

AMERICAN CONSULATE GENERAL

Berlin, Germany, June 19, 1933.

SUBJECT: A brief resume of some of the major aspects of the economic and political situation in Germany.

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

SIR:

I have the honor to refer to the series of despatches which I have transmitted to the Department with reference to the situation in Germany since March 5, 1933, and to transmit the following observations on the present status in the economic and political fields.

The Department is aware from the information which has reached it from this Consulate General and from various sources that the history of the National-Socialist Government in Germany since March 5 is that of most revolutionary governments. It is a government which came into power having made all sorts and the most opposed of promises to its followers. There was a period of weeks of distinct confusion during which every element in the party was endeavoring to bring

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its aims to immediate fruition. The primary leaders of the party confronted by responsibility for the fate of the whole of the sixty-five millions of the German population found themselves from the outset hampered in by restrictions which they had before never dreamed of and by conditions which they did not know, existed. The primary leaders have under the sobering influence of responsibility become steadily more moderate in practically all of their views and have in many ways endeavored to translate this moderation into action.

Well-informed persons, however, seem to be of the opinion that the masses of the National-Socialist party have remained as radical as at the outset and that for the most part the intermediary leaders of the party, who have the closest contact with the masses, are practically as radical as at the beginning of the movement and are distinctly restless under the more moderate influences which are coming from the top. In my despatch No. 1369 of June 17, 1933, I have endeavored to show how the higher leaders of the party would like to carry through a more moderate policy with regard to the Jews and have succeeded in stopping physical violence, but have not been able to carry through the whole of their more moderate program. I have ventured to predict in the despatch under reference that they will not be able even under the most favorable circumstances to carry through their more moderate program in its entirety

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with respect to the Jews.

In the economic and political fields I believe these same considerations hold. The early advisers of the National-Socialist leaders, who held such radical economic and financial views, have largely passed into the background and have been replaced by more moderate men. The primary leaders of the party, whose views on economic and financial subjects were most immature and extraordinary when they arrived in power, have very much changed, and they have succeeded in exercising a certain restraining influence on the action of the party. There are, however, evidences that the moderation of the primary leaders has gone much further than that of the intermediary leaders and is absolutely opposed to the radicalism of the mass of the party.

For general background purposes I shall endeavor in this despatch to cover just a few of these situations as it may be of assistance to the Department in interpreting events from time to time.

The Department is aware that after March 5 the Government placed Kommissare in practically all departments and institutions, public or private, in order to have the authority of the party made immediately effective in all parts of German life. This program was generally well planned and was most effective, for I think history will show that no revolutionary Government ever gained so immediate

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control so effectively in every part of the life of a country as did the National-Socialist party after March 5. The placing of Kommissare was also carried through in some of the major industries, the importance of which the party realized and it wished to avoid all opposition from these industries from the outset. The local leaders, however, of the party and even individuals in the party, copying the example of the central authorities of the party, began to place Kommissare in practically all businesses, large and small, in the country. This action was so disturbing to the economic structure that party leaders realized immediately that some action must be taken. Young men, aged anywhere from 22 to 30, with practically no business experience and with no real ability, were placed in charge of some of the most important business establishments of the country. In some cases these Kommissare were moderate. In most cases they began reorganization measures in the business which threatened its future. One of the most important problems in Germany naturally is the struggle for bread, and the principal object of the average Kommissar was to make as many places for party adherents as possible. Experienced men whose technical or other knowledge was of absolute necessity to a company, were dismissed by these Kommissare merely because they were Jews or not members of the Nazi party. It was the intention of the National-Socialist party through the Kommissare

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to reduce unemployment by having the companies take on considerable numbers of new people, obviously chosen from the party. Even in earlier weeks after March 5 the primary leaders realized that this placing of Kommissare must be reduced to a minimum and orders were issued that all the Kommissare who had been installed without direct authority from the central bureau of the party, must get out. Every endeavor was made to reassure business by public and private declarations. Most of the businesses are now functioning normally again in this respect.

