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Why Ignorant Bankers Believe Schacht Succeeded

by Lyndon H. LaRouche, Jr.

This is an edited version of an article on the evil significance of “Schachtian economics,” written 45 years ago by the then U.S. Labor Party Presidential Candidate Lyndon H. LaRouche Jr. The full article is available [here](#).

Every morally sane and informed person in the world today agrees that the Rockefeller family’s favorite Nazi, Dr. Hjalmar Horace Greeley Schacht, was an enormously evil man. Every competent political analyst knows also that it was Schacht’s monetary policies which directly and inevitably caused the emergence of Nazi criminal practices in the occupied territories and the slave-labor death camp system. In effect, anyone who condones the monetary policies of Hitler and Schacht today is directly endorsing the Nazi holocaust against six million European Jews in particular.

Unfortunately, too few people know that Schacht was not only a terribly wicked man, but also a total charlatan in his profession of monetary-economic expertise. In monetary policy and in economics, Schacht



“Every competent political analyst knows it was Hjalmar Schacht’s monetary policies which directly and inevitably caused the Nazi criminal practices in the occupied territories and the slave-labor death camp system.” Shown: Schacht parading with Der Führer in Berlin, May 5, 1934.

was not only absolutely no “wizard,” but was downright incompetent. Schacht’s skills were not those of the economist, but entirely those of the wholly immoral swindler. Every competent economist knows that Schacht’s policies did not work, and could not possibly have succeeded—any effort to say the contrary is either outright fraud or the ignorant chattering of credulous fools.

Even so, quite apart from outrightly evil Atlanticist financiers and their friends, Kissinger, Schlesinger, George Ball, et al., there are numerous, otherwise intelligent and competent bankers, who ignorantly believe that Schacht might have saved the German economy if he had been continued in power after 1937. This criminal ignorance among such bankers and others is not accidental, as we shall see in the course of this analytical report on

that problem. Schacht’s economic theories represent no more, in fact, than an elaboration of the “basic economic theory” of an extraordinarily crooked used-car salesman.

This judgement of Schacht’s alleged professional competence is absolutely no exaggeration as we shall shortly see.

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World War: Myth and Reality

The creation of Nazi Germany by the initial backing of the Rockefeller family and others is a fact which begs the question: How was it, then, that Adolf Hitler, an Atlanticist puppet, became the principal enemy of the U.S. and Great Britain during World War II? An understanding of Hjalmar Schacht's and Adolf Hitler's monetary policies is absolutely key to that problem.

Atlanticist backing for Schacht's protégé, Adolf Hitler, had two principal objectives. More immediately, the entire structure of pre-World War II imperialist debt rested upon the foundation of the reparations debt imposed upon Weimar Germany by the victorious World War I Allied Powers. From 1923 through 1928, through combined debt-payments rescheduling and U.S. credits, Weimar enjoyed a modest recovery. As a result of the 1928-1929 speculative crises and inevitable crash, the capacity of the U.S. economy to issue further credit for support of world trade was curtailed, and the world economy began a chain reaction collapse leading directly and inevitably into the consequences of 1931 and of the 1932-1934 period.

All of Schacht's alleged "wizardry" of the 1923-1928 period, including the notorious Rentenmark caper, were nothing but a pawn's moves at the behest of the controlling chess-player, the Atlanticist financiers. The Rentenmark, for example, is a direct model for the "Resources Bank" swindle which Rockefeller protégé Henry Kissinger has lately proposed to the developing sector. The essence of the Rentenmark was a ruse for hypothecating German real assets as security for (principally) U.S. bankers' loans to Germany: without that U.S. credit, the Rentenmark would have been nothing but the most ignorant schoolboy's attempt to introduce the principles of masturbation into monetary practices.



Bundesarchiv Koblenz

When paper marks inflated to a million to one gold mark in Germany, wages had to be delivered in sacks by hand-cart. August 15, 1923.



German children using a stack of hyperinflated marks as toy building blocks, 1923.

During 1928-1929, since the Weimar Germany economy remained above the breakeven point only through a massive proportion of industrial exports, the collapse of U.S. credit expansion for support of world trade meant a sudden collapse of the German economy below that breakeven point. Since Germany, after 1928-1929, was not producing a national absolute profit, Germany had absolutely no margin of national income which would be allocable to maintain its foreign debt obligations—without drastic slashes in real incomes and social services at the expense of the German population.

