Walther Rathenau and the Weimar Republic

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CHAPTER V

Germany:
The Politics of Reparations

In their programmatic speeches of June, Wirth and Rathenau had tried to reassure the country that fulfillment would destroy neither its security nor its finances. They were saying that their fulfillment policy did not constitute fulfillment. Wirth’s promises about military compliance were imprecise enough to suggest that he would practice as much evasion as possible. About reparations Wirth said: “We must try through deeds and good will to show just how great our productive ability is.” He meant this as a limiting statement. By extending herself to the utmost, Germany would show the limits of her productive ability, thus proving she could not pay what the Allies were demanding. Wirth was asking the Germans to contribute the “deeds and good will” that would earn eventual Allied understanding. With those materials he could hardly be inspiring.

Rathenau, trying to get beyond the harsh sense of it, developed a mystique of fulfillment. He called fulfillment “an autonomous, self-assigned task” that would serve the cause of international peace. Into this general fulfillment mystique he tried to infuse a business mystique: “When a document has my signature on it ... then I look upon that signature as [a pledge of] my honor and the honor of my people.” Germany, however, had been thrashed into assigning herself a task she believed to be impossible, and the London
Payments Plan surely had no claim upon honor, as in the case of a contract freely entered upon. Rathenau was asking the nation to follow him in suspending disbelief. He supplemented his arguments with music. He mentioned the last movement of Beethoven’s last string quartet: “It begins slowly, ‘Must it be?’ and ends with a decisive and powerful ‘It must be!’” The Reichstag applauded appreciatively.

The Wirth-Rathenau formula and the Allied tractations had their effect. Most Germans who would stop to think about the ungrateful problem of fulfillment accepted the government’s program. Coherent opposition did not exist in mid-1921, and indeed never would develop completely. The Nationalists and other rightists were helpless before the blind necessity. They could only fall back upon the strategy they used in confronting all the unpleasantness of existence in a republic: they tacitly admitted the basic wisdom of the policy but tried to cover that by quarreling over the details. Thus a Nationalist spokesman told the Reichstag that Wirth should have obtained concessions from the Allies. A less responsible rightist reaction was expressed on June 2 by the Deutsche Zeitung, a racist newspaper close to the Pan-German League. The Deutsche Zeitung actually started similarly with the implicit admission that there was no alternative to fulfillment. It then stopped reasoning and fell into mindless emotion: “But we turn red with shame at the sight of a chancellor . . . boasting to the world how obediently he has done everything, how punctually he is paying the billion marks . . . how conscientiously he is turning us into slaves . . . .” The newspaper was condemning Wirth not for doing what he was doing, but for presumably enjoying it. Actually the Social Democrats had been no less patriotic, if more humane, in their rhetorical flourishes. Their spokesman in the Reichstag excoriated the Allied leaders for forcing German democracy into a posture of “complete submission”; he added that his party’s support of the government had been the result of “a difficult decision.” Germania, the organ of Wirth’s Center Party, commented with resignation on June 3:

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3 Otto Wels, in Stenographische Berichte, 349: 3722.
“A Wirth government could never become popular as long as it does what has to be done at this time.”

The government proceeded to carry out its unpopular and difficult tasks. The Justice Ministry, functioning with real motivation for the first time, began the war crimes trials before the end of May. The restriction of the Reichswehr to 100,000 men had already been specified in legislation passed on two occasions, August 8, 1920, and, during the last days of the Fehrenbach government, on March 23, 1921. Wirth put through a definitive law on June 18 as a further proof of German good will and pacific intentions. Before then, beginning on his first full day in office, he carried out another reassuring demonstration in the military area. On May 11 he began negotiations with the government of Bavaria about the irregulars being sheltered there. They were important to his own government in many ways, at this moment especially in Upper Silesia, and he had no desire to eliminate or cripple them. Nevertheless he had to produce an acceptable fiction of compliance. Wirth had Bavaria order the disarmament of the Civil Guards on June 4 and their dissolution on June 28. The action did not apply to the Free Corps, and the Civil Guards went on existing illegally anyway. Some weapons were given up, while others—perhaps 50 percent—were kept, according to a recent study. The Allies, respecting Germany’s need for a minimum of force, declared themselves officially satisfied. Through the Military Control Commission they would continue to press the Germans to avoid obvious violations, but, as the author of the study has remarked, the military aspects of fulfillment henceforth almost disappeared under the shadow of reparations.

4 Laubach, Die Politik der Kabinette Wirth, 402: 33. Laubach’s book, to which I have already referred, deserves notice at this point when I treat German domestic politics under the Wirth government. A detailed study of precisely this subject, the book is based on wide research in the government archives and is most helpful to any student of the Weimar Republic of this period. Laubach also reviewed the press, and his original dissertation, which was available to me, carried an annex with many long quotations on the major issues from a wide range of newspaper and periodical opinion. There was little direct analysis of the economic and financial problems, which were treated as they were verbalized by opinion in the twenties. On the politics the author was reluctant to make any extended judgments or develop broader meanings in the context of German history.

5 Salewski, Entwaffnung und Militärkontrolle, p. 176. This was the opinion of the Weimar government’s representative in Bavaria.

6 Salewski, Entwaffnung und Militärkontrolle, p. 172. This is confirmed by implication, when not explicitly, in the highly uninformative memoirs of Otto
It was an important accomplishment of the Wirth-Rathenau government, although Germans and Allies united in refusing to admit its significance. There would be many other problems for Wirth and Rathenau, but their predominant concern would remain reparations.

