

Who Was Schacht, and What Is Schachtianism?

by Michael Liebig

With a world economy in the throes of a deep systemic crisis, Democratic Presidential candidate Lyndon LaRouche has stressed that only two fundamental alternative policies exist: reorganize the international financial system along the lines of his proposal for a New Bretton Woods conference, in the tradition of Franklin Delano Roosevelt's actions against the Depression and the effects of war; or adopt the policies of Hjalmar Schacht, Germany's central banker in the 1920s and Hitler's Economics Minister in the 1930s—policies that today are represented, typically, by American banker Felix Rohatyn. How might one best characterize what are known as Schachtian policies?

A Schachtian first insists that the population, not the banks, must pay the costs of the crisis. Today, that means the material living standard of most of the world's population must be sharply cut, so as to use available means to feed the inflated paper holdings of private financial interests.

This becomes all the more pressing when the contradictory forces of grossly inflated paper holdings, on the one hand, and the real economy on the other, lead to outright crisis. That is what transpired in Germany from the hyperinflationary period of 1923, to the world economic crisis of 1929-33, and that is precisely what we see today, although in an order of magnitude far greater.

While Reichsbank chairman in the 1920s and 1930s, Hjalmar Schacht reported that almost every morning he would speak on the telephone with the Bank of England's Governor, Sir Montagu Norman (1871-1950), to take his instructions. Under so-called normal conditions, Schacht might not have taken on much importance. But under conditions of a grossly hyperinflated financial bubble, and collapsed real production, he came to the forefront of world politics at a time when the political, economic, and financial situation had reached a critical stage. Under those circumstances, Schacht, the prototypical Synarchist, was emphatic: Let the financiers do as they will! Let us remove at any cost the obstacles thrown up by a democratic republic which remains somehow tied to the common welfare.

On March 7, 1930, six brief months after the stock market collapse of October 1929, Schacht resigned as Reichsbank chairman because, he said, the Weimar Republic's political system would not allow him to properly discharge his responsibilities. In September 1930, Schacht travelled to England



Hitler with his Economics Minister Hjalmar Schacht in 1934.

and the United States, and discussed the German crisis with Anglo-American financiers for weeks on end. Immediately upon his return in December, Schacht met with Hermann Göring. Göring was to become, after 1933, Minister of Interior, Commander in Chief of Police and Gestapo, and Commissioner for Aviation. On Jan. 5, 1931, Schacht dined with Göring, Hitler and Fritz Thyssen.

Schacht called himself "a non-party political economist," which was indeed the case—

his true loyalties were always to the financial oligarchy, the Synarchists. The latter had come to the conclusion that even Heinrich Brüning's austerity policy, rammed through with Emergency Decrees, would not suffice. Schacht had nothing against Brüning's policy of slashing wages and public expenditure, as that was what he himself intended. But he thought it not enough. The Weimar Republic's constitution itself made it impossible to destroy living standards to the degree demanded by the financiers.

In a notorious speech at Bad Harzburg on Oct. 11, 1931, Schacht spelled out the endless catalogue of financial demands on Germany: "foreign debts, that cannot be paid on time"; "illiquidity of our financial institutions and the State"; "public finances, such that even the Finance Minister cannot say how we shall get through the coming months." So Germany must set aside "the misconceived basis on which the system has rested to date." Never did Schacht consider a moratorium on Germany's crushing domestic and foreign debt. To the contrary! He knew the peril the financial oligarchs would have to face, were the Weimar Republic to last: a freeze on debt repayment, and a program to relaunch the physical economy by the issuance of state credit.

Schacht had been designated to head off that option, which was the "Lautenbach Plan" of economist Wilhelm Lautenbach. When, in December 1932-January 1933, the government of Chancellor Kurt von Schleicher announced that it would adopt the Lautenbach Plan, Schacht got Kurt von Schröder's Anglo-American-linked bank to inject several million reichsmarks into the Nazi Party, thus saving it from bankruptcy. Chancellor von Hindenburg was blackmailed into dismissing von Schleicher and appointing Hitler as Chancellor. On March 17, 1933, Schacht stepped back into his role as chairman of the Reichsbank.