Vienna, November 4, 1858.

Subject: Reorganization of the Austrian Cabinet.

Sir:

I have the honor to inform the Department that a reorganization of the Cabinet was effected last night, and there is transmitted herewith a list of the Cabinet as now constituted. In this connection reference is made to my despatches No. 700 of May 15, 1858, and No. 528 of October 12, 1858, on the composition of the Austrian Government.

In reply,
In my telegram No. 839 of November 6, 11 a.m., I transmitted preliminary background covering this last reorganization of the Cabinet and now have to give the following further comment.

At the outset I should state that this rather complete reorganization of the Austrian Cabinet, although it has come rather suddenly and at an unexpected moment, is not altogether a surprise. In my confidential despatch No. 330, of October 18, 1919, reporting the reorganization of the Cabinet, which did not involve any change in its personnel and which took place on the night of October 11, I indicated the Department that the Vice Chancellor, Dr. Dear Bauerfeld, the Minister of Finance, Dr. Dressler, and the Minister of Commerce, Mr. Stockinger, would undoubtedly be dropped from the Cabinet in a future reorganization which might take place at almost any time. The first two of these Cabinet members were members of the Beimehr and held important positions in it. The reorganization of the Cabinet on the basis of the exclusion of Beimehr influence which took place on the night of October 11, forecasted their eventual resignation. The present reorganization involves the dropping of the three above mentioned, as well as of the Minister of Justice, Baron Hannoverstein-Spindler.

As to the reasons for the elimination of Dr. Dear Bauerfeld, Dr. Dressler, and Mr. Stockinger are set forth at length in my confidential despatch No. 330, I shall not go into them further here, but would suggest reference to that despatch. Baron Hannoverstein-Spindler was dropped as Minister of Justice for pure reasons of expediency and to strengthen the Government.
in a writer and enjoys a high reputation as such, and as a man. He has not, however, any particular qualifications for the post of Minister of Justice, and it was the opinion of the Chancellor that the circumstances at this time require that this post be filled by someone with specific qualifications for it.

I had a conversation with the Secretary of State for Foreign Affairs this morning and he spoke very interesting light on the reasons for this reorganization being undertaken at this time. He stated that the elimination of the Reinsch as a political factor foreclosed the disappearance from the Cabinet of Vice Chancellor von Bismarck, and of the Minister of Finance, Dr. Brander. The difficulties which existed between the Minister of Finance, Dr. Brander, and the Minister of Commerce, Dr. Stockinger, on questions of policy had been growing acute and were leading to discussions within the Cabinet which were considered dangerous to the public interest.

Parenthetically here I may state that I am informed from another very confidential source that these differences lay largely in the policy of Dr. Brander to devote larger amounts to the rearmament program than Dr. Stockinger considered the finances of the country permitted. Aside from this, I may say that there were personal differences which existed between them which accentuated this divergence in policy.

The Secretary of State for Foreign Affairs emphasized that the only reason for dropping Baron Bernstein-Squard was the necessity for having in this post a man peculiarly qualified for the position at this time. He stated that his colleagues in the Government regretted his leaving the Cabinet very sincerely.
He further informed me that while these Cabinet changes had been under consideration by the Chancellor for some time, the decision to make the changes now was precipitated by the growing difficulties between the Ministries of Finance and Defence. He explained that the reorganisation did not involve any change in internal or external policy. In making the changes he said, took the opportunity to strengthen the Government in every possible way.

General Hulser, who joins the Cabinet as Vice-Chancellor, was recently appointed Commander of the new militia which replaces the para-military organisations now dissolved. He was formerly an active general in the Army and after his retirement became Governor of the Province of Carinthia. A few weeks ago he resigned as Governor of Carinthia to command the newly organised militia. In his position as Vice-Chancellor he now occupies a responsible executive post and it is believed that the Chancellor, whose confidence General Hulser enjoys completely, wished to have in this post someone on whose decision and clarity of judgment he could depend. Baron Hausenfelber, whom he replaces, is a man of much less ability, somewhat of an opportunist, was lacking in decision, and was not meeting various situations which arose in the country to the satisfaction of the Chancellor. It is generally believed that his presence in the Government will add strength to it.

