

446
Vienna, February 27, 1935.

*Present
Chamberlain*

Dear Mr. Phillips:

I last wrote you on February 23 and you may be interested in the following more intimate reactions on the Austrian and general situations. While the developments within Austria and in the general picture over here on the whole and for the most part continue in the right direction, I continue of the opinion that Europe has entered on the decisive stage of developments; that the next months will mean a great deal in determining whether there shall be eventual peace or war, and that the outcome is by no means yet clear. I continue of the opinion that a great deal depends on the course England will follow and although in this respect the developments have been on the whole good, there is not yet complete certainty that a course governed by absolute facing of the facts will be followed by her. This, for the present, is the most disturbing and unsettling factor in the major situation.

Here in Austria the situation remains quiet and although there is contrary opinion, I find that the great majority of objective and well-informed observers are of the opinion, which I have already expressed to you, that the Government is stronger than it has been for well over a year. This is not due to any inherent strength in the Government itself - that is, it is not due to either the strength of the personalities in it or to the active support which it has among the people - but to the fact that there is less organized opposition to it and a more passive attitude based on the feeling that there is nothing to be done, that it is the best that can be had, and that internal peace is essential not only for Austria but for Europe.

The Socialists and Communists are both comparatively quiet and both lack leadership. The radical Socialist and Communist elements outside of Austria which are trying to stir up trouble in Austria find lack of response through the absence of leadership in these groups in the country, as well as through the decreased prestige of these emigrés who would like to dictate policy and action from the outside. There are,

The Honorable William Phillips,
Under Secretary of State,
Washington, D. C.

however, indications that certain Socialists in the country who have heretofore been fairly moderate have become exasperated through their inability to make headway against the Government and have become more radical. They feel that the greater apathy among the Social Democrats endangers their own leadership and ultimate position and this has embittered them. There is reason to believe that radical Socialists and the Communist groups in Austria are working more closely together, and this has been apparent in various ways more recently. According to the best information I can get, however, they have made little progress in stirring up either Socialists or Communists, and the complete fiasco of even the light and other strikes planned for the anniversary of February 12, was an indication that under present conditions any trouble for the Government from Socialist and Communist sides is unlikely. I think I should point out, however, that there is a certain co-operation between a group of radical Social Democrats and the Communists which is a more recent development but which so far has not been able to accomplish anything.

The Government, however, is faced in this connection by the very difficult problem of the social insurance system being in a very serious condition. The social insurance system is not bankrupt, but it is obvious that with existing revenues it is impossible to continue to pay on the present level. Realizing the bad effect which a decrease in payments will make among the whole population, every endeavor has been made to find money to keep the payments at the present level. Every avenue was explored, but every solution had to be discarded as it involved increased taxation in some form or putting the budget definitely out of balance. Increased taxation is not possible for it would probably result merely in decreasing rather than increased returns. To put the budget out of balance will destroy that confidence which the financial situation of Austria has aroused at home and in Europe and even though the Finance Committee of the League might agree, the eventual effect would be dangerous. The Government therefore has been studying the methods by which the social insurance system can be made more healthy and kept solvent, but no solution has yet been arrived at and it is likely that the Government will continue to temporize for some months longer hoping that a clarification in the general situation may make a decrease in the payments made less dangerous in its effects upon political and social stability within the country.

From the National Socialists in Austria I think no action against the Government may be expected for some time. As I have set forth in my despatches and letters, the Party is disorganized and divided and the leaders discouraged. The money which has been coming from Germany is not sufficient to keep even local leaders contented and there is no immediate prospect of more money from Germany. The Nazi leaders in Austria are discouraged by developments in Germany where they see the Party becoming more radical instead of more moderate. The instructions from Germany to those groups which look for leadership from there have been to keep quiet and this makes the position of Nazi leaders in Austria more difficult. Two developments within the last few days have been a further real blow to the Austrian Nazis, the first being the Tschirschky incident, and the second the so-called voluntary dissolution of the National Socialist organization in Upper Austria.

