there is another Government in Germany. There are those who believe, and the evidence of experience and fact would seem to bear them out, that the present German Government cannot give up its pretensions to Austria and not change the radical economic program on which it has embarked. If this is so, the future of Austria and the peace of Europe depend upon developments in Germany.

There are many indications that the leaders of the present Government in Germany realize that the program on which they have embarked is one which must lead to the destruction of the Party and the reduction of Germany to a secondary State in Europe. They set out to make it the great military power of Europe which could impose its will everywhere. Their policy has succeeded only in bringing on an economic and financial crisis in the country of constantly increasing intensity and, externally, of building around Germany an iron ring which threatens to isolate her and to strangle her. As early as March and April, as has already been pointed out in this memorandum, this became evident to primary leaders and the necessity for a more conservative policy became clear. That Hitler and some of the primary leaders wish to follow
a more conservative policy is perhaps so, but it is equally cor-
rect that they would follow such a policy not out of conviction
or as a definite one, but as something forced on them by circum-
stances which they now recognize they cannot control. But even
if the will exists to put more conservative measures into effect,
it is a question as to whether the primary leaders will be able to
do so, for the secondary leaders, so far as the National Socialist
Party is concerned, are as definitely in control now as they were
from the outset.

The industrial leaders of Germany, who brought National
Socialism into power, are now again being brought into the Party
councils, but only after their foreign trade has been wrecked
and the internal economic, industrial, and financial structure
brought to the brink of ruin. Their efforts and those of the
primary leaders will clash with the radical program of the second-
ary leaders who hold the power. A definite clash between these
two policies is bound to come, and the outcome no one can predict.
A major factor will be whether Germany can find moral support for
her Government abroad and whether she can get the credits which
are absolutely essential for raw products. Without these raw
products the economic situation in Germany will be aggravated
and the armament program will have to be cut down. It is defi-
nitely known that Germany has been using her available foreign
exchange recently for the armament program rather than for meeting
debt services and the needs of her ordinary trade. To give her
credits, therefore, at this time is to give credits to a Government
which is definitely bent on a program of rearmament so that Germany
may use her force to impose her will on Europe. This is merely
a repetition of the situation which existed before 1914, and
this time the rest of the world is in a position to avoid another catastrophe by not giving those credits which would be used to make Germany an instrument of destruction against them.

The present Government is using as a threat to the rest of the world two arguments to secure credits. The first of these is that if she does not get the credits for raw materials which she wants she will simply produce within her own borders the raw materials which are needed. The second threat is that the world must choose between this Government and the only alternative which would be Communism. To those who know the German situation both of these threats will mean little. In connection with the raw material situation it must be remembered that the present Government is definitely autocratic in principle and has no intention of buying raw materials in certain markets which Germany has been drawing on. The present Government is definitely bent on making Germany militarily strong and in this attitude it is supported by practically all elements outside of the Government which feel that Germany has been humiliated by the rest of the Powers and that she can only figure again in world councils when she can back her word with force. Germany feels keenly her dependence on foreign far away sources of raw materials and among other things wishes to make herself independent of American copper. This, for example, explains the definite German pretensions to parts of Russia as well as to the Balkans. The German program to replace certain raw materials by substitutes is one along which considerable progress could be made if there were time, but the German scientists cannot produce a substitute for wool or cotton tomorrow merely because they are ordered to do so. The inexorable needs of German economy cannot wait for the scientists whose labor must be patient
and slow. The employment of substitutes may be acceptable or be forced on the German people within Germany even in times of peace, but exports in the manufacture of which substitutes enter cannot be forced on the rest of the world by the Germany of today. It is not a negligible factor also that the best research chemists in Germany have either been forced out of the country or have left voluntarily as a result of the anti-Semitic movement. Germany cannot do without certain raw stuff and the failure to get credits will mean an accentuating of the economic situation, and against this the German Government, with all the will of the Party behind it, can do nothing.

In view of the callous attitude taken by the present Government towards German obligations abroad, and in view of the repudiation of the most solemn and binding promises which a government can give, and in view of the irresponsibility which the Government has shown itself capable of, and as characteristic of its actions, it is clear that no Power and no country is in position to extend credits or to grant loans until there is in Germany a Government which has shown not only a willingness, but an ability to meet its obligations.

