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October 11, 1937.

CONFIDENTIAL

Dear Mr. Secretary:

The views of a particularly well informed observer on the general world situation and which are set forth in the following paragraphs will be of interest to you as they come from one who has had long and intimate contact with these problems, whose sources of information and opportunities for observation have been unusually good and whose purely patriotic motives cannot be questioned. This observer is of the opinion that the gravity of the actual and developing position in Europe and in the Far East cannot be exaggerated, and that it has for the United States a vital significance. His observations and conclusions will be given in the following paragraphs

(a) "Although the conflict in the Far East provoked by Japan in China now has the front center of the stage, and the conflict in Spain and the Mediterranean question in which Italy is so important a factor are well in the foreground, the most important factor is still Germany. Until recently the developments in Germany and the plans of the national socialist regime which affected the interior of that

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country, as well as Europe in general, were in the foreground. Now these seem in the popular consciousness -- and perhaps in the minds of some responsible statesmen -- pushed very much into the background. It must be emphasized therefore that the crux of the major problem which concerns the world and the United States is still Germany. With the German problem settled and a Government there with which the United States and other countries could deal in a normal way, the difficult questions in the Far East and in the Mediterranean, as well as the general European question, would permit of a fairly ready, gradual and reasonable settlement.

(b) "There is a misleading tendency to characterize the present disordered world relations as due to the struggle between 'haves' and 'have nots'. This idea is being pushed forward principally by and in the dictatorships but there is a noticeable tendency to give credence to this as the principal factor in circles in other countries besides in the dictatorships. There is something deeper and more vital in this situation than a struggle between the 'haves' and 'have nots' and it is this basic clash of ideologies. It is very simple and perhaps convenient for some in the democracies to state that they are not interested in ideologies but the most vital and basic factor in the present situation is this conflict of ideologies.

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"The world is witnessing in at least three of the major dictatorships a reversion to the doctrine of force and of might and to an entirely different international morality than that which has slowly and painfully been built up in the last centuries. This resurrection of law of force is to replace present international law and practice and a whole new system of public and private morals based on the doctrine of might and force is to be imposed on the world. The problems involved in the struggle conceived to exist between the 'haves' and 'have nots' merely form one of the external presentations of this new international morality.

"Not only a completely new political and social order is being set up, but a new economic order has been established in the dictatorships. It is based on the idea of self-sufficiency and the imposition of bilateral agreements always to the benefit of the stronger state. Within the dictatorships, agricultural production has been stimulated and put on an artificial basis which cannot indefinitely exist. Industrial production has been s timulated and almost the entire industry transformed and put on an armament basis. The sum total of the economic and financial internal measures undertaken by the dictatorships is the imposition on them of a system under which the public and private resources are being used up, real wages are constantly sinking, the nation

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and the people are growing poorer and the standard of living is sinking. The dictatorships know that a day of reckoning must come when the last resources are exhausted and an exasperated people will no longer put up with a further reduction in their standard of living.

"Unless the dictatorships are successful in imposing their will on the world, the most difficult problems for the people of the dictatorships will arise when these arbitrary governments have disappeared. The entire economic, industrial and financial structure dislocated and impoverished, and in some cases entirely transformed, during the period of the arbitrary rule, will have to be brought back to a peace basis and incorporated into a world economic structure toward the disorganization of which they will have done so much.

"No one knows better than the dictators themselves that the economic, industrial and financial structure which they have set up has no hope of permanence except if they are successful in imposing their will on the rest of the world. The dictators cannot make concessions for the first concession is for them the beginning of the end. It is for this reason that they pursue so unrelentingly the course they have set for themselves and why it is hopeless for the rest of the world to believe that any lasting engagements can be made with the dictatorships.

"It is becoming increasingly clear that if the democracies,

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including the United States, are not willing to defend their political, social and economic views now by all peaceful methods at their command, it is only a question of time when they shall have to defend them with force.

(c) "There is no logical escape from the fact that, if the lawless nations continue to gain their ends through force, or through the threat of force, or if too dangerous compromises continue to be made as they have been made in recent years, disintegration will proceed inexorably and to the point at which the peace of the world will be definitely endangered and catastrophic war the sole possible outcome.

"The maintenance of the peace of Europe since 1933 has been possible only by the abandonment by the two great European democracies of one position after the other. In fact, since the end of the World War there has been one concession after the other, first to Germany, and then to Italy and to Japan in the hope that these concessions would satisfy and maintain the peace. The concessions have only whetted the appetite and the net result of the concessions is the situation which Europe and the rest of the world face today. A general war can be averted if the democracies continue further on this road of one sided concessions, which, however, can only lead in the end to war unless we conceive of the possibility of the democracies going down without any final end struggle.

