

● PSF

Sate: Germany

1939- June 1941



DEPARTMENT OF STATE
WASHINGTON

September 7, 1939.

The Secretary of State encloses copies of the telegrams and despatches indicated below.

Since some of this material was transmitted in one of the Department's confidential codes, it would be appreciated if the enclosures could be returned to the Department as soon as convenient for appropriate disposition.

Enclosures:

Telegrams Nos. 255, Belgrade;
25, Dublin.

Pres.

lw

Belgrade

This telegram must be closely paraphrased before being communicated to anyone. (Br)

Dated September 6, 1939

Rec'd 8:05 p.m.

Secretary of State

Washington

255, September 6, 7 p.m.

~~STRICTLY CONFIDENTIAL~~

An official German source informs us as follows:

Had England and France not declared war it was contemplated that German operations would cease with the first phase. This phase was intended to take that part of Poland which Hitler demanded. With that declaration of war by England and France there will be no let up on Poland until all resistance has been crushed and the entire country subjected to German occupation.

Germany desires to have Italy and all Balkan countries neutral or inactive until Polish operations have been contemplated. No more fighting on several fronts at the same time as during the last war if it can be avoided, there will be a partition of Poland between Germany and Russia. Russia is to become an active military ally. Mussolini's actions thus far have been in complete accord with Hitler's desires. The war will be of very long duration and will result in ultimate

German

lw -2- No. 255, September 6, 7 p.m. from Belgrade

German victory. About two thirds of Rumania would be interesting territory for Germany. Russia's operations will keep Turkey and Rumania very much occupied. Russia and Japan will eventually arrive at a non-aggression pact.

The United States will enter the war in about three months.

I.A NE

JRL
RR



DEPARTMENT OF STATE
WASHINGTON

September 7, 1939.

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Since some of this material was transmitted in one of the Department's confidential codes, it would be appreciated if the enclosures could be returned to the Department as soon as convenient for appropriate disposition.

Enclosures:

Telegrams Nos. 1114, Berlin;
1115, Berlin;
- , Danzig (Sept. 6);
802, Shanghai;
463, Tokyo;
480, Tokyo.

CJ
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (A)

DANZIG

Dated September 6, 1939

Rec'd 6:30 a.m., 7th

Secretary of State,
Washington.

September 6, 4 p.m.

There began in Danzig at about 4:45 morning of
September 1st, bombardment by German naval vessel
SCHLESWIG HOLSTEIN of Polish munitions depot at Wester-
platte at entrance to harbor and bombardment continued
intermittently during the day. Depot was bombarded the
following day by German airplanes but up to the present
time Poles have not surrendered. Inhabitants of Neu-
fahrwasser were evacuated early morning of second in
anticipation of aerial bombardment and some houses there
demolished by concussion. Sixth Polish contingent in
Danzig was able to hold out until late afternoon September
1 but owing to sudden seizure of main railway station in
Danzig Poles there were not in a position to put up re-
sistance. Gdynia has not yet been taken nor has Hel
Peninsula and fighting still continues just beyond Zoppot
but on Polish territory. All Americans safe.

KUYKENDALL

DDM:CSB

PSF: Germany

CJ
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (D)

BERLIN

Dated September 7, 1939

Rec'd 10:38 a.m.

Secretary of State,
Washington.

1114, September 7, 10 a.m.

~~STRICTLY CONFIDENTIAL~~. The Italian Ambassador here
has given me the following account of the last moment
efforts of Mussolini to avoid war: As a culmination of
the Italian efforts towards a peaceful solution of the
German-Polish controversy (see my 932, August 27, 3 p.m.)
Mussolini on the evening of August 31st proposed a con-
ference. France and England agreed to this step and the
German Government declared that it was not averse thereto
but requested twenty-four hours in which to consider.
Hostilities commenced early on the following morning and
Mussolini proceeded no further as the matter seemed
hopeless. The French Government however expressed it-
self in favor of a continuation of the Mussolini plan and
negotiations were renewed. It was at that moment however
that England decided to demand the withdrawal of German
troops from Polish soil, a demand which the Ambassador
characterized as unprecedented and all further negotiations
were futile.

-2- #1114, September 7, 10 a.m., from Berlin

It was clear in the course of this exposition that the Ambassador was discussing these steps only from the point of view of negotiations and not as bearing upon their influence on the actual intent of Hitler. The general purpose of his remarks was to prove that the British Government had at the last deliberately sabotaged peace and that the Polish Government and especially the Polish Ambassador here in failing to further direct negotiations with Germany had placed themselves in the wrong, at least insofar as the record of the negotiations was concerned.

KIRK

PHD

PSF
Safe Herman M

FROM ALUSNA MEXICO CITY
TO OPNAV

RESTRICTED NITE CABLE
16 OCT 39

0016 EMMY FRIEDERICH MOVED OUT INTO STREAM OPPOSITE DOCK
LATE THIS AFTERNOON FULLY FUELED AND PROVISIONED AND
APPARENTLY FULLY CONVERTED TO OIL BURNER READY IN ALL RESPECTS
FOR SEA. DO NOT EXPECT MEXICAN GOVERNMENT WILL ATTEMPT
TO HOLD HER ~~IF~~ ^{IF} SHE ATTEMPTS TO BREAK 18500R

TOR CODE ROOM 2240

DISTRIBUTION:

16 ACTION

00A...01...11...12...13...20...NAVAID...OPNAV DO...05...FILE

PSF
Safe: Herman

MACKAY RDO

FROM : ALUSNA BERLIN
ACTION: OPNAV

RESTRICTED ROUTINE
16 OCTOBER 1939

0016 SAME FIVE HUNDRED TON SUB WHICH SANK ROYAL OAK WITH TWO
TORPEDOES ALSO BADLY DAMAGED REPULSE WITH TWO. GERMANS ADMIT
NO RECENT LOSSES OF U-BOATS. TWO SUBS FROM 12-14 OCTOBER SANK
55,000 TONS ALLIED SHIPPING. BRITISH SS HERONSPool RESISTED
WITH TWO GUNS BUT WAS SUNK 15300R

TOR CODEROOM. 1620

DISTRIBUTION:

16 ACTION ~~1000~~ (4)

13...38 (3)...10/11...00A...01...12...STATE...PX...NAVAID...

05...FILE...OPNAV DO...

JT
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

BERLIN

Dated March 1, 1940

Rec'd 4:26 p.m.

Secretary of State,
Washington.

532, March 1, 5 p.m.

~~SECRET~~ FOR THE PRESIDENT FROM WELLES

Had two and a half hours conversation with Ribbentrop
this morning. Twenty (repeat twenty). Hitler is receiving
me at eleven tomorrow, Saturday morning.

KIRK

CSB

JR
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

Berlin

Dated March 2, 1940

Rec'd 2:55 p.m.

Secretary of State,
Washington.

538, March 2, 1 p.m.

~~SECRET~~ FOR THE PRESIDENT FROM WELLES.

I was received this morning by the Chancellor and
had approximately an hour and three-quarters conversation
with him. 43 repeat 43. I am having conversations
tomorrow with Field Marshal Goering, Hess and Schacht. I
am planning to leave tomorrow night for Switzerland en route
to Paris.

KIRK

KLP

JR
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

Berlin

Dated March 2, 1940

Rec'd 4:45 p.m.

Secretary of State,
Washington.

539, March 2, 2 p.m.

~~STRICTLY CONFIDENTIAL~~ FOR THE SECRETARY FROM WELLES.

In accordance with our agreement I am not telegraphing you any details of the conversations I have had with the Chancellor and other members of the German Government. I have spoken at some length with the Chancellor, with the Foreign Minister, and with the Under State Secretary concerning our views on international trade relations. I am gratified to report to you that I believe they take approximately the same position as taken by the chief of the Italian Government namely that while present conditions make it impossible for them to relinquish the autarchic system now in operation they nevertheless support the principles which we support as the desirable objectives to which the German Government should return if and when a sound and lasting peace is established. I am being received tomorrow by Field Marshal Goering and I shall leave with him the full text of the principles as finally approved by ourselves.

KIRK

JI
This telegram must be
closely paraphrased be-
fore being communicated
to any one. (SC)

Berlin

Dated March 3, 1940

Rec'd 6:26 p.m.

Secretary of State

Washington

544, March 3, 7 p.m.

~~SECRET~~ FOR THE PRESIDENT FROM WELLES.

I spent three hours with Field Marshal
Goering today 49 (repeat 49). I also had a
brief interview with Deputy of the Leader
Hess 5 (repeat 5).

KIRK

EKN

707 - Germany

JR

This telegram must be closely paraphrased before being communicated to anyone. (D)

Rome

Dated March 13, 1940

Rec'd 11:55 a.m.

Secretary of State,
Washington.

178, March 13, 2 p.m.

FOR THE PRESIDENT FROM HYRON TAYLOR.

#5. March 12, midnight.

I had a long visit late tonight at the Vatican and under pledges of strictest confidence I was told the following details of Ribbentrop's interview with the Pope.

At the beginning of the audience he talked steadily for twenty minutes displaying the greatest assurance and asserted as indicated in my previous telegram that Germany could win the war within a year; that the entire German public were behind Hitler and that Germany finds no serious difficulty because of the blockade in respect to food and supplies; that it is getting adequate supplies from the east including Russia, Rumania and other countries; that Germany already on war rations could with added supplies from the outside ensure the well-being of its population on a reduced ration basis now largely in force, that Italy must stand with Germany because of its
extensive

-2- #178, March 13, 2 p.m., from Rome.

extensive and exposed frontiers and because its form of Government so closely resembles the German form that if one fell both would fall.

(END SECTION ONE)

PHILLIPS

RR

JR

This telegram must be closely paraphrased before being communicated to anyone. (D)

ROME

Dated March 13, 1940

Rec'd 1:50 p.m.

Secretary of State,
Washington.

178, March 13, 2 p.m. (SECTION TWO)

(The Vatican shares the view that if Hitlerism falls Mussolini will fall too unless Mussolini makes some compromise with the Allies to save himself which is considered by the Vatican authorities to be unlikely at the present time).

The Holy Father when he found an opportunity to reply to Ribbentrop referred to the condition of the Catholic Church in Germany and the condition of the Polish people. Ribbentrop urged upon the Pope that his Government had granted large sums of money and subsidies in Germany to the churches including the Catholic and that the churches are allowed to be open. He insisted that the church had no right to concern itself with politics, to which the Pope replied that the closing of the churches and schools and the persecution of priests was not a political but a church matter. Ribbentrop's sole allegation against the church was its participation in politics.

In regard to Poland the Pope again asked that an apostolic visitor be permitted to enter Poland for the purposes

-2- #178, March 13, 2 p.m. (SECTION TWO) from Rome.

purposes of investigation and report. Ribbentrop evaded this question by saying that he would look into the matter; that they had no definite plans in respect to religious questions but that he would give further study to the condition of church affairs in Germany.

(179 follows)

PHILLIPS

HPD

Safe: Germany
DEPARTMENT OF STATE *PSF*

THE SECRETARY

March 18, 1940.

MEMORANDUM FOR THE PRESIDENT

I herewith return cable from James D. Mooney. Also the complete memorandum relative to the equal employment question in Panama, which I think you will want to go over, in substance, with Mr. William Green.

CH

THE WHITE HOUSE
WASHINGTON

~~SECRET~~

March 15, 1940.

MEMORANDUM FOR

THE SECRETARY OF STATE

This is for your eyes
only. As it is in secret code
please read and return. I will
let you see the rest as soon as
it comes in.

F. D. R.

Thanks
E H

Safe: Germany

NAVAL MESSAGE
(NAVY DEPARTMENT)

From <u>MR JAMES D MOONEY</u>	ACTION	To <u>THE PRESIDENT</u>	Write ACK, after address requiring acknowledgment
Released by <u>VIA NAVAL ATTACHE ROME</u>			
Date <u>12 MARCH 1949</u> (signature)	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

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DECLASSIFIED

(DO NOT WRITE IN THIS SPACE)

DDO WIL 5200.9 (9/27/58)

Date- 2-4-71 (27/58)

TEXT

Signature- RHP

I ARRIVED IN EUROPE VIA ROME ON 11 FEBRUARY AND IN ACCORDANCE WITH MY CONVERSATIONS WITH YOU DURING DECEMBER AND JANUARY AT WASHINGTON I HAVE ABSORBED MYSELF IN EXPLORING THE WAR AND PEACE SITUATION IN EUROPE PARTICULARLY IN RELATION TO THE POINTS OF INTEREST EMPHASIZED TO ME FROM YOUR POINT OF VIEW DURING OUR CONVERSATIONS X I MADE A STATEMENT TO YOU JUST BEFORE XMAS AND IMMEDIATELY FOLLOWING MY RETURN FROM EXTENSIVE TRAVEL THROUGHOUT EUROPE PARTICULARLY THE BELLIGERENT COUNTRIES GERMANY ENGLAND AND FRANCE DURING THE FIRST FOUR MONTHS TO THE EFFECT THAT OF THE SCORES OF CONTACTS I HAD HAD WITH EVERY CLASS OF THE PEOPLE FROM ARISTOCRACY TO LABORERS I HAD FOUND NO INDIVIDUAL FROM NOBLEMAN TO TEAMSTER WHO CONSIDERED THE WAR OTHER THAN A CATASTROPHE FOR EUROPE X AMONG THE COMMON PEOPLE IT WAS CONSIDERED A PRIME PIECE OF INSANITY AND THEY WERE APPALLED AT THE THOUGHT OF SACRIFICING THEMSELVES TO SUICIDE ON THE WESTERN FRONT X THEY WERE HORRIFIED AT THE PROSPECT OF

Make original only. Deliver to Communication Watch Officer in person. (See Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE
(NAVY DEPARTMENT)

From
Released by
Date
NITE to
ROUTINE to
PRIORITY to

(Signature)

ACTION
INFORMATION

To
To

Write ACE after addressee
requiring acknowledgment

(DO NOT WRITE IN THIS SPACE)

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PAGE TWO

DDO DNL 5200.9 (9/27/58)

TEXT

STARVATION ALREADY UNDERWAY IN EUROPE WHICH WILL INCREASE IN INTENSITY AS THE WAR CONTINUES X THIS SITUATION STILL TRUE X AMONG PEOPLE WHO HAVE TO BEAR BRUNT OF IT NO EMOTIONAL BACKGROUND FOR WAR EXISTS JUST AS IN UNITED STATES AMONG OUR OWN PEOPLE THERE IS SUCH A STRONG UNDERCURRENT OF ANTAGONISM AGAINST WAR AMONG PEOPLES OF EUROPE THAT ANY POLITICAL LEADER WHO DOES NOT RECOGNIZE THIS POWERFUL UNDERCURRENT IS LIKELY IN TIME TO FIND HIMSELF IN THE POSITION OF A FLAGPOLE SITTER X AS A MATTER OF FACT ANY POLITICAL LEADER IN ANY ONE OF THESE COUNTRIES WHO IS NOT NOW PLANNING HOW TO BRING ABOUT PEACE CONSISTENT WITH THE HONOR AND PRESTIGE OF HIS COUNTRY IS EVEN NOW A FLAGPOLE SITTER WHILE THIS LEADER WHICHEVER HIS COUNTRY IS MAKING BELLIGERENT SPEECHES CROWD IS SHOWING EVIDENCE NOT ONLY OF NOT LISTENING BUT OF ACTUALLY WALKING AWAY FROM FLAGPOLE X DISILLUSIONMENT OF FIRST WORLD WAR STILL DOMINATES FEELINGS OF EVERYONE IN EUROPE TIME SINCE WAR SO SHORT POIGNANT MEMORIES STILL FRESH FROM GRIEFS

Make original only. Deliver to Communication Watch Officer in person. (See Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write ACK after address requiring acknowledgment
Released by (Signature)		To	
Date	INFORMATION		
NITE to			
ROUTINE to			
PRIORITY to			

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000 DDL 5200.9 (9/27/58)

PAGE THREE

TEXT

INDUCED BY LOSS MILLIONS HUSBANDS OR SONS BY FOUR YEARS STARVATION
ECONOMY MISERY AND LONG YEARS PAINFUL RECONSTRUCTION SUFFERED DURING
POST WAR PERIOD THESE MEMORIES NATURALLY POWERFUL IN STIMULATING
EVERY MANS IMAGINATION IN EUROPE FOR CONSEQUENCES PRESENT WAR X
IF WAR GETS UNDER WAY WITH REALLY AGGRESSIVE MILITARY ACTION ON
BOTH SIDES CONSEQUENCES OF PENDING WAR WILL BE FAR MORE DISASTROUS
THAN OTHER WAR FOR TWO REASONS FIRST TECHNIQUES OF SLAUGHTERING
MAIMING GREAT MASSES OF PEOPLE MULTIPLIED DURING PAST TWENTY YEARS
IN HORROR EFFECTIVENESS SECOND EUROPE BEGAN WAR IN FOURTEEN WITH
SOME ECONOMIC FAT ON ITS BONES BEGINS THIS WAR WITH SCARCELY
ECONOMIC SKIN ON ITS BONES IS POVERTY STRICKEN NOW AS YOU KNOW MR
PRESIDENT FROM ORDINARY ECONOMIC INDICES X THIS POVERTY HAS COME
UNDER MY OWN PERSONAL OBSERVATION SCORES OF TIMES IN THESE PAST
YEARS PARTICULARLY IN THE BELLIGERENT COUNTRIES WHERE I AM NECESS-
ARILY BROUGHT FACE TO FACE WITH STANDARDS OF LIVING AMONG WAGE
EARNERS AND SALARIED EMPLOYEES X ENGLAND AND FRANCE GERMANY ARE

Make original only. Deliver to Commu-
nication Watch Officer in person. (See
Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write A.C.K. after address requiring acknowledgment
Released by (Signature)		To	
Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

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PAGE 4

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DOD DIR. 5200.9 (9/27/58)

TEXT

BROKE AT BEGINNING OF WAR EVEN IF WAR WERE TO END RIGHT NOW EVERY ONE OF THESE THREE COUNTRIES IS CONFRONTED WITH HIGH SOCIAL PROBLEMS THAT ARISE OUT OF BAD ECONOMIC CONDITIONS EVERY ONE OF THESE COUNTRIES WILL CONFRONT SAME KIND OF SOCIAL AND ECONOMIC DIFFICULTIES THAT CONFRONTED YOU WHEN YOU TOOK OFFICE AS PRESIDENT FOR YOUR FIRST TERM THE PEOPLE OF EUROPE ARE PATHETICALLY EAGER TO SEE YOU MR PRESIDENT TAKE SOME KIND OF A HAND IN THE WHOLE SITUATION FOR TWO REASONS FIRST THEY HAVE A WARM CONFIDENCE IN YOU BECAUSE OF YOUR HUMANE QUALITIES AND COMPASSION FURTHER YOU HAVE SHOWN CONSTANTLY IN YOUR SPEECHES AND PUBLIC ATTITUDE THAT HOWEVER A SYSTEM OF GOVERNMENT IS CONSTRUCTED OR OPERATED IN ANY COUNTRY IT SHOULD HAVE AS ITS INSPIRATION THE FREEING OF MEN FROM THE HAUNTING FEARS OF OPPRESSION AND STARVATION & THE SECOND POINT IS A VERY PRACTICAL POINT THE POLITICAL LEADERS IN THE BELLIGERENT COUNTRIES ARE VERY CONSCIOUS OF THE POLITICAL ECONOMIC AND MILITARY POWER OF UNITED STATES THEREFORE ARE EXTREMELY EAGER TO AVOID OFFENDING YOU OR AMERICAN PUBLIC OPINION IN ANY WAY THEY WILL RESPECT

Make original only. Deliver to Communication Watch Officer in person. (See Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE

(NAVY DEPARTMENT)

From Released by Date NITE to ROUTINE to PRIORITY to	ACTION	To	Write ACK after addressee requiring acknowledgment
(Signature)	INFORMATION	To	

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PAGE 5

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DOD DIR 5200.9 (9/27/58)

TEXT

WHAT YOU SAY OR ANY POSITION YOU TAKE BECAUSE YOU HAVE A LOT OF CHIPS ON THE TABLE OTHER NEUTRALS ARE NOT POWERFUL ENOUGH TO BE LISTENED TO VERY ATTENTIVELY X I HAVE HAD A RINGSIDE SEAT AT THIS EUROPEAN SHOW FOR PAST 22 YEARS BEGINNING WITH MY EXPERIENCE AS A DOUGHBOY IN THE AEF IN FRANCE CONTINUING ON THROUGH THE MANY POLITICAL AND ECONOMIC CRISES OF THE FOLLOWING YEARS X WHOLE THING HAS BEEN FIASCO OF BAD POLITICS AND DUMBELL ECONOMICS X POKER PLAYING OF PAST 2 YEARS PARTICULARLY BETWEEN GERMANY ON ONE SIDE AND ENGLAND FRANCE ON OTHER CULMINATING IN HANGING ANOTHER WORLD WAR AROUND NECKS OF PEOPLE IN EUROPE PROVIDES AN IRONIC FUTILE AND TRAGIC LAST CHAPTER CERTAINLY YOUR TAKING A QUIET HAND IN THE SITUATION IS INFINITELY JUSTIFIED YOUR COURAGE TACT AND EXPERIENCED UNDERSTANDING EUROPEAN PROBLEMS CERTAINLY COULD PRODUCE A BETTER RESULT THAN THIS X AFTER SPENDING A FEW DAYS IN ROME DISCUSSING SITUATION HERE WITH PEOPLE WHO BROUGHT ME REASONABLY UP TO DATE ON ITALIAN FRENCH AND BRITISH VIEW POINTS I MEAN NOT ONLY OFFICIAL VIEWPOINTS BUT ACTUAL FEELINGS OF THE PEOPLE IN THESE COUNTRIES I PROCEEDED TO GERMANY WHERE I HAVE SPENT PAST 3 AND ONE

Make original only. Deliver to Communication Watch Officer in person. (See Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write ACK after address requiring acknowledgment
Released by (Signature)		To	
Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

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DD FORM 1316 5200.9 (9/27/58)

PAGE 6

TEXT

HALF WEEKS X DURING MY VISIT TO GERMANY I RECHECKED THE OBSERVATIONS I HAD MADE TO YOU AFTER MY LAST SEVERAL MONTHS STAY THERE ENDING JUST BEFORE I LEFT FOR NEW YORK IN DECEMBER I HAD SEVERAL INTERESTING DISCUSSIONS OVER THE PEACE AND WAR PROBLEM WITH GOVERNMENT OFFICIALS INCLUDING CHANCELLOR HITLER GOERING VON RIBBENTROP AS WELL AS SEVERAL OTHER LEADING OFFICIALS OF GOVERNMENT X I PRESENTED TO THESE GENTLEMEN UNOFFICIALLY AND INFORMALLY CERTAIN OF YOUR ATTITUDES OF MIND ABOUT THE WHOLE WAR AND PEACE PROBLEM AND IN TURN RECEIVED FROM THEM FOR YOUR INFORMATION CERTAIN OF THEIR UNOFFICIAL INFORMAL ATTITUDES OF MIND TO BE PRESENTED TO YOU THESE PERSONAL MESSAGES I AM WORKING UP FROM MY NOTES NOW WILL CABLE THEM TO YOU IN SERIES DURING NEXT FEW DAYS X MEANWHILE I WISH TO INFORM YOU THAT GENERALLY ATTITUDE OF GERMAN GOVT AS EXPRESSED PARTICULARLY BY OFFICIALS I HAVE MENTIONED WAS ONE OF WAR X RESPONSE TO YOUR PERSONAL INFORMAL UNOFFICIAL INTEREST IN WHOLE PROBLEM THEY SEEM EAGER TO WORK WITH YOU TO RESOLVE PRESENT DIFFICULTIES IN DIRECTION MORE ORDERLY POLITICAL AND ECONOMIC WORLD SEEM EAGER ALSO TO DO WHATEVER CAN BE DONE TO IMPROVE RELATIONS BETWEEN

Make original only. Deliver to Communication Watch Officer in person. (See Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after address requiring acknowledgment
Released by (signature)		To	
Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

(DO NOT WRITE IN THIS SPACE)

PAGE 7

TEXT

OUR TWO COUNTRIES X OUTLINE OF MY DISCUSSION WITH CHANCELLOR HITLER
REVOLVING AROUND POINTS YOU HAD EMPHASIZED IN YOUR DISCUSSIONS WITH
ME IN DEC AND JAN WILL BE FORWARDED IN A DAY OR SO JUST AS QUICKLY
AS I CAN GET IT PREPARED AND CODED YOURS RESPECTFULLY JAMES
D MOONEY

~~SECRET~~

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800 DM. 5200.9 (9/27/58)

Date- 2-4-70

Signature- RAO

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nication Watch Officer in person. (See
Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE
(NAVY DEPARTMENT)

Safe: Germany
PSF

From COMRONFORT.

To OPNAV

Released by _____
(Signature)

Date 19 MARCH 40

ACTION

INFORMATION

To

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Date-

DDO WIL 5200.9 (9/27/58)

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DECLASSIFIED

Date- 2-4-71

Signature- RAF

BEAR MR. PRESIDENT:-

TEXT

DURING THE PAST SEVERAL DAYS CABLES HAVE BEEN SENT TO YOU COVERING THE EXPLORATION WORK THAT I HAVE BEEN ABLE TO DO SO FAR IN THE WAR AND PEACE SITUATION IN EUROPE. IN THIS CONCLUDING MESSAGE OF THE SERIES I SHOULD LIKE TO MAKE A FEW SUGGESTIONS TO YOU IN RELATION TO THE CURRENT PROBLEM. I HAVE BEEN RATHER SATURATED WITH THE PROBLEM PARTICULARLY DURING THE PAST SEVERAL MONTHS AND AM PRESENTING THE SUGGESTIONS WITH THE HOPE THAT THEY MIGHT BE SLIGHTLY HELPFUL IN DEVELOPING YOUR OWN VIEWS AND PLANS.

THE PEOPLES OF EUROPE ARE UNITED IN THE BELIEF THAT THE PRESENT WAR COULD HAVE BEEN AVERTED. THERE IS TODAY A DEEPER SELF INTEREST APPEAL FOR ALL THE BELLIGERENT PEOPLE IN MAKING PEACE THAN IN CONTINUING THE WAR. NOBODY CAN DOUBT THE WISH OF EVERY BELLIGERENT COUNTRY FOR THE ENDING OF THIS WAR. THE WORLD FACES MANY PROBLEMS TODAY JUST AS SERIOUS AS WAR AND FAR MORE WORTHY OF SACRIFICES. NONE OF THESE PROBLEMS IS GOING TO BE SOLVED BY THIS WAR. THERE ARE TIMES WHEN A MAN OR A NATION MUST FIGHT. THERE ARE THINGS WORTH MORE THAN

Make original only. Deliver to Communication Watch Officer in person. (See Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE

(NAVY DEPARTMENT)

From Released by (Signature) Date ROUTINE to PRIORITY to	ACTION	To To	INFORMATION	Write ACK after address requiring acknowledgment
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(DO NOT WRITE IN THIS SPACE)

PAGE 3.

