

RESEARCH AND ANALYSIS BRANCH
BIOGRAPHICAL REPORT

48.03
War Crime
to take

Name: SCHACHT, Hjalmar Horace Greeley, Ph.D.
Nationality: German
Region: Berlin-Charlottenburg 9, Bodennalle 9; 1/ now a prisoner of the American Army which found him in the concentration camp at Dobbiaco-Toblach

Position:

Reich Minister without portfolio, 1939 - 1941, 1/, 2/
Acting Reich Minister for Economics, 1934 - 1939, 3/, 4/
President of the German Reichsbank 1923 - 1930 and 1933 - 1939, 3/ 4/
Reich Commissioner for Currency Stabilization, 1923, 3/ 4/
Co-owner of the Nationalbank, later (since 1922) Darmstaedter und Nationalbank, 1916-1923, 3/, 4/
Member of the Banking Department of the General Government in occupied Belgium, 1914-1915, 3/, 4/
Vice-President of the Dresdener Bank, 1908-1915, 3/, 4/
Director of the archives of the Dresdner Bank, 1903-1908, 3/, 4/
Manager of the Handelsvertragsverein (Association for Commercial Treaties) 1901-1903, 3/, 4/
Assistant at the Central Office for the preparation of Commercial treaties, 1900, 4/
Member of the Academy of German Law; Member of the Honorary Board of the German Art Building in Munich; Senator of the Kaiser-Wilhelm-Society; 4/
Honorary Member of the Nazi Party, Golden Badge, 5/.

Birth Date and Place: 22 January 1877, Tingleff, Schleswig, 3/, 4/

Religion: Protestant, 3/, 4/

Family History: Father, William Schacht, was a German merchant who emigrated to the United States in 1864 but came back to Germany before the birth of his son. Schacht's mother was Constance, Baroness of Eggers; who was of Danish origin, 1/ 3/ 4/. Schacht was married in 1903 to Luise Sowa, daughter of a police official. They have two children: a daughter, Inge, (born 1903) member of the Socialist Students Group at Heidelberg University 6/ before her marriage to a German diplomat, van Scharpenberg 3/, who also posed for some time as an ardent follower of the Weimar Republic; and a son, Jens Hjalmar Schacht (born 1910) 3/. Mrs. Schacht died some years after World War I. There have been reports that Schacht contracted a second marriage, 5/.

Education: According to Schacht's own statement, he attended the full nine years of Gymnasium in Germany from 1886 to 1895. He was a pupil of the Gelehrtenschule of the Johanneum in Hamburg, 3/ 4/. Current Biography carries a statement that, as a small boy Schacht came to the United States with his parents and attended public school in Brooklyn up to the age of 12 when the

CONFIDENTIAL

Education (cont'd.):

family went back to Germany for the second time, 5/ This statement is not corroborated by any other source and conflicts with Schacht's own statement that from the age of 9 he attended Gymnasium in Hamburg. Schacht graduated from the Johanneum in 1895. From 1895 to 1899 he studied economics and political science at the Universities of Munich, Leipzig, Berlin, and Kiel 3/, 4/ from which latter university he received a Ph.D. degree in 1899, 4/, one of the first Ph.D's given in Germany to a student of economics and political science, 5/.

Work and Political History:

In 1900 Schacht became an assistant at the Zentralstelle für Vorbereitung von Handelsverträgen (Central Office for the Preparation of Commercial Treaties), 4/. 1901 to 1903 he worked as secretary of the Handelsvertragsverein (Association for Commercial Treaties), 3/, 4/. His political views at the start of his professional career were in accord with those of the so-called Jungliberale (Young Liberals), a group close to the Nationalliberale Partei (National-Liberal Party) and which advocated liberal principles in economic and cultural life but was highly nationalistic and pan-German as far as politics were concerned, 5/. The leader of the Nationalliberale Partei at that time, Ernst Bassermann, favored the Young Liberals, from whose group emerged the new leader of the party, Gustav Stresemann, who was to carry its traditions over into the Republic, 6/. In 1903 Schacht joined the staff of the Dresdner Bank, one of the big German commercial banks, 3/, 4/. From 1903 to 1908 Schacht worked as architect of the Dresdner Bank. He attracted the attention of his superiors by initiating the publication of confidential reports to the clients of the bank, commenting upon the influence of political and social events on the trend of affairs. Those reports contributed so much to the prestige of the Dresdner Bank that Schacht was made an assistant director of that institution in 1908, 5/. Under his influence the Dresdner Bank developed very modern business methods, and at the time of the outbreak of World War I, was recognized as one of the most influential financial institutions of Imperial Germany, 5/. Schacht's renown in the banking field led to his appointment to a leading position in the Bankabteilung (Banking Department) of the German General Government in occupied Belgium, 5/. Schacht worked in this position from 1914-1915, 3/, 4/. His practices in exploiting the financial resources of Belgium to the detriment of that Country's national economy aroused the antagonism of the administrative heads of the General Government who as German career diplomats, were disturbed about the ruthlessness of the Pan-German banker; As a result, Schacht was finally obliged to resign from his position, 5/. In the meantime he had acquired enough personal wealth to become one of the owners of the Nationalbank für Deutschland, 3/, 4/, one of the oldest and best known German financial institutions which had lost some of its importance by too conservative methods of handling business. Schacht succeeded in restoring the position of that bank along the lines which he had developed in the management of the Dresdner Bank.

