March 8, 1934

The rumblings of German resentment at the mass meeting continued all day. I lunched with Leitner, Counselor of the German Embassy. He could talk of very little else besides the mock trial - Hitlerism versus Civilization held at the Madison Square Garden March 7. Dr. Leitner said that his Ambassador had been hoping that Mr. Phillips would have a message for him today showing that the Federal Government disapproved of the proceedings. I told him what Mr. Phillips had said at press conference which was to the effect that he had "no comment other than to reemphasize the private nature of the gathering and that no member of the Administration was present. Anything that was said, therefore, represented the personal views of the individual speakers." Dr. Leitner gave me the impression that he was disappointed that Mr. Phillips had not spoken more openly. He then went on to say that it was "incredible" to him that such an attack on the Chief of State of a friendly nation (he did not use the words "Chief of Government" which would have been more accurate) was permitted, and that apart from its political repercussions in Germany, it was establishing a very dangerous precedent which might come home to plague us some day. There were many people who did not believe in American policies and might so express themselves in ways which gave offense, but our hands would henceforth be tied as the answer to any protests we might make would be met with "you yourselves started it on March 7, 1934." I told Dr. Leitner that I doubted if we would take an unfriendly demonstration quite as much to heart as he seemed to be doing and that we recognized in others our cherished belief in the right of free speech. We talked for a few minutes about what was said, but Dr. Leitner felt that the
mere holding of the "mock trial" was so distressing that anything which might have been said or not said was of secondary importance. He concluded by reiterating again and again that while he was quite aware of what had been explained to his Ambassador and himself as to our lack of authority to stop the meeting, none the less it remained an incomprehensible episode to anyone who had a European outlook on problems.

Disarmament went from bad to worse. Broqueville made what Ambassador Morris called a statesmanlike speech, admitting German re-armament which seems to have annoyed the French which was natural, but even the British who say that this will merely cause Germany to increase her demands. The British are talking of air construction, the Japanese of further naval expansion.
June 30 and July 1, 1934

Saturday was a day very much resembling the day of the Paris riots. Only this time the outbreak was in Germany. From nine o'clock on, a series of news bulletins kept flashing in to the effect that Germany was in an uproar; that General von Schleicher and his wife had been shot; that Roehm had been deposed from the Reichswehr and thrown out of the Party; that von Papen had been taken under preventive arrest; that Roehm had shot himself; that Hitler had exposed "The orgies" which everyone else has known about for a year; that Ernst had been tracked down and shot; that von Papen's aide had "committed suicide"; that the Reichswehr were standing by under emergency orders; that machine guns were set up near Party headquarters, etc. etc. These first bulletins as they came through contained an astounding amount of accurate news but it was some hours before we were able to dope out exactly what had happened. Our first instinct was that there had been an open revolt but if the victims were conspirators they certainly had taken no overt steps. The second element of confusion arose from the fact that Hitler struck out simultaneously at the Extreme Right and the Extreme Left, attacking monarchists and communists at the same moment. At any rate, Mr. Dodd did not help us in our interpretation as having sent a personal message to the President only three days ago telling him that trouble was not imminent, he was playing astoundingly safe and confined himself to a few facts and platitudes.
November 23, 1934

To add to the merry-go-round, Ambassador Saito went to Philadelphia to make a none too tactful speech attacking our policies on immigration, Manchukuo, trade and navies, and so phrased as to carry the inference that Japan suspected us of aggressive designs. Incidentally, he said that Japan would denounce the Washington Treaty before the end of the year irrespective of developments at London.
November 27, 1934

Walter Lippmann has just returned from a brief trip through Europe. To be sure he only visited France and Italy but spent a good bit of time endeavoring to analyze the European situation on the basis of talks that he was able to have with Cabinet Ministers, editors and diplomats in those two countries. He came to see the Secretary yesterday and today had a long talk with Mr. Phillips at which he invited me to be present.

Lippmann says that as he analyzes it, Europe’s present troubled state can be attributed to three basic causes: (1) the loss of prestige by Europe as an entity in relation to the rest of the world; (2) the havoc being wrought to world economies and to personal morale by currency uncertainties; and (3) the smoldering political antagonisms of race for race, which are being fanned by a feeling somewhat approaching despair.

Of these three he considered the evils resulting from currency uncertainties as by far the most menacing. He found morale in the gold bloc at its lowest ebb. The process of deflation with its hardship on virtually every class of the population was continuing, if not gaining momentum. Not only was this producing a feeling of desperation but it was actually stopping the wheels of business progress. Bankers in the gold bloc countries were promptly investing their deposits in gold, conscious that they could not lose and with the hope of making a big profit should their countries decide on devaluation. The result has been that industry has not been helped and commercial stagnation is gaining from month to month. There were three ways in which the gold bloc could go off gold: (a) either as a result of a currency crisis and a panic; (b) by devaluing a certain percentage, following the example of Czechoslovakia, or (c) letting the currencies sink to their normal level and indulging
in a managed currency. Lippmann gathered from Jung, Reynaud, Rist and others that while devaluation was certainly within the realm of possibility, it could only be by tying it up on some fixed ratios with gold. If the dollar should be stabilized, he felt that these currencies would be tied to the dollar, all deposits and holdings now tied up in gold would then have no more hope of further profit and would be brought forth for constructive purposes. To sum up, while Lippmann felt that recovery was well under way in the sterling bloc and in the United States, he felt that the gold bloc countries were still spiraling downward.

Great Britain would like to see an extension of the sterling area and would be prepared to welcome Holland and Belgium into it. Although Great Britain is generally believed not to favor tying its currency to gold as yet, nevertheless Baldwin told MacKenzie King, who was on the steamer returning with Lippmann, that he personally favored an early stabilization of the pound. Lippmann's reasoned conclusion was that a stabilization by United States and Britain probably on a 4.86 basis, would more than any other one thing induce world recovery.

Turning to political subjects he found Laval tightrope walking. As a Minister he lacks either the will power or the authority of Barthou and gave the impression of lacking very decided convictions. His policy such as it was seemed one of clever improvisation to meet changing circumstances. He gave the impression of considering France's rapprochement with Russia as designed primarily to prevent a Russo-German agreement rather than for any immediate benefits France could gain. His idea of continuing negotiations with Italy was to find a formula which would satisfy Italy without irritating the Little Entente.
In Italy, there was a feeling that Mussolini for the moment did not have any definite foreign policy.