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Vienna, June 6, 1934.

Dear Moffat:

I was very glad to have your letter of May 4, which reached me, as you calculated, just as we arrived at Vienna. We left Berlin on the morning of May 19 by car and got to Vienna the evening of the 20th. We had intended to go by way of Dobrau to spend a short time with Countess Scheer-Thoss, but it had been arranged for me to present my letters on the 23rd, and there was, therefore, no possibility of lingering on the way. I rather regretted being thrust into things so quickly here, as I was not able to finish my report on my visit to Paris until the day we left Berlin, and that together with the many things one has to do incident to leaving a post, kept me, as you will appreciate, more than occupied.

Little did I think when I came here to Vienna last year just at this time for the Department, to attend the meeting of the International Chamber of Commerce, that I would be coming back so soon as Minister. It seems like a happy dream come true, and while I shall miss my work in Berlin and the associations there, I already can see that there will be plenty to do here, and I hope that I shall be able to make myself useful. These first two weeks have been busy with the routine visits, etc., that one has to go through with, but I am beginning to get oriented. We are living at the Hotel Bristol for the time being, and are looking for a house. The Legations, as you know, are for the most part housed here in the pre-war embassies, and are practically all very magnificent, much too large, and some of them uncomfortable in spite of their splendor. Our own Legation is housed very badly here, in fact so badly that something should be done about it as soon as possible, but I do not intend to take any step in this direction until I have had an opportunity to go over our whole situation very carefully. I had to give the matter some thought immediately on my arrival, for it

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Jay Pierrepont Moffat, Esquire,  
Department of State,  
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would be much easier for me to find a house in which I can also take care of the Legation than it will be to find an appropriate house used for living quarters alone. I felt, however, that I was not going to complicate the problem of our official quarters by getting the Legation tied up with my residence, so I have been looking for a house to be used solely by us for living purposes. There are, as you know, many old palaces here, but most of them have plenty of reception rooms with very few decent bedrooms or bath-rooms. We have, however, succeeded in finding a house of fairly modern construction in the same quarter where most of the legations are, which will suit our purposes admirably, for it has sufficient reception space and at the same time the comfortable living quarters that we want for ourselves, and for our friends whom we hope will come to see us here. The house is one in which I shall have to make many repairs and practically do over inside, but it suits us so admirably in other ways that I feel it will be worth while to make this personal sacrifice. The house, of course, is not nearly so magnificent, nor as large, as most of the other government-owned legations here, but it is quite ample and appropriate, both for the purposes of representation and living purposes. I understand from Mr. Carr that we may expect about \$2600 a year as rent allowance during the next fiscal year, and that will go a good deal further than the present allowances in helping to pay for a decent place. The new allowances will prove a tremendous relief, and the Department and Congress are to be congratulated on this worthwhile step, which I am sure will mean a great deal to our representation in so many places.

I am not going to try to go into the situation here at any length in this letter, but will give you a few impressions. I am delighted that my despatches 1964 and 1970, of March, were of use to you. I also have several notes from Mr. Phillips acknowledging my letters of April 13, 21 and 27 with regard to the German situation. I can quite understand that the change in the German situation is astonishing by the rapidity with which it has developed, but I can only say that everything which has happened in Germany since I wrote the above mentioned despatches and letters has justified what was said therein.

I have a copy of an article which Junius Wood sent to the CHICAGO DAILY NEWS day before yesterday, and as he . . .

he is very conservative in what he says about the German situation, I was surprised to find how rapidly things have developed even in the two weeks that I have been away from Berlin. Everything that I hear indicates that the situation there is developing along the lines indicated in my letters, and I am particularly happy that we are not doing anything to give the present régime any moral or material support. I think this is more important than ever, for we can see for the first time that there is a possibility of a reasonable government coming into power, and I am convinced that there must be another government in Germany before we can hope to have any arrangements or to make any progress for the settlement of political or economic questions, which is a necessary preliminary to any stability or recovery in this part of the world, and for us to be in a position to make any kind of arrangements for the protection of our interests or the reestablishment of our trade relations on a reasonable basis.

