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****Series Intro:** (I am getting increasingly worried about the amount of warning signals that are flashing red for hyperinflation- I believe the process has already begun, as I will lay out in this paper. The first stages of hyperinflation begin slowly, and as this is an exponential process, most people will not grasp the true extent of it until it is too late.** I know I'm going to gloss over a lot of stuff going over this, sorry about this but I need to fit it all into four posts without giving everyone a 400 page treatise on macro-economics to read. Counter-DDs and opinions welcome. This is going to be a lot longer than a normal DD, but I promise the pay-off is worth it, knowing the history is key to understanding where we are today.)

This is a continuation of [Part 4.0](https://www.reddit.com/r/Superstonk/comments/png8nu/hyperinflation_is_coming_the_dollar_endgame_part/)- If you haven't already, PLEASE go back and read the prior sections before continuing.

#

I want to caveat the below by stating that I do not think a potential hyperinflation in the U.S. would look the exact same as Weimar Germany. We have had 100 years of technological and social advancement, and thus it would manifest very differently today. The 1920's German hyperinflation is a worst-case scenario, but it is vital to understand the history to analyze the similar situation which our nation faces.

Hyperinflation Begins

As 1921 dragged on, the fiscal situation continued to worsen. ****The German Government faced an impossible situation: they could either choose to hike taxes to over double their current rates (which were already high due to tax hikes authorized during wartime), which would most certainly cause a political revolution in Germany and potential default; or they could continue to print their deficits, and hope that the Allies wouldn't seize German assets or that the rising cost of living would cause food shortages and riots. They continued down the path of money printing, unaware that they were steering their country ever more rapidly into the abyss.****

In March 1921, [France occupied German ports](<https://www.businessinsider.com/weimar-the-real-story-of-the-devastating-collapse-that-haunts-the-eurozone-today-2012-10#during-the-war-the-german-government-used-extensive-propaganda-to-hide-the-inflation-from-the-population-2>), due to increasing frustration on the side of the Allies of the Germans' inability to pay. The Rhine ports of Duisburg, Ruhrort, and Dusseldorf were seized, which further reduced the ability of exporting businesses to sell their products, driving their shares down on the exchanges. The next month, another devastating blow was dealt as the Commission finalized the determination of Germany's War reparations. Adam Ferguson continues:

[(pg 36)](<https://preview.redd.it/pfugql21jvn71.png?width=776&format=png&auto=webp&s=ce6d0320415afcd9ca98226d78811c7dcede2b5e>)

With the political situation becoming more volatile, large banks and wealthy Germans began to sell their marks on the foreign exchange. At the beginning of the negotiations, this had begun as a slight trickle, as most educated Germans believed that the Treasury officials would right the ship, balance the government

budget, and be able to pull Germany out of the quagmire.

But, as the situation deteriorated through 1920 and 1921, bankers, speculators, merchantmen, and wealthy industrialists all began dumping marks on the exchanges, further driving down the value of the mark and thus increasing the import prices of foreign goods for Germans. **By July 1921, the German merchant banks began ordering foreign exchange traders to sell all holdings of paper marks- at any price that was bid.**

Soon, the general public joined in. Anyone with any excess wealth held in marks took them to the exchanges to sell and convert to more stable currencies, further adding to the dumping of marks on the exchange and crushing its value in foreign exchange markets. Capital had begun fleeing the country en masse.

Meanwhile, inflation continued to soar. As the Treasury continued to spend, it found that the prices it was paying for goods and services (worker pay, food, oil, coal, steel, etc) kept rising, which in turn increased the amount of money the Treasury itself needed to spend just to keep the government running.

This increased demand for new currency fell on the Reichsbank, who readily printed it into existence and handed it to the Treasury- thus representing ANOTHER devastating feedback loop that would lead to an exponentially increasing money supply.

