Vienna, March 13, 1937.

My dear Secretary Bull:

I last wrote you on March 8, with regard to the developments in the Austrian situation and in this part of the world. I am happy to say that so far as Austria is concerned the internal situation is developing very quietly and satisfactorily and there is nothing of major importance to report.

In the general situation in Europe the principal development is the delivery of the German and Italian notes in London, which reflect of course, as could be expected, the further parallelism of action between Berlin and Rome and the continuation of the effort to exclude Russia and the Southeastern European problems from any general negotiations and for the concentration on a Western Pact which would leave Germany a free hand in Southeastern Europe. In view of the developments in the general situation which are so unfavorable both to Germany and Italy, it is doubtful whether either of them expects much to happen on a Western Pact for the present. I consider these replies more as one of the tactical moves of little effect which both Italy and Germany are now obliged to make in view of the changed position.

I think there will be an endeavor to underestimate, and certainly in Germany and Italy an endeavor to distort what has recently happened in Rumania and Hungary and which development I briefly covered in my letter of March 8.

The Honorable
Cordell Hull,
Secretary of State,
Washington, D. C.
To appreciate the setback which has been given to Germany and its full significance, one must keep in mind the very great value which Germany has placed on these subversive activities which it has fostered in so many countries. These are a very definite part of the German program to gain its foreign political objectives. The failure of the radical Right, anti-Semitic, and Nazi elements in Rumania to force a change in the cabinet and to set up at least a half-hearted Fascist regime under the King, caused the Germans to hurry up the movement in Hungary which it had been planned was to follow immediately the successful issue of their endeavors in Rumania. Now in Hungary this cold putsch has failed and I think the position in both countries has been much strengthened and the German influence will certainly be weaker.

The influence of Germany, however, still rests strongly on these countries and will as long as the present Government remains in power in Berlin. How strong this influence is may be seen from the fact that the Hungarian Government in spite of the resentment which it felt over these German interferences in its internal affairs, in spite of the information which it had showing large sums of money having been sent to Hungary from Germany to aid this cold putsch, in spite of the exact details which it had concerning members of the Government who were marked for destruction, if the putsch were successful, the Minister-President, Mr. Daranyi found it advisable, under German pressure, to state in the Parliament that the reports concerning the putsch had been greatly exaggerated and that there was no basis for the statements that the German Government or the German Minister had been involved. That the putsch had no real chance, or little chance, to succeed does not make the whole of the recent developments in Hungary of primary importance and interest.
Those two cold putsches which had been planned to strengthen the German position in Rumania and Hungary were to precede similar action in Czechoslovakia and to prepare the way for giving new impetus to the Degrelle movement in Belgium and the Malert movement in Holland. Faced by this position and a Franco Government in Spain, France was to be reduced to giving up its Franco-Soviet pact and England in spite of her rearmament, be made more amenable to the German terms.

Not only will the failure of the cold putsches in Rumania and Hungary interfere with the German plans in Czechoslovakia, where it seems there is no doubt that an invasion by S.A. and S.S. had been planned into Bohemia in May, but it will strengthen the position against the Nazis in Belgium. By clever maneuvering Premier von Zeeland has forced Degrelle into a position of standing as a candidate for Parliament against him and there seems to be no doubt as to the outcome of that election. This will go far towards quieting the position in Belgium for the new law preventing further by-elections than the above mentioned has been accepted by the Parliament. With the Nazi movement pushed into the background further in Belgium, she can pursue a more normal foreign policy and it must be admitted that that amiable little country which Belgium is has recently become quite a thorn in the flesh of both England and France as a result of Belgium's internal troubles.

Further, the recent developments in Southeastern Europe can only strengthen the position of the Dutch Government against the National Socialist movement there which has failed to gain strength but which would have gathered strength had these other movements been successful. You are familiar with developments in the Scandinavian states, which are all in the right direction.

I have gone into this detail for it is really important in the general picture in that these efforts of Germany to disturb all these countries are failing, and this further weakens her external position and her bargaining power which has already been so seriously hampered by the British rearmament.
The Little Entente is holding together well, and Hungarian-Yugoslav as well as Czecho-Slovak-Yugoslav relations have made a good deal of progress towards a better basis. The Czechs are making overtures to Austria which the Austrians before the Neurath visit were not responding to with sufficient cordiality, but more lately there is marked progress towards more intimate contact between these two capitals. This is all in the right direction and the States of Southeastern Europe must get together more politically and economically. This has to be a slow process, but I think real progress is being made behind the scenes.

