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Basil Miles: Germany beyond the Crossroads (08.02.1924)

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In diesem ausführlichen Bericht beschreibt Basil Miles (aus durchaus sympathisierender Perspektive) die wirtschaftlichen und politischen Zustände in Deutschland nach der provisorischen Stabilisierung der Währung, die mit der sukzessiven Einführung der Rentenmark seit dem November 1923 stattgefunden hatte. Bemerkenswert ist die positive Einschätzung der deutschen wirtschaftlichen Leistungsfähigkeit sowie der sozialen und kulturellen Stabilisierung, die mit der neugewonnenen Währungsstabilität einherging.

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GERMANY BEYOND THE CROSSROADS

by Basil Miles

Administrative Commissioner for the United States

February 18, 1924

(Explanatory Note: On October 5th, 1923, Mr. Miles reported on the existing conditions in Germany, under the title of "Germany at the Cross-Roads". This present report is a sequel to the earlier report. Both are based on personal studies of conditions at first hand.)¹

Metaphorically speaking, there are no figures, there are no statistics, there is no precedent and there is no parallel for what happened in Germany between November 15th and the first part of January. To say that in that short time order was brought out of chaos is an under-statement. Much more happened. In that brief period the devastated finances of a great country were rehabilitated, certainly temporarily and possibly permanently. But beyond that, the authority of the State was reestablished. What is further astounding as well as it is essential, is that the Germans, or at least their leaders, realized that they were at the crossroads and deliberately turned to the right along the painful path of virtue and stability. The German people, hearing the voice of authority, have thus far followed loyally, as they have always followed in the past when they have found clear leadership. On the surface, things still look shabby and down at the heel. Nevertheless, a profound change has been in process

1 Dieser Bericht ist in der entsprechenden Akte nicht vorhanden.

underneath which may prove permanent. Possibly there is some outward reflection of it in the pride with which many Germans point to the fact that today the Rentenmark² is worth more than an English Shilling.³

The net result is fundamentally a new Germany - or rather a resurrection of something like the Germany which the world knew before the war - whose survival now lies in the hands of the Allied and Associated Powers. The basic danger was that of unemployment. It is not true to say that this problem has been solved, because the totally unemployed still number millions - a million and a half in unoccupied Germany alone. It is true, however, to say that the Government is on top of this problem and that the dangers of it are no longer a menace to the survival of the State. What happened in Germany in two short months could only happen with a powerful and vigorous people; it is of a character which must excite admiration.

A full appreciation of the German effort cannot be complete without some recollection of the difficulties which it had to surmount. When Stresemann's Government had the sense to abandon the futile policy of passive resistance in September⁴ its courage was tested by the immediate appearance of what can fairly be called a state of chaos. First of all there was chaos in currency - the life-blood of a modern industrialized State. This naturally induced chaos in finance generally - both public and private. Not only the day-to-day life of the individual was disrupted, but[2] the whole fabric of distribution was threatened. This was conspicuously expressed in a growing shortage of foodstuffs. It is generally understood that the last crops in Germany, taken as a whole, were the best for years.⁵ The trouble was that the farmers would not part with their produce for worthless bundles of printed paper. Furthermore, the collapse of the currency suddenly projected into the situation hundreds of thousands, and even millions, of unemployed, who had no wages with which to buy food, even though the food were purchasable. On top of this, political chaos threatened, Stresemann's cabinet fell. Ludendorff and Hitler threatened a revolution in Bavaria⁶; Separatist movements in the Rhineland provinces and in the Palatinate raised their menacing heads.⁷ Socialist upheavals in Saxony and Thuringia had to be put down and controlled.⁸ Unostentatiously, however, the authority of the State was being safeguarded. Inconspicuously on the surface, but fundamentally in fact, the preservation of law and order was placed in the hands of a military dictator. By two decrees in late September and early November, General Von Seeckt, as virtual Commander-in-Chief of the Army, was given adequate authority for the preservation of law and order and what may be called the police authority of the State. The small army under his direction proved loyal to the State and restored order with a firm hand that disposed quickly of all opposition. Only a few days ago - in other words, in three or four months' time - the General informed the President of the Republic officially and in writing that the authority of the State was firm and sound and that on March first he proposed to relinquish the exceptional powers with which he had been entrusted. It was all quietly done, with no blare of trumpets, by this silent German soldier, of whom the outside world previously knew practically nothing, and still knows very little.