Schacht's 1928 "wizardry" amounted to no more than a proposal to drastically cut wages and social services as a trick for maintaining payments to foreign debtors. the same sort of ignorant landlord's "Big MAC"-type proposal. Thus, Chancellor Schmidt immediately emphasized: "We must concede with the greatest pain that, albeit with the most terrifying goals and with the worst instruments, in the final analysis, it was first Schacht and Hitler who drew the correct consequences from the monetary standpoint." In fact, the modified version of Schacht's

1928 austerity which was implemented under Adolf Hitler was just that, a slightly modified version of the crude (“Big MAC”) swindle proposed in 1928.

The specific problem of Schacht’s 1928 proposal was solely that it resulted in massive unemployment. It was not this unemployment which concerned Schacht’s Atlanticist backers (although it did concern various strata in Germany for varying reasons): it was the fact that collapsing employment meant that the thus-dwindling amount of total looting of both industrial capacity and of the population was insufficient to meet foreign debt-payments! Therefore, by restoring to forced-draft employment, including the slave-labor Nazi primitive Bauarbeit projects, the rate of per capita looting of German bodies and industrial capacities was increased. Again, not an economic solution to the insufficient production of wealth, but a simple mercantilist’s swindle.

However, over relatively short periods, such a modified version of “Big MAC” fascist swindles fails even more miserably than the Brüning and Von Papen versions, as even the most low-browed Nazi Labor Front officials began to discover and to point out to Hitler from 1936 onwards, bringing about the dismissal of the incompetent Schacht.

The problem was this: the apparent short-lived success of Schacht’s 1933-1936 “solution” was based on the mere fact that the rate of economic looting of stored-up wealth of German bodies and industrial capacity was increased per capita by forced-drafting uneconomical usage of German labor and industry. The result, a kind of cannibalistic turning-inward of inflation against the body of the affected economy, was that combined speed-up, fixed wage rates, decreasing quality of products per deutschemark of purchasing power, failure to replenish worn-out physical productive capacity, and pyramiding of long-term illiquidity brought the Nazi German economy to the point of internal crisis in 1936 such that two divisions of French troops walking easily over the French border into the Rhineland (in response to Hitler’s desperate violation of the armistice agreements) would have brought about the immediate total collapse of the Hitler regime.

Without German military conquests, Schacht’s policy would have brought about immediate collapse of the German economy sometime shortly after 1936.

Thus, the first, immediate objective of Hitler’s New York City and London backers was to stabilize Germany’s external debt-payments, using the vicious Nazi



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Schacht “solved” Germany’s dwindling ability to meet foreign debt-payments by looting the stored-up wealth of German bodies and industrial capacity. Shown: Forced labor at Sachsenhausen concentration camp.

machine of Adolf Hitler as the only existing instrument capable of delivering that result.

The second objective, openly mooted in leading U.S. circles from the 1936 Roosevelt election campaign, was the Atlanticist military objectives for their puppet, Adolf Hitler. (I, then a fourteen-year-old youth, vividly recall lead articles from my subscription copies of the *Pathfinder* of that year to this point.)

The key to Atlanticist military policies for their Hitler puppet is the Anglo-German Parvus project of 1915-1917. Certain forces among British Atlanticists had reached the conclusion that only the colonization of Eastern Europe, especially Russia, could provide a viable material basis for reviving the already-waning British Empire. Lacking the direct military means to accomplish this, the relevant British circles—with increasing concurrence from certain New York-based

circles—adopted the policy of utilizing German military potential to accomplish British objectives. Thus, Parvus was successfully insinuated into the confidences of German intelligence beginning in mid-1915—after unsuccessful earlier efforts to the same end.

It was for this reason that the French Army did not go into the Rhineland in 1936. It was for this reason that the Munich agreement—inexplicable from a military-strategic correlation of forces at hand at that time—was enacted; that Admiral Canaris was ordered not to proceed with his army project for overthrowing Hitler, and that the initial phase of the Western Front War of 1939-1940 was described as a “phony war.” It was because of Stalin’s real, if foggy perceptions of this pattern that the Hitler-Stalin pact was adopted: Stalin, rightly fearing a joint Allied-Nazi War against the Soviet Union, attempted to place in Nazi hands, the means for Hitler’s turning first against France and Britain.