First of all, the Tschirschky incident. He was, as you know, one of Papen's three secretaries in Berlin, the other two having been von Bose and Jung. I knew all of them in Berlin, but von Bose and Jung better than Tschirschky. Von Bose and Jung were both splendid characters and what I would call good Germans in every sense of the word. Tschirschky in Berlin kept away from foreigners more than von Bose and Jung, but from all I knew of him then he was a very high type of person. von Bose and Jung, you will remember, were murdered on June 30. Papen and Tschirschky it was undoubtedly intended should go the same way, but the same influences which saved Papen saved Tschirschky, although the latter was kept in prison for two weeks after June 30, and each day during that time Frau von Tschirschky was called up from the Police Presidency in Berlin by someone to say that her husband would be shot that day.

When Papen came to Vienna as Minister he brought Tschirschky with him as one of his special attaches. We had the impression here that Papen had brought him for two reasons, first, because he felt that because of Tschirschky's reputation as a decent man and as one not at all a Nazi, he would be useful to him in his work here in Austria in certain circles. The second reason undoubtedly was that Tschirschky's life was insecure in Germany and Papen wished to give him the greater safety which the Vienna assignment would provide.

I personally have seen little of Tschirschky in the few months that he was in Vienna, but Kliefoth had contact with him which was close, due to their former Berlin association. I know, however, from various reliable sources that Tschirschky was almost imprudent in the comparatively open way in which he expressed his disagreement with Nazi policy. The upshot of it all was that he was instructed to return to Berlin. He did not go and a second instruction was conveyed to him to return at once. Instead of that he went on a holiday to Switzerland. Papen was called to Berlin and while he was there he sent orders to a member of the staff of the German Legation in Vienna to hunt up Tschirschky in Italy or Switzerland and urge him to return to Berlin at once.

Then the story broke in the press and was first published in a Prague paper. The whole background is not yet clear, but Tschirschky is undoubtedly in Switzerland and Papen has returned here from Berlin and is far from a happy man. He was at our house for lunch just before he went to Berlin on this Tschirschky matter and as I know him so well I could tell that he was very much preoccupied and unhappy. He seemed to be very much pleased at having been asked to our house for lunch.

There is a story here believed by some well-informed persons that Papen brought Tschirschky here for his contact with Austrian Legitimists. It is known that Tschirschky has looked upon the return of a Hohenzollern in Germany as a way out of what he considers an intolerable situation there. According to this story, Tschirschky did work among the Legitimists here and that this was his downfall. Anyone who knows the situation here realizes that Papen is not trusted by Berlin and that the Party has various ways of informing itself of the activities of the Legation staff here. I do not put much credence in the Hohenzollern or Legitimist end of this incident, but I think it is unquestionable that Tschirschky's strictures on National Socialism here were the cause of his recall by Berlin and he would undoubtedly have had a hard road to travel if he had gone back.

Frau von Tschirschky and her children are still here in Vienna where they occupy an apartment in the house that Earle had while he was here. I understand that they are to join Tschirschky in Switzerland very soon and that he has no intention of returning to Germany. He and his wife are really very nice and worthwhile people and as a good part of his story is known here, they were received in a much more friendly way than the people in the German Legation generally. The effect of the Tschirschky incident has been a very real one here for among those who have been disinclined to accept the stories of Nazi wrath and ruthlessness the implications in his recall have had their effect. The incident will bring further disillusionment in certain aristocratic and land holding circles in Austria which have been half or altogether Nazi.

I have gone to this length with regard to the Tschirschky incident because the psychological effect of it here has been real, and already in Berlin it is understood that another serious mistake has been made. Every effort will be made to get Tschirschky to return to Berlin and I think all kinds of promises will be made to him. As a matter of fact, what has happened is the best possible life insurance that Tschirschky could have, for it is not likely now that even if he does return to Germany that anything will happen to him. Further than that, it is not at all impossible that Tschirschky will return. The Party agents will tell him that his life is entirely safe if he does return and that even though he has no sympathy with the Party whatever, he should, as a good German, return as his staying away will do more harm to the reputation of his country than it will to the Party. One of the curious things about the German mentality is that this argument appeals to good Germans like Tschirschky and for this reason I do not hold it out of the question that he may return.

