

Vienna, October 17, 1935.

Handwritten signature

Dear Dunn:

I was very happy to have your interesting letters of August 22 and September 30. I can appreciate at least to a degree the difficult problems which you have to handle in the Department these days growing out of the European situation. I have tried to give you all from here as useful information as I can for I realize how important every bit of background is in these difficult days.

With my letter of October 11, I sent to Mr. Phillips a memorandum on the European situation as I see it. It contained a good deal of information which I am sure you already had from other sources and some of which I had already transmitted in my letters and despatches, but it also contained, I think, some new data of particular interest, particularly such as that relating to the initialing of the German-Japanese agreement. What I wished to do was to give you the picture as I saw it from here with certain conclusions which I believe must be drawn from it.

I have just sent a letter to Mr. Phillips, dated October 15, in which I stated more specifically the conclusions which I believe we must draw from the situation set forth in that memorandum. You will see this letter and you may think that I have written with a frankness that is almost brutal, but I am sure that you will understand that it is only because I see the situation as really a most serious one for Europe and that it is one which cannot be handled with gloves. There are times when fundamental facts must be faced and Europe is going through a time like that. I may be wrong about the conclusions which I draw in this letter, but it represents my honest convictions based on careful study, and I felt that I must convey them frankly and in as definite a form as possible to Mr. Phillips.

I realize that the memorandum and my letter of October 15 are a little long, but I would be very happy if the President and the Secretary will have an opportunity to go through them also.

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Here in Austria the picture remains materially unchanged and the developments are along the line I have indicated in my recent letters and despatches. As was anticipated, Austria refused to participate in sanctions and it is generally understood that this was the only attitude that she could take under the circumstances. There is less appreciation of Hungary's attitude, which is also quite understandable, and there are a good many in Hungary who are not satisfied with the stand she took at Geneva. In fact there is so much dissatisfaction in Hungary in Government circles that Goemboes has been considering asking Kanya to resign and to make him the goat. Kanya of course was in favor of a much more careful policy at Geneva, but it was Goemboes who dictated the Hungarian attitude. Now that he finds that he has put Hungary in bad, he wishes to make Kanya the goat. I doubt, however, whether anything will come of it, for while Kanya is an old man, Goemboes is a very stupid one and could not very well do without Kanya.

In connection with the Hungarian attitude at Geneva you will find the following interesting. Tyler, who is an American and the representative of the League Finance Committee for Hungary, was up here several weeks ago and told me that his friends in the Hungarian Government were very depressed. He said that they were sure that as usual they were going to do the wrong thing and get in bad in Geneva. I didn't realize how right he was at the time. The Hungarians look at their situation in a rather tragic way and it is curious that they almost inevitably do the wrong thing.

I had a very interesting conversation with the Foreign Minister yesterday. While he did not say definitely in so many words that Austria would not leave the League if Italy does, he did say it indirectly in a number of ways. He does not wish to come out with a direct statement now, for the Italians of course are not letting up their pressure here that Austria should leave when they do. The Minister, however, was rather eager it seemed to me to let me know that there would be no question of their leaving the League no matter how Italy may act.

What he said with respect to sanctions was also particularly interesting. He said emphatically that Austria

did not intend to make any capital or to get any benefit out of her not joining in the League sanctions. He said she was not going to be a Kriegsgewinner or a Schieber. He said that he hoped normal trade with Italy would keep up, but he said it in a manner which indicated that he felt sure that even this would not keep up. He undoubtedly has in mind that payments from Italy are already slowing up and knows that the volume of normal trade will shrink as the Austrians will not sell except for cash. He also indicated that he saw no increase over the normal trade of Austria with Italy as a result of the application of sanctions by other countries and gave the distinct impression that Austria would not become a supplier of munitions or other war material. The reason for this I think is quite clear as the Austrian manufacturers are not going to start the manufacture of munitions on any increased scale unless they see prospect of payment and this they definitely do not see.