How long it will take for the situation to develop in Germany no one is able to say, but that things are going rapidly is beyond question. The Government may not be able to last more than two months, but my own guess is that it will last somewhat longer. The present régime is going to make a strong bid for support on the ground that any change will be towards the left. They came into power largely by making the German people believe that communism was the only alternative. Now they will most likely try to stay in power by getting moral and material support from the outside on the ground that any change would be radically towards the left. As a matter of fact, the real leaders of this régime have been more radical than any of the previous advanced socialist or communist leaders in Germany. I agree with those who believe that a change in the German régime will be brought about through the intervention of the Reichswehr and of the Stahlhelm, and that the Government will be one very much to the right and which can be depended upon to take a reasonable attitude on Germany's internal problems and on her external relations. So much damage has been done to the internal economy and to her external position that any new government will be so much occupied with the immediate problems which have to be taken care of, that I think the menace of

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Germany to European peace will be for the time being eliminated. I am not so optimistic to believe that a new régime will definitely eliminate German aspirations in certain parts of Europe, but I do believe that the preoccupation with internal affairs will give us a fairly long breathing space during which it may be possible to bring about a certain stability. Very few people outside of Germany realize how much damage has really been done in Germany by the present Government, and even looking at it from the most favorable point of view, the German people will have some difficult years in front of them. Had the Brüning Government been able to stay in power, Germany would have undoubtedly been one of the first countries to recover. Now so much damage has been done that under the most favorable circumstances, and with all the help and support that a new régime will have to receive, Germany is going to lag behind. This is not in any sense pleasant to contemplate, for it is in the interest of all of us to have as high consumptive power in Germany as possible, but the damage has been done.

I have had several long conversations with the Chancellor and the President here. I am very much impressed by the sincerity, sanity and capacity of the Chancellor. He has received me extraordinarily well and kindly, and seems to be pleased that we can talk directly without an interpreter, which is equally true in the case of the President, as both of them speak only German. The Chancellor is undoubtedly preoccupied, for while he realizes that the changing situation in Germany is removing in the long run the threats to Austrian independence, he fears, as do many people here, that, in desperation, Germany may take some provocative action against Austria in the near future. There is every reason to believe, and I see none to doubt, that the bombing outrages, so frequent in Austria recently, are stimulated directly from Germany. The National Socialists have no leader within Austria. All the direction comes from Berlin and Munich. It is really intolerable that one country should be permitted to interfere in such a way in the internal affairs of another. The object of the bombing outrages has been primarily to make it appear that life in Austria is unsafe and to scare tourists from other countries coming here. It is the elements in Austria suffering from the lack of tourist trade which make the Government here the most trouble, and it is to strengthen this unrest that the attacks on the railways, etc., have been made.

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The bombing outrages are only one of the ways employed by the National Socialists to create trouble here, and when I see the various means which they use, I recognize them very clearly and can practically identify the men in Germany who have given birth to the ideas.

The present Government is quite firmly entrenched, but the whole situation is such that I think the Chancellor has much reason for his preoccupation. If it is true, as some of my colleagues here believe and as the Chancellor seems to fear, that within the next weeks the German action in Austria will become more aggravated, there are all sorts of possibilities. My own feeling is that these fears will not be realized and that, while undoubtedly all sorts of outrages will be stimulated from National Socialist sources in Germany to provoke difficulties in Austria, no overt attempt will be made against her independence. I do not see how Germany can do it under existing circumstances. It would provoke a situation which would make immediate difficulty for her with Italy and with France, and, in my opinion, precipitate the fall of the whole Nazi régime. Of course, it is not out of the question that the Nazis themselves may use this as the means of precipitating the change, for they know that they are finished and may take this way out. In spite of this possibility, which one may even consider a probability, I venture to believe that no overt acts will be taken against Austria.

The general economic situation in Austria is somewhat better, which does not mean, however, that it is not still precarious. I have the definite impression, however, from those who seem to know, that there is an improvement in the internal situation. If personal feelings and ambitions within Austria can be kept in the background, and no mistakes are made here during the next months, I believe that the threats to Austrian independence will disappear. Starhemberg and Fey do not love each other, and the change of Starhemberg as Vice Chancellor in place of Fey has not helped that situation, but I think Fey is a good soldier and perhaps a greater patriot than Starhemberg, who is intensely ambitious, and Fey has taken the change very well. The immediate danger internally is in the ambitions of Starhemberg, but I think the Vice Chancellorship has satisfied him for the time being, and if the change in régime comes in Germany, the internal political ambitions in Austria will no longer be so dangerous. It

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looks to me now as though the situation in the Government here is fairly happy and may be kept so for some time, at least until the immediate threats from the north are removed.

The foregoing is very sketchy, but I did want to send you these first impressions by the pouch leaving today. I shall not be writing Mr. Phillips this mail, and I will be very glad if you will give him my very best wishes and such impressions from this letter in which you think he will be interested.

Betty was down here for a few days with Countess Scheer-Thoss' daughter, who is a very charming girl, but unfortunately it was during the very first days of our stay here, when I was making calls on a half-hour schedule. We were able, however, to take a drive to Semmering, and we hope later that both she and Jack may be able to come down and see us after we get settled in the house.

I hope in another week to send in a few despatches giving a more detailed statement of the situation here, as well as a letter giving some intimate background which I do not have the time to give today before the pouch leaves.

Believe me, with all good wishes,

Cordially and sincerely yours,

George S. Messersmith

GSM/LGW