General Von Seeckt is fifty-six years old. He began his military career when he was nineteen as a lieutenant in the First Grenadier Guards Regiment. He is the son of a German general. His whole life has been devoted to military affairs, and he soon became involved almost continuously in staff work. In 1913 he had risen to be Chief of Staff of the 3rd Army Corps, whose Headquarters were at Berlin. During the war his most conspicuous

2 Die Rentenmark war eine seit November 1923 eingeführte Übergangswährung, die auf Boden und Hypothekenbesitz gesichert war. Das war eine psychologisch geschickte, aber weitgehend fiktive Deckung. *Feldman, Great Disorder*, 780-802.

3 Bis zur Umstellung auf Pence 1971 entsprachen 20 Schillinge = 1 Pfund Sterling.

4 Am 26. September 1923 gab die Reichsregierung den bis dahin betriebenen Passiven Widerstand gegen die Besetzung des Ruhrgebiets durch französische und belgische Truppen - also der dauerhafte Streik und Verweigerung der Zusammenarbeit mit den Besatzern - auf. Grund dafür war eine dramatische Finanznot, außenpolitischer Druck sowie die Ermüdung der Bevölkerung im Ruhrgebiet. Vgl. *Fischer, Ruhr Crisis*, 182-219.

5 Die Statistik ist für die Nachkriegszeit unvollständig und sie ist kompliziert zu ermitteln. Grundsätzlich waren die Ernteergebnisse in den ersten Nachkriegsjahren schlecht und lagen sogar noch unter den durchschnittlichen Ernteergebnissen der Kriegszeit. Allerdings war in den Jahren 1923/24 tatsächlich eine Erholung zu verzeichnen. *Petzina/Abelshauser/Faust, Sozialgeschichtliches Arbeitsbuch*, 60; *Baade, Landwirtschaft*.

6 Am 9. November 1923 im sog. Hitler-Putsch.

7 Gemeint sind Bestrebungen, das Rheinland und die Pfalz als eigenständige Republiken zu errichten. *Nadler, Separatist Movement*.

8 Gemeint sind kommunistische Aufstände in Sachsen und Thüringen im Oktober 1923. *Schumann, Gewalt*, 172-185.

duties were those which he undertook as Chief of Staff of General Mackensen's Army on the Eastern front. The success of Mackensen's astounding conquests in Russia, Serbia and Rumania is attributed by many to the military talents of his Chief of Staff, in much the same way as in the case of Von Hindenburg and Ludendorff. General Von Seeckt apparently owes his present Position of supreme military authority to the fact that it was he who, at the end of March 1920, collected the tangled skein of German military material after the "Kapp Putsch" (attempted coup d'état) failed so miserably.⁹ No one yet knows whether he is at heart a republican or a monarchist. The outstanding fact is that he has been absolutely loyal to his oath to the present Republican Government and has collaborated cordially and faithfully with the socialist Minister of War, Gessler.

Not the least virtue of General Von Seeckt's success - and indeed that of the German people - is that among a population of sixty million people, he was able to safeguard the authority of the State with a military force of 100,000 soldiers and 150,000 police. He was confronted with problems of political revolution and social unrest. Whether it is due to his own calm determination or to the virtues of the Germans themselves, it is yet too early to assert. The net result is that the authority of the German State has survived an acid test, leaving in power a political establishment in the hands of the present Cabinet, which enjoys more solid authority than any of its predecessors since the Armistice.

