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Vienna, September 13, 1935.

Handwritten signature

Dear Dunn:

I was very glad to get your letter of August 13, acknowledging mine with regard to Gedye, and the two of August 21.

An interesting commentary on the general situation over here is that our correspondents in Vienna, who cover, as you know, most of South-Eastern Europe, have been little in Austria in the last month. Our papers have almost all strengthened their organization here in Vienna during the last year, including the A. P. and U. P. Brown, the head of the U. P., got a telegram several weeks ago to go immediately to Rome, and he left the next day, leaving the office here in charge of Best, who is an American and a good man, but not the sort who ought to be in charge of such an important office as this. The U. P. had difficulties in Rome and got rid of their man there and took Brown from here. They will undoubtedly send a good man here, for it is one of the most important of the U. P. European offices. Werner, who is the head of the A. P. offices here, has been sent to Berlin for three months to take charge there, while Lochner, the head of the Berlin office, can take a much-needed holiday at home. Lochner's health has not been good and he needs this rest, but I am sorry that the Berlin office will be without him for so long, for he is one of the best men the A. P. has in Europe, and his reporting from Berlin has been particularly good. Werner will not be able to do the Berlin job nearly so well. Werner's temporary transfer to Berlin leaves the A. P. office here in charge of an Austrian, also with Nazi sympathies, and it is fairly weak, but this is only a temporary situation. Gunther's removal from here to London for the CHICAGO DAILY NEWS, while a promotion for him, left a big void here, for he is one of the best men we have in Europe. Sweetland, who came from

James Clement Dunn, Esquire,
Chief, Division of Western European Affairs,
Department of State,
Washington, D. C.

Japan to take his place, got a telegram a week ago to go to Rome on definite assignment there, and the NEWS will be without anybody here for the time being. Gedye, of the TIMES, has been a good deal in Geneva, and Markham of the CHRISTIAN SCIENCE MONITOR has been mostly traveling throughout South-Eastern Europe. Markham, by the way, is a very good correspondent, who knows South-Eastern Europe as few do. This temporary exodus from Vienna is a pretty good indication that the news from within Austria does not seem so important now, and in many respects this is true, for, as you will have seen from my recent despatches and letters, the situation within the country is quite satisfactory, although the major position of the Government is by far more delicate and has to be more carefully watched than ever before. This, however, is a situation which would not be so apparent to the correspondents and which they could not follow as some of us do.

While I am on this subject, I would like to mention a word about Fodor, who is the MANCHESTER GUARDIAN correspondent here and who was formerly the correspondent of the NEW YORK EVENING POST. He is, I believe, a Hungarian, in middle age, and I find him by far one of the best correspondents I have met over here, particularly with reference to South-Eastern European problems. He is a man of extraordinarily good judgment and political insight, and it was a misfortune that he lost his American connection when the POST gave up its direct European correspondents on the change of ownership last year. Fodor writes articles for the MERCURY and other American magazines, but whenever we need a correspondent in this part of the world for one of our good papers, Fodor would make a splendid connection. I thought I would tell you this in case someone may take up such a question with you at any time. Knickerbocker and Gunther, I know, both feel that Fodor is one of the best correspondents in Europe, particularly on the problems in this part of the world, and I know that he has often been a great deal of use to them.

I was glad to have your letter of August 21 and the Department's telegram of September 7, 11 a.m., with regard to the Watch Tower, and to know that it is in agreement with my attitude that the Legation can do nothing to help the Watch Tower with regard to its activities in Austria at present. Koerber, who

is coming over here to go to Berlin and Vienna is, I believe, their Washington representative, and if he is, I saw him this spring when I was home, together with Chandler Anderson, and I gave them the full story of the Watch Tower in Austria and Germany. They can, therefore, be under no illusions with regard to the real activities of the Society over here, nor with regard to the personality of Harbeck. Koerber is undoubtedly coming over principally to go to Berlin, where the physical property of the Society has been endangered by Harbeck. The strenuous efforts of the Berlin Consulate had resulted in safeguarding the physical property of the Society, and I think this would have been respected had it not been for Harbeck's recent activities there. He may not have tried to actually smuggle some of the funds of the Society out of Germany, but I am sorry to say that he is quite capable of it and would have done it if he could get away with it. Harbeck is a fanatic, who believes that any means justify the end.