The foregoing is for the most part a resume of information already transmitted to the Department and I am restating it at this time as background for the statement that the Government has not been successful completely in stopping the placing of Kommissare even in some of the larger business enterprises. Within the last ten days the two managing directors of the Saxon Public Works, in which we are very much interested through loans and cash advances made by American banks, have been relieved of all duty. They were arrested and temporarily kept in custody. One of them has since been released, but the whereabouts of the other are at this writing still unknown to his friends and family. Both of these men are known as faithful and intelligent administrators of one of the most important public utilities in Germany. They have been replaced by two Kommissare, aged 24 and 28 years

years respectively, and both of them without any knowledge of the business. Their one qualification for the position is that they are members of the National-Socialist party. As the public utility which they direct is one which is of primary importance in the State of Saxony, and as considerable foreign capital is invested in the company, there is a good deal of reason for disturbance over the result of this intervention of political Kommissare. In spite of all the public protestations by the Government and the party that there is to be no interference with business, action such as that recently taken in the Saxon Public Works is constantly taking place. Such action as this is, however, known to the leaders of industry and cannot but have a disturbing effect which the protestations of the Government and of the party cannot overcome.

A newspaper of to-day carries the announcement that there is to be a searching inquiry into the entire banking structure and business of the country. While only preliminary information is available as to the nature of this inquiry it is understood that the transactions of banks and individuals are to be gone into for several years back. The object of the inquiry is undoubtedly a double one. Its first object is to prepare the way for the placing of the entire banking structure in the country under the Government and to make it an instrument of the party. The private banks which are almost entirely controlled by Jews will
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practically with certainty be eliminated as this is said to be the intention of the party. The Jews in the major banks with branches over the country have for the most part not been disturbed up to the present, but the result of this inquiry will undoubtedly be to pave the way for their separation. The second object of the inquiry which is said to be contemplated, is quite probably to uncover transactions in which technical violations of the law may be found and on the basis of which violations confiscation of property may be made. This movement will be quite a popular one as the property confiscated will be largely that of Jews. This inquiry into the banking system is another one of the disquieting elements which is on the horizon.

In his recent speeches at Hamburg, Dr. Goebbels, the Minister of Propaganda and Public Enlightenment, indicated that in the coming months steps would be taken of a nature which would show that what has so far taken place under the new Government has only been an overture. He in no way defined the action which would be taken and it would be premature to endeavor to forecast in any way definitely what he meant, but it is quite probable that he had reference to steps in the economic field. The Department I believe is aware that among the three major leaders, Messrs. Hitler, Goering and Goebbels, a decided difference of opinion seems to have developed. Messrs. Hitler and Goering have been growing more moderate under the sense of responsibility, while

Dr. Goebbels

Dr. Goebbels is the real apostle of revolution and radicalism. In all his recent speeches Dr. Goebbels has been emphasizing that Germany is going through a revolution, and more recently he has particularly emphasized that the country is only in the first stages of the revolution. As the Minister of Propaganda and Public Enlightenment with all the means of forming public opinion under his control, he is an important element to be considered in the German situation. He is further than this in some respects the most intelligent of the major leaders, and is the only one who can really make an effective public speech, in spite of the general impression regarding Mr. Hitler's oratory. It is he who has the means of appealing to the masses and who knows how to appeal to them. He is in my opinion the dangerous man for Germany in the present situation. He has up to the present in most instances given way to the more moderate views and policies of Messrs. Hitler and Goering, but there are indications that he is only biding his time while he is consolidating his position and his personal following. As I have indicated in previous despatches, he is a man of most extraordinary ambition and of unusual intelligence and cunning. He is further I believe entirely unscrupulous and cold-blooded who would not shrink from any action.

The question of unemployment is becoming daily more serious in Germany. The party has promised

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employment to its adherents and it must meet these promises in some way if it is to hold its followers. Industry cannot absorb more labor under existing conditions and maintain a proper structure within the business, or active production within the limits of consumption. The leaders of industry have not been able to take on people as rapidly as the party has desired. Figures were recently published showing that unemployment had dropped by over one million since March 5. It is not believed by well-informed persons that these figures are essentially correct. Large numbers of adherents of the party have been placed on the Government payroll in one form or another, but industry itself has not absorbed additional labor. I am informed on good authority that it is the intention of the party within the near future to pass laws which will require the industries of Germany to take on additional labor to the extent of two million men. These people are to continue to receive their present unemployment dole which they are getting and the employers are not to be required to pay them more than a nominal wage. The employers, however, will be bound to supply the necessary raw materials involved in the increased production. It is obvious that under such a scheme tremendous quantities of merchandise will be produced which the country cannot consume and which will be produced at a cost much lower than it could possibly be produced in any other European country

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or, for example, in the United States. One must envisage under this scheme the invasion of foreign markets on a tremendous scale. The fact that the program is economically unsound and would lead to eventual bankruptcy of the industries concerned because they could not definitely finance raw materials going into finished products for which there is no market, will not I believe stop the party from undertaking the program. They are under a tremendous pressure which is making itself felt more and more every day, and are faced by the necessity of taking steps.

