

The Budget Debate of 1926: A Case Study in Weimar Democracy

In the historiography of the Weimar Republic, there is more written about the crises of the first and last years of the Republic than the relative calm of the middle years. Some of the best books on the middle period have focused on narrow aspects. Michael Stürmer examined the complex political manoeuvres, Fritz Blaich wrote on the recession of 1925–6, and Dieter Hertz-Eichenrode concentrated on Heinrich Brüning's reaction to that recession and the response of the Hans Luther government. These writers glossed over one of the most significant events: the debate and passage of a budget in 1926 that broke from the previous fiscal policy and stood in contrast to most of the budget policies from 1925 to 1933. Perhaps only Gisela Upmeyer truly captured the sense of the 1926 budget as a 'kind of revolution', but she did not dwell on how this 'revolution' came about.¹ Even more remarkably this radical budget was the first to be passed by the deadline of 1 April. The failure to consider the 1926 budget is a significant oversight. In a famous article Knut Borchardt suggested that the German government in 1930 failed to act because it believed that economic crises were self-correcting. When it was convinced otherwise in the summer of 1931, it was too late to take any action before the onset of another harsh winter.² Yet he overlooked that the recession of 1925–6 led to rapid action by the government and quick relief of the crisis.

In this article I shall examine the budget debate of 1926 both as a case study in Weimar democracy and as an indicator of a missed opportunity. The budget makes for an excellent case study in the functioning of Weimar democracy because it was the first normal year of budget-making after the First World War and the collapse and recovery of the German economy. I will

show how Chancellor Hans Luther found himself relying increasingly on the support of the Social Democratic Party (SPD) to pass the national budget of 1926 because of splits within his government and the obstruction of the Nationalist Party (DNVP). Theodore Balderston has described the Weimar Republic's budget process as 'three purgatories'. The government ministries and the cabinet would write the budget and submit it to the Reichsrat. After the states of the Reichsrat approved the budget, it would go to the Reichstag for final passage. Balderston has singled out the budget of 1926 as an ambitious programme altered beyond recognition by these purgatories.³ This article will maintain that Balderston's 'purgatories' had their effect but left the frame of the budget unaltered. The changes that were made show a political system working in normal fashion and responding to political demands from interest groups that had their roots in civil society. The system found solutions to these demands in an orderly and democratic fashion.

Hans Luther formed a minority government in January 1926 that included the Catholic Centre, the People's Party, the Democratic Party and the Bavarian People's Party. Many expected that he would rely on the SPD for foreign policy support and on the DNVP for domestic policy.⁴ Luther had followed this approach in 1925 with the Nationalist Finance Minister Otto von Schlieben. This conservative government had been determined to balance the budget to ensure the currency's stability. By the end of 1925 it was already clear that a large budget surplus had resulted. Germany had also slipped into a deep recession. Democrat Peter Reinhold of Saxony took Schlieben's place as Finance Minister in the new government. Reinhold had sharply criticized Schlieben's surplus policy and his appointment marked a clear determination to spend these surpluses.⁵ For Luther and Reinhold the great challenge was to pull Germany out of a deep recession without endangering the currency or the schedule of reparations payments set out in the Dawes Plan of 1924. The Plan had provided the German economy with a 'pause for breath' by setting low payments until 1927 and thus any tax reductions and economic improvements had to be carried out immediately.

The Finance Ministry had wanted to continue a conservative fiscal policy because it anticipated the increased reparations payments and expected a hefty pay raise for civil servants in the future. Luther overruled these concerns, supported by Reinhold,

