FIGURE 1
Versailles reparations collapsed Germany's exports and imports
(billions of marks)

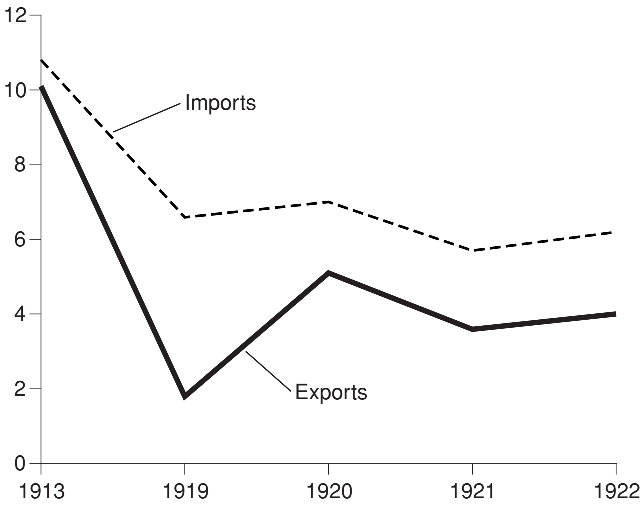

TABLE 1
German hyperinflation, 1921-23
(total issue of German mark paper currency, in billions of marks)

Year	Month	Amount
1919	December	50
1920	June	68
	December	81
1921	June	85
	December	123
1922	June	180
	July	203
	August	252
	September	332
	October	485
	November	770
	December	1,296
1923	January	2,000
	February	3,536
	March	5,543
	April	6,581
	May	8,610
	June	17,341
	July	43,814
	August	668,703
	September	28,244,406
	October	2,504,995,700
	November	400,338,326,400
	December	496,585,345,900

Source: *Zahlen zur Geldentwertung in Deutschland 1914 bis 1923.*

Republic, while its physical economy was gouged by "conditionalities." Combined, these produced the Weimar hyperinflation of 1921-23. But, having not learned the lessons of that experience, there are financiers and governments today, which are determined to repeat the same policy prescriptions, and are governed by the same axioms of thinking, as generated the hyperinflation.

The process started with the Versailles Treaty of 1919, where British Privy Council operatives, Lord Lothian, Viscount Robert Cecil, and Lord Cunliffe of the Bank of England, were the key people who wrote the demands imposed upon defeated Germany. Germany was forced to give up large chunks of its national territory, which represented 10% of its pre-war population, 15% of its arable land, 12% of its livestock, 63% of its zinc ore, 74% of its iron ore, 26% of its coal, and 40% of its iron and steel blast furnaces. Germany also had to give up 90% of its merchant marine; 8,000 locomotives and 225,000 rail cars, i.e., virtually all of its rolling stock; half its gold supply; and its former colonies.

Then, in April 1921 the Versailles Reparations Commission, controlled by the British financier oligarchy, announced that Germany had to pay reparations of 132 billion gold marks, or $33 billion. In today's dollars, this would be an obligation of approximately $350 billion.

The British and French dictated to Germany the prescription of increasing taxes—gouging the population—while simultaneously cutting imports and increasing exports (this would allegedly increase Germany's earning of foreign exchange). This is a prescription recommended by the International Monetary Fund for Southeast Asia and other regions today. Germany required raw materials and semi-finished product imports in order to produce manufactured goods exports. **Figure 1** shows that as a result of the Versailles policy, Germany's exports and imports both fell—exports fell by 60%, compared to 1913 levels.

Meanwhile, though Germany raised taxes under Finance Minister Wirth, this proved not enough to pay reparations. 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.

Finally, 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. **Table 1** shows that between June 1920 and December 1923, Germany's currency in circulation rose from 68.1 billion gold marks to 496.6 quintillion gold marks, an increase of more than 100,000-fold in three years. Most of the increase occurred in the 18-month period between mid-1922 and the end of 1923, especially after the invasion of the Ruhr by French and Belgian troops in January 1923.

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FIGURE 2

Meat consumption of a member of household of an upper-level German civil servant

(grams per capita per day)

FIGURE 3

Milk consumption of a member of household of an upper-level German civil servant

(liters per capita per day)

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

There were very heavy economic and social consequences. Industrial production and the output of most grains fell by 50% or greater, relative to 1913 levels of production. Living standards and diet were destroyed. For a family member of a household of an upper-level civil servant, the daily intake of meat fell from 130 grams (5.5 ounces) in 1913, to 51 grams in the fourth quarter of 1923, a fall of 61% (see **Figure 2**). Per-capita daily consumption of milk, for a member of the same household, fell from 0.41 liters in 1913, to 0.047 liters—an 88% decline.

The death rate from tuberculosis rose from 14.3 per 10,000 people in 1913, to 20 per 10,000 in the first half of 1923—a tuberculosis death rate almost as high as Germany had experienced during World War I.

As **Figure 4** shows, between January and December 1923, the unemployment rate for trade union members rose from 4.2% to 28.4%; unemployment among non-union members was higher.

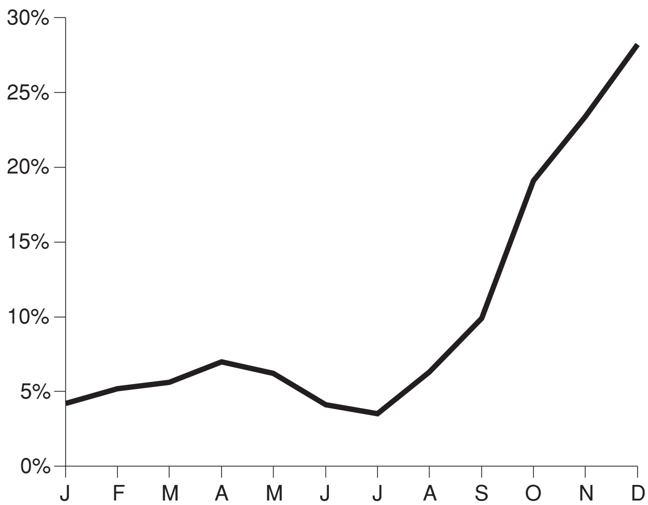
These conditions fostered the economic and social disintegration of Germany, and in October-November 1923, Adolf Hitler and the Nazis launched the Beer Hall Putsch in Munich.

In April 1924, the Dawes Plan was introduced, bringing in some stability from outside, by providing some credit for Germany again.

FIGURE 4

Unemployment among German trade union members in 1923

(percentage of all trade union members)



But today, there is nobody from "outside" the bankrupt world financial system, to "restore order." With the enormous volume of non-performing loans, and the huge derivatives bubble, if an attempt were made to bail out the financial system, then the collapse that took 18 months to happen in Weimar Germany, could happen now in 18 days.