

The History of the Twentieth Century

Episode 215

“1919 – Germany VI”

Transcript

[music: Fanfare]

By the Revolution the Germans have made themselves pariahs among the nations, incapable of winning allies, helots in the service of foreigners and foreign capital, and deprived of all self-respect. In twenty years' time, the German people will curse the parties who now boast of having made the Revolution.

Erich Ludendorff, *My War Memories*

Welcome to *The History of the Twentieth Century*.

[music: Opening Theme]

Episode 215. 1919: Germany, part six.

This is the sixth and final episode in our series on postwar Germany, and it also marks the end of the 1919 World Tour. When we started, I said it would be thirty-ish episodes; it actually came in at forty episodes, which makes this a highly accurate prediction, by my standards. Let's get started.

We concluded last time with me telling you about the growing NSDAP, the National Socialist German Workers Party, in Munich. I'd like to begin today by turning back to Berlin to consider what's going on in the capital. In Berlin, the SPD and the breakaway Independent SPD settled their differences and merged back together, making the new combined SPD the largest party in the Reichstag, even bigger than before, big enough to bring down the Wirth Cabinet. By this time, late 1922, Germany had been making reparations payments for a year and a half, and for just as long the Allied governments have been complaining that the payments were too small and too slow. The Allies were losing patience and the German President, Friedrich Ebert turned to Wilhelm Cuno, a Catholic businessman and lawyer who had worked in the Hamburg-Amerika shipping company to assume the chancellorship and form a government. It was quite remarkable for a socialist President to tap a businessman for the job, but Cuno was seen as apolitical, a

finance expert with extensive experience in international trade, which might make him just the person to sort out Germany's rapidly fraying economic relations with the Allies.

Cuno tried to put together a broad coalition government that would include all the parties from the SPD on the left to the People's Party on the center right. This coalition would have included every political party except the two most extreme parties of the left and right, that would be the Communists and the National People's Party, respectively. But this coalition was too broad for the socialists of the SPD, who refused to participate in the government, but refrained from opposing it in the Reichstag. The National People's Party took the same position, meaning the Cuno Cabinet would be a minority government grudgingly supported across the political spectrum. Only the four Communists in the Reichstag voted against it.

This new government began negotiations with the Allies on a debt moratorium, to last 3-4 years, the idea being that this would allow Germany some breathing room to get its finances in order. The British were flexible, but not the Belgians and especially not the French, who questioned the Germans' good faith. The French government, now led by Prime Minister Raymond Poincaré, no friend of Germany, believed the Germans were deliberately dragging their feet to test Allied resolve. The French counterproposal was this: the only way Paris would agree to a debt moratorium was if France could hold some kind of collateral. What kind of collateral? Well, the Ruhr Valley, Germany's industrial center, might be sufficient collateral, so hand it over.

But the German government didn't think that allowing France to take control of their nation's beating economic heart amounted to a reasonable compromise. When a German in-kind payment of timber made in December 1922 fell short of the agreed quantity, the French were finally fed up. Poincaré sought British support for economic sanctions against Germany, but in Britain the Lloyd George coalition had fallen and a general election taken place. The Liberal and Conservative parties were both divided, and the Labour Party, which opposed sanctions against Germany, had become Britain's second-largest party in Parliament. Thus there was no stomach in Westminster for picking a fight with Germany.

The French pushed ahead anyway. The Reparations Commission found Germany in default, with the British commissioner voting no, and in January 1923, French and Belgian troops moved into the Ruhr Valley. Large numbers of Germans were expelled from the region; 137 were killed during the period of occupation, which lasted from January till September. Naturally, the German public reacted angrily to what amounted to a foreign invasion, practically a reboot of the Great War. No one protested louder than the right-wing parties in Germany, and they experienced a surge in public support.

The Cuno government responded to the occupation by calling upon German workers and German businesses in the region to refuse to work for the invaders, in effect calling a general strike. Why should Germans labor to support the very invaders who occupy their lands? Except

that the workers in the Ruhr couldn't afford a prolonged strike. No problem, though, Berlin will pay strike wages to keep the protest going.