He also said to me yesterday that Austria of course could not interfere with the transit traffic from Germany or from Czechoslovakia through Austria to Italy. Any interference with this traffic, he said, would be contrary to their trade treaty with Germany and would, irrespective of treaty provisions, merely provoke aggression by Germany which could do no one any good. In speaking of this to my British colleague it was interesting that he made the further comment that the Austrian railways were already carrying about all they could in the way of transit traffic and left the distinct inference that Austria could not really serve as a very effective means of transit for any materials from Germany to Italy.

It was particularly interesting that in speaking to my British colleague of the attitude on sanctions by Austria at Geneva, the Minister expressed a good deal of concern. He said that the Austrian attitude had been very much misunderstood in England and in France, although he was deeply appreciative of the degree of understanding which there had been of it. He said that Austria had not really intended to vote against sanctions and had distinctly instructed the Austrian Minister at the League that he should abstain from voting if it came to a vote. The Minister said that Austria was placed in a difficult position through the attitude of Benes, acting as Chairman, by the way he conducted the proceedings. The

statement by the Austrian Minister was interpreted by Benes to be a negative vote, when as a matter of fact it was not intended by Austria as more than a statement that she could not participate in the sanctions. Austria, he said, had intended, if it came to an actual vote, to abstain from voting and had given specific instructions to this effect. It is an interesting sidelight on the situation and is a further indication of the delicacy of the Austrian position and the care which Austria has to exercise not to offend England and France or the League through her maintenance of friendly relations with Italy.

The Government here is convinced that there is no immediate danger threatening Austria from Germany. Papen has had several conversations with the Foreign Minister recently, but there was no progress whatever on the negotiations which he has been trying to carry on. On his last trip to Berlin it appears that he tried desperately again to get authority to discuss a non-aggression pact, but without success. Papen believes that if they could get a non-aggression pact with Austria, they could continue with better success the undermining of the Government here. The Foreign Minister told Papen that he he could come to him with direct evidence that Hitler had given his approval of negotiations of a non-aggression pact, and on the basis of the complete sovereignty of Austria, he would be very glad to talk with him. Papen had to admit that he had no authority to negotiate on such a basis. The Minister replied that that was the only basis on which negotiations could begin.

1/ I am glad you found the comment in one of my recent letters of interest and I think in connection with what I said with reference to Gedye of the TIMES, you will find the appended article, which he sent in from Vienna on September 24, of interest. It goes further to show that Gedye is really incurable. The statement which he makes in the beginning of the article that hundreds of persons suffered from tear gas during the sham air attack on Vienna recently, is utterly unjustified and really malicious exaggeration. The whole article gives a completely distorted impression of this sham air attack and this is not customary with the TIMES with its high traditions.

Colonel Shallenberger, who is our Military Attache here, is as sane and as sound and as intelligent an army officer as you could find. He is by far the best Military Attache I have ever known of ours. He was present at this sham air attack and of course had all opportunities to see the whole thing from the inside. His report to the War Department on it is most interesting and he says that it was conducted with extraordinary precision and success. There is absolutely no foundation to the report that hundreds of people suffered from the effects of gas. I will not go further into this article, but there are similar distortions in it.

Gedye is one of those Socialists who cannot prevent his prejudices from running away with him, and I need not tell you that I say this without any prejudice towards Socialists. I have very real respect for most of the Social Democrats I know in Austria. Gedye is so out of sympathy with this present Government in Austria that he feels it his duty as a Socialist to undermine it. This he should not be permitted to do as a correspondent of a paper like the NEW YORK TIMES. I consider the TIMES as you know, perhaps the best paper in the world today and I am confident from what I know of Mr. Sulzberger and Mr. James and their associates that this is not the sort of thing that they want or will permit. I really think that the time has come when something should be done about it. I say this against my will for I am sorry for Gedye, but I believe that he is bringing his personal position with the TIMES to a crisis. You will remember the article which I pointed out and sent to you with regard to the exaggerated incident at the Rathaus during the Heimwehr celebration. A completely minor incident which passed unnoticed in Vienna, was sent by him in such a way that the TIMES published it in the middle top of the front page. The article I am transmitting herewith is a similar distortion of a really interesting event which was carried through with extraordinary precision.

