Twitter Thread by Philipp Heimberger



Philipp Heimberger
@heimbergecon

One of Germany's most prominent economists, Hans-Werner Sinn, warns of hyperinflation; he links it directly to Hitler's rise to power. A distortion of history: the rise of the Nazis was preceded by deflation, exacerbated by fiscal austerity. Thread /1

https://t.co/hmAz0tsyuv



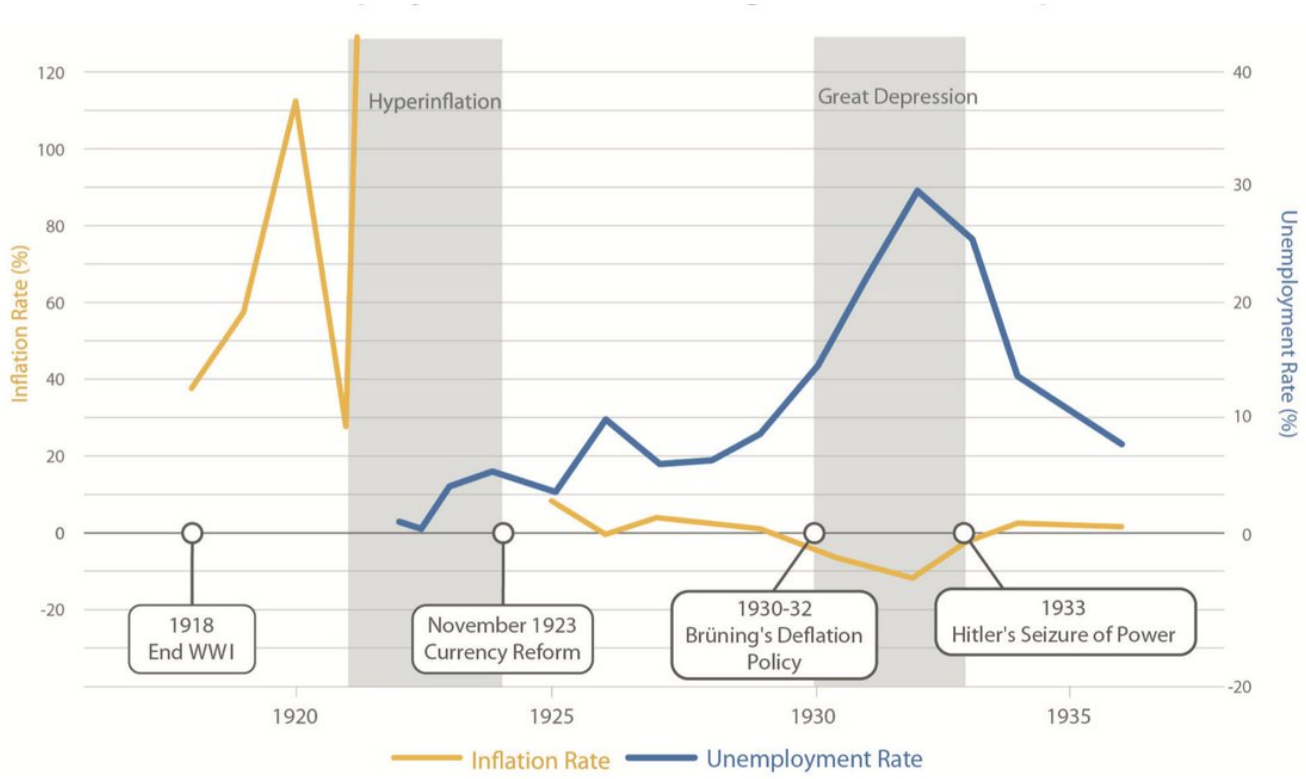
Sinn says hyperinflation after WW1 impoverished the German middle class in the Weimar Republic: "Ten years later they elected Adolf Hitler as Reich Chancellor." Policy recommendation today against hyperinflation: "tighter budget constraints" /2