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"To the informed and observing there is no escape from the conclusion that the UnitedStates are the ultimate object of attack of the powers grouped in this new system of force and lawlessness and that when the time comes for the lawless states to deal with the United States, the latter will be practically alone for the rest of the democracies will have been cleared out of the way. That the United States are the last on the list of the nations against which this doctrine of force is to be applied can give them only small consolation. The world has seen the action of the Japanese in Manchukuo and now in China; it has seen the Italian action in Ethiopia and is now observing it in Spain and in the Mediterranean. The authors of these policies have left no doubt, either by their declarations or their actions, as to what their intentions are. With increasing successes, pretense has been dropped and even the former barrage of protests of good intentions and pious declarations have disappeared. What has been seen so far and is going on in the way of action and of the application of this doctrine of force as an instrument of policy is only the forerunner, and must be viewed only as the forerunner, of similar and more serious acts if the movement is not soon stopped. There is ample and increasing evidence that the doctrine of force is already in the stage of cumulative effect.

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"So far the Western Hemisphere has been spared these acts of force by the lawless states. The United States, however, must know from its experience in the past what the aspirations of Japan and Germany are in the Western world. Some of the smaller and less powerful states in the Western world can speak volumes on this subject. The tentative action of the lawless states and its consequences have been felt at a time when the reassertation of the doctrine of force was still in its infancy, in fact hardly conceived. Once the position in Europe is propitious, one can realize the degree to which the force of the dictatorships will be felt in more than one spot in South America and further north. The ground in some of these countries to the South is already fairly propitious to receive a certain doctrine of force. The careful observer will not fail to keep in mind that the establishment of the dictatorships and the regimes of force play into the hands of a brutish, power-seeking, utterly selfish group which is found in every country and which only needs encouragement and opportunity to lift up its head and assert itself.

(d) "It is therefore not only territory which is in play -- as too many observers are inclined to think. In some ways territory is the least which is at stake. What is at stake fundamentally are those new ideas and new forces which are constantly coming more strongly into action and

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whose field of action is definitely, if slowly and cumulatively, expanding. All these new ideas and forces are directly opposed to the concepts, basic ideals and principles of action so happily still prevailing in the democracies.

"The maneuvers now in progress in the Far East, in Spain and in the Mediterranean, and in the general European picture, are only steps along a long road which the dictatorships have fairly well surveyed and laid out. These may even be considered, catastrophic as they appear now, as only intermediary and subsidiary steps. The single aim of the dictatorships, under the subtle leadership of the present Government in Germany, is the disintegration of the British Empire, the consequent weakening of England in Europe, the Dominions and component parts of the Empire easy prey to the dictatorships, and thus the opening of the way to attack on the United States, which by then would stand practically alone.

"The basic plan conceived by the national socialists in control in Germany is (1) complete control of Germany through the coordination of all public opinion forming means within the country and complete control by theparty of every aspect and expression of German life, (2) physical absorption of Austria and Czechoslovakia, (3) complete political, social and economic hegemony of Southeastern Europe by Germany, (4) the acquisition of the Ukraine, (5) concurrent with

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these steps the isolation of Russia, (6) the weakening of France through the break down of Soviet alliances and by the development of English-German friendship and cooperation, (7) in the meantime and concurrent with the latter part of the foregoing program, the disintegration of the British Empire would be in progress and reach a point when this disintegration could be accelerated by Germany at any time she saw fit, (8) with England weakened, the way would be open to the United States as the richest and strongest country of the world. It is really against the United States and England that the program is directed for we are considered the only worthy antagonists and we have what they want.

"The foregoing program is not based on any idle suppositions but on first hand conversations with major leaders of the present German Government who in such conversations have made no secret of their intentions. If there are those who still believe that such a program credits the fascist states with too sinister objectives, the story can now be read in the facts themselves by all but the blind.

"e) "The Soviet regime, although properly classified as one of the major dictatorships, must be considered for the present in a class separate and apart from the other three lawless states. Comparisons between the dictatorships themselves are in any event dangerous for in some respects they differ as much from each other in various ways as they

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differ from the democracies. The greatest danger in European thinking, and to a certain extent in the United States today, is in placing Soviet Russia so completely in the same category with the other three major dictatorships. Communism as a doctrine is as dangerous to the reign of order of the democracies as is fascism or national socialism but there is reason to believe that in Russia there has been a gradual transformation of communism into a form of state socialism which can accommodate itself gradually to the economic systems of the democracies. The autarchic systems of the other three fascist states do not show this flexibility and at least of Germany and Italy have shown no tendency to compromise.

"Politically the Soviet regime has in Europe no territorial ambitions and in Asia doubtful ones, or at least such less fundamentally upsetting to world order. Politically and economically there is no country in the world today which needs peace more than Russia and few which have reason to fear war more. In case of war Soviet Russia would be engaged on the Western as well as on the Eastern front with a population at home of doubtful loyalty. For the present and for the foreseeable future the probabilities are that the Soviet regime can be counted upon as a factor for peace rather than for war. This is more than can be said for the

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other three major dictatorships. It would seem, therefore, a policy of wisdom to use this cooperation which the present Government of Russia is willing to lend for at least it tends toward stability and for the reestablishment of order. If there is a danger inherent in Russia for Europe and the world, it is a matter of the future and not of the present, while the three other dictatorships are actively today threatening that peace. There is at least the probability that should Soviet Russia wish to disturb the peace of Europe in the future, she would then face a united and a strong rather than a disorganized and weak Europe.