who desired economic stimulus, and Foreign Minister Gustav Stresemann, who feared that budget surpluses might convince the Allies that Germany had more money to pay reparations.⁶ Luther and Reinhold believed that a tax cut combined with a call for fiscal discipline would deter demands from the states and Reichstag parties for more spending on social programmes. At a 9 February Cabinet meeting Reinhold proposed a cut in the turnover tax, which was a tax imposed on each stage of the production and sales process. He also called for a reduction of some lesser taxes: the fusion tax, property tax, stock-market-value tax, and luxury tax. Reinhold had designed the package as a business stimulus programme and offered two alternatives: a reduction of the turnover tax from 1 per cent to 0.5 per cent to go into effect on 1 July or a scaled-down reduction to 0.6 per cent for 1 April. The latter would provide less economic stimulus but have a more immediate economic effect. The Finance Minister called for covering the extraordinary budget with loans and, in a nod to Stresemann, mentioned the 'extraordinary foreign-policy danger' that a large cash balance entailed. He also wanted a change in the Reichsbank laws to give the government more flexibility in its month-to-month payments by enabling it to draw on 300 million Reichsmarks (RM) of cash reserves beyond the 100 million allowed.⁷

Luther was very keen on a reduction in the turnover tax because it was the one tax cut that would benefit business and the masses. He suggested that if the Reichstag balked, he would reduce the tax using Article 48, as had been done in 1924.⁸ Reinhold noted that the states would not object to the package as long as they continued to receive their guaranteed payment of RM 450 million from the turnover tax. Although revenue estimation was a very inexact science, Reinhold told the Cabinet confidentially that the Reich currently had reserves of over a billion marks, of which RM 500 million would be needed to cover shortfalls caused by the economic crisis and increased unemployment. Reinhold estimated a 400-million-mark budget surplus for the year without a turnover tax cut or a 100-million-mark deficit with it. The Cabinet agreed to an economic stimulus programme centred on the reduction of the turnover tax to 0.6 per cent.⁹ At this point, Luther probably hoped to rely on the DNVP for passage of the program.

The next day the Reichstag chamber was filled with members

listening carefully to the speech of the new Finance Minister. Reinhold began by discussing the sad state of the German economy, with its 'evil roots' in overspending and overtaxation. He suggested several structural reforms but most importantly called for the financing of the extraordinary budget with loans instead of taxes.¹⁰ Reinhold then came to the centrepiece. The plan presented by Reinhold had been modified slightly by the Finance Ministry and favoured business even more than the plan approved by the Cabinet. The fusion tax would be repealed entirely to speed the merger and rationalization process and increase productivity. Payment dates for quarterly income and corporate taxes would be shifted from the middle of the quarter to the end of the quarter, effectively giving businesses and the richest Germans an extra six weeks from 15 May to 30 June to pay 1926 taxes. The capital tax would be reduced and assessed semiannually instead of quarterly.¹¹ In a feeble bid to win SPD support, he also announced that he would be willing to consider a reduction of the wage tax when the Tax Committee took up the bill.¹² Despite this massive tax-cut programme, Reinhold railed against the danger of a budget deficit. Contrary to his Cabinet estimate of a RM 100 million deficit, he told the Reichstag that his plan would produce an income shortfall of 550 million marks. RM 133 million would be covered by surpluses from the previous years, and RM 47 million would come from unspecified revenue increases and spending cuts. Loans would cover the remaining RM 370 million in the extraordinary budget. The Finance Minister warned that his budget was a carefully balanced scheme that might come undone with rash action. He insisted that each new spending measure not covered in the budget be accompanied by a tax increase or an explicit cut somewhere else in the budget. He suggested that Germany might be wise to follow the British model, where any committee's decision to increase spending had to come in consultation with the government and the tax committee.¹³ It would seem that Reinhold was following the wishes of the Chancellor and the Finance Ministry and deliberately exaggerating the budget deficit to deter domestic demands for new spending or international demands for more reparations. The threat of inflation had not been forgotten in Germany or abroad. Balderston has emphasized that the German government needed to project budget stability lest foreign investors pull their money out (as indeed occurred after 1927).¹⁴

The government always had to stress how disciplined the budget was, no matter how undisciplined it might really be.

