

# Misremembering Weimar\*

Hyperinflation, the Great Depression, and German Collective Economic Memory

## Supplementary Material

Lukas Haffert

University of Zurich

Nils Redeker

Hertie School of Governance

Tobias Rommel

Technical University of Munich

Forthcoming in *Economics & Politics*

### Abstract

The well-known German aversion to inflation has attracted a lot of interest and is often attributed to a specific historical memory: Weimar. Yet we do not know much about why hyperinflation seems to overshadow the Great Depression in German collective economic memory. To answer this question, we study what exactly it is that Germans believe to remember about their past. Using original survey data, we show that many Germans do not distinguish between hyperinflation and the Great Depression, but see them as two dimensions of the same crisis. They conflate Weimar economic history into one big crisis, encompassing both rapidly rising prices and mass unemployment. Additionally, more educated and politically interested Germans are more likely to commit this fallacy. Our finding thus nuances ideational explanations for Germany's economic policy stance in the European Union.

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\* Corresponding author: Lukas Haffert (lukas.haffert@uzh.ch).

We would like to thank Hans-Peter Apel, Daniel Bischof, Björn Bremer, Tim Büthe, Lorian Crasnic, Fabian Engler, Valentin Lang, Hilde van Meegdenburg, Reto Mitteregger, Raphael Reinke, Arjen Reurink, Daniel Schulz, and Uwe Thümmel as well as workshop participants at the Hochschule für Politik München IR Research Group, the IEP Annual Conference in Berlin, the Swiss Political Science Association, and the University of Duisburg-Essen for valuable comments. This study has benefitted from generous funding by the University of Zurich and the Junge Akademie Germany.

#### 4. Die Zerstörung der Republik

Die Weimarer Republik endete nicht mit der von den Kommunisten angestrebten Diktatur des Proletariats, sondern mündete in den Führerstaat der NSDAP. Bereits im Juni 1922 erklärte Reichskanzler Wirth nach der Ermordung des Außenministers Rathenau: „Der Feind steht rechts!“ Es fragt sich also, wieso diese Bedrohung der Republik durch den Rechtsradikalismus, die so früh sichtbar war, nicht abgewendet wurde bzw. nicht abgewendet werden konnte. War der Weg in die Katastrophe schicksalhaft vorgezeichnet, eine schicksalhafte Verkettung von Umständen oder lassen sich schuldhaftes Handeln und Versagen konkret benennen?

Als die Stelle in der Entwicklung der Weimarer Republik, an der die Demokratie offenkundig unfähig wurde sich selbst zu regenerieren, gilt im Allgemeinen die Regierungszeit des Zentrum-Kanzlers Heinrich Brüning (30. März 1930 bis 30. Mai 1932). Denn sie war gekennzeichnet (1) durch eine Wirtschafts- und Sozialkrise, die Deutschland und die westlichen Industriestaaten in dieser Form noch nicht erlebt hatten; (2) durch eine Krise des Parteiensystems, des Parlamentarismus und der politischen Kultur, die die Anfangsschwierigkeiten der Republik bei weitem übertraf; und (3) durch eine Staats- und Regierungskrise, die ein verfassungsgemäßes Regieren nahezu unmöglich machte. Bereits eine dieser Krisen allein hätte jeden Staat in seiner Existenz gefährden können, gebündelt ergaben sie einen Gordischen Knoten für die Weimarer Republik.

Die Regierung  
Brüning – der  
Anfang vom Ende

Neben der Inflation von 1923 prägten die Massenarbeitslosigkeit und der wirtschaftliche Zusammenbruch zu Beginn der 30er Jahre die Erinnerung an die Weimarer Republik. Diese so genannte „Weltwirtschaftskrise“ begann im Oktober 1929 mit dem abrupten Ende des Wirtschaftsbooms in den USA („Schwarzer Freitag“ der New Yorker Börse, s. S. 198). Die kurzfristig nach Europa vergebenen Kredite wurden auf einen Schlag zurückgefordert, und dadurch fiel der Wirtschaftsaufschwung, den der Dawes-Plan gebracht hatte, in sich zusammen. Zahllose mittlere und kleinere Unternehmungen, Geschäfte, bäuerliche und handwerkliche Betriebe wurden zahlungsunfähig, selbst Großbanken wie die Darmstädter Nationalbank mussten ihre Schalter schließen.

