
Fed Copies Weimar Hyperinflation

Yes, That Is a Stimulus Package, And No, I'm Not Happy To See You

by The Basement Team

The only time a nation destroys itself, a civilization destroys itself, is when it becomes *efficient* in enforcing mediocrity.

—Lyndon LaRouche, Dec. 16, 1977

The hyperinflationary frenzy which engulfed Weimar Germany in the years immediately after World War I, is a dramatic example of what can happen to a nation when its productive capacity is destroyed, and it turns to the printing of money to preserve its economy. It also serves as a road map of where the United States, indeed the world, is headed, if we continue

down our present path.

Most people today think of economics in monetary terms, and thus tend to regard the Weimar hyperinflation as having been caused by monetary policy—but that view is wrong. The crisis in Weimar Germany came about as the result of a coordinated effort to destroy the nation of Germany after World War I, orchestrated primarily by the British Empire, with the assistance of France. Thus, the productive capacity of the German agro-industrial economy was deliberately stripped, at the same time that Germany was hit by debilitating demands for war reparations payments, leaving it in the position of either imposing savage austerity upon its own population, or cranking up the printing presses.

Unwilling to commit national suicide through austerity, the Germans chose the printing-press method, in the hope that they could muddle through, and in the process unleashed a hyperinflationary dynamic which destroyed the value of their currency. The Germans wound up triggering the very austerity they had hoped to avoid.

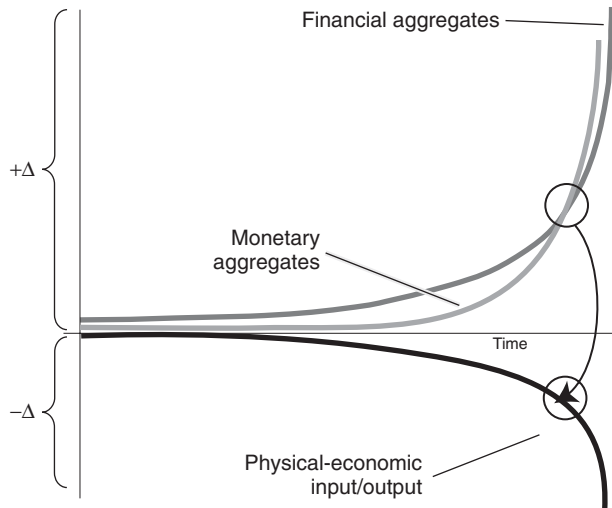
The parallels to our current situation should be obvious. Like Weimar Germany, the productive capacity of our agro-industrial economy has been consciously destroyed, and we have taken to living on debt, paid for by the printing press and its electronic equivalents. Unlike Weimar Germany, however, which was forced at the point of a gun, we have done this to ourselves, through our adherence to the belief in globalization.



Gutenberg and the Billions-Press, "I never intended this!" From the German satirical magazine Simplicissimus, 1923.

FIGURE 1

The Collapse Reaches a Critical Point Of Instability



Lyndon LaRouche's "Triple Curve" shows how hyperinflation cannibalizes the physical economy. If the policies of the United States are not soon changed, the rate of growth of monetary and financial emission will converge on something like the 1923 Weimar hyperinflation.

Controlled Disintegration

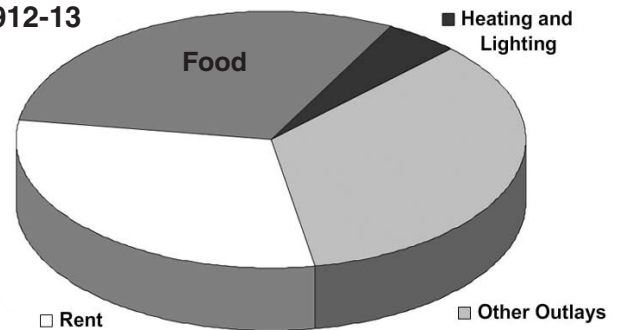
After his defeat in World War I, Kaiser Wilhelm II of Germany abandoned his throne, and the monarchy was replaced by a republic, which committed itself to alleviating the afflictions the population had suffered during the war. This new government went to the Versailles peace conference in June 1919, hoping for fair treatment, but what it got instead, was the lash of a vindictive British whip. The victorious powers imposed upon Germany the full responsibility for the costs of reconstruction of Europe, an impossible burden for a defeated nation. Germany was also ordered to give up virtually its entire fleet of merchant marine ships and much of its railroad rolling stock, crippling its ability to trade. Though it was a net importer of food, Germany's food production was also targeted, and it was forced to give up much of its livestock—horses, bulls, cows, sheep, and other farm animals. On top of that, Germany was ordered to turn over significant territories rich in farmland, minerals, and people. By these methods, the productive capacity of the German people was crushed. What followed, was the inevitable effect of the intent of the policy.

