Vienna, October 18, 1935.

No. 384.

SUBJECT: CHANGES IN THE AUSTRIAN CABINET ANNOUNCED OCTOBER 17, 1935.

The Honorable
The Secretary of State,
Washington.

SIR:

I have the honor to refer to my telegrams
No. 75 of October 18, 1 a.m., No. 76 of October 18, 11 a.m.,
and No. 77 of October 18, 5 p.m., reporting on the changes
in the Austrian Cabinet announced during the late afternoon
of October 17, 1935. There is transmitted herewith
(enclosure No. 1), a list of the members of the new Cabinet
together with the names of those which have been dropped.

Although
Although there has been considerable discussion within the last few months of changes contemplated in the Cabinet, and although there were persistent rumors that changes were imminent from time to time, the reorganization which was effected late yesterday afternoon came as a complete surprise to the public. Fully accurate information as to the details of how the changes were effected, and full information as to the reasons for their being made now are still lacking. That the changes were made through the pressure of Prince Starhemberg and of the Heimwehr outside of Vienna is nevertheless already clear. How much the action of Prince Starhemberg was stimulated by Italian pressure is not yet so clear, but the popular impression is that he acted very largely under pressure of the Italian Government.

A meeting of the Cabinet was held yesterday afternoon and while it was in progress a detachment of some four thousand lower Austrian Heimwehr arrived in Vienna by train and automobile and quartered itself in the South and the East stations, which adjoin each other. About ten o'clock in the evening the Cabinet changes were announced over the radio and at 11 o'clock in the evening Prince Starhemberg made an address over the radio announcing the unification of the irregular military organizations of which he was to be the head, and their close correlation with the Army. While some Government buildings were closely guarded during the night and heavily guarded today by the police, there were no disorders of any kind here in Vienna or in the rest of the country and none are anticipated.
Already several months ago for reasons of purely internal policy, the Government was considering a reorganization of the Cabinet which would involve the dropping of several of the less popular Ministers. One of these was Reither, the Minister of Agriculture, whose intemperate personal habits made him a subject of criticism and who indulged, when drinking, in a good deal of loose talk which embarrassed the Government. Another was Beustätter-Stürner, Minister of Social Welfare, who was unpopular with Labor. The dropping of Karimény, Secretary of State for Justice, was also considered on account of his unpopularity among the Social Democrats acquired through his connection with the trials of Social Democrats, which have been reported on from time to time.

There was a belief within the Government that its position would be strengthened by the substitution of other and stronger men for these less popular members of the Cabinet, particularly as Reither was the only one who had any degree of popular support which was among the peasants. All these changes, however, which seemed desirable were put off from time to time as it was believed that they would give both in the country and abroad an impression of instability.

More lately some of the important members of the Government and other strong supporters of it have felt that the Italian influence in Austria was taking itself too strongly felt, and might eventually endanger the position of the country. The Italian influence in Austria has at no time
no time been popular although there is real gratitude on
the part of the majority of the Austrian population for
the services which Italy has rendered to Austria in a
political and economic way since the Bellfuss murder. The
Italian adventure in Abyssinia and the Italian attitude
with respect to the League have been very unpopular among
the Austrian people and have served to bring to the surface
the real unpopularity of Italy in this country.

Although the Government and the government con-
trolled press have maintained a very definite pro-Italian
policy which has gone so far as to be critical, in fact
quite critical, of England until recently, there were in-
creasing evidences that members of the Cabinet and strong
supporters of the Government felt that Austria was making
a mistake in this too strongly emphasised pro-Italian atti-
tude. It is reported on good authority that Chancellor
Schuschnigg, the Minister of Finance Suessch, the head of
the National Bank, Kienbük, and President Miklas himself
were among those who felt that the too strong pro-Italian
orientation of the Government was a mistake and that the
Government should seek closer cooperation with France and
England. The Italian Government, however, through Prince
Starinberg supported by the Heimwehr in Austria outside of
Viena, was exerting very strong pressure on the Austrian
Government.

I am informed by good sources, but have not
been able to definitely verify it, that the Chancellor,
faced by what he believed to be a critical position for
Austria, decided that instead of the partial reorganization
of the
of the Cabinet which had been planned for months, a thorough-going reorganization was necessary in order to relieve the Italian pressure on the Government. The direct object of the reorganization said to have been planned by the Chancellor was to weaken the position of Prince Schwarzenberg and the Heimwehr in order that the Italian pressure could be less definitely exercised.

