

## CHAPTER XII

DECEMBER 1925—FEBRUARY 1926

Difficulty of language at London Conference—Holstein's letters—Locarno ratified—German application for admission to League of Nations—Schacht on prospects of financial security—Stresemann on present position: Alsace-Lorraine—Hindenburg as President—Visit to Berlin of Secretary of League of Nations.

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BERLIN, *December 23, 1925.*—Stresemann told me yesterday that there was no truth in the suspicion that Luther and he, by speaking German at the signature of the Pact in London on December 1, had a deliberate design to install German as one of the languages of diplomatic debate. As a matter of fact, Luther, who spoke French well, had intended to speak in that language, but there was a point in his speech over which he and Stresemann had a violent difference of opinion. This had led to a discussion, which had lasted all the previous day and most of the previous night. Stresemann did not tell me what the point of divergence was. They had only come to an agreement on the morning of the ceremony. There was therefore no time to prepare the words of the speech in French, but on the way to the Foreign Office Stresemann had said to Luther: "Since you speak French fluently, why not adopt that language?" At the last minute Luther had either doubted the expediency of this course or had doubted his own capacity in the language. So, against original intention, German had been spoken—there was no deliberate design in the matter.

As for Stresemann, he could not speak French, so he had no option but to make his address in German.

BERLIN, *December 23, 1925.*—Tchitcherin left Berlin last night after a stay of three days. He had several interviews with the Minister of Foreign Affairs and other German authorities, including General von Seeckt.



GENERAL VON SEECKT

*Photo A. Binder, Berlin*

I HEAR from a very confidential but reliable source that his tone on this visit was quite different from that of two months ago. Then he menaced and bullied, his language about Locarno having been much more violent than was admitted at the time. On the present occasion he was mild, apparently regarding Locarno as an accomplished fact against which it was useless to rail. He advocated an intensified development of commercial relations with Germany, urging the German Government to adopt a system similar to that of the English Trade Facilities Act. He also laid himself out to get on friendly terms with the Right.

REGARDING the League of Nations, Tchitcherin advanced a new argument against joining. It was this, that by going to Geneva a Power is compelled in the case of a dispute to declare herself for or against a given country. This was inconvenient and embarrassing, as one had to take sides instead of giving friendly assurance to both litigants. One had enough enemies in the world without making a journey to Geneva to swell their number.

As regards negotiations in Paris, he expressed himself satisfied and hopeful. Indeed, he appeared to expect that considerable credits for Russia would again become available from French sources. His story of the negotiations with Briand tallied exactly with the account Paris gave Berlin.

TCHITCHERIN stated that a Treaty of Neutrality had been concluded between Russia and Turkey,<sup>1</sup> and would be published in a few days. This information appears to have surprised the German Government, because they thought there already existed between Turkey and Russia something much closer than a Treaty of Neutrality.

As regards England, Tchitcherin's language was quite unchanged. He still represented England as the seducer and Germany as the seduced, saying, "Why play Marguerite

<sup>1</sup> SEE Appendix VI.

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to England's Faust? Nothing but disaster can come to you from such a connection." England, he declared, was endeavouring to effect the financial starvation of Russia by preventing other countries from giving her credits. This attempt had failed; financial facilities for Russian commerce were already forthcoming from America.

BERLIN, *December 24, 1925.*—Great interest has been excited here by the publication in the *Berliner Tageblatt* of a series of letters to his bankers from Baron von Holstein, the celebrated Counsellor at the Foreign Office from 1876 to 1906. These letters extend over a series of years—they were written sometimes three in one day, and they appear to transmit to the recipient all the Foreign Office secrets for the purpose of Bourse speculation.

THE intentions of the Government with regard to taxation and with regard to commercial relations are frankly revealed with a view to allow Holstein's bankers to make speculative profits for joint account.

THE newspapers of the Right keep very quiet about the matter, as they realise how detrimental these revelations are to the prestige and honour of the Imperial Government. They do not dispute the genuineness of the letters; their only defence is that the money was largely used for the benefit of the public service, presumably in private espionage directed by Holstein. Whether, as alleged, this expenditure was inspired by patriotic motives, or utilised to satisfy personal hostilities and jealousies, remains doubtful. I HAD an opportunity lately of discussing the whole incident with someone well acquainted with Holstein's private life, and learned the following details:

OUTSIDE the letters to his banker, a large collection of letters from Holstein to a certain Frau von Lebbin are also in existence. These are almost as numerous as the financial letters, but deal mainly with political affairs. Holstein maintained for years a most intimate platonic

connection with Frau von Lebbin. This lady was a woman of no physical attraction, and poor. Notwithstanding these disadvantages, she had a circle of friends which included not only Holstein, but Bülow and several other leading politicians. These would assemble daily at her house, usually round her bed, as she was afflicted with gout and often remained prostrate for several weeks together. Her sufferings, however, did not prevent her from receiving her circle and from being the recipient of all the political gossip of the day. She was so ardent a student of the newspapers and had so retentive a memory that she became an encyclopædia of all that appeared in the German Press.