This is not to imply that Stalin was anything resembling a genius in this matter: he was enormously credulous as the Tukachevsky affair illustrates. The fact is that the outlines of the plot were that obvious. Stalin’s efforts to divide his opponents were also obviously a delayed reaction to the British and French allies—rejecting the Tukachevsky plan and rushing into the clear signals of policy in the Munich agreement.

Weimar Germany and its fascist movements, originally created by Atlanticist intelligence agencies working through the Occupying Powers in Berlin, did not come to such a posture accidentally. From the beginning of 1919, at the latest, as today, Atlanticist policy for Germany was to use that nation as a gambit-pawn of “forward defense” for containment and invasion of the Soviet Republic. This project proved unfeasible during the immediate post-war period, and thus was deferred without being abandoned. The basic British policy as embodied in the essential points of the Parvus plan, has never been abandoned since by the hardcore



Josef Stalin rightly feared a joint Allied-Nazi war against the Soviet Union. This photo is from 1937.

of Atlanticists.

This is not to imply that the immediate current objective of Rockefeller and his allies is an actual invasion of the Soviet Union. As the Schlesinger Doctrine appropriately emphasizes, Rockefeller’s immediate military objectives are a crushing of all political opposition to his fascist economic schemes within both the advanced-capitalist sector and the developing sector.

The danger of general thermonuclear war during either the immediate weeks ahead or no later than the summer of 1977 arises, first, because Rockefeller envisages a 1962-style capitulation of the Soviet leadership to a thermonuclear showdown as the most efficient

means for terrorizing Western Europe and the developing sector into total submission; and, second, because Rockefeller and other circles foresee that 1977 is the last possible opportunity for a successful thermonuclear showdown with the Warsaw Pact. Because those Rockefeller forces are maddened by their current financial desperation, they are acting as blinded lunatics to the fact that any such confrontation as they propose inevitably means immediate general thermonuclear war.

Thus, from 1936 onwards, Atlanticist Nazi policy shifted to a posture of using Hitler as a “breakaway” or “outlaw” ally—just as the Rand Corporation has proposed to employ Israel’s Dayan-Peres and South Africa’s Vorster of today. Hitler, militarily contained in the West, was to solve his internal economic problems by looting in the Balkans and to the East, and, after the attrition of fighting a war against the Red Army, both the Nazis and the conquered Soviet Union were to be subjected by the waiting Atlanticist military forces and their credulous French allies. (The Maginot Line was not merely a piece of military-strategic stupidity among relevant French military and related circles: it was the replacement of policy of preventing German military revanchism—the policy of Clemenceau, et al.—by a policy of permitting Hitler to re-arm within a Western-fixed containment.)

As we have emphasized in other treatments of this general problem of Nazi World War II policies, the Atlanticist creation of the Nazi Frankenstein as a military power in Germany produced a monster which could no longer be controlled as a mere puppet of the sponsoring New York City-based and London-based Atlanticist forces. Hitler, from mid-1940 onwards, became visibly a greater danger to Atlanticist power than the conquest of Russia represented an urgent material necessity for those same Atlanticists. Hence, the abrupt mid-1940 change in Atlanticist policies leading into the later developments of that war.

Once Schacht and his Atlanticist backers had created the Hitler-pest on the basis of Schachtian monetary policies, the sequelae, including the slave-labor death-camp systems, followed as inevitable, rigorously determined consequences of Schacht's monetary policy. To support Schacht's monetary policy, which requires then as now a certain type of political regime, is to commit oneself to the same and worse crimes which the Nazis accomplished during the period following Schacht's formal degradation—for reasons of incompetence—from power.

Why Bankers Become Fools

In such exemplary cases as Nelson A. Rockefeller, we are encountering men who are flagrant liars, and whose stupidity is matched only by their lack of human moral criteria and impulses. Nelson Rockefeller and his sort are moral lunatics, to whom no monstrous crime against humanity is forbidden by conscience. Among many West German bankers, industrialists, and other relevant present sympathizers of the Hitler-Schacht policy revival, we encounter a somewhat different sort of moral-intellectual problem.