After the defeat of Imperial Germany Schacht asked for admission to the newly founded German Democratic Party. Inasmuch as he had not been a first-line politician in the Kaiserreich, membership was granted to him but was refused to Stresemann who, therefore, founded a new national-liberal party, the

Work and Political History (cont'd):

Deutsche Volkspartei, 6/. In 1922 under the impact given to German banking enterprises by the inflation, the Nationalbank merged with the Darmstädter Bank to form the: Darmstädter und Nationalbank (Danat) 3/, 4/, this bank, the Deutsche Bank, the Dresdner Bank and the Disconto-Gesellschaft became the big four commercial banks in Germany after World War I. In 1923 when the inflation reached its peak and expanded German currency to a point where the gold-mark was worth 1000 billion paper marks; the establishment of a stabilized currency then became the pre-requisite for a political and economic arrangement with the creditor-powers, whereupon the Democratic Party put the name of its financial expert, Schacht, in the foreground, 6/. In November 1923 he was appointed Reichswährungskommissar (Reich Currency Commissioner), 3/, 4/. At that time many projects for the stabilization of the German currency were discussed. Schacht claims that he was the man who actually stopped the inflation when he created the Renten-Mark, based on German real estate credit, and then gradually returned to a Mark system based on gold and foreign currency credits. There were others who always affirmed that Schacht merely carried out their own plans; this was especially true of the Social Democratic leader, Rudolf Hilferding, who was Minister of Finance in the first Stresemann Cabinet up to October 1923, 6/.

In December 1923 Schacht was appointed President of the German Reichsbank, 3/ 4/. He took a leading part in the reconversion of German economic life on the basis of foreign loans and encouraged German and foreign businessmen in the closest collaboration. But it soon became evident that Schacht was not an advocate of peace and prosperity in the framework of international solidarity. His aim was the strengthening of German economy to a point where it would become again a mighty instrument in power-politics, 6/. As far as German internal politics were concerned he became more and more remote from the democratic and republican parties of the so-called Weimar coalition. In 1926, when the leftist parties advocated a national referendum on the proposed expropriation of the former German princes, who were accused of financing efforts aiming at the overthrow of the German Republic, the Democratic Party told its adherents

(Continued)

CONFIDENTIAL

CHT, Hjalmar Horace Greeley (cont'd)