How's the German government going to pay all that money? A US dollar cost a German something in the neighborhood of 10,000 marks in January when the Allied troops first moved into the Ruhr region. But, hey, you think that's bad? You ain't seen nothing yet. In February, a dollar cost 20,000 marks. In April, 40,000 marks. In June 100,000 marks. The German economy was collapsing, but the French refused to negotiate unless the Germans first called off the general strike. But as the out-of-control spiral of inflation led to other strikes and unrest across Germany, international opinion took pity on the Germans and turned against France. Both the UK and the US pressured Paris to be more flexible in its dealings with Germany.

By August 1923, one US dollar cost four million marks. In the Reichstag, the SPD announced it was now willing to enter into coalition with the government parties. The Cuno Cabinet resigned, and another new Cabinet was formed, this one under Gustav Stresemann of the People's Party as Chancellor, but with the SPD holding the largest number of posts in Cabinet.

This new coalition government conceded to the French, who then withdrew. Reparations payments resumed, although some measure of relief would be negotiated in 1924. But the occupation and the concessions were seen in Germany as yet another defeat and humiliation. Violent opposition grew, even as inflation soared to ever more breathtaking heights. By November 1923, a loaf of bread cost a German something in the neighborhood of 200 billion marks, as we would say in the United States, or 200 milliard marks for the benefit of you Europeans. And a US dollar would cost you about four billion marks, that's a billion in European terms, or four trillion marks, in US terms. That's trillion with a T-R.

The economic crisis spawned political unrest, particularly among the extreme right and left. Strikes and demonstrations were everywhere. The government declared a state of emergency. There was another attempted putsch by right-wing military figures. The KPD, the German Communist Party, was in talks with Comintern in Moscow about the prospects of revolution in Germany. The Russian leadership wanted to press ahead, but the KPD leadership felt the time was not quite right. But someone in Hamburg didn't get the memo, and on October 23, over a thousand Communist workers in that city made a bid to take control of Hamburg and its surrounding region, blockading railroad tracks and streets, storming police stations and seizing weapons, and declaring a soviet republic. The uprising was quashed the same day by the police, further exacerbating the bitterness between the SPD and the KPD, Germany's two "working class" parties.

Left-wing violence triggered right-wing backlash. In Munich, the Bavarian prime minister declared a state of emergency and appointed Gustav von Kahr state commissioner, with extraordinary powers to rule by decree during the crisis. Bavaria was by this time a hotbed of

right-wing extremism, and it seems likely that Kahr was contemplating leveraging his position and support in Bavaria into yet another putsch against the government in Berlin.

If he decided to go for it, he would be able to count on support from right-wing elements in Munich, including Erich Ludendorff, who had been attracted to the city by the political climate. And there was Adolf Hitler and his NSDAP, who were openly proclaiming the need to overthrow the Berlin government and stop the reparations payments, which were blamed for the collapse of the German currency. Since Ludendorff's move to Munich, he and Hitler had met several times and found they saw eye to eye on many political questions, although Ludendorff never went so far as to officially join the NSDAP.

But the most extreme elements of the political right in Munich, like Hitler, went too far, or maybe were too obvious, to suit Kahr. When Hitler announced a series of mass meetings on the national crisis, intended to drum up support for revolutionary action, Kahr banned Hitler's party.

This put Hitler between a rock and a hard place. Inspired by Mussolini, he believed it was time for the NSDAP and its sympathizers to make a "March on Berlin," analogous to the March on Rome that had made Mussolini prime minister of Italy a year earlier. If Kahr succeeded in holding Hitler back, it might be Kahr who becomes the German Mussolini. Even worse, if Kahr held his own movement back too long, it might be the hated Communists who struck first, taking advantage of the historical moment for their own nefarious purposes. This had always been Hitler's greatest fear.

So Hitler formed a plan. A plan to unite the right wing in Munich, a plan that relied on the name and popularity of Erich Ludendorff, or, if that didn't work, the power of the gun. In this, he was following, by his own admission years later, the lead of Mustafa Kemal Atatürk, who had deposed a craven government in Constantinople, a government beholden to the Allies, by setting up a rival one in Ankara and relying on the power of Turkish patriotism. If Berlin was the German Constantinople, perhaps Hitler could turn Munich into the German Ankara.

Once that was done, right-wing paramilitaries could march on Berlin and force a change of government, just as Mussolini had done in Italy. As Hitler himself would later say, Mussolini was Atatürk's first student, and he, Hitler, was the second.

