# Hjalmar Schacht on Reparations Requirements (1931)

## Abstract

Hjalmar Schacht (1877-1970) had already made a remarkable career as a banker in the German Empire, which initially continued in the Weimar Republic. In 1923, as Reich Currency Commissioner, he played a key role in the introduction of the Rentenmark, which put an end to hyperinflation in Germany. In the same year, he was appointed President of the Reichsbank. In 1929, he led the German delegation in the negotiations on the Young Plan, which was intended to restructure reparations payments. Schacht rejected the plan as unrealizable but had to agree to it on the instructions of Reich Chancellor Hermann Müller (SPD). After further disagreements over reparations payments and financial policy, Schacht resigned as Reichsbank President in March 1930. In the following years, he initially retired to his country estate in Brandenburg and moved closer to National Socialism politically. In 1918, he had been one of the founders of the liberal German Democratic People's Party (DDP), but he left the party in 1926. From 1932, Schacht openly supported the NSDAP and was one of the signatories of the so-called "Industrialists' Petition," in which Reich President Hindenburg was asked to appoint Hitler as Reich Chancellor after the Reichstag elections in November 1932. Hitler reappointed Schacht as Reichsbank President shortly after coming to power.
In this excerpt from his book *The End of Reparations*, published in 1931, Schacht explains why a revision of the Treaty of Versailles, and in particular the "war guilt clause" and the reparations demands, was absolutely necessary in his opinion. In recognition of the fact that France and Great Britain were unlikely to waive reparations due to their own war debts to the USA, he draws up a plan for an export policy that would give Germany the economic boost it needed to meet the reparations demands.

## Source

### SYSTEM OR CHAOS?

The Treaty of Versailles and the reparations requirements have plunged the world into moral and economic chaos. Two paths lead out of this chaos, and both must be followed. One is the path of moral renaissance. It requires that the immoral basis on which the Treaty of Versailles was built be reconsidered, that the charge, long ago disproved by all the specialists, that Germany alone was responsible for the war, be officially withdrawn, that the breach of faith be repaired and Wilson's fourteen points be made, as was solemnly promised, the basis of a real peace. The fight for this moral renaissance has only been begun; it cannot be silenced by any conceivable propaganda of violence.

The second path out of chaos is the path of economic sense. This book has concerned itself with marking out this trail. It would be no more foolish to attempt to grow bananas at the North Pole than to try to squeeze money out of a people which is socially and economically incapable of paying it. Such an effort is brutal and stupid, and therefore impractical. We cannot avoid the conclusion: either reparations must be renounced, or the German people must be enabled to earn reparations. I have already indicated the ways in which that can be accomplished. Germany's European market can be expanded; she can be enabled to develop her own raw materials if her colonies are returned to her; new markets can be opened to her industrial products.

Since the other industrial countries certainly will not want to resign their markets to Germany, we may have to resort to makeshifts. The question is: Are there new markets for industrial products—not only German, but those of other countries as well—which would make it possible for these countries to utilize their productive capacities to better advantage than heretofore? It was the old policy, in time of crisis, to

support the manufacturers or their workers. In rich countries this is relatively simple, because the task can, under normal circumstances, be handled out of domestic resources. But for impoverished Germany such a solution is impossible. So the solution is, not to support the manufacturer or his workers, but to support the buyer.

The buyer must be enabled to buy—by advancing credit. Such credit naturally would not cover goods intended for immediate consumption, such as food and clothing. The necessity of repayment would soon put an end to any such inflationist expansion of consumption. But many relatively undeveloped countries have a hitherto unsatisfied need for goods which are used to promote further production, for machinery and railway and highway material. Rails, pipes, locomotives, electrical equipment, power stations, harbor works—these are all needed in the backward lands of Eastern Europe, South America, Asia and Africa, and there would be no danger in supplying them on credit, for their utilization in those undeveloped countries would increase productivity and yield a return out of which, in the course of years, the long-term credit could be repaid. Such a policy would imply no such subsidies as have often been granted to manufacturers; it would be an organic credit policy supplying means for its own liquidation. But such a policy could not be applied as a national policy by a single country; it would have to be international. It requires international co-operation.

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Source: Hjalmar Schacht, *The End of Reparations*, translated by Lewis Gannett. New York: Jonathan Cape & Harrison Smith, 1931, pp. 240–42.

Source of original German text: Hjalmar Schacht, *Das Ende der Reparationen*. Oldenburg: Gerhard Stalling, 1931, pp. 238–40.