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29

TRIAL BRIEF ON HJALMAR SCHACHT

INDEX.

Page No.

A. Section of Indictment.	1
B. Legal References	1
C. Statement of Evidence.	1.
Part I. CHRONOLOGY	1.
Part II SCHACHT WAS AN ADHERENT OF HITLER AND OF THE NAZI DOCTRINE BEFORE 1933, AND HELPED HITLER TO POWER.	3.
a. Schacht meets Hitler and Goering	3.
b. Schacht is converted	3.
c. Schacht helps Hitler to power.	4.
Part III SCHACHT KNEW HITLER'S INTENTIONS FOR AGGRESSIVE WAR.	6.
A. Schacht himself was a German nationalist and expansionist.	6.
B. Schacht knew Hitler's views.	7.
C. Schacht knew Hitler's intentions were toward the East, which meant war.	7.
D. Schacht helped Hitler to acquire military strength and political bargaining power to be used against other nations.	7.
E. Schacht knew directly Hitler's intentions for aggressive war.	8.
F. His contemporaneous utterances show he knew Hitler's intention for aggression.	10.
G. The events of the period spoke Hitler's intention.	12.
Part IV SCHACHT FINANCED THE ARMED FORCES WHICH WERE HITLER'S INSTRUMENT OF AGGRESSION.	14.
a. Without Schacht's financial genius Hitler's preparations for war could not have been financed.	14.
b. Schacht's participation in the financing of armaments was voluntary.	14.
c. Schacht knew his financing of Nazi armaments was daring and risky, but he was intent on the goal.	15.
d. The extent of Schacht's contribution to Hitler's Armaments.	15.

	<u>Page No.</u>
E. The general methods used by Schacht.	16
F. The method of secret "mefo" bill (Mefowechsel) Financing.	16.
G. The limits of "mefo" bill financing.	17.
H. Schacht continued to finance armaments with "mefo" bills to the very limit.	19.
I. Schacht continued to aid the armament program after "mefo" bill financing ceased.	22.
J. The dismissal of Schacht as President of the Reichsbank.	23.
 Part V. SCHACHT ACTED AS HITLER'S SECRET FLENIPOTENTIARY FOR THE WAR ECONOMY. IN THIS CAPACITY HE WAS CHIEF OF THE "ECONOMIC GENERAL STAFF" FOR WAR PREPARATION.	 27.
A. On 21 May 1935 by top secret decree Hitler named Schacht as "General Plenipotentiary for the War Economy". (Generalbevollmaechtigter der Kriegswirtschaft).	27.
B. Schacht accepted the secret assignment which made him co-ordinate with the Minister of War in preparation for war.	27.
C. His activities. Schacht's deputies engaged in the preparation of laws for the event of war.	28.
D. Schacht's efforts to retain his position.	31.
 Part VI. SCHACHT'S ACTIVITIES AS MINISTER OF ECONOMICS AND REICHSBANK PRESIDENT WERE PRIMARILY TO MAKE GERMANY STRONG AND CAPABLE OF WAGING WAR.	 34.
 Part VII. SCHACHT RESIGNED AS MINISTER OF ECONOMICS BECAUSE OF A DISPUTE FOR POWER WITH GOERING.	 40.
 Part VIII. THE ANNEXATION OF AUSTRIA WAS THE RESULT OF SCHACHT'S ARMAMENT PROGRAM AND WAS ONE OF HIS GOALS.	 41.
A. Schacht stayed as President of the Reichs- bank through the aggression on Austria and supported it.	41.
B. Schacht fixed the rate for the conversion of schillings into marks before the aggression.	41.
C. Schacht's evasions about Austria as consciousness of guilt.	42.
D. Schacht's contemporaneous utterances.	43.
E. Schacht's admissions.	43.
F. The incredibility of Schacht's denials.	45.

	<u>Page No.</u>
<b>Part IX. SCHACHT'S ACTIVITIES AFTER HIS DISMISSAL FROM THE REICHSBANK.</b>	<b>46</b>
<b>Part X. SCHACHT'S PARTICIPATION IN THE PERSECUTION ON THE JEWS.</b>	<b>48.</b>
<b>D. Argument and Conclusion.</b>	<b>50.</b>

A. SECTION OF INDICTMENT.

1. Defendant SCHACHT is charged with

Count One - Conspiracy

and

Count Two - Crimes against Peace.

(Appendix A, "Statement of Individual Responsibility -  
Defendant Schacht - Indictment p.29).

2. Especially pertinent are the following sections of  
the Indictment:

Count One - Section IV E (Indictment, p.6)

" " - Section IV F, 1, 2, 3 (Indictment pp.7-8)

" " - Section IV, D, 3, (Indictment pp. 4-6)

B. LEGAL REFERENCES.

CHARTER OF TRIBUNAL. Section 6.



STATEMENT OF EVIDENCE

against

DR. HJALMAR SCHACHT

I. THE CHRONOLOGY.

- A. Schacht was recalled by Hitler to the Presidency of the Reichsbank on March 17, 1933.  
Ec.No. 395.
- B. Schacht was appointed by Hitler acting Minister of Economics in August 1934
- C. By secret decree Schacht was appointed General Plenipotentiary for the War Economy in May 1935.
- D. Schacht was re-appointed for one year as President of the Reichsbank on 16 March 1937.  
Ec.No. 394.
- E. Schacht resigned as Minister of Economics, November 1937.  
Ec.No. 399.
- F. Schacht was appointed Minister without Portfolio at the same time.  
Ec.No. 396.
- G. Schacht was re-appointed for a four year term as president of the Reichsbank on 9 March 1938.  
Ec.No. 393.
- H. Schacht was dismissed as President of the Reichsbank on 20 January 1939.  
Ec.No. 398  
with the thanks of Hitler.
- I. Schacht was dismissed as Minister without Portfolio in January 1943.

J. Schacht was awarded honorary membership in the Nazi Party and the Golden Swastika on 30 January 1937.

Re.No.

K. Schacht was arrested by the Gestapo on 23 July 1944.

L. Schacht was found in a German prison camp by U.S. Forces in May 1945.

II. IS AN ADHERENT OF HITLER AND OF THE  
NAZI DOCTRINE BEFORE 1933, AND HELPED HITLER  
TO RISE.

Indictment IV, A.

a. Schacht meets Hitler and Goering.

Schacht first met Goering in December 1930 when he accepted an invitation of von Staues of the Deutsche Bank for the purpose of meeting Goering. There the German financial situation and its economic difficulties were discussed.

Interrogation of Schacht, 17 October 1945, page 58.

On 5 January 1931 Schacht met Hitler at Goering's house.

~~Ac.No.~~ Interrogation of Schacht, 17 October 1945, page 58.

Fritz Thyssen was also present and Hitler elaborated on his National Socialist program.

b. Schacht is converted.

Even before meeting Hitler and Goering, Schacht had stated publicly that no German Government could afford to disregard the 20 per cent of its population which was National Socialist.

~~Ac.No.~~ Interrogation of Schacht, 17 October 1945, page 59.  
concerning his speech to the Bavarian Peoples' Party.

~~Ac.No.~~ ; Speech to Bavarian Peoples' Party, Frankfurter Zeitung, 8 August 1930.

When Schacht left Goering's house after meeting Hitler he thought "Hitler was a man with whom one could co-operate", and that "if his ideas, which he developed that night were backed by a big party, and it seemed to be, I thought that one could join that group for public purposes."

~~Ac.No.~~ ; Interrogation of Schacht, 20 July 1945, page 24.

He became interested in becoming a co-worker of Hitler when he saw that Hitler had a mass party that was likely to take power.

~~EC No.~~ Interrogation of Schacht, 17 October 1945, page 59.  
He became a supporter of Hitler's coming to power during 1931 and 1932.

~~EC No.~~ , Ibid, page 58.

He told Funk late in 1931 or early in 1932 "that he had joined the Party as he was convinced that the NSDAP would soon be in control of Germany"

~~EC No.~~ Statement of Walther Funk, 28 June 1945, page .

He received the hall-mark of approval from Goebbels himself.

On 29 November 1932 Goebbels noted in his diary: "In a conversation with Dr. Schacht I assured myself that he absolutely represents our point of view. He is one of the few who accepts the Fuehrer's position entirely."

~~EC~~ , Von Kaiserhof Zur Reichskanzlei, Muenchen 1934, page ;  
~~EC~~ , Interrogation of Schacht, 17 October 1945, page 60.

c. Schacht helps Hitler to power.

In the Spring of 1931, in Denmark, Schacht in a speech on reparations and the Versailles Treaty, praised Hitler.

Schacht's beliefs in 1931 already foreshadowed the Fuehrer principle. In 1931, in "The End of Reparations"

~~EC~~ No. 415, "Schacht in seinen Aeusserungen - "Schacht in His Utterances, Berlin, 1937, page 29.

he declared: "The masses lack initiative which necessarily originates within the individual. That is why the masses are always willing to follow a leader personality."

The "master race" theory as well was couched by Schacht in 1932 as follows: "Only when a nation values her own ability and efforts as something valuable and when it sets its own cultural values above all others, is it able to add something worthwhile to international, peaceful, cultural co-operation."

~~EC~~ No. 416, Schacht, "Principles of German Political Economy" Ibid, page 21.

At the crucial political moment in November 1932 Schacht stated publicly that he expected Hitler to come to power.

No. , Interrogation of Schacht, 17 October 1945, page 59. He knew such a declaration might re-assure conservative circles abroad.

No. , Ibid, pages 60-1.

After Hitler's poor showing in the July 1932 elections Schacht wrote Hitler on 29 August 1932 pledging his support and urging Hitler to be of stout heart. "Your movement is carried internally by so strong a truth and necessity that victory in one form or another cannot elude you for long."

No. , Serial C.115/MMS 4.

Schacht worked on behalf of Hitler with leading bankers and industrialists, including von Stauss of the Deutsche Bank and Schmitt and Hilgard of the Allianz Insurance Corporation and the Munich Reinsurance Corporation.