[(pg 46)](<https://preview.redd.it/gjz452dyivn71.png?width=780&format=png&auto=webp&s=ba20eecf3614d8a820fa5d014a1c7bcaad20d3da>)

Furthermore, as seen above, the Tax system could not keep up. The bankers and the wealthy industrialists had already moved the bulk of their wealth overseas or into foreign currencies, and the middle class, squeezed by the ravages of inflation, had no patience for any increase in taxation.

Like most industrialized nations, the government collected most taxes on a yearly basis, but with inflation growing past 100% by the winter of 1921, the annual taxes were basically a moot point. If the government charged an individual with a 100 mark tax liability, and he paid it a year later, it would only be worth approximately 16 marks or so- and the longer he deferred it, the less he would have to pay (in real terms).

Other sources of government revenue, such as railway fares, patent fees, coal taxes, and import duties, were fixed at low pre-war levels. The large and complex German bureaucracy made changing these fees extremely difficult, and even when they could adjust these fees, they could never raise them fast enough or often enough to keep up with inflation.

When the government needed taxes the most, the population began a mass program of tax evasion, due to both anger at the current incompetence of the Weimar government and the rapidly rising inflation.

****Thus, the government had no response but to continue to increase their request for printed notes from the Reichsbank, as all other sources of financing (taxation and borrowing) were slowly being cut off.****

[(Hyperinflationary Positive Feedback Loop\)](<https://preview.redd.it/b8310dw8jvn71.png?width=591&format=png&auto=webp&s=c7af063ca7ad75da2a72bd661e6120644e706086>)

****European bankers soberly concluded that it was impossible for Germany to continue to pay her payments to the Entente, and sooner or later she would have to declare herself bankrupt.**** The state of the mark on the foreign exchanges continued to deteriorate. It had somewhat stabilized in mid-August at 310 to the pound, but had sped downwards to over 400 by mid-September, and was still going down. (pg 45).

****By October 1921, the state of the budget was sombre. In terms of paper marks, the sum of the governments' ordinary expenditure plus the reparation payments to the Allies was more than 191 Billion Marks. The revenue from the previous budget and new taxation proposals of July would only amount to 152 Billion Marks. (pg 49, paraphrased).****

In November, a buying frenzy had begun. Seeing the steady decline of the mark, throngs of people rushed to stores to buy out their stocks. Cash accounts were emptied at the banks, and safety deposit boxes were stripped of all contents except gold and silver as prices began to skyrocket in terms of paper marks. Store shelves were stripped bare, and black markets of food and manufactured goods quickly developed. British Embassy Councillor Addison observed the scene:

[(pg 57\).](<https://preview.redd.it/3mlgo77gjvn71.png?width=779&format=png&auto=webp&s=00000cab201283b0675f05e355c76d829bba382>)

That same month, mass strikes began across the country. In Berlin for instance, Addison reported that he had to work in his office in semi-darkness due to a strike of municipal electrical workers.

This strike was only broken by a promise of wage increases all around, involving an extra expenditure of \$400 million marks, pushing the State budget even further underwater. He commented "the impossibility of the working classes to obtain even obvious necessities except at exorbitant prices, coupled with severe winter setting in, might lead to serious trouble." (pg 58).

The mark, already in serious trouble, dropped to over 1,300 to the pound in late November. Food riots began taking place in Berlin.

[(Lines of Shoppers outside Grocer, 1922\)](<https://preview.redd.it/4r9vz8xjjvn71.png?width=682&format=png&auto=webp&s=73675d36f334a96e284e7dbcbffbf5773fdc8f8a>)

With essential goods shortages becoming more and more frequent, people began lining up in queues hours before stores opened. Those who had the means hoarded dozens of pounds of food, saving much of it for their families and selling any extra on the black markets for exorbitant profits, as black market

prices were often 30% higher than in-store.

To the anger of the beleaguered Germans, foreigners of all stripes began to pour in and purchase everything off the shelves. French citizens poured in by the thousands, as even the common working man could now afford items in the high-end boutique stores, due to the favorable exchange rates.