I would be glad to take up this matter with Mr. Sulzberger and Mr. James, whom I know very well, but it would be rather difficult to do by correspondence. The Department also might find it inadvisable to take it up with them, but I feel that I ought to give you this background. Birchall is au courant with the situation and is in charge of their

European correspondents. The next time he comes to Vienna I will bring this situation to his attention again and that is probably the best way to deal with it. There would be no difficulty in the TIMES getting much better representation here. It would not be necessary for them to send anyone here. Gedye is an Englishman and there are several men here who could carry on for the TIMES admirably and very much more satisfactorily than Gedye.

I hope you will not mind my reverting again to the question of the Olympic Games. This is a matter which must be causing the Department some concern although it may not be in a position to take any direct action. I am increasingly of the opinion, however, that it may be necessary for the Department in the protection of our own prestige to get certain information to the proper quarters.

I saw in the Paris HERALD that General Sherrill gave an address in Paris recently before the University Club on his recent visit to Hitler. I gather from one who heard the address that he gave a very flattering picture of Hitler and gave the impression that there was no reason why the American athletes should not participate in full force in the Berlin Games. If this is so, Sherrill is giving an impression which he knows is not a correct one, for he is an intelligent man and must know by this time what the real situation is.

We have here in Vienna a young man by the name of de Pauer whose mother was an American of good family in New York and with excellent connections. His father is an Austrian. de Pauer has been in the United States a lot and he writes for some of our papers. I think he has some connection with TIME and FORTUNE and he seems to write for TOWN AND COUNTRY. His sister is married to a German baron who was formerly press attache to the German Legation in Vienna and in a previous letter I told Mr. Phillips or Moffat that he had to leave Vienna through the insistence of the Austrian Government as he was the one who handled the Nazi money in Austria up to the time of the Dollfuss murder. He is now press attache at the German Legation in Budapest where he is helping Papen and Mackensen in their plans for the division of Czechoslovakia.

Young de Pauer is a lightweight and in many ways a negligible quantity, but he is working with the Germans on Olympic matters. In a conversation the other day with the Secretary of the Legation here, Kennan, he spoke with a good deal of glee about the way in which "it had been put over Sherrill" in Germany. He said that he had recently been in Germany working for the American Olympic Committee and had accompanied a representative of the Committee to Garmisch-Partenkirchen where they had selected houses to take care of the athletes coming to the winter Olympic Games which are to take place next February. All the difficulties, he said, which had threatened American participation were now cleared up entirely. General Sherrill, he said, had come to Germany to investigate the situation. The Germans knew that he was a man of considerable personal vanity and with this in mind they had arranged that he was to be received by Hitler at Berchtesgaden in great state. A guard of S.S. men were drawn up outside of the house when he arrived and paid unusual honors to him. When he came from the house beaming with satisfaction they went through the same performance. From the manner in which de Pauer told his story we gather that the Germans prided themselves on a very clever bit of hoodwinking and considered it a good joke that they had been able to get away with it.

With further reference to the difficulties in connection with the Olympic Games, de Pauer said that actually the Jewish question did not make any difference in practice as there were scarcely any Jews good enough to make a German Olympic team. He contradicted himself in the same conversation by referring to a "marvellous Jewish sculling champion" in Germany who would not participate. He said that the Germans had agreed to allow the Jews to participate, when of course we know that they did not. They made a few notable observations to hoodwink the American Committee, but it is well known in Germany that they will not be allowed to participate.

The whole story so far as our Committee is concerned, is really not a pleasant one. I saw General Sherrill in our Embassy in Belgium before he made his first trip to Germany. I knew then from what he said that it would make no difference whatever what the situation was, his report would be in favor of American participation. You know the story of what actually happened, so I will not go into it. Dr. von Lewald, who has a Jewish strain and who was head of

the German Committee at the Los Angeles Olympic Games had been permitted to remain in a nominal position of importance although Tschammer von Osten is really the head as Reichsportführer. Everybody on the International Olympic Committee likes von Lewald who is a fine old gentleman and whom I am personally very much devoted to. von Lewald told me at the time, with tears in his eyes, how he had been forced to send a telegram to Washington where the American Committee was meeting, to the effect that there was no discrimination against the Jews in sport in Germany. He said he had to do it or go to a concentration camp. He knew how he was betraying the confidence of his American friends. What he did was bad enough, but what to my mind is worse is that General Sherrill could not have been ignorant of the circumstances and was quite willing to accept this whitewashing of the situation through his eagerness that we participate. What General Sherrill is interested in is to maintain his important position on the Olympic Committee, and that position would lose a good deal of importance if our participation was small.