In my letter of March 2 I tried to set forth my reasons why I believe no political or trade negotiations with Germany are possible at this time with any hope of success. The system prevailing in Germany is so different from that prevailing in our country and in most others that there can be no successful issue to negotiations. I have gone over my letter of March 2 very carefully, and I am deeply convinced of the soundness of the views expressed therein, not because they may be my views, but I believe because they represent the only deductions we can safely make from the facts which we have and the position we have to face.

While I don't believe that one can look forward to an early change in the Berlin Government which I consider essential before any progress can be made, and while the information which comes from Germany is to a degree conflicting, there is at least unanimity that the situation internally, just as externally, is growing worse and cannot last. There has been an interesting development in this connection which has been brought to my attention by one of the leading Germans in the steel industry. He tells me that the rearmament program in England and other countries, and in our own production in the United States, is making such demands on the iron and steel industries that less attention is being given to exports. He says that the German industry
is definitely counting on this and hopes to get the orders in South America and in the Orient particularly which would otherwise come to us, England, and Belgium. Schacht is insisting that more devisen be set aside to make possible increased exportation not only of steel and iron products, but others as well. Goering is insisting on the maintenance of the full rearmament program in Germany. It seems, however, that the Reichsbank experts have presented a report, together with the Ministry of Commerce, to Hitler showing that if the armament program is maintained at its present rate the gravest difficulty will be experienced within Germany, and Germany cannot take advantage of these foreign orders which will fall to her through decreased interest in other countries in exports.

According to that memorandum German exports can be increased by over 100 million marks per month if the raw materials are given to certain industries instead of confined solely to rearmament. My friend tells me that a certain compromise may be reached as Germany does not wish to lose this opportunity to get the devisen she can accumulate in these foreign markets through England and America's indifference to them. My friend says that if the hopes of the Germans are realized the favorable foreign balance of trade will be very much increased and that it will temporarily considerably strengthen the German position and therefore lengthen the life of this Government. Although my friend is, as I have said, one of the principal men in the steel industry in Germany, he remarked that if England and the United States are wise they will not neglect their foreign markets but if necessary temporarily increase production in order to meet their foreign demand as well as internal needs.

I mention this to you as the foregoing information has been confirmed to me by one of my American friends who perhaps knows Germany and its economic and financial structure as well as anyone in Europe. He tells me that a Director of Krupps told him a few days ago that they had received
an order from a South American country for anti-aircraft equipment to the value of $10,000,000, deliveries of course being over a period of years. The Krupp Director would not state what country had given this order and it seems to me to be very large for any country in South America, but my friend says that the Krupp Director insists on this being a fact. With increasing prices in England, France, and Belgium, as well as in the United States, and increasing internal demand, it seems that the Germans are definitely planning to avail themselves of this opportunity. I believe that we may have to bring this position to the attention of our own people in order that we may not neglect our foreign markets which would certainly not be in our interest in any way under present conditions.

One fundamental factor which must be considered immediately whenever any question of negotiations or relations with Germany arise is, as I have consistently pointed out, that the present Government in Berlin has no intention whatsoever of changing its political, social, or economic objectives and what is more - cannot change them if it should wish to without inviting certain disaster through the breakdown of the entire system. That the political objectives have not changed can be seen through the recent note delivered by Berlin to London in which it is clear that what she strives for is a Western Fact which will leave her hands free in the East and Southeast. In other words her political objectives remain the same. In the meantime, while such futile negotiations may be going on she is quietly building up the fortifications in the Rhineland and when they are completed the Western Fact will have much less meaning for Germany and she will have correspondingly less interest in it.

The financial and economic objectives remain the same. She wants to get credits and markets to keep the internal position going as a basis for arriving at her political objectives eventually. The present regime has no
intention, however, of changing any part of her financial or economic program in order to get these credits and markets. Von Wiegand was recently called back from Egypt to Berlin by the Hearst interests which had arranged a conversation for him with Hitler. It was hoped it might turn into an interview, but there will be nothing published as Hitler decided it was not opportune. In this conversation Hitler kept continuously emphasizing that he was not interested in military alliances but said "Give me trade treaties". With regard to the four-year plan he said, "Why should this plan be a hindrance for the economic cooperation of nations with us? We must have the four-year as long as we do not have the necessary foreign exchange to buy raw materials and as long as we are obliged to make benzine out of coal and to manufacture synthetic rubber. The four-year plan is no hindrance to trade treaties". In other words, the rest of the world, including the very countries which Germany is threatening, are to give her credits and to open their markets without any change in the internal German economic and financial program.

