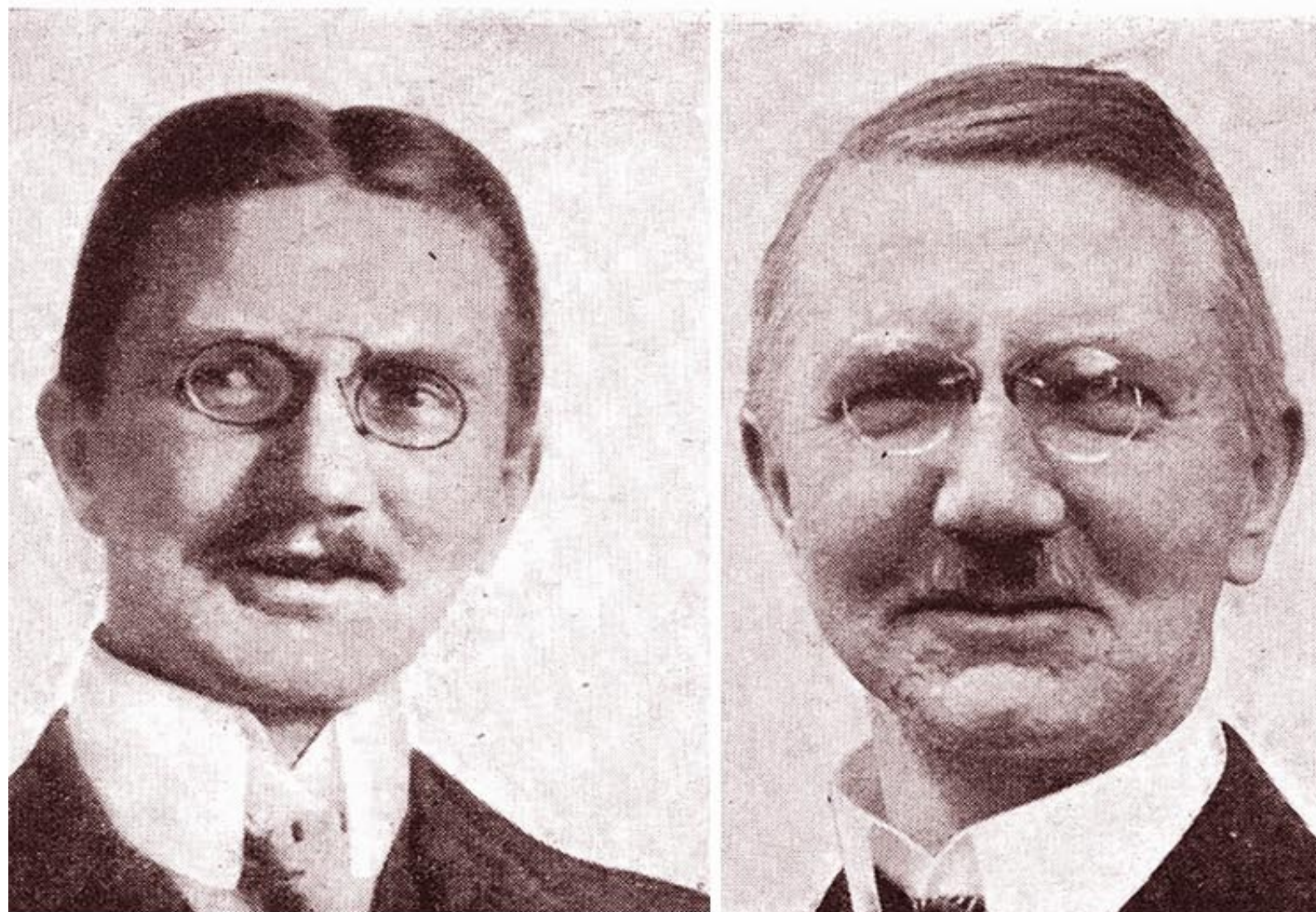


DEBT DOCTOR



FINANCIER of Germany, Hjalmar Schacht was Democratic Reichsbank head in 1923, nazi rooter in 1930, may be nazi scapegoat now

THE AIR is full of rumors that Dr. Hjalmar Schacht, German Reichsbank president, is stepping down at last from the task of magically producing \$5,000,000,000 yearly for National Socialism's tanks and guns and poison gas.