Another disquieting element which cannot be ignored, is that the so-called process of "gleichschaltung" or coordination of Chambers of Commerce is making rapid progress. The Department is aware that Chambers of Commerce in Germany differ from similar organizations in the United States in that the German Chambers are official or semi-official bodies which have distinct functions which in many respects are important for industry and for financial concerns. The Chambers of Commerce in Germany have heretofore been governed by responsible members of the industrial and financial world. This office has already reported that the most important of the business organizations, the Reichsverband der Deutschen Industrie, has been completely reorganized and placed under the control of representatives of the National-Socialist party. The same process has been gone through in the Berlin Chamber of Commerce. Reports are constantly coming in

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from various cities in Germany to the effect that the Chambers of Commerce there have been reorganized and placed under the control of party adherents. This in itself would not be such a serious matter as there are many of the best people in every community in the National-Socialist party who could effectively serve in these Chambers on the governing boards, but the general policy has been not to put the best men in the party on the governing boards, but to choose young men who are enthusiastic members of the party organization but without practical business or administrative experience. In this connection I should like to bring to the Department's special attention the report of Consul Busser at Leipzig, entitled "Loss of Autonomy by Saxon Chambers of Commerce", dated June 15, 1933. In this report he has gone into the reorganization of the Saxon Chambers of Commerce in a very effective way, and in a large measure what he says with regard to Saxony applies to the rest of Germany.

One may therefore take it that the Chambers of Commerce in Germany will hereafter be mere servile instruments of the National-Socialist party. They will not dare to lift their voice against any of the economic or industrial experiments which the party may endeavor to put into effect. On the contrary, it can be depended upon that they will give their servile support. The whole object of this coordination of the Chambers is not only to remove opposition within the country to any projects of the party and to avoid

criticism

criticism, but to make it appear to the rest of the world that all that will happen in the economic and financial fields has the complete approval of the German business world. This will not be so, for the best men have been taken out of the Chambers of Commerce even though they may be in the party. Just as a specific instance I may state that Dr. Grund, who is the most important man in the industrial world in South Eastern Germany and who was long the leading spirit in the Breslau Chamber of Commerce, has been removed as its president and has not even been made an honorary president as has always been the case heretofore. It is because he is a man of wise counsel and objective that he has been removed.

Another circumstance which is very disquieting is that the National-Socialist party intends to finance itself out of a direct levy on business. German firms have recently been receiving a circular from the party organization to the effect that they are expected to contribute 5% of their total payroll to the party as their contribution to the so-called "Hitler-Spende". It is obvious that the German firms approached are going to make this contribution, for any firm which will not make the contribution may be visited at any time by S.A. men and the directors taken into so-called "Schutzhaft", i.e., arrested for their own safety. I am informed that in addition to this 5 % levy on the salary-roll of German firms,

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individual persons in industry and finance getting any kind of a salary are to be approached by the party for a personal contribution. It is not necessary here to go into this further to show what a large amount of money this forced contribution will bring into the coffers of the National-Socialist party. I have used the word "forced" for although there is nothing in the circular to indicate compulsion, there is no firm which will refuse to contribute, for the armed S.A. men in the streets of every city of Germany are sufficient intimidation. Although the Fascist party in Italy is said to have used a similar method of getting money for the party coffers, I do not know of any such a direct levy ever having been made by a party before.

There is further evidence that the press will even be more servile in the future. The only two newspapers which have allowed themselves any comment whatever, not servile praise of or agreement with the Government since March 5, have been the "Deutsche Allgemeine Zeitung (D.A.Z.)" in Berlin and the "Frankfurter Zeitung" in Frankfurt-on-Main. The D.A.Z. was suppressed about a month ago because of an article by the editor, Dr. Fritz Klein, criticizing the German action against Austria, that is the demanding of one thousand marks for a visa for all except business men going to Austria. In his column "Unsere Meinung" (Our Opinion) which appeared in the D.A.Z. every day, Dr. Klein made comment which was always of a guarded

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and of a constructive character, but he always kept within very careful limits. It is generally believed that the particular article for which the paper was suppressed, was only used as a subterfuge as it is considered that the real reason behind the suppression is that Mr. Goering desires to secure control of the paper. Mr. Hitler has as his direct organ the "Voelkischer Beobachter", Dr. Goebbels has as his organ the "Angriff", and Captain Goering so far has been without his own direct newspaper and for this reason is said to be anxious to get the D.A.Z. , with Dr. Klein, however, eliminated as editor. Under the vigorous editorship of Dr. Klein the daily circulation of the paper had grown from 40,000 some time ago to 200,000 at the time of its suppression. I am not able at this writing to state whether Mr. Goering has succeeded in getting control of the paper, but it has been allowed to reappear since last Saturday, with the statement that a new editor would be named. The newspapers this morning carry the statement that Dr. Silex has been appointed the editor.