Krise von Wirtschaft  
und Gesellschaft

Dauerarbeitslosigkeit ohne Perspektive, das Absinken aus der scheinbar gesicherten Position eines Selbständigen oder Angestellten ins Proletariat trieben die Menschen in die Arme der extremen Parteien mit ihren einfachen Erklärungsmustern und handlichen Versprechungen für eine bessere Zukunft. Die herkömmlichen Parteien und die Gewerkschaften hatten dem inhaltlich nichts entgegenzusetzen; mit der wachsenden Arbeitslosigkeit verloren sie vielfach ihre Mitglieder und ihre finanzielle Basis.

Unmittelbare Folge dieser Krise war eine die Demokratie in ihrem Kern bedrohende Wählerwanderung. Ein Blick auf die Wahlergebnisse (s. S. 256) zeigt, dass bereits im Juni 1920 die Weimarer Koalition auf Dauer die Mehrheit verloren hatte. Dreizehn Koalitionskabinette unterschiedlicher Zusammensetzung und mit zumeist nur kurzer Amtszeit regierten bis 1930, eine Vielzahl von Splitterparteien zog neben den Rechtsradikalen die Anhänger und Wähler aus dem Bürgertum an sich, so dass z. B. die DDP oder DVP politisch völlig bedeutungslos wurden. Gleichzeitig nahm die parteipolitische Auseinandersetzung die Form eines permanenten Straßenkampfes an: Die paramilitärischen Verbände der

Krise des  
Parteiensystems

**Figure A1: Presentation of Weimar Economic Crisis in German Schoolbook**

Geschichte und Geschehen II, Oberstufe, Ausgabe A/B. Ernst Klett Schulbuchverlag Leipzig, 2005

## Translation of Figure A1: Presentation of Weimar Economic Crisis in German Schoolbook

Note: highlighted part corresponds to the highlighted part in the original.

### 4. The Destruction of the Republic

The Weimar Republic did not end with the dictatorship of the proletariat, which the Communists were striving for, but led to the Nazi regime of the NSDAP. Already in June 1922, Chancellor Wirth declared after the assassination of Foreign Minister Rathenau: "The enemy is on the right!" The question therefore arises why this threat to the Republic from right-wing radicalism, which was visible so early on, was not averted or could not be averted. Was the path to disaster fatefully mapped out, a fateful concatenation of circumstances, or can culpable action and failure be specifically named?

The point in the development of the Weimar Republic, where democracy became manifestly incapable of regenerating itself, is generally considered to be during the reign of the centrist Chancellor Heinrich Brüning (March 30, 1930 to May 30, 1932). For it was characterized (1) by an economic and social crisis that Germany and the Western industrialized countries had never experienced before in this form; (2) by a crisis of the party system, parliamentarianism, and political culture that far exceeded the Republic's initial difficulties; and (3) by a crisis of state and government that made constitutional governance almost impossible. One of these crises alone could have endangered the existence of any state; bundled together, they created a Gordian knot for the Weimar Republic.

Apart from the inflation of 1923, mass unemployment and the economic collapse at the beginning of the 1930s shaped the memory of the Weimar Republic. This so-called "world economic crisis" began in October 1929 with the abrupt end of the economic boom in the US. The short-term loans granted to Europe were called back at once and, as a result, the economic upturn brought about by the Dawes Plan collapsed. Countless small and medium-sized enterprises, shops, rural, and artisanal businesses became insolvent, and even major banks such as the Darmstädter Nationalbank had to close their counters.

Permanent unemployment without any perspective, the sinking from the seemingly secure position of a self-employed or an employee into the proletariat drove people into the arms of the extreme parties that offered simple explanations and handy promises for a better future. The traditional parties and the trade unions had nothing to counter this in terms of content; with growing unemployment they often lost their members and their financial base.