While Rathenau was negotiating the Wiesbaden Agreement, the government was dealing with the various other details of its reparation program. The first was the payment of the promised billion marks. A nation of Germany's size, whatever her financial difficulties, could always collect a certain amount of cash. Actually, Germany had gold reserves worth almost exactly the sum demanded, but they were her last defense against the annihilation of the mark. The Reparation Commission showed more understanding of that point than it would express publicly. On the deadline date of May 31 the commission got only 150 million gold marks in cash, which the Reichsbank transferred from its receipts of foreign currency. For the remainder, the commission accepted three-month notes endorsed by the four leading private banks of Germany. This had allowed Wirth, in his speech of June 1, to tell the Reichstag that the billion had been paid. The Reichsbank then commenced selling great amounts of paper marks, collecting a total of 439 million gold marks in foreign currencies. The bank had to supplement this by using 68 million gold marks of its gold and 58 million gold marks of its silver reserves. The silver, when melted down, required ninety railroad cars for land transport. At the point of transfer, one shipment was held up when a barge was delayed by low water, causing some anxiety that the payment would fail to arrive on time. These sums were still not enough. With German export revenues as security, the Reichsbank borrowed 270 million

Gessler, the Democratic Defense Minister from 1920 to 1928, Reichswehrpolitik in der Weimarer Zeit. Gessler made no effort to deny that he was doing his best to evade the Versailles Treaty, although he was defensive about some details of his administration. He regarded himself as an exponent of the fulfillment policy: "Before history I freely admit my part in it" (p. 182). He had, in fact, been the first Reconstruction Minister, thus Rathenau's predecessor. Writing in the 1950's, this survivor of so much history still believed in the wisdom of Wirth's fulfillment policy and justified it with the same reasoning Wirth and Rathenau had used. Gessler saw no inconsistency in supporting Seeckt and the generals in building up arms, on the one hand, and Wirth and Rathenau in paying reparations, on the other.

7 Reden während der Kanzlerschaft, p. 42; Stenographische Berichte, 349: 3710.
gold marks from Mendelssohn & Co., an Amsterdam bank. Mendelssohn & Co. shared the loan with other banks in the Netherlands, Switzerland, Great Britain, and France. Thus Germany's two great reparation creditors, Great Britain and France, lent her money to pay reparations, Lazard Frères having gotten permission from the French government to cover 50 million gold marks. It was good business, since the loan combined a high interest rate with reassuring security. The loan was repaid as Germany received her payments from exports in the next few months. Transferring the billion gold marks had been a delicate and complex operation; the Reichsbank used all its skill to reduce the damage to the economy as much as possible. The bank's money traders could do little; in fiscal 1921–22 the German economy was losing almost 3 billion gold marks through other uncovered expenses. The mark went from 58.3 to the dollar on May 13, to an average of 70 in June, to 81 on August 1, to 86 on August 15, 91 on September 5, and 100 by September 10. With the Upper Silesian situation adding its unsettling effect, the rate was 310 by November.

The Wiesbaden Agreement, like the cash payment, was purchasing French forbearance at the cost of German distress. Rathenau defended the agreement at home with the same tact he had used in negotiating it abroad.

The disabused realism which had guided Rathenau in accepting the French demands made his domestic assignment all the more difficult. He had conceded very much, at least in words. Thus he agreed to count the free deliveries of coal and other products as part of Germany's export total. As a result, according to the export index clause of the London Payments Plan, Germany would be obligated to pay 26 percent of the value of these deliveries as additional cash reparations. On the face of it this was double indemnity. Similarly, he was willing to calculate the credit Germany would receive for the coal deliveries on the basis of the domestic German price, although subsidies kept it to about half of the international price. It was also true that the only products France would take would be those easily salable for cash on the world markets. None of these details mattered, since they could not be carried out. Rathenau, however, could not quite say so. He had to mix a measure of illusion into his explanations.

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8 Described in a Reichsbank report, dated October 5, 1921, prepared for Wirth, in Ausführung, BA, R431/21.
Rathenau applied his persuasions upon the cabinet, the business community, the press, and the nation at large. He interpreted the agreement selectively. He got the cabinet's support on the day he returned from his first meeting in Wiesbaden. Almost two months later he overwhelmed his ministerial colleagues with a brilliant performance, lecturing on such details as the 26 percent index, coupons, prices, duties, and the selection of goods. He described the service organizations which were to collect orders and make deliveries under the agreement, and then discussed such broader themes as the immediate reactions in the economy, industrial demand in France and Germany, and economic and political developments to 1935. On October 3 he defended the agreement against an unexpected proposal by Foreign Minister Rosen, who wanted to make Germany's signature conditional on the cancellation of the military sanctions (the occupation of Düsseldorf, Duisburg, and Ruhrort) imposed in March. Rathenau easily prevailed upon the cabinet to reject that futile effort at blackmail. Going beyond the cabinet to the business community, Rathenau spoke three times—on June 16, July 27, and November 9—to the Reparation Committee of the National Economic Council. To his audience of businessmen he had to admit that the French would resist importing German goods, but he reminded them that cash reparations were weakening the mark. The implication was false—that Wiesbaden promised relief by transforming future payments from cash to goods. But then the person objecting to Rathenau's reasoning would be forced to suggest an alternative, and no one could think of any. The point was that the business community, as represented in the National Economic Council, had to live with Rathenau's arguments, even if it did not believe them. Rathenau would continue to spin out fantasies because of the agreement's nature as well as his own inclinations, but he could also talk hard sense. The latter was evident in two talks in early July, one to a business group and the other to the Congress of the German Press, in which he emphasized the importance of the United States. He told the businessmen: “European conditions cannot be cured as long as an economic complex of the magnitude of the United States keeps its...
hands off.” For the press he drew a precise diagram of the world’s finances: All nations were tied to each other by the international debts—whether war debts or reparations—the United States as the great creditor, Germany as the great debtor, and the other nations fixed at various points between the two. Of all persons responsible for policy no one understood or expressed the true proportions better than Rathenau. Continuing the family argument among industrialists he replied firmly to a letter from Hugo Stinnes: “Your objections are wrong and ... irrelevant.” Rathenau also went to Munich to speak at a meeting of the National Industrial Association on September 28. Georg Bernhard, who was a member of the National Economic Council and deeply interested in economic questions, reported on the speech himself for the *Vossische Zeitung*, of which he was editor. Bernhard noted that the industrialists had been hostile to Wirth and Rathenau, although primarily because of Wirth’s somewhat demagogic past. By now, he said, the hostility had declined as a result of the Wirth-Rathenau statesmanship, while Rathenau’s speech helped reduce it much further. The record of the speech noted many “Bravos” and “stormy, lengthy applause” at the end. The association’s chairman, Kurt Sorge, had introduced Rathenau cautiously. When the speech ended he spoke more warmly and assured the members that Rathenau had gotten the prior approval of the organization’s leadership for every important provision of the agreement. A speech taking issue with Rathenau was ironical proof of his effectiveness. It was given by Jakob Reichert, a Nationalist Reichstag member, an important association leader, and president of the Union of German Iron and Steel Industrialists. A few months later Reichert published a book attacking Rathenau’s reparations policy. At the meeting he had to admit that he approved the principle of the agreement before he went on to make the obvious objections. The members were so nearly perfect in their ambivalence that they responded to Reichert with the same