Human societies thrive by increasing their mastery over the principles upon which the universe is governed, both in terms of scientific discoveries and the implementation of new technologies based upon those discoveries, as well as the ability to communicate them through enhanced modes of communication, i.e., irony, all of it driven by the power of reason of the human mind. As a society develops intellectually, it in-

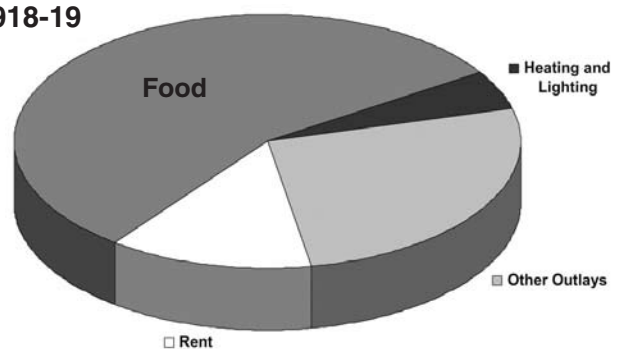
FIGURE 2

Germany: Household Expenditures

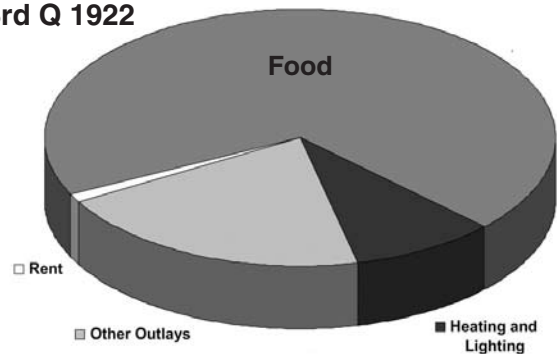
1912-13



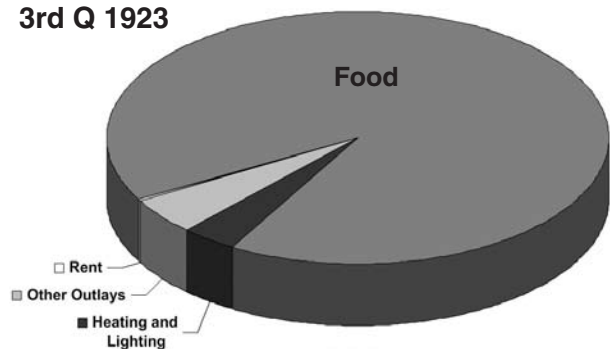
1918-19



3rd Q 1922



3rd Q 1923



Source: Data from Bernd Widdig, *Culture and Inflation in Weimar Germany* (Los Angeles: University of California Press, 2001).