In this respect it may be parenthetically remarked that those bankers and trade interests at home who are favoring negotiations and credits and increased trade relations with Germany, are completely ignoring certain facts and our long range interests. An American banker who was one of those responsible for placing so much of our money in Germany some years ago, said to me recently, "Why should we not be prepared to extend new credits which will enable us to send more goods to Germany? Our banks have practically reduced their huge debit balances in Germany and if they had to wipe off their books all that is left there now it would not be a serious matter". I pointed out to him that this reduction of our credits in Germany had been accomplished at a tremendous sacrifice to our people who had in good faith bought these bonds and extended credits. In most cases we had taken a loss on the capital sum of from 40 to 60 per cent and had gone without interest for years. Few people seem to realize
on what a huge scale embezzlement of our foreign funds in Germany by the present Government has been going on and that this is the Government which invites new credits.

So far as the social objectives of the Government are concerned, they have changed as little, and can change as little, as the political and economic. The action against the Churches grows stronger than ever. Just a week ago Rosenberg in the Stadthalle in Dusseldorf declared that the education of the youth could only be entrusted to those who had saved Germany from destruction. The conflict between the classes could not be overcome if not at the same time the conflict between religious groups disappeared. Early in March in Cassel the requiem of Hugo Kaun was sung by a choir of some 800, accompanied by an orchestra of 200, and various regimental bands took part therein. The ceremony was disturbed by demonstrations of Hitler youth because in the last sentence of the requiem there appears the expression "Jesus in whom I put my confidence". The demonstrators took this attitude on the ground that this text was inconsistent with their religious views. The SCHWARZEN KORPS, the organ of the S.S. in Germany, recently contained an article calling bolshevism and catholicism the two great joint enemies of Germany. The VOLKISCHEN AKTION, which is a National Socialist organization brought into being to combat the Catholic Aktion, publishes a paper known as the NORDLAND. A recent issue carries an article containing the significant phrase "that no German can be a believer in God (Gottgläubig), but only a believer in Germany (Deutschgläubig). Every strange religion leads to the death of German manhood."

The action against religion and the churches carried on by the National Socialist Party goes far and deep and is much more dangerous than that carried on at any time by communism in Russia. It is interesting that again, as history has so often shown us, persecution is giving new life to religious convictions. The Osservatore Romano carried an article on March 9 in Rome based on
information from Munich that in Bavaria the Churches are more frequented by zealous worshippers than they have been for years and that never before has the sale of bibles reached such proportions as it does in Bavaria today. In my letter of March 8, I believe, I reported that during a presentation of Don Carlos in Berlin recently the audience went wild when one of the actors spoke the lines "Give us freedom of thought".

Perhaps one of the most startling evidences of the state of culture in Germany has been brought to the attention of the world on the appearance of the 8th edition of the Meyer Lexicon. This book has been a standard work of reference in Germany for years. The accuracy of it was considered impregnable. The first volume of the 8th edition has just been received in Vienna and has aroused extraordinary interest as under the heading "Barmherzigen Bruder" this former standard work of reference merely states "an organization which has become recently well known through sexual abnormalities of members". This has aroused widely spread criticism and consternation in Catholic Austria. An editorial in one of the leading Vienna papers, the TAGBLATT, expresses its consternation that this standard work has nothing else to say of this splendid Catholic organization which last year alone in Vienna took care of over 100,000 sick in their own homes, and over 12,000 in their hospital in the city including 6000 operative cases - not to speak of the work done by the Order in so many other cities of Europe where it is established. The publicity given to this extraordinary action of the Meyer Lexicon will do the German cause tremendous harm in this country where decency and religion are still treasured. Under the word "Attentat" the same volume of the Lexicon goes on to say that Chancellor Dollfuss was assassinated by a Socialist on October 10, 1933, when even the humblest peasant in Austria knows that Dollfuss was assassinated on July 25, 1934, by National Socialists in the pay of Berlin and that the
three who expiated with their lives on the scaffold for this crime went to their death giving the Nazi salute and with the words "Heil Hitler" as their last. That there could be such falsifications seemed incredible here until this first volume of the revised edition actually arrived and could be verified.

I have recently been shown a copy of the FUNKSTUNDE, which is the radio program newspaper in Berlin, and under the list of German senders is given that of Vienna. As the radio is controlled in Germany completely by the Ministry of Propaganda this hardly adds confidence in official and popular circles here to official German protestations regarding Austrian independence being fully respected.