I am keeping in touch with Jenkins in Berlin regarding the Watch Tower situation, and if Koerber comes to Vienna, I will see that he has access to the authorities, but under the circumstances there is nothing we can do to help him with re-establishing their activities. I realize that the Department and we have to go carefully in this matter, for the Society has powerful people in it at home, but I sometimes wonder whether those who contribute mainly to it at home realize the exact nature of its activities abroad. Certainly here in Austria the pamphlets and the activities of the Society have been such as to be in the nature of direct attacks on the Catholic Church and indirectly against the Government. There is no question whatever about this, and Harbeck has admitted to us that this is really so, but that it is a "matter of conscience". If it is a matter of conscience for the Society to attack a church or established governments abroad, then certainly it cannot expect any aid or support of any kind from our Government in its activities. I shall be guided in all that we do here by the Department's instruction of September 7, 11 a.m., which I appreciate your sending for our guidance, and you may be sure that we shall give it and Koerber all the assistance that we properly can. I am convinced, however, that

the activities of the Society will be an increasing cause for concern to the Department unless it radically changes the nature of its activities abroad.

I appreciate your comment on the neutrality situation in your letter of August 21, and while I regret that it was necessary to enact any legislation on this subject, even of a temporary nature, I think the President's statement to the press when he signed the neutrality resolution of Congress was splendid. His remarks that "history is filled with unforeseeable situations that call for some flexibility of action", and that "it is conceivable that situations may arise in which the wholly inflexible provisions of Section 1 of this resolution might have exactly the opposite effect from that which was intended", and that "the inflexible provisions might drag us into war instead of keeping us out" stated the situation as I see it in the clearest and most definite manner. If we really wish to keep out of war, which we most sincerely do, the important thing is that the hands of the President and of the Department should not be tied. I believe that the resolution in the form it was adopted does not present any great dangers during its limited life, and it is to be hoped that Congress will not further bind the hands of the President and of the Department.

I have written a long letter to Mr. Phillips, which goes forward by this pouch, and from which you will see how delicate the situation is here. It is delicate not because the internal situation in Austria is bad, for it is definitely better, but because the external situation is so uncertain that the Austrian Government must give more thought to its course under given circumstances. The will to maintain a definite attitude against anything which would lead to Anschluss or loss of political independence is just as great as ever, perhaps greater, but at the same time the Austrian situation remains just as clearly dependent on external developments and external support. If the Foreign Minister gets the assurances at Geneva which he went for and which I believe he has received, the Government here can stand any shocks which would come from further delay in the Danubian pacts, or even, therefore, the lessening or falling away of Italian support. This, of course,

would complicate the situation and further increase, for the time being at least, the tension, but it would not necessarily lead to disaster. Vienna would much prefer the complete reestablishment of the Stresa front, and of course it would be infinitely better for Europe if this can be done, but lacking that, it much prefers to lean on England and France than on Italy, for there are no illusions here as to how much weaker Italy really is. I have covered this situation so thoroughly, however, in my letter to Mr. Phillips that I will not go into it further here.

My Italian colleague here, while maintaining outward calm, is a good deal excited underneath and has no information to give, although I maintain very close and friendly contact with him. On the other hand, I have very close contact with my British and French colleagues, who talk very frankly, and I gather that they are confident that their governments have decided to work in the closest cooperation for the maintenance of the status quo in Austria.

I had a conversation with Victor Ridder, whom I am sure you know, and I sent to the Department with my confidential despatch No. 543 a brief résumé of what he said. I preferred not to give his name in connection with the memorandum. With the same despatch I sent a résumé of a conversation which I had with Dr. Stinnes, whose name also I did not mention in connection therewith, and I would prefer that it not be known that they have any connection with these statements. The one goes frequently to Germany, and the other lives there.