These frightened men and women, caught between their cultivated horror of Soviet tanks and their greater fear of New York City, are hysterically evading their consciences' voices because: (a) they believe that a Hitler-Schacht monetary policy is the only choice available to them; and (b) they desperately and prob-



Rockefeller Archive Center

Vice President Nelson Rockefeller (right) with Secretary of State Henry Kissinger—“moral lunatics to whom no monstrous crime against humanity is forbidden by conscience.” January 3, 1975.

ably devoutly wish that somehow there might not be a rigorously necessary connection between such monetary policies and the “terrifying goals and worst instruments.”

They, like some other former liberals in New York banking circles, and certain Jewish circles around the American Jewish Congress, are acting today like so many Germans of 1933-1945 because—in part—they cannot understand the actual nature of and available solutions for the current global capitalist monetary collapse.

Like most capitalists and pro-capitalists, these unfortunate people are supporting fascist global policies and adventures because they do not understand the ABCs of capitalist economics. Thus, they fall into the wake of fascist Milton Friedman and Atlanticist ex-liberal Abba Lerner as admirers of the swindler Schacht.

I must temper my judgement of today's leading West Germans in light of what I know to be the foreign pressures acting upon them, including certain manipulations of the neurotic hysteria on the “Russian question” radiating into that population from among both about 20 million post-war immigrants from the East and from the families of those who believe that their

fathers probably committed some mysterious horrors on the Eastern Front during the last war. It is typical, for example, to hear a German of today closing out the facts of Dresden, Hamburg, Bremen and so forth with the hysterical observation: “But, that time, we were on the wrong side.”

The Atlanticists’ approved doctrine for West Germans is a focus on the terror of the enraged Red Army troops who moved into Hitler’s Germany at the end of the war—after having passed through the Eastern European areas recently occupied by the Nazi machine. The West Germans—according to approved Atlanticist Doctrines—are supposed to forget that it was Schacht and Hitler who brought these horrors upon them, and that it was the Occupying Powers who created such postwar horrors as the “Turnip Winter” of starvation.

I, for one, will not fall into the obscenity of national chauvinism on this issue. The source of this horror is not Helmut Schmidt, and so forth, but Nelson Rockefeller, David Rockefeller, John D. Rockefeller III, George Ball, John Connally, Ray Cline, Jacob Javits, Marcus Raskin, Ronald Reagan, Henry Kissinger, James Schlesinger, and so on.

If we of the United States eliminate the power of the Atlanticist fascist monsters at home, and free West Germany from that pressure, then I am confident of positive developments from within West Germany—the same developments which were predominant prior to the Rambouillet conference of last November.

If the Paper Evaporated?

Any intelligent working man or woman can quickly understand the basic proof of the widespread stupidity now prevailing among bankers and most politicians. The following illustrations make the essential points.

First, let us imagine—only imagine—that all paper representing financial debt were to be repudiated across the board, leaving only equity titles to factories and so forth with legal authority. With the real economy remaining in legal force, would there be a comprehensive solution to the current depression? Absolutely, no real problem would be in the way, of not only total recovery, but of the greatest economic boom in world history!

Economics is fundamentally based on the matching of productive capacities (farms, mines, factories) and channels of distribution with productive labor. To put an existing economy into continued motion it is merely necessary to match total personal income payments

with personal consumption commodities production, and to expand total production beyond that amount for the purpose of producing capital investment commodities. Given existing capacities and also the immediately realizable means for modernizing and expanding capacities in agriculture, mining, other extraction and industrial production, even with the obsolescence and related ricketiness of much of our productive capacity, we have the physical capacities necessary to launch the greatest production expansion in world history.

If, then, all existing debt paper were invalidated, it would be no principled difficulty to establish a new monetary system on the basis of credit issued for discounting and rediscounting the relevant production orders involved in getting production under way again.

That solution to the current world depression is entirely practicable, and, moreover, is the only type of solution for the present crisis. Why, then, is it not under way? Why must production continue to collapse in the face of growing material want? Why are so many sections of basic industries collapsing under obsolescence and lack of proper basic maintenance? Why are real incomes collapsing? Why are basic medical and hygienic services being cut, even at a time at which a global biological catastrophe has begun to emerge? Given the fact that a direct and practicable solution to all these problems immediately exists, is not the current policy of the U.S. and other culpable governments not essentially insane and even criminal in implications?

