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AMERICAN CONSULATE GENERAL,

Berlin, Germany August 10, 1933.

SUBJECT: Developments in the economic and general
business situation in Germany during the
past few weeks.

CONFIDENTIAL.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor, supplementing the reports already rendered to the Department on this subject, to give a brief resume in this despatch of some of the outstanding developments in the economic and general business situation during the past few weeks.

The outstanding feature of the German industrial and business situation during the past month has been steady progress towards moderation, following the Chancellor's proclamation which has already been reported to the Department, that the revolution is at an end and that the period of evolution has begun and that disturbance in business must stop. This declaration of the Chancellor, as the Department has been informed, was made absolutely essential by the dangerous situation which was developing due to the disturbance in business by Party agents and organizations. Since this declaration, concrete action has been

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taken which indicates a real determination to carry this program of moderation into effect. The past weeks, therefore, have been marked by a retracing of the steps which were taken during the early part of the revolution and by an endeavor to correct so far as possible, the damage which has already been done.

In another despatch I have informed the Department that the "Kampfbund des gewerblichen Mittelstandes" has been dissolved and absorbed in the "Arbeitsfront". This is in many respects the most significant development in the past month as the Kampfbund has been the most disturbing element in the business and industrial situation. Practically all that the Kampfbund was fighting for is now being stopped; but as I have already indicated, the dissolution of the Kampfbund itself and its absorption in the Arbeitsfront will not of itself stop the activities of those who are interested in it and the aims for which it was working. The step, however, is a decisive one as it indicates the definite will of the Government that the interference in business must stop and it is an indication of strength, for the organization is a strong one and the Government hesitated for many weeks before taking the steps which it has long felt imperative.

The next most significant development in recent weeks has been the declaration of the leader of the N.S.B.O. (National-Sozialistische Betriebszellen Organisation), published in the papers of June 28, to the following effect:

"Special circumstances compel the leadership of the N.S.B.O. to recall all of its

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authorized representatives in business concerns. No one, therefore, has the right in the future to call himself as the authorized representative of the H.S.B.O. in a business organization. There have been withdrawn also the special passes which had been given to the H.S.B.O. representative, Draeger, for the RPA stores and of von Kienitz for the Karstadt stores."

The declaration goes on further, freely translated, as follows:

"The fellowship of the German people which has been brought about by Adolf Hitler, will never break down. It will always grow stronger. The Deutsche Arbeitsfront has taken over the task of educating the laborers, the employees and the employers to their duties in the new organization of German work. Every member of this formidable Front must consider himself as the member of a great army which has undertaken the struggle against unemployment. He who in such a war considers those placed in authority as an enemy, will be considered as a traitor and with right must be brought before a court martial. The German worker who still sees in his employer an enemy, is himself no better than an enemy. The common enemy, unemployment, is eating up both the employee and the employer."

The Betriebszellen and their authorized representative in every business organization were causing so much disorganization in the conduct of the businesses in which they operated, that in many the future of the business was seriously threatened. While the Betriebszellen themselves are not disturbed as yet by the order above referred to, it is already a great advance that the authorized representative who was vested with considerable power in every business, is to no longer function.

Another important development is the fact that the

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Kommissars which were placed by the Party in important business establishments, public utilities, etc., are being recalled. I have in previous despatches brought to the attention of the Department the public declarations of high-ranking officers of the Government, that the Kommissars must be withdrawn. On July 19 the newspapers again carried an announcement of the Minister of Commerce that an order of the Chancellor cancels the commissions which had been given to Kommissars in business and that if any such further Kommissars are to be placed in business, it will be done directly by the Minister of Commerce. The recalling of Kommissars has been extended even to the political field where, as the Department knows, it was customary to place a Party Kommissar at the side of important executive officers of the Government. To a large extent these Kommissars^h have been placed at the side of mayors and other important officials in state and municipal administrations have been withdrawn, particularly in Prussia, through an order of Minister President Goering.

Important progress has also been made in stopping the action of the Party organizations in determining from what firms Government departments, municipalities and public utilities shall buy. These activities were directed particularly against foreign firms and Jewish firms, and American interests were among the principal to suffer by this discrimination. This has already been so fully reported to the Department that it is mentioned only to emphasize the importance of a declaration made by the new Minister of Commerce, Dr. Schmitt, which appeared

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in the newspapers of August 1. According to the newspaper announcement, Dr. Schmitt addressed a letter to all Ministers of the Reich and of the various States, calling their attention to the new prescriptions which had been issued with regard to the awarding of public contracts. In this statement he declares:

"In the interest of the absolutely essential stabilization of conditions in business, it must be made certain that in carrying out the obviously fundamental principle that pure German firms shall be given preference when their bid is no higher than the others, this shall not give rise to various Government organizations making unpleasant investigations as to the Aryan origin of a firm".

