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**Schacht Plan**

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**Scale of the Refugee Problem**

Since 1933, an estimated 225,000 Jews have left Germany and 140,000 left Austria and Bohemia-Moravia. The number of these admitted to Great Britain is 50,000, including 9,000 children. A further 6,000 were admitted from Czechoslovakia.

Official legal Jewish immigration to Palestine since 1932 is 213,000, an estimated 70,000 from Greater Germany. Illegal immigration to Palestine, so far in 1939, is estimated at 12,500 compared to legal immigration of 16,500.

None of these figures include 'non-Aryans'...many of them citizens of greater Germany with Jewish parents and grandparents.

If Germany invades Poland...and Britain and France respond by declaring war on Germany...borders will be sealed throughout Europe and Palestine will be shut to Jewish refugees. This will leave 400,000 Jews trapped within Greater Germany...with a further two million at the mercy of the Nazis in Poland.

Many Polish Jews will flee Nazi-occupied Poland, unaware that, despite the absence of any official anti-Semitic policy in the Soviet Union, a much larger number of Jews have been executed in the Soviet Union during the last two years than in Germany...while an equal if not larger number have been sent to the Soviet gulags.'

The Americans were most anxious that the Evian conference in July 1938 should have at least one result: the setting up of an intergovernmental body apart from the *League of Nations* to explore refugee immigration possibilities. Rivalries between Zionist and non-Zionist organisations blocked the attempts to unify a Jewish delegation under the leadership of Dr Chaim Weizmann and British and French arguments that such an organisation would be bound to duplicate work already being done by the *League High Commission* were overridden.

Part of the problem was that the idea of the Evian conference was an 'intuitive' proposal by President Roosevelt and had not been thought through. But with public opinion in the United States forcing the creation of the new body, the French and British decided to go along with the Evian conference.

In its closing session, the Evian meeting unanimously adopted a resolution recommending the establishment in London of an intergovernmental committee to continue and develop its refugee work. George S. Rublee, a seventy-year-old American with extensive international law experience, was appointed director of the committee, which had in addition a chairman and four vice-chairmen representing France, Great Britain, the Netherlands and the US.

The director was 'to undertake negotiations to improve the present conditions of exodus and to replace them by conditions of orderly emigration'. Establishing 'conditions of orderly emigration' was meant to imply an effort to persuade the Reich government to permit refugees to bring with them a portion of their property, thus rendering them at least minimally acceptable as potential immigrants in countries of ultimate settlement.

To persuade countries to enlarge their view of acceptable numbers of immigrants, the director was also to approach the governments of countries of refuge and settlement with a view to developing opportunities for permanent settlement'. The new committee was also to maintain liaison with the existing refugee services of the *League*.

Although those concerned with refugee affairs recognised that the new intergovernmental committee, with its authority to negotiate with the German government, represented a potential advance on the *League* refugee bodies, they were agreed that the Evian conference had signally failed to find places in which refugees could actually be settled. Some refugee wits pointed out wryly that 'Evian' was merely 'naive' spelled backwards when the world was divided onto two parts...those places where the Jews could not live, and those where they could not enter.

It was also realised by all interested parties that settlement schemes, no matter how conceived and financed, were a long-term measure, and that whatever promise they might contain would be of little use to the masses of refugees who faced immediate danger, sometimes measured in terms of days or even hours.

*The Intergovernmental Committee on Refugees* and the *League of Nations High Commission for Refugees* were both overwhelmed in the face of the post-*Kristallnacht* emergency created by the German authorities. But even before the acute crisis, Lord Winterton complained that the director of the *IGC* had fallen into a slough of 'defeatism' in which he had come to concentrate 'far too much on the United Kingdom and British Empire aspect of the refugee problem', and that Rublee had 'almost an *idée fixe* on the subject' of the British Empire's potential contribution toward a

solution of the refugee problem. Rublee was in fact totally frustrated by the continuing refusal of the Berlin authorities to receive him, and by the steady contraction of immigration possibilities in Latin America and elsewhere even as the need grew by quantum leaps.