REVERTING to Holstein's speculations—it is interesting to note that Holstein's financial indiscretion did not bring with it any considerable increase of fortune. He is alleged to have made for some years an annual profit of £700 or £800, but the final result of his joint speculations with his banker was that both of them were practically ruined. It would be interesting to compare this result with that attained by other politicians and diplomatists who have been notorious speculators, such as Talleyrand, Decazes, and Iswolsky.

HOLSTEIN was a man of simple life, inhabiting a wretched apartment, and indulging in few of the pleasures current in a large town. He scarcely ever dined out or went into society. His main form of entertainment was to give luncheons at Borchardt's, one of the best-known restaurants here, at which he ate and drank enormously. He appears to have had a mania for power, and was less a good friend than an extremely bitter enemy.

It is not clear to what extent his anti-English views, which were notorious and persistent, were dictated by conviction or suggested by the interest of his speculations. As the stocks in which he operated most frequently were those connected with Russia, it is possible that this connection

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with the East had something to do with his aversion to a friendly arrangement with England.

HOLSTEIN may be held to share with Tirpitz a heavy responsibility for Germany's reluctance to come to some arrangement with England, and thus contributed in an exceptional degree to Germany's disaster.

BERLIN, *January 10, 1926.*—Another step forward. Germany has decided to send in her application for admission to the League of Nations. The debate in the Reichstag on this subject revealed considerable opposition, notably from Bavaria. It is said that even Hindenburg, who has proved an admirable President, is against joining the League now; he is believed to be in favour of waiting at least until September. The idea of those who advocate this course is that, by waiting a little longer, Germany can obtain larger counter-value for entering the League. I rejoin that once Germany is a member of the League she will be able to make her voice heard better than before, and that no counter-concessions can be expected for doing what is so much in Germany's own interest.

AN event which greatly facilitated a solution regarding Geneva was the evacuation of Cologne. This came as a surprise here, and made an excellent impression. The opposition are always ready to taunt the Government with non-fulfilment by the Allies of the Locarno "Reactions."

BERLIN, *January 23, 1926.*—Dined with Schacht last night at the Reichsbank, and afterwards had a long conversation with him. Schacht, through the success of his currency reform and the ability he has shown as President of the Reichsbank, is to-day the leading authority in Germany on all matters of finance.

BROADLY speaking he is optimistic, sharing the view that the worst of the financial crisis is now past. He said that since the signature of the Locarno Pact the position

of the Reichsbank had become stronger every week, and was now thoroughly satisfactory.

IF the Locarno Pact had not been agreed to, he believes that the financial crisis in Germany might have become very serious. Up to the time of Locarno the Reichsbank was losing gold week by week. He had been seriously apprehensive about the drain on its resources. But since Locarno the tide had turned, confidence both in Germany and abroad had increased, and he was hopeful as to the future.

THE black spot was the increase of unemployment, but against this might be set a return of confidence in industrial circles, marked progress in the direction of the amalgamation of the larger concerns, notably in the steel and chemical industries. Schacht has returned from the United States profoundly impressed by the industrial development in that country, and by its gigantic financial strength.

As regards industry, he is convinced that the American system of amalgamation, of massed production, and of adjustment of production to consuming power over a vast area must be adopted by Europe if Europe is to survive against American competition. He is a convinced advocate of the horizontal cartel system, and of control over production of such a nature as to prevent destructive competition and the flooding of markets beyond their consuming capacity. He said: "Europe has got to reorganise its industry on these lines. Here we are quite prepared to follow England's lead. The English are easy and agreeable to work with, provided you do not question their position and hegemony, and there would be no hesitation here in accepting the financial guidance of the City of London. Only we must feel convinced that a serious reorganisation of industry on broad lines is contemplated. The old system of innumerable small firms competing with one another and producing goods which are not required by the market has got to be modified.

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Here in Germany we have made considerable progress. During the last week steel interests have come together; the chemical industries are already amalgamated. The potash industry has saved itself by fusion and amalgamation. But more remains to be done. What is the use of thirty-eight small automobile firms competing against one another and producing at extravagant cost?"

OUTSIDE the question of the reorganisation of industry, Schacht appeared to attach great importance to Germany having some colonial outlet.<sup>1</sup> This, in his view, need not necessarily be under the German flag: Germany required territories from which she could obtain raw material, and to which she could send human elements which might be dangerous if they were retained in Germany. He appeared further to attach extreme importance to a development of Germany's colonial interests as a means of maintaining stability of her currency. But I was not able to follow precisely his train of argument on this subject as, if one makes an impartial survey of what German colonies did for German trade and German currency before the War, the conclusion is reached that their effect was more moral than material.

WHILE in the United States Schacht appears to have discussed in private conversation the scheme that a German-American chartered company should be formed which would lease or purchase some of the Portuguese colonies, such as Angola.

REGARDING German finance, Schacht was curious to learn what the policy of the new Finance Minister was likely to be. In his judgment, the requisite qualities are energy and will. "We do not want a clever man—we want a strong and determined man. He must reduce expenditure

<sup>1</sup> SINCE the Treaty of Versailles I have never been hostile to German Colonial expansion. A liberal policy in this regard, on the part of England, would do much to strengthen friendly relations between the two countries.



whether he understands the reason for it or not. I would much sooner see resolution than intellect."