It may not be amiss to say a word about the present German Army, which has proved a tower of strength in a critical time. It is limited and circumscribed by conditions laid down in the Peace Treaty. It cannot exceed 96,000 men and 4,000 officers. Furthermore, conscription is abolished. Consequently it is a volunteer army. In this respect as well as in regard to its size, it resembles the existing American Army.[3] However, the term of enlistment is twelve years - as in the old volunteer army of Great Britain before the war. The man who volunteers does so with the deliberate purpose of devoting the best years of his life to that of a professional soldier. A first-class private apparently gets twelve to thirteen dollars a month, plus post allowances to cover the extra costs in the different parts of the country, for example, ten marks a month in Berlin. A married man has an additional allowance of \$1.75 a month for his wife, and \$2.75 for each child. By German standards the soldier is well paid, particularly when it is considered that he receives clothing and medical care free of charge. The army is organized into seven infantry divisions and three cavalry divisions, recruited territorially. The majority of the rank and file are young, and consequently are not veterans of the Great War. But the contrary is the case with regard to the officers, the majority of whom are probably veterans.

In considering Germany's military capacity an important element is the so-called Green Police, a great number of whom are veteran non-commissioned officers of the Great War. Much is talked of Germany's capacity to revive suddenly as a great military power. It is obvious that 60,000,000 people with an enormous industrial establishment and a rank and file of sturdy youth, is potentially a great military power, but Germany's available trained troops may be roughly calculated as follows. - Regular Army (Reichswehr) 100,000; Green Police - mostly trained veterans, 150,000; Secret Societies, Patriotic Societies, Clubs and what not, 150,000 to 200,000; total, roughly 400,000 to 450,000. German Industries, however, certainly on broad lines, have been restored to peace-time production. Furthermore, the 400,000 odd trained men available could not be expanded into a great army without a return to conscription. Many observers in Germany are agreed that the Reichstag and the German people would not tolerate a return to conscription or to a national mobilization of Germany's vast resources, merely in order to prosecute a war of aggression. The only thing that can revive the menace of German militarism in the next ten or fifteen years is a war for the national defence. Germans will deplore with the utmost gravity the spirit of national hatred towards France which French policy has engendered in the rising generation. That may be true today, but it does not mean that the Germans, as a people, are prepared to undertake a war of aggression tomorrow. There are encouraging evidences to show that the disturbances of the peace of Europe must hereafter be more and more dependent upon the approval of popular opinion in the different countries.

However, to go back to the causes for this last evolution, neither General Von Seeckt or nor any other authority could have succeeded had not the German Government adopted measures which were fundamentally right. It recalls the famous dictum of Mr. Sherman when he was Secretary of the Treasury, at a time when the American currency was dangerously depreciated and the problem arose as to how payments in gold could be resumed. Mr. Sherman is credited with saying, "The way to resume is to resume", and accordingly announced that the

9 Der sog. Kapp-Putsch 13.-17. März 1920.

United States Treasury had forthwith resumed payment in gold. Practically the whole country took his word for it and the demands for gold payment were negligible. Confidence was reestablished by an epigram. The German Government affected something of the same kind. First of all, they launched a new currency which, it was announced, was to be based on mortgaging the agricultural and industrial wealth of the entire country, taking at 40% of its estimated real value. On November 15th the so-called Rentenmark began to appear. It was pushed out first in the payment of Government salaries. From this beginning it was gradually expanded until by January 1st (the last figures available at this time) it came into circulation to practically half of the authorized limit of its maximum issue of 2,400,000,000 marks. The value of the Rentenmark was stated to be the same as that of the old gold mark. At the same time the foreign exchange value of the old Reichsbank paper money was fixed at 1,000,000,000,000 marks for one Rentenmark. The German people haven taken the Government's word for it, and the Rentenmark circulates at par and the Reichsbank marks are freely and universally accepted at the stipulated ratio.

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At the same time a series of tax decrees appeared successively, showing a genuine budgetary reform providing for specific economies, including the dismissal of large numbers of civil government employees, and a scheme of taxation that offered encouraging prospects of the government revenue at last overtaking government expenditures.¹⁰ By way of illustration, the financial statement of the third decade of January (January 21 to 31) shows total receipts equal practically to 95% of the total expenditure. Then it is recalled that at the end of August the revenue was only some 7/10 of 1% of the expenditures, the drastic character of the present reforms appears in its full proportions.

At[sic!] a result of these budget and currency reforms, in a few short weeks, particularly from Christmas until January 15th, business lost its hectic speculative complexion, food supplies entered freely into circulation and wages assumed a definite relation to real values. By the first of February the atmosphere was changed and cleared.¹¹

The change was based on sounder grounds than anything resembling a miracle, however miraculous it appeared at first blush. Germany has always been more fundamentally sound than the world has been led to believe. Aside from the extraordinary fashion in which Germany has survived the abnormal economic pressure to which it has been subjected since the Armistice, it is sufficient to cite a single illustration. It has been assumed that Germany's foreign trade position, particularly since the occupation of the Ruhr, has been hopelessly bad. The official figures published on a weight basis showed the volume of imports to exceed those of exports to a dangerous degree. Recently, however, the Government has got together figures which, however arbitrarily, are nevertheless based on money values, showing a very different situation indeed. These figures show for the year 1923 what is practically an even balance between the value of imports and the value of exports and which, when taken into consideration with Germany's numerous invisible services, indicate a definitely favorable balance in German commercial relations with the rest of the world. In other words, in the past year, instead of Germany's commercial strength and resources being sapped and drained by an unfavorable foreign trade position, the contrary has been the fact; although the totals are only about half those of 1913, nevertheless Germany's foreign trade, if anything, during the last year has served to enrich her.¹²

10 Zu den zentralen Voraussetzungen einer Währungsstabilisierung gehörte ein ausgeglichener Staatshaushalt. Dieser sollte durch verschiedene Steuergesetze und eine Ausgabenreduzierung gewährleistet werden. *Feldman, Great Disorder*, 803–821.

11 Nach der Währungsstabilisierung kam es zunächst tatsächlich zu einer ruhigeren währungspolitischen Phase, bevor sich die Reichsbank ab April 1924 gezwungen sah, den Diskontsatz drastisch zu erhöhen und die Kreditvergabe einzuschränken. Vgl. *Reinhardt, Reichsbank*, 182–190.

12 Der Nachvollzug des deutschen Außenhandels für die Zeit von 1914–1924 ist eine komplexe Angelegenheit: Während des Krieges wurden zunächst aus Gründen der Geheimhaltung keine Statistiken veröffentlicht. Danach war es die Reparationsfrage zusammen mit der Geldentwertung, die sowohl die Erstellung der Handelsstatistik erschweren wie auch ihre Veröffentlichung politisch inopportun machten. Die Inflation scheint Deutschland dabei geholfen zu haben, sich auf ausländischen Märkten erneut zu etablieren. Zugleich ist die Aussage von Miles aufgrund der "Scheingewinne" problematisch: Die Erlöse wurden real verringert, weil sich der Wiederbeschaffungswert von Rohstoffen, Kapitalgütern etc. in der Zwischenzeit aufgrund der Inflation deutlich erhöht hatte. Ob die deutschen

It would not be consistent with the facts to emphasize Germany's strength were it not that it is so generally underrated and understated. It is necessary, however, to emphasize the strength of the country and of the people because of the obvious social disaster which has overwhelmed large sections of the population. It has been stated before in these reports that one of the gravest dangers since the Armistice has been the widespread under-nourishment which has existed in Germany. It is not that the Germans have not had enough to eat; they probably have. What is true, however, is that they have not had enough of the right kind of things to eat. This condition today is as bad as ever, if not worse. In fact, it must be worse because at no period has the number of unemployed subsisting on State doles and private charity reached such large figures as during November and December. Even today in unoccupied Germany there are about a million and half totally unemployed and apparently an equal number in the territory occupied by the Allies.¹³