So far as I am able to learn, there seems to be no question that a reorganization of the Cabinet along these lines had been planned by the Chancellor, but absolutely definite substantiation of this is not yet available. From the same responsible sources I learn that when it became known in Italian circles that these changes in the Cabinet were planned, Prince Schwarzenberg was influenced to take definite and decisive action to counteract the Chancellor's reorganization plans. That Prince Schwarzenberg would have been in a receptive mood for such pressure is certain, whether it was exercised or not, as he could not ignore that the decreasing Italian prestige in Austria and in Europe threatened his own position. He had sufficient reason to know that the Heimwehr, not altogether popular in Austria, was decreasing rapidly in power as Italian prestige decreased. At the same time he had good reason to be increasingly concerned over the activity of Major Fey, a member of the former Cabinet, who was in command of the Vienna Heimwehr.

In order to clarify the situation leading to these changes being reported on, it is necessary at this point to make clear the relations between Prince Schwarzenberg and Major Fey. The Vienna Heimwehr, which numbers some sixteen
sixteen thousand armed men, is under the command of Major Fey, and while Prince Starhemberg is in direct command of the major group of the Heimwehr in the rest of Austria and nominally also the head of the Vienna Heimwehr, he has never exercised complete control over the Vienna organisation. The personal and official relations between Prince Starhemberg and Major Fey have been consistently on an antagonistic basis as each has seen in the other a personal rival not only in the Heimwehr, but in the Austrian Government. As one of Prince Starhemberg's principal policies is to bring together the irregular armed forces in Austria, in which the Heimwehr, Sturmbahnen, and Freiheitsbund are the principal units, into a so-called voluntary militia of which he will be the head, his failure to get complete and recognised control of the whole of the Heimwehr itself has been a cause of real concern to him.

This concern has been increased during the last few weeks by the fact that Major Fey has become more active and shown indications that through the Vienna Heimwehr he might oppose the definite pro-Italian Heimwehr attitude assumed by Prince Starhemberg. The situation was further complicated for Prince Starhemberg when Major Fey celebrated a few days ago, accompanied by a great deal of newspaper comment, the third anniversary of his entrance into the Government. Prince Starhemberg has long felt that Major Fey must be eliminated from the Heimwehr and the Government before he could thoroughly consolidate his own position. A speech a few days ago in which Major Fey indirectly, but very strongly, criticised Prince Starhemberg aroused a good deal of comment and gave
and gave the impression that Major Fay was about to begin more active opposition to Prince Starhemberg and his policies.

Faced by the undoubtedly decreasing Italian prestige in Austria and in Europe, and consequent greater unpopularity of the Heimwehr, and with his own supremacy in the Heimwehr about to be threatened, Prince Starhemberg was in a position to respond to Italian pressure. It is not yet clear whether he decided that the time had come to insist on changes in the Government which would strengthen his position altogether apart from Italian pressure, or whether there was at the same time Italian pressure that this was the moment to proceed, in view of the reorganization plans which the Chancellor himself is said to have contemplated. Whatever may have been the motives or the influence behind Prince Starhemberg, it is known that he insisted on this Cabinet meeting yesterday to bring about changes in the Government, and brought up a detachment of Lower Austrian Heimwehr to Vienna to prevent any counteraction by the Vienna Heimwehr. One of the men whom Prince Starhemberg insisted should be eliminated from the Government was Major Fay, and it was feared that the Vienna Heimwehr might take action in support of their leader. While the Cabinet was meeting therefore to consider these changes, these four thousand Lower Austrian Heimwehr men had arrived and were quartered in two of the railway stations. It is unquestionable therefore that there was real pressure on the Government by Prince Starhemberg and that the Cabinet changes were brought about by what must be characterized as a cold patch.
The changes on which Prince Starhemberg insisted were unquestionably brought about by a show, if not a threat, of force.

It is interesting in this connection that in none of the Vienna or Austrian newspapers was there any mention of the arrival of these Lower Austrian Heimwehr in Vienna yesterday, and all of the Government controlled press of today indignantly denies that there was any pressure whatever on the Government.

The victory of Prince Starhemberg and of the Heimwehr outside of Vienna is, however, only a partial one and the full reorganization which Prince Starhemberg had in mind has not been brought about. The present Cabinet represents a distinct compromise, and is only a partial victory but no less a considerable one, for Prince Starhemberg.

There is no information available that Prince Starhemberg and the influence behind him desired at this time the elimination of Chancellor Schuschnigg, but it is clear that they wished to surround him with a Cabinet completely under Heimwehr influence. Major Fay has been definitely eliminated from the Cabinet as Prince Starhemberg wished, and it is not improbable that he will also be relieved of his command of the Vienna Heimwehr. Prince Starhemberg also succeeded in his objective of having Dr. Barcsch removed as Minister of Finance, but did not succeed in completely dropping him from the Cabinet as he remains as Minister without portfolio. He did succeed, however, in having named as Minister of Finance his personal attorney,

Dr. Kreuzler
Dr. Breslau, who is a very young, very energetic, very intelligent, and in many ways capable man. Through this appointment he will be able to influence budgetary matters to a degree impossible under Dr. Euresch, and to get greater financial assistance for the Heimwehr.