Europeans from all around wine and dined in the most exclusive restaurants, buying out all the finest entrees and cakes. Workers could only helplessly watch from the windows as the citizens of the victorious nations now rushed in to engorge themselves on cheap German goods.

The first few months of 1922 offered no reprieve. Food prices continued to soar, and theft in stores became commonplace. By the end of March, the prices had soared another 50% compared to the previous December.

Gambling on the stock exchanges became rampant. As capital continued to lose value daily, the opening of the stock exchanges became a national pastime, with hundreds of thousands of Germans, from bellboys to cab drivers, dumping any extra funds into the exchanges in some hope of keeping up with the rapid inflation.

The favorites were firms of heavy industry, of steel, coal, or iron, as well as agricultural production or clothing manufacturers- really anything that dealt in real goods. The clearing houses were days behind in settling trades as the volumes were soaring to levels never seen before.

By July 1922, Mr. Seeds, the Consul-General in Munich, wrote to say that his chauffeurs' weekly expenditure on food alone was now more than 550% more than a year ago. Rarer items, like butter and marmalade, could not be had for less than 8 times their price the previous year, and could only be found on the black markets, which were outlawed by the Congress.

The foreigners who had bought up entire stores full of goods now set their sights on German real estate. Prices for land were soaring in terms of marks, but even they could not keep up with the rapidly rising exchange rate- this meant that in terms of foreign currency, the price of homes was actually falling. Wealthy French, Italian, British, and Japanese businessmen began buying up swaths of real estate for literal pennies on the dollar.

****The wealthy took advantage of the rapid collapse by taking out massive loans to buy assets, as the real value of the debt collapsed due to the rampant inflation. Hugo Stinnes, an industrialist and multi-millionaire, became infamous nationwide, as he built a manufacturing empire which held one-sixth of the country's total industrial production.****

****He saw his debt payments for his factories inflated away as the Reichsbank's printing presses continued to churn out marks in ever increasing quantities during 1922.**** He justified inflation as a means of guaranteeing full employment- It was, he maintained, the only way whereby "the life of the people could be sustained" (pg 74).

Lord D'Abernon, British Councillor to the Ambassador in Berlin, wrote in his entry for July 10, 1922:

"The whole sky is overcast and gloomy. The fall of the mark continues- today it is at 2,430, or about half the price of a month ago. Prices are rising, and will soon be double the level of June 1, wages and salaries must be adjusted. Adjusted to what?" (pg 81).

In the four weeks of July the index of wholesale prices had risen from 9,000 to 14,000, another monthly rise of over 50%. The Frankfurter Zeitung recorded that wholesale price of goods had gone up by 139 times since before the war; of leather and textiles by 219 times. An egg which had once cost 4 pfennigs now cost 7.20 marks, a 180-fold increase. A bank clerk's annual salary, would therefore only keep his family alive for about a month.

[(pg 85)].](<https://preview.redd.it/i8swmql1kvn71.png?width=784&format;=png&auto;=webp&s;=54321e66c68083a271b75c81642f4ee72754ceb8>)

The excessive rise in the cost of living put more and more pressure on employers. **Government officials were granted a 38% salary increase on August 1, and workers an additional 12 marks an hour- a further burden of 125 Billion marks on the State budget.** There were no plans to meet this besides a 50% increase in railway fares and another increase in postal rates, which only provided a fraction of the needed revenue.

To say that the inflation was ravaging the middle classes was an understatement. The German Ministry of Education came out in early 1922 stating that they found the average school child two years behind in development, both physically and intellectually, due to the lack of available bread and milk, as well as the children being pulled out of school to work to provide for their families.

