

959

Berlin, Germany, March 1, 1938.

Jay Pierrepont Moffat, Esquire,  
Chief, Division of European Affairs,  
Department of State,  
Washington, D.C.

Dear Mr. Moffat:

I very much appreciate the note that you wrote me on February 3rd conveying congratulations on my recent promotion. It is very kind of you to add to the promotion such valued words of commendation and approval. As you know I deeply appreciate the sincere friendship which you have manifested so generously since 1931 when we had the pleasure of traveling to America together across the ocean. The greatest strength that one has is the confidence that sincere friends maintain for one and I deeply appreciate the prominent part that you have had in this.

Mr. Wilson has arrived but has not yet presented his letters of credentials which I now understand will take place at the end of the week. Unfortunately at the present writing he is sick with a slight attack of grippe. I have seen him several times and have had some good talks with him and I can see that we are going to work splendidly together as he shows every confidence in me, and I of course have the same feelings towards him. I am highly delighted that he is here and know that association with him will be most profitable and productive of efficient cooperation.

You must be intensely interested in the march of affairs in Europe during the last ten days and I can readily understand that from America you might see the picture pretty well confused for conclusions to

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stand out in any clear outline, as you say. Strangely enough, the events that have taken place both in Germany and abroad have been open to interpretation; and this is due largely to the fact that it concerns future policy and not so definitely facts accomplished. As you no doubt learned from Mr. Messersmith, I sent an advice to him with regard to the contemplated Putsch in Austria which was scheduled to take place between the date of departure of Stoyadinowitsch and July 30th. Information in Berlin and subsequent events tend to show that the big shake-up here on February 4 had to do to a very large extent with Austrian affairs. The memorandum which I sent to Mr. Messersmith in December showed conclusively the part that the Reichswehr was allotted in the Austrian venture, and the big shake-up which came after the discovery of the plot and the inability of the Nazi Party to put the matter through caused Hitler to assert his authority in a very drastic and final way. I know that you have been told that through the changes in the high command Hitler performed one of his adroit masterpieces of balancing one faction against the other; in this case the Reichswehr and the Party. Well informed opinion here among the Germans does not share this view. In a note I sent to Mr. Messersmith on February 7th when the pouch left I stated that the changes amounted to a complete victory of the Party over the Reichswehr and that it meant possibly an alliance with Italy and drastic action in Austria and eventually Czechoslovakia. The subsequent meeting between Hitler and Schuschnigg confirmed to a certain extent this interpretation of recent German events. I know there are those observers who attribute to the Army a strong conservative influence, but there is no question but that the Army is now fairly well divided, however unequally, as to Nazi loyalty. The old generals represent a strong conservative influence but they have not been powerful enough politically to withstand the weight of Hitler's influence or to form in any respect a nucleus of opposition. I am not sure that opposition even occurs to them. They are interested primarily in building up the Army, interested in war plans and the relative strengths of the German Army as compared to possible European opponents. The younger officers in the Army, a group which is steadily growing, are to a large extent sympathetic, with some differences, to the present regime. They, too, lack political

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influence but their sentiments are known and are taken into account by the older conservative leaders. The soldiers, on the other hand, i.e. non-commissioned ranks, I am reliably informed are indifferent and luke-warm. They have been to a large extent recruited from the farmer class and they regard political questions very largely from the point of view of "Home" and cannot be said to exert any influence in the army, either for or against the regime. It is even felt that they would not fight "fanatically" if a war of aggression ensued.

The industrialists and the rest of big business including the bankers are very sceptical as to the ulterior outcome of the present policy of the regime and have learned that capitalism, when it adopts militant protectors, finds the burden very heavy, and for many reasons these elements are definitely against the radicalism of the regime. The noble classes almost without exception are in a silent opposition.

I consider that it is wrong and misleading to assert that any kind of opposition worthy of the name exists in Germany, but that the prestige of Hitler and his party is so strongly maintained through the arbitrary safeguards protecting the present regime that Hitler and his assistants will have a free way into the future. All opposition is from abroad and the only hindrance to the Germans carrying out their basic policy is from that quarter.

