

NEW

# OUTLOOK

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## Germany and a Few Tomorrows

By

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*Political strife increases in the German Republic. H. V. Kaltenborn, former manager of the "Brooklyn Daily Eagle" foreign news service, made a study in August and September of the behind-the-scene motives which explains the continuance of this upheaval.*

ONCE AGAIN Germany has entered upon a general election campaign. For the fifth time this year Germany's forty-odd million voters will engage in the battle of ballots.

Fundamentally the German's political instinct is sound. Give the German people such a choice as that between Hitler and Hindenburg and the great majority makes the right decision even at a time when passion might displace reason. Hot-headed youth, unemployed, discouraged, disgusted, has gone Fascist or Communist, but not the middle-aged burgher or his frau. Despite poverty, unemployment, treaty humiliations and material handicaps of every kind, the average German is still well-balanced, good-natured and endowed with common sense. He works and plays much as he did before the war. He drinks less beer and wine, sings more infrequently, and scolds more often, but he goes about his business and pleasure unruffled by the ever-present political and economic storm. Today and for a few tomorrows, Germany needs and will maintain dictatorship. It will be veiled by the constitutional authority of Article Forty-eight which clothes the President with special powers to deal with an emergency. From time to time, although less often than this year, there will be an election which will justify itself by proving that the sober German majority is unwilling to accept the panaceas offered by Communism or Hitlerism.

In recent elections Hitler and his party have received some thirteen million votes. Hitler tells me that he will receive fifteen million in November. His opponents ridicule this claim. They argue with some logic that his movement reached its zenith in July, and is now declining. Yet even fifteen million votes are only one-third of the total and would not justify that absolute control of Government policy which Hitler demands for his National Socialist Party.

President Hindenburg, Chancellor von Papen and Defense Minister von Schleicher, the triumvirate now

ruling Germany, out-manuevered Hitler at every turn in the negotiations following the last election. The Nazi leader and his lieutenants came to Berlin prepared to take over control of the Government. Various Cabinet positions had already been allotted. Even the underlings of the party directorate had selected the berths they hoped to occupy. It must be remembered that



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many of these men have given a decade of earnest endeavor to the party cause without material reward. They cannot be blamed for looking forward to Der Tag when "Heil Hitler" will be the password to Government office.

It was a bitter blow to all of Hitler's lieutenants when the sturdy old President and the equally vigorous von Papen Cabinet refused to grant their leader's demands. A careless phrase used by Hitler during the discussions enabled the Government to announce that he had asked for power equal to Mussolini's. The Fascist leader's denial never caught up with the skillfully launched story of the Reich Press Bureau. Hitler admits that he asked for the Chancellorship and all important Cabinet posts except that of Defense Minister. "How could I play the part of Mussolini without the Reichswehr?" he asked me when the question came up in our interview.

Thousands of Hitler followers including the leaders of his storm troop detachments all over Germany expected orders for the march on Berlin when they learned that their hero was not permitted to take over the government. Instead of a clear-cut order they read in their press a confused statement of uncertain purpose.

It was just one week after his defeat in Berlin that I visited Hitler at his summer home near Berchtesgarden in the Bavarian highlands. In response to a question about a possible future march on Berlin he declared with oratorical emphasis: "We do not need to march on Berlin. We are already there! The question is, who will march out of Berlin!"

He takes the position that his triumph by legal means is certain and imminent. For the present he personally has no idea of seizing power by force of arms. His political philosophy denies that force is the ultima ratio. He differentiates between what he calls authoritative government and a dictatorship that relies only on force. "How foolish to believe that brute force is the necessary alternative to parliamentary government," he said. "You cannot establish dictatorship in a vacuum. No government can live by bayonets alone for any length of time. It must have the support of the masses. Yet dictatorship is justified if the people declare their confidence in one man and ask him to lead."

I believe Hitler to have been sincere in this statement. So far as I know it is the first time he has made such a declaration. Coming so soon after his failure to obtain control of the government by legal means it is an important index to his character and purpose. It stamps him as a man dominated by ideas, and not by the desire for action or the will to power. The truth is that Hitler's personal capacity for leadership has been over-estimated in Germany as well as abroad. He is a competent organizer, a highly gifted popular orator, fanatical and unselfish in his devotion to cause and country. He has excellent brain power, a gift for analysis, and a winning, simple sincerity that helps to account for the loyalty of his sometimes abler lieutenants and followers. He lacks the power of decisive action. He fails to follow through in a crisis. His total lack of humor, the tenseness of his speech, his self-centered absorption in his own ideas and a certain sense of melancholy, make one feel that here is a man destined by fate to fill a tragic hour. He suggests failure rather than success.