In wealthy neighborhoods, lower- class mothers were seen searching the garbage bins for discarded food, in hopes of finding their children something to eat. The fate of the elderly, was far worse however. Their fixed pensions and savings held in government bonds had been inflated away, so much so that some could not even afford a single apple. With no salary, they had no way of keeping up with the skyrocketing costs of living. Many began to starve and beg in the streets. ([pg 87](<https://imgur.com/gallery/Eew6vSN>))

Meanwhile, the politicians continued to deny that the printing press was the cause of their woes. Dr. Rathenau, the Minister of Reconstruction, began to claim that a *rise* in the value of the mark should immediately worry the populace, as any strengthening of the mark against other currencies likely would cause increased bankruptcies across all major industries as debts become comparatively more expensive to pay. The Chancellor echoed this note:

[(pg 89- milliards means billions)](<https://preview.redd.it/8rwy9f3bkvn71.png?width=823&format;=png&auto;=webp&s;=988c76a19719ba9102b2c85be75577979ecd2805>)

It was no surprise that with real wages plummeting, bribery and corruption became rampant. Workers at the patent offices would demand large cash bribes, sometimes of 1,000 marks or more, to file patents, and government officials of all types began adding exorbitant fees which they personally collected instead of sending to the State coffers.

The only people living with any comfort were those living off the country- farmers, ranchers, and the like had the readiest access to real values, and their products, primarily food, continued to rise in price, increasing their profits. Any land debts they owed were evaporating before their eyes- a mortgage of 7 years' standing had been 399/400ths paid off by inflation alone. **The end of August 1922 marked another grisly milestone, as the mark plunged past 9,000 to the pound- more than 3 times its level just two months prior (108).**

Those who owned land, houses, manufactured goods, precious metals, and raw materials were the only ones whose wealth remained intact. For all others, the mark's plunge by this time had destroyed virtually all of their wealth.

On September 9 1922 the financial authorities announced that in the previous ten days 23 billion marks had been printed and distributed, representing 10% of the total circulation of paper in the country. The newspapers recorded, "***The daily production of the Federal printing press has now risen to 2.6 Billion paper marks. In the course of this month it will be increased to 4 billion paper marks per day, at which figure it is hoped the shortage of money will definitely be overcome***" (pg 111).

[German CPI](https://preview.redd.it/im9x03ejkvn71.jpg?width=780&format=jpg&auto=webp&s=8fd8eeef62504185a738ad419e8307f6cb896059)

In October 1922, the situation continued to worsen. The mark seemed to enter a state of free fall, falling from 9,000 to 13,000 in a matter of weeks. September's 26-mark litre of milk became October's 50 mark litre. Butter at 50 marks a pound in April could only be had now for 480. The price of a single egg had also doubled, to 14 marks. At the end of October, the mark had slid again, to over 18,000 to the Pound.

The disparity between the rise of the cost of living and the rise in wages had now become very marked. Whereas the former had gone up by about 1,500 times, the wages of the miner- the best paid worker in Germany- had gone up by barely 200 times. With the mark in Mid-November at 27,000 to the pound, and prices following course, even the highest paid workers were unable to purchase the barest necessities of life. The others- especially those on fixed incomes, suffered accordingly (113-114).

[(117)- Money Velocity Increasing](https://preview.redd.it/upx21a7wkvn71.png?width=805&format=png&auto=webp&s=6b8ecfdcf68c31752c74c3b43bf7ef76321210f6)

Social and political unrest continued. Hatred of all foreigners, but especially Jews, became widespread, as the popular explanation was that the Allies and the Jews were collaborating together to manipulate the exchanges and drive the mark ever downwards. The newspapers, goaded on by government officials anxious to drive the public anger away from themselves, propagated and supported these theories.

In the third week of November, there were serious collisions between police and crowds of angry workers across Germany after they demanded a 100% wage increase and threatened to strike. In Dresden there was a fierce outbreak against the cost of living, with provision shops looted and damage estimated at 100 million marks. This was followed by a noisy display of xenophobia in front of the hotels which housed the foreigners- whose presence in the country was commonly supposed to be the cause of the rise in prices. Food riots followed in Braunschweig and in Berlin.