13 *Ein preussischer Europäer*, November 24, p. 405.
“stürmischer, langanhaltender Beifall” they had granted Rathenau. The meeting then passed a resolution supporting the Wiesbaden conception of deliveries in kind. To have got that much from the industrialists was a great accomplishment. Rathenau’s use of the Wiesbaden Agreement had been a masterpiece of the politics of reparations.

Rathenau’s skillful manipulation of the agreement was also evident in his dealings with Great Britain. The provision for delayed credit meant that Germany was helping France cheat her allies, and the British might well have objected. Rathenau kept them informed at every step. On September 23, after talking with Lord d’Abernon, Rathenau sent him a copy of the agreement and used the covering letter to argue that reparations were driving Germany to compete all the more keenly with Great Britain. Rathenau could not rest with the reasonable, and in his talk with the Ambassador he suggested that Britain take goods from Germany and pass them on to Russia, who would then pay England. He did not explain where Russia would get the money. It was not necessary for D’Abernon to enter into these thought processes to get the point, and he noted: “The Wiesbaden Agreement ... may be fairly characterized as a swindle based on a fallacy.... But even so, it may pacify Europe, and we had better use our blind eye.”

In July Lord d’Abernon had recorded: “Rathenau appears to have gained great influence in the cabinet lately and to have become something like Vice-Chancellor with special responsibility for the reparation question, and to some extent for foreign affairs.” All the circumstances assisted this development—Rathenau’s personal relationship with Wirth, the centrality of reparations in government policy (Rathenau to young Democrats: “The greatest part of our future [foreign] policy will have to be reparation policy.”), the close marriage of his peculiar excellences and the specifics of the situation, and Rosen’s incompetence as Foreign Minister. It was true, as noted by his fellow Democrat, Justice

16 Letter to Alfred Kerr, in Ein preussischer Europäer, November 19, p. 405.
17 Letter to D’Abernon, September 23, 1921, in ibid., p. 402.
18 D’Abernon, Versailles to Rapallo, entry, September 23, p. 217. Rathenau’s letter did not mention that point.
19 Ibid., entry, October 7, pp. 223–24.
20 Ibid., entry, July 20, p. 204.
21 In Mannheim, October 27, in Gesammelte Reden, p. 278.
Minister Eugen Schiffer, that “in the cabinet meetings he takes the floor on most questions, argues about this or that trivial point after a forceful, profound-seeming introduction, and as a result makes his colleagues impatient. Rosen in particular suffers. . . .” Schiffer also remarked: “Quite often you can see that there is nothing behind all those glittering and glistening phrases but a very ordinary detail.”22 It was true enough. Yet Schiffer’s judgment of Rathenau’s contribution to the government, as reflected in his memoirs, was strongly favorable. Most members of the cabinet showed by their actions that they agreed with Schiffer. They listened to Rathenau with respect and supported him whenever he made a stand, thus on the Rosen intervention. Even Rosen, with all his remembered distress, made a generous assessment of Rathenau in his own memoirs.

There had been an initial uncertainty in 1921 as the Germans tried to understand what the Allies wanted of them. Then the billion-mark payment and the negotiation of the Wiesbaden Agreement began to have their effects on public opinion. The enemies of fulfillment became more active. In general the enemies of fulfillment were the enemies of the Weimar Republic. There were pervasive ambiguities in either position as well as in the relation of the one to the other.

The Weimar Republic had not been an accident of history. It was the most reasonable response to the realities of the situation and the demands of the overwhelming majority of Germans, no matter what they thought they wanted.

The first elections, held two months after the revolution, were misleading indications of what the Germans wanted. In January, 1919, the coalition of parties supporting the republic, the Weimar Coalition of Social Democrats, Democrats, and the Catholic Center, got more than 75 percent of the vote. In the next election, on June 6, 1920, the Weimar Coalition parties got less than half of the vote. This did not mean that the Germans had first accepted the republic and then rejected it a year and a half later. In 1919 they were voting for the best alternative to the failure represented by the imperial regime and the chaos promised by the radicals. This meant a republic. In 1920, with conditions somewhat more normal, most Germans were making specific demands in defense of their inter-

ests, but without direct reference to the question of the republic's continued existence. Government policy changed little after the second election. Despite the party slogans most Germans assumed that the republic would continue to exist. Some of them despised it, many of them disliked it, but few conceived of anything to replace it.

