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**Radioansprache von Hermann Schmitz,
Finanzdirektor der I.G. Farben (02.12.1931)**

Radioansprache

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Hermann Schmitz, Finanzdirektor des Chemietrusts I.G. Farben, arbeitete während der Weltwirtschaftskrise eng mit Heinrich Brüning zusammen und war u. a. entscheidend an der Aushandlung des Stillhalteabkommens beteiligt, mit dem die Privatgläubiger Deutschlands zunächst für ein Jahr auf den Abzug ihrer Kredite verzichteten. Insofern sprach er hier nicht nur als Repräsentant eines der größten deutschen Industrieunternehmen, sondern auch als semi-offizieller Repräsentant der deutschen Regierung. Zugleich war Schmitz aber auch Befürworter einer kontrazyklischen Konjunkturpolitik und Mitglied im Wagemann-Kreis, der eine Kreditausweitung und Abkehr von der Sparpolitik befürwortete. In der hier wiedergegebenen Radioansprache an ein US-amerikanisches Publikum wird das u. a. in der Forderung nach einer stärkeren Rolle der Bank für Internationalen Zahlungsausgleich sichtbar, die nach Schmitz Meinung deutlich über die Abwicklung der Reparationszahlungen hinaus ausgeweitet werden sollte.

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SCHMITZ BROADCAST FROM BERLIN

Germany's two-fold burden of private and political debts is the cause of worldwide lack of confidence in business, Dr. Hermann Schmitz, German reparations expert and financial leader, said Wednesday in a radio address from Berlin to America, rebroadcast by the National Broadcasting Company.

Schmitz said political impediments had handicapped the natural exchange of goods, resulting in an excess of gold in certain countries, and that a tremendous amount of short term credits generally had created uncertainty and mistrust. He added that huge reparation payments created difficulties in Germany, forced inflation and had weakened her economic life far more than the rest of the world.

The Speaker is one of the outstanding authorities on German financial affairs, has been mentioned often as a possible German cabinet member¹ and has participated in the conferences on debt settlements. He is one of Germany's leading industrialists and financial head of the German dye interests. Full text of his remarks follows:[2]DR. HERMANN SCHMITZ: Ladies and Gentlemen: What we have gone through during the past few months and are going through today is a crisis throughout the world in a degree unknown heretofore. It is the result of an economic crisis toward which we have been moving steadily since the fall of 1929, a crisis which has finally brought industrial enterprises, as well as public bodies, in all countries into difficulties.

1 So wurde Schmitz im Frühjahr 1931 das Verkehrsministerium angeboten. Laut Heinrich Brüning wurde daraus allerdings u. a. deswegen nichts, weil bei einer solchen Ernennung eine Kampagne der Hugenberg-Presse bezüglich Schmitz Rolle als Finanzdirektor der I.G. Farben zu erwarten gestanden hätte. *Brüning, Memoiren*, 425 f.

The credit system of the whole world would not have been shaken to such an extent if it had not been for the impediment of primarily a political nature which has handicapped the natural exchange of goods between the countries, and has resulted in an excess of money and gold in certain countries.

During the past few years, there has been built up a tremendous amount of short term debts from one country to another. These short term credits have stimulated business, but have not been a reliable foundation for sound economic development. Although in normal times there are no objections against short term debts on a limited scale, they give a shock to the entire credit system in times of uncertainty and general distrust, leading finally into a situation whereby all parties try simultaneously to withdraw their money. All countries whose short term debts abroad were in excess of their notes have been affected by this crisis, irrespective of long term credits which may be outstanding in their favor.[3]The Scandinavian countries have endeavored to overcome their difficulties by depreciating their currencies and adhering to the gold standard. Germany has adhered to the gold standard and is going to adhere to it. However, it must be realized that the two-fold burden of private and political debts lying heavily on Germany is the cause of the world-wide lack of confidence.

Germany before the war had invested in foreign countries about \$5,000,000,000. The corresponding amount at the end of 1923 was approximately \$700,000,000. Then, in the years between 1924 and 1930, Germany had to borrow both long and short term money in such amount that by the end of July, 1931 the long term indebtedness to foreign countries amounted to 2.75 billion dollars. Furthermore, there was a short term indebtedness to foreign banks, paid within 12 months, of about 1.8 billion dollars, to which have to be added previous long term credits of \$150,000,000, contracted by the Reichsbank and the other banks.

Amounts in excess thereof recently made public are difficult to check and should represent largely current creditor accounts within the scope of regular international trade. They are probably set off by current debtor accounts and similar items, in addition, investments by foreigners in Germany, and so forth, amounted to 1.3 billion dollars.

When in 1924 the Dawes Plan provided for reparations which Germany should pay in amounts rising rapidly from \$250,000,000 to \$600,000,000, it was clear from the beginning that these sums could not be paid without difficulty. So, through inflation, the economic life of Germany was far more weakened than the[4]rest of the world. This is demonstrated by the losses in foreign investments just referred to, and also in the contraction in the volume of foreign and domestic trade, not to mention the losses inflicted by the Armistice and the Treaty of Versailles.

Germany for a period of years had to increase her imports, especially in foodstuffs and raw materials, and thus has undoubtedly added to the employment of the United States as well as of other countries. Besides, to increase her exports she had to adjust her productive equipment to meet the technical progress made by other countries. It was realized abroad that these requirements had to be met to enable her to pay reparations.

Thus, with the aid of foreign credit, reconstruction was effected in a surprisingly short time, so that the Agent General for Reparations could point out in each of his reports that under the Dawes Plan the transfer of reparation payments had been made without difficulty.