No. , Statement of Walther Funk, 28 June 1945, page . Schacht organised the financial means for the decisive March 1933 election at a meeting at Goering's house at which Hitler spoke to the industrialists. All the prominent industrialists and bankers were present. Several million marks were raised as a campaign fund. It was Schacht who took up the collection.

No. , Interrogation of Schacht, 20 July 1945, page 28.

No. , Statement of Funk, 28 June 1945, page .

No. , Statement of von Schmitzler,

Although SCHACHT maintains that he never was formally a member of the Nazi Party, his biographer points out "it was certainly a question of minor importance whether he should join the Party organisation. By not joining it he was able to aid the Party more, at least until its final victory, than by becoming a member of the Party".

Franz Reuter; "SCHACHT", Deutsche Verlags-Anstalt 1937, page 114.

### III. SCHACHT KNEW HITLER'S INTENTIONS FOR AGGRESSIVE WAR.

#### Indictment Counts I and II.

Schacht did much from 1933 to January 1939 to furnish Hitler with the means of his aggression. His knowledge of Hitler's intentions is in issue.

#### A. Schacht himself was a German nationalist and expansionist.

1. He spoke against the Treaty of Versailles.

Ex. No. 415, Speech, 16 July, 1936, at Hamburg in Schacht in Seinen Aeusserungen (1937) page 132;

Ex. No. 415, Stabilization of the Mark, Stuttgart, 1927, cited in Schacht in Seinen Aeusserungen (1937) page 129.

2. He was an advocate of the necessity of Lebensraum for the German people.

Ex. No. 415, Lecture, 9 Dec. 1936 before Assn. for Geography & Statistics, in Schacht in Seinen Aeusserungen (1932) page 144.

"No great nation willingly allows its standard of living and culture to be lowered, and no great nation accepts the risk that it will go hungry"

Ex. No. , Foreign Affairs, January 1937.

Schacht stated in Paris in 1929: "Germany can generally only pay if the Corridor and Upper Silesia will be handed back to Germany from Polish possession and if besides somewhere on the earth colonial territory will be made available to Germany".

Ex. Interrogation of Schacht, 24 August 1945, page 84.

In his American lectures in 1930 Schacht, although emphasizing colonies stressed: "that it would be necessary to give Germany some economic outlet of her own".

Ex. Interrogation of Schacht, 23 July 1945, page 55.

3. He was in favour of an Anschluss with Austria.

4. He believed that Germany must assume "its rightful position as one of the Armed Powers of Europe".

Ex. Interrogation of Schacht, 13 October 1945, page 19.



**B. Schacht knew Hitler's views.**

SCHACHT early read "Mein Kampf".

~~Mr.~~ Interrogation of Schacht, 26 September 1945, page 15;  
~~Mr.~~ Interrogation of Schacht, 13 October 1945, page 2.

**C. SCHACHT knew HITLER'S intentions were toward the East, which meant war.**

SCHACHT knew that HITLER'S intention was directed towards the East. He knew that unless HITLER could be diverted it meant war.

~~Mr.~~ Interrogation of Schacht, 13 October, 1945, page 1.  
He knew that there was no territory in the east which could be won without going to war. That was his opinion "all the time".

~~Mr.~~ Interrogation of SCHACHT, 13 October 1945, page 5.  
He thought it necessary to try to divert HITLER'S attention from the East. This diversion was on SCHACHT'S suggestion to be a colonial acquisition by the Reich. HITLER in the early discussions was "not enthusiastic, and not very much interested", in a colonial solution.

~~Mr.~~ Interrogation of SCHACHT, 13 October 1945, page 2.  
HITLER'S intentions towards the East SCHACHT knew "as early as 1932"

~~Mr.~~ Interrogation of SCHACHT, 13 October 1945, page 1.

**D. SCHACHT helped HITLER to acquire military strength and political bargaining power to be used against other nations.**  
**Indictment IV, F, 1.**

Knowing the dangers of war if HITLER could not be "diverted", he helped create a powerful armed force for HITLER. His purpose, by his own admission, was to make Germany strong enough in armament to prevent the Powers from interfering with HITLER'S plans, vis-a-vis particular smaller countries. HITLER had a "free hand" to deal with SCHUS<sup>C</sup>INIGG because he had a

Wehrmacht; for if he had not, England and France might have intervened.

Ex. Interrogation of SCHACHT, 17 October 1945, pages 71-2.  
It was the Wehrmacht SCHACHT had created that enabled HITLER to effect the acquisition of AUSTRIA.

EC. No. 297 Speech of SCHACHT to the Employees of the former Austrian National Bank at VIENNA, 21 March 1938.

SCHACHT similarly took credit for the means he had created for the furtherance of the foreign policy which had effected the acquisition of the SUDETENLAND.

EC. No. 423 Speech by SCHACHT, 29 November 1938: "Finance Miracle and the New Plan";

~~XXX. XXXXXXXXXXXX~~

The purpose of rearmament was later stated by SCHACHT:  
"The Reichsbank was clear from the beginning that foreign policy successes could be attained only on the ground of the re-creation of the German Armed Forces. It therefore took upon itself a far reaching financing of the armament despite the dangers that lay within it to the currency policy. Justification therefore lay in the necessity ..... immediately to create armament which would make possible a foreign policy commanding respect".

EC. No. 369 Memorandum of Reichsbank Directorate signed by SCHACHT to HITLER, 7 January 1939.

This statement makes it clear that SCHACHT never intended to create the Armed Forces for defence alone but at least "for foreign policy successes."

E. SCHACHT knew directly HITLER'S intentions for aggressive war.

1. From his numerous talks with HITLER from 1933 to 1937 SCHACHT believed "in order to make his hold and Government secure, the Fuehrer felt that he must present the German people with a military victory."

Ex. Interrogation of SCHACHT, 9 July 1945, page 6.

2. He talked to HITLER about war problems, for example, the need for gold during war.

Ex. Statement of Blomberg, 12 October 1945, page 13.

3. SCHACHT continued to serve HITLER'S purpose although his "first moral doubts about HITLER originated in 1934"

Ex. Interrogation of SCHACHT, 16 October 1945, page 21.

4. It was SCHACHT'S opinion that "any over-doing of armaments contains the danger of war in itself."

Ex. Interrogation of SCHACHT, 16 October 1945, page 3.  
In the same year "his doubts about the over-doing of the German economic and financial strength originated.

Ex. Interrogation of SCHACHT, 16 October 1945, page 21  
Yet he continued until January 1939.

5. In 1936, not only did SCHACHT have doubts about the over-doing of armaments, but he was explicitly told by GOERING as early as September 1936 that HITLER considered war with the USSR inevitable.

✓ EC.No. 411 Minutes of Meeting, 4 September 1936.

With SCHACHT'S knowledge of HITLER'S intentions towards the east he knew HITLER would be the aggressor, and yet he continued.

6. He continued in an atmosphere of mounting tension and talk of war. The meetings presided over by GOERING in 1936 dealt with war as a major problem. Thus, SCHACHT heard GOERING state at the meeting of 27 May 1936 that "all measures have to be considered from the point of view of a safe conduct of war."

Ex.No.220.

At the same meeting the question was raised of "mobilisation requirements" and whether certain German manufacture "should start in peacetime or whether it would be more desirable to keep a reserve."

Ex.No.220.

He heard GOERING stress at the 24 May 1936 meeting that there was no longer time to wait for new methods and that facts were

needed on the "requirements in case of war".

EC No. 220.

At the 4 September 1936 meeting, GOERING asked rhetorically what sort of risk it was that our industry fears compared to the risk in the field of foreign affairs which the Fuehrer ran so continuously. GOERING pointed out that "all measures have to be taken just as if we were actually in the stage of imminent danger of war". He pointed out that "if war should break out to-morrow we would be forced to take measures from which we might possibly still shy away at the present moment. They are therefore to be taken". Specifically GOERING noted that Dr. GOERDLER had presented a memorandum which was "absolutely useless" because "in addition to many other erroneous thoughts it contains the proposal of considerable limitation of armaments". The extreme urgency was manifested by GOERING'S remark that "existing reserves will have to be touched for the purpose of carrying us over this difficulty until the goal ordered by the Fuehrer has been reached; in case of war they are not a reliable backing in any case".

That Summer SCHACHT was told explicitly of the urgency of the situation when BLOMBERG passed to him personally an instruction quoting HITLER to the effect that all formations of the Air Force were to be ready by 1 April 1937.

✓ 1301  
PS No. 7 BLOMBERG to GOERING, 21 August 1936.

F. His contemporaneous utterances show he knew HITLER'S intention for aggression.

1. As early as 1934 SCHACHT gave the impression to a competent diplomat that he was helping maintain a regime in which in many respects he was not in sympathy "and the dangers of whose policies for Germany and for the quiet of the world he

thoroughly understands.

No. L-120, MESSERSMITH to PHILLIPS, 13 April 1934.

2. He told Ambassador DODD in September "that the HITLER party is absolutely committed to war, and the people, too, are ready and willing".

DODD'S Diary, pages 175-7.

SCHACHT, in 1935, told a representative of the UNITED STATES Department of State that they would get colonies through negotiation if possible but, if not, "we shall take them".

No.L-127, 23 September 1935.

3. In March 1937 when he already had grave technical doubts about direct further Reichsbank financing of armaments he agreed to give HITLER another 3 billion Reichsmarks. (see *infra*). His awareness of HITLER'S intention, SCHACHT made explicit in that same year. In January 1937 before his granting the armament credit to HITLER, SCHACHT told Ambassador DAVIES that the present condition of GERMANY was intolerable and that he had been authorized to submit proposals to FRANCE and ENGLAND which would assure peace in return for a colonial cession.

No. L-111, DAVIES to Secretary of State, 20 January 1937.

Interrogation of SCHACHT, 13 October 1945, page 4.

The inference was clear, that without a colonial cession he could not "assure peace". Equally clear was the inference that it would be GERMANY in its search for alternative Lebensraum that would disturb the peace, and that aggression against GERMANY was not in issue.

4. By November 1937 SCHACHT is telling Ambassador BULLITT that HITLER is determined to have AUSTRIA and at last autonomy for the Germans of BOHEMIA.