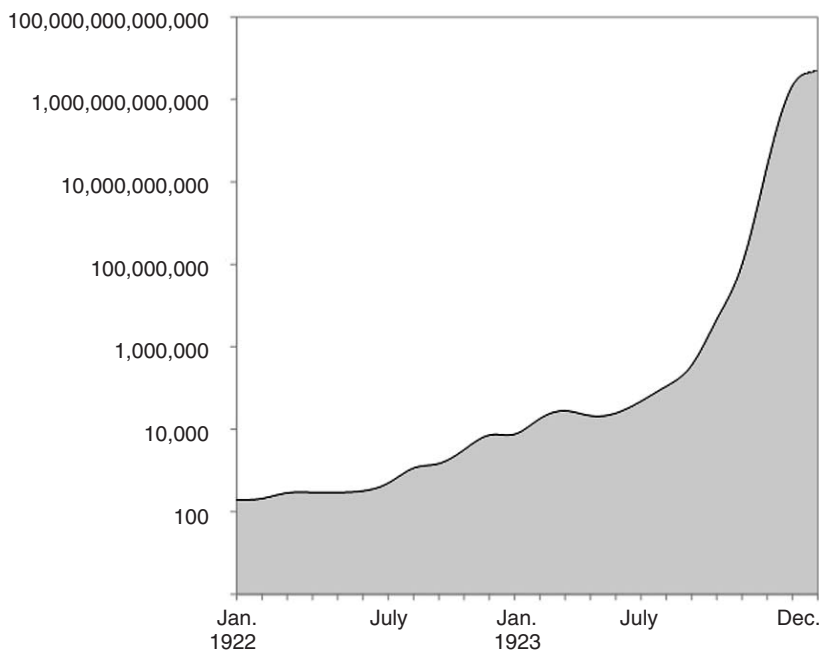
FIGURE 3
Growth of German Currency in Circulation*
 (Reichsmarks, Billions)



* Graph shows amounts in logarithms of actual values. Example: 180 (Billions) = 2.26 (Billions).

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FIGURE 4
Dollar Exchange Rate of the Paper Reichsmark in Berlin



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creases its ability to support larger populations per unit-area of land, which we measure in terms of relative potential population density. Over time, the population grows in response to this rising potential.

The reverse can also happen, when a nation is subjected to the steep drop in living standards of the sort imposed on Weimar Germany. There, the technological downshift imposed,

diminished the ability of the nation to support its population. It also caused a drop in the real valuations of Germany's physical asset-base, since the economic benefits of those assets were reduced by the devolving economy.

It was this economic devolution, imposed by a deliberate policy crafted to remove Germany as a world power and rival to the British Empire, which sowed the seeds of the hyperinflation that would soon emerge.

The Explosion

In May 1921, British Prime Minister Lloyd George presented Germany with the final Allied Reparations demands: Germany would have to pay 132 billion gold marks, enforced by the threat of a military occupation of its Ruhr industrial heartland. The German government refused the demand and resigned in protest, but the successor government of Josef Wirth capitulated, and paid the first 2 billion mark installment. Five months later, the League of Nations, acting on behalf of the British, delivered yet another blow to Germany by giving the rich industrial basin of Upper Silesia to Poland and Czechoslovakia.

To pay for these reparations, the government imposed heavy new taxes upon a population and an economy that could not pay them, and the printing presses began to roll. The reichsmark, which had begun in 1918 at a value of five to the U.S. dollar, fell to 62 to the dollar when Lloyd George delivered his demands, and by November of that year, had fallen to 262 reichsmarks to the dollar.

The situation took a turn for the worse with the post-Rapallo assassination of German Foreign Minister Walter Rathenau in June 1922, and the seizure of the Ruhr in January 1923, further demoralizing the German population and weakening its political will to resist. Within the month, the reichsmark plunged from 345 to the dollar, to 1,254, and ended the year at 7,600.

With the devaluations came soaring increases in the cost of living, compounded by the growing shortages of foodstuffs and other necessities of life. This process of paying more while receiving less, accelerated the implosion of the German economy, and the hyperinflation. By May of 1923, the reichsmark had fallen to 48,000 per dollar, then plunged to 110,000, and 353,000, in succeeding months. As bad as that was, it was only the beginning, as the nation was hit with an inflationary shockwave of almost unimaginable intensity. The reichsmark



Die Bahn zur Eisen-Zentralstation, aber...

“They certainly don’t have a visa....” From *Simplicissimus*, 1923. The Versailles Treaty was not simply a monetary prison for the Germans. The bulk of the reparations required Germany, a food-importing nation, to fork over livestock and farm goods to the Allied nations. The intent was not to repair the damage supposedly done by Germany during the war, but to destroy Germany and her people.

plunged to 4.6 million to the dollar in August 1923; to 98.9 million in September; 25.3 billion in October; and 2.2 trillion in November, ending the year at 4.2 trillion reichsmarks to the dollar.