Inevitably, suffering from hunger and cold has been acute. It is not possible to check the figures accurately, but it is commonly asserted that today a workman has to spend most of his pay (some say as much as 90%) for food alone. In spite of the great fall in the cost of living which has been effected since November, to a degree mounting to 30% or more, life is still more expensive than before the war. The encouraging feature about the situation is that the Germans are taking care of it in very large part themselves. Numerous foreign organizations have offered supplies, soup kitchens, money and others forms of assistance, but the bulk of the work is done by the Germans themselves, with German money, personnel and organization. In fact,[5] many Germans resent foreign assistance. As an example of this, it is understood that the Officers' Union, - an association of veterans of the Great War - recently memorialized the Government with a protest against the acceptance of any foreign assistance whatever, insisting that it was the duty of Germans to help Germans, and failing that, to starve. As a result of this spirit of resistance and independence, definite figures and statistics are difficult to obtain. By March first the funds collected by the American Relief Committee¹⁴ upon the initiative of General Allen, will be providing about a million rations, constituting a supplementary meal of some 500 calories, for children, which is understood to be the equivalent of a glass of milk and a piece of bread, or a cup of chocolate and some sugar, rice or cocoa. These rations are distributed through six thousand feeding stations in some two thousand civilian communities.

It seems generally agreed that, as usual in such crisis, it is the children who are suffering most. Some authorities estimate as many as three million children who are regularly under-nourished today. It is obvious that in any highly industrialized country like Germany, which for years has thriven on a low rate of wages to labor, the margin of good living is narrow, and consequently gives rise to conditions in great industrial centers which are as deplorable as they are generally ignored.¹⁵ The condition of Germany today is naturally an exaggeration of conditions which seem inherent the modern industrial system. There seems little question but that the standards of living among many classes in Germany has been steadily declining since the Armistice. A suggestion of this can be found in the fact that it is claimed that only 10% of the physicians in Berlin are earning a living wage for themselves and their families. The rest are not only impoverished by the inability of their clients to pay the fees required, but also by the fact that large classes of people are no longer able to have a physician at all unless they are really desperately ill. The encouraging feature is that the Germans seem determined, for the first time, to help themselves. The German relief now being carried on is said to be well done. An organized appeal to the public is being made on a large scale for further assistance. Street corners are placarded with urgent demands for the Germans to help their starving fellow countrymen in this time of crisis, by subscription through organized channels. Even the advertisements flashed on the drop curtain between the acts at theatres contain appeals for subscriptions and specific instructions as to how sums, however small, can be contributed effectively. Moreover, there are many stories quoted of individuals helping each other; those who have meat

Unternehmen also in der Inflation, wie es gerade von französischer Seite häufig gemutmaßt wurde, tatsächlich große Gewinne gemacht haben, ist zweifelhaft. *Boldorf, Außenhandel; Hesse, Exportweltmeister; Lindenlaub, Maschinenbauunternehmen.*

13 Tatsächlich gab es seit dem Frühjahr 1923 Debatten über eine internationale Lebensmittelhilfe nach Vorbild der Hoover-Initiativen in Belgien und Russland nach dem Weltkrieg. Vgl. *Cox, Hunger*, 296–318.

14 Eigentlich: American Relief Administration.

15 Das die Städte das Zentrum der Sozialen Frage darstellten, wurde insbesondere von der Progressive Movement in den USA immer wieder betont. Etwas davon scheint auch beim Autor des hier präsentierten Berichts durch.

twice a week inviting to their table from time to time, friends who, they know, can only afford meat once every two weeks, if at all.

Naturally, the industrialists, being wise in their own affairs, have taken a hand. They are spending large sums assisting students and promoting scientific research by measures which are understood to include stipends for research work. The industrialists apparently are perfectly frank that it is essential for Germany to recover her scientific prestige and that consequently it is a sound investment to help the second generation during a time when they might otherwise, through lack of funds and food, be unable to prepare themselves for their later careers. Possibly they have in mind the recollection of what happened in the dye industry during the nineties of the last century, when \$5,000,000, were spent in successful research to devise a substitute for indigo.¹⁶ There is a very large number of cases also where the industrialists are reported to be helping their own men generously and effectively on broader lines of general relief. Probably the only way that outside help can be given to full advantage lies in charitable funds for the feeding of children, which German organizations are in a position to use efficiently. Germany is not like Austria, crippled and reduced to impotence, but is a powerful country with a vigorous and law-abiding population.¹⁷ If it is true that before the war, for example, the Berlin milk supply was 1,200,000 quarts a day and now is only 150,000 a day, it is also true that the Germans are proving themselves potentially able to cope with this situation. The world may well offer them a helping hand, as they are proving that, in determining to help themselves, they deserve help from others.

[6]

The other side of the picture is perhaps typical of what occurs when a country passes through such a kaleidoscope of economic experiences as Germany has since the Armistice. There is still plenty of money in Germany, and plenty of people who appear able to afford to spend it. During the flight from the mark it was natural that people bought supplies lavishly. Consequently it is equally natural to find that German shops today, especially department stores and larger establishments, are dull and rather mournful; they are no longer busy beehives of thronging purchasers; their patrons have already made purchases six months in advance. On the other hand, German theatres and all places of entertainment, from afternoon cabarets to theatres and dancing establishments, are crowded. Several of the better afternoon cabarets in the last six weeks have, on more than one occasion, had to put up a notice "House Full, No Seats". The theatres are equally crowded, with seats at prices ranging from \$3. to \$4. upwards.¹⁸

Naturally, in smaller provincial cities there is not the accumulation of wealth that one sees in a great metropolis like Berlin. The fact remains that apparently wealth in Germany has not been so much destroyed as that it has changed hands.

The fact has been obscured by the continued refusal of the German Government over a period of five years to face the music and put its house in order. The first step in this direction has now been taken, and, according to the old adage attributed to Talleyrand, "it is the first step that counts." If the Germans have the courage and are allowed to proceed with their program, there will accordingly appear the true relation between their debt to the Allies and their capacity to pay it. It has always been obvious that the German Government could not continue payment of its war debts on any sound basis while its annual budget showed a deficit. For any healthy solution of the debt of the German Government, the resources of the nation must show a profitable balance sheet. For the first time the Germans have taken drastic measures to produce this situation. It remains with the Allied and Associated Powers to encourage or block the further development of their effort.

It is almost beyond question that this effort has been the result, whether directly or indirectly, of the occupation of the Ruhr by the French and Belgians, and of the rigid economic measures which were put in force to make the occupation result in pressure upon the German Government. It is claimed that the occupation, in an economic

16 Die Indigo-Synthese stellte einer der wichtigsten Schritte hin zur Herstellung synthetisch produzierter Farbstoffe dar. Sie war eine der wesentlichen Grundlagen der Entwicklung der modernen Chemieindustrie. *Engel, Farben*, 288–290.

17 Die fehlende wirtschaftliche Lebensfähigkeit der Österreichischen Republik war ein Topos in den europäischen wirtschaftspolitischen Debatten nach dem Ersten Weltkrieg. *Marcus, Austrian Reconstruction*.

18 Es war durchaus typisch für die zeitgenössische Krisendiagnostik, aus einzelnen Beobachtungen umfassende Lagediagnosen abzuleiten. Gerade die Auslastung von Theatern, Kneipen und anderen Freizeitlokalitäten galt immer wieder als Gradmesser der "tatsächlichen" deutschen Lage. Vgl. *Knickerbocker, German Crisis*.

sense, was an inexcusable disaster and something approximating a crime. It has been freely asserted that it was wholly illegal. The net result, however, is that more than any other single factor, it contributed to the collapse of the German currency. The collapse of the German currency precipitated the house-cleaning which has taken place in the last three or four months.

During five years, suffering in certain classes has been intense and some of them have been impoverished and practically eliminated. Among a small class of profiteers and industrialists, great fortunes have been made, and the purely material equipment of the industrial establishment has been expanded and improved. That the country still has a sound economic constitution has now been evidenced by the fact of its rapid and lively response to the injection of a stable currency into its veins, to replace the poisonous fluid of a steadily depreciating medium of exchange. The German Government and the German people, by their own acts, have carried themselves beyond the crossroads. For the first time they have put forth an organised effort to rake their own chestnuts out of the fire. They have thus far succeeded to a degree which would only be possible in a wealthy and powerful State. The rest of the world should see to it that they are stimulated to continue.