It is interesting that now that the American Committee has decided to participate and has let our amateur sport organizations in the United States know that there is no discrimination in Germany, the importance of von Lewald is gone and the Vienna press of yesterday carried his picture with the statement that he had been relieved of his job.

If anyone should have any doubt on this question of discrimination, the German attitude should be clear from a recent order of the Reichsportführer to the effect that the buttons of the organization can only be worn by Germans of pure Aryan descent. The members of the German Jewish sport organization "Makkabi" which numbers 20,000, have been informed in this same order that no members of their organization can be permitted to take part in the Berlin Olympiad in 1936, as owing to the Nuremberg laws Jews are no longer citizens, and only German citizens can represent Germany on an Olympic team.

If there was any question as to discrimination, and if there was any ground to believe that the Germans would permit a certain number of Jews to participate as a sop to public opinion abroad, and this was undoubtedly their intention for awhile, the masque is off since the promulgation of the Nuremberg laws. This law would make the participation of any Jew in the games a complete anomaly and we may be sure there will not be one. But even if a few should be permitted to

participate and sport circles in the rest of the world should accept this as an evidence of lack of discrimination, it would certainly be a sorry situation.

I gather that this matter is getting increasing attention in the press at home and that there is increasing action by individual organizations against participation. This same action is taking place in various countries in Europe where one organization after the other is refusing to participate. My own feeling is that it is a question of prestige. It is an extraordinary situation that the American Olympic Committee should remain on record that there is no discrimination when it so clearly exists in so definite a form. It is in my opinion a definite betrayal of thousands of worthwhile people in our own country. The only creditable attitude that the American Olympic Committee can take is to say definitely that discrimination exists and that individual organizations must reach their own conclusions as to whether they will participate or not. This puts responsibility where it belongs and makes a clear cut issue, which it ought to be. I feel that our prestige is involved for the Germans definitely feel that they are putting over something on us and there are thousands of intelligent and worthwhile Germans who are tremendously disappointed over the attitude of the American committee.

The position of the Jews in Germany is growing increasingly critical. The head of the Jewish Community in Berlin, whom I happen to know as an extraordinarily fine person, was recently arrested like a common criminal and kept under detention for some days. While the application of the Nuremberg Law is slow in being worked out in actual decrees, which are to be issued under it, in practice the Jews are being squeezed out of industry and business. A statement such as this does not mean very much in just these words, but I need not tell you what it means in practice. Schacht is tremendously disturbed about the Nuremberg Law and is said to have gotten the "concession" that in banking and higher industrial circles it is only to apply to 100% Jews. The untouchables because of their importance and value, are nevertheless feeling the pressure just the same. And those who are not 100% Jews will suffer just like the rest. I have just heard that Dr. Fritz Mayer, who is undoubtedly the leading diagnostician in Germany, is planning to leave Berlin

for the United States as he says his position is impossible. In spite of his being a Jew his consultation room has been crowded with some of the leading people in the country. He sent me word the other day that he would have to leave because the word had gone out that he was tabu and that anyone who consulted him was suspect. Another Dr. Mayer who was the leading surgeon of Germany and who performed miracles, shot his wife and then committed suicide already before I left Berlin, as he had been shut out of the hospitals which he had helped to build up. The extent to which this goes is difficult for us to realize.

I see that the German radio has announced that jazz music will no longer be permitted to be transmitted over German radios as it is "Jewish". The personal situation of the Jews through these methods of pressure is becoming deplorable, but the Berlin newspapers carry in a patronizing way the statement that the winter help this year was also "contemplated" to cover Jews. Contemplation is about as far as it will go as the Jews have had to do their own relief work and were excluded from the Winterhilfe last year. Now that the better situated Jews are having their means of making a livelihood taken away from them, one can appreciate the deplorable situation which will increasingly exist among the needy.

