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Copy for Mr. Messersmith

Berlin, Germany, August 10, 1934.

Personal and Confidential.

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Dear Mr. Moffat:

I very much appreciate your comment regarding my last letter on the political situation in Germany. Since the date of that communication a number of important events have happened; the execution of the principal leaders of the S.A. on June 30; the assassination of Chancellor Dollfuss; the death of President von Hindenburg; and Mr. Hitler's assumption of the supreme power. All of these events have had a strong influence on the march of affairs, and I shall endeavor in this letter to appraise these happenings and, if possible, indicate the present outlook.

The net results of the executions of June 30 are pretty closely as follows:

(1) The S.A. as a revolutionary and militant force bent on asserting the principles and ideology of the National-Socialists have suffered an overwhelming shock to their morale. They are filled with mistrust as to their present standing and position in the National-Socialist scheme of things. They are not convinced in any degree of the validity of the allegations lodged by Hitler against the murdered leaders. In large divisions of their ranks the memories of the executed leaders are revered and legends of their devotion to the general cause, their

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largesse to their comrades and other fond tributes are openly voiced. I have myself overheard some of these remarks recalling the "bonhomie" of Karl Ernst. They see Hitler across a wide gulf of separation which the "clean-up" of June 30 created. Between him and them stands the unfriendly S.S. (blackshirts) with whom the S.A. has a quarrel of hate. Thousands of the S.A. were held in concentration camps and prisons for over three weeks after June 30, during which time the Blackshirts were their goalers.

(2) The actual presence of the "terror" has deeply impressed itself upon a large mass of the inhabitants whose revulsions have been permanently evoked. Confidence in the vitality of National-Socialism to lift the country out of its difficulties has severely abated. While many believe that Hitler's act was justified in the light of his pronouncement there is a widespread sense of confusion and uncertainty regarding the whole Nazi movement. Many of the people far and wide are being influenced by the unfavorable and grumbling attitude of the disgraced S.A., whose members exist in every city, town and village in Germany.

(3) The prestige of the secondary leaders of the party has been diminished, and many rumors are current regarding alleged irregularities, extravagances, etc.. These rumors have been so numerous that certain well known personages have had actually to make denials and threaten action against the rumor-mongers.

(4) Hitler, Goering and Goebbels emerge as three triumvirs, with a tendency toward the elimination of Goebbels. They are all the objects of factional hate and distrust.

The assassination of Chancellor Dollfuss has not had a helpful effect within Germany. A minority of well informed people have viewed this event with horror and revulsion and share the resentment which has been so generally voiced in the foreign press.

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The Nazi leaders, however, have been able to convince the general German public opinion that the assassination of Dollfuss was the result of his outraging the legitimate political aspirations of the Austrian people. There has been no change on the part of Hitler with regard to Austria. The first goal of Hitler's foreign policy is to extend his National-Socialist State beyond the Austro-German border; and only the method will differ as circumstances compel. Von Papen's appointment to Austria will offer no opportunity for rapprochement between the two countries which will assure the independence of Austria. A conversation which von Papen had with Karl von Wiegand several days ago, revealed a thorough-going solidarity between Hitler and von Papen on this point. Von Papen's mission, I am sure, will result in very little good to the two countries. His presence in Austria will evoke constant suspicion and I fear that in the course of time he will become involved in the machinations which the Nazis are determined to carry on in Austria. The international attitude towards the Austrian question constitutes at the present time the most difficult political problem in foreign affairs for Hitler and his Cabinet. The Austrian Legion in Germany has not been disbanded, and the propaganda against Austria is continuing. I gather from the conversation which Karl von Wiegand had with von Papen, that von Papen's whole efforts in Austria will be directed towards convincing the Austrian Government that the future of the Austrian people is indissolubly bound up with that of the German. Von Papen will fail in his mission if he does not succeed in freeing Austria from the domination of Italian influence. It will be impossible therefore for Hitler to subscribe to a policy of non-interference in Austria. If the international situation, particularly the attitude of Italy, becomes threatening, a temporary lull will undoubtedly ensue in order to give the Germans more time to perfect their armament.s.

The German opinion within the country vacillates continually between the hope of regaining Germany's prestige internationally and her place in the sun, and the desire to establish normal relations with other countries for the sake of trade and commerce.

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The German people, however, are exceedingly susceptible to the pan-Germanic idea and are most fond of the idea of German military aggrandizement and prestige. Any effort within the country to steer the Government towards moderation, and there are many who continually point out that Hitler will be forced to adopt a policy of moderation, will not result in accepting Austrian independence. There has been no repudiation of any of Hitler's plans for the reintegration of the German people in and outside of Germany.

The death of von Hindenburg has had a profound effect in the country, but this has been completely over-shadowed by Hitler's coup d'etat by which he became the commander of the armed forces of the nation. This act has aroused resentment in very wide circles. The Germans now have a true picture of the real dictatorship. They are struggling hard to attribute to Hitler the best motives and to see in his present position a guarantee of the nation's strength and its determination to achieve something lasting. The events of the 30th of June, however, dampen considerably the confidence and the enthusiasm of the mass of the Germans. There is neither a feeling of utter confidence, nor is there a sense of utter despair; but there is a feeling of great uncertainty. There has now been effected a real marriage between Hitler and the Reichswehr, and it is evident that one or the other is the master of the situation, but all who study affairs in Germany carefully are unable to state with any assurance which is the master. Obviously there is a real agreement between Hitler and the Reichswehr as to the future policy of Germany's military career. Reports from various quarters indicate that the Germans are proceeding with their armaments as rapidly as possible. Some of the biggest plants like Siemens are working day and night. I am reliably informed that the entire S.A. consisting of 200,000 men in East Prussia has been transformed into a real army. They are continually being drilled and trained by Reichswehr officers and are undergoing the same kind of training as new Reichswehr recruits. This