The suppression of newspapers continues. The "Montag Morgen" has been suppressed since to-day for a reason which it has not yet been able to determine. Several other newspapers of minor importance have also been suppressed recently. The action against the D.A.Z. has I believe broken the back of what little resistance there may have been left in the newspaper

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field in Germany.

The intolerance of the intermediary leaders has from all indications not grown any less and is strikingly illustrated by the attitude of the party towards the Rotary Clubs. In recent years Rotary has had very rapid development in Germany and there is a club in practically every German city of importance, and every club has been made up of the most representative people in the city. In accordance with the spirit of Rotary, men are admitted irrespective of race or religion if they are the leaders of their respective profession or business. The attitude of the National-Socialist party is distinctly hostile towards any organization which admits Jews or which is in any sense international in character, and it is also hostile to all secret societies. The only membership in any organization of such a character which the party wishes to tolerate, is membership in the party itself and in its subsidiary co-ordinated organizations. The leaders of Rotary in Germany recently had a conference with leaders of the National-Socialist party and they were informed that in the opinion of the party membership in Rotary was inconsistent with the principles of the party and that no person who was a member of a Rotary club could also be a member of the National-Socialist party or hold any place in a business or professional organization. In other words, the most famous surgeon in Berlin, for example, could not be a member of the

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medical association in Berlin if he were also a member of Rotary. An endeavor is being made to have the party change its attitude so that membership in Rotary will not be considered inconsistent with membership in the National-Socialist party. But the indications are now that if Rotary is allowed to exist by the party it will be in a form which will make it necessary for Rotary in other countries to exclude Rotary in Germany from the international organization. The leading people in Germany who have taken an interest in Rotary have been deeply concerned over what is taking place, for they realize that Rotary in Germany cannot exist except in accordance with the general principles of the organization as practiced everywhere, and that the suppression of Rotary in Germany will have a very bad effect in other countries as it will show definitely in the outside world and to a large circle of intelligent people, the intolerance of the present regime. They have endeavored therefore to make this known to the party, but the argument has evidently up to this time been without effect.

The arrest of former members of the Government and of various former officials in the various States continues, and so far as it is possible to learn the number of people in the concentration camps has not decreased in recent weeks. Yesterday Dr. Bolz, the former President of the State of Wuerttemberg, was arrested, that is taken into Schutzhaft. The only reason given for his arrest is that while in Austria

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recently he made what seemed quite a harmless speech at a gathering at Salzburg. Reports from various parts in Germany indicate that more people are being arrested constantly.

The incidents in connection with the Congress of the Catholic Journeymen's Associations held in Munich from June 8 to 12 have been recited with great clarity and detail in Consul General Hathaway's letter of June 13, 1933, to Mr. Gordon, the Charge d'Affaires, and a copy of this letter has been transmitted in the usual course to the Department. I respectfully suggest that Mr. Hathaway's letter should be carefully read as it gives I believe a correct picture of the Munich incident which is of considerable significance. I am informed that the disturbances in connection with this meeting gave serious concern to Mr. Hitler as it is undoubtedly against his policy that such incidents occur. The circumstances, however, indicate that what did take place could only have been done with the knowledge and approval of the new National-Socialist Government in Bavaria. The incident indicates that the party control over its adherents is not all that the party leaders may desire, and add strength to the observations already made in this despatch that the intermediary leaders of the party are not happy over the restraints which come from Berlin.