After *Kristallnacht*, as R. M. Makins noted in a pessimistic minute on 13th November 1938, the purpose underlying the proposed Rublee visit...to persuade the German authorities to permit some reasonable proportion of emigrants' property to be removed...was probably impossible of fulfilment. The collective fine on the Jewish community meant a crushing financial burden which would in any event considerably reduce the remaining Jewish assets in Germany, and 'the pitiful condition to which German Jews will be reduced will not make them desirable emigrants'.

Under these circumstances a visit by Rublee to Berlin would probably be 'both useless and undesirable'. Moreover, Makins continued, in considering the future of the *IGC*, it should be borne in mind that 'the more emigration is encouraged the greater is the temptation to increase the pressure on Jews in Central Europe'. Makins concluded that the initiative in assessing the future of the *IGC* be left to Washington, which had called the committee into being.

Rublee's assistant, Pell, was asked to call at the Foreign Office on 13th November 1938, and was told that the likelihood of negotiations with Berlin were slender and the future of the *IGC* itself therefore obscure.

Washington, however, when informed of the Foreign Office attitude, refused to discuss the possible winding-up of the *IGC* in the event of a categorical German refusal to receive Rublee, even though US Secretary of State Cordell Hull admitted privately that he was not optimistic. Just as the atmosphere of pessimism in London seemed thickest, hints of a sudden thaw in the German attitude began to emanate from Berlin.

German Foreign Minister von Ribbentrop advised the American ambassador on 15th November 1938 that 'unofficial persons' might explore refugee questions with Rublee, perhaps in the Netherlands.

After a series of Byzantine manoeuvres, all cloaked in the secrecy insisted upon by Ribbentrop, a meeting was arranged for 8th December 1938 in Brussels where Rublee's assistant Pell and an American colleague were to meet Hans Fischböck, the Austrian Minister of Economics, and Karl-Heinz Abshagen, a German journalist resident in London who had been chosen by Berlin to be the unofficial intermediary in arranging the meeting.

After elaborate preparations had been undertaken, the Brussels meeting was abruptly cancelled due to Fischböck's sudden indisposition. The mysterious malady which felled the German emissary appears to have been connected with the desire of Reichsbank president Hjalmar Schacht to take personal charge of the negotiations, which threatened to dissolve in confusion with the number of shadowy third parties already involved.

The British authorities were aware that Schacht and Göring had prevailed over Ribbentrop, Goebbels and Himmler in a sharp struggle within the German government on the question of the transfer of refugees' property, and that Schacht and Göring had been authorised by Hitler to effect a settlement of the problem.

The British Foreign Office had this information from S. D. Waley at the Treasury, who had seen Commander Goodman on 28<sup>th</sup> November 1938 and learned from him of Schacht's intention to come to London 'ostensibly perhaps for other reasons but in reality to settle this question.'

As if to underscore the new German willingness to discuss the refugee question from the 'technical and economic' points of view, Göring told a meeting on 9<sup>th</sup> December 1938 of all the *Gauleiter* in Germany that they should not be surprised if they were to learn that he was in conference with Jewish groups. This hint was duly leaked to the American Chargé d'Affaires, who in turn reported it to Washington.

Schacht took the opportunity of one of the regular meetings in Basel of the *Bank for International Settlements* to mention to Montagu Norman, governor of the *Bank of England*, his desire to come to London to discuss economic and financial questions including 'the financial aspect of the Jewish problem'.

Schacht's proposed visit aroused intense interest in Whitehall, and was discussed at a Cabinet meeting on 30<sup>th</sup> November 1938, when the Prime Minister observed that Schacht's step clearly demonstrated a split between moderates and extremists in Germany; Schacht's visit should be exploited to encourage the moderates and at the same time obtain useful information on the current state of the German economy.

The governor of the *Bank of England* was thereupon authorised to extend a cordial invitation to Schacht, and it was agreed that the Prime Minister and one or more of his colleagues would see Schacht without any publicity.

