

Harriman ran Nazi 'blocked accounts'

by Kathy Burdman and Anton Chaitkin

EIR founder Lyndon H. LaRouche Jr. charged on these pages March 6 that Federal Reserve Board Governor Henry Wallich's program of cutting off credit to underdeveloped nations is a Nazi program. Wallich is implementing "economic and monetary policies whose precalculable effect is genocide among populations of developing sector nations," LaRouche wrote. "Therefore . . . Henry Wallich is indictable for capital crimes against humanity."

In an exclusive interview provided to *EIR* the following week, Wallich stated that the Fed's plan to use Ibero-American currencies to repay dollar debt is modeled on the "blocked accounts" Reichsmark policy of Hitler's economics minister, Hjalmar Schacht. Wallich stated: "It bespeaks the German situation during the 1930s, when you had the *Konversionskasse* . . . for Reichsmarks."

More details have since come to light on how the Nazis under Schacht during the early 1930s used this "soft" currency, held in blocked accounts. At the time, Wallich's friend Averell Harriman, the investment banker known today for his close associations with the U.S.S.R., oversaw the syndicate promoting trade with Nazi Germany.

An item in the *New York Times* of May 20, 1933, months after Hitler was appointed Chancellor, began: "The formation of a company to provide means for the liquidation of German blocked mark balances through the financing of imports to the United States from Germany was announced yesterday. The new company is to be called the Syndicate of American Creditors Owning German Blocked Accounts. The Harriman International Company is to be syndicate manager.

"It is estimated that about \$800,000,000 of American short-term capital, outside the standstill credits, is locked up in Germany and cannot be withdrawn. The syndicate plans to use these 'blocked' marks, with the consent of the German Exchange Control, for partial payment by American importers for German goods."

During 1933, Americans seeking to halt Hitler's atrocities against Jews tried organize a boycott of trade with Germany. The Harriman syndicate succeeded in stopping the boycott. Germany during 1931-33 was the "Brazil" of its day, bankrupted by Versailles war reparations. Hitler was brought to power after Germany's British and Harriman-led

U.S. banking creditors, centered around the "Cliveden Set," imposed in 1931 a massive IMF-type austerity program.

Hitler's chief economist Reichsbank director Hjalmar Schacht in 1931 entered the "standstill agreement" referred to by the *Times*, an illegal variety of debt moratorium under which the Nazis agreed to repay their Swiss and Dutch creditors but not the Americans. As proposed for Brazil today, Schacht paid the rest of Germany's foreign debt in freshly printed German currency. He set up the *Konversionskasse*, a system of conversion or blocked accounts, and paid the American and British creditors in marks. The Harriman syndicate's \$800 million worth of such blocked marks came to over \$8 billion in 1984 dollars.

How the system operated

Averell Harriman and his syndicate were in charge of the creditor side, attempting to loot the German economy further and collect their debt. German exporters agreed to receive 25% of their payment from U.S. importers in the blocked marks. In effect, the German non-war economy was shipping a vast subsidy abroad to creditors.

The 1933 *Times* item explained: "The syndicate would operate, according to the announcement, for the benefit of a class of American creditors which has not benefited by the terms of the standstill agreements.

"About 150 firms and individuals holding from 25,000,000 to 30,000,000 of blocked marks are expected to become members of the syndicate. Under an agreement being worked out with German authorities, an American importer would pay for German goods to the extent of 75% in dollars and 25% in blocked marks. The 75% portion would be turned over to the Reichsbank, which would give the German exporters the equivalent in marks.

"Against the remaining 25% the importer would supply dollars to the syndicate, receiving in return blocked marks, which would be turned over to the German exporter. The dollars thus received by the syndicate would be turned over to its members on a *pro rata* basis...."

Such currency printing naturally caused hyperinflation, which Schacht used as a pretext for raising interest rates, cutting credit for all industry except the war drive, hiking food and consumer good prices, and slashing imports further.

This is precisely the effect the blocked accounts program will have today. In Brazil, the government may be forced to print almost 4 trillion cruzeiros this year to pay debt interest—which would expand the money supply by almost 50%. Inflation is close to 230% and bankers are now demanding a 30% devaluation of the cruzeiro.

After eight years of Schacht's program, the German economy would have shut down if Hitler had not annexed Eastern Europe. Unlike the Wallich plan today, which would simply cut off the debtors' imports, Harriman used blocked accounts to finance the Nazi war machine, which the American Jewish boycotters were trying to cut off.