There was certainly new spending in the Luther-Reinhold budget, but the Finance Minister emphasized that he had tried to keep spending to a minimum. The main parts of the extraordinary budget were devoted to necessities such as shipbuilding, canal construction, and housing for civil servants, wounded veterans, and war widows. As far as social spending went, Reinhold pledged to allocate another RM 40 million for unemployment relief and RM 60 million for productive work. The government also planned to stimulate exports to increase job opportunity. Reinhold held out the prospect of a supplementary budget that would be devoted largely to reducing unemployment. Reinhold showed his oratorical skill by mixing analytical insight with humor. John Maynard Keynes had described Germany as 'a finance minister's paradise' because of the surplus budget. Reinhold suggested to the Reichstag that the current financial situation resembled the entrance to Dante's *Inferno*, not *Paradise*.¹⁵

Former Prussian Finance Minister Oskar Hergt of the DNVP opened the budget debate in the Reichstag and foreign policy was on his mind. According to Hergt, the Dawes Plan was responsible for the ills of the German economy. He agreed with Keynes that continuing reparations payments would inevitably lower real wages in Germany. Hergt signalled the continued opposition of the DNVP to the policy of fulfilling the Treaty of Versailles and other postwar agreements. Hergt was not much more conciliatory on the budget. He claimed that Schlieben had responsibly filled the budgetary horn of plenty with his austere budget measures and now Reinhold was giving those gains away. Hergt claimed that Reinhold's budget was full of gimmicks and one-time income that would only cover spending in 1926 but not in subsequent years.¹⁶

Former Reich Finance Minister Rudolf Hilferding spoke for the Social Democrats. More than tax relief was needed to dig the economy out of its deep pit. He pushed for full-scale government intervention in four areas of the economy: railroad credits, electrification, exports, and construction.¹⁷ He attacked the Nationalists for raising tariffs and consumption taxes in the 1925 tax bill. The DNVP condemned the burden of the Dawes Plan, but since beer and tobacco taxes were included in the overall

calculation of reparations, the Nationalists had only made that burden worse. He reminded the chamber once again that the Dawes legislation had passed only with the assistance of Nationalist votes and that party could not deny its responsibility.¹⁸

At the end of the first reading of the budget it was still very unclear whether the centrist Luther government would reach accommodation with the DNVP or the SPD to gain a majority. Both parties had put in strong bids to influence the process. The government had to rely on the SPD for support in foreign-policy matters, but which party would dominate domestic affairs? Some have said that the SPD was excluded from power in Germany following the passage of the Dawes Plan. If this is true, then the government should have reached out to the DNVP, cut back on some of its social spending to provide additional tax cuts to the rich and to business, and held the line on additional spending. This may have been what Luther really wanted to do, but he began to have trouble controlling his own coalition parties.

Luther's weak control was shown on 18 February when he, Reinhold, Labour Minister Heinrich Brauns, and Economics Minister Julius Curtius spoke before the Reichstag Budget Committee. The Chancellor was determined to ram the programme through in the shortest possible time. If there was less debate on the budget, the minority coalition would be more cohesive, and the opposition would have less time to organize itself. Luther asked that the Committee consider at this session not only the tax-cut program but also the plans for unemployment support and job creation. The Nationalist Georg Schultz-Bromberg balked at this rapid pace and moved that no debate on the tax-cut, unemployment, or job-creation plans take place until sufficient notice had been given. To everyone's astonishment Carl Cremer of the People's Party supported the Nationalist's motion, as did members of the Catholic Centre. Despite the pleas from Luther and Brauns on the necessity of swift action against the economic crisis, the motion was adopted by a vote of fifteen to thirteen, the Democrats, Bavarians, Social Democrats and Communists voting against.¹⁹ This vote proved that Luther would not be able to push a budget through without substantial participation by the Reichstag. Whether the government looked to the left or to the right, major concessions would have to be made. The Budget Committee did not delay the budget any great

period of time, but it had made its point. The government could no longer hold the line on spending that Reinhold had demanded. The Catholic Centre and the leftist parties successfully pressed for money to relieve cramped housing conditions in the cities and to resettle refugees from Alsace-Lorraine, Posen and Silesia.²⁰ Despite resistance from Curtius the Cabinet decided on 9 March to dedicate 700 million marks from the rent tax to build 200,000 apartments over two years.²¹ The Reichstag also passed increases in the level of unemployment support on 20 February, further burdening the budget.²²

