

Schacht

MEFO was founded by the State and was formed as a commercial firm, but it was purely a financial institution, a sort of Bill Office, with - if I am not mistaken - a purely nominal capital of 1 million RM. It was a "G.m.b.H" (limited liability company). Financing through MEFO was connected only with Armaments, and the State guaranteed all MEFO obligations.

Firms who supplied armaments drew bills on MEFO, who accepted these bills. The bills were received by all banks for the purpose of possible rediscounting with the REICHSBANK. This rediscounting was permissible because it was a matter of trade bills (drawer being the supplier and acceptor MEFO).

The system by which this bill business was built up was similar to the one already introduced by the DEUTSCHE VERKEHRS-KREDIT-BANK. and its subsidiaries, for supplementary supply credits to the "REICHSBAHN" (State Railways) and "REICHSAUTOBAHN" (State Motor Roads) as part of the Government Employment programme - a system which had proved to be very satisfactory. The only difference was that the MEFO bills, as far as I remember, were redeemable in 3 years instead of 5 years, as in the case of those for the State Railways and State Motor Roads. I had agreed with HITLER that these credits would not exceed the figure of 12 thousand million RM and during my term of office MEFO financing was in fact kept within this limit.

In the year 1937 MEFO bills dropped to 9 thousand million RM and the REICHSBANK refused to discount any more. Eventually, after a personal discussion with HITLER, I agreed to discount a further 3 thousand million RM, making a total of 12 thousand million RM.

When a firm drew a bill on MEFO, it had to draw up and present the bill in 12 copies. Each bill ran for 3 months, and when the first became due, the second was put into circulation, and so on, so that at the end of 3 years, the last bill became due and redeemable.

Hitler stated when he attacked Poland that he spent 90 thousand million RM on armaments alone.

"The figure was a ridiculous exaggeration and I discussed this figure shortly afterwards with Schwerin von Krosigk. We both thought at the time that half the amount would be about right".

Interrogation of Schacht, 3 September 1945, page 2.

"Expenditure on armaments from 1934 to 1938 amounted to about 35 thousand million RM, of which taxes provided 15 thousand million RM, State funding loans produced 8 thousand million RM. "Mefo" bills amounted to 12 thousand million RM".

Interrogation of Schacht, 3 September 1945, page 2.

I "mastered this enormous financing by ruthlessly concentrating all liquid assets of the banks and industry at the Reichsbank".

Interrogation of Schacht, 3 September 1945, page 4.

I also had the Reichsbank invest in armament notes liquid assets of foreigners within our control. "Our armaments are also financed partly with the credits of our political opponents".

EC 417, Memorandum of Schacht to Hitler, 3 May 1935.

The method of "mefo" bill financing was a device which enabled the Reichsbank to lend by a subterfuge to the Government what it normally or legally could not do".

Interrogation of Schacht, 16 October 1945, page 27.

This "mefo" financing was "an ingenious and risky structure which the Reichsbank had organised".

EC 369, Memorandum by Reichsbank Directorate to Hitler
7 January 1939.

The whole of my armament financing involved "a daring credit policy".

EC 423, Speech of Schacht, 29 November 1938.

"From the outset it meant the engagement of the last reserves".

EC 379, Statement by Schacht at Council of Ministers,
13 May 1936.

I had the power to refuse to finance rearmament had I chosen to do so. "I could have stopped preparations and there would not have been any rearmament".

Interrogation of Schacht, 26 August 1945, page 109.

I could have refused further financing of armaments "at any time"

Interrogation of Schacht, 26 August 1945, page 116.

I wrote to Hitler in 1935 "that the accomplishment of the armament program with speed and in quantity was the problem of German politics, ~~xi~~ that everything else therefore should be subordinated to this purpose, as long as the main purpose was not imperilled by neglecting all other questions".

EC 417, Memorandum of Schacht, 3 May 1945.

That was my view.

I also wrote to General Thomas: "I have always considered rearmament of the German people as condition sine qua non of the establishment of a new German nation".

EC 257, 29 December 1937.

It is true as an underlying conception that without my financial genius Hitler's preparations for war could not have been financed.

See comment on Article in EC 383, Militaer Wochenblatt,
22 January 1937, in the interrogation of Schacht,
~~XXXX~~ 17 October 1945, pages 61-2.

My work in the Ministry of Economics as well "afforded me the opportunity to assist in the rearmament of the German people in the most critical period, not only in the financial but also in the economic sphere".

EC 257, Schacht to Thomas, 29 December 1937,