#### 7.4 Von der Inflation zur Weltwirtschaftskrise

Eine inflationäre Entwicklung setzte in Deutschland schon während des Krieges ein. Die Lebenshaltungskosten lagen 1920 um das Achtfache über denen der Vorkriegszeit. Trotzdem ergriff man keine Maßnahmen, um die Inflation zu stoppen. Stattdessen wurden mit ihrer Hilfe die Folgekosten des Krieges – Demobilisierung, das Ende der Kriegswirtschaft, die Kriegsrenten – und sozialpolitische Errungenschaften wie der Achtstundentag beglichen. Auch wurden die Investitionen durch die Inflation gefördert, sodass Deutschland nicht in die internationale Rezession der Jahre 1921/22 hineingezogen wurde. Nicht zuletzt erleichterte das entwertete Geld die Erfüllung der ersten Reparationsforderungen. Der Wert einer Goldmark des Jahres 1914 entsprach Anfang 1922 noch 45,7 Mark, ein Jahr später, vor Beginn der Ruhrkrise, lag er bei 4279 Mark. Als dann während der Ruhrkrise auch noch der passive Widerstand mit der Notenpresse finanziert wurde, kam es zur Hyperinflation. Im November 1923 lag der Wert der Goldmark bei 1 Billion Mark.

##### Die Inflation

Nutznieser der Inflation waren all jene, die Schulden hatten. Das galt auch für den Staat, der die Kriegskosten mit Anleihen finanziert hatte. Sie konnten mit dem entwerteten Geld leicht beglichen werden. Darüber hinaus profitierten von der Inflation alle Sachwertbesitzer. Zu dieser sehr ungleichen Gruppe zählten die kleinen Hausbesitzer genauso wie die Industriellen und Landwirte. Verlierer der Inflation waren die Sparer und Geldbesitzer. Während die Besitzer großer Vermögen ihre Verluste häufig über die Gewinne bei den Sachwerten ausgleichen konnten, waren vor allem diejenigen besonders betroffen, die nur über solche Ersparnisse verfügten. Zu ihnen gehörten besonders die Angehörigen des Klein- und Bildungsbürgertums. Verheerend waren die psychologischen Folgen der Inflation. Die Erinnerung an die Geldentwertung prägte sich in das Gedächtnis der Deutschen tief ein. Dass auf die Weltwirtschaftskrise nach 1929 nicht mit einer Verschuldung des Staates reagiert wurde, findet hier eine Erklärung.

##### Die Folgen der Inflation

Im November 1923 konnte die Inflation durch die Einführung der Rentenmark beendet werden. Schon kurz vor der Währungsreform trat eine unabhängige Expertenkommission unter der Leitung des amerikanischen Bankiers Charles G. Dawes zusammen, um die Reparationsforderungen und die deutsche Zahlungsfähigkeit zu prüfen. Daraus entstand der Dawes-Plan, der zunächst eine Erholungspause für Deutschland vorsah, in der jährlich 1 – 1,75 Mrd. Mark zu zahlen waren; ab 1928 sollten dann jährlich 2,5 Mrd. Mark gezahlt werden. Die Dauer dieser Zahlungen wurde vorläufig nicht festgelegt. Eine wesentliche Folge dieser Regelung war, dass die USA der deutschen Wirtschaft insgesamt über 20 Mrd. RM an Krediten zur Verfügung stellten. Ein so genannter Reparationsagent, der US-Amerikaner Parker Gilbert, kontrollierte von Berlin aus die Reparationszahlungen und die deutsche Finanzpolitik. Die Reichsbank wurde zu einer von der Regierung unabhängigen Institution. Unter dem Druck von Landwirtschaft und Industrie stimmte im August 1924 auch die Hälfte der DNVP-Fraktion für den Dawes-Plan, sodass er eine Reichstagsmehrheit fand. Danach, am 30. August 1924, kehrte Deutschland zur goldgedeckten Reichsmark zurück.