Yet another problem developed on 25 February when some two thousand wine-growers assembled outside the Bernkastel tax office in the Trier district to object to high taxes and foreign competition. During the demonstration they sacked the tax office, burned files, and roughed up the tax officials. At a 3 March conference of party leaders with the government, the Catholic Centre and Bavarians called for an abolition of the wine tax as of 1 April.²³ Since the support of these parties was critical to any agreement, the government had little choice but to go along. The Bavarians immediately took the opportunity to complain that wine was getting a break while beer was being penalized and began lobbying for a postponement of the increase in the beer tax scheduled for 1 April.²⁴ This is a good example of civil society functioning with its occasional 'rough justice'. The classic model of corporatism attributing actions only to big business and major labour unions takes no account of wine-growers, but in this society they had made their impact felt.

Luther had been livid after the Budget Committee meeting of 18 February and, having granted the immediate demands of the parties, was determined to find a more lasting solution that would prevent or at least anticipate any future public ruptures in the coalition. The Chancery aide who had accompanied Luther to the committee meeting, Max von Stockhausen, confessed in his diary that 'party discipline was scanty'.²⁵ On 3 March Luther met with the leaders of the government parties to urge co-operation. In an attempt to tighten the coalition, Luther agreed to revive the Inter-Party Committee, which would be chaired by Catholic Centre Reichstag leader, Theodor von Guérard. The Committee leaned to the right and seemed like a prelude to another coalition with the DNVP.²⁶ Meanwhile, the full Reichstag had settled down to the second reading of the budget,

which entailed debating the budgets for specific ministries. The tax programme was included under the Finance Ministry's budget. The Reichsrat had passed the Cabinet's plan on 3 March with little change.²⁷ Opening the Reichstag debate on 8 March, Socialist Wilhelm Keil complained that the government's programme would make agriculture virtually tax-free while the wage tax was untouched. Keil cited three priorities: tax cuts must not lead to a shrinking of social policy, the balanced budget must not be endangered, and the housing construction programme should continue unhindered. Keil urged that tax reduction focus on 'family taxes' such as the wage tax or the sugar tax. Ernst Oberfohren of the DNVP blamed high taxes on the leftist parties, which had enabled the Marx government to raise taxes under the emergency tax decrees in 1923 and 1924. It had been Schlieben who began tax cuts and the DNVP's Friedrich Hammer who had worked out details of turnover tax reduction, but now Oberfohren did not consider that the proposed turnover tax cuts would make much difference to consumers. In response, Reinhold assured Keil that the housing construction programme would begin as planned and again took the opportunity to stress budget discipline. 'As long as I hold this position, I will never push party politics but always proper fiscal policy and economic goals.'²⁸

Heinrich Brüning of the Catholic Centre expressed grave doubts that anything resembling a balanced budget would result if the government gained its tax cuts while increasing export credits, agricultural credits, creating a construction programme, and issuing small improvement bonds.²⁹ The Communist Theodor Neubauer rose to offer further criticism of the government's call for an 'emergency community' (*Notgemeinschaft*). It was an alliance against the workers' community backed by 'Hermann Fischer, the representative of banking capital, Cremer, the representative of industry, and Hergt, the representative of agricultural circles.' He doubted that there was a danger of a deficit because the government had consistently underestimated virtually every source of tax revenue in 1925, and he was confident that this would again be the case. If the larger Communist spending proposals did throw the budget out of balance, the property tax could be raised to restore it.³⁰ He then offered a motion of no confidence in Reinhold that was rejected overwhelmingly, the Nationalists and *völkisch* groups abstaining.³¹ It was now clear that the

Nationalists would not be suitable partners. Once the government parties reached agreement, the final negotiations would have to be held with the Social Democrats.