It was arranged further that Lord Winterton, accompanied by Sir Frederick Leith-Ross of the Treasury, would meet with Schacht, but without Rublee, whom Winterton considered 'insufficiently experienced in such matters to be safe - either as an adviser or an observer on such an occasion'.

To avoid distressing Rublee however a separate meeting between him and Schacht was to be arranged if possible

**HANSARD on REFUGEES.***HC Deb 13 December 1938 vol 342 cc1793-5*

45. **Mr. David Adams** asked the Prime Minister whether he will make a statement as to the present position of the absorption of Jewish refugees; whether as, with the exception of Australia, the Dominions have undertaken little, it is his intention again to make an appeal to them; and whether he is aware that the area suggested in British Guiana is totally unsuitable climatically for such immigration?

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**The Prime Minister (Mr. Chamberlain)** It is not possible to give any accurate figures for the absorption of Jewish refugees in countries of refuge and settlement. In August last it was estimated by the High Commissioner of the League of Nations for Refugees that roughly 120,000 refugees from Germany of all categories had reached countries of permanent settlement. It may be assumed that several thousand more have done so in the last few months. As regards the second part of the question, the answer is in the negative, since the admission of refugees into any Dominion is a matter for the Dominion Government concerned, but recent statements by Dominion Ministers indicate that they are fully alive to the importance and urgency of the question. With regard to the third part of the question, I would refer the Hon. Member to the reply which I gave to a question by the hon. Member for Central Bradford (Mr. Leach) on 28th November.

**Mr. Adams** Does the Prime Minister not think it desirable to approach the Dominions again in view of the fact that we have already done so?

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**The Prime Minister** I think the fact that we have already done so makes it unnecessary to do so again.

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**Sir Arthur Salter** Will the Prime Minister consider the possibility of making a practical reality of the offer of British Guiana by appointing a suitable person to make a definite and detailed scheme for refugee emigrants into that Colony, including financial provision?

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**The Prime Minister** The Hon. Member knows that an offer has been made that someone on behalf of the refugees should go to British Guiana to see whether the country is suitable. That, surely, will be the first thing to do, and then migration of refugees might come afterwards.

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**Sir A. Salter** If I send the Prime Minister certain considerations showing how greatly the chances would be facilitated if someone appointed by the British Government were really made responsible for drawing out a definite scheme, will he consider the matter?

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**The Prime Minister** I should be much obliged to the Hon. Member if he would send me the scheme he has in mind.

**Viscountess Astor** Has anyone asked whether Russia would help with this question of refugees? Is it true that no offer has come from them to help in any way?

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**Mr. Godfrey Nicholson** Is the Prime Minister aware that the organisations dealing with refugees in Great Britain are very anxious that His Majesty's Government should at an early date make a declaration of policy, as their work is being greatly hampered by the absence of such a statement?

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**The Prime Minister** I do not know what the hon. Member means. A full statement has been made.

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47. **Mr. Lathan** asked the Prime Minister whether he will consider the creation of a new department for refugees, combining the duties now imposed on the Foreign Office, the Home Office and the Ministry of Labour in this connection?

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**The Prime Minister** I see no need for the creation of the new department suggested by the Hon. Member.

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**Mr. Lathan** Does not the Prime Minister realise the magnitude of the problems which confront us in regard to refugees, and does he not also realise that, despite the utmost efforts of the particular departments concerned, there is inevitable waste and overlapping, and that from the point of view of efficiency and economy it would be desirable to have co-ordination?

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**The Prime Minister** No, Sir, I do not think so.

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**Mr. Buchanan** Is the Right Hon. Gentleman aware that the department which is tackling this problem was not created for the purpose, and that the present staff is completely overworked? Will he not, therefore, consider some method to eliminate the waste of time which is now taking place?

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**The Prime Minister** I am not clear as to that, but I will make inquiries.

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**Major-General Sir Alfred Knox** Will the Prime Minister consider the possibility of setting aside some part of England as a national home for the English?