##### Das Ende der Inflation und der Dawes-Plan



Von der Linken bekämpft – der Dawes-Plan

Die Einführung der Rentenmark und die durch den Dawesplan ermöglichten Kredite leiteten einen Wirtschaftsboom ein, der von 1924 bis zum Herbst 1929 anhielt. Diese Jahre sind als die „goldenen Jahre“ in Erinnerung geblieben. Das Volkseinkommen stieg um jährlich 5,5%. Vor allem die Reallohne der Arbeiter konnten auf hohem Niveau gehalten werden. Die Industrieproduktion lag zwischen 1927 und 1929 erstmals wieder über dem Vorkriegsstand. Allerdings blieb

##### Die „Goldenen Zwanziger Jahre“

**Figure A2: Presentation of Weimar Economic Crisis in German Schoolbook**  
Geschichte und Geschehen. Ernst Klett Schulbuchverlag Leipzig, 2014

## Translation of Figure A2: Presentation of Weimar Economic Crisis in German Schoolbook

Note: highlighted part corresponds to the highlighted part in the original.

### 7.4 From Inflation to the Global Economic Crisis

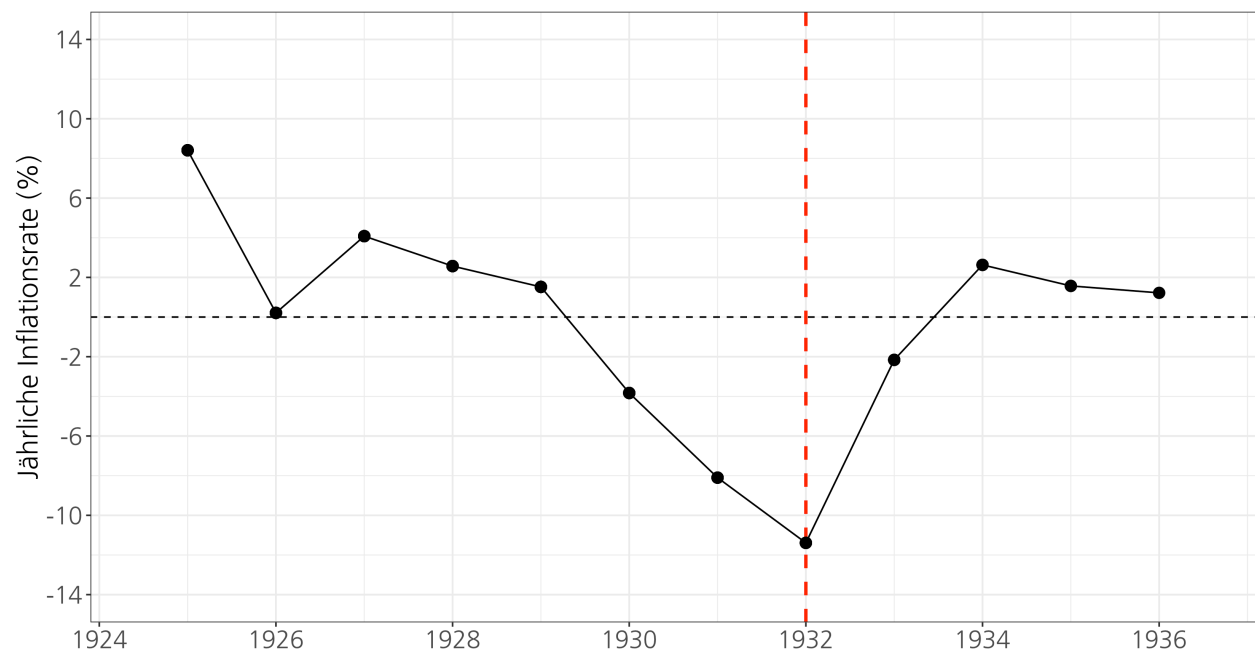
An inflationary trend already began in Germany during the war. The cost of living in 1920 was eight times higher than in the pre-war period. Nevertheless, no measures were taken to stop inflation. Instead, inflation was used to pay for the costs of the war – demobilization, the war economy, war pensions – and socio-political achievements, such as the eight-hour work day. Investments were also encouraged by inflation, so that Germany was not drawn into the international recession of 1921/22. Last but not least, the devalued money made it easier to meet reparation demands. The value of one gold mark in 1914 was still 45.7 marks at the beginning of 1922, but one year later, before the beginning of the Ruhr crisis, it was 4279 marks. When, during the Ruhr crisis, passive resistance was also financed by printing money, hyperinflation occurred. In November 1923 the value of the Goldmark was 1 trillion marks.