L-151, BULLITT to Secretary of State, 23 November 1937.

Interrogation of SCHACHT, 17 October 1945, pages 5-6.

SCHACHT admitted that he knew in 1937 that HITLER still had at least limited goals, namely AUSTRIA and the SUDETENLAND. The intent of his statement to BULLITT was that the UNITED STATES might be helpful in an understanding with CZECHO-SLOVAKIA, with a clear under-standing conveyed by SCHACHT that HITLER was intent on his goal.

Interrogation of SCHACHT, 17 October 1945, page 8.

At the time SCHACHT spoke to BULLITT there were in his mind and conscience the fact that, during the very time, preparations were being made with respect to mobilisation, that secret papers were being passed about from one Minister to another for the event of war, that there was already a tension in EUROPE and that there were statements and declarations by the Powers with respect to guaranteeing integrities and all the implications that we knew from the last war that were a prelude to set the stage. (Ibid pages 9-10). And this only eight months after SCHACHT'S new armament credit to HITLER, and only four months after SCHACHT'S determined fight to maintain his position as Plenipotentiary for the War Economy in the event of war. (See infra, Section V, D).

5. In December 1937, DODD recorded a summary of a conversation as follows: "Much as he, SCHACHT, dislikes HITLER'S dictatorship, he, as most other eminent Germans, wishes annexation without war, if possible, with war if the UNITED STATES will keep hands off."

DODD'S Diary. pages 446-7.

G. The events of the period spoke HITLER'S intention.

1. SCHACHT was a close collaborator of HITLER and a member of the Cabinet during the period of the Nazi outrages in AUSTRIA, the introduction of conscription, the march into the RHINELAND, the overthrow of the Republican Government of SPAIN, the conquest of AUSTRIA and the acquisition of the SUDETENLAND by a show of force.



2. It was a period of mounting armaments during which the Reich debt tripled from 12.5 billion RM in the beginning of 1933 to 35.8 billion RM as of June 30, 1938.

NO. EC. 419 Letter of von Krosigk to HITLER, 1 September 1938.

It was a period during which armament expenditures rose from three-quarters of a billion RM annually to 11 billion RM in 1937 and 14 billion RM in 1938. (Ibid). It was the period in which 35 billion RM were spent on armament. It was a period during which only a "daring credit policy" and great sacrifice and "engagement of the last reserves" permitted the armament goal to be reached.

Ec.No. 379, Minutes of Council of Ministers, 15 May 1936.  
Statement of Schacht, 23 October, 1945, pages 7-8.

3. It was the period when HITLER was taking great risks in foreign policy.

GOERING at Council of Ministers; Minutes of 4 September 1936.

4. Speed was the tempo of preparations. (Ibid).

IV. SCHACHT FINANCED THE ARMED FORCES WHICH WERE  
HITLER'S INSTRUMENT OF AGGRESSION.

Indictment: IV, E; IV, F, 1 and 2.

A. Without SCHACHT'S financial genius HITLER'S  
preparations for war could not have been financed.

Statement of BLOMBERG; 12 October 1945, pages 11-12.  
Ec. No. 383, Militaer Wochenblatt, 22 January 1937.  
Interrogation of SCHACHT, 17 October 1945, pages 61-2.  
Affidavit of NESSERSMITH, 23 August 1945 (to be re-done);  
EC.397 HITLER to SCHACHT, 19 January 1939.

B. SCHACHT'S participation in the financing of  
armaments was voluntary.

1. His purpose was as large armament as possible. SCHACHT  
stated early in a secret memorandum "that the accomplishment  
of the armament program with speed and in quantity is the  
problem of German politics, that everything else therefore  
should be subordinated to this purpose, as long as the main  
purpose is not imperilled by neglecting all other questions".

No. EC. 1417. Memorandum of SCHACHT to HITLER, 3 May 1934,  
"Financing of Armament", identified by SCHACHT  
as Exhibit A, October 16, 1945, page 40;  
No. EC. 293 SCHACHT to BLOMBERG, 21 December 1935.

In a personal letter to General THOMAS he wrote: "I have  
always considered a rearmament of the German people as  
condition sine qua non of the establishment of a new German  
nation."

Ec.No.257, 29 December 1937.

2. He secretly financed Armaments before 1935.

Indictment: IV, F, 2a.

Even before the public announcement by HITLER of German  
rearmament on March 16, 1935, SCHACHT was instrumental in  
secretly financing the rearmament program.

No. EC 4172. Interrogation of GOERING, 17 October 1945, page 1  
Interrogation of BLOMBERG, 12 October 1945, page 2.

3. He was not coerced by Hitler. At the beginning SCHACHT  
had the power to refuse to finance rearmament had he chosen to

do so. He "could have stopped preparations and there would not have been any rearmament".

Interrogation of SCHACHT, 26 August 1945, page 109. He could have refused further financing of armaments "at any time" (Ibid, page 116).

C. SCHACHT knew his financing of Nazi armaments was daring and risky, but he was intent on the goal.

In 1934 and 1935 the German economy could by no possibility have raised funds for an extensive rearmament program through taxes and public loans. The whole of SCHACHT's armament financing involved a "daring credit policy" Ec.No.423, Speech of Schacht, 29 November 1938. "From the outset" it meant "the engagement of the last reserves. Ec.No.379, Minutes of Council of Ministers, 13 May 1936. In the words of SCHACHT his own financing of armaments was an "ingenious and risky structure which the Reichsbank had organized".

EC.NO. 369 Memorandum by Reichsbank Directorate to Hitler, 7 January 1939.

The risk was taken "in spite of the inherent dangers to the currency". (Ibid).

D. The extent of SCHACHT'S contribution to HITLER'S Armaments.

More than one-third of the total expenditures for German rearmament in the period from 1933 to June 1938 was financed directly by the Reichsbank. The total amount expended during this period was approximately 35 billion RM. This sum was raised as follows:

- 1) 15 billion RM from taxes
- 2) 8 billion RM from loans
- 3) 12 billion RM from direct financing of the Reichsbank through "mefo" bills.

Ec.No.419, VON KROSIGK to HITLER, 1 September 1938.  
Ec.No.430, Interrogation of SCHACHT, 3 September 1945, page 2.

E. The general methods used by SCHACHT.

1. SCHACHT, in his own words, "mastered this enormous financing by ruthlessly concentrating all liquid assets of the banks and industry at the Reichsbank"

Ec.No.430, Interrogation of Schacht, 3 September 1945, page 4.

a) His "ruthlessness" included investment by the Reichsbank in armament notes of Reichsmarks belonging to foreigners. As SCHACHT boasted: "Our armaments are also financed partly with the credits of our political opponents".

No. EC. 417 Memorandum of Schacht to HITLER, 3 May 1935.

b) The methods he used (other than the direct Reichsbank financing of armament bills) are discussed under section VI.

F. The method of secret "mefo" bill (Mefowechsel) Financing.

1. Parallel with the methods enumerated, the Reichsbank under SCHACHT participated in the direct secret financing of armaments to the extent of 12 billion RM through the so-called "mefo" bills.

Interrogation of Schacht, 13 October 1945, page 8.  
Affidavit of VON KROSIGK, 24 September 1945, pages 2-3.

2. The use of the "mefo" bills for the rearmament program was the suggestion of SCHACHT.

Affidavit of Puhl, 2 November 1945.  
Affidavit of VON KROSIGK, 24 September 1945, page 2.

3. The "mefo" bills were drawn by the armament contractor and accepted by a limited liability company called the Metallurgische Forschungsgesellschaft, m.b.H. (Mefo). This Company had a nominal capital of 1 million RM and it was thus really a dummy organisation. These bills ran for six months with extensions running for three months each consecutively. The total life of these bills varied and in some instances was five years. The Reichsbank could discount the original bill at any time within three months of the first maturity. The bills were, in effect, guaranteed by the Reich.

Affidavit of Puhl, 2 November 1945.  
Ec.No.418, "Mefo" Circular.  
Ec.No.430, Interrogation of Schacht, 3 September 1945, page 3.

4. The "mefo" bills were used exclusively for financing armaments and for no other purpose.

Affidavit of FUHL, 2 November 1945;  
Ec.No.418, "Mefo" Circular,  
Ec.No.430, Interrogation of Schacht, 3 September 1945, page

5. The method of the "mefo" bills ensured secrecy during the first years of the rearmament program and figures showing the extent of rearmament which would have become public through the use of other methods could be kept secret through the use of "mefo" Bills.

Affidavit of FUHL, 2 November 1945.

They did not appear in the reports of the Reichsbank (Annual Reports of the Reichsbank, 1935-1938). By definition, they were outside the Reich Budget.

6. This financing of armaments by the Reichsbank through its discounting of "mefo" bills enabled the Reich to obtain credit from the Reichsbank which under the statutes it could not obtain. Direct lending to the Government by the Reichsbank was limited by statute to 100 millions RM

RGBl

Thus, by the method of the "mefo" Bills SCHACHT used "a device which in effect enabled the Reichsbank to lend by a subterfuge to the Government what it normally or legally could not do".

Interrogation of SCHACHT, 16 October 1945, page 27.

G. The limits of "mefo" bill financing.

1. The "mefo" bill system continued to be used until April 1, 1938. By this time 12 billion RM of "mefo" bills for the financing of rearmament had been issued. In March, 1938, SCHACHT announced a new financing plan.

Affidavit of FUHL, 2 November 1945.

There were two reasons for discontinuing the financing of rearmament by "mefo" bills:

a) By the Spring of 1938 it was no longer considered necessary to keep secret the progress of German rearmament.

Affidavit of PUHL, 2 November 1945.

(Indeed, HITLER was by then using the Armed Forces as a threat, and exaggeration of their size would have served his purpose).

b) The rearmament boom had reached such proportions by the Spring of 1938 that it became possible to raise sums by taxation and by the sale of long term Government securities which could not have been raised in 1935.

Affidavit of PUHL, 2 November 1945.

2. It had always been understood that a point would be reached when "mefo" financing would be superseded by alternative methods of financing.