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As Schacht's arrival in London was being awaited, the refugee question was brought ever more insistently to the attention of the British government. On 7th December 1938, Lord Winterton received a high-ranking deputation from the *Council for German Jewry*. The deputation consisted of Viscount Samuel, Viscount Bearstead, Sir Robert Cohen, Mr Simon Marks, Mr Neville Laski. Present also were D.P. Reilly of the Foreign Office, and H. E. Brooks, Lord Winterton's assistant.

Viscount Samuel declared bluntly on this occasion that the council was convinced by recent information it had received that Jews remaining in Germany were in immediate peril of physical destruction. The council therefore felt it imperative that refugee camps be set up, in Britain and elsewhere, to rescue refugees and then re-train them for ultimate settlement elsewhere.

The cost of such camps would be very heavy, and the enormous sums which were being raised by private organisations were needed for relief and emigration schemes. The deputation therefore asked if any portion of the camp costs could be borne by governments.

Winterton told his visitors that Sir Samuel Hoare had authorised him to say that the Home Office had no objection in principle to the notion of establishing transmigration camps in Britain. Government financial assistance was however another matter.

Winterton repeated that any use of public funds on behalf of refugees would not only encourage the Germans to expel their Jews, but would also serve as a useful precedent for other governments wishing to banish their own Jewish populations.

Sir Robert Cohen countered with the argument that 'if something was not done rapidly, all the potential refugees would be dead.'

Reinforcing fears in Whitehall of a new *Kristallnacht*-style outbreak was a telegram from Sir George Ogilvie-Forbes on 7th December 1938, reporting a plan proposed out of desperation by Mr Wilfred Israel, envisaging an easing of the world-wide Jewish boycott against German goods in return for an 'armistice' in German measures against Jews. The increase in German exports resulting from the cessation of the boycott could be applied to finance emigration. Summarizing the Foreign Office reaction to the Israel plan, Mr R. M. Makins wrote:

'Personally I do not think that the proposal for an armistice would have the slightest effect on the German government...The only possibility of bringing pressure to bear on the German government is by retaliation, expulsion of German citizens, denunciation of payments agreement, and by a clear indication that until persecution and spoliation of the Jews ceases the policy of appeasement is at an end. Are we prepared to take these strong measures to help the Jews? And if we did take them would they in fact bring the Germans to their senses? Might they not even provoke the massacre which some Jews foresee? The calculation is a difficult one. But I fear it is the case that public measures to help the Jews, such as the provision of financial assistance for refugee camps will merely encourage the Germans to indulge in further persecution and secondly that no financial plan, which the German government are in the least likely to accept, can be produced ready-made. It can only emerge from a negotiation.'

It was felt impossible, upon reflection, to propose the plan to the German authorities, and a telegram was sent to the British *Chargé d'Affaires* in Berlin requesting him to tell Israel only that the urgency of the problem was fully recognised by the *IGC* and the British Government.

Lord Winterton, disturbed by his meeting with the *Council for German Jewry*, wrote a confidential and personal letter to Lord Halifax on December 9th, 1938 stating that there was every indication that the Germans were about to make another even more drastic and brutal attack on the Jews and that the entire position had now become 'profoundly unsatisfactory'.

The time might in fact be approaching when it would be 'necessary to make a formal protest to the German government against the treatment of its minorities, if only on the ground of the economic disturbance and embitterment of relationships which it is causing in Europe and the United States'.

Winterton also predicted that 'much greater pressure will be put upon His Majesty's Government in the next month or so than has hitherto been the case to assist migration of refugees by direct or indirect financial assistance'. Winterton reported that he had 'energetically resisted the suggestion on these lines' which had been made by the council deputation, but that the entire matter had appeared to him so serious that he had seen the Prime Minister and the Chancellor of the Exchequer shortly after his meeting with the council to put before them 'the views of these very influential Jews, who represent everything that is best in British Jewry'.

Winterton conferred with Halifax on 15th December 1938, when the danger of an acute flare-up in persecution appeared to have passed, and it was agreed that the opportunity afforded by Schacht's visit should be used to try to discuss generally the attitude of the German government toward the German Jewish community.

