

The South is still bitterly antagonistic to the East, or North, as they term it. They are fanatically opposed to the Morgan interests, and the effect of the blockade upon cotton, in spite of the "statistics" which we have published through Wall Street channels, has made them extremely hostile toward England.

The situation may be summed up finally by saying that with the exception of the individuals who have been, and are being, influenced by social, racial or financial considerations, the country is either against us altogether, or would become so in the event of active decision being necessary. Such feeling as is for us is mostly sentimental, and would disappear if it were a question of war. The press campaign on which so much money has been spent, must, therefore, be considered to have failed. It has not therefore been useless; on the contrary, it has been invaluable as permitting Washington to claim that public sentiment as shown by the newspapers was vehemently on our side and thus to defy the will of the people, who have by this means been made to appear inarticulate. It must not therefore be supposed that Washington itself is under any misapprehension; the party bosses are well aware of the facts of the situation, and their private reports are conclusive. (See Schedules A 23-43, inclusive.) Your Excellency has therefore every reason to fear the most complete *volte-face* on the part of Washington. The various notes to Germany, to Austria, and to H. B. M. Government may be regarded as electioneering addresses and no more.

THE publication of the von Papen correspondence was distinctly unfortunate. Even so friendly a paper as the *Springfield Republican* took us to task for our treatment of the Captain, forgetful of the fact that the Germans are not gentlemen, but pirates and deserve to be treated as such. The letter by von Skal on the Ambassador has made the position of the latter more solid with the Administration. Washington did not believe until the publication of this letter that there was a real division of opinion between the German propagandists, and that the atrocious propaganda of Dr. Dernburg was carried on in spite of the protests of the Ambassador. The entire publication strikes me as a boomerang.

Too certain of our hold on the Administration, we have been somewhat neglectful of Congress. I suggest that the mail of the Senators, especially of those who favor an embargo on arms (see Schedule XO) be carefully supervised. While the ammunition interests are strong we must not underestimate the approach of the elections. The problem of the "hyphen" also is more sinister than ever. The President, while still with us, is deeply offended because of the attacks on him in the British press. Especially the poster "are you too proud to fight" rankles deep. Even if he has not protested against the German "atrocities," he has gone as far as he could without actually participating in the war on our side. The slurs on him which are promptly republished here, must strike him as the basest ingratitude. I should not be surprised if his attitude toward us would stiffen considerably in consequence. Inasmuch as American ammunition still is absolutely essential to our success, I suggest that your Excellency permit the Administration to obtain a "diplomatic victory" of some kind over us. It is not necessary to sacrifice any essential principles, but I would urge that a slight concession now and then would be gratefully appreciated in Washington. At present it is best to humor them. They are childish, and it is so easy to please them. The attitude of Washington for the next few months will depend entirely upon the results of the party conventions. It is extremely unfortunate that Mr. Roosevelt so misjudged public sentiment. It will, I most respectfully submit, be wiser to withdraw support from this quarter, which is in any case hopeless of success. Had it not been for Mr. Bryan's resignation, we could have been certain of Mr. Wilson's re-election, which, all things considered, would have been satisfactory. In the event of a new lease of power being granted, he would have fallen even more completely under the thumb of the Morgan interests.

I RESPECTFULLY urge your Excellency to regard the political situation here as most precarious; in my humble opinion, the best and only sure method is to prepare some incident which would drag the country into war before the conventions, as if by stampede.

This is, however, subject to the remarks in Section B of this report, which render it hazardous and even desperate. The alternative is to trust the money interests to elect another weak and wooden President.

B. The Attitude of the German-Born American

EVEN in the case of those Germans who left Germany on account of their political beliefs or their economic disabilities, the feeling is strong for the Fatherland. The war is responsible for this. It has been useless for our press to seek to throw the blame of it on Germany; they think they know the psychology of their own people, and that they could never undertake a war of aggression. They are all convinced that Germany has been forced into war, and are for her as they would be for any other pacific nation similarly attacked, with this addition, that the Germans, in spite of any disagreement in the past, are after all their own kin.

The German in America is as silent and well-organized in a sense as he has been proved in his own country. Your Excellency must not be misled by the fact that hitherto he has not loudly protested against the influence which we exert upon Washington. The German is above all a slave to the idea of law and order, and he will not make any active move until and unless the Government takes some clearly unconstitutional step. War with Germany on any such hollow pretext as the *Lusitania* incident, he would regard in this light. In such a case, there would, as I believe, be no civil war or even rioting, unless an attempt were first made against him; but the business of the country would be most effectively tied up in a perfectly legal and orderly manner. I regret to have to inform your Excellency that while our sympathizers confine their activities to speech, the German element is quietly preparing against any possible trouble. Every city, town, and even village of any size possesses a German club, and every such club is a nucleus of mischief. If these tinders were in any way blown into flame, the state of the country would be in a sense worse than if civil war actually broke out. Wall Street, always the most excitable of markets, would suffer so severely that the nation would find it impossible to continue in the course which had precipitated the conflagration.

THIS is, I respectfully submit, the only valid reason for holding our hands, and forcing the United States into the war on our side by some such method as that of torpedoing an American ship manned by sailors and passengers in our pay, or any of those outlined in Schedules B14sq, although I am of late considerably distressed by the restlessness among the Irish. The publication *Ireland*, started by us to counteract the seditious influence of the *Gaelic-American* and the *Irish World*, was discredited almost at its inception as a Government organ. I shall watch the situation closely, and I shall not fail to have at least one or two secret agents at the Irish meeting, scheduled for March 4th, at the Hotel Astor.

The present policy of endeavoring to keep all trouble at a minimum is sound; but in the case of the *volte-face* of Washington which is above indicated as a possibility, it would, I repeat, doubtless become desirable to throw the sword into the scale, and to trust to reap our advantage later. This must in any event be arranged for as soon as possible after the war; for otherwise the balance of wealth must become intolerable. Since repudiation must come, it had better come all round; we can then reconstruct civilization on a fair basis. Unless America is completely disintegrated, Europe must lie at her mercy for centuries to come. It is evident that we may rely upon the co-operation of Japan in this task. The German-born American is the one obstacle to be feared; but by adroitly fomenting the elements of race hatred in America, the continent may yet be reduced to chaos without our risking a military expedition other than one of occupation and administration. President Wilson's great speech in Congress, even more than all the efforts of our press, has sown the dragon's teeth, in my humble opinion, beyond the power of any man to pluck up, and we have merely to await the due season for the crop of armed men to rise up and slay each other.