The actions of the parties maintained the republic better than their beliefs or public statements. Among all the parties, only the Democrats—a party of professors, editors, and enlightened businessmen like Rathenau—completely accepted the republic on principle, and their career was discouraging. Representing no definable special interest, they went from 5.6 million votes and 75 seats in 1919 to 2.3 million votes and 45 seats in 1920. The Center, also losing votes in 1920 but still a substantial party, brought together Catholic workers, employers, and peasants in a confessional party. If religion distorted its representation of secular interests, it also gave the Center a helpful bias in the circumstances. The position of the Catholics as a minority made the party sympathetic to the republic, particularly with its unhappy memories of a Protestant monarchy and Bismarck's Kulturkampf. The Catholic situation was more important than Catholic tradition in encouraging its republicanism, but the republicanism was assisted by selected parts of a newer tradition, the social welfare policies deriving from Pope Leo XIII's encyclicals of the 1890's. Wirth was a sincere representative of this combination of Catholic interests and ideals. The Social Democrats, still the largest party, had to violate Marxist principle to become good republicans. They found it not at all difficult, although it made them vulnerable to attacks from the further Left. Most of the working class gave no evidence that it wanted socialism, and the Social Democratic leadership was content to support a middle-class republic with social welfare easements. The contradictions on the Right were a mirror image of those among the parties of the Weimar Coalition. The Nationalists, who got 2.2 million votes in 1919 and a million more in 1920, lamented the monarchy passionately, but not even in 1920 did their program call unequivocally for its return. They had a range of interests which the republic served and which a concentration on the

monarchy's return could neglect. In moments of crisis they would compromise their principles ungraciously but helpfully. In June, 1919, when the nation balked against the humiliations of the Versailles Treaty, the Nationalists agreed to a formula permitting its acceptance by the National Assembly. They also promised not to attack the patriotism of the assembly members who took the responsibility for voting affirmatively upon themselves. Of course the Nationalists failed to keep their promise, but it inhibited their verbal excesses. The role of the German People’s Party was another illustration of the seductive powers of the republic. Gustav Stresemann, rejected by the Democrats as an expansionistic imperialist, organized the party among right-wing National Liberals representing monarchical attachments and conservative business. Stresemann remained a sentimental monarchist but he began moving toward a position of support for the republic, dragging a half-reluctant party with him. He would become its ablest statesman and the most successful exponent of fulfillment. Until the holocaust, the republic grew stronger upon the ambiguities of its situation.

Underlying all the ambiguities was a reality that favored the republic. Germany had outgrown its feudal and military aristocracy. A parliamentary government worked best under the present circumstances. Both the middle class, which replaced the aristocracy in the powerful positions in society, and the working class, guided by leaders inevitably borne upward into the middle class, functioned naturally in a republic. Until the holocaust. But that is another matter, which can be better studied after we have seen the effects of reparations and the other Versailles Treaty provisions, and those of the Great Depression, on the weaknesses in German society. Until the Depression the question of governmental form—a republic or not—was not quite a true question.

Another doubtful question, and one interwoven with the problems of fulfillment, was that of the class war and economic conflict generally. There was not one important confrontation between capital and labor throughout the whole period of the Weimar Republic. Labor never used the general strike for either economic gain or political power. Capital, for its part, made no effort to cancel out any important labor gain and permitted the further development of social welfare services. On November 15, 1918,

the important labor leaders and industrialists, Hugo Stinnes and Walther Rathenau among them, signed an agreement which established the Industrial Community (Arbeitsgemeinschaft) as a body for capital-labor cooperation. The agreement stipulated capital’s acceptance of the principle of collective bargaining and of the eight-hour day, and its promise to desist from organizing company unions. The Industrial Community was neither a guarantee of industrial peace, nor important, but its existence showed a real desire for social peace. Strikes were comparatively rare. The greatest industrial strikes occurred in the latter part of the twenties, the republic’s most prosperous time. These conflicts emphasized the overriding force of the general agreement, with the combatants carefully avoiding extreme positions. With all the hardship directly and indirectly caused by reparations, strikes never once gave Wirth real concern during his chancellorship. He did have to give his attention to one strike—in February, 1922. The working class had nothing to do with it, the strikers being clerical and supervisory employees of the railroads whose incomes had been cruelly reduced by inflation. Blustering and compromising, Wirth got them back to work after a week. Fulfillment and reparations had meant a new overlay of contradictions upon the basic contradictions of the Weimar Republic. Reparations meant more sacrifices which each group tried to pass on to the other groups. But then all of them, flung together by foreign harshness, frequently halted their struggles to cooperate against the Allies. These contradictions were acted out intensely during the months after Wirth accepted the London Ultimatum.

The two theoretical sources for paying reparations were either current revenues or the national wealth. The German economy was in deficit, however, and the Allies did not propose to let it develop favorable trade balances with them: there were simply no current revenues and no prospects of any. This left the German national wealth, which could be attacked either by special levies or by more taxes.

One idea which had many attractions was to confiscate part of the value of property. Socialist views affected almost everyone, and many people on the Left thought that the Weimar Republic had failed the egalitarian promises of the revolution of 1918. Even more people felt that businessmen had profited from the war and
war sufferings. If anybody had the money, it was the rich. Why not make them pay reparations? Wirth, who represented the Catholic workers in the Center, wanted to impose the greater sacrifice on property. The Socialist Economics Minister, Robert Schmidt, was enthusiastic about it.

Immediately after accepting the chancellorship, Wirth attempted to move the government in a left-wing direction. He discussed property confiscation at the cabinet meeting of May 30, when he introduced Rathenau to the other members. In his Reichstag speech of June 1 he had also vaguely mentioned the idea. Earlier, at the cabinet meeting of May 17, Robert Schmidt suggested a 5-percent share of property and another special levy on profits. That was only an unformed idea, but on May 19 he submitted a detailed plan. Schmidt now called for a compulsory mortgage on 20 percent of the value of German property, the mortgage notes to be sold in foreign markets and the cash returns to flow into a reparation fund. Keeping the 20-percent principle, he submitted a more elaborate draft to Wirth on June 27. This latter was known as the Schmidt Plan. Wirth, however, had already begun to have doubts, which he mentioned to the cabinet on June 24. He said that it might be easier to extend the National Emergency Contribution (Reichsnotstandspfand), a wartime tax measure that had produced substantial revenues. Rathenau had strong ideas about the Schmidt Plan himself. Seeing many dangers in it, he took the leadership in opposing Schmidt at an extended cabinet discussion on June 29. The Economics Minister's plan meant “socialization [but] the present economic situation does not permit experiments,” Rathenau said. Besides, he added, the Allies might simply seize the money without crediting Germany. By now Wirth was firmly opposed to property confiscation. With Rathenau's help, he maneuvered to destroy the Schmidt Plan. At that meeting on June 29 Rathenau had suggested another way of getting money, namely by a tax on capital increment. In point of fact, the existing