And although Hitler would never have admitted it, he was also surely inspired by the example of Lenin and the October Revolution in Russia. The first revolution had installed a nominal democracy that was weak and craven and bullied by the Western Allies. By the time of the October Revolution, all it took was Lenin, a few thousand Bolsheviks, and the support of disgruntled elements of the military to knock down the house of cards that had been the Russian Provisional Government. Hitler surely had this in mind as he schemed to be the Lenin of the German right. That is, assuming he made his move before the Lenin of the German left got there first.

[music: Chopin, *Fantaisie – Impromptu*]

On the evening of November 8, 1923, Kahr held a rally at the Bürgerbräukeller, a huge beer hall capable of accommodating thousands. This was a hall well known to Hitler. He himself had used it for his own rallies.

About 3,000 people were in the beer hall when a troop of about 600 members of the SA, the brownshirts, the NSDAP's paramilitary force, surrounded the building. Hitler and some of his closest political associates entered the hall, including Hermann Göring, whom we met in the previous episode, along with Alfred Rosenberg and Rudolf Hess. Hitler made his way into the crowded hall, jumped on a chair, and fired a pistol at the ceiling. "The national revolution has broken out," he cried. He announced to the crowd that he was deposing the Bavarian government and installing a new one to be led by Erich Ludendorff and himself.

Kahr and his two closest associates were hustled into a back room at gunpoint and asked to support Hitler's new revolutionary Bavarian government. Kahr replied that it was impossible to consider an offer like that at the point of a gun. Hitler returned to the hall and gave a brief speech to the crowd, in which he explained that his action was not directed against the police or the army, but against the Jews and the November Criminals in Berlin. He told the crowd that Kahr and his associates were at that moment considering whether to join the putsch and asked whether they could count on the crowd's support. The hall erupted into a lusty roar of approval.

Hitler then returned to the room where Kahr and the others were being held. They had heard the thunderous cheer of course, and reluctantly agreed to support the putsch. Satisfied, Hitler dispersed the crowd, while across Munich the NSDAP and other right-wing groups fanned out to seize control of police stations and government buildings. Hitler left the beer hall to supervise actions elsewhere in the city, and here's where everything started to go wrong. He left Ludendorff in charge of the beer hall. Ludendorff? Really? Like, you didn't notice what happened when they put him in charge of the war? Anyway, Ludendorff promptly released the prisoners and sent them home, where it took them no time at all to do a 180 and oppose the putsch. They and other leaders of the Bavarian government, the ones who had not been present at the Bürgerbräukeller, spent the rest of the night contacting police, military, and government workers and calling on them to oppose the attempted coup.

By the time the sun rose over Munich the following morning, Friday, it was becoming clear to Hitler that all was not going according to plan. Of course, the key problem was caused by that oaf Ludendorff, who released Kahr and his associates as soon as Hitler's back was turned. Now Kahr was rallying the police and the military, natural allies of the putsch, against it.

The putschists and their supporters made their last ditch effort that morning, massing together a mob of about three thousand, except they weren't sure what to do with it once it was assembled. Ludendorff supplied the answer: *Wir marschieren!* We march! But march where? Ludendorff recommended the building housing the Bavarian defense ministry. And so, off they went. As the

mob approached the building, they found it protected by about 130 soldiers. Shots were exchanged and the crowd scattered, but not before sixteen marchers and four soldiers lay dead in the street. One of the dead fell on top of a swastika banner. This particular banner would hereafter be called the *Blutfahne*, the blood banner, and it became a sacred relic of the NSDAP.

Erich Ludendorff continued marching toward the soldiers even after the shooting started and would later disdain the others for panicking. It perhaps escaped him that there was only one Erich Ludendorff in the crowd—only one person who was such a famous war hero that no soldier dare fire on him—and he was that one. Among the wounded that day were Adolf Hitler himself and Hermann Göring. Hitler would be picked up in a private car and spirited away from the scene to hide out for a couple of days in the home of a supporter. Some accounts of this story say that Hitler contemplated suicide during this period of hiding. Unfortunately, nothing came of that and he was eventually found and arrested. Göring slipped across the border into Austria to avoid prosecution, and there recuperated slowly and painfully from the bullet wound to his leg. It was at this time in his life that Göring developed an addiction to morphine, which would dog him for more than twenty years to come.