So far as the threat of Communism is concerned, Communism is no more the alternative now than it was when the National Socialists came in in February and March, 1933. At that time the Reichstag was burned to convince the German people that the Communists were beginning a terrorist program leading to seizure of the Government, and the German people, or a part of them, were convinced. Emboldened and encouraged by this success the Government now wishes to convince the world that Communism is the alternative
to it just as it convinced a part of the German people eighteen months ago. Those who are aware of the facts, however, realize that Communism is no more the next phase now than it would have been the alternative when this Government came in. They realize that the German people are still far removed from Communism and that the ground is daily becoming more fertile for a responsible and conservative Government which is prepared to enter into neighborly relations and to make the word of Germany again respected in the world and to follow a policy which will not lead to catastrophe internally and externally. The danger of Communism will only come in Germany, in the opinion of well informed observers, should such a responsible Government come in and fail to relieve the situation. Then in sheer hopelessness a Communist or an extremely radical Government in Germany may come.

The real danger to the German economic structure does not lie immediately in Communism, but in the present Government which is committed to a program more dangerous than anything we have seen in Russia and it is a grave question whether, in spite of conservative intentions of its leaders, that program can be directed into more reasonable lines.

As has already been indicated in this memorandum, it seems clear that the will exists among the primary leaders to follow a more conservative policy in order to conciliate public opinion abroad as well as in Germany. The primary object, however, behind any conservative action by the present Government will be the securing of relief from abroad in the form of credits, increased foreign markets, and other arrangements leading to an easing of the financial situation. There is nothing to indicate that the primary leaders have changed their real views or their former
objective. The conservative policy which they may endeavor to follow is more likely to be a temporary one and any such change of attitude therefore on the part of this Government could not be considered as indicating relief in the European situation of a definite nature.

Further, it is questionable as to whether the Government would be able to carry through a more conservative policy without the intervention of the Reichswehr or of public opinion. The secondary leaders are too definitely committed to their radical program. The definite elimination of some of the primary leaders and of the majority of the secondary leaders from the Government would be necessary before a conservative policy could be made effective. The prospects for this elimination are not good. Darre and Ley, who are both very unpopular and who with Goebbels are the principal exponents among the major leaders of the radical tendencies, were for a brief time after June 30, in danger of being removed, but more recent indications would show that they are secure for the present in their positions. As long as these men remain, no change of policy of a definite and effective character is possible. They are temperamentally unable to carry through any policy other than the one to which they are committed.

It is impossible to forecast what the developments in Germany will be. If major leaders like Goebbels, Darre, Ley, Frank, Frick, and secondary leaders like Streicher are gradually removed, it may be taken as an indication that the Government is really going to endeavor to follow a conservative course. But it will be necessary to have actions, such as the removal of these men, rather than mere declarations which have been found to mean nothing. Objective and well informed observers are doubtful if these people can be eliminated without destroying
the complete structure of National Socialism and the present Government. If the showmanship and the intelligence of Goebbels and his activity in keeping up popular sentiment through huge spectacles are removed from the picture, Hitler will remain as an empty shell. It is these men who make the power of Hitler and who really keep him in power. With them gone the popular enthusiasm which still remains in Central Germany will rapidly disappear and with this gone the increasing economic difficulties would almost inevitably, in the opinion of these observers, bring an end of the régime.

There are observers who are of the opinion that the Reichswehr will still have to play the leading role and that it is prepared to do this, but that it does not believe that the time is yet ripe. These observers are of the opinion that when through economic struggle and increasing difficulties in the party the German people are prepared in sufficient numbers for a radical change, the Reichswehr will intervene and through a military coup put in a conservative Government with which the rest of the world may be able to deal. No one is able to foretell what actually will happen, for there are too many factors involved which cannot be measured by the usual standards, but that Germany is bound for a long and hard road no matter how good a Government she may have seems fairly well established, for so much damage has been done to her internal life that it will take years to rebuild that structure. Perhaps in this lies the surest guarantee which we can now see for European peace, for it will mean that Germany may be so occupied with her internal problems that she will not be able to pursue her pretensions politically in Europe, at least for some time. In that interval Europe will have a breathing spell and much may happen which cannot be foreseen.