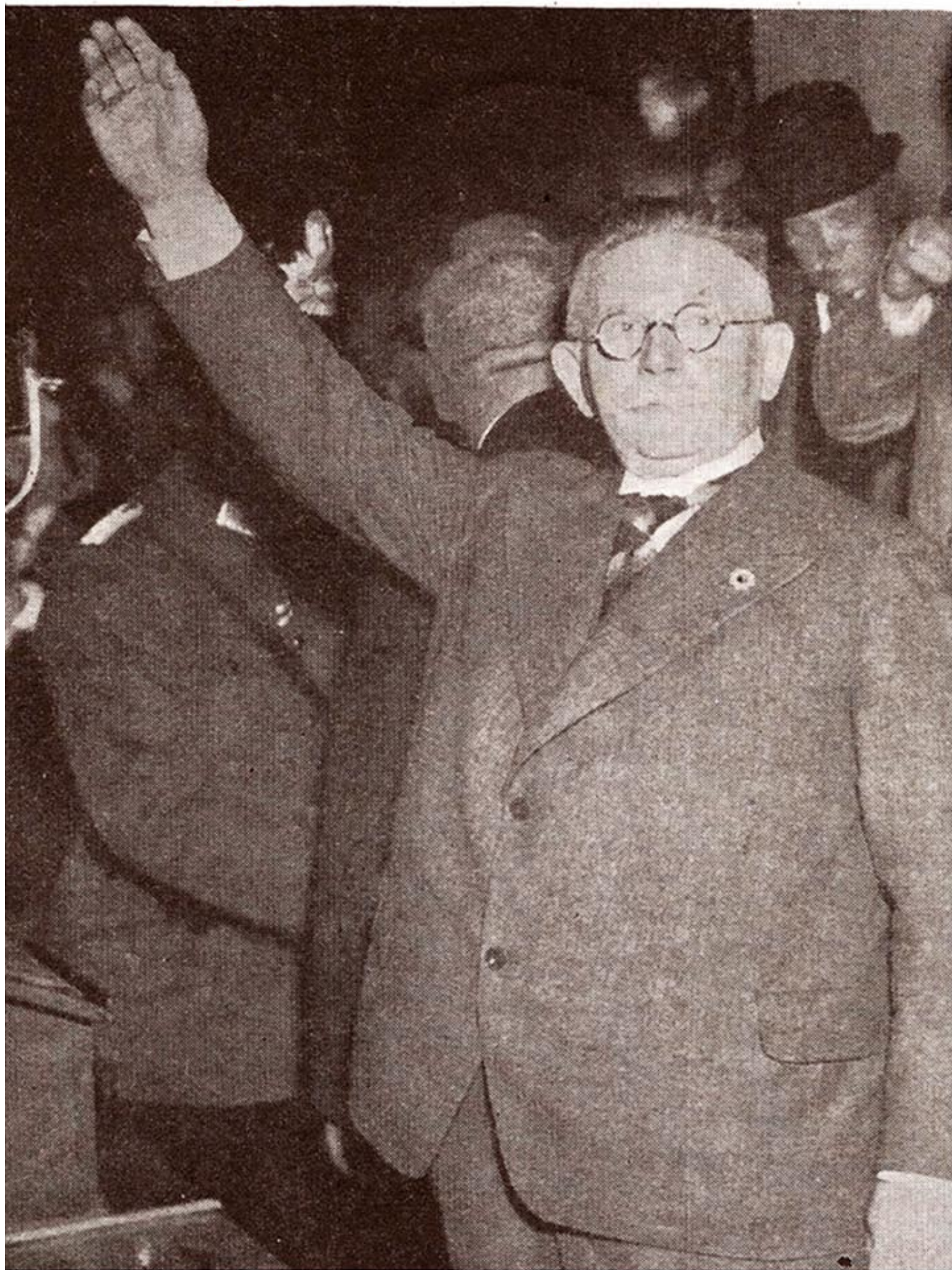
Since the nazis' rise to power, Dr. Schacht has trod a sorcerer's maze of free marks and blocked marks, security marks and emigrant marks, of aski marks, clearing house marks, and registered marks. Now the man who has conducted this three-ring currency circus is at last protesting against ambitious four-year programs that pay no heed to Germany's desperate lack of raw materials, and against insatiable rearmament programs that gobble up precious iron and nickel and copper and tin, while domestic and export industry withers for lack of them.