DD FORM 5200.9 (8/27/58)
 DECLASSIFIED
 AUTHORITY: NND 740017
 DATE: 11/19/2013

TEXT

THAT THE AMERICAN PEOPLE BELIEVE TOO THAT IT IS AN INSANE WAR AND
 THAT THE UNITED STATES SHARES SOME RESPONSIBILITY FOR THE DEEP CAUSES
 OF THE PRESENT WAR. IT SEEMS THEREFORE THAT THE AMERICAN PEOPLE
 WOULD SUPPORT A DISCREET POSITION AS A MODERATOR ON THE PART OF THE
 PRESIDENT. HOWEVER, I DO NOT WANT TO BE ^{SO} PRESUMPTIOUS AS TO EXTEND
 THE DISCUSSION OF THIS PHASE OF THE WHOLE PROBLEM. I SHOULD LIKE
 ON THE OTHER HAND HOWEVER TO MAKE SOME SUGGESTIONS TO YOU FOR THE
 PRACTICAL POINTS THAT WILL HAVE TO BE CONSIDERED IN BUILDING UP THE
 APPROACH FOR A PEACE. I FEEL REASONABLY SURE OF MY GROUND IN MAKING
 THESE SUGGESTIONS BECAUSE OF MY INTIMATE CONTACTS IN EUROPE WITH
 THE PROBLEM OVER THE PAST SEVERAL YEARS AND PARTICULARLY DURING THE
 PAST SIX MONTHS OF THE WAR. THE PROBLEM OF CALLING OFF THE WAR IS
 ESSENTIALLY ONE OF PRACTICAL POLITICS. THE POLITICAL GROUPS IN THE
 THREE BELLIGERENT COUNTRIES HAVE THROWN SO MANY DEAD CATS OVER THE
 OTHER FELLOW'S GARDEN WALL DURING THE PAST TWO OR THREE YEARS AND
 PARTICULARLY DURING THE LAST SIX MONTHS THAT IT IS NOW VERY DIFFI-
 CULT FOR THEM TO HAVE ANY DISCUSSIONS WITH ONE ANOTHER.

Make original only. Deliver to Communication Watch Officer in person. (See Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE

(NAVY DEPARTMENT)

From Released by Date NITE to ROUTINE to PRIORITY to	ACTION	To To	Write ACK, after address requiring acknowledgment
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(DO NOT WRITE IN THIS SPACE)

PAGE 4

PAGE 5

TEXT

THESE POLITICAL FACTORS NOT ONLY DISTRUST EACH OTHER IN A PERSONAL WAY BUT THEY HAVE BEEN TELLING THE WORLD VIOLENTLY AND FREQUENTLY THAT THEY HATE AND DISTRUST EACH OTHER.

ONE CANNOT HELP RAISING THE QUESTION HERE, WHEN IT IS SAID ON EITHER SIDE THAT THEY CANNOT DEAL WITH THE OTHER CROWD, AS TO HOW MUCH THE SITUATION WILL BE IMPROVED IN THIS RESPECT IF THE WAR GOES ON FOR TWO OR THREE YEARS. CERTAINLY AT THE END OF THAT TIME NOT A SHRED OF TRUST OR RESPECT WOULD BE LEFT ON EITHER SIDE.

THE SITUATION NEEDS THE HAND OF A MAN SKILLED IN PRACTICAL POLITICS. THERE ARE CONFLICTING IDEOLOGUES AND IMPORTANT PROBLEMS OF ECONOMICS AND POLITICAL BOUNDARIES, BUT NO POLITICAL LEADER IN EUROPE, WHEN IN A FRANK MOOD, WILL CONTEND FOR KILLING OFF SEVERAL MILLION MEN AND MAKING A SHAMBLES OF EUROPE AS A MEANS FOR SETTLING THE PROBLEMS.

THE ROOT OF THE TROUBLE AT PRESENT SEEMS TO LIE IN THE PROBLEM OF PERSONAL PRESTIGE, IN GENERATING THE PEACE PATTERN ONE MUST INCLUDE A LARGE ELEMENT OF FACE SAVING. I SAY THIS WITHOUT

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TEXT

THE SLIGHTEST IMPLICATION OF CRITICISM OF THE VARIOUS POLITICAL LEADERS PERSONALLY BECAUSE THE EVENTS OF THE PAST TWO OR THREE YEARS HAVE BEEN APPALLINGLY DIFFICULT.

THE NEXT IMPORTANT POINT IS NATIONAL PRESTIGE AND HONOR. A PRACTICAL APPROACH TO WARS MEDIATION WILL HAVE TO INCLUDE ELEMENTS TO RECONSTITUTE THESE LESS MATERIAL BUT VERY IMPORTANT FACTORS FOR BOTH SIDES.

THE THIRD AND LAST GENERAL POINT SO FAR AS THE POLITICAL LEADERS ARE CONCERNED IS SECURITY FOR THEIR OWN COUNTRIES AND PEOPLES. AS TO THE PEOPLES THEMSELVES ~~IN~~ IN THE BELLIGERENT COUNTRIES TWO THINGS ARE CLOSEST TO THEIR HEARTS, FIRST IMMUNITY FROM PHYSICAL DANGER IN OTHER WORDS A PEACEFUL LIFE, SECOND THE RIGHT TO EARN A LIVING.

I HAVE SENT YOU A COMPLETE OUTLINE OF THE DISCUSSIONS WITH CHANCELLOR HITLER AND FIELD MARSHAL GOERING ON THE SUBJECT OF WAR

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TEXT

AND PEACE AND IN PRESENTING THESE OUTLINES I HAVE TRIED CAREFULLY TO AVOID INTERPOLATING ANY OF MY OWN POINTS OF VIEW ABOUT GERMANY'S ATTITUDE INTO MY REPORT OF THEIR CONVERSATIONS. I CONSIDERED IT MOST IMPORTANT TO REPORT THE CONVERSATIONS TO YOU AS FAITHFULLY AS POSSIBLE AND TO GIVE YOU THE OPPORTUNITY TO MAKE YOUR OWN DEDUCTIONS FROM THEM. HOWEVER I SHOULD LIKE NOW TO PRESENT MY OWN SENSE OF THE GERMAN ATTITUDE BUILT UP FROM AN INTENSIVE EXPLOATION OF THEIR STANDPOINT AND OUTLOOK. IN THE FIRST PLACE, MY OWN OPINION IS THAT GERMANY IS EAGER TO MAKE PEACE. I BELIEVE THAT THIS EAGERNESS IS NOT INDUCED BY ANY GREAT FEARS ON THE PART OF GERMANY THAT THEY CANNOT WITHSTAND ATTACK FROM ENGLAND AND FRANCE AND TAKE CARE OF THEMSELVES RATHER WELL. THEY DO NOT LIKE THE IDEA OF TAKING UP THE WAR AGGRESSIVELY BUT THEY ARE JUST AS GRIM AND DETERMINED ABOUT SEEING THE WAR THROUGH AS ENGLAND AND FRANCE. BOILED DOWN IN ESSENCE GERMANY IS WILLING TO MAKE SUCH CONCESSIONS FOR POLAND AND CZECHOSLOVAKIA AS WOULD PLEASE WORLD OPINION IN RELATION TO THE

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TEXT

RELIGIOUS, CULTURAL, AND POLITICAL AUTONOMY OF THESE NATIONS. ON THE OTHER HAND GERMANY SEEMS THOROUGHLY DETERMINED TO PREVENT RECURRENCE OF THE NUISANCE VALUE GENERATED BY ENGLAND AND FRANCE THROUGH THEIR MAKING POLITICAL AND MILITARY PACTS WITH COUNTRIES CONTIGUOUS TO GERMANY.

THEN ANOTHER THING THAT GERMANY SEEMS DETERMINED ABOUT IS THE RETURN OF THE FORMER GERMAN COLONIES, BUT IT SEEMS THAT THEY WOULD WANT THESE RETURNED PRIMARILY FOR THEIR TRADING VALUE. AFTER THE COLONIES WERE TECHNICALLY TURNED BACK TO HER GERMANY WOULD BE WILLING TO GIVE WAY ON ACTUAL TAKING OVER SOME OF THESE TERRITORIES. THIS IS BECAUSE GERMANY REALIZES THAT CERTAIN POLITICAL EMBARRASSEMENTS WOULD ENSUE TO ENGLAND AND FRANCE IF THE COLONIES, AS DEFINED BY THEIR PRESENT BOUNDARIES, WERE ACTUALLY TAKEN OVER BY GERMANY. GERMANY MIGHT, FOR INSTANCE, BE WILLING TO TRADE THE WHOLE LOT OF HER FORMER COLONIES IN AFRICA FOR A NEW BLOCK OF TERRITORY IN CENTRAL TROPICAL AFRICA WHICH SHE COULD OPEN UP AND COLONIZE. IN OTHER WORDS SHE IS WILLING

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TEXT

IN SPIRIT TO HAVE THE COLONIAL PROBLEM HANDLED IN A MUTUALLY
CONSTRUCTIVE WAY.

SOME OF THE POINTS WHICH YOU EMPHASIZED TO ME DURING
OUR DISCUSSIONS AT THE WHITE HOUSE IN DECEMBER AND JANUARY AS FOR
INSTANCE RELIGIOUS FREEDOM AND GERMANY'S COMING INTO THE FAMILY
OF NATIONS FOR INTERNATIONAL TRADE ALONG THE LINES ENDORSED BY
YOU AND SECRETARY HULL ARE GENERALLY QUITE ACCEPTABLE TO GERMANY
IN PRINCIPLE. FURTHERMORE THE MANY DISCUSSIONS I HAD WITH OFFICIALS
OF THE GERMAN GOVERNMENT MADE ME BELIEVE THAT THEY WOULD MEET YOU
MORE THAN HALF WAY IN SUPPORTING YOUR BROAD GENERAL PROGRAM FOR
RESOLVING THE IMMEDIATE POLITICAL DIFFICULTIES IN EUROPE IN THE
DIRECTION OF AN ORDERLY POLITICAL AND ECONOMIC WORLD PROGRAM.

ONE OF THE MOST IMPORTANT POINTS IN DEALING WITH
GERMANY AT THE PRESENT TIME, IF NOT THE MOST IMPORTANT POINT, IS AGAIN
A VERY PRACTICABLE HUMAN POINT. GERMAN OFFICIALS HAVE OFTEN SAID TO
ME AND I HAVE HEARD IT A GREAT DEAL DURING THE PAST FEW YEARS IN

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TEXT

GERMANY GENERALLY THAT THE GERMANS ARE VERY TIRED OF BEING TREATED LIKE BAD SCHOOL BOYS. THEY ARE TIRED OF BEING TALKED DOWN TO AND OF BEING SCOLDED ALL THE TIME AS THOUGH THEY HAD A SPECIAL MONOPOLY AMONG THE NATIONS ON ALL THE FAILINGS OF HUMAN NATURE. DURING THE RECENT VISIT WITH THE GOVERNMENT OFFICIALS IN GERMANY, THE FRIENDLY EXPRESSIONS THAT YOU HAD MADE TOWARD GERMANY IN YOUR REMARKS TO ME HAD A TONIC EFFECT IN SOOTHING THE IRRITATION THAT COULD HAVE ARISEN ORDINARILY IN MY DISCUSSING WITH THEM FRANKLY AND BLUNTLY AS I DID SOME OF THE ELEMENTS OF AMERICAN PUBLIC OPINION IN RELATION TO GERMANY'S PRESENT POLICIES ON CERTAIN MATTERS.

IN GENERAL WHAT THIS SITUATION IN EUROPE NEEDS AT THE PRESENT, MR. PRESIDENT, IS THE HEALING INFLUENCE OF SOME OF YOUR POWER AND FRIENDLY PATIENT TYPE OF DEALING. I AM NOT GOING TO DISCUSS WHAT THE FRENCH WANT OR THE ENGLISH WANT, BECAUSE YOU ARE JUST AS FAMILIAR WITH THIS AS I AM, EXCEPT I SHOULD LIKE TO TOUCH ONE OR TWO POINTS FROM THE STANDPOINT OF EITHER COUNTRY JUST AS A MEANS OF INTRODUCING A

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TEXT

FEW SUGGESTIONS FOR THE PRACTICAL APPROACH TO PEACE. THE FRENCH WANT SECURITY, FURTHER THEY WANT A RECONSTITUTION OF THEIR NATIONAL PRESTIGE AND HONOR WHICH THEY FEEL SUFFERED THROUGH THEIR NOT SAVING POLAND AND CZECHOSLOVAKIA.

THE MAGINOT LINE IS A GREAT PART OF THE ANSWER TO FRENCH SECURITY IN DISCUSSIONS FOR PEACE. FRANCE COULD CHAMPION THE RIGHTS OF POLAND AND CZECHOSLOVAKIA FOR CERTAIN NATIONAL RELIGIOUS POLITICAL AND CULTURAL AUTONOMY AS UNDOUBTEDLY FRANCE COULD NOT GET SUCH RIGHTS FROM THE GERMANS, - IF SUCH RIGHTS DID NOT INTERFERE WITH GERMANY'S SECURITY ON HER EASTERN AND SOUTHEAST BORDERS. ENGLAND TOO WANTS SECURITY AND A RECONSTRUCTION OF HER NATIONAL PRESTIGE AND HONOR. LET US ADDRESS OURSELVES FOR THE MOMENT TO THE PROBLEM OF PRESTIGE AND HONOR FOR ENGLAND AND PARTICULARLY TO THE PROBLEM OF FACE SAVING, FOR THE POLITICAL GROUP IN ENGLAND UNDER WHOSE LEADERSHIP AND INHERITANCE OF PREVIOUS BAD POLITICS ENGLAND BECAME INVOLVED IN THE PRESENT SITUATION.

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TEXT

NOBODY COULD POSSIBLY TAKE EXCEPTION TO ENGLAND'S HAVING DECLARED WAR ON GERMANY AT THE TIME GERMANY DECLARED HER INTENTION OF INVADING POLAND. ENGLAND HAD SAID THAT SHE WOULD DECLARE WAR IF THIS INVASION TOOK PLACE AND SHE WAS BOUND TO KEEP HER WORD. THIS DOES NOT MEAN THAT THE PRESENT WAR IS NOT STILL WRONG, BECAUSE ALTHOUGH THE DECLARATION OF WAR BY ENGLAND WAS LOGICAL ON SEPTEMBER THIRD, THE PRECEDING CAUSES OVER A SERIES OF YEARS AND PARTICULARLY THE POKER PLAYING OF 1938 AND 1939 PROVIDED EVERY ILLOGICAL BASIS IN THE WHOLE SEQUENCE OF EVENTS. THE THING I WANT TO SUGGEST TO YOU, MR. PRESIDENT, IS THAT ENGLAND HAS FOUND HERSELF DURING THE PAST SIX MONTHS SINCE THE OUTBREAK OF WORLD WAR NUMBER TWO IN THE POSITION OF A SCHOOLBOY OR YOUNG FELLOW WHO HAS GOT HIMSELF INTO A BAD FIGHT AGAINST A TOUGH ADVERSARY. AS IS THE WAY OF A SCHOOLBOY OR YOUNG FELLOW HE CARRIES A CHIP ON HIS SHOULDER AND PICKS UP CHALLENGES FOR A FIGHT QUITE LIGHTLY. AFTER THE FIGHT IS WELL UNDER WAY AND HE HAS BEEN ACCUMULATING A BLACK EYE HE IS INCLINED TO WONDER WHY HE HAD NOT BEEN A BIT MORE POLITE IN THE SITUATION. FINALLY,

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TEXT

IF THE FIGHT IS GOING BADLY OR THE OPPONENT SEEMS TO BE MUCH TOUGHER THAN HE HAD ANTICIPATED, HE IS QUITE HAPPY IF A POLICEMAN HAPPENS TO COME ALONG OR PERHAPS SOME OLDER MAN TO STOP THE FIGHT. HONOR IS STILL INTACT BECAUSE HE DID NOT FAIL TO ACCEPT THE CHALLENGE AND HE DID NOT QUIT. BUT ON THE OTHER HAND ALSO HIS NOSE IS STILL REASONABLY INTACT AND THIS IS COMFORTING. IN OTHER WORDS, HE RETIRES FROM THE FIGHT WITH HONOR AND NOT TOO BADLY BRUISED UP. THIS IS THE PERFECT SITUATION FOR A FELLOW WHO LIKES TO MAINTAIN HIS REPUTATION IN THE NEIGHBORHOOD FOR BEING A SCRAPPY FELLOW. STOPPING A FIGHT IS VERY OFTEN A MOST THANKLESS JOB AND THIS FIGHT IN EUROPE LOOKS PARTICULARLY DIFFICULT. BUT YOU ARE THE ONLY ONE WHO CAN STOP IT, MR. PRESIDENT. PERHAPS SOME WAY ~~OR~~ OR ANOTHER COULD BE FOUND WHEREBY YOU COULD PROJECT YOURSELF INTO THE SITUATION IN HARMONY WITH AMERICAN PUBLIC OPINION AND IN HARMONY WITH SAVING FACE FOR THE POLITICAL LEADERS IN THE BELLIGERENT COUNTRIES AND IN HARMONY WITH THEIR NATIONAL HONOR AND PRESTIGE. GOD KNOWS THE PEOPLES OF THESE BELLIGERENT COUNTRIES WOULD BE VERY HAPPY FOR PEACE AND I AM QUITE SURE THIS INCLUDES THE

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TEXT

POLITICAL LEADERS THEMSELVES.

THE FINAL SUGGESTIONS I HAVE TO MAKE, MR. PRESIDENT, IS THAT
 INSTEAD OF STARTING IN BY TRYING TO SETTLE SOME OF THE HEATED AND
 IRRITATING ISSUES BETWEEN ENGLAND AND GERMANY, THAT YOU SET FORTH
 BEFORE THE BELLIGERENTS AN ATTRACTIVE FRAME WORK FOR AN ORDERLY POL-
 ITICAL AND ECONOMIC WORLD WHICH YOU WOULD INVITE BELLIGERENTS TO JOIN.
 SUCH A FRAMEWORK WOULD SET FORTH CERTAIN BROAD PRINCIPALS TO WHICH
 THE BELLIGERENTS COULD SUBSCRIBE. THIS FRAMEWORK WOULD HAVE TO RECOG-
 NIZE CERTAIN PRACTICAL FACTORS IN THE EUROPEAN SITUATION. FOR EXAMPLE
 ENGLAND HAS DECLARED AGAIN AND AGAIN THAT GERMANY IS A CONSTANT FAC-
 TOR FOR UNREST IN EUROPE AND THAT THE WORLD CANNOT SETTLE DOWN TO
 ORDERLY PROGRESS UNTIL GERMANY CEASES TO PRESS ITS NUISANCE VALUE
 AND STOPS GRABBING MORE TERRITORY. SOME ASSURANCE MUST, THEREFORE,
 BE GIVEN TO THE BRITISH PEOPLE THAT ONCE GERMANY'S LEGITIMATE DEMANDS
 ARE FULFILLED GERMANY TOO WILL SETTLE DOWN TO BUSINESS AND CEASE PULL-
 ING SOME NEW STUNT EVERY FEW MONTHS. AS EVIDENCE OF GERMANY'S WILLING-
 NESS TO RESPOND TO THIS VIEWPOINT AND SET OF PRINCIPALS CHANCELLOR

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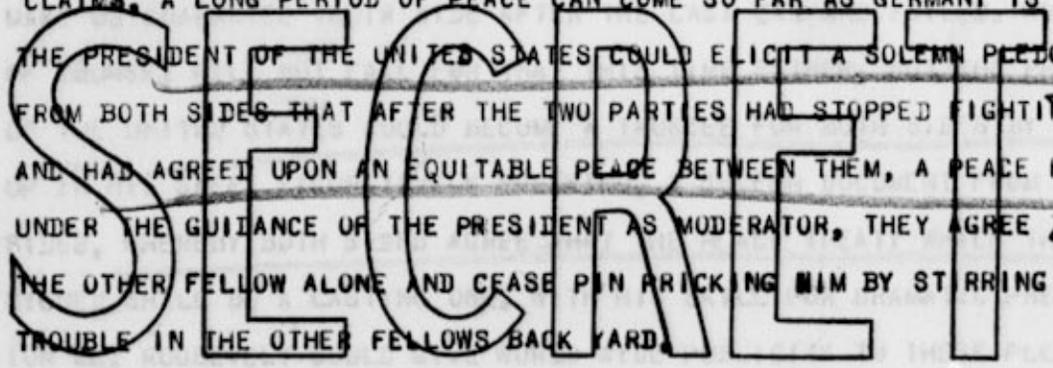
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TEXT

EMPHATIC ASSURANCE FOR TRANSMISSION TO YOU THAT WITH THE RECOGNITION OF GERMANY AS A FIRST CLASS POWER ENTITLED TO HAVE SOME HEGEMONY IN HER PART OF THE WORLD AND WITH THE SATISFACTION OF GERMANY'S COLONIAL CLAIMS, A LONG PERIOD OF PEACE CAN COME SO FAR AS GERMANY IS CONCERNED THE PRESIDENT OF THE UNITED STATES COULD ELICIT A SOLEMN PLEDGE FROM BOTH SIDES THAT AFTER THE TWO PARTIES HAD STOPPED FIGHTING AND HAD AGREED UPON AN EQUITABLE PEACE BETWEEN THEM, A PEACE FORMULATED UNDER THE GUIDANCE OF THE PRESIDENT AS MODERATOR, THEY AGREE TO LET THE OTHER FELLOW ALONE AND CEASE PIN PRICKING HIM BY STIRRING HIM UP TROUBLE IN THE OTHER FELLOWS BACK YARD.



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TEXT

WITHOUT REALLY ENTENDING TO DO ANYTHING BUT THROW OFF THE SCHACKLES AT THE FIRST OPPORTUNITY. IN CONTRAST, A PEACE AMONG EQUALS WOULD BE SOMETHING & TO THE LASTING OBSERVANCE OF WHICH BOTH SIDES COULD PLEDGE THEMSELVES. IF A TRUCE COULD BE DECLARED DURING WHICH THESE PRINCIPALS COULD BE DISCUSSED ONLY A FEW MONTHS OF RELIEF WOULD BE NEEDED FROM THE DANGER AND FEAR OF IMMIMENT MILITARY AGGRESSIVENESS TO EXPLORE THE PRACTICAL POSSIBILITIES OF APPLYING THESE PRINCIPALS. IF AT THE END OF SUCH A PERIOD OF TRUCE IT SHOULD BE FOUND THAT THE PRINCIPALS CONTAINED NO GROUND FOR A MORE ORDERLY POLITICAL AND ECONOMIC ^{world.} THEN IT WOULD BE TIME ENOUGH TO SAY LET THE WAR GO ON AND LET THE WORLD GO TO HELL. THIS IS MY LAST MESSAGE OF THE PRESENT SERIES AND BEFORE MAKING ANY MORE CONTACTS I SMALL AWAIT YOUR FURTHER WISHES .

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RESPECTFULLY YOURS,

JAMES D MOONEY
MME

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(NAVY DEPARTMENT)

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From **MR MOONEY**
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THE PRESIDENT OF THE UNITED STATES

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Date- **2-4-71**

Signature- **RHP**

TEXT

MY DEAR MR PRESIDENT, THIS MESSAGE WILL OUTLINE THE DISCUSSION WITH FIELD MARSHALL GOERING AT HIS HOME KYRIN HALL IN THE COUNTRY NEAR BERLIN ON MARCH 7TH 1940, ONLY ONE OTHER PERSON WAS PRESENT DURING THE DISCUSSION, DR HUNT THAT MAN HAS REPRESENTED THE FIELD MARSHALL AND GERMANY DURING THE PAST COUPLE OF YEARS AS AN AMBASSADOR AT LARGE SPECIALIZING PARTICULARLY ON TRADE TREATIES. THE ARRANGEMENT FOR THE DISCUSSION WITH FIELD MARSHALL GOERING HAD BEEN MADE BY DR HUNT THAT. I PRESENTED THE PRESIDENT'S PERSONAL RESPECTS AND GREETINGS TO THE FIELD MARSHALL AND HE RESPONDED EARLY IN WORD. I THEN PRESENTED TO THE FIELD MARSHALL THE UNOFFICIAL AND INFORMAL PERSONAL ATTITUDE OF THE PRESIDENT ON CERTAIN OF THE CURRENT POLITICAL AND ECONOMIC PROBLEMS JUST AS I HAD DONE PREVIOUSLY IN THE DISCUSSION WITH CHANCELLOR HITLER AND REALLY COVERED THE IDENTICAL GROUND. FIELD MARSHALL GOERING STATES THAT HE WAS PLEASSED TO GET THE INFORMATION ON THE PRESIDENT'S PERSONAL VIEWS BECAUSE HE HAD

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NEVER HEARD THESE VIEWS EXPRESSED PUBLICLY AND WAS GLAD TO HAVE THE REASSURANCES OF THE PRESIDENT'S NEUTRAL AND OPEN MIND. IN EXPRESSING HIMSELF AS TO THE VIEWPOINTS OF PRESIDENT ROOSEVELT, THE ATTITUDE OF THE FIELD MARSHALL WAS MOST FRIENDLY AND SYMPATHETIC. HE INTENDED TO CONTINUE TO EXPLORE EVERY AVENUE LEADING TOWARD IMPROVED RELATIONS BETWEEN GERMANY AND THE UNITED STATES, AND WAS PARTICULARLY RESPONSIVE TO THE PRESIDENT'S IDEAS RELATING TO THE PRESENT SITUATION IN EUROPE, WITH REGARD TO GERMAN-AMERICAN RELATIONS. THE FIELD MARSHALL FELT THAT GERMANY HAD NOT TAKEN A SINGLE STEP NOR ESTABLISHED A SINGLE POLICY WHICH WAS CONTRARY TO AMERICAN INTERESTS; GERMANY HAD NOT MEDDLED IN AMERICAN CONSTITUTIONAL AFFAIRS NOR DONE ANYTHING DAMAGING TO AMERICAN AFFAIRS. GENERALLY, HE REFERRED TO THE NUMBER OF PEOPLE OF GERMAN DESCENT IN AMERICA AND WAS OF THE OPINION THAT THEIR INFLUENCE POLITICALLY WAS CONSIDERABLY LESS NOW THAN IN THE EARLY COLONIAL DAYS WHEN GERMANY FAILED BY ONLY

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TEXT

ONE VOTE IN THE ASSEMBLY OF BECOMING THE OFFICIAL LANGUAGE IN THE NEWLY FOUNDED STATE. THE FIELD MARCHALL'S OWN STAFF ADJUTANT A GENERAL IN THE ARMY, HAS A BROTHER AND SISTER WHO ARE AMERICAN CITIZENS LIVING IN KENTUCKY. TURNING TO THE QUESTION OF AMERICAN NEUTRALITY, THE FIELD MARCHALL REGARDED THE CANCELLATION OF THE ARMS EMBARGO AS REPRESENTING IN EFFECT AN ADVANTAGE TO ENGLAND AND FRANCE, THROUGH PLACING THE ENTIRE INDUSTRIAL POTENTIALITIES OF THE COUNTRY AT THE DISPOSITION OF THE ALLIED NATIONS; NEVERTHELESS THE REALITIES OF THE SITUATION PREVENTED GERMANY FROM BRANING UPON AMERICA AS A SOURCE; THIS EFFECT HE FOUND IN HARMONY WITH PUBLIC OPINION IN AMERICA, WHICH HE REALIZES IS WHOLLY IN FAVOR OF ENGLAND AND FRANCE; IN THIS CONNECTION, HE WAS INTERESTED IN THE CONSERVATIVE ATTITUDE OF AMERICAN INDUSTRY GENERALLY TOWARD HER OWNERS. WITH REGARD TO NEW AND BRASTIC METHODS OF WARFARE, THE FIELD MARCHALL BELIEVED THAT HIS OWN FEELINGS AND THOSE OF THE GERMAN PEOPLE AND THEIR LEADERS WERE IN SYMPATHY WITH AMERICAN FEELING

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TEXT

OF HORROR TOWARD THEIR USE, HOWEVER IN FIGHTING FOR HER NATIONAL EXISTENCE, GERMANY WAS FORCED TO MEET ANY MILITARY NECESSITY WHICH CONFRONTED HER WITH EVERY WEAPON AT HER DISPOSAL, ENGLAND WAS SURELY USING EVERY WEAPON, MILITARY AND ECONOMIC, INCLUDING THE BLOCKADE AGAINST COMBATANTS AND CIVILIAN POPULATION ALIKE, AND WAS PRESSING FORWARD TO EQUAL GERMANY IN THE VERY WEAPONS WHOSE USE ENGLAND NOW DEcriED, AND AGAINST WHICH AMERICAN OPINION WAS SO DEFINITELY NEGATIVE. AS TO THE BRITISH EMPIRE, THE FIELD MARSHAL CONSIDERED THAT IT HAD PERFORMED AND CAN CONTINUE TO PERFORM A MOST USEFUL SERVICE TO THE ENTIRE CIVILIZED WORLD. HE AGREED THAT THE AMERICAN VIEW THAT ANY SERIOUS WEAKENING OF THE EMPIRE WOULD BE A SEVERE LOSS TO THE WHITE RACE IN ALL PARTS OF THE WORLD. GERMANY HAD NO QUARREL WITH THE BRITISH EMPIRE AS SUCH, BUT WITH THE ENGLISH POLICY OF INTERFERENCE IN EUROPEAN AFFAIRS OUTSIDE THE BRITISH EMPIRE; FURTHER GERMANY RESISTED THE STRANGLE HOLD ON THE WORLD'S ECONOMIC RESOURCES AND TRADE ROUTES WHICH ENGLAND ENDEAVORED TO MAINTAIN