This declaration the Minister found necessary in order to prevent German firms and foreign firms in which there may be Jewish stockholders or Jewish workmen, from being excluded from public contracts. It was found that many of the municipalities and states were being forced to pay much higher prices for goods and services and it was clearly obvious that many of the firms which had been active in this campaign had endeavored to secure their ends merely to be able to make greater profits out of public contracts.

In the foregoing connection is of real interest a statement of the Berlin Chamber of Commerce which is an official organization, which appeared in the newspapers of August 7. The object of the declaration is to define what is "pure German" merchandise. The announcement states that the fact that Jewish workmen may have been connected with the fabrication of the article or that Jewish stockholders may figure in the firm producing the article, does

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not prevent the article from being a "pure" German article. In the declaration further states that the fact that there is Jewish capital or foreign capital in a German company, does not interfere with its products being considered as pure German ones, that is, "Reindeutsches Erzeugnis". This declaration from the most important Chamber of Commerce in Germany is a significant one and should have a quieting influence. As there is so much foreign capital and so much Jewish capital in many of the important and vital industries of Germany, it was obviously impossible to carry out the desire of the Party and of certain industrial interests that a pure German product should be one in which no foreign capital figured and in which no Jewish interest, whether German or foreign, existed.

That the disturbance in business from Party sources was a concern to the highest leadership of the Party, is evident from a statement made by Rudolf Hess who acts for Chancellor Hitler in many matters. This statement which appeared in the press of August 8, again emphasizes that unauthorized interference in business must be stopped and that every unauthorized endeavor by individuals or by Party organizations, will be punished.

The Department is aware that in Germany the development of so-called "Konsumgenossenschaften", that is, of cooperative stores for workmen in certain trades, had assumed considerable proportions. One of the objects of the "Kampfbund des gewerblichen Mittelstandes" was

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to destroy these cooperative stores completely, and constant difficulties were being made for them. In a declaration issued by the Ministry of Commerce and which appeared in the press on July 19, it calls attention to the fact that there is invested in these cooperative stores about 225,000,000 marks and that they have on hand something like 160,000,000 marks worth of stocks. The statement goes on further to indicate that almost 4 million of the German people are interested financially in these cooperative establishments and that some 12 to 15 millions of German people are patrons of these stores. The statement emphasizes, therefore, that although from the political point of view it cannot be denied that these organizations were directed in a Marxistic sense, the danger which they presented has now largely been avoided by their being absorbed in the Deutscher Arbeitsfront; for the present, therefore, no further action is to be taken against these organizations.

Another significant development is the organization of a council for commerce which is to consist of outstanding people in the business, industrial and financial world. This council has no specific functions and is not to meet at any specific times; but it is the intention that whenever certain laws affecting the economic structure of the country are considered, they shall be referred to the council for its opinion before the decree is issued. As all laws are now issued in the form of decrees during the recess of the Reichstag, it has been found recently that in

several

several cases after a decree had been issued, immediately afterwards its impracticability or undesirability came to the attention of the higher authorities. There was too much law-making by selfish interests. In order to prevent any further individual action in the making of decrees affecting business, this council has been named.

All the declarations which the Minister of Commerce, Dr. Schmitt, has made since he assumed this position, have been most reassuring. There is reason to believe from his statements and from the foregoing recital of definite action on the part of the Government, that a complete change in attitude has taken place. The last weeks have witnessed a constant tearing down of organizations and measures which had been put into effect since March 5. All this is by no means pleasing to a very considerable part of the Party membership and is particularly unpleasant for the intermediary and lower leaders. Many of these were drawn into the Party through purely selfish interests. All that has been happening recently has had the effect of taking away their power and their influence. There is nothing to indicate, however, at this time, that the Government does not have the strength to carry through its new program.

The general business situation in the country is disturbing. The newspapers carry reports of decreases in unemployment and of better business in certain industries. This must all be accepted with a good deal of reserve. There has been a temporary decrease of unemployment in the agricultural sections of Germany; but this is of an entirely

temporary

temporary nature. Those who are familiar with the real situation inform me that the unemployment situation has in no sense become better and that they see no prospect of improvement.

In business the active propaganda against foreign goods still continues although recent reports from Americans who have traveled over the country indicate that the feeling is less strong than it was a month ago. The highly nationalistic attitude which has been aroused with respect to foreign goods will not subside quickly. The imports of American products have been very seriously injured, and well-informed business men here believe that a good deal of the lost ground will never be regained.

Respectfully yours,

George S. Messersmith,
American Consul General.

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the signed orig-
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