Schacht received Hitler's blessing for his mission, but did not take the trouble to inform the German Foreign Ministry of his intended trip nor of its purpose. In fact he blandly describe his trip to London, much to Ribbentrop's annoyance, as not being 'within the competence of the Foreign Ministry.'

When Schacht arrived in London, he was received by Lord Winterton, Sir Frederick Leith-Ross, and a colleague in the Treasury. Rublee, who had been advised at the last moment of Schacht's presence in London, was invited after all to participate in the meeting.

After an introduction by Governor Norman, who then withdrew, Schacht delivered himself of a few blunt preliminaries. 'It was clear,' he asserted, 'that the Jews would have no future in Germany, that they would be driven out and that in the meantime, unless some change took place, they would be badly treated. On grounds of humanity alone, therefore, it was desirable that something should be done'.

Schacht then unveiled a plan, which he described as acceptable to Field-Marshal Göring, for financing emigration from Germany by mean of an international refugee loan. This loan, to be raised by 'world Jewry', would provide each departing emigrant with a sum deemed sufficient to establish him abroad: the equivalent of 10,000 gold marks in foreign currency.

The loan would be guaranteed by a trust fund in Germany of 1.5 billion marks, representing approximately 25 percent of the remaining Jewish property in Germany. Service of the loan would be made from the proceeds of the export of German goods, whose manufacturers would be paid in marks from the trust fund; thus no foreign exchange would be lost to Germany through Jewish emigration, and the transfer of Jewish assets to other countries would be accomplished through an increase in purchases by foreigners of German goods.

This plan, which would have put refugees in a more favourable position than British exporters to Germany, who were paid in blocked marks, bore more than a passing resemblance to the *Haavara Scheme* for transfers to Palestine.

Dr Schacht envisaged the emigration of 400,000 out of the remaining 600,000 Jews and 'non-Aryan's' in the Reich; 150,000 wage earners would depart within three years, to be followed by their dependents, up to the number of 400,000.

Schacht added that during the operation of his plan the Jews would be allowed to live quietly in Germany, and those 200,000 elderly Jews who could not be emigrated would be permitted to remain in peace until they died out.

Winterton and Rublee assured Schacht that in their opinion his plan offered a basis for further discussion. Schacht thereupon stated his willingness to arrange for Rublee's visit to Berlin as soon as Rublee was in a position to give his preliminary view of the plan.

At a subsequent meeting between Winterton and Rublee, it was agreed that Rublee should form a small committee of Treasury experts from several countries represented on the *IGC* to examine the feasibility of the Schacht scheme; Rublee also undertook to ascertain the view of leading British and American Jews.

The committee of financial experts was rapidly formed. French and Netherlands experts joined Rublee and British Treasury officials in examining the Schacht proposals. They met on 20th December 1938, concluding after its study that the Schacht plan did form a basis for possible discussions, but that negotiations in Berlin were bound to be both arduous and prolonged.

When Lord Winterton reported the results of the Schacht visit to his Cabinet colleagues on 21st December 1938 he had already received some reactions to the Schacht plan from leading British Jews. The reactions were strongly negative. The Jews had 'taken the view that they thought it would be wrong that they should receive concessions at the cost of the British taxpayer'.

Both the Prime Minister and the President of the Board of Trade said that 'the scheme was not one which could possibly be accepted'; the President added that it would be tantamount to helping refugees 'at the expense of British traders'. Lord Halifax also expressed reservations about any plan which would help the Nazi regime overcome its serious economic difficulties.

The Home Secretary, although agreeing that the Schacht plan was difficult to justify, said that the refugee problem would be impossible to solve unless the Jews could somehow take part of their capital out of Germany; he felt therefore that it was vitally important that contact be maintained with Berlin on the plan.

When details of the Schacht proposal became more widely known, it was bitterly denounced within the Jewish community especially in the United States, where there was indignation over Schacht's assumption that the mythically infinite resources of 'international Jewry' could be tapped by crudely extortionate measures designed to remedy Germany's chronic shortage of foreign exchange.