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BY MEANS OF THE EMPIRE AND TO USE AGAINST GERMANY AND OTHER COUNTRIES AS WELL, INCLUDING NEUTRALS. THE FIELD MARSHALL ILLUSTRATED THIS POINT BY RAISING THE QUESTION OF WHAT AMERICA'S ATTITUDE SHOULD BE IF GERMANY TRIED TO STIR UP TROUBLE IN MEXICO AGAINST THE UNITED STATES, AS ENGLAND HAD BEEN DOING IN EASTERN EUROPE AGAINST GERMANY, OR IF GERMANY DETAINED AMERICAN SHIPS AND SEIZED AMERICAN BILLS TO NEUTRAL COUNTRIES AS ENGLAND IS DOING. I WENT INTO A DISCUSSION WITH THE FIELD MARSHALL OF AMERICAN PUBLIC OPINION IN RELATION TO CERTAIN OF THE CURRENT POLITICAL FACTORS IN EUROPE. I POINTED OUT TO THE FIELD MARSHALL THAT AMERICAN PUBLIC OPINION HELD THAT IT LAY WELL WITHIN GERMANY'S GRASP TO PROVIDE AN EARLY SOLUTION TO THE SITUATION WHICH EXISTED BETWEEN RUSSIA AND FINLAND. GERMANY'S POSITION IN THE MATTER BEYOND DOUBT ENTITLED HER TO CERTAIN POWERS OF MEDIATION. SENTIMENT IN THE UNITED STATES WITH REGARD TO RUSSIA HAD BEEN DEVELOPING UNFAVORABLY FOR THE PAST YEAR OR MORE AND HAD RECEIVED A STILL FURTHER SETBACK THROUGH THE

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TEXT

ATTACK ON FINLAND. FURTHER WESTWARD MOVEMENT OF RUSSIAN INFLUENCE IN EUROPE WAS REGARDED IN AMERICA AS UNDESIRABLE. NO FEATURE OF THE PRESENT WAR HAD ATTAINED GREATER PROMINENCE IN THE AMERICAN MIND -- WHICH TRADITIONALLY FAVORED THE UNDERDOG -- THAN THE BRAVE STRUGGLE WHICH FINLAND HAD BEEN MAKING AGAINST THE HEAVY GODS FOR HER RIGHT TO EXIST. THIS FEELING HAD BEEN SO BURNED THAT IT WAS DIFFICULT TO CONCEIVE OF ANY POSSIBLE MOVE WHICH WOULD DO MORE TO RAISE GERMAN PRESTIGE AND GOOD WILL IN AMERICA THAN A TIMELY, HONORABLE, AND EQUITABLE SETTLEMENT OF THE FINNISH PROBLEM UNDER GERMAN INITIATIVE AND LEADERSHIP. FIELD MARSHAL GOEBBES RESPONDED TO THE POINT THAT GERMANY MIGHT TAKE THE INITIATIVE IN BRINGING ABOUT AN EARLY SOLUTION OF THE FINNISH PROBLEM BY REFERRING TO SEVERAL GERMAN EXPRESSIONS THAT HAD ALREADY BEEN MADE TO RUSSIA, URGING RUSSIA TO A MODERATE COURSE AND REASONABLE DEMANDS WITH RESPECT TO FINLAND. FURTHER, GERMANY HAD ENCOURAGED FINLAND TO CONSIDER CAREFULLY, AND IF POSSIBLE

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FINLAND IN EUROPE WAS REGARDED IN AMERICA AS UNDESIRABLE
ATTACK ON FINLAND. FINLAND NO FINLAND. FINLAND NO FINLAND.
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TEXT

ACCEPT, SOME OF THE RUSSIAN POINTS OF VIEW; BUT FINLAND HAD REFUSED TO MAKE ANY CONCESSIONS. THE FIELD MARSHALL CONTINUED THAT EVERYTHING POSSIBLE IN THE SITUATION WAS BEING DONE, AND THAT THERE WERE HOPES THAT THE DESTROYED CITY OF VISBORG MIGHT PROVIDE THE NUCLEUS FOR A SOLUTION OF THE PROBLEM ON A REALISTIC BASIS. HE ADDED, FURTHER, THAT THIS CITY, WHICH HAS BEEN ONE OF THE PRINCIPAL RUSSIAN DEMANDS, AND WHICH IS OUTSIDE THE FINNISH LINES OF DEFENSE, WILL HAVE TO BE ALMOST COMPLETELY REBUILT. IT WAS HOPED THAT FINLAND WOULD AGREE TO LEAVE THE PRESENT SITE TO THE RUSSIANS, AND REBUILD IT AT A NEARBY SITE WITHIN THEIR NATURAL LINES OF DEFENSE. IN SUMMARIZING THE FINNISH SITUATION, THE FIELD MARSHALL WANTED ME TO GIVE ASSURANCES TO THE PRESIDENT THAT GERMANY WAS MOST INTERESTED IN AN EARLY AND EQUITABLE SOLUTION OF THE WHOLE PROBLEM. HE CONCLUDED BY SAYING THAT IN THE FINNISH SITUATION EVERYTHING POSSIBLE HAD BEEN DONE, AND THAT EVERYTHING THAT WOULD POSSIBLY BE DONE WOULD BE DONE TO THIS END.

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TEXT

AS TO THE GOVERNMENT REGIME IN GERMANY, IN WHICH ENGLAND HAS PROPOSED LACK OF CONFIDENCE, THE FIELD MARSHALL HAS CONVINCED THAT THE GERMAN SENSE OF GOVERNMENT WAS SO FIRMLY ROOTED IN THE NATION THAT IT COULD NOT BE DISPLACED - UNTIL GERMANY AND WITH HER PART OF MIDDLE EUROPE, HAS BROUGHT TO MILITARY, ECONOMIC AND SOCIAL COLLAPSE, IT WAS DOUBTFUL WHETHER ENGLAND COULD HAVE GAINED GREATER CONFIDENCE IN THE SUCCESSIVE REVOLUTIONARY GOINGS WHICH WOULD SPRING UP FROM THE RUINS OF EUROPE. GERMANY WAS FIGHTING FIRST OF ALL AGAINST THEIR OWN DESTRUCTION BY ENGLAND AND FRANCE, AND FOR ESCAPE FROM STARVATION. GERMANY WANTED A GERMAN SPHERE OF INFLUENCE IN MIDDLE EUROPE WHICH COULD BE LINKED TO A GERMAN HONOR DOCTRINE. GERMANY WANTED ACCESS TO THE WORLD OIL MATERIALS AND TRADE THROUGH RESTORATION OF HER COLONIES, AND THROUGH REMOVAL OF THE STRANGLE-HOLD WHICH ENGLAND AND FRANCE IMPOSED ON NATURAL RESOURCES AND TRADE ROUTES BY FORCE OF THEIR EMPIRES. POLITICAL, CULTURAL AND RELIGIOUS AUTONOMY FOR THE SMALLER STATES IN THE GERMAN ORBIT WERE INCLUDED IN THIS COND

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CEPT, AND SINCE THEY WERE NOT ^{TEXT}STRONG ENOUGH IN MILITARY OR THE ECONOMIC TERMS TO MAINTAIN THE INDEPENDENCE OF THEIR INTERNATIONAL POSITION IN THESE RESPECTS. POLITICAL INTERFERENCE FROM OUTSIDE WOULD BE EXCLUDED FROM THIS GERMAN SPHERE OF INFLUENCE. THESE CONDITIONS ALREADY PREVAILED IN SLOVAKIA -- WERE BEING DEVELOPED AS RAPIDLY AS POSSIBLE IN BOHEMIA AND CZECHOSLOVAKIA, AND WOULD BE INTRODUCED INTO POLAND. TURNING TO ECONOMIC QUESTIONS, THE FIELD MARSHALL DISMISSED THE MOST FAVORED NATION PRINCIPLE -- WHICH WAS GERMANY'S BASIC GUIDING PRINCIPLE IN ALL THE COMMERCIAL TREATIES SHE WAS MAKING. THE ONLY DIFFERENCE BETWEEN THE GERMAN AND AMERICAN VIEWS OF THIS PRINCIPLE LAY IN THE RESPECTIVE THEORIES ON THIS MATTER IN ACTUAL PRACTICE. GERMANY WAS REQUIRED BY THE NECESSITIES OF THE SITUATION IN VARIOUS COUNTRIES WITH WHICH SHE NEGOTIATED TRADE AGREEMENTS, TO ESTABLISH SOME QUALIFICATIONS AND DEVIATIONS FROM THE THEORETICAL PRINCIPLE -- JUST AS AMERICA IN CERTAIN CASES MADE EXCEPTIONS AND SPECIAL PROVISIONS. THE QUALIFICATIONS WHICH WERE ESTABLISHED BY GERMANY COULD ALSO BE

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TEXT
COMPARED WITH THE EXCEPTIONS AND DEVIATIONS OBSERVABLE IN THE OTTAWA AGREEMENTS. THERE HAD BEEN NO CHANGE IN GERMANY'S VIEWS ON THE MOST-FAVORED NATION PRINCIPLE SINCE BEFORE 1914, BUT THE ALTERED CIRCUMSTANCES THROUGHOUT THE WORLD WITH RESPECT TO THE GOLD STANDARD, SEVERE EXCHANGE FLUCTUATIONS AND BLOCKED CURRENCIES HAD RENDERED THESE DEVIATIONS FROM THE THEORETICAL PRINCIPLE NECESSARY, IF TRADE WERE TO BE MAINTAINED AT ALL. FOR EXAMPLE: THE COUNTRIES IN SOUTHEASTERN EUROPE -- WHICH GERMANY REGARDED AS FALLING WITHIN THE GERMAN SPHERE OF INFLUENCE, AND WITH WHICH NUMEROUS TRADE AGREEMENTS AND ARRANGEMENTS HAD BEEN EFFECTED -- ALL HAD EXCHANGE CONTROLS OF ONE KIND OR ANOTHER. GERMANY WAS THE BEST MARKET BY FAR FOR THEIR PRODUCTS. THESE COUNTRIES WERE READY AND WILLING TO ACCEPT GERMAN GOODS IN PAYMENT AND TO ACCEPT THE CAPITAL ASSISTANCE WHICH GERMANY OFFERED TO BUILD UP THEIR INDUSTRIES AND TO DEVELOPE THEIR NATURAL RESOURCES. THESE COUNTRIES, HOWEVER, COULD NOT COMPETE WITH SOME OF THE LARGE WORLD PRODUCERS OF

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TEXT

S E C R E T

CERAIN OF THE COMMODITIES, SUCH AS WHEAT AND BARLEY, WHICH REPRESENTED THE GREATER PART OF THEIR TRADING ASSETS SO THAT IN ESTABLISHING THE ARRANGEMENTS BETWEEN THEIRSELF AND THOSE COUNTRIES TO THEIR MUTUAL ADVANTAGE GERMANY HAD FOUND IT NECESSARY IF THESE ARRANGEMENTS WERE TO FUNCTION AT ALL TO ADOPT UPON A MARGIN OVER WORLD PRICES FOR THESE PRODUCTS IN MUCH THE SAME MANNER AS THE UNITED STATES GOVERNMENT HAS RENDERED ASSISTANCE TO THE AMERICAN FARMERS.

IN THIS CONNECTION IT WAS IMPORTANT TO NOTE THAT ALTHOUGH THE PRESENT MARKET REPRESENTED A FAR LARGER POTENTIAL MARKET FOR AMERICAN GOODS THAN EVER BEFORE, THE AMERICAN TARIFF POSITION AND GENERALLY IMPAIRED RELATIONS BETWEEN THE TWO COUNTRIES PREVENTED THIS POTENTIALITY TO A LARGE EXTENT FROM BEING REALIZED. THE FIELD MARSHAL INDICATED A STRONG DESIRE FOR IMPROVED ECONOMIC AND COMMERCIAL RELATIONS AND COOPERATION BETWEEN GERMANY AND THE UNITED STATES AND INDICATED THAT HE FELT THAT MUCH GROUND WOULD BE GAINED FOR BOTH SIDES BY A MORE

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TEXT

LIBERAL ATTITUDE IN AMERICA TOWARDS ACCEPTING IMPORTS FROM GERMANY TO PAY FOR AMERICAN EXPORTS.

GERMANY REGARDED MIDDLE EUROPE AS HER SPHERE OF INFLUENCE BUT GRANTED IN PRINCIPLE THAT EACH NATION HAD A RIGHT TO POLITICAL, CULTURAL, AND RELIGIOUS AUTONOMY AND TO THE FREEDOM OF GOVERNMENT. GERMANY REALIZED THE NEED AND THE ADVANTAGE TO HERSELF, TO THE COUNTRIES IN THE GERMAN SPHERE OF INFLUENCE, AND TO THE REST OF THE WORLD OF MAINTAINING AN OPEN DOOR AND THE FREEST POSSIBLE TRADE RELATIONS WITH THE COUNTRIES OF WESTERN EUROPE AND THE REST OF THE WORLD. THE RELATION OF POPULATION TO SUBSISTENCE IN THIS GERMAN SPHERE IS SUCH THAT THE STANDARD OF LIVING IN THIS AREA COULD NOT BE MAINTAINED AND IMPROVED WITHOUT A VIGOROUS FLOE OF TRADE IN BOTH DIRECTIONS WITH COUNTRIES OUTSIDE THE GERMAN SPHERE. THE MODERN INDUSTRIAL DEVELOPMENT OF THE WORLD WAS FAR AHEAD OF THE POLITICAL AND SOCIAL CAPACITIES TO CAPITALIZE CONSTRUCTIVELY UPON THIS DEVELOPMENT FOR A BROADLY IMPROVED STANDARD OF LIVING. STATEMEN EVERYWHERE

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**ONLY THE RESPONSIBILITY TO BRING ABOUT THE NECESSARY EQUALI-
TATION OF THESE FUNDAMENTAL FACTORS.**

**ON THE GENERAL SUBJECT OF WAR AND PEACE THE FIELD MARSHAL
FELT THAT THIS COULD NOT BE ENDED. GERMANY WAS READY TO END
THE WAR AND TURN TO PURE CONSTRUCTIVE PURPOSES PROVIDED ENGLAND
WOULD ABANDON HER WAR GOALS OF GERMANY'S DESTRUCTION. BRITAIN
WAS NOT SHE WAS FIGHTING AGAINST A STRONGER GERMANY.
BUT SHE WAS NOT WISHING TO END THAT SHE WAS FIGHTING FOR.**

**THE FIELD MARSHAL WAS PARTICULARLY INTERESTED IN THE DIS-
CUSSION OF THE REALIZATION AND FUNCTIONS OF A MODERATOR WITH WHICH
THIS HE HAD NOT BEEN FAMILIAR. IN SUCH CONNECTION HE DREW A
COMPARISON BETWEEN THIS CONCEPT OF MODERATOR AND THE PART PLAYED
BY PRESIDENT WILSON IN THE ARMISTICE AND PEACE NEGOTIATIONS
FOLLOWING THE WORLD WAR WHICH, IN HIS OPINION, HAD NOT BEEN
CONSTRUCTIVE OF THE BEST RESULTS, HOWEVER HE RECOGNIZED THE DIS-
TINCTION THAT IN 1918-19 THE SITUATION INVOLVED VICTORIOUS
AND DEFEATED NATIONS WHICH IS NOT THE CASE IN THE PRESENT SITUA-**

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TEXT

TION. FURTHERMORE HE REALIZED THAT PUBLIC OPINION IN THE UNITED STATES TWENTY YEARS AGO HAD NOT BEEN IN FAVOR OF SOME OF THE FEATURES OF PRESIDENT WILSON'S PLAN, WHEREAS NOW AMERICAN PUBLIC OPINION SEEMED TO BE DEFINITELY IN FAVOR OF ENDING THE WAR.

THE FIELD MARSHAL CONTINUED THAT HE WOULD LIKE VERY MUCH TO SEE SOMETHING DONE TO BRING ABOUT AN EARLY END TO THE HOSTILITIES BUT WAS INCLINED TO DOUBT WHETHER AMERICA COULD EFFECTIVELY ASSUME THE ROLE OF MODERATOR NOW IN VIEW OF THE ENGLISH VIEWPOINT AND STATE OF MIND. HE FELT DEFINITELY THAT THE PRINCIPAL DIFFICULTY AT PRESENT IN THE WAY OF AN APPROACH TO THE PROBLEM BY WAY OF A MODERATOR LAY IN LONDON. IF SOMETHING WERE TO BE INITIATED FROM THE AMERICAN SIDE IN THIS GENERAL DIRECTION THE FIELD MARSHAL WAS OF THE OPINION THAT IT SHOULD BE DONE VERY SOON BECAUSE VERY IMPORTANT PRESENT ADVANTAGES TO GERMANY WOULD BE IMPAIRED BY LONG CONTINUED DELAY. THIS WAS TOO GREAT A RESPONSIBILITY FOR THE LEADERS OF GERMANY TO ASSUME TO INCUR SUCH PENALTIES BY A POLICY OF INDETERMINATE WAITING. IF GERMANY COULD BE SURE

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THAT SOMETHING CONSTRUCTIVE WAS IN PROCESS OF DEVELOPMENT. IN-
CLUDING THE NECESSARY CHANGES IN THE ENGLISH AND FRENCH STAND-
POINTS SHE SHOULD NOT FORCE THE DECISION AGGRESSIVELY, BUT THERE
WERE GREAT DOUBTS AS TO THE POSSIBILITY OF SUCH CIRCUMSTANCES
MATERIALIZING.

SECRET

REALIZING WITH THE MILITARY SITUATION THE FIELD MARSHAL
FELT THAT SINCE ENGLAND HAD DECIDED TO MAKE THIS WAR A HEAVY
RESPONSIBILITY RESTED UPON THEM AND DIRECTED GERMANY'S EFFORTS
IF THEY FAILED TO CAPITALIZE UPON THE PRESENT MILITARY ADVANTAGES.
THESE ARE FELT TO BE A STRONGER AIR FORCE, ALMOST TWICE AS MANY
DIVISIONS ON THE WESTERN FRONT AS IN 1940-41, SUPERIOR ARTILLERY,
AND MORE EFFECTIVE TECHNIQUES IN NAIR AND SUBMARINE WARFARE.
THE FIELD MARSHAL BELIEVED THAT ENGLAND WOULD NOT BE CONVINCED
WITHOUT PUTTING IT TO THE TEST THAT GERMANY WAS ABLE IF NECESSARY
TO FIGHT SUCCESSFULLY AGAINST ENGLAND AND FRANCE. IN CONSEQUENCE
ENGLAND HAS CONTINUED TO DEVELOPE EVERY MEANS IN HER POWER TO
DESTROY GERMANY.

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THE FIELD MARSHAL FURTHER FELT THAT IF ENGLAND WERE CONVINCED OF GERMANY'S ABILITY TO DEFEND HERSELF SUCCESSFULLY ENGLAND WOULD BE READY TO DISCUSS A BASIS FOR ENDING THE WAR. UNDER SUCH CIRCUMSTANCES SHE WOULD FIND GERMANY EQUALLY READY TO TAKE PART IN SUCH DISCUSSIONS.

THIS CONCLUDES THE OUTLINE OF THE DISCUSSION WITH FIELD MARSHAL GOERING.

YOURS RESPECTFULLY,

JAMES B. MOONEY

~~SECRET~~



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Date 2-4-71

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Safe : Germany
THE WHITE HOUSE
WASHINGTON

PSF

March 25, 1940.

MEMORANDUM FOR

CAPTAIN CALLAGHAN

Will you send the following
code telegram to Jim Mooney through
the Navy:

"I am very grateful to you
for your dispatches and they
help to understand the picture.
Best wishes

ROOSEVELT"

Safe: Germany 3245
NAVAL MESSAGE
(NAVY DEPARTMENT)

From **COMMANDER SQUADRON 40-T**

Released by **X-BG-K Y-K**
(Signature)

Date **17 MARCH, 1940**

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Date- **2-4-70**

Signature- **RHP**

PAGE 1

TEXT

I WILL NOW OUTLINE, MY DEAR MR. PRESIDENT, THE DISCUSSION WITH CHANCELLOR HITLER IN BERLIN ON MARCH 4TH. THE ARRANGEMENTS FOR THE DISCUSSION WITH CHANCELLOR HITLER MADE BY FOREIGN MINISTER VON RIBBENTROP WITH WHOM I HAD VISITED ON 29 FEBRUARY. BEFORE PROCEEDING TO THE OUTLINE OF THE DISCUSSION WITH CHANCELLOR HITLER I WOULD LIKE TO PRESENT TO YOU A FEW DETAILS ABOUT MY RECEPTION BY THE CHANCELLOR BECAUSE IT WILL PROVIDE YOU WITH SOME BACKGROUND AS TO THE BASIS ON WHICH I PRESENTED MYSELF TO THE GERMAN GOVERNMENT AND IN TURN THE RESPONSE THAT WAS MADE. SHORTLY AFTER MY ARRIVAL IN BERLIN I SENT THE FOLLOWING LETTER TO THE CHANCELLOR

QUOTE I NEED HARDLY INFORM YOU MR CHANCELLOR THAT THE HUMAN AND ECONOMIC CONSEQUENCES OF THE PRESENT WAR ARE TERRIBLY DISTURBING TO THE PEOPLE OF THE ENTIRE WORLD. THE PEOPLE IN MY OWN COUNTRY FEEL THAT THE WAR CAN END ONLY IN DISASTER FOR EUROPE AND THAT THE WAR WILL EVENTUALLY HAVE VERY SERIOUS CONSEQUENCIES IN AMERICA. I KNOW THAT THE WELFARE OF THE PEOPLE AND THEIR INNER

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From **COMMANDER SQUADRON 40-T**
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TEXT

FEELINGS HAVE ALWAYS LAIN CLOSE TO YOUR HEART AND I BELIEVE THAT IT WOULD SERVE A USEFUL PURPOSE IF I WERE GIVEN THE OPPORTUNITY TO DISCUSS THIS PROBLEM GENERALLY WITH YOU. I KNOW ALSO THAT YOU MR. CHANCELLOR BELONG TO THE GROUP OF MEN IN EUROPE AND THE UNITED STATES WHO BELIEVE THAT THE PRESENT WAR IS A POOR AND DISASTROUS WAY TO DISPOSE OF THE MANY INTERNATIONAL POLITICAL AND ECONOMIC MISTAKES THAT HAVE BEEN MADE SINCE 1914 AND IT IS ON THIS COMMON GROUND THAT I SHOULD LIKE TO DISCUSS THE ENTIRE PROBLEM WITH YOU UNQUOTE. MY LETTER WAS ROUTED THROUGH THE FOREIGN OFFICE AND A FEW DAYS LATER I WAS RECEIVED BY THE FOREIGN MINISTER MR. VON RIBBENTROP. DURING THIS DISCUSSION WITH THE FOREIGN MINISTER THE UNOFFICIAL INFORMAL CHARACTER OF MY ENTIRE VISIT WAS MADE CLEAR TO HIM. THE ARRANGEMENTS FOR THE VISIT WITH THE CHANCELLOR WERE ESTABLISHED ON THIS GROUND. WHEN I WAS RECEIVED BY THE CHANCELLOR THE GUARD OF HONOR WAS TURNED OUT AND GENERALLY I WAS TREATED MOST COURTEOUSLY. I NEED HARDLY TELL YOU

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TEXT

THAT THIS WAS NOT BECAUSE OF MYSELF PERSONALLY. OBVIOUSLY THE COURTESIES WERE INTENDED XSM AS MARKS OF RESPECT TO YOU AND TO THE UNITED STATES OR IN ANY EVENT TO ME AS AN AMERICAN CITIZEN CARRYING WORD FROM YOU. THE CHANCELLOR WAS WARM AND FRIENDLY AND THE DISCUSSION DURING OUR VISIT TOOK PLACE BETWEEN HIMSELF AND MYSELF ALONE. THERE WERE PRESENT ONLY TWO OTHER PERSONS ONE A UNIFORMED OFFICIAL ACTING REALLY AS HIS BODY GUARD AND ANOTHER WHO TOOK NOTES OF THE CONVERSATION AND OCCASINNALLY INTERPRETED XMEM THE MORE INVOLVED ENGLISH INTO GERMAN FOR THE BENEFIT OF THE CHANCELLOR. I STARTED OUT THE DISCUSSION BY PRESENTING TO THE CHANCELLOR YOUR PERSONAL RESPECTS AND GREETINGS TO WHICH HE RESPONDED WARMLY. I THEN TOLD THE CHANCELLOR THAT THE PRESIDENT HAD FELT THAT BY KEEPING THE DISCUSSION ON AN INFORMAL BASIS THE HEADS OF THE GOVERNMENTS COULD BETTER UNDERSTAND EACH OTHER AND WHAT THEY REALLY WANTED TO GET AT. THE PRESIDENT WANTED TO BE INFORMED AS TO WHAT THE LEADERS IN THE VARIOUS COUNTRIES IN

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INFORMATION
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TEXT

EUROPE REALLY AND ACTUALLY HAD IN THEIR MINDS. IN THIS WAY PRELIMINARIES COULD BE DEVELOPED FOR THE FORMALITIES THAT MUST BE ARRANGED AS AN INTRODUCTION TO AN ORDERLY POLITICAL AND ECONOMIC WORLD. I DISCUSSED THE PRESIDENTS ATTITUDE TOWARDS GERMANY AS HE HAD DISCLOSED IT TO ME DURING THE PERSONAL DISCUSSION I HAD HAD WITH HIM ON MY RECENT VISIT WITH HIM IN WASHINGTON. THE PRESIDENT HAD SAID TO ME I WISH THAT YOU WOULD REMIND THE GERMANS THAT I WENT TO SCHOOL IN GERMANY AND THAT I BECAME VERY FAMILIAR WITH THEIR COUNTRY IN MY YOUNGER DAYS. I HAVE MANY GERMAN PERSONAL FRIENDS. IN MY BUSINESS DAYS I HAD NUMEROUS CLIENTS WITH INTERESTS IN GERMANY AND THROUGH THEM AND IN OTHER WAYS I HAVE KEPT CLOSE TOUCH WITH GERMANY OVER A PERIOD OF MANY YEARS. THE PRESIDENT HAD DISCLOSED TO ME THAT HE WAS NOT INTERESTED IN SAYING TO THE GERMAN PEOPLE WHAT THEY SHOULD DO ABOUT THEIR LEADERS OR THEIR GOVERNMENT-THAT WAS THEIR OWN AFFAIR. HE FELT THAT EVERY PEOPLE WAS ENTITLED TO HAVE THE FORM OF