And thus the putsch ended in humiliating defeat. Adolf Hitler was arrested and tried on a charge of high treason. Hitler defended himself skillfully at his trial, which was held in early 1924 and lasted over a month. He claimed sole responsibility for the putsch and defended his actions on the grounds that he believed they were necessary to save Germany. His defense attracted the attention of newspapers across Germany, which gave Hitler a national profile. He was almost, but not quite, eloquent enough to beat the charges. In the end, he was convicted of high treason, but sentenced to five years, which was the minimum sentence, and was sent off to a minimum-security prison to serve his time. The NSDAP, Hitler's political party, was banned, as was the *Völkischer Beobachter*, the party newspaper.

Erich Ludendorff was acquitted of treason, but convicted on a lesser charge and forced to pay a fine of one thousand marks.

Yeah, about that fine? You may be thinking, “Hey, didn't you say a few minutes ago that at the time of the Munich beer hall putsch, one US dollar cost over four trillion marks? Doesn't that mean Erich Ludendorff's fine amounts to a tiny fraction of a penny?”

Well, no. That's because in November of 1923, at about the same time as the putsch in Munich, in Berlin, the government of President Ebert and Chancellor Stresemann was rolling up its sleeves, metaphorically speaking, and setting to work to end the inflation crisis. The person they turned to was a 46-year old German banker with the highly unlikely name of Horace Greeley Hjalmar Schacht. His father was German, which explains the name Schacht. His mother was Danish, which explains the name Hjalmar. As for the Horace Greeley part, well, mom and dad had lived in the United States for a while and had come to admire the American journalist Horace Greeley.

Their child grew up to drop the Horace Greeley part of his name, and became known simply as Hjalmar Schacht. He became a prominent banker in the early years of the twentieth century, working for Dresdner Bank, one of Germany's biggest banks at the time. During the war, he worked for the military, arranging the financing for German military purchases in occupied Belgium, until it was discovered that he was using his government position to improperly funnel this work straight to his former employer, Dresdner Bank, because bankers be bankers, you know what I'm saying?

That got him fired from his wartime job, but despite this whiff of scandal, he was the person the government turned to when it needed someone to push currency reform and end the catastrophic inflation.

And end it he did. Schacht was appointed president of the Reichsbank, and under his direction, a new currency was introduced, the Rentenmark, which unlike the regular mark, was actually backed by something. Not gold, since the Reichsbank had long ago run out of that, but by mortgage debt, meaning ultimately it was backed by land value. The word *Rente* means mortgage, or maybe something more like annuity in German; sorry but this high finance stuff sometimes goes over my head, especially when you try to explain it to me in German.

In any case, the value of the Rentenmark was set at one trillion of the old paper marks, that would be one billion for you Europeans, which in turn meant that the new Rentenmark was about equal in value to the old pre-war Imperial mark, RM4, RP20 to the US dollar. The new currency worked, and a year later, the government was able to transition it into a new Reichsmark, equal in value to the Rentenmark, and that slew the demon inflation.

It also meant, for practical purposes, that all debts incurred in Germany before 1923 had been wiped out, which was moderately bad news for German creditors, but pretty good news for German debtors, the biggest debtor of all in Germany being the German government, which now was no longer on the hook for war debt or for any government spending up through 1923.

This will give the German economy a big boost, freeing it from the debt that was acting as sand in its gears. In 1924, the Allies would agree to a two-year reduction in reparations payments, the so-called "Dawes Plan," named after the American who negotiated it, and that would give Germany additional time and breathing room to get its economy into high gear. The next phase of German history, from 1924 to 1930, will bring good times. As Americans have their "Roaring Twenties," the Germans have their *Goldene Zwanziger*, the Golden Twenties.

It was a time of prosperity coinciding with a new and more liberal government and a more liberal society, and once it achieved a measure of stability. it opened the way for an eruption of new and starkly modern forms of art, literature, music, theatre, and cinema, and most famously, cabaret, a form of entertainment that was roughly a cross between a nightclub and vaudeville and was definitely for adults only. The Bauhaus school of architecture revolutionized design. German audiences embraced American jazz and German women, especially younger women, adopted the

new American flapper esthetic, in which both hairstyles and skirts became dramatically shorter and women adopted a reckless, live-for-the-moment sensibility that embraced behaviors previously regarded as off limits to their sex, such as drinking alcohol and smoking cigarettes in public, driving automobiles, and a far more casual attitude toward flirting, dating, and sex.