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information is well-known in Poland and is partially responsible for the vacillation of Polish sentiment with regard to Poland's adherence to France and the Ost-Pact. It appears that the 200,000 S.A. men in East Prussia are being especially trained and disciplined. Not one of their leaders was executed in connection with the events of June 30 and they have received special treatment for some time past. The fear that foreign countries have had with regard to the use of the storm-troops is well justified in view of what is happening in East Prussia. This measure is well understood in view of the fact that these troops are isolated from the rest of Germany and their revolutionary character as party members has been entirely submerged under the discipline of military formations. They constitute no political danger for the Reich itself and I understand they are placed in an entirely different category from the storm-troops in Brandenburg and other parts of Germany proper, where their leaders threaten to become a menace.

The economic and financial situation, as precarious as it is, has now been placed entirely in the hands of Dr. Schacht, the Mephistopheles of the Government. He has full powers to deal with this situation, but I am reliably informed that everything he does and any measures that he takes are subject to the military exigencies of the program. This attitude of the Government towards the economic and financial situation will probably not change, no matter how stringent and precarious the industrial and financial circumstances become.

I am convinced that they misjudge the German situation who believe that internal economic and financial catastrophes will move Hitler and his Government from the main purpose of slowly accomplishing a complete military program. Germany's rearmament must go on at all costs and the German people will be obliged to face whatever circumstances arise to fulfill this program. It is reliably believed here that the Germans and the Japanese have some sort of understanding, and ~~the way~~ ^{that when} events move for the one

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they will also move for the other. There is probably no agreement as to when these events may be set in motion, and close observers are of the opinion that the time for action is not in the immediate future. The Germans are constantly hoping that they may be able to break through the circle of international disapproval and maintain the essentials of their program while obtaining distinct advantages from international commercial relations. Germany wants recovery without abandoning the National-Socialist idea. Germany wants foreign countries to accept National-Socialism here as they have accepted Fascism in Italy. The Germans believe that they sufficiently understand propaganda to overcome opposition abroad and that they can regain international confidence while retaining Hitler with a good part of his program.

National-Socialism as a political ideal built largely, if not entirely, around the person of Hitler, has not diminished greatly among the masses of the people. Its stability rests on the unprecedented, strong position of the "Fuehrer". There is no revolutionary movement on the horizon. Opposition does not raise its head. What opposition exists is merely whispered criticism, and the whole nation accepts whatever the Government does, in the hope that it will lead to larger opportunities for the German people. No program probably has met with more substantial failure than the program of Hitler. Measure after Measure has been defeated. The militarization of the students has resulted in vital resentment. In Goettingen several weeks ago the students marched in the streets and cried "Wir wollen nicht marschieren. Wir wollen studieren". (We don't want to march. We want to study.) The farmers are discontented and under normal circumstances would rebel. The so-called Labor Front has been a complete failure, and chaos exists everywhere. The workers are filled with resentment, but remain absolutely inarticulate. Great commercial interests are being hampered and throttled through the currency regulations and import monopolies, but they, too, are unable to initiate any real opposition. The great camps of the labor corps are hotbeds of resentment and discouragement, but these men are being drilled and

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militarized and subject to an unmerciful discipline from which there is no escape. The small shopkeepers who had hoped to see the National-Socialist schemes realized, are able to eke out a minimum of existence. Up to June 30 they were very vocative. Since then one hears no further complaints. The whole system in the country is under a Prussian discipline and for the first time workers in the factories are beginning to talk of the danger of war as they sense the purpose of all this discipline.

At the present time the great question is who will become Vice Chancellor. The candidates are General von Blomberg, representing the Reichswehr, and General Goering, a Nazi leader representing old Prussian militarism. The question of the Vice Chancellorship may be an all-important question, for if either of the above mentioned candidates is named to this office there is great danger of intrigue. There is undoubtedly a great deal of discontent in the Reichswehr, as a large number of the officers have no respect for, or confidence in National-Socialism, and they resent the existence of such organizations as the S.A. and the S.S. If General von Blomberg becomes Vice Chancellor he will immediately become the center of certain opposition and this might be the first step towards a radical change which may eventually come if the Reichswehr and Hitler have disagreements. Such eventualities are pretty certain, as it is most likely that if the Reichswehr has a voice in shaping policy it will encounter great opposition from such leaders as Goebbels and others who still represent the National-Socialist revolutionary policies.

The real uncertainties of the German situation lie not so much with the mass of the people as with the intrigues among the leaders, and there exists great uncertainty as to how these intrigues may develop. If Goering becomes Vice Chancellor the rearmament program, particularly as regards Germany's air strength, will be pushed with tremendous rapidity, and the European situation with respect to Germany's armed position will more apparently become a menace,

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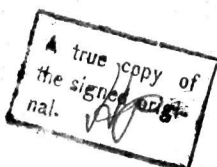
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and the disquiet in Europe will increase. Goering would push for rapid development, while if the Reichswehr in the person of General von Blomberg manages affairs, the development along military lines will be more conservative and more sure, even though the preparations extend over a whole decade. The Reichswehr will strive eventually for this program and will be inclined to secure more normal foreign relations and intrigue for the appointment of a Regent or for the return of some member of the royal family. Every effort will be made not to eliminate Hitler, for as long as he exists no new or revolutionary elements will be tolerated in the country. Therefore the great problem will be to stabilize Hitler, his policies and his regime.

Very sincerely yours,

Raymond H. Geist.

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