to vote according to their personal conscience. 6/ Schacht made this advice the pretext for renouncing his membership in the Democratic Party, which he accused of violating the principle of private property. 7/ In the late twenties he became the leading advocate of complete abolition of reparations and for the return to Germany of her colonies in order to give her new sources of raw materials. In 1929 when the international experts assembled in Paris to discuss changes in the payment of reparations, Schacht, as head of the German delegation, almost caused a breakdown of negotiations by stating bluntly that the Allies would have to forego reparations entirely if they wanted Germany to meet her private financial obligations. The German Government had to remove him as head of the delegation, but he participated in the conference when the Young Plan, replacing the Dawes Plan, finally went into effect, he became one of the chief anti-Young-Plan propagandists in Germany. He was also a German delegate at the Armaments conference in the Hague. In the spring of 1930 when the Reichstag voted acceptance of the Young Plan, he resigned from the position as President of the Reichsbank. From the man entrusted with the confidence of the democratic forces in Germany, he emerged into one of the prominent leaders of the so-called national opposition. His main purpose in the following years was to unite the severed parties of the German right-wing. He became an intermediary agent among them and especially a go-between Hitler, the chief of the Nazi party, and Hugenberg, the leader of the Deutschnationale (German nationalist) party. He succeeded in creating the Harzburger Front in 1931, named after a meeting of the Nazis, the Deutschnationale and the Stahlhelm (Steel helmet)-organization at this town. This meeting at which Schacht was one of the speakers was the first sign that the antagonism between the Nazis and the so-called old reaction-parties could be overcome. From that time on, the great industrialists and bankers financed the Deutschnationale and the Stahlhelm had no more scruples in joining those of their colleagues who had already extended financial aid to the Nazis. 5/ The extent of his affiliation with the Nazis was not publicly known at that time. Thus, General Schleicher in looking for a successor to Papen, thought of Schacht as a possible candidate for the chancellorship. But at that time Hitler produced a written statement to Schacht that only one man could become chancellor of Germany, Hitler himself, and that his important share in the conspiracy which succeeded in the ousting of Schleicher was the appointment of the Hitler government. Schacht ranks with Papen, Meißner, the second-leaders, Hindenburg junior, Thyssen and von Schroeder, as one of the group most instrumental in paving the way for the establishment of the Third Reich. 6/ It was Schacht's advice which induced Hitler to drop Feder and his so-called "socialist economic program" of the Nazi Party. Thereafter, German industrialists, bankers, and land-proprietors found a basis of cooperation with the Nazis.

On 17 March 1933, two weeks after the Reichstag election which gave the Hitler-Hugenberg government a majority, Schacht was again President of the German Reichsbank. 4/ Entrusted with the full confidence of the "Führer", he started immediately to create the financial and economic conditions under which Germany's re-armament and aggressive policies were to become possible. 5/, 7/ If the Hoover moratorium of 1931 followed by the conference in Lausanne 1932 put an end to the German reparations payments, Schacht now started to "free" Germany completely of payment of her foreign debts. 5, 6/ Since he used to represent Germany at the great international financial conferences of the twenties, he had substantial influence on foreign experts, especially the director of the Bank of England, Montagu Norman, whom he met regularly at the meetings of the Bank for International Payments in Basel (Switzerland). He succeeded in persuading influential international circles that he was the only man who could place Germany's economy on a sound financial basis and the only

one to prevent the Nazis from creating irreparable economic conditions. 1/ 5/ He was, therefore, tolerated by the Allies when, obviously parallel to Hitler's unilateral denunciation of international agreements in the political field, Schacht started to dictate to the foreign creditors of the Reich his Stillhalteabkommen (holding agreements) and to manipulate the German currency to the disadvantage of foreign countries who had lent funds to German enterprises. The creditor nations agreed at first to such currency manipulations because they had confidence in honest repayment, an impression which Hjalmar Schacht had known how to create abroad. 6/ Year after year thereafter, the German authorities reduced the interest on foreign loans and that part of them to be paid in foreign currency, until the transfer in foreign currency was completely abolished; the amount of that part of foreign credits was repaid instead to a newly created German "Conversion Bank." 7/ And year after year the foreign creditors acquiesced in prorogation of the Stillhalteabkommen and in reduction of the sums owed to them. They accepted so-called "scrip" of the Conversion Bank for ever-increasing parts of Germany's debts, scrip which could be spent only inside Germany and were subject to an immediate discount of 40%. 7/ To the Conversion, or blocked Marks (Spermark), other kinds of devaluated German currency were added, e.g. the Reisemark, which was to be spent by foreign tourists in Germany who bought them at a greatly reduced rate of exchange. 5/ 6/ 7/

The line of the new German economic policy became clear on 30 July 1934 when Schacht was appointed Acting Reich Minister of Economics. He succeeded the president of the Allianz-Versicherungsgesellschaft (Alliance Insurance Company), Kurt Schmitt who, in turn a year previously, had replaced the leader of the Deutschnationale, Hugenberg, as Reich Minister of Economics. Schacht immediately put the foreign commerce of the Reich on a war status, creating boards through which German importers and exporters had to ask for their quotas and the permission to obtain foreign currency if payment could not be arranged according to the barter principle or through the establishment of a blocked Mark account for the foreign business partner. 5/ 6/ 7/ In countless speeches inside Germany and abroad and in conferences with the representatives of the foreign creditors, Schacht always argued that he was most unhappy about the establishment of practical German autocracy but that the tariffs placed in the way of German exports by the foreign countries on the one hand, and the urgent need of getting the raw materials for the revived (angekurbelte) German industry on the other hand, left him no other choice. 5/ 6/ 7/ In reality the raw materials purchased on the basis of Schacht's economic policy were almost exclusively destined for Germany's rearmament and for the accumulation of stocks of goods not available in Germany in the event of war and the blockade of Germany by British sea power. 5/ 6/ 7/