Affidavit of VON KROSIGK, 24 September 1945, page 4;  
Affidavit of PUHL, 8 November 1945;  
Ec.No.423 Speech of SCHACHT, 29 November 1938.

Such alternative methods would be increased government loans and increased revenue from taxes.

Affidavit of PUHL, 8 November 1945.  
Affidavit of VON KROSIGK, 24 September 1945, page 2.

Such alternative measures would naturally follow upon a period of stimulated production and employment.

Affidavit of PUHL, 8 November 1945;  
Ec.No.423, Speech of SCHACHT, 29 November 1938.  
Ec.No.369, Memorandum of 7 January 1939 by Reichsbank Directorate to HITLER.  
Interrogation of SCHACHT, 16 October 1945, page 24.

It was understood that industry would be better able to bear a heavy burden of taxation and that the savings of the nation during a period of mounting prosperity, particularly with a severe limitation on available consumer goods because of emphasis on armament production, would be increased and thus made available for public lending.

Ec.No.419 Letter, VON KROSIGK to HITLER, 1 September 1938.



3. It was also clearly understood that there was an upper limit to "mefo" financing which would be reached with full employment.

Affidavit of VON KROSIGK, 24 August 1945, page 2;  
Affidavit of FUHL, 8 November 1945;  
Ec.No.379, Minutes of Council of Ministers, 15 May 1936.

Increased credit expansion would, in that event, not result in increased production.

4. The danger of inflation through the use of this method was always present. Amounts of "mefo" financing had been fixed accordingly.

Statement of BLOMBERG, 12 October 1945, page 4.

The pressure on the Reichsbank to discount these bills would increasingly cause an increase in the bank note circulation.

Affidavit of FUHL, 8 November 1945.  
Ec.No.379 Minutes of Council of Ministers, 15 May 1936;  
Ec.No.429 Letter of VON KROSIGK to HITLER, 1 September 1938.

H. SCHACHT continued to finance armaments with "mefo" bills to the very limit.

1. In 1936 SCHACHT says, he, himself, felt that the rearmament was pushed beyond the limits he approved. The danger of inflation was freely discussed during that year at meetings of the Council of Ministers. As early as May 1936 KROSIGK while denying that there was already an inflation was pointing out "the danger that short term drafts can no longer be placed so that a flooding of the Reichsbank with "mefo" drafts would then result in increased bank note pressure.

Ec.No.379, Minutes of Council of Ministers, 15 May 1936.

SCHACHT at that time realized that the Reichsbank held in portfolio 3.7 billion RM of "mefo" drafts and that "over 5 billions" were so situated that they may be presented at any time in case of a perturbation of the money market resulting from any measures". (Ibid). ~~XXXXXXXXXXXXXXXXXXXX~~

~~Minister of War at the end of 1935 of the impossibility of continuing the armament program through the same financing methods as were then employed, namely, the investment by the Reichsbank in armament bills of exchange.~~

~~XXXXXXXXXXXX Letter of December 24, 1935.~~

The Board of the Reichsbank for a year or two before "mefo" bill financing was actually stopped felt that the limit had been reached.

Affidavit of PUHL, 8 November 1945.

~~Nevertheless~~ SCHACHT admits that as early as 1936 some directors opposed further "mefo" bill financing.

Interrogation of SCHACHT, 17 October 1945, pages 55-6. Nevertheless, in March 1937, SCHACHT continued to take the risk of further financing of armaments by the "mefo" bill method, pledging to HITLER another 3 billion RM.

By March 1937 9 billion RM of "mefo" bills had been issued.

Affidavit of PUHL, 8 November 1945.

Those outstanding - at least 5 billion RM

Ec.No.379

represented a threat to the stability of the currency because all the outstanding bills could be tendered to the Reichsbank for discount, in which case the currency circulation would automatically have to be increased. And SCHACHT knew that HITLER was still planning for increased armaments to the amount of 8 to 9 billion RM for the year 1937.

Ec.No.379

2. SCHACHT asserts he refused to accept another four year term as president of the Reichsbank on "technical" objections to any further "mefo" bill financing. Yet on HITLER'S request he states he agreed to finance another 3 billion RM and accepted a re-appointment for a one year term. The agreement he made with HITLER was not made by the Reichsbank Board but by SCHACHT himself.

Affidavit of PUHL, 8 November 1945.

VON KROSIGK states that SCHACHT'S reluctance to take a four year term in 1937 was based on his conflict with GOERING.

Affidavit of VON KROSIGK, 24 September 1945, page 3.

It is, thus, clear that SCHACHT knew the dangers of the course he continued to pursue but "nevertheless continued to work because he has unchangeable fidelity to the Fuehrer, because he fully recognises the basic ideas of National Socialism and because, ultimately, the disturbances were to be regarded as irrelevant when measured by the great task."

Ec.No.379, Minutes of Council of Ministers, 15 May 1936, discussed by SCHACHT.

3. SCHACHT's desire was to keep the economy in such shape as to sustain the strong armament program. His fears were always technical, lest the economy break down by unavailability of foreign exchange for raw materials needed for armament or by the beginning of an inflation which would ruin the economy without increasing production.

Interrogation of GOERING, 17 October 1945, page 13.

Thus, he trimmed and hedged, always over-extending himself as an expert because of his enthusiasm for HITLER's policies. For example, his agreement in March 1937 to give HITLER 3 billion RM additional in the way of "mefo" financing is almost simultaneous with a letter he wrote to GOERING on 2 April 1937 suggesting a "temporary diminution of armaments" to increase reserves of foreign assets for a later resumption of full scale armament.

Ec.No.286.

The emphasis was clearly on a "temporary" reduction for SCHACHT is careful to explain the advantages to be derived from such a temporary postponement in ultimately stronger armaments and a better trained Army and technical improvements.

Ec.No.286.

And in similar vein his request that HITLER be warned not to proclaim a self-sufficiency program publicly, speaks of the "necessary transitional period".

Ec.No.294. (Thomas' Memorandum, 2 September, (1936?) ).

4. When the end of "mefo" financing was in sight in March 1938 SCHACHT participated in the discussions of plans for the further financing of armaments.

Affidavit of VON KROSIGK, 24 September 1945, page 3.  
In March, 1938, SCHACHT himself made the first public announcement of the new methods. He now takes the position that he refused further monies for armament to Hitler upon principle. It is clear, however, that by March 1938 all the experts were agreed that alternative methods of financing should now be instituted. The "mefo financing" was, as HITLER later wrote to SCHACHT, "the first epoch of rearmament".

Sc.No. 397, HITLER to SCHACHT, 19 January 1939

and this was always so understood.

5. SCHACHT denies his participation in discussions of alternative methods of financing.

Interrogation of SCHACHT, 26 September 1945, pages 8-9.

This assertion of SCHACHT<sup>is</sup> denied both by KROSIGK and KEITEL.

Interrogation of KEITEL, 13 October 1945, pages 1-3  
Affidavit of KROSIGK, 24 September 1945, page 3.

It is, of course, simple to infer that the President of the Reichsbank would participate in such discussions of alternative methods of financing. SCHACHT's denial is significant, however, as evidencing the length to which he now goes to disassociate himself from matters in which he obviously was concerned.

I. SCHACHT continued to aid the armament program after "mefo" bill financing ceased.

SCHACHT has maintained that from April 1, 1938, he did not participate any further in aiding HITLER's armament program. This is not the precise fact: (1) the Reichsbank continued to act as Fiscal Agent for the Treasury issues which by agreement, were to supersede the "mefo" bill financing. In January, 1939,

SCHACHT was still actively participating in financing rearmament.  
Ec.No. 369, Telegram, SCHACHT to HITLER, 7 January 1939.

(2) SCHACHT permitted without protest, the further discounting by the Reichsbank of outstanding "mefo" bills with the result that the bank note circulation was substantially increased.

Affidavit of FUHL, 8 November 1945.

By continuing this financing the Reichsbank made available additional credit to armament manufacturers which saved the Treasury from expending equivalent amounts in cash. It is significant to note that the bank note circulation rose from 5.6 billion RM on 1 January 1938 to approximately 8 billion RM by the end of the year.

Annual Report of the Reichsbank 1938, page .

(3) SCHACHT approved the new financing plan of March, 1938, including the issue of "delivery bills" eligible for Lombard loans at the Reichsbank, and of which 3 billion RM (the same amount as the "mefo" bills in 1937) were issued from April to October 1938.

EC 431 No. 10th Annual Report, Bank of International Settlements, pages 111-112.

J. The dismissal of SCHACHT as President of the Reichsbank.

1. The final chapter to the "first epoch of rearmament" in HITLER's phrase, was the dismissal of SCHACHT as President of the Reichsbank on 20 January 1939.

Ec.No. 398.

The occasion was the presentation of a memorandum by the entire directorate of the Reichsbank to HITLER urging a balancing of the budget in view of the serious danger of inflation that then threatened.

Ec.No. 369. 7 January 1939.

The arguments in this memorandum were no different from those SCHACHT had been making since 1936. KROSIGK states: "All the reasons I heard from SCHACHT as regards rearmament were always technical or economic reasons."

Affidavit of KROSIGK, 24 September 1945, page 6.

The basis was clearly a technical concern for the currency and a fear of inflation. It was SCHACHT's view that inflation was imminent and that an increase in the bank note circulation could not increase production.

Ec.No.369.

Thus, the Reichsbank Directors, as experts on money, believed that a point had been reached where higher production of armaments was no longer possible. This was also the judgment of the Finance Minister, who had written to HITLER 1 September 1938: "The printing of money without a corresponding production increase is self-deception".

Ec.No.419.

That was a judgment on the situation and not a moral principle. This is evident from the argument that the inflationary process could not achieve greater production but would merely raise the prices of goods and services.

2. The basic thoughts in the memorandum had been the subject of long discussion in the Reichsbank. These discussions took place a year or two before the end of "mefo" financing in April 1938, which places these discussions as having taken place in 1936 and 1937.

Affidavit of PUHL, 8 November 1945.