Dr. Adolf Hias, who has heretofore been connected with the Federal Courts and who joins the Cabinet as Minister of Justice to replace Baron Hausenfelber-Spaur, is a man of good professional record who enjoys a good reputation and confidence in
in judicial and legal circles. He was educated in France and has shown neither pronounced German or Italian leanings and his appointment will be particularly acceptable in England and in France.

Dr. Wilhelm Bauer, who replaces Dr. Beidlinger as Minister of Commerce and Transportation, was formerly a professor in the University of Gus and enjoys an excellent position. He has special qualifications for the post of Minister of Commerce.

Dr. Rudolf Hasenauer, the new Minister of Finance who replaces Dr. Bauer, has been for many years the principal financial expert and administrative official of the City of Vienna. He is considered as having special qualifications for the post of Minister of Finance and his record is an unusually good one.

General Clain-Horstausen, who entered the Cabinet after the accord of July 11, 1936 between Vienna and Berlin, as Minister without portfolio, has been appointed Minister of the Interior. He was formerly the military architect in the University of Vienna, was a liaison officer between the Austrians and Germans during the war, and was admitted to the Cabinet after the accord of July 11, 1936, to form a liaison between the so-called nationally minded elements in Austria and the Government. His appointment to the Cabinet was the one concession which the Austrian Government made in connection with this accord. I was informed very confidentially that the Chancellor has felt that it would be much safer and much more in the public interest for General Clain-Horstausen to be given a post which could actually take up his time.
time rather than that he should continue his practice of moving
about the country talking with various Government officials. He
has therefore been given the Ministry of the Interior, which in
Austria is a comparatively unimportant one but which carries
with it a good deal of detail work which will tie him to his
MinISTRY.

Mr. Handlitzsky-Stiller, who has been a member of a former
Cabinet, was until his present appointment to the Cabinet Austrian
Minister in Budapest. He entered the Cabinet as Minister of
Public Security. This appointment is of considerable interest.
He is considered a man of firm character, of decision, and of
very real capability. His record while previously in the Cabinet
was very good. Among the Austrianics and the Police in the
provincial cities and towns there has been some uncertainty since
the record of July 11, 1930, as to what the real policy of the
Government is towards National Socialist activities. While the
attitude of the Government itself has been entirely clear, the
former Vize Chancellor, Herr Schondorfer, was not making the wishes
and will of the Government sufficiently clear to the local autho-
r
ditions. As a consequence minor National Socialist disturbances
occurred in certain sections of the country such as those reported
in the Legation's dispatches at Graz and Leoben. The Chan-
cellor wished to have in charge of matters of public security a
man of sufficient decision and ability to prevent any further
such disturbances, minor as they might be, for their effect
might in the end prove dangerous and, what the Chancellor consid-
ered more important, the real attitude of the Government toward
such activities might be misunderstood abroad as well as in the country. In the ordinary course of events matters of public security would have been placed in charge of General Clais-Fromstemn, as Minister of the Interior. The Chancellor did not wish to encourage the nationally minded elements in Austria or the National Socialists, who consider General Clais-Fromstemn as their representative in the Cabinet, by placing so important a matter as public security in his hands. For this reason the additional Ministry of Public Security, headed by Banner-Stimr, has been created.

Mr. Pernhard remains as the Minister of Education. Dr. Schach as Minister of Social Welfare, and Mr. Bernhard as Minister of Agriculture.

The Chancellor retains the portfolio of Minister of Foreign Affairs and Minister of National Defense. There remain attached to him Mr. Schmidt as Secretary of State for Foreign Affairs, and General Lijmen as Secretary of State for National Defense. The Chancellor also retains Mr. Sematte as Secretary of State at the head of the Patriotic Front.

It is interesting that the Chancellor has added an additional Secretary of State to the office of the Chancellor in the person of Hans Roth, a former member of a Trade Union, a worker, and a man who enjoys confidence in labor and industrial circles. The Chancellor was undoubtedly influenced in this action by the desire to show his interest in the workers who have not heretofore been so directly represented in the Cabinet.