With respect to the internal situation in Germany and the raw materials position concerning which the German press is putting out such encouraging information, it is interesting to note that the Vienna T GBLATT of March 13, carried an item from its correspondent in Berlin who says that the Berlin newspapers of that day are reporting that the school children in Germany, for the first time, are having a "bone" day. I think I have brought to your attention that the school children in Germany are being used in this program for gathering refuse of various kinds. Now once a week there is a "bone" day in the German schools when the children are expected to bring in the bones which have been saved in the household during the week. The Chancellor's newspaper here in Vienna, the WELT-BLATT, carried an article in the issue of March 7, quoting from the Berlin official DEUTSCHE REICHANZEIGER a statement that the committee for the control of wool and other animal hairs had established a control over rags and set a maximum price for rags. Chancellor Schuschnigg's paper goes on to say that the German newspapers which are always speaking of the difficulties in the economic situation in Austria might well take note that it has not been necessary in Austria as yet to establish a maximum price for rags.
I think all the developments in which we must read the position show that the internal and external situation of Germany is growing more difficult in spite of their temporarily having settled the food grains position and being a little easier on raw materials. The developments in the internal position and the international position have been such as to make it probable that there will be no "surprises" or overt acts by Germany in the near future. The failure of the cold putsches in Rumania and Hungary will, I believe, check whatever action may have been planned in Czechoslovakia, together with the conciliatory action taken by the Prague Government towards the Sudeten Deutschen. That Hitler was planning this action in Czechoslovakia since the beginning of last October, as I have pointed out in my letters, is I believe certain. That he cannot go ahead with it and knows it is, I believe, equally certain.

An unusually well informed observer in Germany informs me that the action in Bohemia had been set for May and that the intervention was to take the same form as that in Spain, that is, not by military forces but by the S.S. If it looked as though the big armies might move, the unofficial radicals could be called home. In this connection a remark that Hitler made to von Wiegand in the conversation I have already referred to is particularly interesting. He said to von Wiegand, "regarding whatever official or unofficial participation which has taken place in Spain by Germans, I am not informed". This leaves the inference that German volunteers could also be interfering in the affairs of Czechoslovakia without the "Führer's knowledge".

This conversation which von Wiegand had with Hitler is so interesting that I am hoping that I may be able to get a fairly complete account of it for you later. The parts which I have are too fragmentary although from an absolutely reliable source, to endeavor to send anything...
like a full statement now. I may, however, say fur­
then now that in the conversation Hitler said to von
Wiegand that he had "no illusions regarding Mussolini".
This would tend to confirm what I have continuously
told you, that all the information which I have from
reliable sources is that both dictators have no illus­
ions with regard to each other.

You will remember that in recent letters I have
referred to the death of General von Seeckt and that it
was due to internal disturbances brought about by his
belief that Germany was on the verge of engaging in a
war which could only lead to another disaster for her
and for her army. That Hitler had this conversation
with von Seeckt which I reported to you, in which he
tried to convince von Seeckt that a war with Russia might
be necessary, is confirmed to me by further reliable
sources. I am now informed by a very reliable person
concerning another interview with reference to the plan­
ed intervention in Czechoslovakia, and I quote what he
says:

"After the first interview which Seeckt
had with Hitler there was a second almost
immediately following when he was summoned
to Hitler with other high officials connect­
ed with defense, including von Blomberg and
Fritsch. The question for discussion was
intervention in Bohemia through the S.S. and
S.A., as the information gathered by Ribben­trop's bureau was to the effect that such
action could be safely taken as England,
France, and Russia would not intervene and
Italy would not be averse to such action by
Germany. The adventure had been pushed by
the radicals and a huge propaganda was sup­
posed to have opened the way for it. Hit­
er was for the action. The Generals were
solidly against the plan, and Seeckt was their spokesman. They insisted that any such attempt to send in S.S. and S.A., or both, would instantly provoke a major conflict with Russia, France, and England in which the whole forces of the Reich would have to take part. Seeckt was supported by von Blomberg and Fritsch. Thereupon an emotional scene followed in which Hitler abused von Blomberg and reflected upon his courage, patriotism, etc. This placed an enormous strain on the nerves of Seeckt who probably had never seen one of these tantrums before".

This is a rather disjointed letter, but I believe that it may give some of that background which unfortunately remains essential for an appreciation of the troubled situation over here. It does all go to show, however, that there is not much prospect of the peace of Europe being disturbed by some overt act of Germany in the near future. Perhaps that is something gained.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith.