

Prof. Dr. Wolfgang Chr. Fischer (Editor)

German Hyperinflation 1922/23

A Law and Economics Approach



Bibliografische Information der Deutschen Nationalbibliothek

Die Deutsche Nationalbibliothek verzeichnet diese Publikation in der Deutschen Nationalbibliografie; detaillierte bibliografische Daten sind im Internet über <http://dnb.d-nb.de> abrufbar.

ISBN 978-3-89936-931-1
1. Auflage Juni 2010

© JOSEF EUL VERLAG GmbH, Lohmar – Köln, 2010
Alle Rechte vorbehalten

JOSEF EUL VERLAG GmbH
Brandsberg 6
53797 Lohmar
Tel.: 0 22 05 / 90 10 6-6
Fax: 0 22 05 / 90 10 6-88
E-Mail: info@eul-verlag.de
<http://www.eul-verlag.de>

Bei der Herstellung unserer Bücher möchten wir die Umwelt schonen. Dieses Buch ist daher auf säurefreiem, 100% chlorfrei gebleichtem, alterungsbeständigem Papier nach DIN 6738 gedruckt.



AUTHORS

Professor Dr.rer.pol. Wolfgang Christian Fischer (Editor)

Universitätsprofessor (pens.), University of Bremen, Germany, Adjunct Professor of Economics, School of Law, Faculty of Law, Business & The Creative Arts, James Cook University, Townsville, Australia.

Professor Dr. Harrison Alexander Amankwah

BA (Hons) LLB (Hons) (Ghana); LLM (Cornell); SJD (NYU); Adjunct Professor of Law, School of Law, University of South Australia, Adelaide, Australia.

Daniel J. Goulding, BEc

Senior Client Advisor & Head of Derivatives RBS Morgans, Townsville, Australia.

Dr. med. Erich Krausbeck

Neurologist & Psychiatrist, Bad Ems, Germany.

Professor Kenneth Kaoma Mwenda, PhD, LL.D

Senior Counsel, Legal Vice-Presidency of the World Bank, Washington, USA.

Dr. jur. Rainhart Schweigert

Lawyer & Tax Lawyer, Bad Ems, Germany.



Research Monograph
School of Law, Faculty of Law, Business & Creative Arts
James Cook University, Townsville, Australia

Dedication

For my late brother,
Peter Michael Gerhard Fischer
Professor Dr.rer.pol. Wolfgang Chr. Fischer.

For my beloved and adorable daughter,
Alexandra Anika Amankwah
Professor Dr. Harrison Alexander Amankwah.

For my beloved wife,
Charlene Maree O'Dempsey
Daniel J. Goulding BEc.

For my late friend the Visionary of Bad Ems,
Dr.phil. Hans Dadder
Dr.med. Erich Kransbeck.

For my beloved and adorable son,
Joseph T.K. Mwenda II
Professor Kenneth K. Mwenda, PhD, LL.D.

For my beloved wife,
Ingrid
Dr.jur. Rainhart Schweigert.

German Hyperinflation 1922/1923 - A Law and Economics Approach



Sweeping up the banknotes from the street after the Hungarian pengő was replaced in 1946

Source: <http://en.wikipedia.org/wiki/Hyperinflation>

PREFACE

This Research Project about "*German Hyperinflation 1922/1923—A Law and Economics Approach*" aims to contribute to the knowledge and understanding of the significance of inflation and in particular the phenomenon of hyperinflation in numerous ways. Generally this is an unfamiliar territory of law and economics if it comes to hyperinflation with its colossal acceleration of the inflation rate and often this crucial issue had been regarded in the relevant literature of Law and Economics as a *quantité négligeable*.

At the outset, as editor and as author of this monograph, I would like to express my utter gratitude to the individual researchers, *Professor Dr. Harrison Alexander Amankwab*, *Mr Daniel J. Goulding BEd*, *Dr.med. Erich Krausbeck*, *Professor Dr. Kenneth K. Mwenda* and *Dr.jur. Rainhart Schweigert*, for their independent contributions. Personal views expressed in the contributions are those of the contributors and not necessarily those of the editor. Nevertheless in accepting this principle there are some issues in a few chapters that are overlapping, but this was unavoidable as the authors approached the topics from different angles.

Additionally, I offer my genuine thanks to *Professor Dr. Stephen Gram*, Head of School of Law, James Cook University, Townsville, Australia, who strongly supported my research work in every way. Furthermore I offer my thanks to *Mrs Shirley Jones*, School Manager, who gave generously of her time and expertise in administrative support.

I am indebted to my academic supervisor, the late *Professor Dr.rer.pol.habil. Fritz W. Meyer*, Head of Department of International Economic Affairs, Faculty of Law and Economics, Rheinische Friedrich-Wilhelms-Universität Bonn, Germany, who inspired me to research the acceleration of inflation during the German hyperinflation many decades ago.

I am very grateful to *Mr Peter Byron MEd*, Statistician, Magnetic Island, Townsville, for his great help in composing several graphs and figures and to *Ms Karen Kuhlmann*, Editorial Office, Eul Verlag, Köln, Germany, for various assistance in preparing the manuscript for its final publication.