But SCHACHT had voluntarily taken the risk. The particularly serious inflationary situation that was developing in 1938 had caused several directors of the Reichsbank to urge SCHACHT months before January 1939 to make appropriate representations to HITLER.

Interrogation of SCHACHT, 17 October 1945, page 55.



3. This potential inflationary situation had, in SCHACHT's opinion, become acute by the end of 1938. But it was a situation that had in large part been created by SCHACHT's own "daring credit policy". The leitmotif of SCHACHT's conversations with his directorate was his desire personally to get out of a bad situation.

Affidavit of PUHL, 8 November 1945.

In substance, SCHACHT, himself, had created the situation under which 6 billion RM of "mefo" bills outstanding could, upon any severe pressure on the money market, be presented to the Reichsbank for discount. He had created the

situation where in 1939 3 billions of these "mefo" bills would mature and require re-payment or refunding.

Ec.No.369, Memorandum of 7 January 1939.

SCHACHT was, thus, in the position of a bankrupt who was about to be caught up with by his creditors. It was time to go before the collapse he predicted took place. SCHACHT stimulated his dismissal cleverly. In addition to presenting the memorandum of 7 January 1939 he had also refused an end of the month loan of several hundred million RM to the Finance Minister. This was quite captious. Such accommodations to the Reich Government were customary.

Affidavit of VON KROSICK, 24 September 1945, page 4.  
Interrogation of GOERING, 17 October 1945, page 12.

The action was an invitation to dismissal, a dismissal sought by SCHACHT to escape the sinking ship. GOERING says this is why SCHACHT was dismissed, not because of refusing to participate further in rearmament.

Interrogation of GOERING, 17 October 1945, page 12.

Upon his dismissal HITLER thanked SCHACHT for his great services he had rendered to GERMANY and to HITLER personally during long and difficult years. The Armed Forces by now had enabled HITLER to take AUSTRIA and the SUDETENLAND, and were

almost ready to take POLAND. SCHACHT's task had been well done. In the words of HITLER, "Your name, above all, will always be connected with the first epoch of national rearmament".  
Ec.No.397, HITLER to SCHACHT, 19 January 1939.

SCHACHT had well implemented the Law For the Organisation of the Armed Forces, of which he was one of the signers.

Law of 16 March 1935, RGEL, 1935, I, 375.

V. SCHACHT ACTED AS HITLER'S SECRET PLENIPOTENTIARY FOR THE WAR ECONOMY. IN THIS CAPACITY HE WAS CHIEF OF THE "ECONOMIC GENERAL STAFF" FOR WAR PREPARATION.

Indictment: IV, E.

A. On 21 May 1935 by top secret decree Hitler named Schacht as "General Plenipotentiary for the War Economy" (Generalbevollmaechtigtter der Kriegswirtschaft).

Top secret letter of Blomberg, 24 June 1935, Ec. No. 10. The nomination was pursuant to the secret Reichs Defense Law of 21 May 1935, Ec. No. 10.

1. By that law, Section 6, the Plenipotentiary was charged in the economic field with all preparations for war and was appointed in case of war to be in charge of the whole war economy. This, in effect, made him, in case of war, "virtual economic dictator of Germany" (Interrogation of Schacht, 26 September 1945, page 17). By paragraph 6 of the "Reichsverteidigungsgesetz" (Reich Defense Law) of May 21, 1935, Schacht was given great powers: He was given charge of "the entire war economy."
2. His task was "to place all economic forces into the services for the conduct of the war, and to secure economically the life of the German people."
3. He had under him the Ministers of Economy, Food and Agriculture, Labor, Forestry, as well as all Reich agencies directly under the Fuehrer.
4. He was to be responsible for the financing of the conduct of the war.
5. He was finally authorized "to issue ordinances within his sphere of responsibility even if these deviated from the existing laws." Ec. No. 10.

B. Schacht accepted the secret assignment which made him co-ordinate with the Minister of War in preparation for war.

Interrogation of Schacht, 13 October 1945, pages 28/9.

The announcement of his appointment was restricted to Corps commanders and the necessity for absolute secrecy was made clear, Ec. No. 10. The assignment was so secret that addressees were cautioned not to address "The Plenipotentiary" in return correspondence, but to merely write to Schacht at the Reichsbank (e.g. letter of 21 November 1935, Ec. No. 378. He commenced to function soon after his appointment. He had already, as Minister of Economics had plans made for war. (Report of 30 September 1934, Ec. No. 128.) At first, in interrogation, Schacht tried to minimize his post as "Plenipotentiary for the War Economy." "I have disregarded it very much." (Interrogation of Schacht, 26 September 1945, page 18.) Later he had to admit he functioned in it. (Interrogation of Schacht, 16 October 1945, Page 53.) and even fought to maintain it. (See infra.) He appointed as his deputy, one, Wohltat. He had stationery printed showing himself under the cryptic title of "Plenipotentiary" (e.g. Ec. No. 378), which he admitted meant "Plenipotentiary for the War Economy."

C. His activities. Schacht's deputies engaged in the preparation of laws for the event of war.

Ec. No. 377, undated; Ec. No. 382, 27 Feb. 1937; Ec. No. 385, War Min. to Plenipotentiary, 5 Feb. 1937.

Schacht assumes responsibility for the acts of his assistants. (Interrogation of Schacht, 17 October 1945, page 62.) The preparations for the mobilization of the economy by the General Plenipotentiary for War Economy are contained in a lengthy report as of December 31, 1937, shortly after Schacht's withdrawal from the office. Ec. No. 258. This report to the War Minister points out the following:

1. The General Plenipotentiary for the War Economy is empowered by the unpublished Reich Defense Act, 21 May 1935, to organize the entire economy of Germany for the purpose of executing

the demands of war. He is responsible to the Fuehrer for the execution of this economic mobilization. He is a member of the Reich Defense Counsel.

2. His staff consists of experts from various ministries. The Reich statistical office as well as all central agencies of German economy (Chamber of Commerce, Industrial groups and WIFO) execute the directives of the General Plenipotentiary. In the event of war it had been arranged that special representatives of the Plenipotentiary would be allocated in the offices of the Chiefs of civilian administration for the purpose of insuring the continuation of the entire economy towards the goals of war production.

3. A series of surveys had been arranged to insure the full mobilization of German industry in the event of war. Surveys had been made of industry, of employees, raw materials, fuel, power, productive capacity, etc. Half of the production plans of 200 lines of manufacture had been completed.

4. An intensive storage program had been conducted for coal.

5. An organization called the WIFO had been established in the Fall of 1934 by the Minister of Economics to surmount the bottlenecks in war production. It had already invested 248 million RM in special programs for construction of research tanks and the storing of critical raw materials.

6. Plans had been drawn up for a special order covering the demands of the German population for food, coal, soap, textiles and shoes. To prevent hoarding the ration card system was arranged, for the event of war and 80 million cards had already been printed.

7. Each war delivery plant would have a special agent to supervise it for the Plenipotentiary, to be selected with the approval of the Gestapo.

8. The entire import and export trade was being organized to insure the maximum capacity of German war production.

9. Special systems of foreign exchange priorities of critical items were being inaugurated.

10. The Rhineland and Westphalia were given top priority on all deliveries of raw materials, finished products and consumer goods in the event of war.

11. Labor mobilization had been secretly prepared. Labor books for 22 million workers were ready. A complete filing system of the skills, age, earnings of the entire population was being prepared. Laws freezing jobs and wages were prepared.

12. Estimate was made that the cost of the first war year would be about 50 billion RM. Arrangements had been made for the coverage of this amount. Even specific increases in income and wage taxes and corporation and property taxes had been determined.

In addition to the activities outlined (Ec. No. 258) there were other activities:

1. As late as 12 May 1937 his office prepared a secret mobilization calendar. Ec. No. 147.

2. Schacht, as General Plenipotentiary, allocated funds for war preparation. (Godlewski to Minister of Defense, 12 August 1936, Ec. No. 130.)

3. Schacht, personally, participated in the economic war games (Kriegsspiele) at Godesburg in the summer of 1937. (Report of General Thomas.) Ec. No. 174. There Schacht stated it as his task to prepare the facts for the state leadership on the basis of which it could make decisions. (Schacht to Blomberg, 8 July 1937, Ec. No. 252)

Due to a jurisdictional dispute with Goering (see infra, Sec. VII), Schacht for a time in the first part of 1937 ceased to function as Plenipotentiary. He notified Blomberg that he was not acting "for the time being" because of a conflict between his powers and Goering's (Blomberg to Hitler, February 22, 1937, Ec. No. 244). Schacht's duties were considered so important that his absence on jurisdictional grounds evoked a letter from Blomberg to Hitler, in which Blomberg speaks of "Schacht, whose cooperation

as Plenipotentiary for the preparation of war is of great significance." (BLOMBERG to HITLER, February 21, 1937, Ec. No. 244.) And KEITEL urging the signing of an agreement between GOERING and SCHACT considers SCHACT's job so important for basic problems of mobilization and conduct of war that he writes, "To lose time in our present situation is the most serious reproach which history might raise against us. (KEITEL to KOERNER, 14 June 1937, Ec. No. 248.)

D. SCHACT's efforts to retain his position.

It is clear that the abstention during this period was not based on any disagreement with HITLER's policies, but on the contrary, was a bid by SCHACT for more power. BLOMBERG was right when he told HITLER that SCHACT could be "induced to resume his former activity" if one jurisdictional question was settled (Ibid). For SCHACT himself later stated that he "was entirely willing to participate in this way in the preparation of the forthcoming order giving effect to the Defense Act." (SCHACT to BLOMBERG 8 July 1937, Ec. No. 252.)

The background of the controversy was GOERING's appointment as Delegate for the Four Year Plan in September, 1936. GOERING took the position that his appointment superseded the earlier appointment of SCHACT as Plenipotentiary and that SCHACT now came under his, GOERING's, orders. (Interrogation of GOERING 17 October, page 9.) GOERING wanted to retain certain controls even in case of war. (Minister of War to Staff of Plenipotentiary, 10 August 1937, Ec. No. 253.) The struggle by SCHACT was not to rid himself of the obligation to prepare for war or to be economic dictator in case of war; the struggle of SCHACT was to maintain his position of unlimited power as Plenipotentiary for these purposes. (Interrogation of SCHACT, 16 October 1945, pp 37-8; interrogation of GOERING, ibid.)