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TEXT

GOVERNMENT AND THE INDIVIDUAL LEADERS AS THEY DESIRE AND CHOOSE FOR THEMSELVES. THE PRESIDENT FELT THAT THE UNITED STATES IN COMMON WITH ALL OTHER COUNTRIES HAD A VITAL INTEREST IN THE PRESENT WAR AND THAT OUR COUNTRY RAN THE RISK OF SUFFERING SERIOUS CONSEQUENCIES FROM THE WAR. HE WAS INTERESTED IN A BROAD WORLD SOLUTION OF THE MANY POLITICAL AND ECONOMIC PROBLEMS WHICH CONFRONT THE WORLD TODAY AND HE WAS CONVINCED THAT IN THE SOLUTION THE UNITED STATES MUST NECESSARILY PLAY AN IMPORTANT PART. HE WAS INTERESTED IN A FAIR AND EQUITABLE SOLUTION OF THE IMMEDIATE DIFFICULTIES BETWEEN INDIVIDUAL COUNTRIES PRIMARILY BECAUSE THESE DIFFICULTIES BEAR ON THE BROAD WORLD PROBLEM. IN THIS CONNECTION HE HAD SAID I AM NOT INTERESTED IN ANY SCHEME FOR WORLD DOMINATION ON THE PART OF THE BRITISH OR THE FRENCH ANY MORE THAN I AM ON THE PART OF THE GERMANS. THE PRESIDENT HAD SAID THAT PERHAPS WE COULD AGREE ON A FRAMEWORK FOR AN ORDERLY POLITICAL AND ECONOMIC

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NITE to
ROUTINE to
PRIORITY to **XXXX**

ACTION
INFORMATION

To
THE CHIEF OF NAVAL OPERATIONS
To

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PAGE 6

TEXT

WORLD TO WHICH THE LEADERS OF THE VARIOUS EUROPEAN COUNTRIES
COULD SUBSCRIBE IN PRINCIPAL. IT WAS THE PRESIDENTS ATTITUDE
THAT TO REINFORCE SUCH A FRAMEWORK THE UNITED STATES COULD
MAKE A SUBSTANTIAL CONTRIBUTION OF ITS SURPLUS COMMODITIES
SUCH AS COTTON WHEAT AND COPPER AS WELL AS GOLD. THE PRESIDENT
FELT THAT ALL COUNTRIES AND ESPECIALLY GERMANY SHOULD HAVE
BROADER AND FREER ACCESS TO RAW MATERIALS. AS AN EXAMPLE HE
MENTIONED COPPER AS A MATERIAL THAT COULD BE MADE AVAILABLE IN
A BROADER WAY FOR EUROPE AND THE COUNTRIES THAT PARTICULARLY
WANT COPPER. HE WOULD DO SOMETHING ABOUT THIS ENTIRE PROBLEM. THE
PRESIDENT WAS IN FAVOR OF FREEING TRADE RATHER THAN IN FREE
TRADE AS A WORLD POLICY. WITH REGARD TO REDUCING THE OBSTRUCT-
IONS TO WORLD COMMERCE HE SAID I DO NOT BELIEVE THAT SOME OF
THE SCHEMES THAT ARE BEING DISCUSSED FOR DOING AWAY WITH TARIFFS
ENTIRELY IN EUROPE ARE PRACTICABLE. GOVERNMENTS WILL CONTINUE
TO NEED TARIFFS FOR REVENUE PURPOSES. IN THE MATTER OF OPENING

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(NAVY DEPARTMENT)

From **COMMANDER SQUADRON 40-T**
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TEXT

UP A BROADER DISTRIBUTION OF GOODS AND RAW MATERIALS IT WOULD BE BETTER TO HEAD IN THIS DIRECTION GRADUALLY THAN TO MAKE ANY GREAT RADICAL CHANGES, THERE MUST BE A GRADUAL AND ORDERLY TRANSITION BETWEEN PEACE TIME ECONOMY THROUGHOUT THE WORLD. THE PRESIDENT BELIEVES IN PROMOTING THE ACCEPTANCE OF THE MOST FAVORED NATION PRINCIPLE AS A GROUND WORK FOR RECONSTRUCTING INTERNATIONAL TRADE. HE RECOGNIZES HOWEVER THAT CERTAIN PRACTICAL POLITICAL AND ECONOMIC CONSIDERATIONS WILL REQUIRE INTERMEDIATE DEVIATIONS FROM THIS PRINCIPLE. IN CONNECTION WITH THE ABSORPTION OF THE UNEMPLOYED AND ARMAMENT WORKERS THE PRESIDENT SAID HOWEVER TARIFF BARRIERS MUST BE CUT DOWN AND TRADE RELATIONS CONSIDERABLY IMPROVED IN EUROPE BECAUSE IN ANY DISCUSSION OF RECONSTRUCTING AN ORDERLY WORLD IT IS NECESSARY TO PROVIDE SOME WAY FOR GIVING EMPLOYMENT TO THE PEOPLE WHO ARE NOT BEING USED FOR ARMAMENT PROGRAMS. DURING RECENT YEARS AND ESPECIALLY DURING THE LAST YEAR OR TWO

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NAVAL MESSAGE
(NAVY DEPARTMENT)

From **COMMANDER SQUADRON 40T**
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ACTION
 INFORMATION

To
THE CHIEF OF NAVAL OPERATIONS
 To

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PAGE 8

TEXT

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EMPLOYMENT HAS BEEN USED FOR ARMAMENTS BECAUSE INDUSTRY AND TRADE HAVE BEEN SO HARD HIT BY THE MANY RESTRICTIONS ON INTERNATIONAL FLOW OF TRADE. I EXPLAINED TO HITLER THAT THE PRESIDENT HAD NO DETAILED PEACE PLAN READY OR STATEMENT OF PEACE TERMS WHICH HE INTENDED TO PRESENT AT THIS TIME TO THE BELLIGERENT NATIONS, THE PRESIDENT HAD EXPRESSED NO INTEREST ON THE SEVERAL TIMES WHEN HE TALKED ABOUT THE SITUATION WITH ME IN INTERPOSING HIMSELF BETWEEN THE WARRING NATIONS TO URGE THEM TO PEACE, HE WAS NOT OFFERING HIMSELF AS A PEACE MAKER IN THE PRESENT SITUATION, FURTHER HE WAS NOT OFFERING HIMSELF AS AN ARBITRATOR EITHER NOW OR IN THE FUTURE. HOWEVER IF THE BELLIGERENTS DESIRED TO CALL UPON MR ROOSEVELT TO ACT IN THE CAPACITY OF A MODERATOR HE WOULD BE VERY GLAD TO ACT AS SUCH HE HAD SAID TO ME I WOULD MUCH PREFER TO RESPOND TO SUCH A REQUEST BY SERVING AS A POSSIBLE MODERATOR IN THE SITUATION RATHER THAN BE ASKED TO SERVE AS

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NAVAL MESSAGE
(NAVY DEPARTMENT)

From COMMANDER SQUADRON 40-T	ACTION	To
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Date 17 MARCH 1940	INFORMATION	To
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TEXT

AN ARBITRATOR, I THEN EXPLAINED TO THE CHANCELLOR THAT THE PRESIDENT HAD CHOSEN A TYPICALLY UNITED STATES OFFICE TO ILLUSTRATE THE POSITION AND FUNCTIONS WHICH HE HAD IN MIND, THE DESIGNATION MODERATOR IS EMPLOYED IN CONJUNCTION WITH AN OLD ESTABLISHED AMERICAN INSTITUTION THE TOWN MEETING AND APPEARS ALSO IN THE ORGANIZATION OF THE PRESBYTERIAN AND SOME OF THE OTHER PROTESTANT CHURCHES. AT THIS POINT I PRESENTED A WRITTEN DEFINITION OF THE DISTINCTIVE FEATURES OF THE POSITION AND FUNCTIONS OF A MODERATOR WHICH HAD BEEN TRANSLATED INTO GERMAN FOR THE CHANCELLOR.

THE CHANCELLOR WAS EXTREMELY INTERESTED IN THIS DEFINITION AND READ IT MOST CAREFULLY. THE FOLLOWING IS THE EXACT READING OF THE DEFINITION OF A MODERATOR WHICH I PRESENTED TO THE CHANCELLOR:

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TEXT

"THE MODERATOR IS CHOSEN BY THE COMMON AGREEMENT OF THOSE WHOM HE SERVES. THE MODERATOR HAS NO SPECIAL POWER OR SUPREMACY OVER HIS ASSOCIATES BUT IS HONORED AND HIS WORD CARRIES WEIGHT AS LATIN PHRASE - PRIMUS INTER PARES - MEANING 'FIRST AMONG EQUALS'. THOSE WHOM THE MODERATOR SERVES HAVE NO JURISDICTION OVER THE MODERATOR. IT IS THE DUTY OF THE MODERATOR TO SEE THAT THE BUSINESS OF THE MEETING OR CONFERENCE OVER WHICH HE PRESIDES IS TRANSACTED IN ACCORDANCE WITH A PREVIOUSLY DEFINED AND ACCEPTED SET OF PRINCIPLES. THE MODERATOR'S METHODS OF EXECUTING HIS FUNCTION IS NOT BY MAKING FINAL DECISIONS AS AN ARBITRATOR NOR BY CASTING A DECISIVE VOTE IN THE EVENT OF BALANCED OPPOSING VIEWS. THESE POWERS ARE NOT INHERENT IN THE MODERATOR'S OFFICE, INSTEAD IT IS THE FUNCTION OF THE MODERATOR TO ESTABLISH THE MAGNITUDE AND CHARACTER OF THE AREAS OF DIFFERENCE BETWEEN OPPOSING VIEWS AND TO ATTEMPT BY ALL MEANS AT HIS

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TEXT

DISPOSAL TO REDUCE AND RECONCILE SUCH DIFFERENCES FOR THE GREATEST OVERALL GOOD OF THE GROUP AS A WHOLE."

THIS CONCLUDES MY PRESENTATION OF THE PRESIDENT'S IN-

FORMAL UNOFFICIAL ATTITUDES. IN RESPONSE THE CHANCELLOR FIRST

OF ALL EXPRESSED SATISFACTION THAT PRESIDENT ROOSEVELT HAD

CONSIDERED IT USEFUL TO EXCHANGE VIEWS IN AN UNOFFICIAL

INFORMAL MANNER THROUGH MR. MOONEY. THE CHANCELLOR WAS GLAD

TO BECOME ACQUAINTED WITH PRESIDENT ROOSEVELT'S PERSONAL

VIEWPOINT AND ATTITUDE TOWARDS THESE IMPORTANT QUESTIONS.

THE CHANCELLOR LISTENED TO MY PRESENTATION OF THE PRESIDENT'S

PERSONAL FEELINGS AND ATTITUDE AS EXPRESSED IN THE FOREGOING

OUTLINE WITHOUT INTERRUPTION TO MAKE COMMENT RELATING PECULI-

ARLY TO ANY ONE OF THE POINTS IN ITSELF. HE SEEMED TO PREFER

TO WAIT AND THEN DISCOURSE ON THE VARIOUS POINTS FROM HIS

OWN GENERAL STANDPOINT AFTER MY PRESENTATION OF THE OUTLINE

OF THE FOREGOING POINTS AND AFTER THE CHANCELLOR HAD HAD THE

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TEXT

OPPORTUNITY TO EXAMINE CRITICALLY AND ATTENTIVELY THE DEFINITIONS TRANSLATED INTO GERMAN OF THE PRESIDENT'S TERM MODERATOR HE THEN RESPONDED GENERALLY AS FOLLOWS; BELOW.

HIS REMARKS WERE TAKEN DOWN IN SHORTHAND BY THE ATTENDANT PRESENT WHO LATER SUMMARIZED THEM AND SUBMITTED THE SUMMARY TO THE CHANCELLOR FOR APPROVAL. THIS APPROVED SUMMARY WHICH COINCIDED WITH MY RECOLLECTION AND NOTES OF THE MEETING WAS TRANSLATED INTO ENGLISH AND I WAS GIVEN THE OPPORTUNITY TO COPY THIS TRANSLATION VERBATIM. I ALSO HAD THE OPPORTUNITY OF VERIFYING THE NOTES WHICH HAD BEEN MADE OF MY OWN PRESENTATION OF THE PRESIDENT'S POINT OF VIEW.

THE CHANCELLOR BEGAN HIS REMARKS BY STATING THAT HE HAD ALWAYS BEEN OF THE OPINION THAT THE CIRCUMSTANCES UNDER WHICH PRESIDENT ROOSEVELT TOOK OFFICE HAD CONFRONTED HIM WITH VERY GREAT AND DIFFICULT TASKS THE SOLUTION OF WHICH THE PRESIDENT HAD UNDERTAKEN IN A BROAD AND CONSTRUCTIVE MANNER. THE CHANCEL-

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LOR FELT THAT FROM TIME TO TIME UNFORTUNATE RUMORS AND PIECES OF PROPAGANDA HAD DISTURBED BADLY THE RELATIONS BETWEEN OUR TWO COUNTRIES. THE CHANCELLOR PARTICULARLY DEEPLY REGRETTED THAT A FALSE RUMOR HAD BEEN CIRCULATED AFTER A CONVERSATION HE HAD HAD A FEW YEARS AGO WITH AN AMERICAN OF GERMAN DESCENT. THIS RUMOR HE CITED AS TYPICAL OF THE RUMORS, PROPAGANDA, AND LIES WHICH CREATE UNFORTUNATE MISUNDERSTANDINGS. THE RUMOR WAS SUPPOSED TO HAVE BEEN BASED ON THE CONVERSATION WITH THE GERMAN-AMERICAN REFERRED TO ABOVE. THE RUMOR IT SEEMS WAS TO THE EFFECT THAT ON THE OCCASION OF PRESIDENT ROOSEVELT'S SECOND ELECTION THE CHANCELLOR WAS SAID TO HAVE EXPRESSED THE OPINION THAT HE PERSONALLY CONSIDERED THE REELECTION OF THE PRESIDENT TO HAVE BEEN A MISTAKE. THE RUMOR WAS A LIE ON TWO GROUNDS FIRST THE CHANCELLOR HAD SAID NO SUCH THING AND SECOND THE CHANCELLOR HAS HIS OWN IMPORTANT PROBLEMS TO SOLVE IN GERMANY WHICH ABSORB SO MUCH OF HIS TIME THAT ORDINARILY THE PROBLEMS OF AMERICA ARE TOO FAR AWAY FROM HIS OWN MIND FOR HIM TO MAKE

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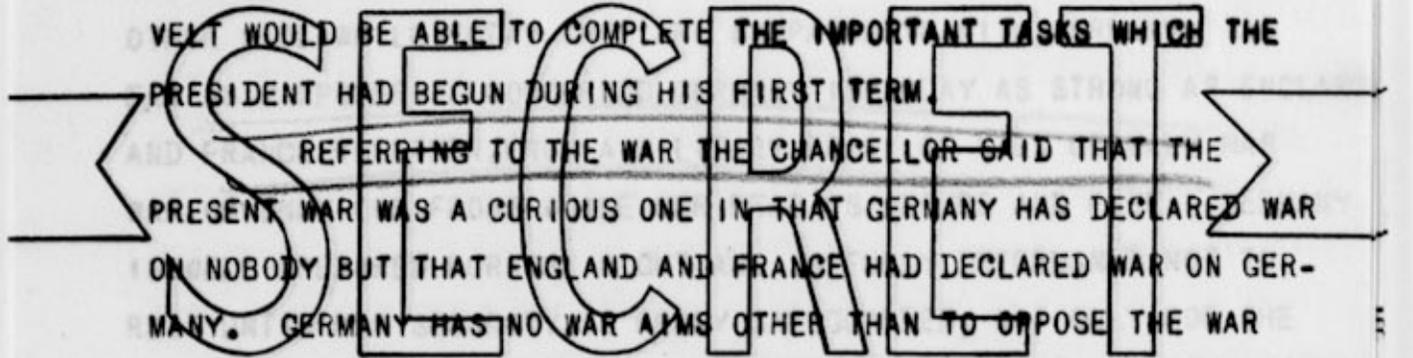
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TEXT

COMMENT ON THEM. THE CHANCELLOR HAD BEEN FURIOUS WHEN HE HEARD OF THIS LIE BECAUSE HE HAD NEVER SAID THAT THE REELECTION OF PRESIDENT ROOSEVELT WAS A MISTAKE. ON THE CONTRARY HE HAD ALWAYS BEEN OF THE OPINION THAT NOBODY ELSE BUT PRESIDENT ROOSEVELT WOULD BE ABLE TO COMPLETE THE IMPORTANT TASKS WHICH THE PRESIDENT HAD BEGUN DURING HIS FIRST TERM.

REFERRING TO THE WAR THE CHANCELLOR SAID THAT THE PRESENT WAR WAS A CURIOUS ONE IN THAT GERMANY HAS DECLARED WAR ON NOBODY BUT THAT ENGLAND AND FRANCE HAD DECLARED WAR ON GERMANY. GERMANY HAS NO WAR AIMS OTHER THAN TO OPPOSE THE WAR AIMS OF HER OWN DESTRUCTION, AS PROCLAIMED BY ENGLAND AND FRANCE. THESE COUNTRIES, THE CHANCELLOR SAID, WANT TO DISMEMBER GERMANY TO INTERFERE WITH HER OWN INTERNAL SYSTEM OF GOVERNMENT AND TO MAKE HER SUBJECT TO A FRANCO-BRITISH HEGEMONY. THESE ARE THE WAR AIMS, THE CHANCELLOR CONTINUED, WHICH HAVE BEEN GIVEN WIDE PUBLICITY IN THE WESTERN COUNTRIES, BUT ENGLAND AND FRANCE LACK



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PAGE 15.

TEXT

THE NECESSARY POWER TO REALIZE THESE WAR AIMS. THEY HAVE FORGOTTEN THAT THERE IS A TREMENDOUS DIFFERENCE BETWEEN 1914-18 AND TODAY. IN THE LAST WAR GERMANY HAD TO FIGHT ALONE AGAINST THE WHOLE WORLD. AT THAT TIME JAPAN RUSSIA AND ITALY WERE ON THE OTHER SIDE WHILE TODAY THEY ARE SYMPATHETIC WITH GERMANY. AS FAR AS MANPOWER IS CONCERNED GERMANY IS TODAY AS STRONG AS ENGLAND AND FRANCE TOGETHER. FROM A MILITARY POINT OF VIEW GERMANY HAS WAR ON ONLY ONE FRONT WHILE HER REAR IS SECURE AND FREE. GERMANY IS WELL PREPARED FOR THE FIGHT AND IS FULLY DETERMINED NOT TO REST UNTIL HER SECURITY IS FULLY SAFEGUARDED, NOT ONLY FOR THE PRESENT BUT ALSO FOR THE FUTURE. GERMANY DOES NOT WANT TO HAVE TO TAKE UP ARMS EVERY TWENTY YEARS. THE CHANCELLOR SAID THAT THE WHOLE GERMAN PEOPLE IS INSPIRED BY THE SAME DETERMINATION. IT IS FUTILE FOR HER ENEMIES TO HOPE FOR DISSENSION FROM WITHIN THE GERMAN NATION. THE GERMAN REICH OF TODAY HAS ITS ROOTS DEEP IN THE NATIONAL STRUCTURE, WHEREAS THE GERMAN MONARCHY IN THE LAST WAR HAD NO SUCH ROOTS IN THE MASSES OF THE PEOPLE. IN SPITE OF

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THIS LACK OF A BROAD, POPULAR ^{TEXT} FOUNDATION GERMANY FOUGHT AGAINST
OVERWHELMING ODDS FOR FOUR YEARS. SHE CAN NOW LOOK WITH ALL THE
MORE CONFIDENCE TO THE FUTURE IN VIEW OF THE MANY CHANGES WHICH
HAVE OCCURRED IN THE SITUATION ALL TO HER ADVANTAGE.

THE CHANCELLOR THEN TURNED TO ECONOMIC QUESTIONS. HE SAID
THAT GERMANY REGARDED IT AS INADMISSIBLE THAT TWO COUNTRIES LIKE
ENGLAND AND FRANCE SHOULD ENDEAVOR TO RULE THE WHOLE WORLD BY
MEANS OF THEIR EMPIRES AND TO RESERVE TO THEIR EXCLUSIVE USE
THE WHOLE OF THE ECONOMIC RESOURCES OF THE WORLD. HE SAID FUR-
THER THAT FOR GERMANY'S ECONOMIC SECURITY WITH RESPECT TO THE
IMPORTATION OF NECESSARY FOODSTUFFS AND RAW MATERIALS IT IS IM-
PERATIVE THAT SHE GET OUT OF THE POSITION WHERE ENGLAND BY ONE
MEANS OR ANOTHER CAN TAKE STEPS EVERY TEN YEARS OR SO TO THROTTLE,
OR IMPEDE THIS FLOW OF ESSENTIAL FOODSTUFFS AND NECESSARY MATER-
IALS AND GOODS REFERRING IN THIS CONNECTION TO THE QUESTION OF
COLONIES THE CHANCELLOR SAID THAT THE GERMAN COLONIES HAD BEEN
STOLEN FROM THEM BY THE ENGLISH AND FRENCH IN CONTRADICTION TO

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TEXT

SEAN IS UNPREDICTABLE. THE EFFECTS OF SUCH DICTATORSHIP HAVE ONLY
 ASSURANCES GIVEN TO GERMANY BY PRESIDENT WILSON THESE COLONIES
 WERE OF NO VITAL IMPORTANCE TO FRANCE AND ENGLAND BUT THEY
 CONSTITUTE A VITAL NECESSITY TO GERMANY FOR THESE REASONS THE
 COLONIES MUST BE RETURNED TO GERMANY & REGARDING THE COMPARATIVE
 DENSITY OF POPULATION IN GERMANY AND THE UNITED STATES THE
 CHANCELLOR SAID THAT GERMANY MUST NECESSARILY PRODUCE TEN TIMES
 AS MUCH PER SQUARE KILOMETER OF GROUND AS THE UNITED STATES
 BECAUSE THERE ARE TEN TIMES AS MANY INHABITANTS PER SQUARE
 KILOMETER IN GERMANY AS IN THE UNITED STATES FURTHERMORE GERMANY
 CANNOT BUY HER NECESSARY IMPORTS IN HER OWN CURRENCY IN ORDER TO
 RECEIVE HER ESSENTIAL IMPORTS GERMANY MUST EXPORT FOR EXAMPLE
 FOR EVERY POUND OF COFFEE IMPORTED THERE MUST BE A CORRESPONDING
 QUANTITY OF GOODS EXPORTED A COUNTRY WHICH IS FORCED TO LIVE
 UNDER SUCH CONDITIONS MUST NECESSARILY FEEL THAT THE DICTATORSHIP
 WHICH COUNTRIES LIKE ENGLAND AND FRANCE EXERCISE OVER THE SEVEN

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TEXT

SEAS IN UNENDURABLE. THE EFFECTS OF SUCH DICTATORSHIP HAVE ONLY RECENTLY BEEN GIVEN FURTHER EXPRESSION THROUGH THE ACTION TAKEN BY GREAT BRITAIN IN STOPPING MARITIME TRANSPORT OF GERMAN COAL TO ITALY. WITH REGARD TO THE MILITARY SITUATION THE CHANCELLOR SAID THAT IN THE WORLD WAR THERE WERE 136 GERMAN DIVISIONS ON THE EAST FRONT AND 117 ON THE WEST FRONT, WHILE AT PRESENT THERE ARE 200 DIVISIONS ON THE WEST FRONT ALONE. SPEAKING AS A SOLDIER IN THE GREAT WAR HE SAID THAT HE HAD LEARNED HOW TO EVALUATE HIS OPPONENTS AND HE KNOWS THEY ARE NOT SUPERIOR TO THE GERMANS. GERMANY HAS NO WAR AIMS -- ONLY AGRESSORS HAVE WAR AIMS AND IN THE PRESENT WAR THE AGRESSORS ARE THOSE WHO DECLARED WAR, NAMELY ENGLAND AND FRANCE. SHOULD IT BE SAID THAT GERMANY HAD ATTACKED POLAND, ONE MUST REMEMBER THAT ACTION WAS TAKEN BY GERMANY AGAINST POLAND IN ORDER TO PUT AN END TO POLISH TERRORISM AGAINST THE GERMAN MINORITIES IN THAT COUNTRY. THERE WOULD NEVER HAVE BEEN A GERMAN-PQLISH WAR IF ENGLAND HAD NOT INTERFERED IN THE POLISH

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TEXT

AFFAIR WHICH WAS NONE OF ENGLAND'S BUSINESS. THE CHANCELLOR SAID THAT THE PRESENT WAR CAN ONLY BE BROUGHT TO AN END IF ENGLAND AND FRANCE WILL ABANDON THEIR WAR AIMS. HE WOULD BE VERY GLAD TO LEAVE IT TO PRESIDENT ROOSEVELT HIMSELF TO FIND OUT WHETHER THEY WERE READY TO DO SO. GERMANY WILL NOT MAKE PEACE UNLESS AND UNTIL SHE RECEIVES ADEQUATE ASSURANCES OF SECURITY FOR THE FUTURE BECAUSE IN THE PAST 300 YEARS FRANCE HAS TOO OFTEN DECLARED WAR ON GERMANY. IF ENGLAND AND FRANCE BUT PARTICULARLY ENGLAND FULLY REALIZED TODAY THAT THEY COULD NOT HOPE FOR ASSISTANCE FROM OTHER COUNTRIES, AS FOR INSTANCE THE UNITED STATES, THEY WOULD MAKE PEACE TOMORROW. ENGLAND CONSIDERS THE WAR A KIND OF SPORT IN WHICH THE OTHERS MUST DO THE FIGHTING; SHE HAD FIRST ASKED THE RUSSIANS TO HELP HER, AND WAS NOW BUSY TRYING TO GET ASSISTANCE FROM NORWAY AND SWEDEN. IN CONCLUDING AND SUMMARIZING HIS ATTITUDE ON THIS PRESENT PROBLEM OF WAR OR PEACE, THE CHANCELLOR EXPRESSED HIS BELIEF THAT HE WOULD BE ABLE TO REACH AN AGREEMENT WITH

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YOURS RESPECTFULLY,
 JAMES D. ROONEY

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PRESIDENT ROOSEVELT IN TEN MINUTES, ON THE FOLLOWING BASIS: FIRST, GERMANY IS READY TO RESPECT ENGLAND AS A GREAT WORLD POWER; IN LIKE MANNER SHE IS READY TO RESPECT FRANCE AS A GREAT POWER- BUT GERMANY DEMANDS IN RETURN THAT SHE ALSO BE RESPECTED AS A WORLD POWER. SECOND, IF THESE WORLD POWERS RESPECT ONE ANOTHER THEY CAN MAKE PEACE. THIRD, ONCE PEACE IS ESTABLISHED, ARMAMENTS CAN BE REMARKABLY REDUCED, AND THE LABOR THUS RELEASED CAN BE EMPLOYED FOR MORE PRODUCTIVE PURPOSES. FURTHER, BY MEANS OF A BETTER ORGANIZATION OF INTERNATIONAL TRADE IN HARMONY WITH THE SUGGESTIONS MADE BY PRESIDENT ROOSEVELT, THIS LABOR CAN BE READILY ABSORBED BY THE RESULTING IMPROVEMENT IN OVERALL ECONOMIC CONDITIONS. MEANTIME, UNFORTUNATELY FOR THE INTERESTS OF PEACE, ENGLAND REFUSES TO ADMIT THAT GERMANY HERSELF IS ALSO A REALITY AS A WORLD POWER. THIS CONCLUDES THE OUTLINE OF THE DISCUSSION WITH CHANCELLOR HITLER.

YOURS RESPECTFULLY,
JAMES D. MOONEY

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BSF Saf: Germany

THE WHITE HOUSE
WASHINGTON

3-5-41

MEMORANDUM FOR THE PRESIDENT:

Breck Long brought this over by hand and asked me to give it to you confidentially.

He says you will recall the reference on the second page of Secretary Hull's memorandum "the same steps of procedure" was referring it to the British.

E.M.W.

E.M.W.

Safe: Germany

DEPARTMENT OF STATE
WASHINGTON

March 5, 1941.

My dear Mr. President:

The attached memorandum is copy #1 of the translation of the second part of the memorandum about Germany, the first part of which you received last week. This is just as confidential, and if you should see fit to hand it to other persons, I trust that you will impress upon them that our obligation in connection with its acquisition requires absolute secrecy in connection with it, including no reference to it whatsoever in public and no allusion to or quotation from its text.