The beneficiaries of inflation were all those who had debts. This also applied to the government, which had financed the costs of war with bonds. These could easily be paid off with the devalued money. Furthermore, all owners of tangible assets profited from inflation. This very unequal group included small homeowners as well as industrialists and farmers. The losers of inflation were the savers and money owners. While the owners of large fortunes were often able to offset their losses through gains in tangible assets, those who had only savings were particularly affected. Among them were the members of the lower and educated middle classes. The psychological consequences of inflation were devastating. **The memory of monetary devaluation was deeply engraved in the memory of Germans. It explains why the government did not react to the Great Depression after 1929 by increasing government debt.**

In November 1923 inflation was contained by the introduction of the Rentenmark. Shortly before the currency reform, an independent commission of experts headed by the American banker Charles G. Dawes met to examine reparations claims and German solvency. This resulted in the Dawes Plan, which initially provided a recovery pause for Germany, during which 1-1.75 billion marks were to be paid annually; from 1928 onwards, 2.5 billion marks were to be paid annually. The duration of these payments was not fixed for the time being. A major consequence of this arrangement was that the US made a total of over 20 billion marks in loans available to the German economy. A so-called reparations agent, US citizen Parker Gilbert, controlled the reparations payments and German financial policy from Berlin. The Reichsbank became an institution independent of the government. Under pressure from agriculture and industry, half of the DNVP parliamentary group also voted in favor of the Dawes Plan in August 1924, so that it found a Reichstag majority. Thereafter, on August 30, 1924, Germany returned to the gold-backed Reichsmark.



Figure A3: Additional Graphical Information in 1923 Prompt



**Figure A4: Additional Graphical Information in Information Treatment**

**Table A1: Predictors of Transformed 1932 Inflation Guesses in Germany**

	(1) Reduced model	(2) Extended model	(3) Standardized coefficients
Education in years	<b>0.079**</b> (0.027)	<b>0.052*</b> (0.025)	<b>0.082**</b> (0.024)
Political Interest	<b>0.375***</b> (0.095)	<b>0.288**</b> (0.089)	<b>0.138***</b> (0.087)
Can Define Inflation		<b>0.749**</b> (0.236)	<b>0.097**</b> (0.237)
Male	<b>0.604***</b> (0.155)	<b>0.519***</b> (0.142)	<b>0.119***</b> (0.142)
Age in years	<b>0.010*</b> (0.005)	<b>0.009*</b> (0.004)	<b>0.072*</b> (0.004)
Income Decile	<b>0.063*</b> (0.028)	<b>0.069**</b> (0.026)	<b>0.081*</b> (0.026)
Left-Right Placement	-0.048 (0.037)	-0.045 (0.033)	-0.040 (0.033)
Migration Background	0.137 (0.224)	0.105 (0.199)	0.011 (0.200)
School in GE	-0.342 (0.325)	-0.199 (0.270)	-0.031 (0.269)
Never heard of hyperinflation		baseline	
Last heard in school		<b>0.568**</b> (0.185)	
Last heard in family		<b>1.065***</b> (0.256)	
Last heard in politics		0.314 (0.283)	
Last heard in other sources		<b>1.000**</b> (0.375)	
Constant	0.775 (0.626)	0.035 (0.542)	
# of respondents	931	1036	1036
R-squared	0.089	0.116	0.097
AIC	4146.986	4545.688	4559.335
Prob > F	0.000	0.000	0.000

Notes: OLS models with standard errors in parentheses.

Model 1: Sample restricted to respondents that were able to define inflation correctly.

Model 2: Controlling for the context where respondents last heard of hyperinflation.

Model 3: Model 1 from Table 2 with standardized regression coefficients.

Significance levels: + p<0.10, \* p<0.05, \*\* p<0.01, \*\*\* p<0.001.