https://t.co/ydfxgiCpkD

Es ist zu hoffen, dass es nicht so schlimm kommt wie nach dem Ersten Weltkrieg. Der deutsche Staat hatte sich im Krieg und in den schwierigen Jahren danach mit der Druckerpresse finanziert, denn die Reichsbank erwarb immer mehr von den zunächst am Markt verkauften Staatspapieren. Das heizte die Inflation immer mehr an. Die Preise stiegen erst allmählich, dann galoppierten sie, und schliesslich entstand eine Hyperinflation, die den Geldwert fast vollständig vernichtete. Nicht nur der Geldadel, auch der kleine Mittelstand verarmte dabei, weil er zu arm war, um Aktien und Häuser zu besitzen. Diese Menschen hatten Sparguthaben und Lebensversicherungen, die dann nichts mehr wert waren. Zehn Jahre später haben sie Adolf Hitler zum Reichskanzler gewählt. Ich sage nicht, dass so etwas wieder passieren wird. Aber wir müssen jetzt eine Politik machen, die das von vornherein verhindert. Es braucht engere Budgetbeschränkungen, man darf nicht mehr länger aus der Druckerpresse leben.

Sinn thus feeds a widespread misinterpretation. Mass poverty when the Nazis came to power in 1933 was not the result of hyperinflation, which at that time was ten years in the past; it was primarily a consequence of mass unemployment due to the recession in the early 1930s. /3

The Nazis had come to power after years of deflation - i.e. falling prices. From 1930 onwards, Reich Chancellor Brüning used emergency decrees to bring about tax increases and drastic state spending cuts that pierced the social safety net. /4



Own calculations based on data from: Sensch, Jürgen, (2016).[4]

Austerity policies increased unemployment, led to social suffering and unrest. Hitler realised by the end of 1931 at the latest that Brüning's austerity policy would "help his party to victory and thus end the illusions of the present system." /5

https://t.co/yRN6hseciX

Hitler to Brüning

Broschürenreihe der Reichspropaganda-Leitung der NSDAP, Heft 5

Open Letter from Adolf Hitler to the Reich Chancellor

The Politics of Illusion from Matthias Erzberger to Heinrich Brüning

The Great Illusion of the Last Emergency Decree

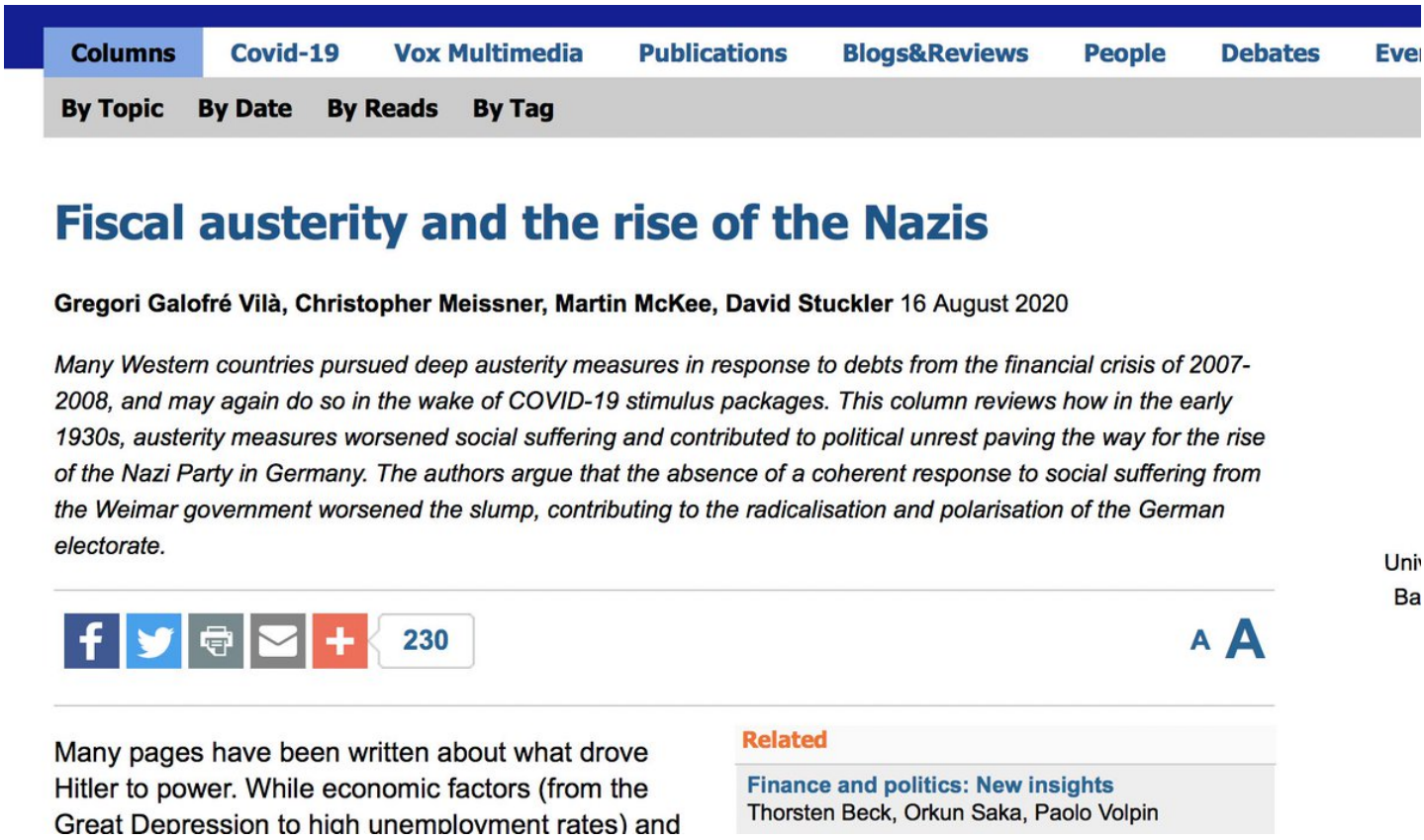
Why does Brüning attack the NSDAP, but not Communism?