This section is the statistical review of the finances of the German Government. It shows that the grand deficit of 1940 is 102.5 Reichsmarks. Pages 2 and 3 of the memorandum attached contain the comment of the author upon the financial consequences of their fiscal policy, which is a succinct, critical comment upon the

facts

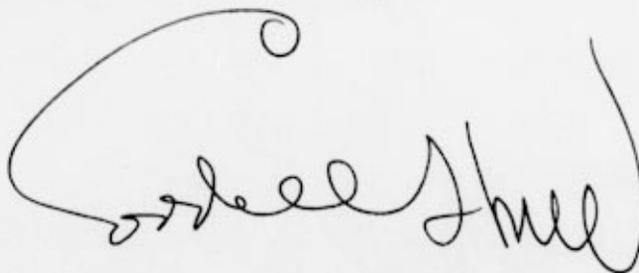
The President,

The White House.

facts adduced in the pages following in the memorandum, and you may be interested to read particularly Section B and Section C on the pages indicated.

It is assumed you will desire me to take the same steps of procedure in connection with this which you did in connection with the first section, and I will be glad to receive your instructions in regard to it.

Faithfully yours,

A handwritten signature in cursive script, appearing to read "Charles H. H. H.", with a large, decorative flourish at the beginning.

Enclosure:

Memorandum #1.

~~SECRET~~

Safe: Germany #1

Berlin, January 24, 1941. We.

Memorandum I.

War Finances

A.

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Preliminary remarks:

On the basis of the official tables and statements, a financial and statistical conspectus of the German financial situation is submitted.

The budget figures for the fiscal years 1933-1937 and analyses thereof were set aside; only the most important figures from this period were taken.

The following report gives:

I. For the Reich:

1. Results of calculations of the budgets for 1938 and 1939;
2. Analysis of the financial requirements for 1940 and covering therefor on the basis of the provisional figures.

II. For States and Communes (Gemeinden) the total financial needs for 1938, 1939 and 1940.

III. The financial needs for the public administration for 1938-1940.

IV. The budget for the Reich Office for Unemployment Insurance etc.

V. The financial needs for industrial insurance.

VI. The financial needs of the auxiliary fiscal corporations.

Following this (Chapter VII), the financial figures as a whole are compared with the national or total social output and the official statements of the Reich Government on these points are given. These statements serve as proof for the correctness

correctness and capacity of the conduct of finances by the responsible Ministers of the Reich.

The material given at the close in the tabulations contains the various figures set up parallel to the statements under Chapters I - VII.

B.

Official data on the total public debt of the Reich, the States and the Communes, as well as other public legal corporative bodies, have not up to this time been assembled and submitted by any Ministry of the Reich.

The official debt figures given, the short-term and long-term loans, non-interest-bearing Treasury notes, etc., show as total a debt of 66.2 billion RM. as of December 31, 1939, and 76.5 billion RM. as of December 31, 1940. In addition to these published official government debts, there are the unofficial secret government debts of all kinds, which are to be calculated at at least 16 to 18 billion RM as of December 31, 1940. There are to be added the open book debts of the government and its instrumentalities, in particular arising out of the deliveries of war supplies to the army administrations, for which the suppliers have not been paid yet. These figures might be between three and four billions. Thus the outstanding secret debt amounts to at least nineteen or twenty billions on the whole.

There

There remains, lastly, to list the unpublished debt of the subsidiary government, the National Socialist German Labor Party (Reich treasury). These debt figures amount to several billions; they would probably lie between three and four billions.

C.

The estimates of Germany's financial position in the earlier memorandums of the writer, for example, those of the early part of October 1939 and the middle of February 1940, are far exceeded by the figures in the present statement. Thus for example the following estimate was given in the memorandum of the middle of February 1940:

	<u>1939</u>	<u>1940</u>
Estimate in memorandum	50 billions	64 billions
Actual budget figures	66.2 billions	74 billions.

In the same way, the figures on the status of indebtedness ought in reality to reach the minimum amount.

The conclusions from the constantly rising expenditures in the budget and the debts of all kinds are evident, both with respect to capital as a whole in private industry and also with respect to property in particular in the case of every private individual. The bases for balances in private industry are shaken; savings, bank deposits, claims under

insurance

insurance policies, industrial insurance and other annuities and the like are undermined. Financial and political judgment is given in full detail in the earlier memorandums.

In case the present financial situation, 1939-41, should be placed in comparison with the war financing during the World War of 1914-1918, the reader is referred to the publication of the Carnegie Foundation for International Peace (German Series v. Lodz, "German Government Financial Management in the War", 1927 edition) for the figures for war financing.

The public budget in the fiscal years
1938, 1939 and 1940.

I. Reich Budget

a. The figures for the budget years
1938 and 1939 and their financial
and statistical evaluation.

The Reich budget was closed in the fiscal year 1938 with total expenditures of 28.7 billion RM and total receipts of 25.7 billion RM, so that there was a deficit of approximately 3 billion RM. Of the total expenditures, 17.2 billion RM went for the budget of the armed forces and 11.5 RM for the civil budget. In this division, the war allotments and the pension burdens of the new army are assigned to the civil budget.

In the fiscal year 1939 there was an extraordinary budget in addition to the ordinary Reich budget. The expenditures under both budgets together amounted to 48.9 billion RM. Against them were budget revenues of 36.4 billion RM, so that for the fiscal year 1939 the deficit amounted to 12.5 billion RM. Of the total expenditures, 20 billion RM were assigned to the civil budget (including war allotments and the pension burdens of the new army), and 28.9 RM to the budget for the armed forces. There are not given in the latter figure the expenditures outside of the budget that were financed by armed forces bonds, which were, however, insignificant in comparison with the total amount.

amount. It is stated that there are at present about 150 million RM worth of armed forces bonds in circulation.

From the figures given, not only are the expenditures for the armed forces considerably higher than in the preceding year, which is explained simply by the breaking out of the war, but expenditures for the civil budget have risen decidedly. But in this connection it should be borne in mind that the major portion of this increase is explained merely by a procedure in bookkeeping. That is, in the budget year 1938, expenditures amounting to 2.7 billion RM were paid by treasury notes which did not have to be redeemed until in the budget year 1939. Just as with the credit financing of the budget years 1933 to 1937 (bonds for provision of employment and "Mefowe" bonds), these expenditures, paid for with jewelry, etc. turned in, were not put on the books for the budget until they were due. For that reason, a sum of 2.7 billion RM was deducted from the civil expenditures in the fiscal year 1938, but a like amount was added to the civil expenditures for the fiscal year 1939. So in reality in the fiscal year 1938 the expenditures for the civil budget were 2.7 billion RM higher and in the fiscal year 1939, with 17.3 billion RM, less by the same amount than is to be assumed from the closing figures for the two years (see Table I).

Nor

Nor are these sums for the civil expenditures actually made to be used for a financial and statistical comparison without further consideration. That is, besides the real civil administrative expenditures, they include a series of figures that are to be considered only as entries appearing under various headings. This is true in particular of those transfers to States, Communes and combinations of Communes which are put on the books in the Reich budget as expenditures. To be sure, the great majority of the tax transfers are immediately deducted from the tax receipts. But a small portion of the revenue turned over to the States from Reich taxes is treated as expenditure. Under this come transfers to the Saar Territory and, since 1938, to the new Reich areas which could not be embodied at once in the transfer system of the old Reich. Therefore these sums entered on the books as expenditures have played a considerable part, especially in the fiscal year 1939. They amount to 805.6 million RM, as compared with 355.5 million RM in the fiscal year 1938. For a consideration of finances and statistics that is to cover the whole official budget, these amounts which were transferred must also be deducted from the tax revenue of the Reich in order to avoid duplication, as they are in the long run only incorporated into the budget of and used by the regional units subordinate to

the

the Reich. In that case, of course, they then drop out also as items of expenditure of the Reich (see Table 2).

Just as with the tax transfers entered under the civil expenditures of the Reich, in a financial and statistical investigation the expenditures of a profitable nature that are in the Reich budget must be deducted from the civil expenditures and adjusted with the corresponding income items. While some of the Reich revenue derived from trading capital, such as, for example, the carrying of the Reich mail or a share in the net profit of the Reichsbank appear in the budget of the Reich only as net yield (principle of the net budget), other, namely the receipts from minting and from the "other trading capital" are entered as gross receipts, against which are placed the corresponding expenditures. In the fiscal year 1938 there were 79.9 million RM so entered from minting and 511.4 million RM from "other trading capital". In the fiscal year 1939 the corresponding sums amounted to 27.8 million RM from minting and 662.3 million RM from "other trading capital". These items of expenditure are entirely different from the expenditures of the civil administrative authorities. They are, no different from the productive outlays of private enterprise, national costs, while the real administrative expenditure of a public character is a binding or a consumption of the national income.

income. It is therefore customary in financial and statistical discussions to take into consideration only the public trading capital in general with its net yield. Under the "other trading capital", which primarily embraces the holdings of the Reich in industrial and banking undertakings, as well as the forests and public lands belonging to the Reich, the productive outlays in connection with the investments for the Four - Year Plan were greater in the fiscal years 1938 and 1939 than the corresponding revenues. So there is here a debit item for net yield in both years.

Also in the case of the other general means of covering, in the Reich budget expenditures stand opposite gains entered as gross profits; they are different in nature from the expenditures of the civil administrative authorities. Like the expenditures in connection with the trading capital, these disbursements have to a certain extent an internal connection with the items of income, so that in a practical way they are likewise set off against them, in order that the real administrative expenditures of the Reich may be worked out. In the fiscal year 1938 there was here an item of expenditures of 27.3 million RM; in the fiscal year 1939 the corresponding sum amounted to 198 million RM (see Table 4).

If we take away from the civil expenditures of the Reich actually made in the fiscal year 1938 and 1939 the amounts mentioned, for the tax transfers put on the books as outlays,
as well

as well as the expenditures in connection with trading capital and the other general means of covering, we get the expenditures of the civil administrative authorities, that is, the civil administrative expenditures of the Reich in the narrower and real sense. These amounted in the fiscal year 1938 to 13.2 billion RM and in the fiscal year 1939 to 15.6 billion RM. The increase is explained to some extent by the increase in expenditures for personnel in connection with the extension of territory and the elimination of part of the salary reductions for officials, as of July 1939. But the civil expenditures of the Reich have increased decidedly, chiefly through the augmentation of aid to families since the outbreak of the war. As early as the fiscal year 1939 this amounted to 1.5 billion RM. Finally, with the further growth of the indebtedness of the Reich, the expenditures for service on the debt have risen considerably. But a certain rise is to be observed in the other civil administrative expenditures also (see Table 3).

The expenditures of the civil administrative authorities and the expenditures for the armed forces combined give the corrected sum for the administrative expenditures of the Reich. In the fiscal year 1938 it amounted to 30.4 billion RM, and in the fiscal year 1939 to 44.5 billion RM. In

order

order to determine the net fiscal needs of the Reich, we must deduct from this a small amount, that is, for the special payments of States and Communes, against which there are corresponding payments in the opposite direction, among the expenditures of the civil administrative authorities of the Reich. So both items must be balanced again. As these payments are listed as expenditures not only by the Reich but also by the States and Communes, they must in each case be deducted from the expenditures of the other organization in whose books they appear as income. In the case of the Reich, this involves amounts of 103.9 and 121.9 million RM in the fiscal years 1938 and 1939. Hence the net amount of money needed by the Reich in the fiscal year 1938 can be calculated at 30.3 billion RM, and in the fiscal year 1939 at 44.4 billion RM. This sum for expenditures, finally cleared of duplicate entries, can be compared with the correspondingly prepared expenditures of the States and Communes (as well as those of the other public organizations) and can be combined with them (see Table 6).

If we subtract from the figures for the net amount of money needed by the Reich and the administrative income and the proceeds from the budget borrowings (financial statistics combine these receipts under the heading of special means of covering), we have left the so-called
appropriation

appropriation requirements of the Reich. These amounted to 21.7 billion RM in the fiscal year 1938 and to 36.3 billion RM in the fiscal year 1939. To cover them there were available as general budget means those receipts from taxes, earned revenue and other income remaining after deduction of the abovenamed correction items, that is, all tax transfers, productive outlays and the like from the revenue items entered in the Reich budget.

b. The estimated financial requirements of the Reich and their probable coverage in the fiscal year 1940.

In consequence of the war, the financial requirements of the Reich will be determined even more than in the preceding years by the needs of the armed forces. During the last half-year, the armed forces required on the average an expenditure of a good 3 billion RM a month. On the assumption that the war will last until the end of the fiscal year or else will determine the financing of the Reich in the main, we can therefore calculate the expenditures for the armed forces during the budget year at approximately 38 billion RM.

The expenditures of the civil administrative authorities will also rise further during the current fiscal year. Aid to families, which took 1.5 billion RM in the fiscal year 1939, including only 7 war months, ought to demand more than

twice

twice that much in 1940, as the number of men called to the colors has greatly increased since the opening of the war. A certain increase in expenditures for personnel will also be noted, because the elimination of part of the salary cuts, starting in July 1939, will not show up except in a full budget year. With the further increase in the Reich debt, the expenditures for service on the debt will increase. The interest on the Reich debt, which took the sum of 1.95 billion RM in the fiscal year 1939, must call for more than 3 billion RM in the fiscal year 1940. The expenditures for amortization amounted during the past two fiscal years to from 1.25 to 1.30 billion RM per annum. In this connection it is to be noted, however, that only some 2/3 or 3/4 went for the amortization of loans, interest-bearing Treasury bonds and other funded debts, while the remainder was used for the payment of bond maturities from the so-called advance financing (provision of work bonds and Mafowe bonds). It remains to be seen whether in the current fiscal year an amortization of such special obligations will take place also. The amortization of loans and Treasury bonds will be undertaken to about the same extent as in the previous year. In all, the expenditure for service on debts ought to amount to from 3.9 to 4.3 billion RM. The payments to States and Communes

likewise

likewise will probably be just as high as in the preceding year, while a certain augmentation is to be anticipated in the allotments for annuity insurance, as was the case in the preceding years. It is hard to tell to what extent the other civil administrative expenditures will change, that is, the expenditures in kind and investments, the payments to corporations and private individuals (subsidies), and the granting of loans. In the domain of payments in kind, savings will probably be possible, but on the other hand war business will demand further new investments and grants. In addition, there are the demands which result from extension of the territory of the Reich. So on the whole a further increase in expenditures ought to be counted on here also.

Taken altogether, we can probably count on expenditures for the civil administrative authorities of from 18 to 19 billion RM in the fiscal year 1940, as compared to 15.6 billion RM in the fiscal year 1939. Together with the expenditures for the armed forces, estimated at approximately 38 billion RM, we get the amount of money needed by the Reich as some 56 to 57 billion RM. To meet this need, there are available first, as special means of covering, the administrative revenue and proceeds from the budget borrowing. From previous observations, the placing of medium and long-term

long-term obligations of the Reich might be considerably augmented as compared with the preceding year. In the first third of the current fiscal year, 4.2 billion RM was invested in loans and interest-bearing Treasury bonds, in addition to which there was an increase of 75 million RM in the mortgage bank (Rentenbank) loan granted to the Reich since the beginning of the war. Hence we may assume that in the final report on the 1940 fiscal year some 13 billion RM will appear as the borrowing under the budget. In the fiscal year 1938 the administrative revenue brought in 1.1 billion and in the fiscal year 1939 1.8 billion RM. In addition, there were in each of the two fiscal years fully 100 million RM in special payments of States and Communes. So in the fiscal year 1940 there should be available about 15 billion RM, in all, as special means of covering, so that the probable amount needed for appropriations by the Reich is to be calculated at 41 to 42 billion RM.

The general means of covering of the Reich budget at the end of March 1940 were estimated at 24.7 billion RM for the fiscal year 1940 by the Reich Finance Ministry in an estimate that is, on the whole, probably too cautious.. This amount was made up as follows (in millions of RM):

Property and transfer taxes	14,366
Customs and consumption taxes	4,654
Special war taxes	<u>2,680</u>
Tax and customs revenue combined	21,700
War contribution of States and Communes	1,500
Other general budget revenue	<u>1,500</u>
General means of covering, altogether	24,700.
In connection	

In connection with these figures it is to be noted that the tax and customs revenue is the gross amount collected, and hence that the tax transfers and the tax coupons (Steuerergutscheine) have not yet been deducted from them. There are also among the "other general budget revenue", that is, among the earned revenue and other general means of covering, as in the two preceding years, some gross amounts, against which there are corresponding debit entries. These expenditures must first be set off against the receipts. The contribution of the German Railways, an item of about 200 million RM, which in this study is calculated among the tax revenues, is contained in the preliminary estimate of the Reich Minister of Finance in the "other general budget revenue". Hence, including the Reich Railways contribution, the above preliminary estimate of the revenue from taxes and customs amounts to about 21.9 billion RM, while that for the other general budget revenue amounts to about 1.3 billion RM without this contribution.

For the tax transfers to the States and Communes, a diminution of about 100 million RM for the fiscal year 1940 is to be counted on, corresponding to the estimated return of the total receipts in Reich taxes and customs. In addition, the diminution in the transfers to States based on the Second Law on Financial Measures in the Domain of

Policing

Policing will probably be 40 million RM greater. Besides, the transfers to the Austrian and Sudeten German territories and Communes might be 160 million RM lower in the fiscal year 1940 than in the preceding year, in consequence of a change in the distribution of duties and burdens (transfer of the elementary schools to the Reich). Lastly, the remainder of the government of the State of Austria, to which 171.7 million RM more had to be transferred in the budget year 1939 (see Table 2, Note 3), will mostly disappear in the current budget year. On the other hand, the transfers to the new Reich Territories of Danzig-West Prussia and Wartheland and those to Prussia for the newly incorporated eastern regions will be not a little higher than in the past fiscal year, since they were not granted until the second half thereof. In all, the transfers to the States, Reich Territories, associations of Communes and Communes, which amounted to 2.8 billion RM in the balance sheet for 1939, the remainder of the government of the State of Austria being included, ought to be at least 300 million RM lower in the fiscal year 1940.

The transfer to be made from the funds from the income taxes to the Special Fund for Marriage Loans and Bonuses for Children is set at 250 million RM in the fiscal year 1940, as in the preceding year. In the case of the grant
for

for the Reich Auto Road Fund, made from the transfer, shipping and petroleum taxes and from customs duties, a diminution is to be expected (it was 246 million RM in the fiscal year 1939).

A perceptible diminution in the portion of the revenue from taxes remaining to the Reich will take place in the fiscal year 1940, through the presentation of tax coupons. While the NF I tax coupons returning to the Reich financial offices in the fiscal year 1939 were subtracted from the gross proceeds of the tax coupons issued, they must in the fiscal year 1940 be calculated against the tax revenue, as was done previously with the tax coupons of old type, since no new issue will be made. The circulation of NF I tax coupons reached its maximum with 2,429 million RM at the end of November 1939. It has diminished since that time:

by 164.1 million RM	in December	1939
" 172.6	"	" January 1940
" 177.7	"	" February 1940
" 319	"	" March 1940
" 157.6	"	" April 1940
" 95.9	"	" May 1940
" 107.9	"	" June 1940
" 27.8	"	" July 1940

So in the first four months of the current fiscal year 389.2 million RM in NF I tax coupons had already flowed back into the Reich financial offices. It is to be noted, to be sure, that the inward flow, which increased from month to month up to March 1940, has since then unmistakably been receding. This is explained merely by the fact that the supply from which the return flow could take place is constantly diminishing. But it is

to be assumed, first of all, that the great majority of the NF I tax coupons still in circulation at present are in the hands of business men who wish to take advantage of the freedom from depreciation connected with them. These tax coupons might remain in the possession of their holders for a still longer time, so that for the present a further diminution in the return flow is to be counted on. In the final statement of the fiscal year 1940, the utilization of tax coupons could hardly exceed the amount of 600 million RM.

The portion of the taxation and customs revenue of the Reich which will be claimed for the honoring of tax coupons, and for transfers to the States, Reich Territories, Communes and associations of Communes, the remainder of the government of the State of Austria, the Reich Auto Road Fund and the Special Fund for Marriage Loans and Bonuses for children will in the fiscal year 1940 reach a total amount of about 3.5 billion RM. As the Reich taxes and customs (including the Reich Railways contribution) would, according to the preliminary estimate of the Reich Finance Ministry, bring in scarcely 22 billion RM, the available cash receipts from Reich taxes and customs duties, that is, the so-called Reich's share of the tax and customs duties revenue, would be

calculated

calculated at some 18 1/2 billion RM. If we consider that the preliminary estimate of the Reich Finance Ministry, mentioned above, was on the whole probably worded too cautiously (in the case of war taxes in particular the estimate ought to be considerably surpassed by the actual collections), the amount going to the Reich may be rounded off at 19 billion RM.

In comparison with the preliminary estimate of the Reich Finance Ministry of late in March 1940, there is a decidedly more optimistic estimate, which Deputy Minister Reinhardt recently made public. According to it, we may expect, on the basis of the payments received so far, that the Reich taxes and customs duties will give a yield of as much as some 25 billion RM. With such a favorable development of receipts from taxation and customs duties, the transfers would probably be somewhat higher, to be sure. According to this estimate, the Reich's share of the receipts from taxes and customs duties would be calculated at about 21 billion RM. At any rate, we may assume that it will remain within the bounds of the two estimates, that between 19 and 21 billion RM.

The war levy of the States and Communes, estimated by the Reich Ministry of Finance at the end of March at

1.5 billion RM, might not quite reach that figure in the fiscal year 1940, according to later calculations. We can count on a yield of 1.4 billion RM.

According to the experience of the last two fiscal years, productive outlays and outlays under the "other general budget revenue" amounting to some 600 to 900 million RM should be set off against the "other general budget revenue", that is, the earned revenue and other general means of covering, which in the fiscal year 1940 should bring in approximately 1.3 billion RM (with the Reich Railways contribution), according to the preliminary estimate of the Reich Ministry of Finance of the end of March. Thus the net income from the earned revenue and the other general means of covering that is left for the Reich will hardly be much more in the fiscal year 1940 than 1/2 billion RM.

Of the additional amount needed by the Reich in the fiscal year 1940, which was mentioned above as 41 to 42 billion RM, some 21 to 23 billion RM ought therefore to be covered by general means of covering, that is, through the Reich's share in measures of taxation and customs, through the war contribution of the States and Communes and through net revenue from the earned revenue and from the other general means of covering. The deficit of the
fiscal

fiscal year 1940 would accordingly be calculated at some 19 to 20 billion RM. The evolution of the floating debt so far corresponds to these figures. The financial picture of the Reich (according to the system of financial statistics) can now be put together from the individual estimates, as follows:

The Amount of Money Needed by the Reich
and its Covering in the Fiscal Year
1940 (in billions of RM).

Expenditures of the civil administrative authorities		18 to 19
Expenditures of the armed forces	about	<u>38</u>
Total amount needed		56 to 57
Covered by special means of covering (special payments of the States and Communes, administrative receipts and money borrowed)	about	<u>15</u>
Balance: amount actually needed by the Reich		41 to 42
Covered by general means of coverage:		
a. Reich's share of the taxes and customs revenue*		19 to 21
b. War contribution of the States and Communes	about	1.4
c. Earned revenue and other general means of covering (excess of receipts over expenditures)	about	<u>0.6</u>
General means of covering taken altogether (a - c)		21 to 23
Deficit		19 to 20

*Taxation and customs revenue of the Reich, including Reich Railways contribution, less settlement of tax coupons and less all transfers of taxes entered on the debit side of the Reich budget.

II. The Amount of Money Needed by the
States and Communes (Associations of Communes)
in the Fiscal Years 1938, 1939 and 1940.

The last fiscal year for which final figures of the financial statistics are available for the States and Communes is 1937. The data for the fiscal years 1938 to 1940 are therefore based on estimates. The date on which these estimates have been made differ greatly for the different years, however. Thus it was possible to collect provisional results for the financial statistics for the fiscal year 1938 in the States. For the tax and transfer revenue of the States for 1938 the receipts according to the books could be used, but for 1939 only the cash receipts. In the case of the receipts of the Communes (associations of Communes) from taxes and transfers, for 1938 only the cash receipts are given, and for 1939 only estimates based on the cash receipts of the first three quarters of the fiscal year. All of the data for the fiscal year 1940 are based on estimates. For all figures that had to be obtained by estimate, the changes in finance and taxation legislation that have occurred since 1938 were taken into account as accurately as possible. For all three fiscal years the data are assembled exactly in accordance with the plan of financial statistics, so that adjustments are no longer necessary, as was the case with
the

the figures for the Reich budget (see Table 7).

According to the investigations and estimates made, the net amount of cash needed by the States in the old Reich (including the Saar) in the fiscal year 1938 amounted to 2.435 million RM, and that of the Communes and associations of Communes to 7,255 million RM. For Austria and the Sudetenland no comparable figures of any kind could be secured for the fiscal year 1938. In all, we get therefore a corrected total of 9.69 billion RM needed for the States and Communes of the old Reich in the fiscal year 1938. For the fiscal year 1939, the net amount of money needed by the States of the old Reich has been assumed to be 2,450 million RM, almost unchanged, while for the Communes and associations of Communes of the old Reich a drop of about 1/2 billion RM was assumed (6,745 million RM). In reality, the geographic units subordinate to the Reich have already been compelled to make great savings, by the diminution in the means of covering which was connected with the collection of the war contribution levy. Since it is in practice set off against the Reich tax transfers, this war contribution levy is deducted, as a debit entry on the income side of the State and Commune budgets. Hence it is not contained in the figures for the amount of cash needed. For Austria

and

and the Sudetenland, the net amount of cash needed for the Reich Territories, associations of Communes and Communes for the fiscal years 1939 was found by estimate to be 1,094 million RM. Hence we get a corrected total for the States and Communes of the Great German Empire (according to the territorial status before the outbreak of the present war), of 10.29 billion RM as the amount of money needed in the fiscal year 1939. In this total there is lacking the remainder of the government of Austria, directly under control of the Reich, to which 171.7 million RM was given in the way of transfers in the fiscal 1939 (see Table 2, Note 3). Besides, there are of course left out the new Reich Territories and Reich Districts of the East, which were not incorporated until late in 1939.

The rough estimate for the fiscal year 1940, in which a distribution by States and Communes has not yet been possible, refers to the same territory and the same mission as the figures for the fiscal year 1939. From it there are still absent the Reich Territories of Danzig-West Prussia and Wartheland, the former Polish territories assigned to Prussia and the remainder of the administration of the States of Austria, which could certainly have demanded only scanty means in the fiscal year 1940. The net amount

of

of money needed, estimated at 9,475 million RM, is taken to be less by a good 800 million RM than in the fiscal year 1939, which is explained by a further curtailing of the means of covering. In this connection it should be remembered firstly that there will be a certain falling off in the collection of taxes and secondly that the war contribution levy is now to be collected for a full fiscal year.

If, in the receipts which serve to cover the financial needs of the States and Communes, the amounts for the Reich tax transfers do not coincide with the sums which were shown for the Reich as transfers made, attention should be called once more, in this connection, to the various delimitations of territory and tasks. In the financial picture of the States and Communes (Table 7) there are omitted, as already mentioned, the transfers made by the Reich to the State of Austria or its remaining administration, as well as the transfers to the Reich territories formerly belonging to Poland and the Free States of Danzig. But certain deviations occur elsewhere. They are mostly to be explained from the fact that, with the Reich, figures from the books are given mostly, whereas with the Communes (and from the fiscal year 1939 on, for the States also) figures for cash are given, or estimates
based

based on the figures for cash. In the fiscal year 1938, this was true particularly of the turning back, which was still performed then, of the corporation tax of the public supply concerns. In connection with the transfers to the Austrian and Sudeten German Reich Territories and Communes, the deviations in the fiscal year 1939 are explained in particular by the fact that a portion served as cover for previous years' deficits and accordingly were charged against the preceding year, while for the Reich the time of transfer was the deciding factor.

