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January 14, 1939.

The Secretary

The Under Secretary

PA/D - Mr. Dunn

Eu - Mr. Moffat

EA - Dr. Feis

I think I should comment briefly on the appended strictly confidential despatch no. 469 from the Embassy in Berlin transmitting a memorandum of conversation which Mr. Heath of the Embassy recently had with Dr. Schacht. In this memorandum again Dr. Schacht displays certain methods of procedure with which some of us who know him well are quite familiar. The statements of Dr. Schacht reported in the appended memorandum are that mixture of truth and misrepresentation which are so characteristic of him. In view of the fact that Dr. Schacht has no real influence in the German Government today but that very real misapprehensions exist among so many otherwise well-informed persons outside of Germany concerning his real position, I think the following brief comment may be interesting.

Dr. Schacht is so complex a character that any real  
analysis

analysis of the part which he has played would have to be quite lengthy. I shall, therefore, confine myself to some very brief comment. I should say at the outset that I know Dr. Schacht very well, have had a good deal of contact with him over a number of years, and it so happens that some of his most intimate friends are also friends of mine with whom I continue to maintain close contact. I believe, therefore, that I can speak out of a direct and very definite knowledge of the man.

There is no question that Dr. Schacht is one of the most resourceful, clever and at the same time most unscrupulous bankers in the world today. To understand him it is necessary to realize that his dominating characteristic is his ambition to play a great role, to be in the public eye and to have his outstanding merit recognized. Dr. Schacht believes himself to be the greatest banker in the world today. For American bankers and for Americans as a whole he has contempt. This applies particularly to American bankers. He has a certain regard for individual English, Dutch and French bankers but even these he considers as very much his inferiors.

~~Although~~ This contempt for American bankers he has expressed openly, and in private, in terms which are so filthy that I would not wish to put them in words. This feeling with regard to American bankers creeps out in his statement to Mr. Heath in the first paragraph of the

appended

appended memorandum.

It must be recalled that Dr. Schacht was in eclipse in the period immediately preceding the coming of the Hitler Government into power. He lived toward the end of 1932 at his country place near Berlin. He served as the center there of those industrial and financial groups which finally decided to give financial aid to the Hitler movement and to bring it to power in the belief that they would be able to control this movement from the outset. Dr. Schacht, who had no sympathy whatever with the National Socialist movement, persuaded and stimulated industrialists and financiers to give this aid to the Hitler movement largely because he felt that through its coming into power he would regain his former position in German public life and, because of his personal capacities, would become a dominating factor. It was no secret to those who knew him best that he felt that he would be the inevitable successor to the very old President Hindenberg. Dr. Schacht felt that because of his resourcefulness and the need of the National Socialists for a man of his financial capacities, he would become the dominating factor in the Party.

There is no doubt among well informed persons that Dr. Schacht found himself obliged, in order to maintain

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his position when the new Government came into power, to carry through the autarchic measures in which he had no confidence whatever. He on more than one occasion during the first two years of the present regime stated to me that the autarchic measures and the general internal program followed by Germany would lead Germany and Europe into a war which would be the ruin of Europe and of Germany. In spite of this, in order to hold his position, he became the exponent of all these ideas in which he did not believe and he used his undoubted great powers in order to build up the present system which he realizes is so dangerous.

He has now been relegated into a secondary position and is exceedingly bitter. To a friend of mine, who I know to be one of his most intimate friends, Dr. Schacht has repeatedly said within the last year that the course which Germany is following can only lead to her ruin and to a war. While it is true that Dr. Schacht has no sympathy with the present German Government, and particularly its internal program, and while it is correct that he is particularly opposed to the anti-Jewish and other discriminatory measures carried through by the Government, he is not sincere when he says that he is interested in ending the economic conflict between Germany and other states because of the further danger which it has for the Jews. His statement to Mr. Heath, "that his urgent desire

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for a settlement of the economic conflict and difficulties in German-American relations was not because of the mutual economic benefits which would result but because such a settlement would work to prevent further measures against the German Jews", is utterly insincere. In reality Dr. Schacht is not interested in the fate of the Jews. He is interested in settling the economic difficulties between Germany and the United States in order to emerge from it as the great man of the modern world.

His statement to Mr. Heath, "if I could only sit down with Secretary Hull I know that we could quickly find a way out of our difficulties", is merely one of those typical expressions which Dr. Schacht likes to use. He knows that he cannot do a single thing of himself and all he has been doing since the National Socialist Government came in is to act as the mouthpiece and instrument of the most radical elements in the Party. If he were to sit down with anyone, he would not be acting upon or expressing any of his own views but would be a mere instrument. He is utterly incapable of carrying through any of the policies which he believes to be sound. I could document this statement with any number of instances from personal knowledge and experience.

It may be recalled that before Dr. Schacht could in  
any

any way talk about the refugee matter he had to get in touch with Hitler himself. The whole record of the Department in the last few years shows that he is utterly undependable, that he has no power and that it is not likely that he will have any as long as the present Government remains in power. He will continue to be used as a façade by the present Government and even such otherwise well-informed persons as Mr. Norman of the Bank of England and others will continue under the illusion that he has power.

The reference in the appended memorandum to his present reduced status in the German Government is significant only in the sense that it shows his chagrin over his secondary position and is indicative of the primary characteristic of the man -- one who is willing to do anything in order to exercise power or to achieve power.

The foregoing is a very brief and altogether inadequate resume, but I feel it extremely important that these statements of Dr. Schacht be kept within their perspective. I may add that there is further ample evidence as to his complete unscrupulousness.

G. S. Messersmith.