The economic and financial situation in Germany are undoubtedly becoming more serious. The need for outside capital is becoming greater than ever. Well informed friends write me from London that the last German efforts there to get a credit were met with absolute refusal. Schacht has gone about as far as he can and the public resources are pretty well used up. As was to be foreseen, private capital levies seem to be the only recourse and of course it is a dangerous instrument to resort to. What they are doing now is to take individuals and squeeze out of them what they can. I have heard of two authenticated cases recently of wealthy Jews who were imprisoned for no reason whatever and not released until they had given over a fourth of their capital. I know of one authentic instance of the same pressure being applied to a non-Jew. A recent law makes the transmission of real property to Jews impossible and the object of this is to compel the liquidation of their property at ridiculous prices. We will find increasing pressure on wealthy Jews and non-Jews through imprisonment to extort money from them for the State.

The stories of corruption continue to reach us here. I see that the brother of Dr. Milch, who is now General Milch, has been arrested and tried for swindling and embezzlement, but that the trial was kept entirely secret. General Milch, as you know, is Goering's right hand man and is the one who has built up the air force in Germany. I get what seems to be very reliable information of widespread corruption among high ranking Nazi officials.

The Bishop of Meissen, as you know, has recently been arrested in connection with the exchange scandals which are being worked up against the Catholic clergy, monks, and nuns. It is all a part of the scheme to stimulate animosity and distrust of the Catholic Church. It is interesting at the same time that the Bishop of Meissen is arrested for illegal exchange operations, that a man by the name of Haas goes to our acting Commercial Attache in Berlin and says that he is able to make available to him "effecten Speermark" either in or out of Germany for our Government establishments or for persons connected with our Government at very advantageous rates. He boldly states that he is making the offer at the instance of the Propaganda Ministry which wishes to secure foreign exchange for propaganda purposes in Austria and other countries. When our people in Berlin made inquiries at the Reichsbank they found that although Mr. Schacht disapproves of this business and the Reichsbank is dead against it, they have to state that it would be a perfectly proper thing to do. In other words, the Bishop of Meissen is arrested and imprisoned for illegal exchange transactions which he probably had no connection with, but the Propaganda Ministry openly approaches an officer of our Government with an offer to make exchange transactions which are against the law in order to carry on propaganda aimed to undermine governments in other countries. It all seems like a madhouse, and a house of mad men it is, but it is well that we should recognize it.

To me the most interesting thing about this exchange business is that it shows what I have always contended to be the real powerlessness of Schacht. He has certain powers in a limited field, because the regime needs him in order to keep things going. I have always contended, however, that he has no real power and this exchange business is just one of the concrete evidences of it. If Goebbels wants money for some propaganda which Schacht does not want to give to him, Goebbels is strong enough nevertheless to break the exchange regulations and Schacht has to put his approval on it.

This myth of Schacht's power unfortunately still persists in certain circles in London and unfortunately even more so in certain circles in New York. Our inefficient bankers did not all disappear from the scene with the eclipse of Mr. Wiggin. There are still some men who feel that they know a lot about some things concerning which they really know nothing and the tragedy is that they have control of other people's money.

Events in Germany will take their inevitable course and the harvest of resentments is going to be reaped some day. I see that the Stahlhelm has now declared its "voluntary" self-dissolution. The famous student corps which were such a pride of the German Universities, have been arbitrarily dissolved. The Church struggle keeps on unabated, although it is kept out of the papers. Prices keep going up steadily and wages remain stable and family income going down. The pinch is slowly becoming felt. It is going to be increasingly felt. The Party feels its weakness and that is the real explanation of its passive attitude in the face of developments in Europe.

As I have commented so fully on the general situation in my recent letters to Mr. Phillips of October 15 and in the memorandum of October 11, I am not going into this further as I am sure you have seen them.

I was delighted to see in the papers the announcement of the engagement of your daughter to young Baillet de Latour. We had just a brief glimpse of her and her mother at Salzburg, and were so sorry that they could not come to Vienna. I know the young man's father very well and knew his grandfather, and I hope that they will be very happy. I am sure that it is with a good deal of mixed pleasure that you will see her leave you so soon. Do you know where they are going to live?

With all good wishes,

Cordially and sincerely yours,

George S. Messersmith.