Mr. Seeds' chauffeur still instinctively regarded the mark as being as good as gold, failing to realize how desperately sick it had become. His records in December reported that milk which had cost him 78 marks a litre in the first week of November cost him 202 marks a month later. Butter had risen from 800 to 2,000 marks a lb, sugar from 90 a lb to 220, eggs from 22 each to 30. Meat of any kind was practically unavailable, as sausage skyrocketed to 1,400 marks per lb.

1923- The Year of the Wheelbarrow

Even more monetary chaos was yet to come. The French, Belgian, and Italian members of the Reparation Commission, with Britain dissenting, decided on January 9th, 1923, that Germany had been in voluntary default on her coal and timber deliveries under the peace treaty.

There was then no legal way from preventing Poincare (French Commissioner) from carrying out his threats of invasion. On January 11th, French and Belgium forces crossed the border and seized the Ruhr "for the purposes of securing deliveries", beginning a formal occupation of the valley. The French Prime Minister warned that sanctions and "coercive measures" would be used if necessary.

[(French soldiers entering The Ruhr)](<https://preview.redd.it/glcc6yw2lvn71.png?width=683&format;=png&auto;=webp&s;=eb5dc598a2e5676a3ad31fc982870ea869f60cb8>)

The Ruhr Valley represented the beating industrial heart of Germany, and accounted for the vast majority of her manufacturing power. The populace there, many of which were war veterans with undying patriotism for the fatherland, began a mass campaign of passive resistance, called "Ruhrkampf". Hardly anyone worked; hardly anything ran. Coal mining was halted. The population there - 2 million workers, 6 million souls- had to be supported by the rest of the country.

The German economy was now called upon to subsidize an open-ended strike, and denied the most important domestic products and raw materials- coal, iron, and steel- and was also robbed of its substantial earnings from the Rhine-Ruhr exports. The Exchequer (Treasury) was itself deprived of all the normal tax revenue from a huge portion of the nations' industry, as well as the coal tax and railway fares. All railway lines within and out of the Ruhr were shut down, as workers refused to operate them, and in some cases, blew the tracks up (122).

[(127)].](<https://preview.redd.it/5z6t4jlblvn71.png?width=798&format;=png&auto;=webp&s;=dc25a98f6ca800e6317fde26046d3c10a412f85f>)

****The significance of the loss of the Ruhr cannot be understated. With her industries no longer producing, and millions out of work, refugees from the Ruhr flooded into the rest of Germany. Goods shortages became even more severe as thousands of farms and factories in the Ruhr were left unattended. Fewer goods being produced meant that prices had to rise even more to account for the shortages.****

Hemingway, visiting from France, recorded in March 1923 for the Toronto Daily Star that champagne cost 38,000 marks a bottle, and lunch 3,500 marks.

In March, April, and May of 1923 the government's income was less than a third of its expenditure. The state of the budget continued to worsen. The Reichsbank, printing out trillions of marks a day, began to run out of ink.

****The officials resolved, therefore, to only print the markings on one side of the bill to save ink. They then ordered periodicals and newspapers to cut down issuance so that their ink and paper could be appropriated for use by the printing presses. Between May 1st and May 31st the mark fell from 220,000 to 320,000 to the pound. The 1st of June was celebrated with the issuance of the first five-million mark note (pg 137).****

Petty crime, the crime of desperation, was flourishing. Pilfering had of course been rife since the war, but now it began to occur on a larger, commercial scale. Metal plaques on national monuments were removed. The lead was beginning to disappear overnight from roofs. Petrol was siphoned from tanks of motor cars.

Barter was already a usual form of exchange, but now commodities such as brass and fuel were becoming the currency of ordinary purchase and payment. A cinema seat cost a lump of coal. Shirts were priced in potatoes. "The Middle Ages have come back," a German remarked. (139).