The German method of payment covering the seven years from 1923 to 1930 had its effect in foreign countries on shipping, banking, insurance, and so forth. It amounted to \$750,000,000, although, of course, this income was set off by expenses for interest and amortization of the fast accumulating foreign debt during the same period.

For 1930, the last year of increasing indebtedness, the surplus may be estimated at \$250,000,000. Out of the amount taken up by Germany during the seven years, there had to be met reparation payments amounting to 2.4 billion dollars, the excess of imports amounting to 1.5 billion dollars, and the accumulation of gold and foreign exchange reserve of the Reichsbank amounting to \$500,000,000. Yet the loss of gold and foreign exchange[5]paid by the Reichsbank since the end of May 1931 had already more than absorbed the amount of \$500,000,000 just referred to.

Since the growing indebtedness brought with it a corresponding increase of the interest burden, this form of financing reparations developed by the Dawes Committee and considered an intermediate solution only, could not, of course, continue indefinitely. Accordingly, Germany was confronted with the task of an increasing

excess of exports to an extent that would be sufficient to cover not only imports and interest obligations, but in addition would provide for a gradual reimbursement of private debts and reparation claims.

It was evident that this aim could only be accomplished either by cutting down imports, which would lead to further disturbances in world trade, or by reducing prices on German export merchandise in comparison with the prices of other countries. In the long run, both ways mean a corresponding reduction in the power of Germany to consume home as well as foreign products, accompanied by symptoms of a severe crisis. An excess of imports to the amount of \$700,000,000 for the year 1927 has changed to an excess in exports of some \$350,000,000 in 1930. In the first ten months of 1931 alone, the high figure of \$550,000,000 was reached.

The unceasing and continuous struggle of the German people to fulfill their financial obligations in the face of unemployment figures of nearly 5,000,000 people becomes particularly desperate on account of two obstacles originating from outside Germany. The lack of confidence on the part of our private creditors threatens us with the withdrawal of our working capital at the very moment when this capital is most urgently needed to[6]permit us to meet this depression. In addition, we are confronted with a growing number of countries whom we have depended on as outlets for our export trade continuously raising their tariff barriers. The full effect of this dangerous tendency is as yet difficult to foresee.

In order to meet the demand for repayment of foreign credits, German banks and industrial enterprises in June and July 1931 were obliged to draw upon their own resources, and in addition, to call upon the currency reserve of the Reichsbank to almost \$450,000,000. The temporary closing of the banks in July and the signing of the agreement with our creditors on August 19 slowed down the drain of capital during the month of August. The agreement has been in force since September 1. Under this agreement, the majority of Germany's creditors declare their willingness not to call for payment of their short term credit for the period of six months.²

Since the end of July, 1931 the net foreign business of Germany has declined by another \$250,000,000. As a result of this, the reserve of the Reichsbank between the end of July and November 15 declined a further \$100,000,000.

Consideration for the maintenance of the German currency demands that these payments cease. Unless the confidence of the creditors in the economic and political development of Germany is restored, the agreement put into effect in September should not expire without an agreement having been made and reached for the larger part of the still enormous foreign short term indebtedness being refunded over a longer period. This consideration might be effected by means of[7]private loans. However, in view of the lack of confidence of investors in all countries, not much promise of success can be held out for such procedure.

Consequently, new remedies must be found for the liquidation of the German short term indebtedness as well as that of other countries.

Recently, a number of schemes have been conceived dealing with the consideration of international short term debts. In this connection, I might refer to my own plan proposing a solution of the problem of short term indebtedness by the Bank of International Settlements.³ I think that this bank, according to its name, ought to be made in some form or other the real factor in the international credit and money system. It is up to the committee appointed to deal with this matter to find a definite arrangement. Personally, I am convinced that a solution acceptable to all parties concerned can be found, provided the problem is approached calmly and objectively. There can be no doubt, however, that the intricate financial relationship which has developed over a period of eight years between Germany and her creditor countries of today, in connection with considerable imports to Germany as well as the reparation payments cannot be cut off at once. This would be wrong, too, from an economic point of view, because Germany with her population of 65,000,000 people is an important factor in world trade as a buyer and seller. Certain big movements of credit mean big movements of merchandise, and there are disturbed market conditions if the flow of capital goes the wrong way.

² Gemeint ist das sog. Stillhalteabkommen. *Wegerhoff, Stillhalteabkommen*.

³ Die Bank für Internationalen Zahlungsausgleich war eigentlich zu dem Zweck geschaffen worden, den Transfer der Reparationszahlungen zu organisieren, den multilateralen Zahlungsverkehr im Goldstandard zu erleichtern und die Kooperation der Zentralbanken zu ermöglichen. Tatsächlich wurde die Bank, obwohl ihre Statuten ihre Rolle diesbezüglich eigentlich eng begrenzten, zunehmend in die Rolle eines Staatsfinanziers hineingedrängt. Schmitz fordert an dieser Stelle eine deutliche Ausweitung dieser Rolle. *Dulles, Bank; Toniolo, Central Bank Cooperation*

The basis for a thorough and lasting recovery of[8]world economics lies therefore in the wide distribution of gold and credits, without, however, using them for purposes which would effect international trade adversely. Before finishing my address, limited to 15 minutes, I gladly avail myself of this exceptional opportunity of greeting all my relations and friends in the United States. May the radio which has given to the human voice the opportunity to be heard around the world also bring the nations of the world into closer contact, and also help in a quicker adjustment of the present situation and thus render valuable services for the good of mankind. (The End)