Friedrich Kroner, in his *Überreizte Nerven* (Overwrought Nerves), captured the effects of this process of disintegration upon the German population:

“It pounds daily on the nerves: the insanity of numbers, the uncertain future, today, and tomorrow become doubtful once more overnight. An epidemic of fear, naked need: lines of shoppers, long since an unaccustomed sight, once more form in front of the shops, first in front of one, then in front of all.... Rice, 80,000 marks a pound yesterday, costs 160,000 marks today, and tomorrow perhaps twice as much.... The piece of paper, the spanking new banknote, still moist from the printers, paid out today as a weekly wage, shrinks in value on the way to the grocer’s shop. The zeroes, the multiplying zeroes!...”

“They rise with the dollar, hate, desperation, and need—daily emotions like daily rates of exchange. The rising dollar brings mockery and laughter: ‘Cheaper butter! Instead of 1,600,000 marks, just 1,400,000 marks!’ This is no joke; this is reality written seriously with a pencil, hung in the shop window, and seriously read.”¹

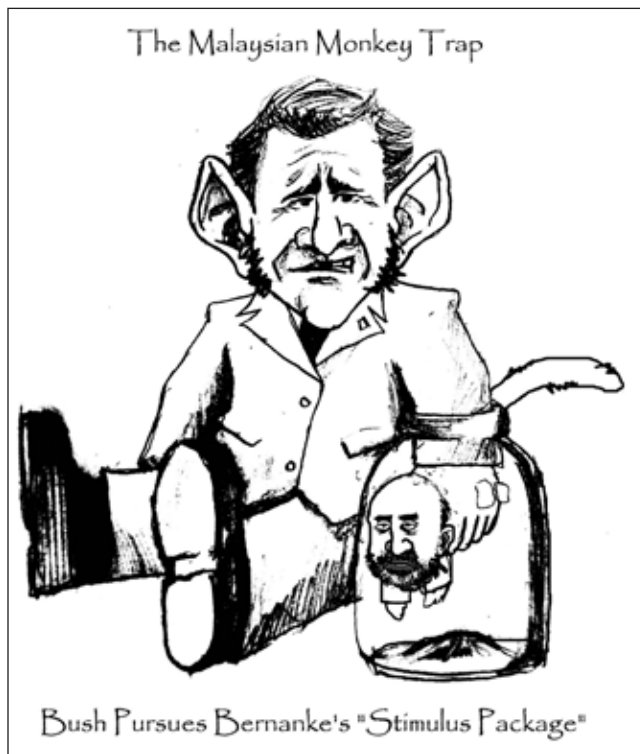
1. Quoted from Bernd Widdig, *Culture and Inflation in Weimar Germany* (Berkeley: University of California Press, 2001).

On the Edge

Today, Lyndon LaRouche warns, the entire global economy is in a period equivalent to Weimar Germany in the Autumn of 1923, conditions primed for the same sort of hyperinflationary shock which exploded then. The insane injections of ever more cash by the central banks is the monetary equivalent of throwing gasoline on a fire. The stimulus plan being pushed by Treasury Secretary Henry Paulson is more of the same. Pumping more money into a hyperinflationary system is the worst possible move, a repeat of the error of Weimar Germany, and one which will produce similar results.

Just as Weimar Germany was deliberately targetted by the British Empire to remove it as a competitor on the world stage, the United States has also been deliberately targetted by the British, who are now egging us on to stimulate our economy.

The only way, at this late date, to break the deadly dynamic is to admit the truth—our financial system is awash with trillions of dollars of worthless paper which cannot be saved, and accept that in trying to save it, we will only destroy ourselves. Unlike Weimar Germany, we are not being forced at the point of a gun—we have a choice, and a chance, if we will only take it.



EIRNS/Chris Jadataz

Will U.S. citizens bring about their own demise, at the hands of the financial slime-mold, through foolish adherence to belief in the potency of President Bush’s, and leading Presidential candidates’ “stimulation packages”?



EIRNS/Matthew Eret