25 Kabinettsprotokolle, BA, R43I/1367.
27 Kabinettsprotokolle, BA, R43I/1367.
28 Copy in Ausführung, BA, R43I/20.
29 Copy in ibid., R43I/20.
30 Kabinettsprotokolle, BA, R43I/1368.
31 Ibid., R43I/1368.
taxes, including the Emergency Contribution, exploited that gen-
eral area, but the idea gave Wirth his opportunity. He found diffi-
culties in Rathenau's conception, and permitted it to disappear in
the next two or three weeks, but he found even more difficulties in
Schmidt’s idea. He got the cabinet to make a Solomonic decision:
the cabinet assigned a subcommittee headed by Rathenau to ex-
amine the Schmidt Plan further. In effect, Rathenau was charged
with destroying it. Supported by Rathenau’s subsequent recom-
endations, Wirth finally made his decision at a cabinet meeting
on July 30. The Schmidt Plan had to be dropped because it was
too complicated and certain to cause destructive class conflict.32
The Economics Minister had resisted vigorously. He had tried to
outflank Rathenau’s study subcommittee by sending still another
version of his original plan directly to Wirth on July 28.33 At the
cabinet meeting on July 29 he offered an alternative idea, the capi-
talization of taxes for 40 years. Wirth, however, remained negative
at the cabinet meetings on July 29 and 30. He had tested the
possibilities of the left-wing approach to collecting reparations and
found only discouragement.

Nowhere did firm support for property confiscation appear. The
Social Democrats, Robert Schmidt’s own party, refused to commit
themselves to it. They did not need Rathenau to tell them of the
political and administrative problems, and they had too many other
concerns requiring their attention and energy. Julius Hirsch,
Schmidt’s chief assistant as State Secretary in the Economics Min-
istry, later admitted the Ministry’s doubts about its own project.
In a lecture series he gave in 1924 he mentioned the plan briefly
and with obvious embarrassment, neither defending nor mourning
it.34 If support was equivocal at best, resistance was hard and clear.
A typical expression came in a letter addressed to the new Recon-
struction Minister on June 20 by the National Committee of Ger-
man Agriculture, representing twelve important agricultural or-
organizations.35 The Committee assured Rathenau that it was

32 Ibid., R431/1369.
33 Appended to minutes of July 29, Kabinettsprotokolle, BA, R431/1369.
34 “Kiel Lectures,” published as a book, Die deutsche Währungsfrage; discus-
sion of project, pp. 13–14.
35 Copy in Wiederaufbauministerium: Londoner Ultimatum vom Mai 1921,
BA, R38/118. The committee—the Reichsausschuss der deutschen Landwirtschaft
—represented these groups: Deutscher Landwirtschaftsrat, Bezugsvereinigung der
deutschen Landwirte, Bund der Landwirte, Deutsche Landwirtschaftsgesellschaft,
prepared to help the government meet its obligations under the Lon-
don Payments Plan, but it argued that a mortgage on farm property
would destroy the economic base of German agriculture. Accord-
ingly, it “was summoning all agricultural groups to join in a battle
union against the government’s ruinous plans.” After the accept-
ance of the principle of fulfillment came the rejection of the detail
of implementation. The sacrifice would be borne by others. Urban
property owners were threatening similar action on the basis of
similar arguments. Wirth could only change direction.

The Chancellor moved along two lines. One was familiar. On
July 6 he went before the Reichstag and reminded the members as
gently as possible that the government was running enormous
deficits and that it might reasonably increase taxes.\textsuperscript{36} An expert in
the politics of taxation, he found it natural enough to return to
the tax measures he had drafted. The Reichstag speech was anti-
climactic and disappointing; many persons had been hoping for
a miracle. A month later, just before the government and the
nation went on vacation, Wirth announced a supplementary tax
program requiring fifteen new drafts of the major tax laws. He had
simply increased the old taxes as much as he thought the economy
could bear. This revision held until October, when the government
submitted a new series of tax drafts which required more negotia-
tions. From October until January Reichstag tax committees bar-
gained over the allocation of the burdens. Middle-class members
had reduced the taxes to such an extent that Wirth had to go to
the committee meetings in mid-January and beg for reconsidera-
tion. He won a new compromise which held until March, 1922.\textsuperscript{37}
Through it all the deficits mounted.

Wirth, meanwhile, had been pursuing a somewhat more attrac-
tive objective. The effort to use compulsion upon the sources of
wealth had failed. Perhaps a voluntary action might succeed,
particularly since it did not mean the threat of socialization. On

\textsuperscript{36} Reden \textit{während der Kanzlerschaft}, pp. 111–30; \textit{Stenographische Berichte},
351: 4467–73.

\textsuperscript{37} Discussed by Georg Bernhard in \textit{Vossische Zeitung}, January 26, 1922 (A.M.).
July 30 Wirth told the cabinet that he would approach industry directly for a loan from its reserves. The most prosperous part of the economy might be persuaded to show its patriotism by bearing a greater part of the burden. In the normal order of things, specifically through export, industry managed to obtain foreign currency. Could it not lend some of that money to the government? Beginning in July, Wirth and Rathenau negotiated with the leaders of the National Industrial Association. On July 17 Wirth asked several industrial leaders to discuss the “transfer of certain sums of foreign currency to the Reich.” The leaders included Hugo Stinnes, the Krupp director Otto Wiedfeldt whom Wirth had considered for a ministerial post and who would later become Ambassador to the United States, and Wilhelm Cuno, the managing director of the Hamburg-America Line and Wirth’s successor as Chancellor. There was a great deal of understanding for the government’s position among the association’s leaders in the fall of 1921, according to a recent student of German politics. At a meeting of the executive committee on June 14, Wiedfeldt supported the industry loan with great enthusiasm. Even Alfred Hugenberg, the Nationalist newspaper magnate and future Vice-Chancellor to Hitler, was initially sympathetic to the idea, although he soon changed his mind. The subject came to public discussion at the Munich conference of the association in September, the same conference at which Rathenau had explained the Wiesbaden Agreement. Chairman Sorge used a frank argument: Germany still had to purchase Allied understanding, and the government, if it could not get the money through a loan, might follow the advice of people like Economics Minister Schmidt and confiscate private property outright. Speaking for the association’s cautious leadership, however, Sorge made a condition that virtually annihilated any real chance of an industry loan. The government must make a credible effort to balance its budget. Most particularly, it should