SCHACT's great argument to HITLER was that if war came GOERING would be away in the field on other duties. (Interrogation



of GOERING, 17 October 1945, page 9.)

SCHACHT carried the struggle for power to HITLER. By decision of HITLER an agreement was reached in writing between GOERING and SCHACHT as late as July 7, 1937, in which SCHACHT's position was affirmed and in which he was recognized as "a highest Reich authority." Both SCHACHT and GOERING signed the agreement.

Ec. No. 384, agreement of 7 July 1937; Ec. No. 251, 21 July 1937.

and SCHACHT circularized all government departments with copies of the agreement stamped, "Secret Reich matter." Immediately thereafter SCHACHT in a letter to BLOMBERG defined his own task as Plenipotentiary as "the accomplishment of the political war purpose."

Ec. No. 252. 16 July 1937.

~~And he admits~~ In KNITEL's view, it was SCHACHT rather than GOERING who had the responsibility to make preparations for war in the industrial field.

KNITEL to Plenipotentiary, 21 August 1937, Ec. No. 254.

And he admits that the duties he was trying to keep GOERING from taking away from him were, first, the right to be in charge of the preparation for mobilization, and, second, the right to control in the event of war.

Interrogation of Schacht, 16 October 1945, page 39.

Thus at this late date (July, 1937), with tension acute in Europe SCHACHT was still making his supreme bid for power in connection with the preparation for war and in the event of war.

#### Consciousness of Guilt.

On the question of consciousness of guilt, it should be noted that before SCHACHT was shown the agreement between himself and GOERING of 7 July 1937,

Ec. No. 384

SCHACHT denied that he had had any discussions with GOERING about

retaining his position as Plenipotentiary and emphatically stated, "It was never mentioned because I remember that very well."

Interrogation of SCHACHT, 16 October 1945, pages 34-5. He specifically denied that he had asked HITLER to be permitted to retain the position of Plenipotentiary for the War Economy.

Ibid page 36.

It was only after he was shown the agreement

Ibid page 36

that he explained that GOERING was trying to take the job away from him and that he (SCHACHT) objected to that, "because after he had got the devisen and after he had got the Four Year Plan, I did not want to give away one thing after the other and then remain as nothing."

Ibid pages 37-8.

VI. SCHACHT'S ACTIVITIES AS MINISTER OF ECONOMICS AND REICHSBANK PRESIDENT WERE PRIMARILY TO MAKE GERMANY STRONG AND CAPABLE OF WAGING WAR

Indictment; IV, E.

SCHACHT assumed the position of acting Minister of Economics in August 1934. He lent his skill to co-ordinate the economy for war preparation.

Interrogation of Schacht, 17 October 1945, page 32. His main political aim in his economic measures was rearmament. No.1168 PS; Interrogation of Schacht, 17 October 1945, page 33. SCHACHT's own view was that his work in the Ministry of Economics "afforded me the opportunity to assist in the rearmament of the German people in the most critical period, not only in the financial but also in the economic sphere." Ec.No.257, SCHACHT to THOMAS, 29 December 1937.

His activities in the economic field will be covered in detail in the brief on "Economic Preparations for Aggressive War" and should be incorporated by reference, bearing in mind that SCHACHT served as Minister of Economics from August 1934 to November 1937 but that the Four Years Plan overlapped from September 1936 under the chairmanship of GOERING. The Ministry of Economics was one of the principal agencies implementing this plan. Other specific activities of SCHACHT as Plenipotentiary for the War Economy are treated in Section V.

The following high points affecting the responsibility of SCHACHT in economic preparations for war are here noted:

1. By the law concerning economic measures dated 3 July 1934 the Minister of Economics was authorized to enact any "retaliatory" measure deemed necessary for the development of the German economy.

RGBL 1934, I, 565).

The broad powers legislation of this character provided were used by SCHACHT for financing rearmament by credit expansion,

for regulating capital investment so as to cause a flow of capital to armament purposes and for establishing rigid controls in foreign trade to assure raw materials needed for armaments. Thus, from 1934 to 1937, the import into GERMANY of manufactured goods decreased, while imports of iron ores, grain, oil and copper increased greatly.

Ec. Doc. No. 423 , Speech of SCHACHT, 29 November 1938.  
Interrogation of SCHACHT, 17 October 1945, page 3

Prices of imported goods were strictly controlled.

Decree on Prices for Foreign Goods, 22 September 1934,  
RGBl I.p.843.

2. By the Credit Act of 1934 the Reich Government obtained jurisdiction over all credit institutions

RGBl 1934, I, 1203.

The President of the Control board over the banking system was the President of the Reichsbank (SCHACHT). This system of supervision and control of the banks and other credit institutions facilitated the program of credit expansion which was one of SCHACHT's chief instruments in financing armament and of actual war itself. involved scarcely any institutional change.

Study on Money and Banking in Germany by the  
Board of Governors of the Federal Reserve  
System, page 52.

3. SCHACHT created the "New Plan" which aimed to control imports and exports with a view to obtaining the raw materials needed for armaments and the foreign currency required to sustain the armament program.

Ec.No.423, 29 November 1938 speech of SCHACHT.  
Interrogation of SCHACHT, 17 October 1945, page 32.  
Interrogation of SCHACHT, 24 August 1945, pages 93-102.  
Affidavit of PUHL, 7 November 1945.

4. Specifically SCHACHT controlled the disposition of foreign exchange through the creation of Devisenstellen (foreign exchange control offices) and of imports by the creation of

Ueberwachungsstellen (supervisory offices). Licenses for imports were required and separate offices were set up for specific commodities or commodity groups.

Affidavit of FUHL, 7 November 1945.

This control enabled the Reich to favour the import of raw materials for armament and to select raw materials for the export industries which could produce required foreign exchange.

Devisen Control Law of 4 February 1935,  
RGBl 1935.

5. SCHACHT subsidised exports to defeat foreign competition and to obtain devisen.

Affidavit of FUHL, 7 November 1945.

6. SCHACHT extended clearing agreements for the primary purpose of obtaining necessary raw materials for armament.

Affidavit of FUHL, 7 November 1945.  
Annual Economic Review - Germany 1935 by  
the Acting Commercial Attaché, page 11.

By this action he could also influence the political aim of foreign countries in favour of Germany. Foreign Trade Councils were set up in conjunction with the Foreign Office.

Law Promoting Foreign Trade, RGBl, 1933, I, 743.

The clearing agreements were also used as a means of pre-empting markets for raw materials against potential foreign enemies. Thus, for example, in 1936, SCHACHT and GONNING agreed to try to keep the copper of YUGO SLAVIA from FRANCE.

Mc.No.220, Minutes of Council of Ministers, 27 May 1936;

The Clearing Bank was established by Law of 16 October 1934

RGBl, 1934, I, 997.

7. SCHACHT extended the transfer moratoria and after 1 July 1934 no more foreign exchange transfers for payment of interest and amortization took place.

Affidavit of FUHL, 7 November 1945.

SCHACHT created the Konversionkasse (Conversion Bank), into which it was required that German debtors make payments in reichsmarks on foreign debts instead of paying in the foreign currencies in which the debts were incurred.

RGBL I, p33 and 349  
Interrogation of SCHACHT, 24 August 1945;  
By-Laws of Conversion Bank For German Foreign  
Debts, 3 July 1933, as amended to 27 October,  
1937, Reichsanzeiger 1933: Nos.152, 187, 219,  
264; 1934: Nos.135; 1935: No.31; 1937: No.248.

8. SCHACHT froze the assets of foreigners in GERMANY so as to make them help finance his rearmament program. He also forced foreigners involuntarily to finance German rearmament. As he reported to HITLER "The Reichsbank has invested the amount of marks under its jurisdiction but belonging to foreigners in ..... notes of armament."

EC.No.417, SCHACHT to HITLER, 3 May 1935.

9. SCHACHT increased the use of blocked marks which foreign creditors naturally had to sell at a discount.

Law Regulating Maturity of Foreign Loans.  
RGBL 1937, I, 600.

These blocked balances outside of GERMANY created a special marked exchange which favoured German trade.

Affidavit of PUHL, 7 November 1945.

10. SCHACHT requisitioned existing foreign exchange reserves of Germans and required foreign exchange arising out of current exports to be sold to the Reichsbank.

Affidavit of PUHL, 7 November 1945.

11. SCHACHT promulgated a law providing the death penalty for Germans illegally shifting assets abroad "wittingly or unwittingly".

RGBL 1936, I, 999.

11. To encourage exports foreign exporters were often paid in special marks called Ask marks which they had to sell to importers of German goods in their own country.

Affidavit of PUHL, 7 November 1945.

In summary, the activities of SCHACHT were described in an official UNITED STATES Government Report by the U.S. Commercial Attaché in Berlin in 1936 as follows: "Practically every current measure of economic policy and administration is considered from the angle of military preparedness".

Ec.No.432 Annual Economic Review for Germany 1935, page 29.

In the opinion of the same American observer, the whole structure was geared for war, for as he pointed out "all in all GERMANY is investing its capital and its manpower in military preparations. If no war comes, this will certainly prove at the very best a waste of much needed resources."

EC.No.432 Annual Economic Review for Germany 1935, page 24.  
No. 1.2 Affidavit of Louis Lochner, July 1945.

SCHACHT was too good an economist not to know this. The so-called "New Plan" of SCHACHT was for the armament program.

Statement of ELOMBERG, 12 October 1945, page 2.



VII. SCHACHT RESIGNED AS MINISTER OF ECONOMICS BECAUSE OF A DISPUTE FOR POWER WITH GOERING

Early in 1936 prior to the creation of the Four Year Plan SCHACHT urged HITLER to appoint GOERING as Commissioner for Raw Materials and to assume charge of the distribution of available devisen. SCHACHT'S purpose was to have GOERING act as a buffer for him by virtue of GOERING'S important Party position.