Mr. Reich Chancellor!

I read the following sentences in your commentary on the Fourth Emergency Decree issued by the Reich President:

Analysis of data from four elections between 1930 and 1933 shows that voters in areas more affected by spending cuts and tax increases gave significantly more votes to the National Socialists, supporting Hitler's rise./6

https://t.co/egyepHidIP



HW Sinn calls for "tighter budget constraints" against hyperinflation after Corona. Dangerous distortion: he does not say a word about the link between the negative effects of austerity policies in the early 1930s and Hitler's rise to power. /7

Representative survey: Only 1 in 25 Germans today still knows that the crisis at that time was characterised by deflation. Almost half of the respondents - like HW Sinn - mix mass unemployment and deflation with the hyperinflation ten years earlier./8

https://t.co/XyOaZ8FQVv

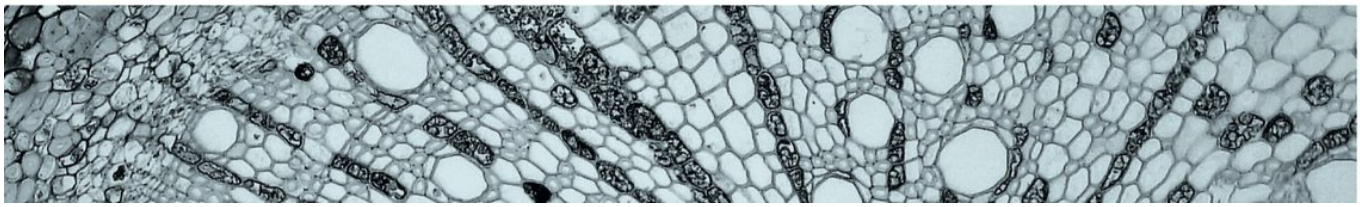
Misremembering Weimar:

Unpacking the Historic Roots of Germany's Monetary Policy Discourse

2.