I also saw a few days ago a friend of mine who is on the inside of the financial situation over here, and he tells me definitely that one of Schacht's associates in the Reichsbank (Brinckman) was recently in London to try to get a credit and came back empty-handed. Schacht is reduced to the extremity of offering to put up a tobacco monopoly in Germany as a guarantee for a loan, but I think this has met also with a cold reception. It is useless to think of the proceeds from a tobacco monopoly in Germany as

being a guarantee for the service and amortization of a loan. The only way in which such a monopoly could become a definite guarantee would be if the German Government would permit the lending country to administer the whole of the tobacco monopoly in Germany through its own people. This the German Government under the present circumstances could in no wise permit. They could not even think of it. The mere putting the tobacco monopoly in pawn would be no guarantee for the lending country, for no more formal obligations could be given than Germany gave in the case of the Dawes and Young loans, and we know how callously our rights have been disregarded. There are no possible circumstances under which a loan could be made to Germany under existing conditions, if there is to be any hope of a return of interest or principal.

There has been some talk that Papen would be recalled this fall, but I doubt whether there is anything to it. In the first place, although he is not happy in his job he will hold on to it, for there is nothing else for him to do and he is an active man. Although his activities here are disturbing and subversive, it is a question as to whether he is not less dangerous than some other man who might be sent. In any event, I can find no basis for the reports that he wants to give up his job or that Berlin intends to relieve him of it.

I think there is going to be a further determined effort at home on the part of Schacht to get some cotton. They need a million bales very badly and they want American cotton. The German mills are set up to use our cotton and they prefer it, and to adapt the spinning machinery to other cotton represents a capital investment which Germany does not want to make when it is not putting any money into renewing factory equipment. All available exchange and money are used for production and new equipment, and not for the renewal of equipment. An automobile manufacturer in Germany has just told me that they can get all the money they want for production, but that the factory equipment in all the German automobile factories, except the Opel (owned by General Motors) is wearing out, and that the quality of production is suffering. He says that they can get no money for

replacing equipment and that this is true throughout industry in general. If Schacht does try to get any cotton, I think our answer must be definitely the same as it has been. I have written so fully on this subject to Mr. Phillips in the past that I will not go into the reasons further now, but it is obviously clear that more than ever we should refrain at this time from doing anything which will help this régime.

With reference to the capacity of Germany to carry on a war, it is interesting that a very well informed friend of mine tells me that the gasoline situation is a particularly serious one for them. In gasoline as in many other raw materials they are practically living from hand to mouth. Production has been increased through the expansion of the Leuna plant, which makes gasoline out of coal, but consumption has also tremendously increased. He says that if Germany's imports of gasoline would stop, normal consumption would use up supplies in about ten days. The only way in which to keep a war machine going would be to practically stop all motor transport, and this would paralyze a good part of German transport, which has gone a long way towards motorization in recent years. How serious this problem is, is evident from what one of my American friends, who is important in the oil business at home, told me. One of the biggest American companies at home is giving its aid to Germany in the building of refineries and has sent technical assistants there, as they felt that their relations with the German firms was such that they could not refuse. I know this to be a fact, because my friend happens to be the head of this very important company, which practically found itself forced to give this cooperation to the German interests against its will.

The Embassy in Berlin sent me a copy of its despatch No. 2221, of August 14, with which Jack White transmitted a translation of the article in the VOELKISCHER BEOBSACHTER against Schuschnigg and Starhemberg and the Austrian régime. I am very glad he sent it in, for it is typical of the utter mendacity of the German press. The personal attack against Starhemberg is totally unjustified. He is young and in

many respects just a big boy. He does not like work and he likes his pleasures, and I think it is nothing against him that he is fond of a goodlooking woman. On the other hand, I have been here for over a year and a half, and in all that time Starhemberg has not done a thing to offend good taste or public opinion so far as his private life is concerned. I think that is saying quite a lot and is the true situation. Whatever love affairs he has had have been most discreetly carried on, and if he does drink too much now and then, it is only with a few intimates and never in public. It is just because he is such an outspoken, determined and unalterable opponent of Anschluss and of German penetration that the Nazi press is so frantic. The rest of the article is so ridiculous that it does not require any comment. I am not here as an apologist of the Austrian Government, but as an objective observer, and as such I can say that practically every single observation made in the article regarding the Austrian Government is either gross exaggeration or complete misrepresentation. In fact, the allegations made in the article with respect to Austria would apply quite correctly to many situations in Germany.