The second blow which the Nazi organization in Austria has received recently is the so-called voluntary dissolution of the National Socialist organization in Upper Austria which has been announced in the press in the last few days. It is in this part of Austria, as you know, that the Nazis have been the strongest, owing largely to the lack of the German tourist business. It is believed here that this so-called voluntary dissolution of the National Socialist organization

in Upper Austria has been ordered from Party sources in Germany in order that Berlin may show good faith with respect to Austria when Sir John Simon arrives in Berlin. The British are prepared to say some hard things about German official and Party interference in Austria. Berlin knows that the Chancellor and the Foreign Minister have given some very definite and damaging information with regard to German activities during their stay in London. Berlin therefore ordered the National Socialists in Upper Austria to "voluntarily" dissolve themselves so that Berlin could point out to the English visitors that this is one of the positive ways in which Germany is showing her lack of desire to interfere in Austria.

In the dissolution reports it was indicated that the National Socialists would ask to enter the Patriotic Front. Prince Starhemberg has made it clear already that mass initiation of Nazis into the Patriotic Front will not be permitted as a change of heart will have to be proven to be real before it is accepted. Whether this dissolution is a manoeuvre or not, and I am inclined to think that it is, it is not going to strengthen the Nazi cause in Austria for it will further discourage the Nazi leaders in other parts of the country.

The execution of the two women as "spies" has not helped the National Socialist cause or prestige in Austria or anywhere else in Europe, and there now seems to be definite information that two more men were beheaded as spies several days ago. It is strange how so many people forget and how little they see the significance of such events. The execution of the two women shows something which we have had to deal with in Germany in the past and have forgotten; something we have to deal with today and look upon with complacency; and something we may have to look forward to in the future and ignore or refuse to believe in spite of the facts. Here and there we have a voice raised in the wilderness such as that in the MANCHESTER GUARDIAN which said "When in Germany in times of peace the death penalty is inflicted on ^{spies}, then this can already be interpreted as showing that in the Third Reich an atmosphere of class struggle and the preparation for war are very much alive".

In one of my recent letters I stated that it was interesting that at a time when the Austrian people had more confidence in their Government than they had had for a long time the leaders of the Government themselves should feel themselves less secure. This situation undoubtedly existed among some of the people in the Government, but I think that the visits to Paris and London of the Chancellor and the Foreign Minister will give to them and to their associates in the Government increased confidence. I pointed this out in my last letter with regard to these visits and I think that what we know so far of what has happened in Paris and London points to this as the principal results of the visits. Schuschnigg and Berger-Waldenegg will return to Vienna much wiser men and in many ways much better informed, and I think at the same time strengthened in their conviction that any change in the form of the Government is for the present out of the question.

Although these visits to London and Paris were made on what was originally Austrian initiative, and although London and Paris did not place any particular importance on the visits when they were first arranged, it is interesting to note that as the result of developments in the general situation the conversations which took place were of considerable importance.

The unfavorable and equivocal initial German response to the Anglo-French conversations in London following the French-Italian conversations in Rome showed Europe clearly how dangerous the situation was and what Germany's real intentions with respect to various parts of Europe were. The internal Austrian situation and the maintenance of Austrian independence assumed at once in English eyes a more real significance. The communiqués which were issued after the Paris and London visits are much more interesting for what they do not have in them than for what they actually contain.

The Chancellor and the Foreign Minister were both prepared to talk about the Habsburg question in Paris and London and just because they were prepared to talk about it, and because the developments in the major situation had been what they were it was necessary for Paris and London to talk about this question more definitely than they had intended. Schuschnigg is a fine man and really a very fine character in every

way, but I think we must accept it that he does not like his job. The difficult problems, personal and otherwise, which he has to deal with are irksome to him. He and Berger-Waldenegg and most of the people in the Government are monarchists at heart. Aside from what I believe their mistaken notion that monarchy itself would be a further defense against Germany, they are really monarchists at heart. It would settle many problems for them. The Legitimists themselves have not failed to seize this advantage and have made it clear that they are entirely prepared that the return of a Habsburg means a return of monarchy in Austria without pretensions elsewhere.

Schuschnigg and Berger-Waldenegg therefore wanted to say in Paris and London that while they were eager for the rapid conclusion of the non-interference pacts, they wanted the question of monarchy and certain other questions considered as purely internal ones. While Paris and London have on the whole an understanding attitude towards this point of view, there is reason to believe that they quite categorically pointed out that the Government was going too fast and too far in this matter. France very definitely has to think of the Little Entente which by no means is yet prepared to accept the return of monarchy in Austria even in the very reasonable form that the Legitimists now profess to be satisfied with. England, not so intimately bound as France, is interested in maintaining the status quo and in keeping down all disturbing elements until the major questions are settled. I think therefore that the Austrian visitors heard some very plain things in this connection and will keep the monarchist idea in the background where it belongs.