In part, the source of the difficulty is the willful wickedness of the leading Atlanticists. In part, it is also a fruit of the mere ignorance of the ABCs of economics among most leading circles.

To state the same point in other words: The delusion prevails among professed economists and others that the system of paper values directly corresponds to some essential reality of capitalist economy. This delusion persists, even to the point of hysterical obsessiveness, and even in the face of the sort of illustration we have given above. What these foolish, miseducated officials and academics refuse to understand is that, defining a capitalist economy as capitalist ownership of the institutionalized means of production and distribution, it is quite feasible to wipe out entire masses of debt-holdings and other secondary and tertiary papers, and to create quickly entire new credit and monetary superstructures—monetary systems—essentially by a wilful act of governments.

Keynes and Schacht

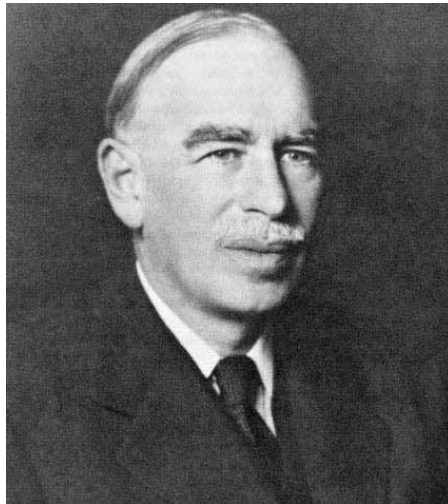
It is relevant to this point to note that numerous governmental and other officials lately emphasize the fact that the principal source of increase in the number of professed devotees of the fascist Schacht is from the ranks of formerly liberal admirers of the British monetarist John Maynard Keynes. The profascist Milton Friedman of Chicago, the advocate of current Brazilian and Chilean fascist economic policies, could scarcely be termed a former liberal, and was rightly held in contempt for his lack of mental powers by such leading Keynesians as Mrs. Joan Robinson.

However, Rockefeller protégé Abba Lerner, despite his close association with the wretched Sidney Hook, does have credentials as an official Keynesian and former liberal, preceding his present admiration of the fascist Schacht and his notorious admiration for the Brazilian model. Recently, the number of Keynesians who have gone over to open support of Schachtian fascist monetarist doctrines has significantly expanded.

This susceptibility to fascist monetarist doctrines among Keynesians is not accidental. Despite secondary differences in derived aspects of their doctrines. Schacht and Keynes proceed from the same axiomatic assumptions, and reflect the same utter ignorance of the existence of a real economy underneath the chain-letter nonsense of a monetary system without a controlling gold-reserve-ratio. Whenever the point is reached at which a Keynesian monetary system becomes bankrupt in fact, Keynesians tend to become Schachtians and to reject their former liberalism for fanatically fascist views.

It was not irrelevant to the popularity of Keynesian views among former academic circles that these delusions were most readily accepted among paper-shuffling bureaucrats and among overaged college students who have never performed a productive day's labor in their life.

The industrial worker, the farmer, knows that his



"The principle source of devotees of the fascist Schacht is from the ranks of formerly liberal admirers of British monetarist John Maynard Keynes."

labor transforms certain raw materials and so forth into a finished material product, a part of the total spectrum of produced tangible wealth on which the material existence of the economy and its population depends. The service worker, the truck driver, the railway worker, the air-conditioning installer, and so forth, also has a sense of getting things done and making things work. Consequently, even though such strata of the population may become infected with popularized monetarist nonsense through school and ignorant press reports or through the speeches of political windbags and bankers, underneath these induced illusions, people

who perform productive labor and useful services as a way of life have a basis in personal experience for understanding a real economy.