Those who nourished any illusions as to the direction the party régime was taking must have suffered a severe disillusionment in recent months. It is sufficient commentary that Streicher recently was made a member of the "Akademie für Deutsches Recht". This must be an additional shock for the distinguished jurists who recently honored Berlin in holding their convention on criminal jurisprudence there. It is significant that Dr. Frank, who is as infamous as Streicher, should have made it clear that the action was taken at the specific desire of Hitler. Dr. Lammers, who is one of the State Secretaries attached to Hitler and a left-over of the former régime, has resigned as the head of the so-called Studentenverbände, which foreshadows definite action against these organizations. Everything that is worth while in Germany is to be wiped out. A decree has been issued establishing separate schools for Jews. A decree has been issued that the Jewish newspapers still appearing may not be exposed publicly for sale in any part of Germany, and this merely foreshadows their complete

disappearance. In more and more cities and towns the theaters are obliged to put out signs that Jews are not to be admitted. Not a week passes that some definite measure is not taken further emphasizing the definite intention of a return to the ghetto and to the complete elimination of the Jew from the political, social and economic life of the country. It is supreme irony that when this anti-semitism is assuming its sharpest forms the German banks should be sending out a circular such as the one I send you herewith, with respect to the new loan. The Jewish banks are all there.

You will remember that in a letter to Mr. Phillips several months ago I forecasted that at the Nürnberg party meeting this year the long-projected law which will put the Jews into a definite legal secondary category and deprive them of all participation in the state and practically all rights as citizens would be proclaimed. This is to be done, but even in a more definite way, for to give it all the appearances of legality and of a national act, the Reichstag has been called into special session at Nürnberg on the night of Sunday, September 15. We already have enough news from the Nürnberg meeting to see that Hitler has definitely committed himself to the most radical elements in the party. This time the Voluntary Labor Corps, which last year marched with spades, filed by the Führer with rifles. The emphasis given in the party declaration and by Hitler to the support of the army is a definite indication of weakness of the party itself. The rumors within Germany and the articles appearing all over outside with regard to the attitude of the army require this party emphasis on its allegiance to the régime. There is no question that the army is with the régime as long as it serves its purpose, but no longer.

I read with very real interest the editorial in the NEW YORK TIMES of August 18, entitled "A Consular Incident", which I am sure you saw, and which puts von Tippleskirch, the German Consul in Boston, in his place. I know von Tippleskirch, for he was in charge, I think, of the Russian section in the Foreign Office for a part of the time that I was in Berlin. He is a thoroughly objectionable person,

who made this grand-stand play in Boston to ingratiate himself with the party. The TIMES delivered a very excellent rebuke to him, which probably will not make much impression on this thick-skinned individual, but it will serve a useful purpose at home.

I have had the privilege of serving in a consular capacity for over twenty years, and very few have a higher conception of the opportunities for service which the consular capacity offers. The consular function is so wide and presents so many opportunities for usefulness that there is no need for overstepping its proper limits. Von Tippleskirch, in my opinion, overstepped not only the consular but the diplomatic function in this Boston incident, and I am quite sure that you all in Washington felt tempted to put him in his place. Perhaps it was best to pay no attention to it officially, but I think the activities of the German consuls at home will have to be watched more and more, and when they overstep their proper functions and show the arrogance which he did, the occasion may arise when they definitely become persona non grata and move to other fields of endeavor.

There were reports here that Dr. Rintelen, who was given a long sentence in connection with the Dollfuss murder last year, was to be released. The London TIMES correspondent went so far as to report on it. I went into this thoroughly and find that the Government has no intention whatever of taking any action in this respect.

I do not wish to overburden you and will close this already too long letter, but I am sending you herewith some clippings from the London TIMES, which you may find of interest. The editorials of August 17 and September 11 I think you will find particularly interesting.

Cordially and sincerely yours,

Enclosures:

Bank circular.

7 clippings from the
London TIMES.