The Third Reich's national income in 1935 was an estimated \$24,500,000,000. On armaments alone the National Socialist government has spent an estimated \$12,000,000,000 in four years. Rearmament is now coming at a five-billion-dollar-a-year pace, is eating up five out of every seven dollars spent by the nazi government—one-fifth of the nation's annual income. Coupled with made-work costs, these expenditures have ballooned the Reich's debt to some \$22,000,000,000.

Financing capital investments such as tanks and munitions with short-term bills, as Schacht has done, is like erecting an Empire State building with a six months' note. Dr. Schacht, of course, knows this. But he knows also that the coördinated nazi state will not permit institutional and private holders of these notes to get panicky and precipitate a runaway inflation. All Dr. Schacht has to do is to refuse to grant Reichsbank rediscounting facilities to these bills, and thus transform them into a sort of perpetual loan.

But scrapping together every available jot of foreign exchange so that you can buy raw materials abroad is not so simple.

Hjalmar Schacht



MONARCHIST Alfred Hugenberg's Nationalist People's party drew Schacht's allegiance in 1929

Germany lacks the stuff of which tanks and guns and explosives are made. It lacks rubber, cotton, silk, copper, tin, and iron ore. It lacks food for its 65,000,000 people and fodder for its cattle. So Dr. Schacht has laced German business and industry into a strait-jacket of rigid control, to conserve materials and exchange.

OVERSEERS estimated at 500,000 by the *Banker* of London make the life of the German business man a fantastic round of bickering with bureaucracy. From six different agencies—plus other authorities—pour from 700 to 1000 special ordinances every week.

To close a single transaction the business man must fill an average of 140 forms, and if foreign exchange or barter or raw materials should enter the picture, more than 600 forms may be required. And such a deal may take 18 months.

The Reich is plunging headlong toward a crisis. Until now, Dr. Schacht has provided his Fuehrer with precious foreign exchange. But after four years of juggling he is now in a tight spot, reminiscent of that dark moment in November, 1923, when the Reichsmark was being figured in trillions per dollar. Then the tight-lipped, gangling private banker stalked to Wilhelmstrasse at the urgent plea of Chancellor Stresemann, received a gloomy room, a desk, a telephone, and a secretary, and was told to save the mark. He accomplished that task as he accomplished everything else, swiftly and efficiently. He borrowed an idea he had until then opposed, created a Rentenmark based on land and realty values, and replaced the old Reichsmark. Before long, he had stabilized the mark.

His futile struggle with nazi Jew-baiting extremists brings out his finest sarcasm, his best gambler's courage. Freemasonry is forbidden in the Third Reich. Dr.

Hjalmar Schacht



NO JEW-BAITER, Schacht, labeled a Jew in 1929 by Goebbels' paper, was welcomed in 1930 by Hitler. Schacht is a Mason of high degree.

At 60, Schacht presents a tall, erect, schoolmaster's figure surmounted by a smallish head poised on a painfully long neck, imprisoned in a jaw-breaking collar.

He arrives at his uncluttered desk at 9 a.m., passing a brownshirt guard at his door. From 9 to 11 he studies the day's mail and reports. At 11 he calls in a group of secretaries for dictation. His modest lunch never exceeds one hour. From 3 to 6 he receives callers; at 6 he leaves for his middle-class home.