In contrast, consider the case of the college student who goes directly to college from a pampered subur-



EIRNS/Alan Yue

"Whenever the point is reached at which a Keynesian monetary system becomes bankrupt in fact, Keynesians tend to become Schachtians and to reject their former liberalism for fanatically fascist views." The Rockefeller protégé Abba Lerner (standing), did just that in a debate with Lyndon LaRouche (seated) at Queens College in New York City, December 2, 1971.

banite household, and who then becomes a professor or some sort of paper-shuffling bureaucrat. These, not astonishingly, are the layer who talk most freely of the "lazy workers" in today's steel and auto factories, like the drunken, overpaid tourists, who after rolling in the

fleshpots of Italy's "*La Dolce Vita*" circuit, return to the U.S. and various European cocktail circuits to confide, "The problem with Italy is ..."

What do such people, sipping their cocktails and nibbling hors d'oeuvres at business luncheons, suburbanite cocktail parties, faculty meetings, and Rockefeller-sponsored foundation or commission meetings know of real economy? To such people, reality, what seems to measure success or failure in their petty lives, is the shuffling of paper, the ritual repetition of approved verbal formulae, the shaping of ignorant prejudices. Like the wretched Rand Corporation "linguist," Noam Chomsky, the "science" symbol, of paper, is the only reality which exists for them.

The first principle of real economy is the increased production of tangible forms of useful wealth. If the total of this wealth produced permits an improvement in the existing prevailing standards of personal consumption and leisure opportunities for the entire population, and suffices to maintain and improve agricultural and industrial productive capacities, then society is on a stable basis. Any increase in usable forms of tangible output above such requirements represents an absolute profit to the society, the margin of increased profit which makes the capitalist system function when it is properly functioning. If the rate of output of wealth falls below such requirements, then society is not producing any profit, and is headed for disaster.

This increase, as any skilled worker or farmer knows, is based on advances in technology, which, in turn, are subsumed by advances in scientific knowledge. Furthermore, the object of sane economy is to increase the margin of absolute profit of the whole society while at the same time advancing the standard of average personal consumption and leisure. This is done by introducing relatively advanced forms of productive technology in such a way as to increase the average productivity of production as a whole. This same approach enables society to supersede its dependence upon depleted natural and other resources by shifting to new kinds of resources.

Any economic or monetary policy which furthers such objectives is more or less sound; any monetary policy which does not satisfy such criteria is incompetent, and ultimately downright insane. If the existing monetary system does not permit the indicated sort of policies, then that monetary system must be scrapped, and a new appropriate monetary system es-

tablished to replace it.

However, to the Keynesian or the degenerated Keynesian, the Schachtian, the existing monetary system, as represented by the existing mass of financial debt-obligations is what is primary. To the Schachtian, the economy is merely a means to serve the monetary system. Whereas to the point of view of industrial capitalism, the sane view shared by workers and farmers, the monetary system exists merely to serve the economy.

The Rockefeller faction among Atlanticists has two distinguishing features which make it particularly insane by disposition, and particularly, intrinsically fascist in its outlook. The distinction of the Rockefellers is that their orientation to production emphasizes raw materials, e.g., the simple looting of nature, while otherwise their approach and self-interests are purely monetarist in form: the transformation of paper assets into more paper assets. It is a historical fact that any aspect of capitalist power oriented to the notion that raw materials represent the basis of wealth has a characteristic tendency to be ignorant of the realities of production and monetary policy generally. (This problem infects OPEC nations, to whom the magical transformation of a few dimes' worth of petroleum at the well-head into ten dollars or more of commodity, through actually insane monopolistic practices, has made those OPEC nations in part so susceptible to manipulations by the Rockefellers and related interests.) Added to this distinguishing incompetence of the Rockefeller group generally, there is the past decade's emphasis on the purely monetarist swindle as the conception of wealth-production.

This ignorant, actually anti-human conception of wealth finds a ready audience among the flatulent, chair-bound paper-shufflers and windbags of the bureaucracy and academic faculties.

Thus, in order to attempt to save a bankrupt monetary system, the Rockefellers and their wretched camp-followers and other stooges are prepared to slash world production levels, unleash international waves of blind terrorism, use weather control and manufactured earthquakes as tools of political warfare against friendly nations, launch regional nuclear wars as a mere matter of political deployments, and to wipe out a major segment of the present world's population through diseases and wars, merely so that Rockefeller, et al. will not have to suffer a loss of their bookkeeping wealth. Now, they demand Hitler and Schacht.