(f) "The externals of the whole movement in the Far East and in Europe give the picture of a reversion to the worst stage of feudalism. The interests of the United States are as much threatened as those of any other country. As the Department of State is the instrument through which the foreign policy of the country is conducted and is the adviser to the President on matters affecting foreign relations, the responsibility resting upon that Department in the face of present developments is a serious one.

"The policy of the United States is definitely one of peace but the people of the United States still envisage this as the maintenance of a long range and a long term peace and not as a policy aimed at the maintenance of an armistice bought at a price which means ruin through war at

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the end. The only safe policy for the United States would seem one which does not risk the future definitely and the destruction of all that our people have stood for and struggled for. The policy which the interests of the United States, therefore, would dictate is a long range policy for peace and order, which looks clearly at the facts, and which is based only on the facts as they must be faced from day to day.

"A purely negative attitude now on the developments which are taking place in the Far East and in Europe, such as the determined adherence to isolation proposed, would present the great risk that the major bulwark which stands between the United States and the successful dictatorships -- the British Empire -- will be destroyed. Once the Empire is weakened, the position of the United States is weakened for then it will stand practically alone.

(g) "There are those who still need proof of the intentions of the lawless states. They seem to think that as long as their acts are aimed only at others it can be a matter of no concern to the United States. There could not possibly be a more fallacious viewpoint of its interests. If the cynicism of Hitler, Mussolini, and the Japanese militarists have not convinced in the past there are now the acts of all three in more than one country. As to the national socialist regime in Germany, which is the main spring

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of the whole movement and the real power behind it, there are Hitler's own words. Those who know the national socialist leaders do not have any doubts as to their acts being even more ruthless than the Japanese and Italian massacres of civilians in Ethiopia, China and Spain.

"It is not that proof is lacking but that truth is being ignored.

(h) "It is the fears of war and the horrors of war which persist in the democratic states, and understandably so, which are paralyzing their action. It is exactly this which the fascist states are deliberately capitalizing. Just as in every political, social and economic sphere they are capitalizing the worst that lies in human nature in the most cynical fashion and have showed a realistic perception of these less fine human characteristics, -- so this fine feeling existent in the democracies and which finds expression in the fear and horror of war is being capitalized by these cynical regimes and so far with a success that seems incredible. This fear of war in the democracies which has been accompanied by an extraordinary patience which does them credit may if carried beyond a certain point lead to their ruin. It is in this particular aspect that a dangerous game of poker is being played in Europe. The dictators hope and are playing their hands on

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the hope that the patience of the democracies will be carried beyond the point of safety. The democracies hope that by the exercise of patience they will wear out the dictatorships and in the meantime are increasing their own strength through rearmament. This is a dangerous game with great stakes for the stake is really peace and the saving of civilization.

(i) "The democracies recognize that force and war are still instruments of international policy and action. This recognition is shown in the fact that they maintain armies and navies. Even the peace societies are in favor of certain armament for defense. The democracies, however, while recognizing force as unfortunately still an instrument of policy and while maintaining military and naval forces, wish to use them only for defense. The dictatorships, however, not only recognize force as an instrument of policy but consider it as an active instrument and are arming themselves to the teeth and brandishing their armaments before the world with the hope that through this threat of force over more peaceful nations they may gain advantages contrary to the international morality, right and decency. They know that they cannot now get away with this by the actual use of force if the other nations choose to assert themselves. It is therefore upon the fear of war in the democracies that

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they are playing and on the lack of complete unity of action between them.

"It is out of these basic ideas that there grows this common action on the part of Germany, Italy and Japan when they lack any other common ground on which united action is usually based. They put out this definite threat of force and war hoping that, although the balance in the way of actual power is against them, their aggressive action and the fear of war will permit them to gain piecemeal, but steadily, their ends, and finally the goals which they have set for themselves.

"The United States are increasingly being faced by a recognition of the fact that these developments in the Far East and in Europe cannot leave them cold; that it is on what happens there that will depend to a large extent their own security, happiness and maintenance of those ideals in which we believe. No matter how much, therefore, they may wish to feel aloof from what is happening in the Far East and in Europe, no matter how much they should like to find shelter behind so-called neutrality legislation, the people are beginning to realize more fully every day that the vital question before them is whether the country will follow a temporizing policy which will almost certainly bring war in the end or one which offers the hope of really

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maintaining peace, with decency and order. As the policy making Department in foreign affairs the responsibility for informing and guiding public opinion in its own interest is a heavy one on the Department of State.

(j) "In view of the foregoing, it is ventured that, while all of the action of the United States now must have for its primary objective the maintenance of the general peace through peaceful means and the noninvolvement of the country in war, there must be this basic formulation of a policy which does not make war inevitable in the end. The policy of the United States must be a wise, long range policy of peace and not one which by concessions and complaisance will bring about inevitable war."