[(Wheelbarrows of Cash)](<https://preview.redd.it/asvlkkuflvn71.png?width=682&format;=png&auto;=webp&s;=2a1bd0dda3dfcce36ff4ed6c54a536e79ce892c8>)

There were stories of shoppers who found that thieves had stolen the baskets and suitcases in which they carried their money- leaving the money itself lying on the ground. Workers who had collected paychecks

monthly just a few years before, now demanded daily payment- and they brought wheelbarrows with which to pick up their cash.

[(pg 142- A Milliard here means a Billion\)](<https://preview.redd.it/7238snbtln71.png?width=845&format;=png&auto;=webp&s;=fba25bcbe5898c640f58192870c2e2694fd16d71>)

Prices for everything exploded exponentially higher. The announcement of the exchange rates via the radio became commonplace in shops, as shopkeepers wanted to be updated every minute. Shoppers who walked in to buy cheese, for instance, found that the cost had risen from 6,000 marks to 8,000 marks per pound by the time they left the store.

Tradesmen could not know how to establish prices, and often simply shut up shop. Cafes began requiring down payments on coffee as the price would double in an hour, and the owners wanted to be sure the customers could pay.

The sickening truth that was beginning to set in was that as prices rose, the demand for money itself rose. With nearly all food prices upwards of 10,000 marks per pound, the country needed billions of marks per day of new notes to satisfy these prices. They were stuck in a vicious cycle that seemed to drive them ever further into the depths of monetary destruction.

****During the last days of June 1923, the mark sank from 600,000 to 800,000 to the pound, as the Reichsbank, desperate for foreign currency, was printing marks wholesale and selling them in order to purchase other currencies on the exchange. A month later, the mark would trade at 5,000,000 to the pound.****

Companies began to pay workers in shoes, or leather, or anything else they could get their hands on. Many businesses began to refuse accepting marks altogether- unless they had ready means of getting rid of them immediately. The Reichsbank, running out of paper, requested all forms of paper be turned in for use by the presses.

[Ratio of Paper Marks to Gold Marks](<https://preview.redd.it/g9pengv1mvn71.png?width=800&format;=png&auto;=webp&s;=020bfc5bdbfee9ac9647b64721c7b7c742aa430b>)

Pay raises became daily occurrences. Those firms and cities that did not comply faced mass rioting and looting of their businesses. The demand for money continued to exponentially increase, with one company in Coblenz reporting that it needed \$300 Billion marks in cash on Monday in order to stave off riots from the union workers.

The Reichsbank in early August promised to print locally a trillion marks per day- 2,500 times that which had been printed daily 8 months before. Again the government ordered price increases of 400% for railway fares, and 140,000% increases for income and corporation taxes. A few days later it was proposed to be 600,000% increase. Even if the taxes worked, it would not have reduced the budget imbalance by half (pg 165).

On August 17, Dr. Havenstein, President of the Reichsbank, stated with pride "Today we issue 20 Trillion marks of new money daily... In the next week, the bank will have increased this to 46 Trillion daily. The total money supply at present amounts to \$63 Trillion- thus we will be able to issue, in a few days, 66% of the total prior circulation. Before he spoke the mark was trading at 12.5 million to the pound, within 48 hours it collapsed to 22 million to the pound.

The state of the people was desperate. ****Farmers, seeing the monetary chaos unleashed by the Reichsbank, withheld their produce and meat from the cities. Bakers hoarded their bread, as each passing day they waited to sell, the prices climbed even more.****

****This created the perverse scenario where farms were filled with food, and barns bursting with produce- but nothing at all to eat in the cities, where mass starvation began.**** Looting of grocery markets became commonplace, so they shut down. Tens of thousands began dying of starvation. A general state of famine was unfolding across Germany- as recorded by a British businessman:

[(pg 199\)](<https://preview.redd.it/bvd1y8ocmvn71.png?width=758&format;=png&auto;=webp&s;=8113f2d882d77d43492b3852e6e324bdaa0765e4>)

The Nazi party, unknown to most before 1922, exploded in popularity. On September 2, 1923, 100,000 demonstrators gathered for a rally at Nuremberg, where Hitler stood and launched a virulent attack upon the government, which was about to surrender Germany's honour to France. Within a week, sometimes speaking 5 or 6 times a day, Hitler was calling for the installation of a national dictatorship.