Furthermore I would like to express my sincere thanks to *Mr W. Schulz*, Bibliothek des Bundesministeriums der Justiz (Library of the Federal Ministry of Justice), Berlin, who provided me with valuable copies of German legal documents from the archives. In addition I appreciated very much the various helpful advices of *Dr.phil. Dieter Simon*, Lüdenscheid, Germany, in matters related to German historical literature.

Also, I owe a great debt of gratitude to *Mr Bernard Adelt*, Flaxton, Queensland, who translated Chapter 1, Chapter 4, and Excuse Kurt Krausbeck, *Mr Ian Fleming*, Economist, Townsville, *Richard Anthony Lindsey*, Solicitor, Townsville, and *Dr.rer.pol. Milton Spidla*, Toronto, Canada, for their valuable input.

German Hyperinflation 1922/1923 - A Law and Economics Approach

Also I express my gratitude to *Professor Dr. Michael Ottenbacher*, University of Guelph, Canada, for his moral support, particularly in times when I had doubts to complete this research project for various reasons.

Finally I am also indebted to *Mrs Janelle Margaret Fischer*, who revised the manuscript, composed the Index, and carefully prepared it for publication.

Wolfgang Christian Fischer

Editor

Townsville, Australia, May 2010

ABBREVIATIONS

A\$	Australian Dollar
US\$	American Dollar
KPD	Communist Party of Germany
KZ	Concentration Camp
DM	Deutsche Mark
€	Euro
EU	European Union
GM	“Gold Mark”
USPD	Independent Social Democratic Party of Germany
MRI	Magnetic resonance imaging
M	Mark
NSDAP	Nationalsozialistische Deutsche Arbeiterpartei
RG	Reichsgericht [German Supreme Court]
RGZ	Reichsgerichtsentcheidung [Judgement of the German Supreme Court]
RM	Reichsmark
Gestapo	Secret State Police [Nazi Regime]
SPD	Social Democratic Party of Germany
UN	United Nations
UNCC	United Nations Compensation Commission
WWI	World War I (1914-1918)
WWII	World War II (1939-1945)

CONTENTS

Preface	ix
Abbreviations	xi
Introduction	1
Chapter 1 German Taxation Policy and Finances during World War I and beyond (1914 to 1923) <i>Rainhart Schweigert</i>	5
Chapter 2 Treaty of Versailles (1919) & League of Nations <i>Harrison A. Amankwab</i>	15
2.1 Introduction	15
2.2 The League of Nations	16
2.3 Development of the Modern State System	17
2.4 Antecedents of the First World War	18
2.5 Precursor Conflicts	20
2.6 The Treaty of Versailles	21
2.7 Effects of the Treaty on Germany	24
2.8 Birth of the Weimar Republic	24
2.9 The Constitution of the Weimar Republic	25
2.10 Reasons for the Collapse of the Weimar Republic	27
2.11 Conclusion	28
Chapter 3 Legal Aspects of Payment of War Reparations <i>Kenneth K. Mwenda</i>	29
3.1 Introduction	29
3.2 How it all started	30
3.3 German opposition and the emergence of the 'Liberty Law'	32
3.4 Customary international law and war reparations	33
3.5 What about reparation payments to African States by the West for slave trade?	34
3.6 Conclusion	37
Chapter 4 The Psychopathology of the Money <i>Erich Krausbeck</i>	39
Chapter 5 Hyperinflation 1922/1923 <i>Wolfgang Cbr. Fischer</i>	45
5.1 History of Economic Thought about Inflation at the Turn of the 20 th Century	45
5.2 Inflationary Process	50
5.3 Introduction of the Rentenmark 1923 & the Reichsmark 1924	67

German Hyperinflation 1922/1923 - A Law and Economics Approach

Chapter 6 “A Mark is worth a Mark”	71
<i>Wolfgang Chr. Fischer</i>	
6.1 Constitution of Weimar Republic 1919 [Deutsches Reich] & Social Responsibility	71
6.2 Nominalism versus Valorism	81
6.3 Law about the Revaluation of Mortgages and other Claims [Revaluation Act 1925]	82
6.4 Revaluation Law and German Supreme Court [Reichsgericht]	87
Chapter 7 Hyperinflation in selected Countries	91
<i>Wolfgang Chr. Fischer</i>	
7.1 Peru	91
7.2 Zimbabwe	98
Chapter 8 Inflation: detrimentum or conditio sine qua non for economic prosperity?	101
<i>Daniel J. Goulding</i>	
8.1 Introduction	101
8.2 The Nature of Inflation	103
8.3 Inflation and Morality	111
8.4 The Austrian Theory of the Business Cycle	115
Conclusions	119
Excursus: Political Activities of Contemporary German Social Democrats	125
<i>Wolfgang Chr. Fischer & Erich Krausbeck</i>	
1. Heinrich Trinowitz	125
2. Robert Fischer	126
3. Kurt Krausbeck	127
Appendices	135
References	181
Index	195
About the Authors	203