The new economic policy was put in final shape by the Gesetz über Devisenbewirtschaftung (law on the control of foreign exchange) of 4 February 1935. This law subjected all dealings with foreign countries to the supervision of the Reichsbank and the special agencies created for this purpose. With the promulgation of that law the economic policy of the so-called Neuer Plan (new plan) started, and Hjalmar Schacht defined the aims of this policy by declaring that the re-won political sovereignty of the Reich should not be endangered by economic dependence on foreign countries. 8/ The New Plan led immediately to the Four Year Plan Economy (Vierjahresplan), initiated in 1936, which, for all practical purposes, put German economy on a war-time footing. 7/ But the leadership of this policy was entrusted to Göring and not to Schacht.

As long as Hitler's preparations for total war were still in an initial phase and Germany was not able to wage war, Schacht was the most valuable asset of the Third Reich. It was his job to convince the foreign countries and their governments that Germany wanted only to become self-sufficient for economic reasons and that she was an entirely peace-loving country following the leadership of a great man. When Schacht visited the United States in 1933 he tried to convince the American people that there was a direct parallel between Hitler and President Roosevelt, that both of them

had no other purpose than to regain national prosperity after a period of crisis and depression,^{7/}. When he talked to foreign statesmen, especially the British but also, for example, to Leon Blum in 1933 he did all in his power to convince these men of the peaceful aims of Germany,^{6/}.

When Hitler felt strong enough to start the actual period of aggression, Schacht's usefulness for the Nazis diminished,^{6/}. His economic principles as developed in his books, Die Stabilisierung der Mark (The Stabilization of the Mark), 1927; Eigene und geborgte Waehrung (Own or Borrowed Currency), 1927; Das Ende der Reparationen (The End of the Reparations), 1931; Grundsätze der deutschen wirtschaftspolitik (Principles of German Economic Policies), 1932; and Nationale Kreditwirtschaft (National Credit-Economy), 1934,^{4/}, were still imbued with liberal ideas. There is no doubt that he regarded his measures establishing German economic autocracy only as expedient means to make Germany fit for war,^{7/}. In the long run, Hitler preferred men like Göring and Funk at the helm of German economy. (Schacht had stated in an interview with Dorothy Thompson in 1931 that he would run German economy when the Nazis came into power,^{5/}, and had persuaded British businessmen that he did all in his power to keep the Nazis in check.

When war actually approached (1939) Schacht was replaced as Acting Minister of the Economy of the Reich and a few months later also as President of the Reichsbank by Funk. For two years, however, he remained a member of the Reich government as Minister without portfolio,^{1/},^{2/}, and was dropped without official announcement apparently only when he started to express his doubts whether Germany could win the war against a world coalition comprising the United States, the USSR and the British Empire. He was finally arrested when suspected by the Nazis of trying to establish contacts with anti-Nazi forces involved in the plot of July 1944.

As a result he was interned in a concentration camp as a prisoner of the Nazis. He was taken by American troops in the spring of 1945. The fact that Schacht fell into disrepute with the Nazis near the end of their regime does not reduce his responsibility for: 1) contributing to Hitler's rise to power, and 2) organizing the economic policy which enabled Hitler to wage war.

Sources: 1/ Wer leitet?, 1941-1942. Berlin: Hoppenstedt and Company.

2/ nationalsozialistisches Jahrbuch, 1940 and 1941.

3/ Wer ist's?, 1935.

4/ Das Deutsche Führerlexikon, 1934-1935.

5/ Current Biography, 1944.

6/ Oss, Source T.

7/ Meiden, Konrad. Der Führer. New York: Houghton Mifflin and Company, 1944.

8/ Rühle, Gerd. Das Dritte Reich, dokumentarische Darstellung des Aufbaus der Nation Hummelverlag. Berlin: 1933, 1934, 1935, 1936, 1937.

This report is a summary of such intelligence (from one or more sources as indicated) as was available at the time of preparation. It may consequently be subject to amendment by additional or more recent intelligence.