The government, hungry for anything that still held value, ordered soldiers to raid cafes in Berlin, forcing customers at gunpoint to hand over all foreign currencies. The soldiers only collected a few thousand dollars worth of money, but the exercise demonstrated not only the futility of the policy, but the desperation of an advanced industrial nation which was unable to find bidders in a foreign market for their marks.

****British Councillor to the Ambassador, Addison, recorded on September 9th, 1923 that the mark had collapsed from 300 million to the pound to 500 million just in the last 24 hours.**** In an act of desperation, everyone, Ministers and the Chancellor included, were hoarding all the food they could, and refused to pay taxes. The only impediment to the distribution of food was the lack of negotiable currency to pay for it.

By late September, the Reichsbank was printing 3.2 Quadrillion marks per week, an astounding amount which only purchased a measly 5.2 million Pounds. Calculating prices became near impossible, as the dizzying numbers were hard to contemplate.

[(The cash needed to buy a single loaf of bread, Oct 1923\)](<https://preview.redd.it/tmpe58bfmvn71.png?width=681&format;=png&auto;=webp&s;=175785e0829d266d3a0807bc11cb6f7813f6ff3c>)

The Government's control of the political, let alone financial situation, was near the breaking point. On September 26th, Stresemann, the Minister of Foreign Affairs, suspended the Weimar Constitution, declared a State of Emergency, and gave executive powers to Herr Gessler, the Defense Minister. The transfer was a formality- Effectively, from then on, for five months, General von Seeckt, Commander in Chief of the Reichswehr (Weimar Army), was the supreme executive power in the land. There were whispers of a military coup in the streets.

****On October 15, the marks' rate against the pound passed 18 billion. Six days later, it was at 80 billion. At the end of the month, the total M1 money supply (bills in circulation) amounted to 2,496,822,909,038,000,000- or 2.49 Quintillion marks. The mark traded Oct 31st at 310 Billion to the pound.****

As November started, a new man, Dr. Schacht was appointed as Commissioner of the Currency. The state of the National Budget was appalling. In the previous 10 days, Federal spending had exceeded revenue by 1,000 times. The financial statements of the State included on every page a reminder that all figures were in Quadrillions.

****The cost of living index, taking 1914 as 1, had risen from September's average of 15 million, to 3.6 billion in October, and reached 218 Billion on November 12, 1923.****

Dr. Schacht ordered the immediate halt of the printing press on November 15. Havenstein, the President of the Reichsbank, was furious. Schacht recorded that all the unissued paper marks then in the hands of the Reichsbank, would have filled 300 ten-ton railway wagons.

****The mark, already in freefall, had too much downward momentum, and thus continued its parabolic decline. 12 Trillion to the Pound on November 15- then 18 Trillion to the Pound just 5 days later.****

Schacht announced the creation of a new currency- the Rentenmark, which was to be backed by land.

[(pg 206\)](<https://preview.redd.it/4evlmecmmvn71.png?width=823&format=png&auto=webp&s=bedeb584615fe50e1104bbcbfd2f6972ab5b298>)

By November 30, 500 million Rentenmarks went into circulation. This finally did the trick- as there was a fixed issuance of notes, and they had been backed by a scarce commodity like land, the people, exhausted from the chaos of the months before, readily switched to the Rentenmark. Prices stabilized, exchange rates normalized, and food started flowing back into the city markets. The new money was accepted, despite the fact that it was an inconvertible paper currency. It was held and not spent as rapidly.