I have long maintained and reiterate again today with the same confidence that the present regime will make no arrangements in Europe which prevent expansion to the East. It is reported that Lord Halifax when he was here stated that the British would have no objection to a closer relation between Austria and Germany so long as there was no violence. No violence in the sense of actual military aggression is agreeable to the present regime at this moment. Their policy definitely aims at creating a Nazi State in Austria, obtaining for the Sudeten-Germans an autonomous form of government similar to that had in Danzig. The

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Germans of course are not clear how far they can go and how fast this policy may be carried out, but one has only to talk with a few honest and naive Nazis to know how sure they are that the future lies in that direction. The results of the turnover in personnel of February 4th assure a clear working of this scheme so far as internal political aims are concerned. There is of course no assurance how this may induce complications abroad. The responsible heads of the army will at proper time warn against any hasty military venture and I am of the opinion that for the next two years no actual aggression in a military sense will take place. The Germans are very hopeful that their policy will succeed and in fact are sure of a great measure of success. They consider that they are in an advantageous position as they fear no attacks from any quarter and can take their time to mould the European situation to suit their convenience. One thing I believe may be taken for granted, and that is that the greatest amount of pressure will continuously be placed upon Austria for the next year and Schuschnigg will have a gigantic task to prevent the Nazi Party in Austria from gaining control. It is very possible and in fact likely that Hitler will show impatience in this direction.

It appears now certain that the country is not in a condition to embark upon a military enterprise, nor is the international set-up conducive to a venture of this sort. Two important tasks remain yet to be finished before this is possible. First, there must be a distinct improvement in Germany's foreign trade position allowing a more substantial importation of essential raw materials before a conflict starts, or a complete success of the Four Year Plan, both of which I believe are not attainable within the next two or three years. The former depends upon the international situation; the latter upon German ingenuity. The second important condition of a military venture is setting up the international situation propitious and highly favorable to a German aggression in the East. They believe they have made some advance through the change of policy in England. How far-reaching the new English policy may go remains unknown. If the English should succeed in

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making an arrangement with Mussolini and split the Rome-Berlin axis, German aggression I believe is far off. It is highly essential for a consummation of German plans in the East to have a supine England and France. While I believe these countries may yield to a certain extent I am very doubtful that the net result will be a condition in which the Germans can safely risk a major war. Besides, there is a great deal of work to be done in Central Europe in getting an alignment in such countries as Yugoslavia, Poland, Rumania and Hungary. The feeling is here among Germans with whom I spoke that the stronger Germany becomes the more fearful and cautious will be the attitude of the Central and South-Eastern European countries. The German policy is known to be so definitely one of aggression that I believe they will increasingly suffer set-backs and opposition unless something very definitely happens to England and France. In other words, for the immediate future the German aggression will be largely concentrated in the diplomatic field, supplemented at home by a hard drive for increased exports and consequently imports, and the providing of substitutes (Four Year Plan). There will be no diminution of political prestige in Germany nor will there be any collapse. There is no doubt that Hitler is going to give himself all the time he needs and that the Party is generally settling down for a long struggle to accomplish their program, not only at home but abroad, and that there will be no deviation, no matter how long it takes.

I do not want to close this letter without making some mention of the stiffened attitude which the German Government has taken towards us during the last three to four months. This period started last September when Mr. Dodd publicly disapproved our participation in the Nuremberg Party Congress. His subsequent speeches have been noted here with the greatest indignation and this has reflected itself in the attitude of certain German officials, at least those with whom I have come in contact. An important official in the Foreign Office whom I met at a social gathering as much as warned me that this is not the time to expect a cooperative attitude in certain quarters, meaning the Secret Police, the Propaganda Ministry, etc.. It is thought, however, that with the coming of Ambassador Wilson relations will improve and the bad

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effects of Mr. Dodd's outspoken criticisms overcome. Of course this is important for carrying on the daily work and including the Germans to see our side of the controversy. It is difficult enough under normal circumstances to get the Nazis to have any consideration for the American point of view and anything that aggravates the bad feeling makes it doubly difficult. I am doing everything I can to improve relations and would be glad for any turn for the better.

With very kindest regards and thanking you again for your most friendly letter, I am,

Faithfully yours,

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