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NO. 1292

AMERICAN CONSULATE GENERAL,

Berlin, Germany, May 9, 1933.

STRICTLY CONFIDENTIAL.

SUBJECT: Developments in the economic and financial  
program of the German Government as shown  
by recent developments.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have to refer to my series of despatches,  
No. 1198 of March 21 and continuing through numbers  
1208, 1220, 1231, 1232, 1233, 1243, 1252, 1261, 1269  
and to No. 1273 of May 2, in which I commented upon  
the economic and financial aspects of the National  
Socialist revolution in Germany. I now have to  
refer particularly to despatch No. 1252 of April 25  
in which I gave a brief resume of the economic and  
financial program of the present German Government  
so far as it is able to discern it. I shall in this  
despatch refer to some of the developments in the  
situation since that date.

THE CHANCELLOR'S MUCH HERALDED PROGRAM SPEECH  
ON MAY 1.

When the Government proclaimed May 1 as a  
holiday devoted particularly to the glorification

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of German labor and called it "The Day of National Labor", great stress was laid in the press on the fact that that day Chancellor Hitler would proclaim the long-awaited economic program. In the days immediately preceding May 1, however, these announcements had already practically disappeared from most of the press because when the leaders of the Party got together to decide what could be said by the Chancellor, it was found that as they had no economic program there was nothing to say. The Chancellor's speech on the evening of May 1 on the Tempelhof Field was given before what was probably the largest crowd that ever gathered in one place for such an occasion; but the speech itself was a distinct disappointment. It was the usual Hitler speech devoted to generalities and to subjects generally covered by him, and was bare of anything new in the way of an economic program. The Chancellor did announce that the compulsory labor service already discussed previously in the press, would become effective from January 1, 1934, to embrace all young Germans who will reach nineteen years of age in that year. He made an appeal to the general public and to the business world to provide work for the unemployed by not putting off buying and investment. He stated that the Government was prepared to continue extending subsidies for repairs to real property. He stated that an extensive program of public works would be undertaken,

principally

principally road construction on which large amounts would be spent; but he left open the question as to how all these projects were to be financed. He laid particular emphasis on the high interest rate prevailing and promised to relieve the country of the burden of high interest rates.

All the foregoing was in no sense new and had previously been discussed in the press. In my despatch No. 1252 of April 25 I informed the Department that the leaders of the Government and of the Party did not have an economic and financial program and were drifting with the tide, hoping for favorable general developments of which they could reap some benefit, and for opportunities which they could from time to time seize. The absence of anything concrete or new in the Chancellor's much heralded May 1 speech was ample indication that no real program exists.

THE COORDINATION OF THE TRADE UNIONS.

The Government had already taken steps some weeks ago towards bringing a part of the trade union structure of Germany within the so-called "Gleichschaltung" or coordination scheme of the National Socialist Party. The so-called "free trades unions" had, however, not been disturbed. On the morning following May 1 which had been set aside to the glorification of German labor, the German people woke to find simultaneous action all over Germany

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taking place in all of the free trades unions. Some forty of the heads of the trade unions were arrested and placed in confinement and the various administrative offices of these trade unions all over the country were taken possession of by the S.A. and the Government authorities. As these trades unions were in fact complicated business organizations carrying on banks and various social enterprises and as many of the German workmen had placed their savings in the hands of these trade union banks, the action of the Government and of the Party came as an anti-climax to the events of May 1. Dr. Leys was appointed as the Kommissar to take charge of all the interests of the free trades unions; and the censored press laid emphasis upon his statement that the action had been taken by the Government and the Party in order "to protect the interests" of the working men which were being damaged by the unions.