**Table A2: Predictors of Mentioning Inflation or Unemployment in Open Response in Germany**

	(1) Mentions inflation	(2) Mentions unemployment	(3) Mentions both
Education in years	<b>0.033***</b> (0.009)	0.015 (0.010)	<b>0.021**</b> (0.008)
Political Interest	<b>0.072+</b> (0.037)	0.024 (0.041)	0.046 (0.033)
Can Define Inflation	<b>0.195+</b> (0.103)	<b>0.260*</b> (0.113)	0.116 (0.091)
Male	-0.011 (0.062)	0.014 (0.068)	-0.007 (0.055)
Age in years	-0.001 (0.002)	0.002 (0.002)	0.002 (0.002)
Income Decile	-0.016 (0.011)	0.007 (0.012)	-0.009 (0.010)
Left-Right Placement	<b>-0.028*</b> (0.014)	-0.002 (0.016)	<b>-0.022+</b> (0.012)
Migration Background	0.066 (0.080)	-0.088 (0.087)	0.013 (0.070)
School in GE	0.103 (0.109)	-0.088 (0.119)	-0.011 (0.095)
Constant	-0.367 (0.225)	-0.072 (0.247)	-0.272 (0.198)
# of respondents	250	250	250
Mc Fadden R-squared	0.111	0.064	0.072
AIC	322.5	367.9	258.4
F-statistic	3.320***	1.809+	2.057*
Notes: Logit models with standard errors in parentheses. Significance levels: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001.			

## Description of the Survey Design

To understand how Germans conceptualize Weimar economic history, we conducted a representative survey in Germany. We also conducted a parallel survey in the Netherlands, to construct the counterfactual for how the Great Depression is conceptualized in a country without hyperinflation. Here, we first describe the German survey in greater detail, including the specific treatments that different groups of respondents received. Afterwards, we briefly explain the design of the Dutch survey.

### *The German Survey (administered by Qualtrics in January 2019)*

In the first part of the German survey, all participants responded to the same questions in the same order that we clustered into the following sets of questions:

#### **1. Socio-demographic variables**

We started the survey by asking all respondents about a number of socio-demographic and political characteristics such as age, gender, party preferences, and left-right orientation.

#### **2. Economic policy attitudes**

To contextualize our questions about Weimar and inflation, we first asked respondents two questions about economic policy attitudes (towards taxes on the rich and towards unions' wage demands). We were not interested in the substantive answers to the questions, but used them to make the following questions appear more natural.

#### **3. Definition of inflation**

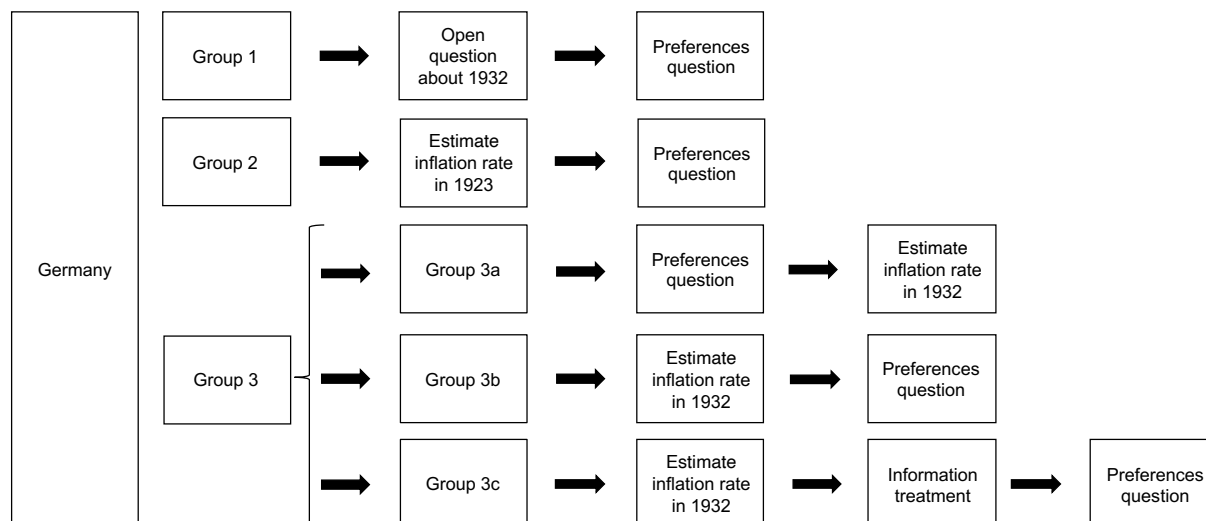
Before separating respondents into different treatment groups, we asked them to identify two correct descriptions of inflation from the following four options:

- Shopping in the supermarket becomes cheaper
- Shopping in the supermarket becomes more expensive
- Money increases in value
- Money loses in value

In the second part of the German survey, we split respondents into 3 groups, of which the third group was again split into 3 groups.

**Preferences question:** All respondents were asked the following main outcome question about an inflation-unemployment trade-off in the survey. The question replicates the question used in the ISSP and allows for a direct connection to the existing literature on inflation aversion (e.g. Scheve 2004). The question reads: "If the government had to choose between keeping down inflation or keeping down unemployment, to which do you think it should give highest priority?" Answers range from 1 (keeping down unemployment) to 7 (keeping down inflation).

However, the point of the survey at which this question was asked differed between the different groups (see Figures in text and below):



### 1. Group 1 (Open Question Group)

Group 1 was asked an open question about the economic situation at the peak of the Great Depression, before we asked the preferences question. The question reads:

*In the early 1930s, the German economy experienced the deepest crisis in its history. This crisis is known as the Great Depression. One of the worst years of this crisis was the year 1932. Can you tell us up to three specific economic problems from which the German economy suffered in 1932 (keyword suffices)?*

### 2. Group 2 (Hyperinflation Question Group)

Group 2 was asked a closed question about the inflation rate at the peak of hyperinflation, before we asked the preferences question. The question reads:

*In the early 1920s, the German economy experienced a deep crisis. Because of the rapidly rising prices, this crisis is known as the hyperinflation crisis. The hyperinflation reached its peak in 1923. What do you think was the inflation rate in 1923? That is, by how many percent did prices change in this year? (for comparison: the inflation rate in 2017 was 1.8%.)*

### 3. Group 3 (Great Depression Question Group)

All respondents in group 3 were asked a closed question about the inflation rate at the peak of the Great Depression. The question reads:

*In the early 1930s, the German economy experienced the deepest crisis in its history. This crisis is known as the Great Depression. One of the worst years of this crisis was the year 1932, when the German economy shrank by 7% and the unemployment rate reached 30%. What do you think was the inflation rate in 1932? That is, by how many percent did prices change in this year? (for comparison: the inflation rate in 2017 was 1.8%.)*

Yet, respondents differed as to when we asked the preferences question:

**3.a.** Group 3a was first asked the preference question and only had to estimate 1932 inflation afterwards.

**3.b.** Group 3b first had to estimate 1932 inflation and was then asked the preference question.

**3.c.** Group 3c, finally, first had to estimate 1932 inflation and then received an information treatment before being asked the preference question.

Moreover, respondents were shown the following picture:

In the last part of the German survey, all participants responded to the same question:

#### **Prior knowledge about hyperinflation**

We have asked you a number of questions on the issue of inflation today. When have you least heard about hyperinflation in the Weimar Republic?

- Never
- In school
- In tales of parents and grandparents
- In recent political debates
- In a different context:

#### ***The Dutch Survey (administered by Respondi in January 2019)***

In the first part of the Dutch survey, we asked respondents socio-demographic questions, economic policy attitudes and whether they can define inflation (outlined above).

In the second part of the Dutch survey we asked respondents to estimate the inflation rate in the Netherlands in 1932, based on the question wording of the German survey, adapted to the Dutch context:

*In the early 1930s, the Dutch economy experienced the deepest crisis in its history. This crisis is known as the Great Depression. One of the worst years of this crisis was the year 1932, when the Dutch economy shrank by 2% and the unemployment rate reached 16%. What do you think was the inflation rate in 1932? That is, by how many percent did prices change in this year? (for comparison: the inflation rate in 2017 was 1.4%.)*