As GOERING then said: "The view was generally held abroad that Dr. SCHACHT was covered with respect to the Party by the Minister President (GOERING). (Minutes of Council of Ministers, 15 May 1936, Ec. No. 379). SCHACHT At this time thought GOERING would be a rubber stamp.

In September, 1936 HITLER appointed GOERING as Delegate for the Four Year Plan. SCHACHT was not in sympathy with GOERING'S appointment to the Four Year Plan. (Interrogation of SCHACHT, 16 October 1945, page 28). The jurisdiction between GOERING and SCHACHT was ill defined. As late as December 11, 1936, SCHACHT was ordering all supervisory offices "to accept instructions from me only" (Doc. Ec. No. 376). Even as Plenipotentiary, SCHACHT was in GOERING'S view, "to receive instructions for his activity through GOERING as deputy.

( Notes of result of conference with Col. Gen. GOERING, 15 May 1936, Document No. Ec. 379).

From the beginning SCHACHT refused to take orders from GOERING. He would not co-operate on personal grounds although there is no doubt that there were some disputes of principle as well.

At first SCHACHT "thought I might maintain my position even against GOERING" in the sense "that he would not interfere with affairs I had to manage in my Ministry". (Interrogation of SCHACHT, 16 October 1945, page 28). The acuteness of the personal difficulties is illustrated by SCHACHT'S abstention ear early in 1937 from his performance of his duties as Plenipotentiary, as adverted to above. SCHACHT took offense at GOERING'S pro-

mulgation of a law on mining without clearing with him.  
(Interrogation of SCHACHT, 16 October 1945, page 29). In November, 1936, GOERING issued a broad directive regarding his jurisdiction over all aspects of German raw material production (Doc. Ec. No. 243). In December, 1936, GOERING outlined his ideas on German economy to industrialists and on 27 January 1937 SCHACHT answered him in a speech. (Interrogation of SCHACHT, 16 October 1945, page 29). SCHACHT'S letter to GOERING asking that he be relieved curtly notes that "it doesn't seem important to me to go any further into questions of jurisdiction and initiative." (SCHACHT to GOERING, 26 August 1937, Doc. Ec. No. 283). SCHACHT admits that he left because he would not take orders from GOERING. (Interrogation of SCHACHT and GOERING confirms this). As SCHACHT recently stated, "HITLER put GOERING in command of the economy - everything. He also wanted to command over the affairs of the Ministry of Economics. I was opposed to that. I objected to that and asked for my dismissal ..... I told him (HITLER) I did not want to conduct that Ministry under the order of GOERING". (Interrogation of SCHACHT, 25 July 1945, page 6).

SCHACHT'S position was : "I have never taken orders from GOERING and I would never have done it because he was a fool in economics and I knew something about it at least" (Interrogation of SCHACHT, 16 October 1945, page 38). Finally, SCHACHT admitted that the dispute was a culminating progressive personal business between him and GOERING (Ibid page 38). SCHACHT acknowledged finally that this was the fundamental reason why he could not keep his position as Minister of Economics any more, because he would have been in a position to take orders from a man he did not respect in economic matters. (Ibid page 38). SCHACHT put it even more dramatically when he related that GOERING told him that he (GOERING) must have the right to give him orders and SCHACHT replied: "Not to me but to my successor." (Interrogation of SCHACHT, 16 October 1945, page 38).

The struggle for power ended badly for SCHACHT but if there was any inner struggle of conscience SCHACHT hardly bested the devil for he continued as President of the Reichsbank and as Minister without Portfolio. When HITLER accepted SCHACHT'S resignation as Minister of Economics he appointed him as Minister without Portfolio.

Ec. No. 396. (Decree of 26 November 1937)

At the same time HITLER wrote SCHACHT expressing fervent thanks for SCHACHT'S services and gratification that SCHACHT would still be active in the Government as President of the Reichsbank and Reich Minister.

(No. L-104)

After his struggle of July 1937 to retain his position as Plenipotentiary for the War Economy SCHACHT continued to serve HITLER loyally. As indicated above, the Reichsbank, under SCHACHT, continued to be an important instrument for HITLER'S rearmament program down to January 1939.

VIII. THE ANNEXATION OF AUSTRIA WAS THE RESULT OF SCHACHT'S ARMAMENT PROGRAM AND WAS ONE OF HIS GOALS.

Indictment: IV F, 3.

A. SCHACHT stayed as President of the Reichsbank through the aggression on Austria, and supported it. The Reichsbank took over the Austrian National Bank.

(R.G. Bl. 1938, I, 254 Interrogation of SCHACHT, 26 September 1945, page 1).

B. SCHACHT fixed the rate for the conversion of schilling s into marks before the aggression.

(Ec. No. 414)

Keitel states the rate of conversion was fixed on the day before the march into Austria.

(Interrogation of Keitel, 13 October 1945 page 6).

The Minutes of General Thomas' staff confirm it.

(Ec. No. 414)

The conversion of the Austrian currency was approved and executed by SCHACHT.

(R.G. Bl. 1938, I, No. 60-Decree of 23 April 1938)

C! SCHACHT'S EVASIONS ABOUT AUSTRIA AS CONSCIOUSNESS OF GUILT.

SCHACHT'S interrogations concerning the annexation of Austria are inconsistent and hypocritical. At first he said he was in favour of Anschluss only by plebiscite or voluntary request of Austria to be incorporated into the Reich.

(Interrogation of SCHACHT, 26 September 1934, p. 3)

HITLER, he said, had not used the method SCHACHT favoured and SCHACHT had not favoured the method HITLER used.

(Ibid p. 3)

Elaborately, SCHACHT characterized the methods HITLER used as "taking the Austrians over the head", as "force" and finally as "reckless".

(Ibid pp. 3-5).

He took the amazing position that, although Austria was one of the objects of HITLER'S foreign policy, he never spoke to HITLER about it.

(Ibid. p. 4)

This, despite the fact that he had elsewhere stated he had discussed political questions with HITLER and that he had specifically told Ambassador BULLITT about HITLER'S intentions.

(L-151).

Even more incredibly, he admits discussing a colonial policy with HITLER as a means for achieving Lebensraum "very early - 1931, 1932".

(Interrogation of SCHACHT, 13 October 1945, p. 2)

but maintains that no other alternatives for Lebensraum were ever brought up,

(Interrogation of SCHACHT, 26 September 1945, p. 4; 13 Oct. 1945, p. 2)

even though "if I could interest him for the colonial outlet he (HITLER) would drop his foolish ideas about the east."

(Ibid. p. 4)

Questioned on whether he had not enabled HITLER by financing the Wehrmacht to use this Wehrmacht to accomplish HITLER'S purpose by methods SCHACHT claimed not to favor, SCHACHT re-

plied that the Anschluss had been made by the propaganda which HITLER did in Austria and "by the political pressure he brought on SCHUSCHNIG". "He did not use the military force in order to shoot or make war - it was just the pressure which was behind it".

(Interrogation of SCHACHT, 13 October 1945, p. 16).

He asserted that he had never thought of crediting the Wehrmacht as an instrument for the achievement of HITLER'S march into Austria.

(Ibid, pp. 16-17).

#### D. SCHACHT'S CONTEMPORANEOUS UTTERANCES.

1.) The assertion that SCHACHT disapproved HITLER'S method of taking Austria is belied by his contemporaneous utterances. In a speech at Vienna on 21 March 1938, - eight days after the annexation of Austria - SCHACHT praised HITLER and his methods.

Doc. Ec. No. 297 (Speech to employees of former Austrian National Bank, Vienna, 21 March 1938)

In part, SCHACHT said:

"But the goal I believe no-one doubts, and the scoffers on method must be told that it cannot be made right with everybody. This one says 'He would have done it that way or perhaps this way' but the note-worthy thing is that they did not do it (laughter) but the one who did do it was our Adolf Hitler (strong continuing applause) and if there is anything to improve let these quarrelers try to improve it within the German Reich and within the German society and not harm it from the outside (vigorous agreement)"

2.) The assertion that SCHACHT never thought of crediting the Wehrmacht as an instrument for the achievement of HITLER'S march into Austria is also belied by the same speech.

"Thank God these things have finally come to pass that they could not further hinder the great German people, for Adolf Hitler created a society of German will and thought. He supported it through a newly strengthened Wehrmacht and through them he finally brought the inner union between Austria and Germany also into this outward form."

#### E. SCHACHT'S ADMISSIONS

Confronted with the speech, SCHACHT was forced to admit that the Wehrmacht he had helped create had had something to do

with the result. He admitted that "the fact that HITLER had put Germany on an equal international foot again with the neighbouring powers made the Anschluss possible, and so one of the aims I had always had in mind by force of rearmament was achieved, because at that moment the foreign powers did not any more hinder the Anschluss."

(Interrogation of SCHACHT, 13 October 1945;  
p. 18) (CF. Indictment, IV, F, 1)

By 1938 Germany had assumed what he considered "its rightful position as one of the Armed Powers of Europe."

(Ibid. p. 19)

"The fact that we had rearmed had the real effect that they did not intervene."

[Ibid. p. 19).

"I have certainly not objected in my mind or publicly to the Anschluss or Sudeten Deutsche but I have always disapproved of the methods. I have realized and stated publicly and privately that all this would not have been fulfilled unless the rearmament of Germany had taken place and changed the position of Germany towards the Allies. The fact that Germany at that time had an Army had great consequences with the Allies."

(16 October, p. 19)

Thus, he was forced from his position taken before seeing his own speech that the Wehrmacht was not to be credited as HITLER'S instrument in the annexation of Austria. He, thereupon, relied, with his usual ability, on the argument that the Wehrmacht was important, not vis-a-vis Austria, but vis-a-vis the Powers

(Interrogation of SCHACHT, 16 October 1945,  
page 4).

The inference is that he provided HITLER with an instrument which would enable him to achieve his territorial ambitions through a show of force. "The existence of the Wehrmacht gave HITLER one of the means to pursue his foreign policy."

