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Memorandum for Mr. T. W. Lamont (02.10.1930)

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Formalia:

Regest:

J. A. M. de Sanchez, Chefökonom von J. P. Morgan und enger Mitarbeiter von Thomas W. Lamont, gibt anlässlich seiner Demission als Reichsbankpräsident im März 1930 und der anschließenden Vortragsreise durch die USA eine anschauliche Einschätzung der Person Hjalmar Schachts und seiner zurückliegenden Tätigkeit als Präsident des Reichsbank-Direktoriums. Das geschieht vor dem Hintergrund der harten öffentlichen Kritik, die Hjalmar Schacht am Young-Plan übte. Darüber hinaus werden dessen Forderungen nach einer Revision des Reparationsregimes analysiert und kritisch kommentiert.

October 2, 1930

Memorandum for Mr. T. Lamont

1. During Dr. Schacht's postwar career as a private banker he found himself in continual disagreement with the policy of the Reichsbank under Helfferich. He was a deflationist. Helfferich was inflationist of the most virulent kind.¹ Dr. Schacht had spoken and agitated so much on the subject of sound money and of the way to achieve it that after the complete collapse of the mark in September 1923 he was made head of the Rentenbank and as such gave Germany the Rentenmark, a currency which remained stable from November 1923 to April 1924, through the practically unaided efforts and skill of Schacht himself. It was Schacht's work during the period between the collapse of mark and the publication of the Dawes Report which is the principal cause for the great reputation which he enjoys among his contemporaries.² This reputation was well earned, for his task in that period was appallingly difficult. He succeeded in making the Germans believe that they had a sound currency when in fact their currency was based on purely fictitious real estate values, a fact of which no one was better aware than Schacht himself. Schacht's subsequent management of the Reichsbank has always been orthodox and sound from a central bank standpoint, although characterized by occasional hectoring pronouncements directed against whoever happened to be in disagreement with him on any semi-public question. In reviewing Schacht's career as a central banker it is possible, in spite of his occasional indiscretions, to accord him great and justified praise. He rendered his country and Europe great service during his time at the Reichsbank.

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2. There is no need to review Schacht's Reparations activities at Paris in any length. It is perhaps worth recalling, however, that Dr. Schacht did not approve in principle of the settlement of the Reparations question until the Dawes Plan had been longer in operation. His real opinion, as he has hinted, is that it would have been better

1 Karl Helfferich lässt sich insofern mit Recht als ein "Inflationist" bezeichnen, als er im Weltkrieg wesentlich für das System der Kriegsfinanzierung verantwortlich war und die entsprechenden Maßnahmen auch später noch verteidigte. Diese Charakterisierung dürfte für die Zeit der Währungsstabilisierung aber als arg vereinfachend gelten. *Plumpe, Helfferich*, 201 f.

2 Schacht verfolgte seit seinem Amtsantritt als Reichsbankpräsident, insbesondere von Januar bis April 1924, eine strikte Politik der Krediteinschränkung. Diese beschränkte teilweise sogar die Handelsfinanzierung mittels von Kontokorrentkrediten, war aber insofern erfolgreich, als sie das "Inflationist mindset" in Wirtschaft und Gesellschaft erfolgreich bekämpfte. *Reinhardt, Reichsbank*, 182–188.

to have let the Dawes Plan break down and transfer postponement take place under the provisions of the Plan before attempting a definitive settlement of the question.³

3. Having, with what reluctance you will re-call, finally agreed to the Young Plan, Dr. Schacht seems to have been uncertain as to exactly what attitude to take towards it. His first public speech concerning the Plan, made in July 1929 before the Chamber of Commerce in Munich is a curiously involved and hesitating analysis of the Plan itself and of his reasons for accepting it. During the First Hague Conference which he did not attend officially, he kept up a running fire of criticism of the German Delegation in the German press on the grounds that they were denaturing the Young Plan. He, nevertheless, attended the meeting of the Organization Committee for the B.I.S.⁴, of which he was, as Mr. Reynolds will assure you, a most useful member. The meeting of the B.I.S. Committee was followed by the publication of his famous memorandum criticizing his Government for altering the Young Plan beyond recognition by the concessions which had been made to Germany's creditors. The memorandum was in turn followed by his refusal to continue to participate in the organization of the B.I.S., his extraordinary conduct at the Second Hague Conference and his subsequent resignation from the[3]presidency of the Reichsbank.⁵

Since early last Spring Dr. Schacht has been comparatively little in the public eye. He took an active part, I understand, in the attempt to form a new conservative party in Germany before the last elections, not a very successful effort since the party obtained exactly three seats in the recent elections. Dr. Schacht has also, from what I have heard privately from Lacour-Gayet and Shepard Morgan, been actively engaged in the discussions which have been going on in Europe concerning a downward revision of the debt settlement with the United States and of the postponable portions of the unconditional annuity.