Despite the resolution giving a tax break to the wine-growers, Reinhold hoped as late as 17 March that the rest of the tax package could be maintained intact. He again insisted that his amended programme was a whole approach and not divisible in testimony before the Budget Committee.³² At the cabinet meeting of 19 March Reinhold had urged a hard line against all alterations and won the meeting over to his position despite the objections of Minister for the Occupied Regions Wilhelm Marx and Agriculture Minister Heinrich Haslinde.³³ But the government parties again exerted pressure upon their representatives. The Prussian Wine Association sent a telegram to Luther warning of great unrest in the wine regions after Reinhold's statements.³⁴ The Catholic Centre joined the People's Party and Bavarians in calling for major revisions in the tax programme.³⁵

Reinhold negotiated with the government parties on 21 March and forged a compromise by promising to abolish the wine tax entirely while delaying the scheduled increase in the beer tax from 1 April 1926 to 1 January 1927. To compensate for the loss of revenue the turnover tax reduction was scaled back to 0.75 per cent.³⁶ Even as this compromise was reached in the Budget and Tax Committees, Hilferding of the SPD complained that there still was not enough social spending, especially on the unemployed who had exhausted their twenty-six weeks of support. The Nationalists also had objections. The DNVP introduced a mischievous motion in the Tax Committee to cut the rent tax in an attempt to win Socialist and Communist votes and destroy the programme. This was foiled when the Social Democrats joined the government parties in defeating the motion. The budget was still in stalemate: neither the SPD nor the DNVP was willing to give support, but the DNVP was being the more destructive.

Luther met with Socialist leaders Hermann Müller, Hilferding, and Paul Hertz on 22 March. The SPD would not support the compromise as it stood but also would not co-operate with the Nationalists, Communists, and *völkisch* groups against the government. In the Tax Committee meeting of 23 March Hertz complained that the government was allowing the special interests in Trier and Munich to determine policy. Reinhold was still estimating an income loss of about 500 million for Fiscal

Year 1926–7 and slightly less for Fiscal Year 1927–8 as he hoped to head off a flood of spending demands. The Finance Minister would only concede that he would like a little more margin of error to take care of those unemployed persons without support and that additional tax cuts could be made if the economy picked up as he expected. Brüning in particular was growing furious with Reinhold. He believed that the Finance Minister was manipulating budget numbers for political purposes, blaming the Catholic Centre publicly for sabotaging the budget with its demands, but then taking the Centre's idea of additional weeks of support for the unemployed and presenting it as his own. The Nationalists meanwhile announced that they would support individual tax cuts but did not take a position as a party on the entire package.³⁷ Tempers were growing short, the 1 April deadline was looming, and no majority existed yet.

On the evening of 25 March an agreement that could command a Reichstag majority was reached as the Tax Committee met until midnight to mark up the new legislation. The Social Democrats won a concession that the controlled rents would not reach the 1913 level until 1 April 1927, instead of 1 July 1926. The luxury, wine, and salt taxes would be completely abolished, but a special tax would be imposed on champagne. Unemployment support would be extended to thirty-nine weeks, adding some RM 200 million in costs. There were also vague promises that future cuts in the rent and sugar taxes would be considered.³⁸ The government agreed to consider extending unemployment support to fifty-two weeks if the recession continued.³⁹ The government had given in to the left.

The third reading of the 1926 budget was debated along with the tax-reduction programme on 26 March and the following day. In the final votes the Nationalist motion to cut the rent tax was rejected 98–251 with only the Economics Party and the *völkisch* groups supporting the DNVP. The Communist motion to abolish the turnover tax entirely was rejected 33–140 with the Nationalists and Social Democrats both abstaining. At nine in the evening the 1926 budget was accepted on a voice vote, and Reichstag President Paul Löbe was delighted to announce that for the first time since 1911 the Reichstag had passed the budget before the 1 April deadline.⁴⁰ Upon announcement of the vote the party leaders, beginning with the SPD's Müller, went over to the ministers' bench to congratulate Reinhold on a job well done.⁴¹