38 Kabinettsprotokolle, BA, R431/1369.
39 Telegram with list of addressees, Wiederaufbauministerium: Londoner Ultimatum vom Mai 1921, BA, R38/118.
41 Ibid., pp. 578–79.
42 According to Karl Helfferich, Die Politik der Erfüllung (1922), p. 64.
43 Deutsches Industrie-Institut, Frankfurt, Sondersammlung zur industriellen Verbandsgeschichte, pp. 3–7.
prove its sense of financial responsibility by eliminating the enormous deficit in the federal railroad system. This prepared the way for the ultimate rejection of the loan, but meanwhile the association members passed a resolution supporting the loan in principle. By the time of the September meeting, furthermore, the conception had changed from an outright transfer of business funds to a guarantee by business of a loan the government itself would contract abroad. This was given form in the next weeks in the National Economic Council. Max Hachenburg, a council member and leading provincial lawyer, was asked to draft legislation providing for a credit union of property owners in business, industry, agriculture, and real estate. This organization would guarantee a loan of 2 billion gold marks, the loan to be raised on the foreign money markets. Hachenburg, who told the story of the plan in his autobiography, approached the idea like a legal draftsman, with no understanding of its economic aspect. The Hachenburg Plan was redundantly defective. It was voluntary, and no rational property owner would risk his property to support a government that might go bankrupt. Then there was the problem of gaining entry to the foreign money markets and attracting foreign credit. Stinnes put this kindly to Hachenburg: "You won't get a foreign loan—not even with your guarantee," he told Hachenburg—"and smiled in his friendly, quiet way." A debate in the National Economic Council on November 4 showed that the representatives of industry were negative. At a Berlin meeting on the next day the National Industrial Association rejected the Hachenburg Plan under the influence of Stinnes and Alfred Hugenberg. Otto Wiedfeldt thought this was a betrayal of the Munich resolution and part of a Nationalist intrigue to take over the association, but Stinnes was a People's Party member, and Wiedfeldt never gave evidence of having studied the economics of a loan. The future Ambassador

44. *Stenographische Berichte . . . Reichswirtschaftsrats*, meetings no. 27 (November 3, 1921), no. 28 (November 4), no. 32 (December 10), and no. 33 (December 13).
47. *Stenographische Berichte . . . Reichswirtschaftsrats*, meeting no. 28.
was thinking more like a political man than a business representative. The association’s rejection called up a sharp reaction, the government and left-wing newspapers carrying indignant comments. *Vorwärts* on November 12 threatened socialization and Georg Bernhard in the *Vossische Zeitung* of November 13 demanded a return to the idea of property confiscation as the Schmidt Plan had provided. Bernhard’s response was slow and his indignation forced; he had attended the National Economic Council meeting of November 4 and he knew the attitude of industry. In the debate he had been unable to produce any valid arguments. The real proportions of the issue were evident at a cabinet meeting on November 14. By then Germany was facing a new urgency. The Reparation Commission had come to Berlin and was demanding assurances that Germany would not default on the next reparation payment. In view of that, the government’s hopes had swung away from the Hachenburg Plan and the inevitable delays it promised, and back to the idea of a simple loan. Wirth had been thinking of getting 500 million gold marks for the next major payment out of industry’s foreign currency reserves. He began the November 14 cabinet meeting by saying that he had tried and failed to get the 500 million. Furthermore he was neither surprised nor angry. He said he doubted that private interests had the money anyway. Indeed, he had already attempted an alternative, and that, too, had failed. The idea had been for industry itself to borrow the money abroad on its own account and hand it over to the government. He had shown a letter making that request to Hermann Bücher, the executive secretary of the National Industrial Association, and had gotten his response. Industry refused, saying that it could not risk using up its last foreign credit. Gustav Bauer, Wirth’s Vice-Chancellor and a Socialist, reacted with indignation and called the association’s attitude a mockery of the government. He then paused, his thought processes showing themselves clearly. He wondered if the Reich should have the money in its possession in view of the risk of losing it to the Allies for no good reason. Economics Minister Schmidt cast off the whole doctrinaire weight of his earlier attitude and agreed with Bauer. Clearly, he had never really believed in his own scheme for property confiscation. Wirth remarked

49 Kabinettsprotokolle, BA, R431/1371.
that he saw no mockery in the association's attitude. Germany, he said, would have gained very little if she were in a similar position when she had to make the next reparation payment. The cabinet discussion marked the suspension of the struggle between Left and Right. Both united against the Allies, planning to show the Reparation Commission that the nation had tried everything to get the money. The letter to the association and its refusal were to be part of the documentation. In December, a month later, the documentation was further strengthened when all parties and interest groups united to revive a version of the Hachenburg Plan which was even weaker than the original. There was no chance that it would produce any revenue. Hachenburg remembered that Wirth called it "a harp on which he could play." According to the official minutes, Wirth pointed out to the council that Rathenau was in London at that moment engaged in important negotiations. The Hachenburg Plan would furnish him with one more proof of Germany's good will. The National Economic Council passed the Hachenburg Plan unanimously on December 13, and the idea of an industry loan vanished as a real possibility.

The loan idea was revived once again, but in even less credible form. Wirth developed it partially to appease the Social Democrats for his concessions to the middle-class parties in the tax compromise of January, 1922. Another purpose was to use it as a counter in Germany's negotiations with the Reparation Commission, one more hollow proof of her good will. The compulsory feature was restored, while the sum was set at 1 billion gold marks. As the discussions extended through February and March the loan became less and less substantial. Conservatives had won the agreement that the original figure in paper marks—70 billion—was to be inviolable, even if the mark rate declined. Of course the rate declined. In the end the government collected the equivalent of 50 million gold marks, a twentieth of the announced value.