From the press comment in the French and English papers and from the official comment I have been able to get so far, it is clear that the visits served a very useful purpose. In Paris it was arranged for the Austrians to see some of the leading people there who do not look with benevolence on this Government, and in London they saw Henderson and others who undoubtedly did some plain talking. In England the attitude of some of the principal Labor leaders and of some of the Liberals towards the Austrian Government has been a great handicap to the Foreign Office in its policy with respect to Austria and indirectly Germany. It seems, however, that among these people both in Paris and London Schuschnigg and Berger-Waldenegg made a good impression and the personal contact from what I can learn so far, dispelled

some exaggerated opinions which were held about this Government which, while Fascist and arbitrary in form, is really most reasonable in practice. I do not hold any brief for this Government, but as an entirely objective observer I have never been able to appreciate the extreme resentment against it in influential circles in England. There has been an impression that Berger-Waldenegg is very much of a light weight and that Schuschnigg is a doctrinaire and impractical. Schuschnigg is by far the more intelligent and capable of the two, but it is incorrect that Berger-Waldenegg is a light weight or that Schuschnigg is a pure doctrinaire. They are both capable, decent, and reasonable men, and they give that impression to those who have real contact with them.

One thing is clear, and that is that the visits to Paris and London assumed an importance which was not originally intended or foreseen and that their effect on events has been and will be on the whole favorable.

1/ So far as the major situation is concerned, I think we still have very real cause for concern, and this is due to the fact that England's attitude is not yet entirely clear or consolidated. She is still looking for a way out and there are influences at work in England which seem to be totally lacking in appreciation of the facts which have to be faced. I am taking the liberty of attaching to this letter a clipping from the London TIMES of February 21, which reports the Cabinet meeting of February 20. It is one of the best worded and at the same time one of the most encouraging statements which I have seen. It shows the careful consideration which the English Government is giving to these problems and its earnest effort to maintain peace. I am informed that in this Cabinet meeting where the weighty decision was taken not to engage in separate conversations on the air pact, but to insist on the consideration of the whole London program, only two votes were cast against the final decision. I have good reason to believe that I know some of the information which was presented at that meeting and which caused some of the Cabinet members to change their opinion with regard to separate conversations on the air pact. There is increasing recognition of the real situation in London, but it is not yet complete.

The effect of the decision of the British Cabinet on February 20, as reported in the appended article, was, as you know, immediate and as I felt sure it would be if England

remained firm. Berlin immediately let it be known that it was prepared to discuss the whole London program. Faced by such an unequivocal attitude in London and by the clear unity between London, Paris, and Rome, Berlin had no other course but to give in. This is the only policy which will have any effect with this regime in Germany. Force, coercion, terror, and deception are the acknowledged and, as we know by experience, the constant instruments of the present regime in Germany. It believes fundamentally in the conclusive effect of fait accompli. It is useless therefore to employ the language of persuasion at present in Berlin. This is appreciated in Paris and Rome. It is not yet thoroughly understood in all circles in London. Herein lies the danger. While I do not mean to infer that London, Paris, and Rome must use the same instruments which are favored by the regime in Berlin today, we already should know that unless Berlin is faced by a firm and united front nothing will be arrived at.

The British procedure with regard to the Berlin visit has been a masterpiece of diplomatic strategy. London did not give Berlin the satisfaction of a visit to Berlin alone which from the outset I have felt sure would add immeasurably to the prestige of this regime. She has therefore let it be known that a visit to Warsaw and Prague and probably Moscow may be made in connection with the Berlin visit. I need not go into all the implications of this, but it has had its effect in Berlin already. I hear this morning that Eden may also be coming to Vienna.

Faced by defeat in the effort to drive a wedge in London, Hitler and Goebbels on the following Sunday, that is, February 24, issued blasts to convince the German people of the success of National Socialist policy. Faced by this failure and recognition of the difficulties in the internal financial situation, their speeches on Sunday must be considered as bravado, but they also have a deeper significance. The political program of National Socialism is at stake and at the same time the Government is faced by the necessity of converting the 12 billions of marks in Arbeitsbeschaffungswechsel into some form of long term debt and this conversion seems necessarily to have to take the form of a forced loan. The way towards this is gradually being prepared as one can see

from the news coming from Berlin. The acuteness of the external and internal situation has strengthened the radical wing of the Party. Hitler is again leaning on Göbbels and on men like Darre, Ley, and Streicher, who had been disappearing into the background but are coming to the fore again. The speeches of Hitler and Göbbels on February 24 were extremely belligerent and show that the temper of the Party is on edge.