Government officials in later years sharply criticized the 1926 budget. In December 1929 Hilferding was back as Finance Minister and was being pressed hard by Reichsbank President Hjalmar Schacht for budget cuts. The socialist replied that it was impossible to get rid of the mistakes of 1925–6 in one year.⁴² Brüning remained consistently critical of Reinhold's policies.⁴³ Let us examine the balance sheets. In addition to the regular 1926 budget, Reinhold would come to the Reichstag in November to ask for a supplementary budget of slightly under RM 1,000 million. He requested RM 537 million in additional credit authority to cover part of this.⁴⁴ Reinhold thus asked for a total credit authority of RM 940 million for the fiscal year.⁴⁵ This looks very serious. But when all the revenue trickled in, only RM 411 million in authority was needed.⁴⁶ Thus the original budget was easily covered by previous years' surpluses and even the huge supplementary budget was covered by income and the long-term 'Reinhold loan' of 1927. Lutz Graf Schwerin von Krosigk, then an official in the Finance Ministry, later wrote that Reinhold had left the Schlieben reserves in place, probably an exaggeration as well.⁴⁷

Parker Gilbert, the American Agent-General for Reparations, also had no criticism of Reinhold. He was content as long as the sinking fund payments exceeded new debt and as long as Germany remained committed to fulfilling the Dawes Plan.⁴⁸ He even intervened in the government crisis of 1926–7 to try to keep Reinhold in office.⁴⁹ It was only when Reinhold's successor Heinrich Köhler expressed doubts on paying reparations and then pushed through a large salary increase for the civil service that Gilbert became critical of fiscal policy. But even in the winter of 1929 Gilbert did not feel that Germany's fiscal situation was in peril.⁵⁰

Contemporary analysts have also suggested that the level of debt restricted the availability of capital. This combined with supposed high wages and low productivity, not only led Germany into the Depression, but also restricted the choices of Brüning and Hilferding. Several matters should be noted briefly. Even before World War I, Germany had problems marketing its government bonds but could carry on.⁵¹ German debt service after the war took a far lower percentage of the economy than that of Great Britain or France.⁵² Even if one includes high German interest rates as a substitute for debt service, Germany's

payments were lower. Many historians, notably Borchardt and Carl-Ludwig Holtfrerich, have argued about productivity growth during the Weimar period.⁵³ Theodore Balderston has contributed a very nuanced sector-by-sector approach.⁵⁴ Harold James suggested that if wages exceeded productivity in the republican period, they were merely closing a gap from the pre-war era.⁵⁵

The onset of the Depression was not unique to Germany, nor was it more affected than the rest of the world at first. The post-war financial system with its gold standard and fixed exchange rates encouraged the misappropriation of capital and was too rigid to accept a gradual change. The fall in the price of farm goods harmed a still-significant sector of the world economy that employed 31 per cent of the German workforce and contributed 16 per cent to the Net National Product.⁵⁶ Growing trade protection dampened commerce and all economic activity. There was a recession at the end of 1927 in Australia and the Dutch East Indies. Germany and Brazil were hit in 1928, and Argentina, Canada and Poland all succumbed in the first half of 1929.⁵⁷ The severity of the German slump was not the result of Reinhold's fiscal policy, excessive taxes, excessive debt, or excessive wages. The mistakes that hurt Germany uniquely were committed in the 1929–32 period.

The failure to follow up the budget of 1926 must be seen as a missed opportunity. Within a year, Reinhold would be out of the government, and within two years, budget policy had returned to stifling fiscal orthodoxy. Charles Maier has suggested that the great political accomplishment of the twentieth century has been the incorporation of industrial working classes through 'trade unions, ambitious state economic agencies, and bureaucratised pressure groups.'⁵⁸ The budget of 1926 can be seen as a premature attempt at societal corporatism, defined by Philippe Schmitter as growing 'from the basis of civil society'.⁵⁹ The passage of the 1926 budget fits in well with this model. The new coalition had made considerable concessions to the SPD to gain passage and left the DNVP to abstain sullenly.⁶⁰ A broad coalition had come together just four months after the rancorous fight over Locarno. It was no accident that it was the calmest budget debate since the Social Democrats became the largest party in the Reichstag in 1912, an event that precipitated the sharply polarized conflicts inherited by Weimar. The speed of the