Although the movement against the Department stores which was started with so much vigour immediately

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after March 5 seems to have abated somewhat, it is quite evident that the real attack on them is just about to begin. The "Kampfbund des gewerblichen Mittelstandes" which is the fighting organization of the smaller retail establishments in Germany, is determined to eliminate the department stores. A higher turnover tax has already been applied on the business of the department stores than on smaller retail establishments. The restaurant and cafe interests are determined to have all restaurants and refreshment counters in department stores eliminated by law, and the small retailers of foodstuffs, including meats and vegetables, are determined to have these departments eliminated from the large establishments. As these particular branches of the department stores are in some respects the most profitable and as the profits from these sections help to carry other departments, the capital invested in the department stores is seriously threatened by these measures. The other branches of the retail trade such as milliners, tailors, stationers, in fact practically every branch of the retail trade is now saying that it does not see why the foodstuffs retailers should be favored, and all of them are demanding that the particular department be eliminated from the department stores. Dr. von Renteln, who is at the head of the Kampfbund, indicated the difficulties with which it is confronted by requests from all sources, in a

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speech made at Frankfort a few days ago, but he did not hesitate to state that some solution would be found. Unless there is a complete change of policy on the part of the Kampfbund, the department stores will have to go, and with their ruin there will go down several score of industries in Germany which have been manufacturing largely for these stores and which cannot exist if they have to sell to the small retailers. Dr. von Renteln tried to emphasize in his Frankfort speech that after all there was a good deal of capital invested in the department stores which must be conserved. His speech, however, showed that there is here again the same conflict between the more moderate views at the top and the radical movement from the bottom. My own impression is that unless there is a radical change in the policy of the party or a complete change of Government, the department stores will be starved out of existence and the capital now invested in them, native or foreign, destroyed. This is not without interest to us as I have already pointed out in previous despatches that at least three of the department stores of Germany have an aggregate of about forty million dollars from us.

From various despatches which I have addressed to the Department, it is aware that the Consulate General has from time to time taken up with the German authorities the discrimination attempted against American-owned German firms in Germany, this largely being done under the protection, if not at

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the instigation of the Kampfbund. The Department is aware that the original attitude of the Kampfbund was that the goods produced in Germany by an American-owned German firm must be considered as foreign goods. As this involved clear discrimination, the Consulate General was able to secure from the higher leaders of the party assurances that American-owned German firms in Germany would be considered as pure German firms and that their products manufactured in Germany would enjoy the same rights and privileges as those of pure German firms. In reaching this decision the higher leaders of the party had in mind what they had been told about German factories in other countries, such as the United States. They realized that by discriminating against goods produced by American-owned German firms in Germany they would open themselves to retaliation in foreign countries against German firms operating there. There seems to be a genuine desire, at least for the present, on the part of the major leaders, to observe all treaty obligations, not so much because they believe in the sacredness of treaty obligations, but because they believe it is desirable for the present that the National-Socialist party and the Government controlled by it not be held up before the world as violators of treaties. It may I believe be said, however, that the leaders are sincere in the declaration which they have made, that the treaty obligations of Germany must be observed and that they wish to

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avoid discrimination against foreign capital and the products of foreign-owned firms in Germany. The Kampfbund was therefore compelled to change its attitude, by the pressure from the top, towards American-owned German firms, and through this pressure the Kampfbund as an organ of the party has already given to certain American-owned German firms a declaration to the effect that they are to be considered as pure German firms. It seemed therefore that through this moderate attitude of the primary leaders an important step had been accomplished and that our American-owned German plants were entirely safe. There are, however, indications now that the Kampfbund is by no means happy and has not given up the fight. The Kampfbund itself is made up of German firms which by any means desire to increase their business and to eliminate the competition of foreign firms and of firms which they consider non-German because they may be owned or partially controlled by German or foreign Jews. In other words, the Kampfbund is not interested in the maintenance of principles or of treaties and is not concerned with the foreign policy of Germany. It is made up of the smaller firms which are interested to make as much through the "national revolution" as they can. There are therefore indications, as has already been observed, in the last days, that the Kampfbund is endeavoring to actually oppose the decisions imposed upon it by the primary leaders of

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the party. Here again is the indication of the same spirit which has been brought out in various sections of this despatch, that the radical masses are not satisfied with the more moderate views at the top. I am personally of the impression that unless Germany wishes to have all kinds of trouble with other countries with regard to treaty violation and discrimination, and wishes to avoid retaliatory measures on German products in other countries, it will be necessary for the Government to dissolve the Kampfbund des gewerblichen Mittelstandes. Whether it feels itself strong enough to do this now, I am unable to say, but that a test of strength will have to come seems certain.