III. The Money Needed for the Public Administration.

If we combine the net amount of money needed for the Reich and the States and Communes, we get (after the making of certain slight corrections, which will be discussed in the following) the expenditures of the State and communal administration, cleared of duplicate entries. This total for expenditures refers, corresponding to the boundaries for the States and Communes (associations of Communes, Reich Territories), to the old Reich (including the Saar) for the fiscal year 1938 and to the territory of the Reich enlarged by Austria and the Sudetenland for the two fiscal years 1939 and 1940, while the new eastern areas are still omitted therefrom.

In

In this connection reference is to be made once more to the remainder of the government of the State of Austria. In order to understand the whole administrative expenditure for the fiscal years 1939 and 1940 for the territory of the Reich enlarged by Austria and the Sudetenland, the amounts must be included that were used for this remaining government, which were deducted by the Reich as tax transfers but are not included in the statements of cash needed by the States, Reich Territories and Communes. As this remaining government is under the direct control of the Reich, it is probably most practical to place the sums used for it under the heading of cash needed by the Reich.

Another correction refers to the Special Fund for Marriage Loans and Bonuses for Children. This special fund is fed from Reich tax transfers, which are deducted by the Reich, and from grants from the Reich Institution for Unemployment Insurance etc. Besides, it has its own income from repayment of loans. From all of these means taken together, marriage loans and bonuses for children are granted in varying amounts. The budget of the Special Fund, which is thus set apart from and made independent of the Reich budget, closed for the last two fiscal years with receipts and expenditures of 0.6 billion RM each.

It

It is evident, however, that this involves the performance of an administrative task assigned by the Reich. The amount of money needed for the performance of this mission must therefore be included in the total of the expenditures of the public administration. In that case, of course, the grants to the Special Fund must be subtracted from the expenditures of the Reich Institution for Unemployment Insurance etc. (see Section IV), as the tax transfers made to the Special Fund have already been deducted in the case of the Reich.

Disbursements and Receipts of the Special
Fund for Marriage Loans and Bonuses for
Children in the Fiscal Years 1938 and 1939
(in millions of RM)*

	Fiscal Year	
	1938	1939
A. <u>Disbursements</u>		
Bonuses paid for children		
1. lump sum	67.8	31.3
2. continuous	314.1	400.8
Total	381.8	432.1
Marriage loans made	188.8	169.7
Bonuses and loans together	570.6	601.8
B. <u>Receipts</u>		
Reich tax transfers	200.0	250.0
From the budget of the Reich Institution for Unemployment Insurance etc.	298.6	331.1
Amortization of marriage loans	51.3	61.0
Total means of coverage	549.9	642.1

*Differences in amounts due to rounding off of figures.

Conditions

Conditions are the same regarding the expenditures for the Reich Auto Roads Fund as they are regarding the money required for the Special Fund for Marriage Loans and Bonuses for Children. The means required for them are taken in part from Reich tax transfers and in part from sums which are diverted from the budget of the Reich Institution for Unemployment Insurance etc. Besides, there was in the fiscal year 1938 a loan granted by the Reich, amounting to 608 million RM, which, in contrast to the tax transfers, is contained in the statement of money needed by the Reich. The means secured in this way amounted in the last two fiscal years to from 1 to 1.1 billion RM. In addition, the Reich Auto Roads Fund also has receipts of its own, which are however, as can be imagined, low. They are both recurring receipts, in particular from the operation of filling stations, and also lump sum receipts, as for example from the resale of parcels of land. Neglecting these receipts of its own, we can, by and large, count the abovementioned sums, taken from means of the Reich and means of Institution for Unemployment Insurance, as the money needed for the Reich Auto Roads Fund in the fiscal year (the company itself reports for the calendar year), as we can assume that the budget means made available are also used.

The

The Means Allotted to the "Reich Auto Roads" Company by the Reich and the Reich Institution for Unemployment Insurance etc. in the Fiscal Years 1938 and 1939 (in millions of RM).

	Fiscal Year	
	1938	1939
Reich tax transfers	257.6	246
Reich loan	608	
From the budget of the Reich Institution for Unemployment Insurance etc.	210	800
In all	<u>1,075.6</u>	<u>1,046</u>

If we enter these amounts in the financial picture of the public administration, they must of course remain unconsidered for the Reich and the Reich Institution for Unemployment Insurance etc. As the tax transfers have already been deducted by the Reich, only the Reich loan in the fiscal year 1938 is to be subtracted from the money needed by the Reich.

The money needed by the public administration, that is, by the Reich, the States, the Communes and associations of Communes, the Special Fund for Marriage Loans and Bonuses for Children and the Reich Auto Roads, can now be compared with the sums given below. According to the experience of the fiscal years 1938 and 1939, 0.6 billion RM has been inserted for the fiscal year 1940 as the money needed for the Special Fund, and 1 billion RM as that for the Reich Auto Roads.

Money Needed by the Public Administration
in the Fiscal Years 1938 to 1940.

	Fiscal Year		
	1938*	1939**	1940**
	Millions of RM		Billions of RM
Net amount of money needed by the Reich	30,342	44,425	56 to 57
Plus: remaining government of the State of Austria		172	
Minus: loan to the Reich Auto Roads		<u>608</u>	
Corrected amount of money needed by the Reich	29,734	44,597	56 to 57
Net amount of money needed by the States, Communes and associations of Com- munes (Reich Territories)	9,690	10,289	9.5
Amount of money needed by the Special Fund for Marriage Loans and Bonuses for Children	571	602	0.6
Payments to the Reich Auto Roads (from means of the Reich and of the Reich Institution for Unemploy- ment Insurance)	<u>1,076</u>	<u>1,046</u>	<u>about 1</u>
Total amount of money needed for the public administra- tion	41,071	56,534	67 to 68

If these public expenditures are compared with the social product, as is to be done later, the expenditures for the amortization of debts under the budget are to be eliminated from the amounts of money needed by the Reich,

*Only the old Reich (including the Saar).

**Including Austria and the Sudetenland.

the States and the Communes, as they are to a greater or less extent compensated by the contracting of new debts. Only the additional means of credit claimed by the public authorities (that is, the assumption of debt, less the amortization) is a claim against the national income, while only a shifting of portions of the national wealth is involved in connection with the amounts which are paid off through amortization. In so far as the State and Communes amortized more debts than they assumed new ones during the past fiscal years, the margin of credit that was released became of practical benefit to the Reich. In the same way, account should be taken of the reserves of the Communes, accumulated during the recent fiscal years by order of the Reich, since they too have lightened the debt of the Reich either indirectly, by investment in Reich obligations, or directly, by relieving the capital market. So amortization of debts and formation of reserves by public bodies would, unless subtracted from the corrected total for their expenditures, lead to duplicate figures in the same way as would be the case with regard to non-deduction of tax transfers in the budget of the units making the transfers.

While data, or at least estimates, are available for the amortization of debts by the Reich, the States and the
Communes

Communes (see Tables 3 and 7), it is decidedly more difficult to get the figures for the formation of reserves by the Communes. At any rate it is to be kept in mind in so doing that only a comparatively small proportion of these reserves formed is contained in the statement of funds needed by the Communes. In large part the reserves are accumulated in the communal businesses, only the comparatively small surpluses of which appear in the communal budget. Neither is the so-called "general equalization reserve" included in the communal statement of funds needed, but is deducted from the surpluses of the general cash capital. The same thing is true of the "operating reserve", which is formed from budget surpluses, that is, from surpluses of receipts over the estimate under the budget. Only the reserves of the Finance Administration (Kämmereiverwaltung) are a part of the communal budget. But it is to be borne in mind here also that certain deductions are regularly to be set off against the formation of reserves, which must be balanced against them. In the fiscal year 1938 the building up of reserves probably exceeded the withdrawals from reserves by approximately 300 million RM in the case of the Finance Administrations. In the fiscal year 1939 the building up of reserves and withdrawals

therefore

therefore probably balanced each other, while in the fiscal year 1940 the withdrawals will undoubtedly be higher than the formation of new reserves. The deficits that are to be expected in the communal budgets in the fiscal year 1940 will probably be covered almost exclusively by the breaking up of reserves, in doing which the reserves not appearing in the budgets of the Communes will be employed as far as possible. So in our accounts only the surplus of the reserves established by the Finance Administrations in the fiscal year 1938, of approximately 300 million RM more than the withdrawals from surplus, is to be considered. Hence the amount of money needed by the public administration, less that for amortization of debts and formation of communal reserves, is composed of the following amounts:

Amount of Money Needed by the Public
Administration without Amortization
of Debts and Formation of Communal
Reserves (in billions of RM).

	Fiscal Year		
	1938*	1939**	1940**
Adjusted budget of the Reich without amortization of debts	28.5x	43.3xx	55 to 56xx
Corrected budget of the States, Communes and associations of Communes, without amortization of debt or formation of reserves	8.7	9.7	8.9

*Only the old Reich (including the Saar).

**Including Austria and the Sudetenland.

xWithout loans to the Reich Auto Roads (0.6 billion RM).

xxIncluding remaining government of the State of Austria.

Budget of the Special Fund for Marriage Loans and Bonuses for Children	0.6	0.6	0.6
Payments to the Reich Auto Roads (from funds of the Reich and the Reich In- stitution for Unemploy- ment Insurance, etc.)	<u>1.1</u>	<u>1.0</u>	<u>about 1</u>
Amount of money needed by the public administration without amortization of debts or the formation of reserves	38.9	54.6	about 66.

IV. The Budget of the Reich Institution
for Unemployment Insurance, etc.

Among the suppliers of industrial insurance, the Institution for Unemployment Insurance alone publishes its disbursements and receipts for the fiscal year. For all other insurance offices the business year is the calendar year. If this external sign is also a reason for handling the budget of the Reich Institution for Unemployment Insurance, etc., separately, there are also pertinent reasons for doing so. In particular, the Institution for Unemployment Insurance, etc., long ago lost its insurance character, which was indicated in the meantime by a change in its name. It is nothing but a part of the Reich administration, separated from the Reich budget and provided with a budget of its own. Besides, the Institution now handles considerable surpluses, since the high unemployment of the depression years has

been

been overcome, but the amounts contributed remain unchanged. These contributions are, by orders from the Reich, used for the most varied administrative purposes. In this way the budget of the Reich Institution is intertwined with the rest of the public budget in manifold ways. It could be designated as a second Reich budget.

As the disbursements and receipts of the Reich Institution for Unemployment Insurance, etc., are divided according to State labor districts, it is possible to outline the financial picture by areas in the same way as has been done with the rest of the public administration, that is, by restricting consideration during the fiscal year 1938 to the old Reich (including the Saar), and by changing for the fiscal years 1939 and 1940 to the territory of the Reich enlarged by Austria and the Sudetenland. Here too the newly incorporated eastern areas are left out of consideration (see Table 8).

Of the 1.7 billion RM which the Reich Institution paid out in the fiscal year 1938 for the old Reich (including the Saar), only 363.8 million RM went for unemployment relief, procurement of work and adjustment of workers' deposits or administrative costs. The other expenditures were those "general budget disbursements" which were made to other branches of the public administration, using the term in a

broad

broad sense. Of them, we have already considered elsewhere the payments to the Reich budget, the Reich Auto Roads and the Special Fund for Marriage Loans and Bonuses for Children, so that they can be omitted here. Likewise, the small contribution of 1.8 million RM which was made to other branches of unemployment relief has probably been included already in the budget of the Communes. The transfer which the Reich Institution has made to the offices providing annuity insurance will be considered under "other industrial insurance", as the amount was used there. The same thing is true of the payment of 8.3 billion RM which the Reich Institution made in the fiscal year 1938 to the sick benefit funds for collection of contribution. It appears there as income and therefore as a means of covering the financial needs for health insurance. Thus of the total disbursements of the Reich Institution in the fiscal year 1938, in our accounting there need be considered in reality only the "special disbursements" of the Reich Institution within the old Reich, in the amount of 363.8 million RM.

In the budget year 1939 the Reich Institution paid out 2.35 billion RM for the territory of the Reich, enlarged by Austria and the Sudetenland. Of this amount, only 439 million RM went to the "special disbursements".

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In the "general budget disbursements" for the fiscal year 1939 there were again chiefly payments to the offices providing annuity insurance, to the Special Fund for Marriage Loans and Bonuses for Children, to the Reich Auto Roads and to the Reich budget. A payment of 8.6 billion RM was again made also to the sick benefit offices for collection of contributions. In addition, the Reich Institution formed a reserve of 41.7 million RM in the fiscal year 1939, at the order of the Reich, which, like the reserves formed by the Communes, was to benefit the credit of the Reich and therefore must be left out of consideration, on the same ground as the former. The same is true, besides, of the surpluses which the Reich Institution achieved in the two fiscal years 1938 and 1939 despite the high "general budget expenditures". Means for the Reich credit were to be provided by them likewise. Thus in the fiscal year 1939 only the special disbursements of the Reich Institution, in the amount of 439 million RM, which apply to the territory of the Reich extended by Austria and the Sudetenland, need be taken into account. But in doing this, it is also to be observed that from the fiscal 1939 on the administrative costs of unemployment relief are entered in the form of an administrative reimbursement for the budget of the Reich Ministry of Labor; that is, it is already contained

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in the figures for the Reich budget. So in the fiscal year 1939 it involved an amount of 198.7 million RM, a small part of which, 3.1 billion (?) RM, went to the Reich Territories of Danzig-West Prussia and Wartheland. Thus 195.6 million RM more are to be deducted from the special disbursements of the Reich Institution in the fiscal year 1939, in the amount of 439 million RM. So the amount paid out by the Reich Institution for unemployment relief, procurement of work and adjustment of workers' deposits amounted to only 243.4 million RM in the fiscal year 1939, without the administrative expenses charged to the Reich budget. In the fiscal year 1940, the corresponding amount is to be set at not more than 200 million RM.

V. Industrial Insurance (without Unemployment Insurance)

Final figures for the expenditures and receipts for industrial insurance (without unemployment insurance) are not available prior to the fiscal year 1937. For 1938, provisional figures are to be had, while for 1939 only estimates could be made on the basis of partial figures. All available data refer for the present to the old Reich only. Thus the addition which had to be made, from 1939 on, for Austria and the Sudetenland, can be mentioned only as a rough approximation. Likewise only rough approximations

are involved in the figures for the whole that are given for 1940. In the case of the addition for Austria and the Sudetenland it is to be observed that the standard of income for those regions was rather lower (and even today is somewhat lower) than in the old Reich. While the increase in population amounted to fully 14 percent, probably only some 10 to 12 percent need be added to the disbursements and receipts of the Industrial Insurance Fund (without unemployment insurance). At the same time, the increase in payments for Austria and the Sudetenland was probably somewhat greater than the increase in income from contributions (see Table 9).

Attention has already been called to the fact that the figures for industrial insurance (without unemployment insurance) are published only by the calendar year. To add them to the fiscal year data of the public administration and the Reich Institution for Unemployment Insurance, etc., therefore entails inaccuracy, which can, however, scarcely be avoided. In consequence of the difference in time of 1/4 year each time, the grants from the Reich and the Reich Institution which are entered by the Industrial Insurance Fund as income do not correspond with the figures which are given by those offices as payments to the Industrial Insurance Fund. In case of the adding up of all the public disbursements,

disbursements, these grants are to be taken into consideration in connection with the Industrial Insurance Fund, as they are used by it. So they must be left out of consideration in connection with the Reich and the Reich Institution for Unemployment Relief, etc. In the case of the Reich Institution, they have already been deducted, while a corresponding deduction from the budget of the Reich must also be made.

In 1938, in the old Reich (including the Saar), the disbursements of the Industrial Insurance Fund amounted to approximately 4.2 billion RM, of which about 3.8 billion RM were payments. As opposed to these disbursements, there were receipts of about 5.5 billion RM, so that there was a surplus of approximately 1.3 billion RM, which is to be considered as the formation of capital for the Industrial Insurance Fund. As this amount, like the formation of reserves by the Communes and the Reich Institution for Unemployment Relief, etc., benefited the credit of the Reich (almost exclusively, to be sure, in the indirect way of the taking over of Reich loans), the formation of capital by the Industrial Insurance Fund can not be included in the total of the public expenditures. Of the total income for the year 1938, in the amount of approximately 5.5 billion RM, about 4.1 billion RM were receipts from contributions,
fully

fully 0.4 billion RM return on capital and administrative receipts, and also 0.9 billion RM grants.

In the calendar year 1939, the payments and also the receipts of the Industrial Insurance Fund have also risen. Including Austria and the Sudetenland, the total disbursements probably amounted to 5.2 billion RM, of which 4.8 billion RM were payments. The receipts probably reached the amount of 6.6 billion RM, so that a surplus of about 1.4 billion RM was probably available for the formation of capital. It is not likely that Austria and the Sudetenland participated in this formation of capital. Among the receipts, contributions probably amounted to a scant 5 billion RM, return on capital and administrative income some 0.5 to 0.6 billion RM, and grants to about 1.1 billion RM.

In the calendar year 1940 the increase in disbursements of the Industrial Insurance Fund will probably continue. This is explained partly by the continued increase in payments for annuity insurance, which is to be counted on at present in view of the progressing increase in the proportion of the working population that reaches retirement age. The payments for sick and accident insurance will also probably have increased, in connection with the intensive employment. Austria and the Sudetenland being included, expenditures of the Industrial Insurance Fund for the fiscal year

year 1940 are to be calculated at about 5.6 billion RM, of which 5.1 to 5.2 billion RM would go for payments. In contrast to the disbursements, however, the receipts will presumably increase only to a slight extent. A slight decrease in the income from contributions is even to be counted on, but it ought to be about cancelled by the increased receipts from invested capital, in connection with the progressive formation of capital by the Industrial Insurance Fund. The grants from means of the Reich and the Reich Institution for Unemployment Insurance, etc., will probably be somewhat higher in 1940 than in 1939. In all, the receipts can be estimated at some 6.7 billion RM, so that the surplus available for formation of capital would be approximately 300 million RM less than in the previous year.

VI. Auxiliary Fiscal Bodies

The business, professional and party organizations and other associations meet their expenditures partly from Reich and other public grants and partly from dues. There are no adequate data available on the amount of their disbursements. It is likewise difficult to determine how great the total of the grants is which are made to them from the budget of the Reich (or the budgets of other responsible offices of the public administration). On the
other

other hand, the receipts from dues can be estimated with some certainty, at least as to their amount. It is to be assumed that the organizations named also use the means at their disposal: the formation of reserves and budget surpluses could hardly play a part in them worth mentioning.

In consequence of the impossibility of determining the total needs of the organizations, only the figures on the receipts from dues will be given, or on that portion of the expenditures that can be covered from such receipts from dues, differing from the procedure employed heretofore. So the grants to these organizations that are contained in the budget of the public administration, particularly the budget of the Reich, are not to be considered in the budget of the organization receiving the grant, but in the budget of the body making the grant.

The total amount of dues collected by business, professional and party organizations and other associations probably amounted in 1938, in the old Reich, to about 1.8 billion RM. This sum was made up about as follows:

Dues of the business and trade organizations	810 to 820 million RM
Dues of the Party and its subordinate and attached units, including the Reich Air Protection League and the Reich Warriors' League	350 to 380 million RM

Contributions

Contributions to the Winter Relief Association (1938-39)	about	500 million RM
Other associations	<u>over</u>	<u>100 million RM</u>
Total		about 1,800 million RM.

It is to be assumed that among the business and professional organizations the German Labor Front is represented by too low an amount (about 440 million RM), but no more exact data are available. Besides this sum of 1.8 billion RM, there is also a sum of about 1 billion RM which was raised for the purpose of promoting export trade. In 1939 the income from dues of the organizations in the old Reich could hardly have been less, but was probably somewhat higher than in the preceding year. Besides, there is the effect of the extension of the territory of the Reich by Austria and the Sudetenland. The dues of the organizations mentioned should therefore, Austria and the Sudetenland being included, have amounted to approximately 2 billion RM. About 0.9 billion RM was expended for the promotion of export trade. In 1940 the receipts from dues of the organizations will undoubtedly diminish in part, but on the other hand certain increases are to be counted on, as for example in the German Red Cross. Among these there is also the Joint Aid Association of Industry, necessitated by the war, which would also claim amounts worth naming. So, on the whole,

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the receipts of the organizations from dues and assessments will, if the two last named are included, scarcely be lower in 1940 than in 1939. For the promotion of exports, only about 0.7 billion RM will be needed, in consequence of the drop in exportation. In all, we can thus assume that the expenditures of the organizations, including the promotion of exportation, covered by their own income from dues and assessments, were 2.8 billion RM in 1938 and 2.9 billion RM in 1939 and will be some 2.7 billion RM in 1940. Of these figures, that for 1938 refers to the old Reich, while the two figures for the years 1939 and 1940 are for the territory of the Reich as extended by Austria and the Sudetenland.

VII. The Public Budget and the Social Product

If, eliminating the amortization of debts, the formation of reserves and of capital, and all duplications that may result from transfers and shifts of credit among the various public bodies, we combine the amount of money needed by the Reich, the States, the Communes and associations of Communes, the Reich Auto Roads, the Special Fund for Marriage Loans and Bonuses for Children, the Reich Institution for Unemployment Insurance, etc., and the other industrial insurance institutions, as well as all auxiliary fiscal organizations, we get an amount of 45 to 46 billion RM in

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the old Reich for the year 1938. For 1939 we get net expenditures of the total public budget of fully 62 billion RM in the territory of the Reich extended by Austria and the Sudetenland, while a sum of approximately 74 billion RM can be calculated for the full war year of 1940, applying to the same territory of the Reich.

Net Disbursements of the Total Public
Budget from 1938 to 1940 (in
billion RM)

	1938*	1939**	1940**
Adjusted amount of money needed by the Reich, without amortization of debts	27.8***	42.6#	about 55#
Net amount of money needed by the States, Communes and associations of Communes (Reich Territories), without amortization of debts or formation of reserves	8.7	9.7	8.9
Amount of money needed by the Special Fund for Marriage Loans and Bonuses for Children	0.6	0.6	0.6

Payments

-
- * Only the old Reich (including the Saar).
 - ** Including Austria and the Sudetenland.
 - *** Without loan to the Reich Auto Roads and without grant to the Social Insurance Fund.
 - # Including provisional government of the State of Austria, without grant to the Social Insurance Fund.

	1938	1939	1940
Payments to the Reich Auto Roads (from funds of the Reich and the Reich Institution for Unemployment Insurance, etc.)	1.1	1	about 1
Disbursements of the Reich Institution for Unemployment Insurance, etc., in the domain of unemployment relief, provision of employment, and adjustment of wages.	0.4##	0.2###	0.2###
Disbursements of the Social Insurance Fund, without formation of capital	4.2	5.2	5.6
Disbursements of the organizations (including promotion of exportation), as far as covered by their own income (dues, assessments)	<u>2.8</u>	<u>2.9</u>	<u>2.7</u>
	45.6	62.2	about 74

If it is desired to measure the net expenditures of the public budget against the national income in the broadest sense, we must first of all have an understanding of the concept and the delimitation of the national income. The national income for a year is the total value of all commodities produced in that year, and independent services, less those commodities which are necessary for maintaining the national

Including administrative expenses.

Without administrative expenses, which from 1939 on are entered in the Reich budget.

national apparatus of production, as well as the total national wealth, at the same level. Hence national income and national production do not entirely coincide. On the one hand, national income is less than production, which also embraces all those commodities which serve to replace the productive facilities that are worn out, other durable producer's goods and stocks on hand. On the other hand, the total amount of the national income is greater than the national production, as it also covers those services rendered that do not go into commodities, but have an intrinsic value. Such services are in particular the services of public officials.

In 1938 the German national income in the old Reich, including the Saar, amounted to approximately 80 billion RM. In 1939 it probably increased decidedly, even for the same area. Besides that, there is the extension of the territory of the Reich by Austria and the Sudetenland. Altogether, at a rough provisional estimate, the German national income for the year 1939, in the territory of the Reich augmented by Austria and the Sudetenland, may be estimated at about 94 billion RM. In the year 1940, the total value of the German national income in the same area was probably somewhat less than in 1939, but, from observations made up to this time, the decrease is not yet important. If we

disregard

disregard the recent increase in territory in the East, that is, if we determine the total national income only for the territory of the Reich plus Austria and the Sudetenland for 1940, we can perhaps count on an amount of about 90 billion RM.

Now if we wish to compare the public expenditures with the figures for national income that have been mentioned, attention is to be paid to the following peculiarity in method: according to the method of calculation of national income that is employed with quite extensive agreement in Germany, Great Britain and the United States, not all sums which are devoted to public purposes are contained in the national income. This is due to the idea that a certain amount of governmental activity is absolutely necessary in order that a national economy may exist and operate at all, and that income may be obtained. To that extent therefore the expenditures of the public administration are not the employment of income, but national expenses. In practice, this idea is applied to the calculation of German national income by not including in the total national income all public revenue secured from taxes and fees. This is included only in so far as it benefits, by its use, the domain of consumption, that is, it appears in the national economy, from the standpoint of the tax-payer, as a part

of

of the use of income. Hence its total amount is measured by the expenditures of the public bodies for government payments "intended for consumption", such as educational and welfare work, government transfers of income, such as annuities and relief, and other similar expenditures. A part of the taxes and fees necessary for covering these expenditures is already included in private income, that is, that portion which, under the income tax law in effect, can not be deducted as professional outlay, such as taxes from income and property, school fees and the like. The granting of credit also to the government is already contained in private income as a portion of private savings. The total of this private income is therefore increased in the calculation of the national income (aside from the net receipts of the public trading capital) by that amount from the other tax and fee revenue which is needed to make up the difference between the public expenditures designated above and the public revenue still concealed in private income or paid in as earned revenue. All other revenue from taxes and fees is treated as national economic costs and therefore is not considered at all in the total national income.

Now if we should connect the total net expenditures of the public budget, which also include that portion of the public expenditures that are to be called national maintenance costs,

costs, with the above-mentioned amounts of the national income that do not embrace that portion of the national requirements, that would be erroneous. So for the purposes of this comparison we must also add to the national income those receipts from taxes and fees which, according to the above definition, are not ordinarily included in the total value for the national income. In 1938 (old Reich only) these amounted to approximately 15 billion RM, and in 1939 and 1940 (including Austria and the Sudetenland) 19 billion RM for each year. The totals for national income, augmented by these sums, can be designated as social product in the broader sense.

The net disbursements of the whole public budget can now be subtracted from these figures for the social product in the broader sense. To be sure, in the case of the figures for the national income amounts are involved which are obtained, taken all in all, on the basis of the calendar year, while the public expenditures are chiefly composed of figures from the fiscal year. But the error is insignificant. If we establish this difference between social product and public expenditure, we must understand that the portion of the national income available from private enterprise is by no means restricted to the remainder. To be sure, the government itself uses the great majority of what it takes

from

from the national income, either in the way of expenditures in kind or by requiring the services of officials. But it permits a not unimportant portion to flow back into the current of income as mere transfer of income. As early as 1938 (old Reich only), an amount of fully 8 billion RM was involved. By the augmentation of relief for families since the outbreak of the present war, this transfer of income by the public authorities has acquired a considerably greater significance. In 1939 (Austria and the Sudetenland included) it amounted to a scant 12 billion RM, and in 1940 (for the same territory) it will probably reach the figure of 15 billion RM. If we add these amounts to the difference between the social product in a broader sense and the public expenditures, we get the portion of the national income available from private enterprise, the greater part of which is consumed and the smaller portion devoted to new investments in the sector of private enterprise. In the year 1938 (in the old Reich), it amounted to a scant 58 billion RM. In 1939 (Austria and the Sudetenland included), we get 63 billion RM. If we consider that an increase of 10 to 15 percent is due to the extension of territory, we arrive at the result that even in 1939 the portion of the German national income available from private enterprise must have been somewhat less than in 1938. For 1940 it is calculated at

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at about 50 billion RM, so that we can draw the conclusion that the standard of living of the German people has been lowered by nearly one-fifth. It should be kept in mind, to be sure, that there were, in the first place, certain possibilities of avoiding consumption by the using up of portions of the national wealth, as for example by decreasing the number of cattle, failure to make investments in place of others, clearing out of stocks, etc.

