

# The Lessons of 1923

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Most retirees, Hartz IV<sup>1</sup> recipients, and other low-income families have known it for a long time: For them, the inflation rate is much higher than the official rate of a little over 2%. So these population groups, which constitute nearly two thirds of the total population in Germany—56.6% of households, or about 46 million people—make at most 150 euros per month more than the fixed costs of living; they seldom buy products that have become cheaper, and figure into the average inflation rate, such as computers, cell phones, or trips abroad. Most of their income goes for products that have become much more expensive.

With slight adjustments, the recently announced figures from the Statistical Office in France (INSEE) apply to Germany as well: In September, the price of grains exploded by 20.5%; the price of soft wheat doubled within a year, and rose in September alone by 23.2%. Soy, which among other things is used for animal fodder, rose by 24.7%; beef by 12%; poultry by 14%; fruit by 23.7%; and milk products are expected to rise by about 20%. In addition, the prices of gasoline, heating oil, and natural gas have risen by 13-16%, and a 10% price rise for electricity in January has already been announced. If we include the price increases for raw materials and crude oil—which is now over \$90 per barrel—for industrial production, and which eventually affects consumer prices, then it becomes clear that we are already in the middle of a hyperinflationary trend.

Financial insiders estimate that in the last three months alone, as a result of the “reverse leverage” caused by the collapse of the U.S. mortgage market (losses with borrowed money), there was some \$2.4 trillion in losses of unsellable financial securities. The investment banks are having the greatest difficulty in admitting their losses; the third largest U.S. bank, Merrill Lynch, has only hesitantly admitted to preliminary losses of \$8 billion, while Citigroup, through the creation of the MLEC “Superfund” (Master Liquidity Enhancement Conduit), is trying to shift the damage to credulous and

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1. The Hartz IV legislation, introduced by the Social Democratic Party-led government in 2004, drastically reduced payments to the long-term unemployed, while forcing them to take any job available, even if their professional qualifications far exceeded it. The BüSo waged a campaign against the law throughout 2004, calling instead for the creation of 8 million new, productive jobs.

greedy investors. Instead of admitting the collapse of the policy of “creative financial instruments” à la Alan Greenspan, and shutting down the hedge funds, venture capital companies, special purpose enterprises, etc., the central banks—including the Federal Reserve—are trying to hide their losses by massive injections of liquidity. This hyperinflationary operation is enhanced by speculation on the food-commodity exchanges, such as the Chicago Board of Trade. Even more devastating is what the Italian pasta producer Guido Barilla called “the insane decision” of President George W. Bush, to replace 20% of gasoline consumption with biofuels, over the next ten years. This policy, according to Barilla, has led to a chain reaction of price explosions hitting all agricultural commodities.

The fact is, that this inflationary tendency has clear parallels in the hyperinflationary policy of the Reichsbank in 1923, and no one should forget the statement of Federal Reserve chief “Helicopter Ben” Bernanke, that the central bankers, if necessary, would throw money out of helicopters over the cities, in case of a threat to the world financial system. And what everyone in Germany knows, at least from the stories told by their grandparents and parents about the 1923 hyperinflation that devoured the savings of most of the population, is that that’s what is being experienced today by a considerable portion of the population, for whom price rises in basic commodities are pulling the rug out from under their feet.

In view of all this, and the fact that in Germany one out of every six children is poor, and even at the age of eight can see no future for himself, how irresponsible are the leading politicians who defend the current system of globalization! When Finance Minister Steinbrück continually defends the role of the hedge funds, as he did again recently at a meeting of the Hans Böckler Foundation, then this underscores how far he has abandoned social democratic principles, his oath of office, and the Basic Law.

The political establishment, which has apparently become much too accustomed to the privileges of this system, is out of touch with the reality faced by the majority of the population. That such professional blindness has a social price, is nowhere more clear than in the case of the American Congress, where the Democratic Party in November 2006 won a resounding victory in both Houses, and had a popular approval rate of around 70%; yet in less than a year, it has completely lost that, and its approval now is under 11%.

The fundamental problem with politicians like Mr. Stein-



*Hyperinflation during Weimar Germany: A woman uses worthless Reichsmark bills to fuel her stove.*

brück is that he belongs to a generation that has neither the knowledge nor the memory of how any system could exist, other than that of the free market economy linked to globalization. According to the motto, “It cannot be, what must not be.” they think this system cannot collapse. And they refuse to comprehend that globalization is not only destroying what were once called the developing countries, but is also plunging most of our own people into poverty.

Nothing in the world will save the hopelessly indebted world financial system. But it would still be possible to defend the real economy, and, through multilateral cooperation among nations in the tradition of Franklin Roosevelt and his New Deal, to bring about a new economic miracle. But this requires a radical change in economic and financial policy, a return to fixed exchange rates, an affirmation of scientific and technological progress, according to the principles of physical economy—that is, saying “yes” to the Transrapid maglev train and the inherently safe modular high-temperature gas-cooled reactor—and an absolute commitment to the Common Good.

The BüSo is at present the only party that stands for such a change.

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