

On March 15, BP Amoco announced that it had arranged a deal for Phillips Petroleum Co. to acquire Arco's Alaskan North Slope oil rights for \$7 billion, so that the new BP Amoco Arco would no longer have an Alaskan monopoly. The Federal Trade Commission (FTC), which had filed a lawsuit in February against the merger because of the challenge from Alaska, then signalled later the same day, that maybe the

Phillips acquisition would be grounds for the FTC to withdraw its lawsuit.

Phillips officials, meanwhile, are meeting with FTC officials to indicate how the Bartelsville, Oklahoma company can cope with the huge debt for the Alaska oil operations purchase. Many industry analysts point out, that if the crude oil price returns to where it was in January 1999 (\$11 a barrel),

Hyperinflation in Weimar Germany

In 1919, at the Versailles peace conference, draconian financial obligations were imposed upon Germany's Weimar Republic, while its physical economy was gouged by "conditionalities" in which its means of production (farms, factories, mines, and so on) were diminished, and its output and consumption potentials lowered. These factors were intensified during 1920-22, and laid the preconditions for the Weimar hyperinflation of 1921-23. The key point of relevance here is that *the size of the reparations imposed constituted a volume of financial obligations far beyond any conceivable means of meeting them.*

During 1920-22, taxes were imposed to the maximum, any and all government resources and reserves went to reparations, and other means were taken, but the strapped-down economy, as imports and exports dropped, was still unable to meet the financial demands. By 1921-22, the cost of reparations equalled 80% of all unborrowed reserves of the German government; by 1922-23, they exceeded 100% of unborrowed reserves.

In an attempt to pay the reparations and keep the economy supplied with liquidity, Germany resorted to printing money, cranking up the printing presses full throttle. Prices, and the amount of currency in circulation, spiralled upward in a self-feeding process. **Figure 6** shows the 10 months, from January to October 1923, when the number of Reichsmarks outstanding went from 1 trillion, to more than 1 million trillion!

By November 1923, a kilogram of bread cost 428 billion Reichsmarks, and a kilogram of butter cost more than 5 billion. A bank account of 60,000 marks, the interest from which would, in 1913, have enabled one to lead a comfortable retirement, would not even buy a daily newspaper. It came to cost more to print the mark notes, than the notes were worth.

A chain reaction of shut-downs ran throughout the economy. During January-October 1923, the unemployment rate for trade union members rose from 4.2% to 28.4%; unemployment among non-union members was higher.

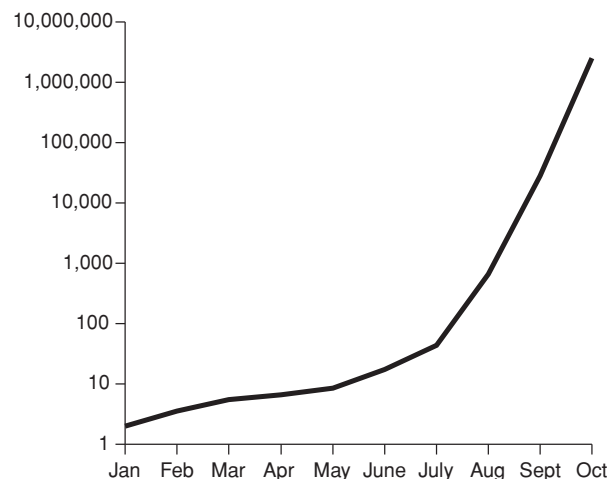
Living standards plunged. The daily intake of meat and milk fell by 60-80% for almost everyone. The death rate from tuberculosis rose from 14.3 per 10,000 people in 1913 to 20 per 10,000 in 1923.

The only reason why Germany came out of this crisis, was because the United States stepped in with a plan to create a new, stable mark, pegged to U.S. gold, and to take related measures. The United States, as the world's only creditor nation at the time, had the authority and power, and used it.

The intervention side-stepped the original, disastrously incompetent Versailles Reparations Commission policy, which had been run by the British financier oligarchy, in particular British Privy Council operatives Lord Lothian, Viscount Robert Cecil, and Lord Cunliffe of the Bank of England.

Today, there is no one country that has the political-financial power equivalent to that of the United States in the 1920s, which can intervene "from the outside." The emergency intervention must come from citizens acting to change government policy.

FIGURE 6
Hyperinflation in Weimar Germany, 1923
(trillions Reichsmarks outstanding)



Source: Zahlen zur Geldentwertung in Deutschland 1914 bis 1923.