	1938*	1939**	1940**
	<u>in billions of RM</u>		
National income	80	about 94	about 90
<u>Plus</u> taxes not included in national income	<u>15.2</u>	<u>19.1</u>	<u>about 19</u>
Social product in the broader sense	<u>95.2</u>	<u>about 113</u>	<u>about 109</u>
<u>Minus</u> total expenditures of the public authorities	<u>45.6</u>	<u>62.2</u>	<u>about 74</u>
Remainder	49.6	about 51	about 35
<u>Plus</u> transfer of income by the government	<u>8.1</u>	<u>11.7</u>	<u>about 15</u>
Portion of the national income available for private enterprise	57.7	about 63	about 50

* Old Reich, including the Saar.

** Including Austria and the Sudetenland, but without the newly incorporated eastern territory.

Estimate of the most important financial data of the States and Communes (associations of Communes) for the fiscal years 1938, 1939 and 1940 (in millions of RM.)

	<u>Fiscal Year 1938 1)</u>		
	<u>States of the old Reich</u>	<u>Communes and associations of Communes in the old Reich 4)</u>	<u>Total</u>
Amount of money needed (without war contributions)	2,800	7,460	10,260
Grants of States, Communes and associations of Communes	295	124	419
Hence:			
Amount of money needed by the States, Communes and associations of Communes (without war contributions)	2,505	7,336	9,841
Grants by the Reich	70	81	151
Hence:			
Net amount of money needed (without war contributions)	2,435	7,255	9,690
Taxes:			
Reich tax transfers	1,164	931	2,095
State and Commune taxes	688	4,433	5,121
Total taxes:	1,852	5,364	7,216
Trading capital (net income)	280	149	429
Other income	448	2,042	2,490
War contribution to the Reich	--	--	--
Increased receipts (↑) or increased disbursements (-)	+ 145	+ 300	+ 445
Personnel disbursements (including wages)	1,697	2,400	4,097
Service on debt:			
Interest	103	267	370
Amortization	155	513	668

- 1) Old Reich only (including the Saar).
- 2) Including Austria and the Sudetenland, but without the provisional government of the State of Austria and without the newly incorporated eastern territories.
- 3) Without Hamburg and Bremen.
- 4) Including Hamburg and Bremen.
- 5) Less war contributions of the Prussian Provincial Associations.
- 6) Plus war contributions of the Prussian Provincial Associations.
- 7) On the assumption that there is a further decrease of 40,000,000 RM under the Second Act on Financial Measures in the Domain of Policing.

Fiscal Year 1939 2)			Fiscal Year 1940	
States of the old Reich 3)	Communes and associations of Communes In the old Reich 4)	Austria, Sudet- enland and Reich Territories	Total	Total
2,790	7,000	1,113.6	10,903.6	10,150
300	125	--	425.0	425
(2,490)	(6,875)	(1,113.6)	10,478.6	9,725
40	130	19.3	189.3	250
2,450	6,745	1,094.3	10,289.3	9,475
1,225	785	407.0	2,417.0	2,110 7)
675	4,729	362.5	5,766.5	5,615
1,900	5,514	769.5	8,183.5	7,725
270	315	40.8	625.8	670
415	1,831	282.5	2,528.5	2,270
- 905)	- 7506)	--	- 840.0	- 1,390
+ 45	+ 165	- 1.5	+ 208.5	- 200
1,810	2,695	472.0	4,977.0	5,030
95	260	20	375.0	360
85	505	45	635.0	550

Table 2

Income of the Reich from taxes and customs duties in the fiscal years 1938 and 1939 * in millions of RM.

	1938	1939
Tax and customs income according to the "Ministerialblatt"	17,712.1	23,575.1
<u>Less</u>		
1. Transfers to the States of the old Reich (unless entered as expenditures)	- 2,668.2	- 2,626.7
2. For Special Fund for Marriage Loans and Bonuses for Children (from income tax)	- 200.0	- 250.0
3. To the Reich Auto Roads (from transfer, shipping and oil taxes and from customs)	- 257.6	- 246.0
4. Application of tax coupons ¹⁾	- 357.7	- 0.5
<u>Total deductions (1-4)</u>	<u>- 3,483.5</u>	<u>- 3,123.2</u>
Net amount of tax and customs revenue according to the Reich budget:	14,228.6	20,451.9
<u>Plus:</u>		
Decrease in the State transfers because of the assumption of administrative branches (Justice, Police, et cetera) by the Reich	642.8	645.1
Contribution of the German Railways (formerly reparations tax)	172.9	198.0
<u>Result</u>	<u>15,044.3</u>	<u>21,295.0</u>
<u>Less</u>		
Transfers which are entered in the Reich budget as disbursements:		
a. To the States of the old Reich	- 126.6	- 30.5
b. To the Saar	- 25.7	- 22.7
c. To Austria	- 203.2 ²⁾	- 499.2 ³⁾
d. To the Sudetenland	--	- 151.2
e. To Prussia for the eastern districts incorporated	--	- 56.0
f. To the Reich Territories Danzig-West Prussia and Wartheland	--	- 46.0
<u>Total deductions (a-f)</u>	<u>- 355.5</u>	<u>- 805.6</u>
The Reich's share of receipts from taxes and customs (see Table 6)	14,688.8	20,489.4

* Deviations in the totals because of rounding off of the figures.

- 1) Only 0.5 million in tax coupons of the old type were cashed in the fiscal year 1939. The NF I tax coupons redeemed in the fiscal year 1939 (819.1 million RM) were not deducted from the tax revenue in the budget year 1939, but were deducted directly from the gross yield of the NF tax.
- 2) To the State of Austria (for shortage in State income).
- 3) Of this amount, 171.7 million RM to the provisional government of the State of Austria and 327.5 to the Austrian Reich Territories and Communes (associations of Communes).

Table 3
Disbursements of the civilian administrative authorities
of the Reich in the budget years 1938 and 1939 (in millions
of RM)*

	1938	1939
Special payments to States and Communes	100.1	106.4
To Communes for work in the domain of town building	46.6	71.3
Grants to annuity insurance offices	640.4	676.0
Relief to families	72.3	1,489.6
Liquidation of the Austrian National Bank	470.1	--
Redemption of Czech bonds	203.4	--
Compensation for rate of exchange on purchases of foreign currency	11.4	--
Salaries and compensations, including wages	1,555.3	2,165.4
Aid allowances ¹⁾	429.2	504.0
Military aid allowances	1,090.1	1,161.4
Interest on and amortization of the Reich's debt ²⁾	2,741.9	3) 3,234.9
Payments to corporations and private individuals ⁴⁾	1,624.3	
Grants of loans and the like ⁵⁾	940.7	6,217.3
New buildings, new equipment and the like	1,626.5	
Disbursements in kind and others	1,646.8	
Total	13,199.0	15,626.3

- * Deviations in the totals due to rounding off of the figures.
- 1) Including aid allowances of the new armed forces: 96.9 million RM in 1938 and 71.4 in 1939.
 - 2) Interest: 1,472.6 million RM; amortization: 1,269.3 million RM (including 358.6 million RM for the redemption of employment procurement bonds).
 - 3) Interest: 1,949.8 million RM; amortization: 1,285.1 million RM (including 27.9 million RM for revaluation of the guaranty debt of the Reich for the German protective area loans).
 - 4) Including 352.7 million RM for social welfare and pensions.
 - 5) Including 608.0 million RM as a loan to the Reich Auto Roads.

Table 4

Receipts from trading capital and other general means of coverage of the Reich in the fiscal years 1938 and 1939 in millions of RM *

	1938		1939	
From the Reich Institution for Unemployment Insurance		443.9		279.3
From the Reich Post Office Department and Reich Printing Office		164.6		185.8
From the Mint: Receipts	206.8		178.4	
Payments	<u>79.9</u>	126.8	<u>27.8</u>	150.6
Share in net profit of Reich Bank		18.0		128.9
Other trading capital:				
a) Receipts				
Public lands and forests	8.6		1) 40.0	
Share in the "Viag"	15.0		16.4	
Share in other commercial, industrial and banking enterprises	25.2		190.0	
Payments and interest on Reich bank deposits	7.3		--	
Real estate and funded property	<u>91.8</u>	147.9	1) <u>19.9</u>	266.3
b) Disbursements				
Public lands and forests	18.7		1) 60.0	
Increase in capital of the "Viag"	33.2		4.3	
Increase in capital of the "Rowak"	10.0		15.0	
"Hermann Göring" Reich Plant	325.2		--	
German Settlement Bank	50.0		--	
Prussian Liquidation Bank	20.0		--	
Dresdner Bank	29.3		--	
Other business advances	23.4		--	
Participation in and advances to enterprises	--		1) 580.0	
Real estate and funded property	1.6	511.4 - 363.5 ¹⁾	3.0	662.3 - 396.0
Other general means of coverage:				
Receipts		2) 415.4		3) 368.8
Disbursements		27.3	388.1	4) 198.0
Net income		<u>778.0</u>		<u>519.3</u>

* Deviations in the amounts due to rounding off of the figures.

- 1) From the estimate.
- 2) Including a payment of 187.4 million RM by Austria for the transfer of administrative branches to the Reich.
- 3) Including 77.9 million RM from the redemption of Czech bonds.
- 4) Including 9.7 million RM for covering the deficit in the equalization procedure for the Sudetenland; 4.3 million RM equalization fund for States in distress.

Table 5

Administrative income of the Reich in the fiscal years 1938
and 1939 in millions of RM *

	1938	1939
Fees and charges of similar nature	400.0	--
Repayment of loans	181.3	--
Other administrative income, for example, rentals, proceeds from sales, interest on loans, et cetera 1)	472.1	--
Administrative income of the civil budget	1,053.4	1,416.5
Administrative income of the armed forces	57.9	426.2
Total administrative income	1,111.3	1,842.7

* Deviations in the amounts due to rounding off of the figures.

1) Including 215.7 million RM surplus of the Reich Office for Grain, Eggs, etc. and 62.1 million RM receipts of the Reich Ministry for Popular Enlightenment and Propaganda from broadcasting fees.

Table 6

Reich expenditures and their coverage in the fiscal years 1938 and 1939 in millions of RM, prepared according to the principles of financial statistics * 1)

	Fiscal Year	
	1938	1939
A. Expenditures of the armed forces	17,247.2	28,920.5
B. Expenditures of the civil administrative authorities 2)	13,199.0	15,626.3
Expenditures of the administrative authorities all together (A and B)	30,446.2	44,546.8
Covered by special payments of the States and Communes	103.9	121.9
Net amount of money needed by the Reich	30,342.3	44,424.9
Covered by special means of coverage:		
1. Administrative income 3)	1,111.3	1,842.7
2. Borrowing	7,534.3	6,269.9
Total special means of covering (1+2)	8,645.6	8,112.6
Actual cash needed by the Reich	21,696.7	36,312.3
Covered by general means of covering:		
a) Reich's share of tax and customs revenue (less transfers on the debit side) 4)	14,688.8	20,489.4
b) Property secured from the Jews	498.5	533.1
c) Issuance of NF tax coupons	--	3,972.7
d) War contribution of the States, as well as portions of salaries saved and transferred to the Reich	--	970.0
e) Earned revenue and other general means of coverage (excess of receipts over expenditures) 5)	778.0	519.3
Total general means of coverage (a-e)	15,965.2	26,484.5
Excess of expenditures over income	5,731.5	9,827.8
Amount of the delivery bonds (Lieferschatzanweisungen) issued in the fiscal year 1938 but not due until 1939	- 2,700.0	+ 2,700.0
Deficit	3,031.5	12,527.8

* Deviations in the amounts due to rounding off of the figures.

- 1) See Table 1.
- 2) See Table 3.
- 3) See Table 5.
- 4) See Table 2.
- 5) See Table 4.

Table 7

(Missing from original.)

Table 8
Expenditures and receipts of the Reich Institution for Unemployment Insurance, et cetera in the fiscal years 1938 and 1939

	Fiscal Year					
	1938			1939		
	Old Reich (including the Saar)	Austria and Sudet- enland	Com- bined	Old Reich including Austria and Sudet- enland	Danzig, West Prussia, Warthe- land	Com- bined
In millions of Reichsmarks *						
A. Disbursements						
I. Special disbursements						
a) Administrative expenses	162.9	13.6	176.5	197.6	3.1	200.7 1)
b) Unemployment relief	122.4	50.2	172.7	122.1	15.1	137.2
c) Procurement of work	46.2	2.2	48.4	41.8	1.3	43.1
d) Adjustment of employment	32.2	1.9	34.1	77.5	0.4	77.9
Total	363.8	67.9	431.7	439.0	19.9	458.9
II. General budget disbursements						
a) To other unemployment relief offices	1.8	--	1.8	--	--	--
b) To annuity insurance offices	379.0	--	379.0	451.1	--	451.1
c) To the Special Fund for Marriage Loans and Bonuses for Children	298.6	--	298.6	331.1	--	331.1
d) To the Reich Auto Roads	210.0	--	210.0	800.0	--	800.0
e) To the Reich budget	443.9	--	443.9	279.3	--	279.3
f) Formation of reserves	--	--	--	41.7	--	41.7
g) To sick benefit offices (for collection of contributions)	8.3	0.1	8.3	8.6	--	8.6
Total	1341.6	0.1	1341.7	1911.8	--	1911.8
Total Disbursements:	1705.4	68.0	1773.4	2350.8	19.9	2370.6
B. Receipts						
I. Receipts from contributions	1931.6	9.5	1941.2	2145.9	6.3	2152.2
II. Administrative receipts	35.5	0.1	35.6	19.0	0.3	19.3
Total receipts	1967.1	9.7	1976.8	2164.9	6.7	2171.5
Increase in receipts (+) or increase in disbursements (-)	--	--	+ 203.3	--	--	- 199.1
Plus: balance from preceding year	--	--	191.1	--	--	394.3
Surplus	--	--	394.3	--	--	195.2

* Deviations in the amounts due to rounding off of the figures.
 1) Including 198.7 million RM payment of administrative expenses to the Reich and 2 million RM for old pensions of the Reich.

Table 9

Disbursements and receipts of the Industrial Insurance Fund (without unemployment insurance) in the calendar years 1938, 1939 and 1940.

	1938 1)	1939 2)	1940 3)	
	Old Reich	Old Reich	Including Austria and Sudet-enland	Including Austria and Sudet-enland
	In millions of RM	In billions of RM		
A. Disbursements				
Annuity payments	1,952	--	--	--
Lump sum payments	598	--	--	--
Payments in kind	1,289	--	--	--
Total payments	3,839	4.23	4.77	5.15
Administrative expenses	303	0.32	0.37	--
Other disbursements	53	0.05	0.06	--
Total disbursements	4,195	4.60	5.20	5.60
B. Receipts				
Contributions from employees	2,174	--	--	--
Contributions from employers	1,950	--	--	--
Total contributions	4,124	4.50	4.95	4.90
Returns from capital	336	0.37	0.41	--
Other income of its own	112	0.13	0.14	--
Total income of its own	4,572	5.00	5.50	5.50
Grants from the Reich	582	0.60	0.67	--
Grants from the Reich Institution for Unemployment Insurance et cetera	335	0.40	0.43	--
Total income	5,489	6.00	6.60	6.70
Excess of receipts over disbursements and formation of capital	1,294	1.40	1.40	1.10

1) Provisional figures.

2) Estimate on the basis of partial figures.

3) Rough estimate.

6-1941
Safe: Germany ^{BSF}

DEPARTMENT OF STATE
WASHINGTON

March 13, 1941.

My dear Mr. President:

I am attaching the third document of a secret nature. You have received one on oils and raw materials; another on finances. The attached copy is on labor. They were all obtained under the same circumstances but have arrived at different times. The question of secrecy is of the essence, not so much because of the substance but because of the source. Consequently if you decide to make this document available to other persons, it is hoped that you will impress upon them the necessity of abstaining from quotation from or allusion to the document.

Faithfully yours,

CordeLL Hall

Enclosure:
Memorandum.

The President,
The White House.

~~SECRET~~

Berlin, January 5, 1941.

Supplement to -

Estimate of the Situation in the Armament Industry.

The Problem of Insufficient Labor in 1941.

I

General Considerations

1.

In the Reich (including Austria and the Sudeten areas) the number of laborers and employees engaged were as follows:

On September 1, 1939.....24,461,000

On January 1, 1941.....22,652,000.

The decrease in the number of men employed amounted to 2,100,000; the increase in the number of women employed, approximately 2,091,000.

Of the total number of laborers and employees engaged on January 1, 1941 there were 2,900,000 employed in agriculture and forestry; in the productive branches (industry, handwork, commerce and transportation) and in special administration, altogether 19,252,000.

Since the beginning of the war there has been no unemployment and no short time workers in Germany.

REGRADED
UNCLASSIFIED

2.

Before the outbreak of war, about 20 percent of the productive workers (industry and hand-labor) was employed directly in satisfying the needs of the defense forces; at the end of 1940 there were employed about 66 percent, including production units which have been working for defense purposes. For defense needs up to April 1941 about 70 to 75 percent will be employed, consequently the consumption goods production industry will be correspondingly reduced to from 30 to 25 percent.

3.

The shifting of the workers into essential industries was accomplished through the well known system of mobilization of labor, that is, in the first place, through concentrating with great energy all available workers into factories engaged in public utilities and essential defense production.

Since the beginning of the war the total number of persons engaged in compulsory labor service (in accordance with the war-compulsory service law) amounted to 1,175,000. In the meantime, for a large number of these persons engaged in compulsory service, the period of duty has elapsed. In February of this year a new recruitment of persons obliged to do compulsory labor service will be called

called up amounting to about 900,000 men and women, including laborers and employees. At the end of January 1941 the total number of foreign laborers employed in Germany was approximately 1,500,000, of which 800,000 were employed in agriculture and forestry, and 675,000 in industry and trades.

The total number of prisoners of war employed in agriculture, forestry and the manufacturing industry amounted to 1,240,000.

II

The Workers and The Army

Of male laborers and employees there are now in active military service approximately 5,000,000. The new class called up this year will amount to 800,000 more.

The number employed in addition to the above, without remuneration, is 3,500,000; thus the defense forces employ altogether about 9,500,000 persons who are capable of working in the trades or agricultural industries.

III

The New Requirements for the Period - January, February, March 1941.

The employment agencies to satisfy all demands will require 1,250,000 men. These demands come from industrial organizations

organizations, which, on account of the character of deliveries made (essential war industries), are able to claim preference in their demand for labor. Among these, 5 to 600,000 are considered as urgent demands.

The most urgent demand for labor, and also the most difficult to satisfy, is that for metal workers of all kinds. These demands for additional workers are made primarily by armament industries, chemical industries, locomotive, automotive, agricultural machinery, tool machine industries, manufacturers of mining machinery, water power, electrical machinery, and industries engaged in export (that is, for the most urgent Russian orders).

From factories engaged in manufacturing munitions at the beginning of 1941 there was an extraordinarily urgent demand for approximately 150,000 workers, which, it was estimated, would increase to 250,000 on the 31st of March and to 450,000 on the 30th of June.

Of a number of other urgent demands for workers a few may be mentioned as, for instance, the need of the mines for workers (from 60 to 70,000 men) for the purpose of increasing the mining of coal from 25 to 30,000,000 tons.

For the building of important defense projects new workers and builders required will total about 175 to
200,000;

200,000; of these a large part is for projects for the Army and Air Force and the Navy, that is, from 90 to 100,000.

The need for 200 to 300,000 workers for the building of air raid shelters will have to be met through taking workers from current private and industrial building projects.

IV

The possible measures which may be undertaken to cover these needs are as follows:

1. Examination of the program of armaments manufacture with the object of postponing those least important.

2. Energetically combing through all manufacturing plants in order to be sure that all workers are employed to the utmost, particularly expert skilled workers.

3. A greater employment of women at the right political moment.

4. A greater employment of foreigners.

5. Greater employment of prisoners of war.

6. Greater consideration to the lack of skilled workers in calling up new recruitments, particularly in agriculture, in mining, mechanics, expert machine workers, coppersmiths, welders in the iron and metal industries.

7. Deferment

7. Deferment of projects heretofore regarded as urgent for civil purposes which make a heavy demand on skilled labor.

8. Measures for the utilization to full capacity of all industrial plants.

9. A more intensive deferment of contracts to avoid bottlenecks.

10. A more intensive transfer of contracts to industries in regions less exposed to air attacks.

V

The Result of the Insufficient Employment of Labor in the Accomplishment of the Armaments Plans for the Spring-Summer of 1941.

In accordance with recent decisions (January 1941) vital shifts in the employment of workers will be carried through during February in the production-program for the strengthening of the Air Force and the Navy; these shifts are to be made in accordance with the relative degree of urgency. An immediate and urgent program for the extension of the armaments industries, shipbuilding docks, as well as those industries working on orders for shipbuilding enterprises, as well as airplane manufacturing industries and their widely extended sub-contractors, must be carried through in line with the changed plans, also with respect to the employment and the making available of labor.

The

The extent of this immediate program, according to plans, is extraordinarily far-reaching. All the indispensable factors, productive and technical, for the carrying out of this program must be made available with the shortest delay, and at the same time making available all obtainable material for building and manufacturing, as well as a sufficient number of workmen. In order to carry out this program the Reich Ministry of Labor with its labor employment offices must make available from 250,000 to 300,000 trained, special skilled workers. A part of these special workers will be obtained by recruiting skilled mechanics from certain productively and technically related branches of industry. The shortage of labor which will ensue in the productively and technically related branches of industry on this account will be made up by recruiting other workers from industries engaged in consumption goods. A further part of the needed skilled workers will be obtained by laying idle certain industries related to trades employing skilled workers similar to those required in the munitions industries. The program of rendering certain plants idle might well affect particularly such enterprises as the Pforzheimer factories (gold, silver, jewelry and watch workers); also, enterprises engaged in the manufacture of typewriters, calculating

calculating machines, etc.; also, industries manufacturing mechanical toys, hardware, etc. These workers, after a very short period of re-learning and apprenticeship, will have to take up their work in the shops employing skilled workers engaged on contracts for the Navy and Air Force.

These extraordinary and immediately urgent measures require a further re-grouping in the armaments industries which, up to the present time, have been predominantly engaged in manufacturing for the land forces. The technical possibilities for carrying through a sudden transformation of these factories, the delivery of materials and the employment of skilled workers for the manufacture of equipment for the Air Force and the Navy are limited. Extending or rebuilding armament factories which have been working heretofore solely for the Army have not succeeded in the degree hoped for. For example, it was impossible on that account to carry out at the existing shipbuilding docks and other plants working on naval orders the 1940 program for the building of U-boats, fast boats, transport boats, cruisers, mine layers, etc., etc., even up to battleships.

Likewise, for the Air Force and for air defense artillery it was not possible to carry out fully the planned increase for 1941. Especially for this reason

the

the program above mentioned of employing additional workers in order to bring production to the maximum was adopted.

Industries and factories engaged in trades for supplying the civil populations will furthermore be weakened. This situation will require a new law in accordance with which the municipalities and the functionaries of the National Socialist Party will have the right of entering private households and examining and carrying through confiscations. Through these measures surpluses of clothing, shoes, underwear, metals, household articles, etc., which are not required for a certain minimum of existence and use will be confiscated. The distribution centers of the municipalities and the National Socialist Party, etc., will make a distribution of the confiscated goods to the other inhabitants according to their needs. The same system will be carried through, for instance, with respect to the confiscation of private typewriters in order to satisfy the war needs of other organizations of the State and Party.

Appendix

General Analysis of the Employment of Labor in 1941.

1.

The revised armaments program for 1941 - ARMING IN
THE AIR AND ON THE SEA - requires an additional employment
of

of experienced trained workers. This program is unrealizable. There was found an extraordinarily great lack of skilled mechanics to whom it has been possible to ration out armaments-parts for the manufacture of airplanes and naval weapons. This shortage of workers, for the most part, is to be overcome through limiting industries engaged in the manufacture of consumption goods, and furthermore, in laying such plants idle.

Through a further employment of women it is planned to obtain 500,000 more hands for industry and agriculture.

From abroad it is planned to obtain 200 to 300,000 skilled workers. Finally, during 1941 apprentices and additional workers will be obtained through the employment of youth, that is, it is expected to obtain 600,000 boys and 700,000 girls over fourteen years of age. In addition to the intensely difficult situation on account of shortage of workers, many other factors, which decrease the labor potential, have to be taken into account, as, for instance, disturbances through air attacks; loss through exhaustion of workers; deficient housing of workers; insufficient food; the difficulties of a more intensive and longer sustaining of labor effort by the workers. Finally, the unfavorable development of the workers' incomes and the limited and decreased purchasing power of wages.

The situation with regard to the employment of labor in agriculture was and remains most critically difficult. In order to harvest the grain crop of 1940, all labor reserves had to be utilized. In the eastern provinces, especially in East Prussia, it was possible only to get in the harvest through mustering prisoners, Poles, students and other workers. Further difficulties were encountered through the regulations concerning restraints upon change of job and the employment of youthful workers. A sufficient number of workers for agriculture during 1941 is of supreme military importance. In conjunction with the district food-provision-office exact statistics of workers will be made and beginning in the spring of 1941 allotments carried through. The following measures will be carried through: unceasing efforts to exhaust every possibility of obtaining workers from the conquered areas of the East and from the Generalgouvernement (Poland); the more intensive application of measures heretofore adopted to obtain additional workers; the further employment of war prisoners; importing workers from friendly and neutral countries; a more intensive use of compulsory labor on the farms and a new regulation with regard to the employment of youth.

2.

A Few Examples of the Repercussions Caused
By Separating Workers from Certain
Industrial Branches.

In the branches of industry of most importance in the war effort, that is, in the mining, iron, metal and machine industries, the shifting of workers was greater than the average for the whole industry.

In the branches of industry important to the war effort over 75 percent of the employees are engaged in the manufacture of arms and ammunition. Making a further shift in these industries in favor of the defense forces, in accordance with the contracts that must now be executed, there will be by the end of March 1941 about 80 percent of all workers employed in defense activity.

It is important to make a few explanations with regard to those workers employed in other industries. Generally, these other industries are identified as those engaged in manufacturing for needs of the civil population and in this connection the idea creeps in that the needs of the civil population in war are more or less superfluous. It will be seen that the needs of the civil population are closely connected with a considerable number of production sectors essential in war and indispensable. There is, first of all, the necessity of maintaining the

essential

essential war economy and transportation needs and the development of production and transportation installations, above all things, for military purposes. Then come the needs essential to the life of the civil population, and then, finally, those additional needs which arise from the war, and, finally, there is that export which is important to the war.

An excellent picture of the situation is afforded by glancing at the production statistics in the iron working industry. In that industry at the end of 1940, of 100 tons of steel 65.4 percent were ordered for the immediate use of the defense forces, 20 percent for other important public needs of military importance (railroads, postal requirements, the Four Years' Plan and the G. B. Building Program) and only 15 percent for other industrial and private needs. The other industrial and private needs are composed, for the most part, of maintenance and repair needs which are also of military importance (especially the maintenance of the mining industries, the iron production and metal industries). There must be added to that the important needs of agriculture, hand-working trades and export which, for the most part, have military importance.

According

According to these statistics which are very much elucidated by a study of the individual items, the entire iron requirements, even to the smallest orders, are very urgent and are more or less important in the war effort. By a further shifting of production during 1941 in favor of the manufacture of arms and ammunition, decisions must be made in the various sectors of production according to urgency and military importance, which decisions must be carried out by postponing or rejecting the needs of those sectors where the least damage to the war effort and the general economic situation (degrees of urgency) will occur. As reports from the rest of the industrial groups show, this status of development has already arisen in a large part of industry; and, indeed, not the least in this group--the consumption goods industry (textiles, clothing, and food products).