I have given the Department the foregoing full account on the composition of the Austrian Cabinet as now constituted.
as it serves, I believe, as a basis for the general impression which prevails in informed quarters in Vienna that the new Cabinet is the strongest which the country has had for some time. There is not a single member of the Cabinet now who does not enjoy a good reputation, who does not have a public and private record whose hands are not known to be entirely clean, and who does not have either general confidence or that of a particular group of the population. Every single member of the Cabinet as now constituted has particular qualifications for the post which he holds. The former Minister of Finance, Dr. Breitner, and the former Minister of Commerce, Dr. Steckinger, were believed to have at one time used their public position or a semi-official capacity for their personal benefit. As I have on various occasions informed the Department, the Chancellor is a very austere man and who, in spite of the special qualifications of these two Ministers, has been impatient for the moment to arrive when they could be separated from the Government. I am informed that the changes being reported upon have been received with general satisfaction in the country.

While the general internal situation in Austria has steadily improved, and while Austria's independence seems to be more secure, external developments are tending to make the position of the Government more difficult. There are the known close relations existing between Vienna and Raa, and since the accord of July 11, 1938, Berlin is making a continuous and persistent effort to strengthen her position in Vienna. In spite of the cooperation which is apparently existing between Berlin and Raa, the
Government here is not at all sure of the actual position between them. It is therefore subjected to pressure from both sides and its task is a particularly difficult one. The Chancellor sees, as his major responsibility, that of keeping order in Austria, strengthening her economic and financial position, and maintaining her independence. To feel the necessity of being surrounded by men who enjoy general confidence as well as his own, and who have proved special capacities for their posts, the present reorganisation of the Cabinet, I believe, must be viewed in that light and in, I believe, a sincere attempt of the Chancellor in that direction. The elimination of the para-military organisations as a political factor has made it possible for him to carry through this long cherished reorganisation.

There will be a tendency in certain quarters to make it appear that the reorganisation was influenced by Germany and Italy. The Secretary of State for Foreign Affairs assured me that the reorganisation was uninfluenced by external factors and considerations and I am inclined to believe from the nature of the reorganisation that this statement is essentially correct, although it will be on the whole more pleasing to Germany than to Italy. While Italy has accepted the dissolution of the para-military organisations, including the Heimwehr, it has not particularly welcomed it, and the Italian influence in the Government through the removal of the Heimwehr men is not as strong as it was. There will be a tendency in German quarters to believe that the giving of a portfolio to General Gode-Brutmans strengthens the German influence in the Government, but I can see no adequate basis as yet for this assumption.

The reorganisation
The reorganization as a whole will be well received in
Germany and may create a more favorable atmosphere for the negoti-
ation of a trade agreement with Germany, which negotiation is to
be resumed during the latter part of November immediately after
the visit which the Secretary of State for Foreign Affairs, Dr.
Schmidt, plans to make to Berlin after the Vienna Conference on
November 12 and 13,

Respectfully yours,

George H. Meehanwhite.

Enclosures:

1. List of Cabinet members
Dr. Kurt Schumack - Federal Chancellor, Minister for Foreign Affairs, and Minister of National Defense.

Lieutenant General Ludwig Hadlather - Vice Chancellor.

Dr. Hans Forster - Minister of Education.

Dr. Josef Bessel - Minister of Social Welfare.

Dr. Peter Sanderer - Minister of Agriculture.

Dr. Adolf Pils - Minister of Justice.

Dr. Paul Bannier - Minister of Finance.

Dr. Wilhelm Taucher - Minister of Commerce and Transportation.

General Richard Olmin-Grafenau - Minister of Interior.

Dr. Odo Hauskeller-Stelzer - Minister for Public Security.

Secretaries of State attached to the Chancellor and the Federal Chancellor's Office:

General Wilhelm Lehner - Secretary of State for Defense.

Dr. Oskar Schmidt - Secretary of State for Foreign Affairs

Dr. Guido Jannettet - Secretary of State for the Patriotic Front.

Dr. Hans Roß - Secretary of State for Economic and Social Matters and member of the Federal Economic Council.