The elimination of Major Fey from the Cabinet will not cause much concern in Austria as his popularity has never extended beyond a comparatively small circle in Vienna. Ever since the part which he played in July of last year when Dollfuss was murdered in the Balkansplate, which part he could never satisfactorily explain to many people, he has been distrusted in many quarters. His activities as the State Commissioner and trusted with the cleaning up of anti-Government activities in business, have not been carried through with any degree of tact and did not increase his popularity. He was accused in business circles of using this post to strengthen his political position. In his place Prince Starhemberg has succeeded in having named Major Bear-Saurenfeld. He is a young, active man who is very intelligent, but considered in informed quarters as somewhat unscrupulous, and unquestionably very ambitious. Through his wife he is connected with the archducal family and is considered a strong monarchist. He is at times intemperate in his language.

Of all of ten members of the Cabinet with the rank of Minister, including the Chancellor and the Vice Chancellor, six have definite Heimwehr affiliations. Prince Starhemberg can count on strong support in the Cabinet for his position from the Minister for Foreign Affairs, Baron Berger-Waldenegg, and the new Ministers
of Finance and Security.

The new Minister of Justice, Dr. Winterstein, the new Minister of Agriculture, Strobl, and the new Minister of Social Welfare, Dr. Bohracher, are men of considerable ability. Two of them are under forty and were close friends and associates of the late Chancellor Dollfuss. So far as the personality and capacities of the new men in the Cabinet are concerned, they represent increased strength for the Government. Three of the most unpopular men in the Cabinet, Fay, Kersinsky, and Hoestädt-Stürmer, have been dropped. Seither, the former Minister of Agriculture, who has a strong position among the peasants, has been given his former position of Governor of Lower Austria.

The new Cabinet has announced that the changes which have been made are based purely on internal policy and that their only object is to strengthen the Government in working for the independence of Austria and the welfare of the country. It has been officially announced that the reorganization does not imply any changes in internal or external policy. I am of the opinion that this statement of the Government is sincere and that no change of policy is contemplated. It does mean, however, that the strong pro-Italian orientation of the Government, which was causing so much concern in many quarters in Austria, will be maintained.

From the point of view of relations with Germany, it is clear that the new Cabinet will be even stronger than the former one in its opposition to any negotiations with Germany.
with Germany except on the basis of complete sovereignty for Austria and abstention from interference in her internal affairs. Major Fey, Dr. Baroseh, and Neustädter-Stürmer, who have been dropped, were all believed in certain well informed quarters, to be fundamentally inclined towards negotiation with Germany on a much wider basis than that for which the other members of the Cabinet were prepared. There were increasing evidences that they were prepared to make greater concessions to Germany than their associates. The personnel of the new Cabinet would appear to be such that there is not a single member thereof who is disposed in any way to treat with Germany except on the basis of absolute sovereignty for Austria. In this respect therefore the reorganized Cabinet will occupy a stronger position before the Austrian people.

In view of the strong monarchist inclinations of the Ministers who were dropped, there was a tendency on the part of some observers to interpret the changes as having an anti-monarchist background. The reasons for which these men were dropped, however, had nothing to do with their monarchist sympathies. I have not been able to get any information of a reliable nature which would indicate that the question of monarchy in any way entered into these changes. There is a tendency in many quarters to give too great weight to the pro-monarchist sentiments of the Austrian Government. The new Government is certainly not anti-monarchist and will probably continue on this question the attitude assumed by the preceding Cabinet which is definitely that the question of
of monarchy is not an actual one.

The changes in the Government will be viewed with a certain amount of justified concern abroad. The French press reaction has been, as was to be expected, on the whole favorable, but marked by a certain reserve. In Italy the comment has been particularly reserved, although of course favorable. The Italian comment will be particularly reserved in view of the general impression that Prince Sternberg acted under Italian pressure. In England the comment is likely to be on the whole unfavorable, as aside from the political aspects, the replacing of Dr. Bušeck by Dr. Bazerler will be viewed with considerable concern. While the Austrian financial position has considerably improved, the budgetary situation is difficult and will continue to be difficult. It is England principally which has aided Austria in the steps which have brought about this fairly favorable budgetary position. The recent conversions of Austrian loans would have been impossible without the aid of British financiers who took a great interest in carrying through the conversions as a real measure of support of the Austrian position. While certain weaknesses of Dr. Bušeck may have been appreciated in informed quarters, he enjoyed a very considerable degree of confidence in both England and France, which meant a great deal for the Austrian financial position. This confidence his successor, in spite of his known capacity and intelligence, will have to establish. Until he has established that confidence there will be grave fears of increased Heimwehr expenditure.
I am informed that Chancellor Schuschnigg insisted on the retention of Dr. Suresh as Minister without portfolio with a view of not disturbing too seriously the confidence that now exists, particularly in France and England and in Europe generally, in the Austrian financial policy. This partial setting aside of Dr. Suresh will not be disturbing to Dr. Klenböck, the President of the National Bank, as there have been increasing indications of difficulties between these men.