budget's passage was even more remarkable, given the complexity of Reinhold's programme and the deep recession of the winter of 1925–6. While the package was altered by the 'purgatories', the centrepiece remained the turnover tax cut. Labour groups and urban workers won more housing, a maintenance of rent control, and extended unemployment relief. Small businesses in wine and beer had contributed to and benefited from the process. Big business had gained major tax cuts. There had been no need for emergency decrees and the debates had been open and democratic. After fifteen years of bitter conflict and legislative deadlock, the German people, as represented in interest groups and Reichstag parties, were becoming reconciled to a social republic. However, as Maier has noted, the post-1945 paradigm was marked by a willingness to sacrifice currency stability for high employment.⁶¹ The 1926 budget was passed with the idea of satisfying both requirements. Germany was trying to adopt a new system without forsaking the old.

Notes

1. Michael Stürmer, *Koalition und Opposition in der Weimarer Republik* (Düsseldorf 1967), Fritz Blauch, *Die Wirtschaftskrise 1925/1926 und die Reichsregierung* (Kallmünz 1977), Dieter Hertz-Eichenrode, *Wirtschaftskrise und Arbeitsbeschaffen: Konjunkturpolitik 1925/26 und die Grundlagen der Krisenpolitik Brünings* (Frankfurt 1982), Gisela Upmeyer, 'Die Versuche einer "endgültigen" Regelung des Finanzausgleichs,' in Karl-Heinrich Hansmeyer, ed., *Kommunale Finanzpolitik in der Weimarer Republik* (Stuttgart 1973), 109–35.

2. Knut Borchardt, 'Constraints and room for manoeuvre in the Great Depression of the early thirties: towards a revision of the received historical picture', *Perspectives on Modern German Economic History and Policy* (Cambridge 1990), 145–8.

3. Theodore Balderston, *The German Economic Crisis, 1923–1932* (Berlin 1993), 224.

4. *Berliner Tageblatt*, 26 Mar. 1926.

5. Karl-Heinz Minuth, ed., *Akten der Reichskanzlei. Die Kabinette Luther I/II* (Boppard 1977). Document #169, 2 Oct. 1925, 638–41.

6. *Ibid.*, Document #281, 5 Feb. 1926, 1085–6.

7. *Ibid.*, Document #286, 9 Feb. 1926, 1103–12. The German budget was divided into an 'ordinary' budget, always covered by taxes, and an 'extraordinary' budget, which was supposed to be for special or temporary spending. Over the years the difference between the two had become blurred. The Empire had traditionally used loans to cover the extraordinary budget and paid the interest out of the ordinary budget. See John G. Williamson, *Karl Helfferich: Economist, Financier, Politician* (Princeton 1971), 123.

8. On 14 Sept. 1924, the turnover tax had been lowered from 2.5 per cent to 2 per cent by decree and again on 10 Nov. 1924 from 2 per cent to 1.5 per cent, Minuth, *Luther I/II*, Document #286, note #13, 1107. The tax law of August 1925 had reduced it to 1 per cent.

9. *Ibid.*, Document #292, Note #14, 1128. The Cabinet also agreed that 1) the capital-gains tax and the fusion tax would be cut in half from 2 per cent to 1 per cent; 2) the tax law of 1925 would be altered to reduce advance payments on the income and corporate taxes from five to four; 3) the property tax would be reduced to 75 per cent of the 1925 payment; 4) refunds for wage tax payments would be given out annually instead of quarterly.

10. *Verhandlungen des deutschen Reichstags*, (hereafter *VDR*), *Stenographische Berichte*, 157th Session, 10 Feb. 1926, vol. 388, 5402–4.

11. *Ibid.*, 5405–6.

12. *Ibid.*, 5407.

13. *Ibid.* and *Vorwärts*, 11 Feb. 1926.

14. Balderston, 330–331.

15. *VDR*, *Stenographische Berichte*, 157th Session, 10 Feb. 1926, vol. 388, 5410–11.

16. *Ibid.*, 158th Session, 11 Feb. 1926, vol. 388, 5417–5426.

17. *Ibid.*, 5427–35.

18. *Vorwärts*, 12 Feb. 1926.

19. *Berliner Tageblatt*, 18 Feb. 1926.

