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Confidential

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EXTRACTS FROM A SPEECH DELIVERED BY SECRETARY OF STATE BRINKMANN
TO A MEETING OF GOVERNMENT OFFICIALS AND NAZI LEADERS AT
COLOGNE, PREVIOUS TO THE OCCUPATION OF BOHEMIA AND MORAVIA.

The three pillars of a national economy are (1) Labour, (2) Raw Materials and (3) Capital. These three are the foundation on which economic life reposes and the source from which economic development proceeds. In our country all three are entirely exhausted.

1. LABOUR. Our vast governmental projects, from rearmament to the construction of the fortifications in the West, from motor-roads to government economic enterprises, have created a demand for labour which cannot be met out of the human resources of Germany. The first sign of this was the urgent appeal for qualified metal-workers. Then we placed our hopes in training workers from other occupations. Then we began to train workers over fifty. Then we took on apprentices. Finally, we used any kind of labour that we could find in order to try to carry out the programme that had been laid down. The result has been (1) a deterioration in the quality of our production, (2) a considerable increase in the cost of production, (3) wide differences in wage-levels causing intolerable social tensions, and finally (4) a stampede of the rural population into the towns, with disastrous effects upon our agricultural production. The Minister

of Agriculture is to-day short of 250,000 to 300,000 agricultural workers, who have preferred to earn one mark sixty in town, stopping work at 8 o'clock, rather than 40 pfennigs in the country unloading hay and looking after the cattle after 9 o'clock. We have been obliged to employ 300,000 foreign workers whom we must pay in foreign currency, of which we are short.

2. RAW MATERIALS. Take a single example -- the production of steel. Our blast furnaces have been pushed to 96.4 per cent of their maximum production -- a condition which cannot be maintained. Last year our steel production attained 1.9 million tons. On the side of consumption -- mark this well, gentlemen -- the figure was 3.4 million tons. Where did the extra 1.5 million tons come from? They were imported, thanks to the dowry of 700 millions of marks which our Austrian fiancee brought us and which by now has all gone down the wind. These 3.4 millions constituted the "ideal" production figure which had been laid down as a normal programme. It should be realised that it is absolutely impossible to attain to this figure by regular and tolerable means. Our available resources of raw material are too inferior in quality and would -- if we insisted on making the attempt -- employ so large an amount of labour as to cripple the rest of our national economy.

Nor is there any relief to be found through the importation of raw materials. Our stock of foreign exchange is exhausted. Our imports this year have reached a volume approximately double that of our exports, although the Führer has laid it down that we ought not to import a single mark's worth that has not been already paid for in exports. But how can we do this when the imported raw materials are mainly used for armaments rather than in manufacturing goods for export? Moreover, foreign markets are not there at our beck and call. They need to be treated with a good deal of care. They do not supply us with raw materials or foreign exchange at the stamping of our foot. If we adopt dictatorial methods we may have them closed in our faces.

3. CAPITAL. Of the 108 milliards of last year's national revenue the State took from 54 to 55. This percentage can only be maintained for a short transitory period. As for borrowing, the steam-roller of debts that we are pushing forward is now so heavy that we cannot take the responsibility of adding to it. We have mortgaged the future up to the hilt. The Treasury is empty. There are not enough savings available in the country to meet our current financial needs and moreover they are growing less. Gentlemen, speaking frankly, do we really believe that the mark of to-morrow will be worth exactly the same

as the mark of to-day?

Moreover, we need 6 milliards of Reichmarks to balance this year's budget, even when account has been taken of the last extraordinary receipts and possible receipts from special sources. Where are we to look for these 6 milliards? Three ways are open. One is to use the printing press. That is the road to inflation which we are struggling desperately to avoid -- and, rightly, for it would be the end of everything. The second is the imposition of new taxes. In my opinion this road also is closed and the effect of trying to levy taxes would be the opposite of what we would be seeking to obtain. The third possibility is to increase our exports. This means the abandonment of our great governmental projects and of the programmes in course of execution, and the diversion of these materials and energies to the production of export goods. After all, what is the use of all these guns if we have no munitions for them, and of all these aeroplanes if we have no oil for them -- and we are still short in that respect? Is it not the primary function of the army to safeguard the life of the people? What purpose is it serving when the expense of maintaining it has become so great that it is impossible to feed the people adequately or to enable the workman to make up the strength he has expended in his labour? The workman is quite ready to

stick peacefully to his task. But he does not want to be entirely cut off from the pleasures of life. He is quite satisfied if he has his pipe and his daily glass of beer. But these he must have. These, too, are an indispensable part of our defensive capacity.

Nothing irreparable has yet taken place. The situation is by no means hopeless. But if we wish to reap the fruits of the great successes of the Führer, of the incorporation of Austria and the Sudete territories, we must economise. That means that we must reduce the scale and speed of our governmental projects, establish a definite and durable programme corresponding to our financial and economic possibilities and hold fast to it on the basis of a long-term calculation. It is only in this way that we can establish the proper and necessary proportion between our exports and our imports and, in general, economic relations capable of assuring the future of the Great Germany created by the Führer.