4. The burden of Dr. Schacht's complaint that the Young Plan had been altered beyond recognition by the additional charges placed upon Germany is set forth at length in his memorandum. In the following I examine critically each item of his demurrer.

a) Dr. Schacht starts by stating that he signed the Young Plan on two assumptions:

1. That the Young Plan would be fully accepted and observed by all powers concerned exactly as written;
2. That Germany's financial and economic system would be put on orderly basis

Concerning the first of these assumptions it need only be said that it is purely gratuitous. The terms of reference of the Committee were perfectly clear and well-known to Dr. Schacht before he signed the Report. He had certainly no right to assume that the plan proposed by the Committee was not subject to modification in detail. He in fact agreed to such modifications in several[4]instances in working out of the Statues of the B.I.S.

Concerning the second of his assumptions, it need only be said that the plan made it perfectly clear in its own terms that all of its signers believed that one of the absolute essential requirements for its fulfilment was the re-establishment of sound fiscal policy in Germany. Foreigners are certainly not to be blamed for the fact that the German Parliament has refused to deal with its fiscal problem in a sensible way and while Dr. Schacht's criticism of various German governments is justified, this does not mean that the conclusions of the Plan are in any way vitiated.⁶

b) Dr. Schacht defines the new financial demands to which the German Government assented, and which are contrary to the Young Plan and therefore vitiate it, as follows:

3 Bei den Verhandlungen des Young-Plans in Paris und Den Haag trat Schacht als aggressiver Kritiker des Reparationsregimes auf. Er wiederholte verschiedentlich seine Meinung, Deutschland sei nicht in der Lage, Reparationen aufzubringen und diese ohne Schaden für die Volkswirtschaft zu transferieren. Sein Kalkül bestand dabei offensichtlich darin, dass Deutschland sich in einer so starken Verhandlungsposition befand, dass sich durch eine Verweigerungshaltung signifikante Zugeständnisse erreichen ließen. Das war allerdings nicht der Fall, vielmehr brachte die aggressive Position Schacht zunehmend in Gegensatz zur Reichsregierung. Am 7. März 1930 trat er vom Amt des Reichspräsidenten zurück. *Heyde, Ende der Reparationen*, 72.

4 Bank für Internationalen Zahlungsausgleich.

5 Am 7. März 1930 trat Schacht vom Amt des Reichsbankpräsidenten zurück.

6 Tatsächlich hatte Schacht in seiner Funktion als Reichsbankpräsident die Ausgabenpolitik der Reichsregierung immer wieder vehement angegriffen. Vgl. das in dieser Quellenedition präsentierte Schreiben der Reichsbank-Direktorium an den Reichskanzler Wilhelm Marx (15.08.1927). BA Berlin-Lichterfelde, R 2501, 6630.

1. Germany renounced the difference between the Young Plan annuities and the Dawes Plan from the 1st of April to August 31st, 1929, a sum equal to \$100,000,000. With Respect to the possible allocation of this sum the Plan reads:

Part 8, Paragraph 4:

"Payments to be made under the Dawes Plan, during the five months period proceeding September 1, 1929, after allowing for the Dawes loan should be treated as payments necessary to cover the requirements of the Creditor Nations during this transition period, including outpayments for the year ending 31st March, 1930.

Should there remain any surplus after meeting the foregoing requirements, the question of disposing of such surplus, as well as all matters and expenses in connection with the transition from the operation of the existing arrangements to the New Plan 'shall be settled and adjusted between Governments."

The foregoing language is unequivocal and it is impossible to believe that Dr. Schacht seriously holds that the plain statement above can be interpreted to mean that the difference which is under consideration shall revert to Germany. You may recall that Dr. Schacht asked that[5]the difference which is under consideration shall revert to Germany. You may recall that Dr. Schacht asked that this sum should be assigned to Germany in the memorandum which he submitted to Mr. Young after his acceptance in principle of Mr. Young's schedule of payments. Sarnoff tried hard to obtain this concession for Schacht but neither Moreau nor Pinsent would agree to it, on the ground that they had no mandate to alter the schedule of payments provided for in the Dawes Plan, that only the Governments had a right to do this. Germany had no reasonable claim to this sum. It had already been paid to the Agent General at the time of the Hague Conference and been distributed by him to Germany's creditors, and the abandonment of any claim to it added not one penny to the burdens Germany assumed under the Young Plan.

c. The second of Dr. Schacht's complaints is that by the terms of the Hague protocol Germany is required to increase the unconditional annuity by \$10,000,000. Germany did agree to an average increase of the unconditional annuity of the first 37 years amounting approximately to \$3,500,000. a year at the Hague.⁸ Dr. Schacht can hardly seriously contend, however, that an increase in the unconditional annuity from \$155,000,000. to \$ 165,000,000. a year is a sufficiently great change in the terms of the Young Plan to destroy its value. There is no increase in the total annuity. The increase is simply in the amount Germany pays unconditionally. Ten million dollars one way or the other cannot be contended to affect the validity of the Plan.