As these Cabinet changes came so unexpectedly even to informed observers, and as they took place only yesterday, it is still too early to form any definite conclusions as to what these changes will mean in the internal and external policy. The Government's declaration is clear that it will follow faithfully on the Dollfuss line of absolute maintenance of Austrian independence and integrity. As already pointed out, the composition of the Government is such that no change in attitude towards Germany or Italy may be expected. Although the composition of the Cabinet, as already observed, is probably stronger than that of its predecessor, whether its position before the country in this semi-authoritarian state will be stronger or weaker is not yet clear. Its members will make on the whole greater appeal to the country and the more unpopular members have been dropped. The changes, however, have been brought about through unquestionable pressure by Prince Starhemberg, supported by a large section of the Heimwehr. It is the popular impression, justified or not,
that behind Prince Starhemberg, who had his own motives, there was distinct Italian pressure. Under the existing circumstances in Austria and in Europe, the manner in which these changes came about will not add to the strength of the Government at the outset. Its position will largely depend on the action which it will take and the confidence which this action will beget.

There are informed observers who believe that the present reorganisation will be followed by others. Chancellor Schuschnigg, in spite of his austerity, has increased his strength in the country and the sympathy of the people has gone out to him in his recent bereavements. He has constantly and steadily gained respect and confidence and his personal position before the Austrian population is unquestionably stronger than that of Prince Starhemberg. He is, however, not an ambitious man and not inclined towards force, and remains in office as a matter of public duty rather than as a matter of personal inclination. He is now faced in the Cabinet with an even stronger Heimwehr representation behind which is Prince Starhemberg who is ambitious and who does believe in the use of force and pressure.

While the present relations between the Chancellor and Prince Starhemberg remain openly on a cordial and cooperative basis, and while I believe that they both have mutual respect and even a certain liking for each other, their personalities are so different that it is evident that the Chancellor's position will be very difficult, particularly under Heimwehr pressure.

It is
It is significant, however, that the victory of Prince Starhemberg and the Heimsehr is a very partial one and there is a question as to whether it will lead to the full eventual control of the Government which he undoubtedly aims at and which was not realised through this action yesterday. Although the Chancellor was not able to carry through the Cabinet reorganisation which he is said to have planned, he was able to prevent the reorganisation on the basis planned by Prince Starhemberg. The situation represents, as already remarked, a compromise and it is not likely to be a lasting one.

It is particularly significant that the Chancellor remains also Minister of War and retains as his Secretary of State for Defense General Zehmer, who is devoted to him and who would resist Heimsehr control of the Army. Prince Starhemberg has announced, immediately after the Cabinet reorganisation yesterday, that he has the authority of the Government to proceed now with the definite consolidation of the irregular armed forces into a voluntary militia, of which he will be the head and which will be closely affiliated with the Army. How far he will be able to proceed with this consolidation is not yet clear. The Vienna Heimsehr has accepted without resistance the dropping of its leader, Major Foix, from the Cabinet. It will undoubtedly accept without resistance his removal from his position as commander of the Vienna Heimsehr, but the Vienna Heimsehr will not forget that the Lower Austrian Heimsehr was brought to Vienna yesterday to

be used
be used against it if necessary, and it is more than probable that the strength of the Viennese Heimwehr will diminish either through lack of interest of its members or through their going over to the other irregular organisations.

There are many observers who are sceptical that the consolidation of the irregular armed forces, which Prince Starhemberg undoubtedly can carry through, will in the end improve his position.

It is also clear that Prince Starhemberg has always hoped that when this consolidation of the irregular armed forces was accomplished he would be able to get control of the Army as well. He has succeeded in making a start in this direction, but it depends upon further development in Austria and in Europe how far he will be able to go.

In view of the increasing difficulties which Italy may experience in Abyssinia and in Europe, and of close Anglo-French cooperation in support of the League, the possibilities are that Italian prestige in Austria will continue to decrease and that this will have its repercussions on these members of the new Cabinet who, it is popularly believed, came in under Italian pressure.

The position of increased power of Prince Starhemberg may be a temporary one. He is temperamentally unfitted for the arduous duties of active leadership and for the routine work which falls to the head of a party or group. Chancellor Schuschnigg will probably not fail to use any favourable developments in the internal and external situation to strengthen his position in the Cabinet. For this reason
reason informed observers here believe that further changes in the cabinet may be expected within the next few months and that Prince Sternemberg himself will either eventually be eliminated from the government or put into the position of President or Regent without particular responsibility.

Respectfully yours,

George S. Messeremith.

Enclosure:
1. List of cabinet members.

800.8
09-14-40