There are two big misconceptions about this period in German history. The first is that the punitive burdens of the Treaty of Versailles led to the Second World War. I hope I disabused you of that one back in episode 212. The second is that the hyperinflation Germany experienced in the early 1920s led to the Nazi takeover. I hope I have now disabused you of that one. Adolf Hitler certainly did his best to use the inflation crisis to launch a right-wing revolution in Germany, but he failed. He never even got close. The NSDAP got banned, Hitler was thrown into prison, and the constitutionally elected republican government of Germany enacted reforms that ended the crisis and restored political and economic stability to the new Germany.

The German memory is long, and Germans will long remember and recoil from the inflation their nation experienced in the early 1920s. Even in our time, the German aversion to inflation remains visible in German government policy. And aversion to inflation is strong in many other countries, whose leaders often cite the German example as a cautionary tale. I include here the United Kingdom and the United States.

But please note that the German government wrestled with the inflation and they defeated it. This is another one of those cases in which I wish I could just stop the narrative right here and say, the story's over, everything's fine, Hitler's in jail, and they lived happily ever after. Alas, I can not say that. Those of you who have read ahead in the history of the twentieth century already know that we have not heard the last of Herr Hitler or his extremist political movement, or of the *Dolchstoßlegende*, the silly but persistent claim that the German Army had been defeated not by the enemy, but by cowardly and traitorous German civilians: the Bolsheviks, the socialists, the November Criminals. And the Jews, the Jewish Germans who supposedly shirked their duty to defend the Fatherland in order to support their plutocratic cousins in London and New York and their Bolshevik cousins in Petrograd and Moscow. Jewish veteran groups in Germany launched an information campaign to point out that 12,000 Jewish German soldiers gave their lives during the war, a number right in line with the portion of the German population that was Jewish, and that 12,000 Jewish mothers were grieving the loss of their sons, right alongside Germany's other grieving mothers.

Alas, the campaign failed to persuade. The nightmare is still coming, but we are not yet at the point where it arrives. It is not inflation that precipitated the coming crisis; it was the Great Depression.

We'll have to stop there for today. I thank you for listening, and I'd especially like to thank Rachel for making a donation, and thank you to Edward for becoming a patron of the podcast. Donors and patrons like Rachel and Edward help cover the costs of making this show, which in

turn keeps the podcast available free for everyone, so my thanks to them and to everyone who has pitched in and helped out. If you'd like to become a patron or make a donation, just visit the website, historyofthetwentiethcentury.com and click on the PayPal or Patreon buttons.

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And I hope you'll join me next week, on *The History of the Twentieth Century*, as we resume normal peacetime operations at last and take a look at the 1920 Presidential election in the United States. A return to normalcy, in more ways than one, next week, here, on *The History of the Twentieth Century*.

Oh, and one more thing. The German government never cooperated with the Allies on war crimes trials, and persistently dragged their feet on reparations payments, but another significant area of German non-cooperation with the Treaty of Versailles was in evading the requirements of demilitarization.

On the face of it, Germany was complying with the treaty, but you didn't have to dig very deep beneath the surface to find evidence of cheating. For example, the treaty limited the German Army to 100,000 soldiers, only 4,000 of whom could be officers. But the treaty did not limit the number of noncommissioned officers, and somehow the new German Army needed 40,000 sergeants and corporals to supervise 56,000 privates. Police forces got training that seemed suspiciously military. The *Freikorps* groups were dissolved, only to reappear as circuses and private security firms and labor-for-hire organizations. Germany was barred from having an air force, but private flying clubs were somehow all the rage.

German companies were limited in the numbers of weapons they could produce in Germany, but their foreign subsidiaries in places like Sweden and the Netherlands were hard at work designing armor and submarines and other prohibited technologies. Factories at home that produced tractors were set up so they could easily retool to build military vehicles. The national government budget included secret accounts that paid for military work above and beyond the official defense budget. Best of all, from the German perspective, was the deal they had worked out with the Russians, under which Germans were able to build and test and train with forbidden military equipment in Russia, where the treaty did not apply and where Allied arms inspectors were not free to go. In exchange for this assistance, Germany shared its military technology with the Red Army.

German flouting of the disarmament provisions was such an open secret that comedians joked about it in the cabarets. One story went that a certain German man had a job in a factory that manufactured parts for baby buggies. When his own wife became pregnant, he began smuggling

samples of his factory's products home from work. Eventually, when his collection of parts was complete, he sat down to assemble them and was flummoxed to discover that what he had on his hands was not a baby carriage, but a machine gun.

[music: Closing Theme]

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