The conservatives took the offensive for free-enterprise principle

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51 *Stenographische Berichte…Reichswirtschaftsrats*, meeting no. 33.
and fell into hypocrisy corresponding to that of the Left. At its Berlin meeting in November, the National Industrial Association had demanded that the railroads be returned to private business. When it developed its idea, however, it produced an admission of failure. Its plan, which foresaw an autonomous stock company, gave the control to representatives of a range of organizations, including professional groups and even unions. It had produced just another socialistic form, although the slogans had originally called for the “privatization” (Privatisierung) of the railroads. A kind of reversal of the Schmidt Plan, it also perished quietly.

Like the question of a governmental form, the question of sacrifice had proved to be not quite a true question. Men of politics or pure theory might formulate it for their own purposes: who should make the greater sacrifices, capital or labor, business or agriculture, city or country, producer or consumer? Merely to express it that way exposed the defects in the proposition, since no German citizen had a singular and perfect identity. He was a consumer—and a working man, clerk, peasant, or anyone else; he was a farm laborer, combining the interests of agriculture and labor; he was a small-town resident, impossible to classify firmly as urban or rural. The experience of the Wirth government illuminated all the defects of theory. Any interest group was best served by shifting alliances among the other groups, depending on the issue. Business and labor had opposed each other on socialization and “privatization”—and not with entire sincerity. At the same time they were cooperating against agriculture and consumers by easily agreeing on wage increases that were transformed into price increases. Business and agriculture, combining politically in conservative parties, supported each other in opposing property confiscation and increased property taxes. No party or person had the right to be sure that a given policy advanced his interest.

Other factors confused the situation all the more. The failure to resolve the international transfer problem increased the element of the irrational in the economies of Germany and the world. Germany had paid the billion marks not out of its own resources, but by getting foreigners to speculate in paper marks. Within the coun-

54 Dated March 31, 1922, and signed by the leaders of the association, in the brochure, Die deutsche Eisenbahnfrage (Berlin, 1922), in archive of Deutsches Industrie-Institut.
try the result was more inflation, and inflation multiplied the distortions. The mark’s loss of a large part of its value on a single day would wipe out the usefulness of a tax schedule which had taken months of hard negotiations. The Berlin correspondent of *The Times* reported on November 7, 1921: “The low value of the mark is . . . rendering the work of the taxation committees almost ludicrous.” The correspondent had been careful to make a qualification. He had properly done so.

An arbitrary act of the Allies, made without reference to German needs, could affect conditions more profoundly than anything done by a responsible domestic leadership. Nevertheless, the little that Wirth and his colleagues could do meant a great deal. It might mean a few ounces more or less of meat in a working-class household, or a small wholesaler’s rescue from business failure. The struggles among the interest groups were no less bitter or necessary for all the unpredictable results.

Another effect of these uncertainties was the premium on demagoguery. The political parties could survive only by outbidding each other with promises and protestations that they could not believe themselves. Wirth and Rathenau had made claims which nothing justified. On the Left the Independent Social Democrats continually emitted Marxist criticism. A typical statement was made by Rudolf Breitscheid, one of their orators, in the Reichstag debate following a speech of Rathenau’s on March 29, 1922. He argued: “Fulfillment is carried out at the cost of labor income and to the advantage of property interests.” He was really trying to defend his party against the charge that it was failing to defend the working class. He had begun by saying: “We call the principle of fulfillment a good principle—” He had finished his sentence weakly: “but we cannot approve of the way it is being implemented.”

In fact the Independents had been supporting fulfillment almost enthusiastically and to the detriment of the party’s concern for labor’s interests. Revolutionaries of the immediate postwar period, the Independents made no attempt to lead the workers in forceful action on a reparation issue. On the Right the Nationalists and their confederates were accusing the government of selling out to the Entente. This dishonest disillusionment caused great

55 *Stenographische Berichte*, 354: 6660.
damage to the republic. At the same time, however, the Nationalists were tending toward responsibility. Almost half of their Reichstag deputies would vote for an important bill in 1924 permitting a renewed fulfillment policy, and the party would enter the government in 1925. There were restrictions, equivocal though they might be, upon the destructive tendencies of all the major economic and political groupings.

Unfortunately, other sources of danger existed beyond the limits respected by the organized and generally responsible enemies of fulfillment. These were apathy and a rejection of all order, rancors turned in upon themselves. The Free Corps, developing a culture of unending war, sought excuses for nihilistic violence. Other paramilitary organizations, Hitler's Brown Shirts among them, were expanding. To them fulfillment was another betrayal by a degenerate republic. The irresponsibles could draw upon Germany's military and authoritarian bias and the deep resources of 19th-century racism and anti-Semitism as well as all the backwash of war suffering.

Fulfillment also required that Germany accept the judgment of the Allies on Upper Silesia, as Wirth and Rathenau were acutely reminded in October, 1921. Here was another matter that brought them under vicious domestic attack. Wirth was doing his best to frustrate the Allies. "As if we were only fulfillment people!" he exclaimed in a Reichstag speech at the end of 1926. "The government . . . kept its mouth shut, but it acted patriotically. We organized the defense [of Upper Silesia]." He said that all the major parties cooperated, from the Social Democrats to the Nationalists. President Ebert knew about the government's secret operations and unannounced objectives. Rathenau also knew: "Patriotism glowed in the heart of this Jew." The defense, besides local units, had included the Free Corps formations from Bavaria which Wirth had managed not to disband. In his speech Wirth mysteriously mentioned the Organisation Consul, a mysterious military office functioning as a kind of general staff for all the Free Corps. It was headed by Captain Hermann Ehrhardt, a former naval officer, who had led his own Free Corps, the Ehrhardt Brigade, in support of

56 December 16, Stenographische Berichte, 391: 8589, 8590; the speech, pp. 8588-93.
57 Ibid., p. 8591.
the Kapp Putsch in 1920. In 1921 Ehrhardt was an outlaw carefully overlooked by the Bavarian and Reich governments. Wirth and his government directed the military action in Upper Silesia through Defense Minister Gessler and General von Seeckt of the Reichswehr. On May 18 Wirth assigned Karl Hoefer, a retired general, as chief of operations in the area.\(^{58}\) On May 23 German units captured strategic Annaberg, and Hoefer, while holding back the Poles, also resisted the efforts of his conventionally super-patriotic officers to continue their drive into Polish territory. With the line stabilized, some of the formations were officially dissolved to quiet French protests. The struggle continued on the diplomatic level, as Wirth and Rathenau dealt with their other problems. The Poles and the French would have agreed that the German government had acted patriotically.