SCHACHT is a keen supporter of Locarno. Not only does he think that without Locarno German finance would have fallen into a catastrophic position, but he believes that a Locarno solution can be extended, without long delay, to some arrangement regarding the problems of Germany's eastern frontier. He is so permeated with the conviction that the existing Corridor arrangement is unworkable and that the Upper Silesian award is iniquitous that he appears considerably to underrate the difficulty of inducing any Polish Government to abandon their present position. However, I found in him, as I have found in other German statesmen of late, an increased disposition to regard the settlement of difficulties with Poland as a matter of urgent moment to Germany. So important indeed in my judgment that it would be good policy on the part of Germany to make considerable concessions, whether of a financial or commercial nature.

Now that Locarno has diminished danger on the German-French frontier, the Polish Corridor is the danger-spot in Europe.

BERLIN, *February 2, 1926.*—London complains that since the signature of Locarno, the German ministers have not done their share towards consolidation of the new relationships. They are reproached with delay in carrying out reforms in the police and in the high command. London reports that Briand has a passionate belief in Locarno, and is determined to interpret the agreement in the largest and broadest sense, but he has undoubtedly to face great opposition at home. I am constantly urging Stresemann not only to do everything which Locarno implies, but to do it in such a way as to impress public opinion abroad. But there is the other side of the situation to consider—the Government only got a majority on the vote of con-

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fidence by a mere margin, so that when I rally them on their slackness in carrying out German obligations, their answer is fairly effective: "If we had attempted more we should no longer be in office." Even as it is, the violence of the hostility against them from the extreme Right is such that it would never astonish me to hear of an assassination.

BERLIN, *February 3, 1926.*—Stresemann discussed the general position yesterday, particularly with reference to Chamberlain's apprehensions regarding Alsace-Lorraine and the statement that the German Government had not abandoned a foot of German territory.

HE said: "The constant reserves I make about the western frontier apply much more to Eupen-Malmedy than they do to Alsace-Lorraine. As regards the latter, if it was offered back to Germany to-morrow I would not accept it. It would create difficulties for us, like Ireland for England. "As regards Eupen-Malmedy, it is not impossible that we shall arrive at an arrangement with the Belgians under which, for financial considerations, they would hand us back this district. It is not one of any considerable importance."

STRESEMANN was confident that he could carry everything through in the Foreign Affairs Committee, and that Germany would send her application to the League of Nations for membership at latest on February 9. He selects this day, as it is the anniversary of the despatch of the German Pact offer to Paris, and he asked me to lunch with him in commemoration of that event. He added: "What a mad year (*tolles Jahr*) we have had. Think how vast the progress has been and what an outstanding landmark the work of this year will make in history. I recollect so well when you spoke to me about the iron curtain idea. It was while I was sitting to Augustus John for my portrait. That gave precision to the negotiations."

BERLIN, *February 3*, 1926.—Schubert is indignant at Chamberlain's complaint that the German Government have been behindhand in carrying out the spirit of Locarno. He said: "We have done much more than appears on the surface, and we could not have done more than we have without imperilling our whole situation and probably without being defeated. I will give you a note on the various points showing you how considerable the progress made has been."

BERLIN, *February 10*, 1926.—Repercussions from Locarno continue satisfactory. The President has received numerous telegrams from associations and municipalities in the Northern Rhineland, thanking him for action which has led to the cessation of the occupation. He is the more pleased by these expressions of gratitude because at an earlier stage so many of his old comrades in arms had criticised him for endorsing Locarno. There is no doubt that the President regretted deeply the fact that the National members had left the Government, and I am informed that he has reprimanded the National leaders for having made so great a mistake. Their only reply to the President has been that electoral interests render their resignation compulsory. They would have lost all votes in the country districts had they remained.

EVERYONE who approaches him says that the President has learnt a great deal about political life during the last few months. A fine achievement for a bluff old soldier of seventy-eight.

BERLIN, *February 15*, 1926.—It is alleged here that a close agreement with Yugo-Slavia against the "Anschluss" is contemplated by Italy.

ON the other hand, Austrian circles who favour the "Anschluss" put it about that Italy at heart is not as hostile to the "Anschluss" as appearances suggest. It

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is surmised that she would agree to some "combinazione," provided she obtained for the Brenner frontier a Pact of Guarantee similar to the Western Pact.

I HAVE had nothing to confirm this from any Italian source.

BERLIN, *February 17, 1926.*—Eric Drummond, the Secretary of the League of Nations, has been here for three days, and has had several long talks with Stresemann and Schubert. Everything appears to have passed off well, for Drummond is a man who raises no unnecessary difficulties. He has done his best to meet the German wishes concerning new appointments in the Secretariat.

REGARDING the increase in the Council, there are divided opinions: towards Spain itself—more friendliness, but some apprehension at the admission of Spain in March which would facilitate the admission of Poland in September, and against the admission of Poland both Luther and Stresemann are vehement.

STRESEMANN in high spirits at the idea of going to Geneva. He likes the adventure, and is curious to see what the Geneva atmosphere really is.