In the building and in the consumption goods industry the employment of male workers in the manufacture of goods for the defense forces has made great progress, especially noticeable is the high percentage of employment on behalf of the defense forces in the buildings and clothing industry, as well as in the saw mills and woodworking industries. The greater activity also in these industries for defense purposes becomes so
much

much more crucial since the building and consumption goods industries have lost 100,000 workers through recruitment in the Army or through transfer to other industrial branches.

How serious the situation has become through differentiation on account of the purposes of employment of labor is clear from a report which has been received from the industrial group of textile manufacturers.

At the beginning of 1941 supplying the textile industry with workers had reached the point where only the most essential orders could be filled, postponing those which came from the Army. Examples of this are the deliveries of canvasses and tents for the resettlement of Immigré-Germans. The urgent manufacture of 200,000 mattresses for the air raid shelters in Berlin; the priority in the manufacture of sacks for the transport and storage of grain flour, dry beans, sugar and salt as precautionary measures against a dangerous crisis which was feared in the distribution of foodstuffs. The especial urgency of this and other tasks and the impossibility of carrying them through with the available workers has already brought it to pass that for certain branches of the textile industry, through the intervention of officials who have an immediate interest in the fulfillment of the contracts,

contracts, certain workers have been ordered back from the front or through forced induction into service, so that the contracts could be taken care of.

Similar reports are available from all sectors engaged in the manufacture of consumption goods. For example, an important firm in the clothing industry feels that the determined quantity of clothing available in accordance with clothing cards can be made available in view of the present availability of the workers only with the greatest difficulty; and if in the future the situation becomes more critical with respect to the supply of labor, the goods cannot be manufactured. If the difficulty of the present situation has not become apparent in a general way, that is due to the fact that stocks of goods in the mills and retail shops are being drawn upon.

It must also be mentioned, in connection with the employment of workers in the consumption goods industries, that these factories have to a very large extent been compelled to employ workers of limited capacity (war veterans, old retired persons, etc.) in order to make up for the loss of workers to other industries.

An increase in 1941 of the production for the defense forces of another 10 percent will mean the additional

employment

employment of approximately 1,500,000 men. A supply of labor to this extent can be obtained only through transferring contracts for the civil population to occupied territories or through an immensely increased employment of women; otherwise, most grave disturbances in the production of goods will take place. This shifting of the labor supply in favor of the manufacture of arms and ammunition must lead to a most serious disruption in the manufacture of other goods important to the war effort (railroads, post, Dr. Todt's Organization - building fortresses, roads, etc., the Four Years Plan, etc.). This shifting will likewise disrupt the manufactures needed for absolutely essential repairs and replacement needs, as well as the guaranteed provisioning of the inhabitants with consumption goods provided for in the rationing scheme, as clothing cards, etc.

Does this file

Box? yes

Bob

THE WHITE HOUSE
WASHINGTON

5-12-41

MEMORANDUM FOR THE PRESIDENT:

Breck Long asked me to give
this to you.

E.M.W.
E.M.W.

PSF
Safe: Germany

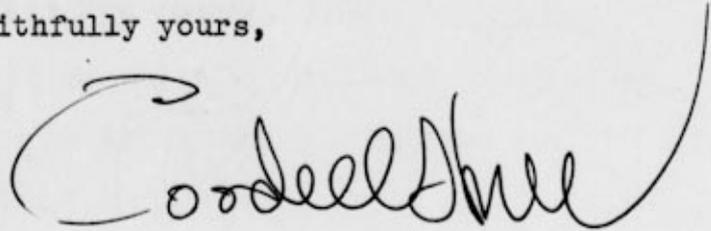
DEPARTMENT OF STATE
WASHINGTON

May 12, 1941.

My dear Mr. President:

I am sure you will be interested to receive the attached memoranda marked 5 and 5a of the series and of which this is #2 of this paper. It is translated from the German. It is secret and is being used in the same manner its predecessors have been used. In case you should care to show it to others, please be good enough to impress upon them that it must not be alluded to nor quoted from. Our information is definitely confirmed to the effect that the whole series represents an authoritative disclosure of the situations with which they deal.

Faithfully yours,



Enclosures:

Memorandum 5;
Memorandum 5a.

The President,

The White House.

May 12, 1941.

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Faithfully yours,

Cordell Hull

Enclosures:

Memorandum 5;
Memorandum 5a.

The President,

The White House.

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~~SECRET~~ # 2
5.
SUPPLEMENT TO THE ECONOMIC BALANCE
SHEET

The Food Situation

1.

The economic situation was discussed in special memorandums of January - March of this year, the following fields being covered:

1. Reich finances;
2. Situation with respect to raw materials;
3. Labor;
4. Establishment of the "new order" in Europe;

The developments show further aggravation of the situation in all fields. In detail:

1. Diminishing supplies of industrial raw materials for military equipment or supply and for the supplying of the civilian population;
2. Unavoidable shortage of trained male workers in industrial plants and farm operations; an unsystematic organization of the plants by the use of foreign labor;
3. Stringencies in the financial position; deficiencies in taxes in consequence of restriction of consumption by the population; further credit inflation of the Reich and accelerated and constantly greater immobilization of the credit system (banks, savings institutions, insurance companies, etc.)

2.

The Balance of Foodstuffs and Feeding-stuffs.

The

The voluminous memoranda and statistics, as well as the plans drawn up in the agrarian sector in January-March of this year for agriculture in the economic year 1941-42 show as the result the following picture of the situation:

A. For the territory of Greater Germany;

B. For Greater Germany under the influence of Italy and the occupied territories in western and northern Europe (without eastern and southeastern Europe.)

With the use of the existing reserves of foodstuffs in Germany and counting on the new and smaller consumption quotas for man and beast in Germany, Italy and the occupied territories, which differ in amount and quality for all the different countries, and including the still expected amounts of imports from the tripartite pact countries and from Russia, the following figures for the balance are found, according to a summary of the results of the memoranda referred to:

	Germany %	Occupied Europe (& Italy) %
Supply of bread90	70 - 75
Supply of fat60 - 65	40 - 50
Supply of meat	80 - 85	80
Balance of feeding-stuffs	70 - 75	50 - 60

These

These figures will go up or down according to the development of weather conditions and possibilities of cultivation, the labor available, etc., in Germany and the occupied territories.

3.

No opinion can be stated as to the winter wheat. The damage done during the winter appears to be less, however, than in 1940.

For 1941 the plans for cultivation have been made. Their accomplishment depends on the provision of farm labor and machinery, fertilizer and the further course of war demands.

The shortage of two and a half million farm laborers is to be made up for by agricultural workers from Poland and other eastern states, prisoners of war from the west, etc., However, the lack of agricultural overseers remains a decisive factor.

The supply of horses and farm machinery is inadequate. The machine industry can not supply tractors and other machines. Systematic joint use of the machinery available is to fill in the gaps.

The plan for cultivation is to keep the areas under cultivation for grains hitherto and also to open new areas to cultivation for a larger yield of root crops, such as potatoes, sugar beets and feeding-stuffs containing proteins.

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April 1941.

Prefatory remark:

This statement is based on the same tested reports and data as designated in the January memorandum. All data are from the period up to the end of March 1941.

I.

Further Preparations for the Opening of
German Offensive Operations.

1.

The putting into line of 10-12 divisions for the Balkan theater of war has been accomplished.

Because of the military front against Yugoslavia it is proposed to double the number of the German forces that it was expected to use. The putting of the armies from Hungary, Rumania and Bulgaria into line is contemplated, partly on the new Balkan front and partly to counterbalance the withdrawals from the German eastern front.

2.

Systematic reenforcement of the strategic positions for concentration on the border of Soviet Russia, partly by fully motorized divisions.

The troop contingents for use under numbers 1 and 2 come from the army corps stationed at home, as well as detachments from the units of the armies of occupation in the occupied areas of the west, also from the invasion army corps in particular.

3.

3.

The disposition of the troops used against Soviet Russia is said to be as follows, according to the preparations for concentration:

Part One - Operation: East Prussia and the Baltic (with subsequent union of the advancing German armies, in combination with contingents from northern Norway, Sweden and Finland also being drawn in.

Part Two - Operation: Northern Ukraine, with Kharkov as final objective.

Part Three - Operation: Bessarabia and southern Ukraine, with Rostov as final objective.

May was set as the time for the conclusion of the groupings now going on, and of all supply organizations.

This time could not be adhered to in consequence of the greater seriousness of the Balakn situation.

4.

Regarding the Channel offensive or landing operation against England:

a. See the data in the memorandum of January of this year.

b. The main effort in connection with the continued further preparations consists chiefly in expansion and strengthening of the air arm; great increase in all branches, in aircraft and personnel. To the known and improved types

of scouts, pursuit planes, demolition planes, light and heavy bombers, etc., the following have recently been added:

Large landing and transport planes. The new planes have a carrying capacity of from 125 to 150 men with full equipment. In addition there are special types for the transportation of one-man tanks, artillery arms and engineer material, as well as other offensive and defensive weapons of all types for close and long-range combat (such as flame projectors, bombs, shells, anti-tank arms, rapid-fire and other arms).

The transport planes are combined with several rather large gliders. As the result of new inventions, the latter are hooked onto the transport airplanes. Take-off, transportation in the air and release are effected by automatic devices and releases. In February these landing planes were tested with positive results. The construction procedure is that of Messerschmidt, of Augsburg and Regensburg.

The production calculated is based on the transportation of 300,000 men (about 100 divisions) within a given number of hours, including take-off and landing. The air distances are calculated. These are besides the special transports for the heavy munitions of war.

Aircraft

Aircraft production was further shifted during the winter months of 1940-41, as for example Messerschmidt, Augsburg-Regensburg, etc. For example, Junkers and Heinkel have compact production centers (building of engines and assembling) at Dessau and Rostock. The rate of production has been reduced by decentralization.

5.

Operations at sea. Besides the known crossing boats, there are newly built fighting boats and assault boats with the most modern defensive and offensive weapons for sea and coastal fighting. Special significance is attached to the torpedo arm, which is being developed at Eckernförde, northwest of Kiel, the only experimental and testing establishment.

II.

The Generally Operating Forces of a Military and Strategic Nature.

The demands made on the German army, air force and Navy to an increasing extent since January of this year are due to:

1.

The dropping out of the Italian army, including the air force and the navy; this means an unexpected tying up of rather strong German forces in the Mediterranean area (including North Africa), as well as in the Balkans facing

Greece

Greece (and now Yugoslavia). The command of the German army has to make dispositions in advance in accordance with the internal political developments in Italy itself (peril to the Fascist regime from within), so that other divisions must remain in Italy itself, ready for combat.

2.

The tying up and maintenance of a high percentage of troop contingents and arms of all kinds on the eastern frontier, facing Soviet Russia.

3.

The excessive demands on the landing corps and air force, as well as the maritime combat forces on the coasts of the western front, against England, by tactical exercises, inspections, tours of duty in readiness for action, training in offensives, etc.

III.

The Periods Fixed

The use of offensive action can, it is said, take place in all fields of combat at once or in time stages.

Coordination of certain single actions can also take place. This is true for example:

- a. With regard to the plans for crushing and rolling up the Balkan and Russian fronts in offensive thrusts prepared on a large scale strategically and well prepared tactically,

tactically, the so-called territorial solution;

b. With regard to the plan for liquidating the English-Balkan front and at the same time starting an extensive "trial" landing offensive against the English coast. In particular, the maritime combat and transport forces will certainly not have attained the necessary level of readiness.

The plan under a means the delaying of the landing offensive against England, in consequence of the shifting of forces. To make up for this, reinforcements are provided for repelling English and American air and naval attacking operations against the invasion areas in France and the German industrial and armament centers in western and central Germany. It also means a renewed intensification for the completion of the preparations for a subsequent air and landing offensive against England.

The plan under b means the adaptation of the offensive plans in the Balkans to a possible trial invasion operation against England. It means at the same time a strengthening of the military pressure on Russia until the completion of the operations in the Balkans and against England.

Although in the months of April and May approximately one million more men will be placed under arms in the standing army, the not unlimited military technical forces make it difficult to push forward operations toward Portugal (including Spain), are merely mentioned here.

a simultaneous total solution in the sense of plans a and b appear very unlikely. To be sure, the full motorization of the old divisions, as well as the newly formed ones, is being carried on without deviation; however, the air force and, in particular, the maritime combat and transport forces will certainly not have attained their effective equipment for the tasks devolving upon them for several months more (even if work goes on without interruption).

The new motorized vehicles include chiefly the armored divisions, the strongest new type of which is provided with assault guns. Besides, all units up to the division have repair shops and trailers. Motorization also extends to armored vehicles for the transportation of ammunition, men, food, water, etc. Special tractors can be coupled up to help other formations of vehicles across the roughest terrain.

From this state of affairs the conclusion can only be drawn that the planned German offensive operations in 1941 have also been divided into stages and will be so carried out.

Reports disseminated, that the German Africa Corps would be pushed forward toward Suez and large German contingents toward Portugal (including Spain), are merely mentioned here.

On the other hand, the military preparations of Japan in the Amur region and against the Coastal Province have been carefully gone over between the sections of the German Army Staff and Navy Staff and those of the Japanese (military and naval missions of over 300 officers) in conferences since February of this year, according to the strategic plans submitted for that region, as well as for future spheres of operations in the Chinese South Seas, including the Netherlands Indies.

IV.

The Anticipated Advantages

Two decisive facts are given as the reasons for the necessity for eliminating all national armies, that is, practically every foreign soldier on the mainland of Europe, including Soviet Russia and the French fleet:

1. The necessity for carrying on the war against England and the United States for military and political reasons. This compels Germany to maintain a powerful army, to be sure of warding off any English-American air and sea offensive, no matter how powerful, against the strong points on the European continent and to be sure of warding off mass English and American air attacks on Germany's centers of production and industrial life in the west and in central Germany, the shipyards, ports, etc.

2. The

2. The development of conditions in German economic life which will not permit for any length of time excessive demands made heretofore.

There are specified as direct results of an actual conclusion of the European continental offensives and a total disarmament of all states:

- a. The possibility of a regrouping within the German combat forces;
 - a₁. The formation of a highly mobile motorized attack and protection army (all arms), for the occupation and protection of the regions of Europe;
 - b₁. The release of from five to six million of trained German workers from the army, for agricultural, industrial and small shop operations;
- b. The release for the German population, industry and agriculture of the military stocks of foodstuffs, raw materials, machinery, vehicles, horses, etc. no longer needed, both German and taken from foreigners;
- c. The incorporation of the productive forces of all European states into the general system, for feeding and the covering of the most urgent needs of life in the conquered or friendly countries; the development of an exchange of goods under the principles of the German state direction of economy; likewise an exchange of available foreign labor from the different states, etc.;
- d. The

d. The incorporation into the general system of South Russian agriculture and of some sources of raw materials, especially oil and gasoline; the removal of the supplies secured; a large production under the new administration introduced, by the corps of emigrants trained in Germany;

e. The erection of a uniform administration in Europe in accordance with German regulations, and adjustment of the foreign autonomous national governments, and also their subordination to German military and administrative supervision; standardization of law, business agreements, etc.

Safe: Germany PSF
1304
DEPARTMENT OF STATE

THE SECRETARY

June 5, 1941.

MEMORANDUM FOR THE PRESIDENT

I am attaching hereto three more secret documents concerning Germany. These are a continuation of those which have been furnished formally concerning the military plans, labor conditions and the financial situation.

You will recall that they are not to be alluded to or quoted from and that this is necessary in order to protect our source of information.

CH

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Berlin, April 24, 1941. We.

The reports on the condition of the crops at the beginning of April 1941 are based on extensive official statistics of the State and Reich offices on the status of foodstuffs. The results of the statistical tabulations are given below for the Great German Reich.

The figures refer to the following territory: the Great German Reich, including Austria, the Sudetenland and all of the Warthe Valley (Posen, Hohensalza, Litzmannstadt).

The meaning of the qualifying figures is the following: 1, very good; 2, good; 3, fair; 4, low; 5, very low.

I.

Condition of Crops.

Winter rye	2.7
Winter wheat	3.0
Spelt.	2.4
Winter barley	3.1
Winter rape.	3.1
Rape-seed	3.1
Clover	3.0
Lucern	2.8
Meadows without means for watering .	3.0
Irrigable meadows	2.8
Pasture.	3.1

II.

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II.

Winter Moisture, Precipitation, Winter Damage,
Loss of Potatoes

	<u>too little</u>	<u>right</u>	<u>too much</u>
Winter moisture	4	83	13
Precipitation	8	80	12

	<u>none</u>	<u>slight</u>	<u>moderate</u>	<u>severe</u>
Winter damage to cereals etc.	23	47	23	7
fodder crops	27	47	22	4
meadows	60	29	10	1
potatoes	7	58	30	5

III.

Condition of Spring Crops (beginning of April of this year)

	<u>None</u>	<u>1-20%</u>	<u>21-40%</u>	<u>41-60%</u>	<u>61-80%</u>	<u>81-99%</u>	<u>Total</u>
Spring wheat	76	8	3	4	3	1	8
Spring barley	83	8	2	3	2	1	1
Oats	72	14	4	4	3	2	1
plowed	18	8	7	15	26	19	7

IV.

Condition of Winter Intermediate Crops

Winter mixed crops	2.8
Crimson clover (with admixture of grasses and legumes)	3.1
Winter rye	2.6
Kohlrabi, winter rape and turnips	3.1

opinions

	<u>opinions altogether</u>	<u>good</u>	<u>fair</u>	<u>bad</u>
Keeping of winter intermediate crops over winter	5,193	1239	3172	782
in %	100%	23.9%	61.1%	15%
	<u>estimates altogether</u>	<u>favor- able</u>	<u>normal</u>	<u>unfavor- able</u>
Weather for the production of the winter intermediate crops	5,366	184	1900	3282
in %	100%	3.4%	35.4%	61.2%

V.

General Observations.

A deterioration of at least 10% in the condition of the crops during the month of April is to be counted on, because of dampness and cold. Hence the general figure for the crop condition at this date ought to be from 3.2 to 3.3. If the weather in May also remains unfavorable, a rather poor crop, 3.5, is to be counted on.

The winter damage is less than for the winter of 1939-40; it is to be calculated at about 35%, on the whole. The winter intermediate crops are in an average position (3).

Thus the general picture in the Great German Reich, with the inclusion of the famed granary of the East (the Warthe Valley, Posen to Litzmannstadt), is that of a poor harvest.

According to the general (not statistical) reports
of

of the experts of the agricultural offices of the Reich, the condition of the crops in the countries of Europe occupied and controlled by Germany is to be estimated as follows:

Western Europe	3.2 - 3.5
Northern Europe	3 - 3.2
Eastern Europe	3.2 - 3.5
Southeastern Europe	Great shortages in consequence of the war - probably 4.

As a general figure, the situation of the occupied areas (without consideration of the Spanish Peninsula, Switzerland, Sweden, Finland and Soviet Russia in particular) with respect to foodstuffs and feeding stuffs would be 3.5. Depending on the development and the further course of the war and the weather, this figure of 3.5 will become still worse, and perhaps rise to 4.

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REGRADED #2
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Late April 1941.

I.

Regarding the Raw Materials Balance Sheet.

1.

The statements and figures in the memorandum on the raw materials balance sheet are fully confirmed; likewise the calculations on the difficulties regarding raw materials that are to be anticipated in the fall of this year at latest.

Recent detailed investigations in the Reich Ministries that are concerned, regarding important raw material items, show a greater change for the worse than was anticipated, this being the result of the cessation of imports from the Balkans, as well as from northern and eastern Europe, which were counted on with certainty. The additional amounts from unoccupied France and Soviet Russia are less than expected; the shortages from the Balkans amount to as much as 75% of the amounts anticipated. This shortage in imports from Yugoslavia is to be completely overcome in some 3 or 4 months.

The allotments of raw materials both for large and small plants that are working for the needs of the army, as well as for private consumption, are subjected to changes constantly. The reduced allocations and the deteriorations in quality affect chiefly the supplying of the goods needed for daily consumption.

2.

The prospects of reaching a regulated and higher rate

rate of production in the occupied countries of Europe have, contrary to the expectations cherished, not improved markedly up to this time. The controlled governments in the occupied countries of Europe have not provided any surplus, despite the employment of German military and civil administrative executives. In these occupied areas the difficulties respecting foodstuffs, feeding stuffs and raw materials are felt more than in Germany, because there is a lack, to a great extent, of the positive economic conditions such as a population willing to work, orderly conditions as to transportation, and adequate stocks of materials.

Thus the surplus in Germany's military and economic potential that was calculated in the winter months of 1940-41 has turned out less than was expected and made the basis for military decisions.

3.

For the sake of an orderly course of business, portions of the valuable industrial plants of western, southwestern and northwestern Germany are constantly being moved to central and southern Germany and Austria, including Silesia and Bohemia-Moravia. Because of this, delays in production occur, overburdening of the railroads, difficulties in transplanting the labor forces, etc. It has not been possible to conduct this shifting

of the manufacturing plants producing articles for military use on the scale planned. In the end, it is to be borne in mind that the well known industrial centers have not been essentially changed; this is true in particular of the two kernels of German military industry: the Ruhr and Central Germany (coal, iron, chemicals, building of heavy machinery), as well as of the shipyards on the coasts of the North Sea and the Baltic.

4.

The using up of labor, raw and other materials and equipment in the plants operating at full capacity shows a rising curve. This development necessitates the procurement of full relief, both with respect to the workers and the position as to raw and other materials. This is possible only by a military decision and the regrouping of all factors in domestic production, that is, by a reduction of the gigantic army of men and the consumption of materials, and by returning to agriculture, the production of industrial equipment, etc., the labor forces of millions that are tied up. Besides, the supplies hitherto tied up for the military supply offices and the striking production of foodstuffs, clothing, and machinery of all kinds must be released. According to the estimates as of April of this year, over 80% of production is operating for military equipment; of the

sound

sound population normally engaged in agriculture, manufacturing (industry) and transportation, almost 65% of the male population between the ages of 18 and 45 will be in uniform by the end/^{of April} of this year, in consequence of the new call for over one million men.

The estimates in the balance sheet of foodstuffs and feeding stuffs for 1941 have been reduced in consequence of the unfavorable weather conditions of the month of April of this year. The shortage for Germany must be estimated as rather high, in comparison with the spring calculations. That is true of almost all foodstuff items, and in particular of the situation with respect to feeding stuffs (compare the earlier statements).

End of April 1941.

I.

The following new supplementary remarks are made on the same basis as the January report and the supplements belonging thereto.

1.

New measures related to the extension of the operations against the mainland of Turkey to the Greek islands with a view to protection of the Aegean Sea; besides, the Dardanelles and the Bosphorus, as well as certain strategically important places on the Turkish coast, will be drawn into the military security zone.

These occupations of Turkish territory aim at absolute security of the sea route for the transportation of Russian supplies from the Ukraine and the Caucasus (sea route as far as Trieste, for the purpose of relieving the roads and railroads). The German admiralty staffs have long since been making the necessary preparations, using the help of the Italian fleet.

2.

The strategic plans for the campaign against Soviet Russia have been worked out by the Chief of Staff of the German Army, General Halder.

The fixing of a strategic objective consists in the planning of an encircling victory of the greatest spatial extent; the enemy is to be deprived of any possibility of

developing

developing a counter attack, an orderly retreat is to be rendered impossible, and, according to the large scale operations planned, capitulation is to be brought about. Broad possibilities of action are accorded the lower, middle and higher army headquarters; these small, middle and higher staffs are assigned special operations missions.

The offensive penetrations and advances will be executed by the use of armored divisions, motorized units, and all types of the air arm. The use of the air arm will extend to direct attack on the enemy's air forces, their bases and ground organization.

These plans of operation consist (like all military operations since 1939) in the exact working out of the strategic plans, the undisturbed building up of all offensive formations (and the technical equipment belonging to them), and the concealment of the decisive lines of advance of the main armies.

The basic requirement for certain success depends, as usual, on an undisturbed concentration. A counter thrust of the enemy must be precluded, as in the case of Poland, France and in the southeast.

The Soviet Russian armies are at present not completely constituted or disposed; the Siberian contingents can not make up for the known weaknesses.

The political and diplomatic preliminary work is to provide the formulas

- a. in Turkey;
- b. in Soviet Russia

that are needed to favor the final positions for attack, to gain time, and to maintain the treaty rights under the tripartite pact and the Russo-Turkish and Russo-Japanese treaties of neutrality.

The negotiations with Sweden and Finland for the purpose of bringing them into the planned offensive action in the Baltic, as far as St. Petersburg, are being accelerated.

II.

1.

The liquidation of Soviet Russia is considered a necessity

- a. from the standpoint of the internal economic situation and
- b. from that of the coming military problems in the west.

The losses that will arise from the destructiveness of a campaign in the east are not estimated very high; they would be made up for at once by the direct application of the German military and administrative mechanism to grain and feeding stuffs, large and small animals, wood, coal, and minerals deposits, in particular petroleum and

and manganese ore in the Caucasus, etc. (principal fields at Baku and Grozny, with direct pipe line to Tuapse on the Black Sea - good gasoline). In the main, the centers of the railroad system (Minsk, Kiev, Kharkov, Rostov and Stalingrad) are to be seized first, as well as the main industrial centers, such as Yekaterinoslav and the Don area in southern Russia, the middle and southern Urals, the Kuznetsk region, as well as Kiev and environs, if the offensive thrust leads more smoothly and more quickly to the objective set than in the North.

2.

After the liquidation of the "last soldier" on the continent, the machinery for the "new order in Europe" will be set in motion, that is, all economic production of agriculture and industry will be employed for the benefit of Germany, according to the objectives set, the status of needs and the urgency of military requirements, the domestic needs of the conquered states, the eastern states in particular, being relegated to the background.

In addition to the mineral wealth and other products, the demobilized labor forces will be utilized fully for the benefit of Germany.

3.

By midsummer the freshly reenforced defensive front is to be established along the Atlantic Ocean (Belgium, Holland,

Holland, France), for the purpose of warding off enemy air attacks and also for the purpose of facilitating the attacks on England, with the maximum degree of military efficiency. The strength of the British air arm attained so far by deliveries from the U.S.A. will be more than equalized by the portions of the German air force that have been tied up on the eastern front up to that time.

III.

1.

The offensive preparations of England and the U.S.A. during the winter months of 1940-41 have not led to any active military operations against Germany or in any other theater of war. Fears were felt that during March the English-American air offensives on a large scale would be started, that is, that they would be executed day in and day out against the highly sensitive industrial centers of western Germany.

England's military incapacity allowed the liquidation of the unexpectedly changed Balkan situation, which, following the failure of the Italian armies (defeats in Albania and Africa), could be prepared for by Germany undisturbed during the winter months and could be executed in March and April.

This same English and American weakness permits the liquidation of Soviet Russia, and likewise the

concentration

concentration of German military forces in West against the island of England by preparation for the attack operations by air and by sea from the Dutch, Belgian and French coasts and portions of those countries against ports and munitions centers on English soil and from the defensive positions in western and northern Germany. Besides, the military forces for an intensive campaign in the eastern Mediterranean area can be released by fall. Other situations, as for example that concerning Spain, including Gibraltar, could be settled by arms before then, within the framework of the present general situation.

Political schemes of England and the U.S.A. are considered unimportant; proclamations of landings on the continent of Europe as military jests. The consolidation of Germany's military power position is going on and is considered unshakeable in the corps of leaders. The laying of the foundation of the economic existence of conquered Europe is expected in the course of this or next year, with the voluntary or compulsory inclusion of Russian supplies and productive forces.

From this standpoint, 1941 means the definitive decision, because the American-British economic boycott can not break the newly distributed and employed powers of Europe. This boycott will collapse of itself, because the "new order" in Europe is held together by military force

force and can always fix an economic minimum, graded according to nations.

An organized and fully motorized army for order and protection, of 300 divisions, tested in battle, constantly kept up to date with the most modern armament, will be in a position to perform with absolute certainty any military mission inside Europe and an "invasion" against England.