The negotiations concerning Upper Silesia moved toward their petty denouement. The Annaberg victory had simply kept Germany from losing more territory in Upper Silesia than had been indicated in the Versailles Treaty. Wirth had to do something, if only to convince the Germans that he was not failing the fatherland. In an interview with the New York World on July 31 he said that he would resign in case of an unfavorable decision. Meanwhile, he was making loud, loose speeches. In Bremen on August 1 he tactlessly warned the Allies against turning Upper Silesia into another *casus belli* like Alsace-Lorraine.\(^{59}\) No one could say to what extent the German reaction was real and to what extent it was forced. The government was encouraging the Upper Silesians to demonstrate, and Foreign Minister Rosen had been astonished to find two officials in his own ministry coordinating the protest actions under Wirth’s direct orders.\(^{60}\) Earlier, the government had helped transport former residents back to the province for the plebiscite, but Wirth was building upon authentic feeling within Upper Silesia and Germany at large. The nation itself, with all its other economic problems, was threatened with the loss of a valuable industrial region. The Germans of the border region, frankly racist, looked with horror at the prospect of living in a Polish state. The nation sympathized crudely. Within Germany, agreement was

\(^{58}\) See Hoefer’s *Oberschlesien in der Aufstandszeit* (1938).
\(^{59}\) *Reden während der Kanzlerschaft*, p. 148.
\(^{60}\) *Aus einem diplomatischen Wanderleben*, 3-4: 323–24.
so complete that the Germans, who could see what was happening, refused to believe what they saw. They were putting too much faith in Great Britain. It was true that the British wanted to restrain French power expansion on the continent, but they had no effective means of influencing the decision on Upper Silesia. Lloyd George went to Paris to confer with Briand, failed to move him, and departed angrily on August 12. His Foreign Minister, Lord Curzon, had to make the official farewells and accept diplomatic defeat the next day. The Allied decision was a transparently masked French victory. The division of Upper Silesia would be carried out not by the Allied leaders, who could not agree, but by the League of Nations. Since France dominated the league, she could get what she—and Poland—wanted.

On October 10 Foreign Minister Rosen told the cabinet to expect the loss of much of Upper Silesia. Rathenau wanted the government to resign immediately, but Ebert and Wirth preferred to await the league statement. Two days later, Ebert, trying to avoid the wearying business of building a new cabinet, argued that the government should not resign, but simply threaten to do so. Rathenau, usually cautious about opposing superior authority, came out directly and forcefully against Ebert. He argued that the government would lose “moral credit” if it stopped short of resigning. Wirth did nothing. Although the league decision was actually known by October 12, the government remained cramped in a waiting position, its leaders repeating a series of futile arguments among themselves.

On October 20, finally, the league officially announced that there would be a partition. The details were favorable to Poland. The new frontier line was drawn in a way that gave her most of the Upper Silesian industrial area, including the important towns of Katowice (Kattowitz) and Chorzow (Königshütte). Germany lost 18 percent of her coal reserves, 28 percent of her iron ore, and 70 percent of her zinc. Inevitably, many Germans and Poles found themselves on the hostile side of the frontier, Poland receiving 220,000 Germans and 280,000 Poles, while 131,000 Germans and 109,000 Poles went to Germany. The Germans insisted upon being shocked. The cabinet debates now appeared meaningless, and

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61 Kabinettsprotokolle, BA, R431/1371.
62 Ibid., R431/1371.
to maintain his connection with a patriotically frantic nation Wirth resigned on October 22. Four days later he reconstituted the government.

The death and revival of the Wirth government permitted a saving catharsis in the German electorate. After the first violence of feeling had exhausted itself, it was generally recognized that no other government combination would work. No one, surely not the leaders of the right-wing parties, could show how Germany could resist. Despairingly, the Germans had to recognize fulfillment as their only possible policy, however much they hated it.

The best hope of the Wirth government lay in forgetting Upper Silesia and achieving a reduction of reparations. Much of this hope was associated with the figure of Rathenau, but he was not in the new government. The Democrats had dissociated themselves from the responsibility, ordering Rathenau and Justice Minister Schiffer to resign. They had left Otto Gessler as Defense Minister, but only as an expert and without commitment of the party to Wirth’s policy. The action was dictated by the Democrats’ weak position and the nation’s exacerbated patriotism. Particularly sensitive because they lacked the support of any interest groups, the Democrats thought they would flee yet another humiliation. The exception made for Gessler could be given a patriotic gloss, since he was the civilian cover for the military’s violations of the Versailles Treaty. There was no such justification for keeping Rathenau.

Rathenau was nevertheless indispensable. On October 27 Briand told the Senate: “I saw with disquiet that Rathenau has not been brought in.” The government of fulfillment could not do without the man who personified fulfillment. Rathenau would continue to carry out important functions in the character of an expert adviser. His most urgent assignment would be to negotiate with the English for relief. Rosen had been dropped from the Foreign Ministry because of his incompetence and uncomprehending resistance to Wirth’s policy, but he had not been replaced. The vacant post suggested Rathenau’s future dignity. More than ever before, the most important concern of the government was foreign policy and fulfillment: reparations.

63 Le Figaro, October 28, 1921.