It was moreover realised that if Schacht's scheme succeeded it might well serve as a model for action by the Polish and Romanian Governments. President Roosevelt, sensitively attuned to American press criticism, promptly charac-

terised the plan as ‘asking the world to pay a ransom for the release of hostages in Germany and barter human misery for increased exports’.

But despite the considerable misgivings of Washington and London, the Schacht plan was not rejected out of hand; in the absence of any other alternative, it was extensively discussed in Berlin by Rublee and his American colleagues Pell and Cotton.

In three weeks of talks between 11th January and 2nd February 1939, the plan was modified in several respects. The discussions began with Dr Schacht, and were continued with *Ministerialdirektor* Helmut Wohlthat of Göring’s Economics Ministry after Schacht’s abrupt resignation from the presidency of the Reichsbank.

The German government took care not to recognise the existence of the *IGC* as such, an agreed formulation of the modified plan was ultimately embodied in an exchange of letters between Rublee and *Ministerialdirektor* Wohlthat on 1st and 2nd February 1939.

The Rublee-Wohlthat arrangement envisaged emigration over a five-year period of 150,000 wage-earners and their 250,000 dependents, and retained from the Schacht plan the feature of a trust fund consisting of at least 25 percent of existing Jewish property in Germany. The trust property in the fund was to provide the costs of emigration, including travel on German carriers, and the purchase of equipment for individual wage-earning emigrants and capital goods for refugee settlement.

A private international corporation established by ‘world Jewry’ would make arrangements for any transfer from the trust fund, and maintain the necessary contact with the German authorities; the *Haavara Scheme* for transfers to Palestine would, as a special case, continue in operation. Emigrants would be permitted to take with them certain personal effects, including professional equipment and household goods, but excluding jewellery, art objects or any precious metals.

The German government for its part refused to enter into any concrete undertaking as to how Jews would be treated in the Reich while awaiting emigration. Moreover, the Wohlthat-Rublee plan provided only for the minimal German-currency costs of emigration; foreign exchange requirements for settlement projects would still have somehow to be financed outside the arrangement.

Finally the German negotiators made it clear that the plan would be put into effect only when Berlin was satisfied that ‘the countries of immigration are disposed to receive currently Jews from Germany in conformity with the programme’. Not one of the countries of immigration proved willing however to commit itself in an unambiguous fashion to receive refugees from the Reich on the terms dictated by Berlin.

The cynicism of the Wohlthat-Rublee plan was well recognised in Whitehall, where it was summarised by S. D. Waley of the Treasury as a scheme in which

‘If the Governments concerned satisfy Germany that they are disposed to receive at least 30,000 wage earners a year for five years and their dependants later, Germany will grant a Poor Law Relief to Jews in Germany and ‘conditions which have led’ to putting entirely innocent peoples into concentration camps and subjecting them to every form of physical torture ‘should automatically disappear’. The Germans reserve the right to steal all Jewish property, except the Trust Fund amounting to 25 percent of the total (as assessed by the Germans), and some very restricted possibilities for transferring the Trust Fund into foreign exchange would be granted, but these will amount to very little if the Germans apply the system with goodwill and to nothing at all if (as is only too probable) they do not...’

The Foreign Office understood that the scheme would enable the German government to pass on to other countries ‘the essential problem of transfer of population’, and that if it were accepted it might encourage Poles, Romanians, and Hungarians to do likewise.

Despite grave reservations, however, the Foreign Office conceded that the plan might offer some slender hope of substituting ‘orderly emigration for the present haphazard *suave qui peut* exodus’ and of somewhat mitigating the persecution of Jews and ‘non-Aryans’ within the Reich. The plan was therefore reluctantly accepted, at least as a basis for further contacts with the German authorities.

At a full meeting of the *IGC* in London on 13th February 1939, Lord Winterton formally declared that the British Government had noted the results of the Rublee talks in Berlin, and was prepared to participate ‘in facilitating the orderly execution of a programme of emigration’.

The *Wohlthat-Rublee Scheme* was nonetheless to prove fruitful only of memoranda, Anglo-American acrimony, and sporadic meetings with German emissaries until finally interred by the outbreak of the war in September 1939.

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