(16 October 1945, page 7)

and since SCHACHT knew HITLER'S intention about Austria from the beginning, he must have known one of the purposes for which he was financing the Wehrmacht. Indeed, his own declaration, even after the Munich settlement on 29 November 1938 confirms the inference. SCHACHT then said: "With the help of its daring credit policy Germany created for itself a strong armament and this in turn has made possible the success of our politics."

No. No. 423 (Speech of 29 November 1938)



F. The incredibility of SCHACHT's denials.

Nor are his protestations of ignorance about the contemporary situation credible. He denies matters of common knowledge to any reader of the press:

1. He "never heard of any military menace in Austria."

Interrogation of SCHACHT, 16 October 1945, page 4.

Or that the ultimatum to Schushnigg was based on the fact that HITLER was prepared to march.

Interrogation of SCHACHT, 13 October 1945, page 17.

2. He does not remember that on 11 March 1938 Austrian reservists were called up to meet the crisis.

3. Although forced to admit that there was "tension in Europe" prior to the Anschluss, "he does not know that it was based on the poising of the Armed Forces of Germany on the borders of Austria."

Ibid, page 5.

4. He could not remember HITLER's speech of 20 February 1938 in which he told the Reichstag that the Germans in Austria and the Sudetenland had to have self-determination, although he was a member of the cabinet and of the Reichstag.

Ibid, pages 6-7.

5. He could not remember that the Czechs were making statements at the time saying they would defend themselves if attacked -- he was "not much interested".

Ibid, page 8.

Despite these failures of recollection on matters of common knowledge, he reluctantly admitted that "HITLER intended to force the Anschluss," but refused to admit that involved risk of a general war.

Ibid, page 8.

And finally, his earlier denial that he had praised Hitler was, in effect, withdrawn and he proclaimed: "I would like to make it clear that I have praised HITLER and appreciated what he had done in

bringing Austria into the Reich and re-establishing the international position of the Reich."

Interrogation of SCHACHT, 13 October 1945, page 22.

Two cardinal facts buttress a finding of actual knowledge on the part of SCHACHT of HITLER's plans and methods with respect to Austria:

1. In January, 1935, he authorized 200,000 marks a month to be set aside for the support of National Socialism in Austria.

Affidavit of George S. Messersmith, 28 August 1945.

2. He fixed the rate of conversion of shillings into marks prior to the invasion. (Minutes of General Thomas' meeting, 11 January 1938, Ec. No. 414.)

Sudentenland.

So in the case of the show of force against Czecho-Slovakia which resulted in the Munich agreement. Even after Munich, SCHACHT in November 1938 publicly praised HITLER and again boasted of the part he (SCHACHT) had played in the creation of the Wehrmacht.

Ec.No. 423 Speech of SCHACHT, 29 November, 1938.

He was still then a member of HITLER's close entourage, for HITLER said in his presence after Munich that he was annoyed with Chamberlain for having stolen "my military march into Prague."

Interrogation of SCHACHT, 17 October 1945, page 1.

IX. Schacht's activities after his dismissal from the Reichsbank.

SCHACHT remained as Minister without Portfolio but there is practically no evidence that he participated in the Councils of HITLER after his dismissal. The only isolated instances that are known are:

1. He made an attempt in 1940 to get HITLER to permit him to go to the United States to try to get the United States out of war and to stop giving as much aid to Britain.

Interrogation of SCHACHT, 16 October 1945, page 34.

He saw HITLER on the same matter in February, 1941, but claims he told HITLER it was too late.

2. He also sat on the government bench in the Reichstag on the occasion of the victory celebration after HITLER returned from Compiègne in 1940.

Interrogation of SCHACHT, 17 October 1945, page 19.

3. No document has been found showing SCHACHT's participation in the affairs of Government after January, 1939, and investigation of witnesses has, similarly, been without result.

4. He continued to draw liberal compensation from the Reichsbank and as Minister without Portfolio for several years after the march into Poland.

X. SCHACHT'S PARTICIPATION IN THE PERSECUTION  
OF THE JEWS.

Indictment: IV, D, 3 d.

A. The general responsibility of SCHACHT for actions taken by the Reich Government while he was a member thereof is clear.

The acts of the Reich Government, it is assumed, will be treated in other briefs, e.g., Destruction of Trade Unions, etc.

B. Since the treatment of the Jews embraced all Ministries, brief mention is herein made to SCHACHT's individual responsibilities, in addition to his general responsibility as a member of the Reich Government.

1. In his capacity as Minister of Economics he signed decrees expelling Jews from the legal profession (RGBl 1935, I, 1470); depriving them of rights to engage in transactions involving foreign currencies (RGBl 1936, I, 559). He also signed the decree of 1 December 1936 providing the death penalty for German subjects who transferred assets abroad (RGBl 1936, I, 999), the obvious purpose of the law being directed against Jewish emigrants. SCHACHT was also charged, in part, with executing the comprehensive decree of 30 June 1937. (RGBl 1937, I, 717).

2. SCHACHT in December 1938 tried to raise an international loan on the security of property left behind by Jewish emigrants. Part of the loan was to be serviced through increased Reich exports over a certain norm, the rest to come into the Reich as foreign exchange. The net effect would have been to increase German exports. (

"Hitler's Ten Year War on the Jews",  
Institute of Jewish Affairs, New York,  
1943, pages 24-25.

3. On the other hand SCHACHT occasionally objected to extremist party action against the Jews, e.g. Koenigsberg Speech.

EG.433, 18 August 1935.

And his activities in December 1938, while for the benefit of HITLER's economy, may have had an element of humanitarian feeling in them. It is, therefore, not believed desirable to press specific responsibility of Jewish persecutions upon the Defendant SCHACHT. His defence while, in many respects specious, might tend to confuse the issue.

4. Material is available for cross-examination, if SCHACHT asserts that his activities on the Jewish persecution are in his favour.

Interrogation of SCHACHT, 17 October 1945,  
pages 41-54;

Specifically, his statements against persecutions of the Jews were not based on moral grounds, but, rather, on the expediency of protecting German economy, particularly, for re-armament.

As SCHACHT wrote to BLOMBERG: "The economic and legal treatment of the Jews ... form a detriment to our armament task, which, by the application of more reasonable methods, could at least be considerably diminished without sacrificing the objective."

EC 293, 24 December 1935.

D. ARGUMENT AND CONCLUSION.

I. The SCHACHT case in some respects is sui generis, since SCHACHT did little affirmative, so far as the evidence discloses, from a time beginning several months before the attack against POLAND. The prosecution contends that SCHACHT was a party to the conspiracy, as outlined in Count I of the Indictment, and contributed his full share to the conspiracy, knowing its objects, before his dismissal from office.

The actual contributions of SCHACHT in financing rearmament and controlling the German economy for war preparation require no inferential development. They speak for themselves and on the whole SCHACHT will not deny his responsibility for rearmament either in the financial or the economic sphere. He will, however, put his intent in issue and maintain that he did not know HITLER'S intention for aggressive war.

The intent here must derive from (a) the development of extrinsic events in HITLER'S foreign policy, and (b) knowledge of HITLER'S objectives. The basic argumentation to prove SCHACHT'S knowledge derives from the circumstances as developed in Part III of the Statement of Evidence. The sequence of events and declarations therein contained spell out the inferences. SCHACHT had read "Mein Kampf", and, of course, HITLER'S "Political Testaments of the German Nation."

"Mein Kampf", Houghton Mifflin,  
1943, page 664.

He knew HITLER'S intentions were towards the east.

(cf. Mein Kampf, page 666)- "an eastern policy in the sense of acquiring the necessary soil for our German people". In the light of this knowledge and, in support of its purpose,

SCHACHT helped create a large Armed Force which served as HITLER'S instrument of aggression. This large force could not have been intended for defence alone in the light of HITLER'S objectives and of SCHACHT'S own desires to abrogate the Treaty of Versailles and to restore to GERMANY "her equal place as an Armed Power in Europe". Thus, on the inference most favourable to the Defendant he helped create an Armed Force, as he was forced to admit in interrogation, to give HITLER bargaining power against the nations. This bargaining power SCHACHT helped give to a man whose intentions had been clearly expressed as territorial expansion. On his own admissions, SCHACHT helped him "to acquire military strength and political bargaining power to be used against other nations". (Indictment IV, P I). In view of SCHACHT'S knowledge of HITLER'S expansionist intentions, he also gave HITLER the means for aggressive war.

The key to SCHACHT'S guilt is his admission that he knew HITLER'S intention was directed to the east and that such goals could not be achieved without war. Knowing this as early as 1932 he, nevertheless, participated in the creation of the Armed Forces. SCHACHT'S defence is that HITLER in "Mein Kampf" had made any action against RUSSIA dependent upon an alliance with GREAT BRITAIN. Despite this alleged condition, he thought it necessary personally to divert HITLER to a colonial policy in which HITLER "was not much interested." The very assertion of the colonial policy argument, of course, implied agreement with the "need" for Lebensraum. SCHACHT, of course, knew that if HITLER did not get colonies, or even if he did, he would settle the Lebensraum problem in his own way by expansion in the east.



Regardless of SCHACHT'S argument about the theoretical requirement of an alliance with GREAT BRITAIN before HITLER could move in the east, SCHACHT was directly informed on 4 September 1936 by GOEBING that, in HITLER'S view, a show down with the USSR was inevitable. From September, 1936, SCHACHT knew that his rationalisations which he claims he derived from his own interpretation of "Mein Kampf" were untrue. He had been told by then, regardless of the lack of an alliance with BRITAIN, that the show down with RUSSIA was coming. Nevertheless, he undertook to give Hitler in March 1937 another 3 billion RM for armament, and fought thereafter to maintain his position as General Plenipotentiary for the War Economy.

## II. LEGAL PROBLEM.

SCHACHT will urge in defence that he withdrew affirmatively from the conspiracy before it was consummated in the first act of aggression named in the Indictment, namely, the attack on POLAND. References should be sought to establish that the conspiracy was consummated sufficiently prior to SCHACHT'S withdrawal, to render him culpable.