The atmosphere for the approaching conversations of Simon in Berlin is, so far as one can see now, not altogether favorable. Although the Cabinet decision in London of February 20, already referred to, is most encouraging and has had its initial effect, there are still influences at work in England which will tend to make the Berlin conversations much more difficult than they need be. The London TIMES in a leading article just a few days ago referred to the British Cabinet as having chosen the more difficult course and this sort of thing is bound to have its bad effect in Berlin. The TIMES is not the British Government, but it is unfortunate that more recently its comment has not been as understanding as one could wish. The Germans are not the only ones who make mistakes in psychology, and there are still elements in England, as I have pointed out in some of my recent letters, which utterly fail to appraise certain factors in the German situation at their real significance. The articles of Lord Lothian in the TIMES have done a good deal to muddle earnest British opinion and the impressions of Lothian, secured in a single interview with Hitler, are apparently being given greater weight by many than the opinions of those who have had long and steady contact with the German regime and who base their opinions on known facts rather than on the impressions of a single interview with a man of the mentality who could order the murders of June 30, and openly assume responsibility for them before the German people and the world.

If the British Ministers who go to Berlin will face the facts and remain firm on the whole London program and not allow the air pact to assume too great importance, a

compromise may be found with respect to the Eastern Locarno which may satisfy France. The British and a good many of us have blamed France for doing so much harm through an "unreasonable" fear of Germany. Now certain circles in England in panic over the air menace from Germany are perhaps just as unreasonable and would be willing to push the air pact to the expense of the major situation, as though this pact by itself would mean anything. It is easy for the pot to call the kettle black.

At the same time we must remember that in order to back up the increased air armament program in England there are those who are willing to push the air pact at the expense of the rest of the program which is just as important as the air pact and without these other matters being settled, the air pact means nothing. It is again a case of selfish interests even though well intentioned failing to see all the factors involved.

Berlin is going to bluff, be very angry, and use the same old tactics, and it remains to be seen whether these tactics will be successful. If the facts are squarely faced and the British Ministers will assume an attitude in accord with what we know German psychology to be, the regime will be forced to a more reasonable attitude and this is the only promise which I can see the situation holds. It is almost inconceivable that at the moment of Germany's most complete isolation and at a time when her internal situation is in reality most critical, any move should be contemplated which will tend to add prestige to and prolong the life of a regime which has in it so much danger for Europe and for the whole world. Either the present regime is going to score another great victory during the Berlin conversations or it will have a very real setback. I think there is no middle course. The responsibility of England is therefore real and inescapable and the course of events depends on her attitude.

The Chancellor and the Foreign Minister will return to Vienna tonight or tomorrow and I will write you again after I have had an opportunity to talk with them.

496

- 13 -

I should add that the trial of von Rintelen which was originally planned for March 2 may not begin until some days later and I would not be surprised to see it further postponed. Considering everything, it would be very desirable if it should not take place while these conversations are going on for no matter how carefully managed, it may do harm.

The Tschirschky incident has had a very depressing influence in the German Legation here. They are all afraid of each other and much depressed. Papen himself is obviously depressed about his situation here as well as in Germany. I get it from good sources that Berlin is actively dissatisfied with him and that his mission ~~would already be ended.~~ However, his recall would be another blow to German prestige. It is a curious situation that he should be in the position of being tolerated here as well as by his own Government.

*is considered
positive*

There is a lot of talk that the restoration question may be settled eventually by preserving the present form of a Ständische Staat with Starhemberg as "Regent" (Reichsverweser), that is, in a similar position as Horthy holds in Hungary. It would settle many difficult personal situations and might strengthen the Government. I am only mentioning it in this brief way now as you may hear about it and it is something which is being seriously considered, but I don't think there will be anything happening for months in this respect. Even this would be too disturbing for some of Austria's neighbors. I will touch upon this in a later letter as it is not of sufficient present interest to go into now.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith.

Enclosure:

1. Clipping from the TIMES.