Nils Redeker, Policy Fellow, Jacques Delors Centre
Dr. Lukas Haffert, Senior Researcher, University of Zurich
Dr. Tobias Rommel, Postdoctoral Research Fellow, Technical University of Munich

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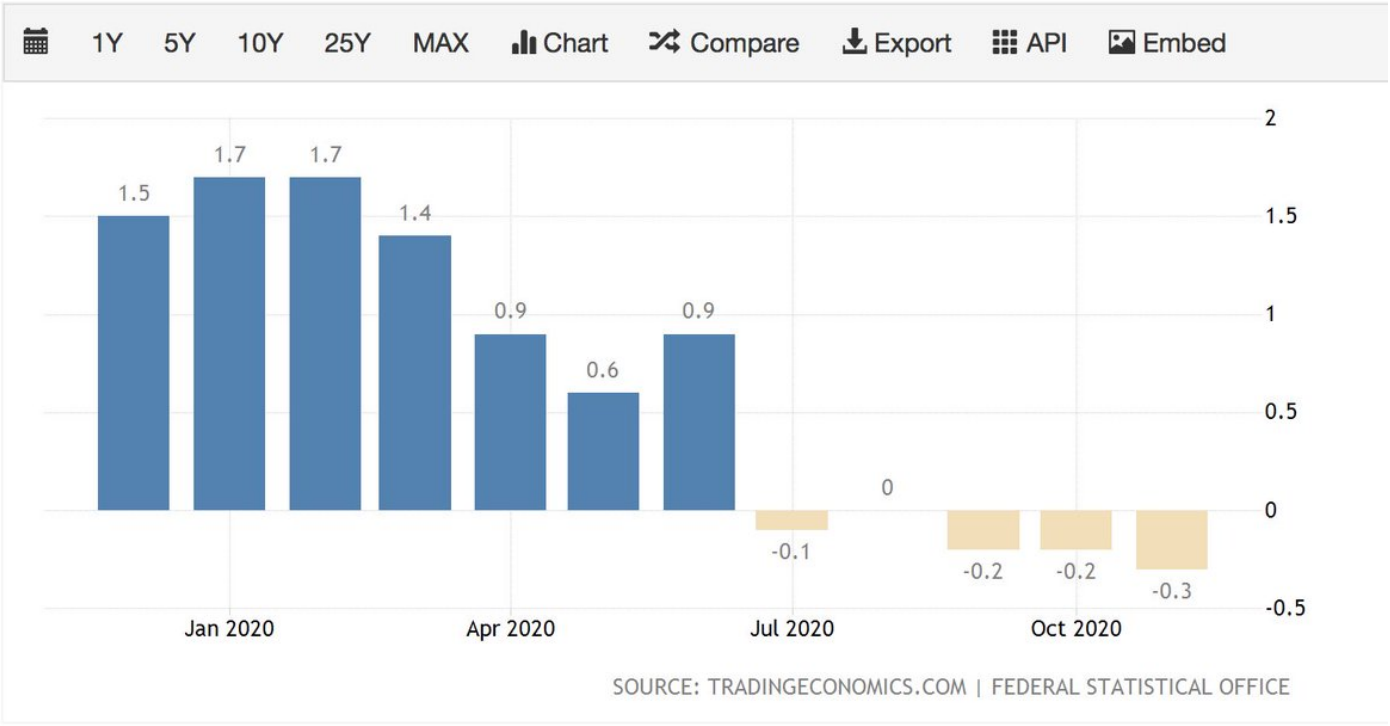


Incidentally, this misconception is much more common among well-educated and politically interested Germans. Those who are following the ECB's monetary policy closely are more likely to draw the wrong lessons from history and to be misled by HW Sinn. /9

Even if one were to agree with Sinn that hyperinflation "prepared the breeding ground for the Nazis", his comparisons would remain problematic: why should the ECB's monetary policy today lead to hyperinflation similar to the early 1920s? /10

https://t.co/bEhmTXKitX

The ECB is not directly financing governments, as the Reichsbank did back then. Even in Germany, inflation rates have been negative recently. Sinn remains unconcerned about deflation, stressing risks of hyperinflation, although previous inflation warning have not materialised /11



Misinterpretations of history can be momentous if they lead economic policy down the wrong track. To prevent this, prominent economists must not go unchallenged when they fuel such dangerous misconceptions. /end