

Enclosure No. 2 to despatch
No. 543, dated September 9,
1935, from the Legation at
Vienna, Austria.

A German friend of mine, who is one of the leading men in German industry and who, while not a member of the National Socialist Party, is in touch with many of the leading people in Germany in and out of the Party, saw me recently, and the following is a brief résumé of his comment on the German situation.

As Hitler well says, the two pillars of the German State are the Party and the Army, and both need each other. For the present each finds the other indispensable to it. The Army, however, is very much in the position of a junior partner to whom the senior partner, the Party, has opened the firm's purse. Never has an army had such a free hand in strengthening its position in a modern country as it has in Germany today. The Army will stick to the Party as long as there is anything in the purse, or better said, as long as what is in the purse will buy anything. What attitude the Army will take when it sees the progress it has made endangered by economic and party collapse, is another matter.

Economic collapse is something which has to be faced and is a bad dream which will become a reality unless some, what now seem impossible, things happen. The corruption in the Party has reached extraordinary degrees. The prices of fruit, eggs, vegetables, and meat have very considerably increased. The price of bread has not gone up much and is not likely to increase in the near future. Gördler resigned some weeks ago because he was not permitted to do things in connection with the price control program, through the opposition from Darre and the Reichsnährstand, which have now had to be done anyway. His cook has to pay 60 pfennings a pound for plums, which are one of the most plentiful of German fruits, and 15 pfennings for an egg. Due to the policy of the Reichsnährstand, meats, especially pork, have become scarce, and, as the fodder harvest was poor and exchange could not be got for importing cattle feed, more cattle will have to be killed off. The available exchange has got to be used for the industrial program and for the Army program.

In this connection, my friend pointed out that, although he is one of the leading industrialists in Germany and had to come on important business to Austria, the Reichsbank in Berlin could not furnish him with the 300 schillings which he wanted to take with him on the trip. It was finally arranged that he would have permission for German firms in Austria to furnish him

with a

with a limited amount of schillings for use during his stay here. Although a very wealthy man, he therefore crossed the German-Austrian frontier with 10 German marks and with no Austrian currency. There is exchange available, but it is so definitely ear-marked and so much needed for the industrial program that it is almost impossible to get any, even for an important business trip.

He pointed out that the emphasis in the courts and in the press on the prosecution of priests and nuns for transferring money illegally from the country is to make it appear that they, like the Jews, are responsible for the scarcity of exchange and to satisfy the agricultural interests, which are complaining because they cannot get exchange for cattle feed, etc.

The program for increasing employment has been successful in the sense that more people have been put to work, but at the cost of ruining business establishments, which are obliged to keep on more workers than they can occupy. Days and hours of labor have also been reduced, and the position of the great mass of German workers is much worse, as not only is their gross income less, but the deductions for taxes and party contributions are higher. At the same time, prices of foodstuffs and practically everything that enters into the cost of living have gone up. The dissatisfaction and the disillusionment among the workers is growing rapidly. A year ago it was necessary to recognize that there was a real democratic background for the régime, in that it had popular support. Now this popular support is very largely gone and the régime exists through the reign of terror. This terror, so far, is still effective. The question is, what will happen as this wave of discontent rises.

The Government has practically consumed all of the available financial resources, with the exception of those in private hands. The German capitalists are awaiting their turn, for they know that they will be attacked eventually in the same way as the Jews, the churches, etc.

As the discontent and unrest become greater, the emphasis on the radical program is increased. The increased emphasis on the radical program in the last months is merely an indication of the increased financial and economic difficulties.

My friend, who is an unusually intelligent and capable business man and who is by nature very optimistic, showed during this conversation real depression. He said that even Germans like him were beginning to wonder how long the thing was going to last and whether they could live through it. He seemed to think that when the economic and financial position became desperate there was a good chance of the Army, more or less against its will, taking hold. The other alternative was that the régime would seek a glorious way out through an adventure, which would probably be in this direction.

He recited an incident which was of particular interest. He is a man in the beginning of middle-age. The disillusionment among those who had been National Socialists of his age, he said, was already complete. As a concrete illustration, he gave the following:

In one of his Berlin companies, a Jew, who is a veteran of the last war and who lost a leg in the war, is employed in a clerical capacity. This Jew had a liaison with a non-Jewish girl, which he gave up about two months ago, in view of the general atmosphere and as he did not wish her to suffer any annoyance or inconvenience through her association with him. Just a few days before he left Berlin on this trip the girl was called to the headquarters of the Gestapo and kept there for eight hours. She was called a whore, a sow, and every other conceivable name because she had had this liaison with a Jew, and every endeavor was made to get an admission from her that this Jew was still having contact with her. Although she remained steadfast in her declaration that the liaison had ended some two months ago, this Jew war veteran was brought to the Gestapo and has since not been heard of. The manager of this company is a former army officer and a friend, as well as a business subordinate, of my friend. My friend asked the manager, who was formerly an ardent National Socialist and who is still a member of the Party, what he thought they should do if this Jewish employee was released by the Gestapo, that is, whether they should take him back or not. The manager replied that he thought they would never see him again, but that if he was released from prison or camp they should, of course, immediately take him back into his old job. My friend says that this attitude is characteristic of that of most formerly ardent National Socialists who are over thirty years of age.

G. S. M.