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February 18, 1938.

Personal

My dear friend:

I was very glad to have your very interesting letter of January 25 and your briefer note of January 27. Since you wrote your letter a great deal has happened and I need not tell you how deeply preoccupied I am as to what the further course of events may be. It is just about a year and a half ago that Austria and Germany made their agreement of July 11 in which Hitler announced his intention of supporting independence of Austria. A few days ago he sent this peremptory message to Schuschnigg to come to Berchtesgaden and received him there with three Generals standing behind his back and in no uncertain terms made demands which left Austria without any shred of real independence. Hitler has said that if Germany has broken agreements they have been agreements which were put on her by others through pressure and force and as a defeated nation and are promises and agreements therefore which he is not bound to keep. If anyone had any doubt as to his intention to keep agreements which he himself has made the recent events at Berchtesgaden should leave them under no further illusions. I have always been unable to understand why these illusions should persist when Hitler himself in his book and in the statements which he has made privately and semi-publicly since has left no doubt as to his theory that agreements are valid only as long as he believes they should be kept. It seems to me that the recent events should convince our English friends how utterly futile and fatal is any idea they may have that they can make lasting and binding agreements with Germany under Hitler and his associates -- and yet they seem to be prepared now to follow that path.

Although we have very ample information from all sources as to what has happened in Berchtesgaden and that

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there is no doubt but that conditions are being imposed on Austria which mean her rapid absorption into Germany unless there is some great change in the major European picture, the actual details are not yet clear. Whatever these details may be we can take no comfort out of any knowledge we may have that the position is not yet altogether gone. I know that a vestige of hope must remain for I know from my contact with Schuschnigg that he would not remain if there were not some small ray of hope. He does not want to let go until the last ray of hope is gone. I am not so sure, however, that if he does stick he will not meet the same fate as Dollfus. I had a letter this morning which indicates that during the last few months he has had good reason to know that his life has been in daily danger. In my opinion whatever we may see emerge from the present situation, the independence of Austria is gone unless there is a major change in the European picture, which I do not see. If France and England had spoken in any definite way, I am sure that this catastrophe would have been avoided for Hitler is not yet ready to go to war. They have not spoken and I do not see how Benes can hold on in Czechoslovakia for more than four or five months. I think if Germany were to take similar action with respect to Czechoslovakia today France might still move, but Hitler knows that if he waits four or five months the situation will have further disintegrated in that time to the point that he can confront Czechoslovakia with the same demands as he has now put upon Austria and that France then will not move. There is no small country in Southeastern or in Northern Europe which can have any further illusions and if Belgium has any sense of security under these circumstances it is in my opinion a dangerous delusion. She may be faced by the same sort of a situation as Austria -- not with such great political demands but demands of an economic nature which perhaps England and France may oblige her to submit to through their failure to react.

What some people do not realize is that Germany is proceeding on a fixed course and on a definite policy which has not altered since the regime came into power. What they do not realize is that what Germany needs today is economic relief which will enable her to continue her progress toward mastery of Europe. When Hitler saw Schuschnigg the other day he said to him that Germany had a mission in Europe to get together the eighty million Germans into one force which would make Germany the master of Europe. Such language can leave no illusions and is,

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of course, nothing new to some of us who have known what he is after. One of the principal reasons for the pressure on Austria now was the fact that Germany needs the iron ore and pig iron from the Austrian mines and plants and Austria was refusing to deliver without payment. Similarly the relatively good financial situation in Austria is something which Germany wishes to exploit for her own purposes in getting certain raw materials and agricultural products so as to strengthen her difficult home position. The process of peaceful penetration in Austria was not going fast enough and Mr. Hitler felt that the internal program as well as the external one did not permit of further delays. I am convinced that one of the reasons why the showdown with regard to the Army in Germany came so soon was to make it possible for Hitler to proceed with a show of force against Austria. The Army had consistently taken a stand against force against Austria just as it had put its foot down on further troops to Spain. If there was to be a showdown with Austria, the Army had to be put into a position of acquiescing. This, of course, was only one of the facts involved in the recent changes in the Army but it was an important one. It had to be done so that when Hitler sent for Schuschnigg he could have three Generals behind his back during the conference and two divisions mobilized on the Austrian frontier. We know the result. I am definitely convinced that the restraining influence of the Army in Germany so far as external policy is concerned is now gone.

I do not see how the disintegrating movement in South-eastern Europe can be stopped. Now that the last step in internal coordination in Germany has taken place through the coordination of the Army, I feel that events may take a rapid course. If Germany is able to continue this extension of control through Southeastern Europe, she will be able to be in a position to get a good part of the raw materials and agricultural products which now make it impossible for her to make a war. Through the fortification of the western frontier she will be able to hold England and France there and any blockade of the North coast by the English and French fleets will not be so serious for Germany as she will have most of the things which she needs in the newly controlled areas in Southeastern Europe. In other words, in my opinion, if Germany gets Southeastern Europe, she will be in a position to put England and France into a secondary position in Europe and practically immobilize them. This means the disintegration of the British Empire and all this is something which I believe

we in this country cannot look upon with unconcern for I am confident that in the end we would have our troubles in South America where Germany, Italy and Japan are already so active and where they have their definite objectives. With England and France in a purely secondary position and the Empire disintegrated, we in this country would stand practically alone, and that our troubles would come a little later does not give me any comfort. The failure of public opinion in this country to understand what all this means is, I think, the most distressing problem with which we have to deal.