d. Dr. Schacht next makes a complaint which is valid enough so far as it goes but which has nothing to do with the Young Plan.[6]He states that Germany was required to renounce her claim against Great Britain for the proceeds of the liquidation of German property amounting to some \$75,000,000. Great Britain's moral claim to this money was certainly not very sound and the Germans have a real cause for complaint concerning their treatment in this point. On the other hand, it is difficult to blame Great Britain in her present circumstance for holding on to this money. In any case the Young Plan certainly did not pretend to recommend to the Government concerned how questions of this kind should be settled. And furthermore this money was not money that Germany had in hand or was required to pay but money which she was entitled to try and get if she could. Her burdens under the plan are not increased by her failure to obtain the return of this money from England.

e. Schacht's next complaint is that Germany abandons large property claims against Poland. Just how this fact even if true would affect the Young Plan is difficult to discover. The claims that Germany abandoned against Poland were of the same nature as the claims of the Allies against Germany for 137[sic!]⁹ billion gold marks and there was just as much chance of one claim being satisfied as there was of the other. The truth of the matter is that the Germans abandoned a lot of paper claims against Poland in return for a commercial treaty which granted very great advantages to Germany but which the German nationalists have so far refused to ratify. This[sic!] Polish claims of Germany's never had any reality and Schacht knows this as well as any one else. While in Paris this Spring I asked Dr. Dorn just what this claim amounted to. He said the claim was for a theoretical sum of 8 billion marks but that if taken to arbitration, Germany would have been lucky to be awarded 200,000,000[7]marks, and considering the time and cost which an arbitration of these claims

7 Der Ausdruck "New Plan" war eine zeitgenössische Bezeichnung für den Young-Plan. Vgl *Bonn, Der neue Plan*.

8 Regelungen des Den Haager Protokolls.

9 Die festgelegte Gesamtsumme der Reparationen betrug tatsächlich 132 Milliarden Goldmark.

would have required, the German Government had thought it wise to write them off in return for a treaty which lowered the average rate on Germany's exports to Poland from 22 ½ to 40 per cent.¹⁰

f. The next item on Dr. Schacht's bill of complaints is the proposal that Germany shall abandon a series of financial rights to scope of which he admits it is impossible to judge but which he nevertheless contends are of considerable value.

g. Dr. Schacht next complains of the charge of \$5,000,000. for 37 years which is placed upon Germany as a result of the Belgian Mark Settlement.¹¹ Considering the letter which Dr. Schacht signed covering this point, it is a little disingenuous for him to complain that the settlement to which he in principle agreed in the Young Plan vitiates this Plan.

h. Dr. Schacht's final complaint is concerning the Saar settlement, a question which is still under discussion and which was expressly reserved by the French Experts in Paris.¹²

5. Dr. Schacht's memorandum is attached and it will I think repay reading. The more closely his arguments are examined the less value do they appear to have. His criticism of his own Government so far as its budgetary policy is concerned are concededly just, but so far as the specific modifications, they are simply without validity. The Young Plan is so badly and confusedly written that it is possible to make parts of it mean almost anything one wishes but no matter how far its meaning is stretched it cannot be made to mean all that Schacht says it does.

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The plain fact is I think that Schacht has never been sincerely in favor of the policy of Germany's paying her Reparations debt at no matter what figure the debt was fixed. He is a nationalist and a believer in repudiation of Germany's treaty obligations up to the point that this can be done without involving actual war. His attitude since he signed the Young Plan is only explicable in the light of this fact.

J.A.M. de Sanchez

10 Zwischen Deutschland und Polen und Deutschland hatte sich seit 1925 ein gravierender Handelskrieg entwickelt, der mit dem Handelsvertrag 1928 und schließlich dem deutsch-polnischen Liquidationsabkommen vom 31. Oktober 1929 beendet wurde. *Borowsky, Revisionismus*.

11 Dabei handelte es sich um die 1929 zwischen der deutschen und der belgischen Regierung ausgehandelte Entschädigung für die belgischen Verluste, die aus der Einführung der Mark in Belgien während des Ersten Weltkriegs entstanden waren. *Wee, Belgique*.

12 Die Frage der Rückkehr des Saarlandes zu Deutschland spielte in den Young-Verhandlungen eine wichtige Rolle, wurde aber im Vertrag nicht abschließend zugunsten Deutschlands geregelt. Zwar musste das Saarland von britischen und französischen Truppen geräumt werden, es verblieb aber bis 1935 unter dem Mandat des Völkerbundes. Vgl. Protokoll der Kabinettsitzung vom 17.09.1929. BA Berlin-Lichterfelde. R 43 I/1439. *Heyde, Ende der Reparationen*, 13.