In the law of June 1, 1933, providing a program to reduce unemployment, Section II seems to be in direct conflict with Article VIII of our Treaty of Friendship, Commerce and Consular Rights with Germany. In order to stimulate certain sections of industry, Section II of this law provides that if certain new replacement material is purchased, for instance office supplies or agricultural equipment, and if the replacement is of manufacture within Germany, the purchaser is relieved from taxation on the amount paid for the new equipment. As Article VIII of our treaty provides that merchandise of the United States imported into Germany shall after its importation enjoy the same privileges as German merchandise, and specifically mentions bounties, the effect of this law is to

discriminate

discriminate against American typewriters, office equipment and agricultural equipment imported into Germany. The representatives of the American firms affected have therefore appealed to the Consulate General on the ground that the law of June 1 violates Article VIII of our treaty, and after discussing this matter with the Charge d'Affaires, Mr. Gordon, we were of the opinion that treaty violation was involved. The Embassy has therefore cabled the Department and is awaiting the Department's instructions before making representations to the Foreign Office.

The representatives of the leading American firms in Germany met at the Consulate General this afternoon, and it is quite evident that American firms are already seriously suffering through the operation of the second section of the law of June 1. No one will buy an American typewriter even though he considers it very superior to the German machine, if by buying the German machine he can deduct the cost thereof from his taxes. The exemption provided in Section II of the law of June 1 is in the nature of a bounty on the German article. I hope that the Department will authorize the Embassy to make the necessary representations with respect to the law of June 1, 1933, on the ground of treaty violation, and I believe this should be done without delay as the law becomes effective on July 1, 1933, and our interests are bound to be very seriously endangered.

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I have endeavored in this despatch to present certain considerations briefly for background purposes and to show that although the leaders of the National-Socialist party have grown more moderate in practically all of their views, the intermediary leaders are just as radical as ever. I should make the exception that of the higher leaders, Dr. Goebbels is probably just as reactionary as ever. The question now is whether the more moderate leaders will be able to force their views upon the intermediary leaders and the masses, or whether they may not be obliged to become more radical through the pressure from the bottom. Dr. Goebbels is in my opinion a very important factor in this problem. He is for the present playing with Messrs. Hitler and Goering, but is daily increasing his hold upon the masses and strengthening his standing with the intermediary leaders. In many respects it is possible that the future course of events will be decided by the attitude which he takes and to which side he throws his personal influence and that of the press and his persuasive oratorical powers. I think the Department should be informed that the recent declarations of Dr. Goebbels such as those made at Hamburg in the last few days, are quite disquieting. When the disturbance has already been so complete and German life in many ways revolutionized, it is rather disconcerting to have a responsible Minister of the new Government state that what has so far happened

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since March 5 is only the overture. There are many reasons for believing that the moderate views of Messrs. Hitler and Goering will prevail. It is unquestionable that they have behind them the best elements in the party and that if a break should come they would have the support of the best elements outside of the party. Further than this, Mr. Goering still has in his hands the armed forces of the National-Socialist party, and Mr. Hitler has at least indirectly the control of the Reichswehr. On the other hand, Dr. Goebbels has control of the public opinion forming means in the country including the press and the radio, and the last few months have taught us how docile the German people are. A people who can be made to believe in a few days that a Communist conspiracy is about to overwhelm the country, as happened just before the elections of March 5, can also probably be influenced in an equally short time to believe that the radical masses and leaders of the National-Socialist party are the saviors of the country as against the moderate elements. Although the armed forces of the party and the armed force of the Reichswehr are respectively under the control of Messrs. Goering and Hitler, the newspapers which the members of these armed forces read and the only information which they get comes to them through means controlled by Dr. Goebbels.

I do not wish to indicate to the Department that there will be open trouble between the primary leaders of the party or that there will be a split in the party. I only wish to point out that the play of

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personalities is stronger than it was at the beginning of the movement and that the extraordinary ambition of Dr. Goebbels coupled with his radicalism is an element which cannot be left out of consideration. I also am not yet able to make any forecast as to whether the more moderate leaders will be able to force their views on the party which is still radical and reactionary. In this the intermediary leaders will play a very important part and it is necessary to remember that many of these are radical and know little about the outside world. All this therefore is in the crucible and only developments in the future can show the trend.

I have, however, endeavored also in this despatch to point out, as I have in a previous one, that Germany is not really in a position to speak in international conferences on economic or financial subjects. Her own policy is so uncertain and so undeveloped and is headed in such radical directions that it can hardly be expected that other countries can take her spokesmen very seriously in international conferences or conversations. This I believe is an important factor which we must at all times bear in mind in our relations with the Germany of to-day. Even with the best will in the world her leaders and spokesmen are not in a position to commit the Germany of a few weeks from now.

Respectfully yours,

George S. Messersmith,
American Consul General.

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the signed original.
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