

STRICTLY CONFIDENTIAL.

A German citizen whom I consider, next to Dr. Schacht, the best informed man in Germany on matters affecting her industrial, economic, and financial condition, and who also has reason to be well informed of the social and political situation, has given the following account in strict confidence of the situation as he sees it now in Germany.

Dissatisfaction with the National Socialist regime is continuously increasing in Germany. Food and clothing are becoming scarcer and of very bad quality. The intellectual classes, including the university students and their professors, feel humiliated over developments. Deep indignation prevails in the Churches. The lack of freedom of speech is widely resented. The four-year plan instead of inspiring a hope of better times, is ridiculed. The "brotherly" meetings between the employers and employees are fostering irritation rather than comradeship.

About eighteen months hence a revolution will break out. The upheaval will come from the masses. Army leaders will then step in to restore order and reinstate a constitutional monarchy which is what the German people really desire.

The men in power today are quite a small gang, probably only fourteen, including Goebbels who is discredited even with Hitler, and von Papen whose betrayal of Bruening brought Hitler into office.

Political murders continue, but Hitler and his friends have learned a lesson from the French Revolution, that is, they do not behead their enemies in public. Many prominent Germans live in fear of their lives.

The Army leaders are the moderate influence in foreign politics. They know Germany cannot win a war and that even a victorious war could only bring deeper misery to the German people. Thanks to their wisdom and decision an incursion into Austria or Czechoslovakia will not take place. The masses want peace with Germany's neighbors; the only war that might be a popular one would be with Italy.

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Nobody actually believes in Hitler's bluff when he wishes Germans to believe that his regime is admired by other nations. But intelligent Germans are distressed when they find men like Henderson strengthening Hitler's hands by expressing a feigned admiration. Diplomatic courtesy requires no more than a friendly appreciation of some traits in the German character and some of Germany's scientific, technical, and literary achievements.

In responsible circles it is realized, and Schacht in particular is well aware, that Germany's paramount need is foreign credits. Let those Governments who would be in a position to grant credits give the German people clearly to understand on what terms Germany would be regarded as sufficiently trustworthy to be given financial assistance - be it in the form of loans or commercial facilities. The first condition should be freedom of the press, which would spell the immediate downfall of the regime.

One of the leading and best informed objective observers of the whole position in Europe states that the foregoing must be received with the credence due to the statements of a man who knows the German situation from the inside as few do. He states that the man who passed these opinions hopes that the outside world will make known on what conditions it would be prepared to help, so that if Herr Hitler and his associates cannot accept these conditions they shall be obliged to make a place for others who would be prepared to do so, and the National Socialist regime would be superseded without an upheaval.

It will be noted that these foregoing statements were made by a German observer in the opening days of June, 1937.

The writer of this memorandum may further add that he knows the German who made these statements and has known him for years and can therefore vouch for his being in a position to pass a considered judgment on the state of affairs in Germany.

*JSW*