20. *VDR*, *Stenographische Berichte*, 164th Session, 18 Feb. 1926, vol. 389, 5697–99.

21. *Berliner Tageblatt*, 10 Mar. 1926.

22. *VDR*, *Stenographische Berichte*, 166th Session, 20 Feb. 1926, vol. 389. For a detailed description see C. Edmund Clingan, 'Breaking the Balance: The Debate over Emergency-Unemployment Aid in Weimar Germany, 1925–1926', *Journal of Contemporary History*, Vol. 29 (1994), 371–84.

23. Minuth, *Luther I/II*, Document #304, note #6, 3 Mar. 1926, 1179–81.

24. The Reichstag had passed an increase in the beer and tobacco taxes on 18 Feb. 1926. *VDR*, *Stenographische Berichte*, 164th Session, vol. 389, 5699–5702.

25. Bundesarchiv Koblenz (BAK) Nachclass (NL) 57 (Stockhausen), volume 36, diary entry for 18 Feb. 1926. One should note that Stockhausen had close ties to the right wing of the Catholic Centre party. He was the nephew of Theodor von Guérard and would marry the daughter of Franz von Papen in 1927.

26. Stürmer, 147 and note, 292; BAK R 43 I/1028, 107–8, 12 Mar. 1926. Most regrettably, much of the material from this file on the Committee's work seems to be missing. There are no transcripts of meetings or resolutions after the 12 March gathering, and indeed little more remains than some sketchy agendas and invitations from Guérard or Nationalist leader Count Kuno von Westarp who took over as Chair of the Committee in January 1927. The papers for most of the Committee's members have been destroyed or lost. From the agendas that I have found, the Committee seems not to have dealt with fiscal policy as much as issues such as the financial settlement with the princely houses.

27. *VDR*, *Drucksache #1992*, 3 Mar. 1926.

28. *Ibid.*, *Stenographische Berichte*, 173rd Session, 8 Mar. 1926, vol. 389, 6032–47.

29. *Ibid.*, 6052.

30. *Ibid.*, 6062.
31. *Ibid.*, 174th session, 9 Mar. 1926, vol. 389, 6088.
32. *Berliner Tageblatt*, 17 Mar. 1926.
33. Minuth, *Luther I/II*, Document #318, 19 Mar. 1926, 1215.
34. *Ibid.*, note #9.
35. *Berliner Tageblatt*, 23 Mar. 1926.
36. Minuth, *Luther I/II*, Document #321, 22 Mar. 1926, 1228. This was approved by the Catholic Center fraction by a vote of twenty-three to four, see Rudolf Morsey, ed., *Die Protokolle der Reichstagsfraktion und des Fraktionsvorstands der deutschen Zentrum Partei, 1926–1933* (Mainz 1969), Document #24, fraction meeting of 22 Mar. 1926, 22.
37. *Berliner Tageblatt*, 23 Mar. 1926.
38. *Ibid.*, 26 Mar. 1926; Hertz-Eichenrode, 107; Blauch, 139.
39. Hertz-Eichenrode, 154.
40. *VDR, Stenographische Berichte*, 188th Session, 27 Mar. 1926, vol. 389, 6857.
41. *Berliner Tageblatt*, 28 Mar. 1926.
42. Martin Vogt, ed., *Akten der Reichskanzlei. Das Kabinett Müller II* (Boppard 1970), Document #367, 4 Dec. 1929, 1212.
43. Heinrich Brüning, *Memoiren, 1918–1934* (Stuttgart, 1970), 118–19.
44. BAK R 43 I/1415, 282–6 and Günter Abramowski, *Akten der Reichskanzlei. Die Kabinette Marx III/IV* (Boppard 1988), Document #92, note #3, 18 Oct. 1926, 258.
45. *Verhandlungen des deutschen Reichsrats*. 1927. Drucksache #39. Prussian State Archives, Berlin-Dahlem, Hauptabteilung I, Rep. 90, Abt. IIIIE, 1, #2, vol. 5.
46. *Verhandlungen des deutschen Reichsrats*. 1930. Drucksache #24.
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