Germany already has thoroughgoing economic dictatorship. There has even been developed a kind of state socialism in finance since the government, as a result of last summer's financial crisis, now owns the second largest German banking group. To liquidate important loans this Danat Bank has taken over huge industrial undertakings. Thus the German Government through this bank already controls nearly one-half of Germany's total production of steel and pig iron.

In many other ways the authorities have laid a heavy hand on private property. By emergency decree they

lowered interest rates, enforced a general ten percent cut in prices, rents and wages, and assumed absolute control of foreign exchange. Travelers leaving Germany this summer were surprised to note what a rigid check customs men maintain over the foreign or domestic currency carried out of the country. No one leaving Germany is permitted to buy more than \$50 worth of foreign currency. No business man can obtain any foreign exchange without government consent. Import firms are restricted to one-fourth of the amount of foreign exchange they used last year. By such arbitrary means the German government hopes to maintain that export balance of \$25,000,000 a month which just suffices to pay for essential imports and meet current payments on private debts. It would not suffice to repay frozen short-term bank credits or to make any reparations payments.



From Germany's point of view reparations payments are over. The Lausanne Agreement which provides for the further payment of \$725,000,000 in bonds in 1935, has not been ratified and may not be. It is dependant first, on a large measure of debt cancellation by the United States, and second, on complete economic recovery by Germany. Baron von Neurath, the German Foreign Minister who signed the Lausanne Agreement, does not expect that Germany will ever be called upon to make the payment for which it provides.

When the German delegation returned from Lausanne, it was bitterly attacked by the National Socialist press for signing the agreement. Yet during the current electoral campaign the issue is already regarded as academic. For the United States the question is not academic. With reparations ended, what about war debts?

Germany meanwhile has turned to the all-important issue of armaments. The Wilhelmstrasse has sent an official "Aide Memoire" to the French Government on this subject, and the French Government referred Germany to the League of Nations. And Germany responded by formally withdrawing from the Disarmament Conference. What is it that Berlin asks and Paris denies? It is hardly correct to say that Germany asks the right to bring her armaments up to those of France. Germany's immediate purpose as just outlined to me by Chancellor von Papen, Foreign Minister Neurath, and leading members of the Reichswehr general staff is to improve, not to increase, her armaments. She asks moral, not material, equality. She believes herself entitled to take certain elementary measures of defense now denied her by specific provisions of the Treaty of Versailles. She asks the same right to arm that is exercised by other nations, but proposes to postpone until some indefinite future date any attempt to exercise that right.



The exasperating detailed care with which the Treaty of Versailles describes and proscribes German armaments is not generally realized. These provisions were drawn up by French military experts whose sole purpose was to cripple Germany's military power to the last possible degree. They did their work well. The 100,000 members of the Reichswehr must be enlisted for twelve years—no more, no less. This has become a particularly sore point. Experience has shown that the twelve-year term is too long for good results. The men go stale and insist upon release. When it is not granted many commit suicide or break the rules of discipline. With a large proportion military efficiency is seriously impaired during the last six years of service. The Germans wanted an opportunity to explain this to the French and to secure French consent to a reduction in the term of service.

They object to the severe restrictions on the manu-

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facture of arms. By distributing arms contracts to a larger number of factories which can turn them out in their dull season they can largely reduce the cost of all armaments. Of course the French reply would be that the real reason for this proposed change is not economy but lies in Germany's desire to equip a larger number of industrial plants for armament purposes.

The Reichswehr General Staff wants less cavalry and more artillery. Germany's Eastern frontier is open to attack. "Even a machine gun emplacement on our Eastern frontier violates the Treaty of Versailles," Baron Neurath declared. "We should be permitted to establish some sort of defense against invasion. We cannot afford to increase armament and do not wish to do so. But the unfair and expensive restrictions on our armaments imposed by the Versailles Treaty must end. Failing agreement with France we will announce unilateral abrogation of these restrictions."

Germany, more than any other large European power, depends for her recovery on the success of the forthcoming international economic and financial conference. The preparations for this meeting are under way. When the United States Government indicated that we would only attend such a conference if debts and tariffs were excluded from the discussion, Europe's hopes for a successful meeting declined. The Lausanne Agreement under which the call for the economic conference was issued, names "improved conditions of production and trade interchanges with particular attention to tariff policy" as the first and most important of the economic questions on the agenda. "If we put aside debts and tariffs we have little left to work on," Baron Neurath declared. "Problems of finance reform and foreign exchange are important, of course, but they are not dominant."

