

HISTORICAL EXAMPLES

Brüning's deflation and Hitler's rise to power

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01 - Clean up the economy with a “deflation” policy

02 - million unemployed

On March 28, 1930, in Berlin, Marshal-President Hindenburg appointed 44-year-old Heinrich Brüning to the Chancellery (the head of government). For over two years, the Weimar Republic's new strongman would try to remedy the economic crisis that had come straight from the United States. In fact, his vigorously “deflationary” policies not only worsened the German economy and doubled the number of unemployed, but also undermined public confidence in democracy. Unwittingly, in all

good conscience, he opened the way for Hitler.

Germany was quickly affected by the Wall Street crash of October 1929. By 1930, following a halving in the value of its exports, there were three million unemployed out of a population of 65 million. A patriot and austere bachelor, a former Christian trade unionist and member of the *Zentrum*, the major Catholic party, the new Chancellor formed a government of circumstance with people as competent as himself.

01

Clean up the economy with a “deflation” policy

His government should first have devalued the national currency, the *Reichsmark*, to restore the balance of trade, even if this meant increasing the price of imported goods. But like all Germans of his generation, Brüning saw inflation as the ultimate evil, as he had horrified memories of the hyperinflation of 1923, the “inhuman year”, when prices expressed in marks climbed from minute to minute, reaching absurd amounts in the thousands of billions. He therefore preferred to try to stabilize the economy through a policy of “deflation”, reducing wage costs and prices, as well as public spending, in the hope that, in a second phase, corporate profits would rise again, encouraging investment and exports.

The *Reichstag* deputies opposed it, and the assembly was dissolved in July 1930. In the September 1930 elections, disenchantment favored extremist parties. The Nazi Party, which had won only 2.6% of the vote in 1928, with just 12 MPs, won 18.3% this time, with 102 MPs. Brüning circumvented the obstacle by governing by decree-law signed by Field Marshal Hindenburg, with the resigned support of the *Zentrum* and the

Social Democrats. He introduced a series of “austerity” measures: a 10% pay cut for civil servants, a general reduction in wages for workers and civil servants, cuts in unemployment benefits, lower family allowances, higher taxes... At the same time, large companies and ailing banks benefited from tax cuts and public subsidies.

In March 1931, Foreign Minister Julius Curtius attempted to establish a customs union with Austria, but France resolutely opposed the idea for political reasons. This failure caused a monetary earthquake in Vienna...

02 —————

million unemployed

The chancellor's measures proved disastrous, reducing consumption and increasing the number of unemployed from three to six million. The Weimar Republic was seen by the underprivileged as responsible for all the country's ills: the Versailles “Diktat”, war reparations, unemployment, etc. Brüning had weakened democracy, but not the economy. Brüning had weakened democracy, but not the economy. On the contrary, he deepened the slump.

With the term of office of the President of the Republic coming to an end, Hitler, who had just obtained German nationality, decided to stand as a candidate. The Democrats persuaded the 84-year-old Paul von Hindenburg to stand again. Only he seemed in a position to defeat Hitler. A monarchist and conservative, a “failed soldier in politics” in his own words, he was only re-elected thanks to the support of the Socialists. In the presidential election of April 12, 1932, Hindenburg won 18.7 million votes to Hitler's 11.3 million (30% of the total). Chancellor Brüning, who remained in office, prepared to levy taxes on the Junkers, the large landowners in eastern

Germany, who had the ear of President Hindenburg. Under their pressure, the *Reichspräsident* dismissed Brüning on June 1, 1932.

Victims of the “ deflation “ or “ austerity” policy, humiliated by the Brüning government’s contempt for them and its denials of democracy, the middle classes turned en masse to the Nazi party. To stay in power and avoid civil war, the conventional parties had no choice but to ally themselves with either the Communist Party or Hitler. They chose the latter...

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