I cannot understand the English attitude. They seem to think that they can purchase security through giving Germany a free hand in Southeastern Europe. It means so much more than that. It means a free hand in Europe and a good deal freer hand in the rest of the world. So far as Italy is concerned, Mussolini was bound from the outset to be a secondary partner in German-Italian cooperation. He is playing very much second fiddle now and it is indeed a sad picture to think of the way Mussolini reacted during the last few days and to compare it with his firm stand at the time of the Dollfus murder. He has lost immensely in prestige and I think in many ways the Austrian debacle is just as significant for him as it is for Austria.

There is so much that I would like to say that I cannot even begin. The seriousness of the recent events cannot, I believe, be exaggerated if we realize what it means in the way of all around repercussions unless there is a major change in the general situation, which I do not see. It would be very interesting for me to have your interpretation of the recent events and as to what they may mean.

As Hitler is definitely bound on this economic and political expansion in Southeastern Europe and is making such progress and as he is practically at the point of forcing a customs union with Austria, it looks as though our trade agreements program for Southeastern Europe was now not able to make any progress. What is the use of trying to make arrangements between independent States when one at the point of the gun is forcing economic subjection? It is indeed a lamentable thing. I see the trade agreements program in general very seriously menaced for purely peaceful weapons seem to have little effect in a world where guns are now accepted as the only political instrument.

I was very much interested in the Van Zeeland report but under existing circumstances, of course, there is no need of thinking of it in an active way for it would be utterly useless. We all have given the report very careful study here and I will not comment further for the moment as it seems to be useless to even think of any progress being made along those lines for the present.

Here in this country the situation is still confused and uncertain. Public opinion is very slowly, but I believe gradually, coming to a realization of what the developments throughout the world may mean for us in the end. It is, however, a slow and a painful path on which we are traveling. The recession is causing serious concern and as I see it has not been definitely arrested. I do not see, however, that it will make further progress and there seems to be a movement toward laying the ground for some price increases which, of course, mean a slight inflationary tendency. I do not believe, however, that there is going to be any real progress in the direction of inflation and so far as I can tell no one is thinking seriously in official or in any responsible unofficial circles of devaluation. The President, of course, has further powers toward devaluation but I doubt whether there is any thought of using any measures of that kind. I would say that devaluation is not being considered at all and that there is little danger of it but that the movement toward higher prices in certain commodities does involve an inflationary tendency. Even this, I believe, will be relatively slight.

While I believe that our internal situation is one which very properly gives us a good deal of concern, I am not at all disturbed concerning the long range. I think we will take care of our problems and there is increasing evidence of good sense and moderation prevailing in all responsible quarters. Not as much progress has been made as would be desirable in getting business and Government to cooperate but there has been a moving together from both sides and I think the bitterness has somewhat decreased. I am still convinced that this country is at least the one concerning whose future we need have the least concern for some years.

I had a very interesting talk with Dr. Bruning just before he left for London and he spent several days with us at the house. We had a very interesting talk and he and I lunched together with a person whose name I need not mention but whom you will know. It was a very

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helpful talk and I will not go into it further here as I am sure Dr. Bruning will tell you about it when he sees you. I was very glad to arrange for this conversation as I was not only interested that these two men should meet but that they should have the opportunity for a long and uninterrupted talk.

My duties here continue to be very heavy and exhausting. I am making some progress in my work and am beginning to see a little daylight. My days, however, are very long but fortunately my health remains good. I am perfectly willing to make the effort because I think all of us must be willing to put forth that effort in these difficult times. I am delighted to know that you may be coming to this country in the not distant future and I need not tell you with what pleasure we shall look forward to seeing you. I hope that Mrs. Heineman will be coming with you and I do wish that you could make us a little visit while you are here. We have a very comfortable house and we could put you up very comfortably.

I wish that Stephen who is working with Professor Urey would make us a visit here in Washington some time. Perhaps when he has a holiday he might enjoy spending a few days here. Perhaps when you will write him you will tell him how much my wife and I would be delighted to see him at any time he would like to come here. All he needs to do is to let us know when he could come as we are seldom out of Washington.

What gives me such great concern is the British attitude which we here cannot understand. It seems that they have abandoned principle for illusory immediate advantage. You know I am one who has always believed in close Anglo-American cooperation but our British friends are doing everything possible these days to remove the grounds for that cooperation. We in this country are still attached to principle and if the basis of Anglo-American cooperation, which is attachment to certain principles, is removed, then I think indeed the worst that can happen in this world has come to pass. I sometimes think that our English friends are just a bit too self-satisfied and do not realize that they do live in a world in which friends are necessary and that in order to have those friends there are certain things which one must do. It all makes me very sad and I must say disturbs me very much.

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I hope that you are keeping well under your many burdens and looking forward to hearing from you, I am, with best wishes to Mrs. Heineman and yourself,

Cordially and sincerely yours,

A-M: GSM: VNG