Chancellor von Papen did not feel that the United States would be adamant in excluding all tariff discussion and several American ambassadors in Europe agree with him. "This economic conference cannot be permitted to fail," Chancellor von Papen said. "We must reach agreement on at least two questions—currency stabilization and import arrangements. There are several ways in which the currency problem can be handled. We could provide an international issue of gold notes, perhaps securing the cooperation of the International Bank. It does not make so much difference how we solve the problem but solve it we must. In tariff matters also we must learn to make mutual concessions. Arrangements can be worked out and the worst of the present-day situation can be eased by reciprocal reductions."

One important American representative overseas gave it as his impression that the Washington authorities will not object to general tariff discussion provided they are not asked to consider specific rates and items. There is of course no good reason why the United States should not exchange views with other nations on general tariff policy. It is also far better for us to be present at a meeting where European countries discuss and plan specific tariff arrangements among themselves, since every such agreement affects our interests as well as theirs. One would imagine that our interests would be better served by friendly participation in all tariff debates than by stimulating European representatives to make mutually favorable agreements which discriminate against us. But until November it is hopeless to expect good policy to displace good politics.



It is probably true that Germany must forsake the gold standard if the forthcoming financial conference ends in failure. In one sense the gold standard has already been abandoned. There is no free movement of gold, credit, or exchange in and out of Germany. Only the most rigid government control prevents the

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German mark from slipping. If the free movement of notes or money were restored for a month, Germany's foreign exchange balance would disappear and the mark would begin a precipitous descent.

The American bankers interested in Germany's private debts abroad will soon confront the alternative of reducing interest and principal payments or accepting an immediate moratorium. Chancellor von Papen told me that he is sending a special commissioner to discuss this matter with American bankers. He is anxious to avoid the moratorium and will seek to reach an agreement which both sides can accept and carry out. But here, as elsewhere, interest rates will have to be materially reduced if bankruptcy is to be avoided. And it is no easy thing for even the best minds of the banking world to make voluntary concessions on the interest and principal of a private international debt. A governmental debt that interferes with the payment of a private debt is a different matter!

As one talks over the German situation with leading personalities in Italy, France or England, one finds increasing appreciation of Germany's difficulties. The Italian Government is willing and anxious to see the Treaty of Versailles altered in Germany's favor. Benito Mussolini, who has once more assumed exclusive responsibility for the conduct of Italy's foreign affairs, has repeatedly declared that he would make concessions to Germany on the War Guilt and Armaments Clauses.

Premier Herriot of France came to Lausanne prepared to make concessions both on reparations and treaty provisions. As often happens he was frightened out of the latter by strong nationalist opposition at home. He said to me repeatedly in the course of our conversation that France has done as much for the present as can fairly be expected. He believes that in abandoning the Young Plan and accepting the Lausanne agreement, France has made concessions which Germany should have appreciated more than she has. He faces a difficult political situation in France since he must soon present to the Chamber of Deputies in which his majority is none too large, a budget program which is bound to be unpopular. For while Germany seems to have reached a state of economic balance on a very low level, France faces further decline. Prompt world recovery is the only thing that can save France from increasing economic difficulties.



The British have long sympathized with Germany's desire for arms equality. The French press is wrong in assuming that the MacDonald government will take the French side in the armament debate with Germany. British officials are naturally not eager to commit themselves publicly to the German viewpoint, even though they share it. It is also well known that there is a division of opinion in the British Cabinet. Some members favor closer cooperation with France even at the cost of postponing a desirable solution of the armament problem. Others follow Premier MacDonald's lead in wishing to see justice done to Germany.

In the long run Germany will have her way in this matter as she has already had it on so many other disputed questions growing out of the Treaty of Versailles. The Hitler movement found its source and continued inspiration in the unfair provisions of that treaty. It is unfortunate that this is not more generally understood in France. Herriot understands it but the Chamber majority does not. What a tremendous step toward Franco-German understanding would be made if the French Government could and would proclaim its desire to cancel the War Guilt Clause of the Treaty.

Several times during my interview with Chancellor

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von Papen, he emphasized the great importance to Germany of a moral gesture in her favor by the powers that dictated the peace treaties. "We need social sanitation more than all else," he said. "Our people require something in the nature of a moral impetus to put them back into a healthy frame of mind. Give the German people the moral support they need by giving them the same rights as other nations in the matter of defense and you have laid the foundation for our economic and political recovery. It will enable Germany to make her proper contribution to world stability. Without Germany, Europe cannot recover. We are at the heart of this international problem. What helps us in this regard will help the world."

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