He sometimes sips a bit of wine, often smokes a five-cent cigar. Occasionally he plays the violin for his wife and their son and daughter. Usually he either works or reads biography, history, or political economy. Although he no longer has time for novels or literary essays, he has written poetry—privately printed for his friends. Once in a while he attends the theater. He also designs book covers and silver caskets, and collects paintings.

His chief relaxation, however, the banker finds in his country home at Guehlen, an hour from Berlin by automobile. There he takes solitary walks about the 20,000 acres that lie on a peninsula.

At Guehlen the financier raises pigs. There, too, he hunts, and personally looks after his model dairy and his reforestation project.

He was born in that section of Schleswig-Holstein which voted to return to Denmark after the World War. His father, William Schacht, and his mother, a Danish noblewoman, were wed in Brooklyn; and there Edward, his elder brother, was born.

At grammar school in Hamburg, young Schacht flunked his sixth form arithmetic. He did better in reading, where his prodigious memory aided him.

The adolescent Schacht made two false starts in his career. He set out first to

Hjalmar Schacht

study medicine, lost interest, and took up philology. He now speaks English and French. Finally, at the University of Munich, he turned to finance, studied later in Berlin and Paris, and at Kiel received a doctor's degree.

His first banking job was humble and monotonous, archivist for a Dresden bank, making up the bank's weekly statistical bulletin. He soon became press chief and at 31 achieved a deputy directorship.

When German troops occupied Belgium, Schacht became currency adviser for the territory, tasting power as second in command to the military chief. Returning to Germany in 1916, he established himself as one of the country's leading bank directors.

But for Schacht banking was not enough. He turned to politics, and in 1919 formed the Democratic party, a left liberal, non-socialist group. Of the things Dr. Schacht would now as lief not be reminded, that association with the Democrats is one.

By 1929 he had broken openly with the Weimar republic, but not with democracy. By 1930, two years before Hitler came to power, Dr. Schacht gave the nazi salute as brownshirts paraded in the street. Although he did not become a party member, he publicly proclaimed adherence to the nazi philosophy of *Weltanschauung* (world view).

TO CRITICS Dr. Schacht today is a supreme soldier of fortune, the Nietzschean superman who pursues the will-to-power with little regard for scruples. He is the modern turncoat Tallyrand.

Critics who take this tack toward Dr. Schacht are well documented. As late as 1929, in a speech at Munich, the financier defended democracy and opposed dictatorship. Within a year he was working with might and main to overthrow democracy and establish himself as a pillar of dictatorship.

For years he belabored the Weimar republic for borrowing abroad. Today the Reich's borrowing has reached a point where the government no longer publishes a budget. In 1931 Dr. Schacht wrote: "The basic disease of all socialist systems lies in the tremendous overexpansion of state machinery." Today, under Dr. Schacht, overexpanded state machinery so restricts private enterprise that Dr. Schacht admits it is "hideous."

Friends of Dr. Schacht, however, discern consistent principles even in these points. They point out that he has been deeply and assertively nationalistic, has struggled tirelessly for national revival and unity. Again like Tallyrand.

Friends point out, too, that there is nothing new about his advocacy of a strong army, of return to Germany of her colonies and her place as a great power. Neither has he been inconsistent in suppressing Germany's labor unions.

Hjalmar Schacht

Dr. Schacht also has been consistent in his struggle to emasculate National Socialism of its socialism. He has always hoped to win over Hitler to an assurance that private enterprise would not be uprooted.

The struggle between proponents of private enterprise and those nazi left-wingers who demand an all-around planned economy must still be fought. On this struggle the future of Dr. Schacht depends. If planned economy wins, Schacht for once will have failed to make good on a boast he made in the *Journal de Genève* in 1926: "I am always right. I know what I want, and I get it."

And if Dr. Schacht loses this last supreme gamble, he knows that he may never have an opportunity to make another. —*Lester Velie*