No one, however, had any doubt as to the real cause of this action. The trade unions were a powerful element in German life. They have large sums of money at their disposal and entrusted to them by their members; and they were a potential political instrument not yet brought within the scheme of the Party action and control. As it is the declared object of the National Socialist Party to make every

German

German a National Socialist and to get control of every public opinion-forming means within the country and to make the Party absolutely supreme in every branch of German life, it was to be expected that all the trade unions would be brought within the picture. In order to support the action of the Party and to justify it, the newspapers contained announcements that in several of the banks of the unions seized, it had been found on examination even in the first days of taking possession, that there had been wide misuse of the funds of the members. How well-founded these statements are, it is as yet impossible to determine.

It may, however, be taken for granted that the trade unions as a factor in German political and economic life are for the time being ineffective. The old leaders are either in prison or have been removed from all connection with the unions. The new leaders are "nationally-minded", that is to say, they are members of the National Socialist Party who will ruthlessly carry out the dictates of their chiefs. One of the most important reasons for the action of the Party with respect to the trade unions may, I believe, be found in a remark which the Chancellor made in his May 1 speech, in which he said:

"We shall also have during this year, the further great task of freeing and safeguarding creative initiative from the

dangerous

dangerous influences of majority decisions, this not only in Parliament but also in business. We know that business cannot go ahead if a synthesis is not found between the freedom of the creative spirit and the obligation towards the whole people; and from this it is evident that it will also be our task to give to agreements (wage contracts) the importance which they deserve. Man does not live for agreements but the agreements are there so as to make life endurable for man".

The trade unions have played an important part in the making of wage contracts and the National Socialist Party wishes to feel itself entirely free to make any arrangements it may see fit with respect to wages. It does not want to be hampered in this by the opposition of the trade unions as spokesmen for the working classes. The obvious solution, therefore, was to make the trade unions a part of the Party organization and its subservient and servile instrument; that this has been accomplished seems to be quite certain through the action outlined in the foregoing paragraphs. When one considers the important part which the German trade unions have played in the social development of pre- and post-war Germany, then only can one realize the significance of the action which has been taken. And further, it is only when one realizes that these trade unions which have in the course of a single day been coordinated into the National Socialist movement have millions of members, that one realizes the hold which the National Socialist Party has on the German people

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to carry through such drastic action so effectively in the course of a single day.

COMPULSORY LABOR SERVICE.

The program for compulsory labor service is undoubtedly one of the main things with which the Government is concerning itself but which for the most part is being worked out behind the scenes. Those who are observing the plans of the Government so far as they are known, cannot escape the conviction that behind this compulsory labor program there are as serious political as there are economic considerations. The present voluntary labor service which has been in effect for some time and which has been described in reports submitted in the past by this Consulate General, is according to declarations in the newspapers to end in its present form on October 1, 1933. The obligation for compulsory labor service is to begin on January 1, 1934. All those completing their nineteenth year in 1934 are to be obliged to do this service and it is estimated that some 350,000 persons fall within this category. Plans are being made for the arrangement of the camps, barracks and other establishments in which this compulsory labor service is to be done, and it has already been decided that a uniform which comprises complete equipment for every individual brought into the service, is to be provided by the state.

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While there have been vague declarations that military training shall not form a part of the duty in these labor camps, the men who have so far been named to act as leaders and organizers of the compulsory labor service, indicate that such military exercises will form a part of the system. Just what is to be done is evidently giving the Government and the Party a great deal of concern, and in view of the interest there is in this part of the Government's program, it is quite significant that so little has so far been said. It is not unlikely that the Government and the Party realize that this compulsory labor service is being viewed with a good deal of concern outside of the country, particularly as it may take a poorly concealed form of military service. This is undoubtedly one of the things which the Government has most in mind in connection with the compulsory labor service and camps, and which it is trying to find a way of concealing so far as possible.

A report has been prepared by Consul Morgan of the staff of this office entitled "The National-Socialist Party Assumes Control over Germany's Economic Organizations", which gives background information with regard to the coordination of the trade unions, trade organizations, etc. with the National-Socialist movement, and it is believed

that

that this report which has been transmitted to the Department with my despatch No. 1298 will be of particular interest to the Department.

Respectfully yours,

George S. Messersmith,  
American Consul General.

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