****The exchange rate from the paper mark to the old gold marks was 1,000,000,000,000 to 1- one Trillion old marks for each gold mark. The previous exchange rate before the war had been 4:1. The total old paper mark note circulation (M1 Money Supply) had ended November at 400 Quintillion.****

By December, the food shortages had completely resolved, and the political situation stabilized somewhat. The Weimar Republic would exist for another decade, until 1933, when the Nazi Party, led by Hitler, took over the government and permanently suspended the constitution.

Smooth Brain Summary:

Germany entered WW1 due to a complex web of alliances that dragged it into conflict via Austria Hungary declaring war on Serbia in 1914.

Millions of men died, and enormous amounts of infrastructure were destroyed. The German state loaded itself up with debts to pay for the war, and spending continued to increase after the War, setting the nation up for a monetary disaster.

As no financing options were available, the State decided to allow the Reichsbank to print the State deficits, so that they could come up with the money needed to pay reparations payments and keep government services functioning.

Inflation began soaring in 1921, and devastating feedback loops came into effect. German banks began dumping marks on the exchange, and capital began fleeing the country. Social confidence in the mark deteriorated, and money velocity started to accelerate. Inflation reached into the thousands of percent.

Furious that they were being paid in ever more worthless paper marks, the French occupied the German Ruhr river valley in early 1923. This was the last straw, as the Ruhr was the industrial heartland. Goods became even more scarce, and prices raced upwards.

In mid-1923, the mark, already in a hyperinflation, began to go parabolic. Food shortages became common, and riots and political turmoil followed. Radical elements, like Hitler, grew in popularity.

Things were finally stabilized in late November 1923 with a monetary reset- a new currency was introduced, one that was backed by land, and monetary velocity + inflation finally began to fall, prices stabilized. The seeds were sown for the Nazis' ascent to power a decade later.

Epilogue:

We've covered in depth the rapid collapse of the mark and Germany's descent into the abyss of hyperinflation. The next sections will focus on the United States in the present day, and the dilemma the Fed faces- how to deal with the insurmountable debt levels now permeating the entire American economy and Federal Gov't- and their ultimate dilemma; whether to destroy the Treasury (by raising rates) or destroy the Dollar (by printing it to oblivion).

As we continue through this series, I want you to reflect on the factors present in Weimar Germany in 1919 before the collapse, compared to the modern U.S. Of course Weimar is not a perfect analogue to the US, we are 100 years more advanced technologically, more socially progressive, and not under threat of military invasion. That being said, there are important similarities.

Factors:

- * **Massive, unpayable government debt**
- * **Rapidly increasing Federal deficit spending**
- * Tax evasion, especially by the wealthy
- * Recently lost a costly war
- * **Exponentially growing money supply**
- * Inflationary Feedback Loops
- * **Rising Inflation**
- * Increasing political polarization
- * **Social and moral decay of the upper classes; decline of institutions**
- * **Increasing wealth inequality; Mass amounts of homeless veterans**
- * Increasing xenophobia
- * End of debt cycle + mass bankruptcies of companies
- * **Political turmoil, riots against the establishment**
- * Profiteering by wealthy industrialists to buy up huge swaths of real estate
- * Banks using backchannels to move capital out of the country
- * **Massive loss of industrial manufacturing** (In Germany, due to War/Occupation- in the US, due to China)
- * **Shortages of goods**
- * **Evaporation of the Middle Classes**
- * **Rapidly rising home + asset prices**
- * Gambling on the stock exchanges (WSB in general, except GME)
- * Rampant corruption and greed in government offices
- * Central banks buying massive amounts of government debt
- * Politicians' continual denial of the worsening inflation

BUY, HODL, BUCKLE UP.

>>>>>> TO BE CONTINUED >>>>>> PART 4.2 "AT WORLD'S END"

** (Adding this to clear up FUD- My argument is for hyperinflation to begin in a few years- this is a years-

long PROCESS, and will take a long time to play out. It won't happen tomorrow, but we are in the same situation as Germany after WW1. BUY AND HOLD.**

Nothing on this Post constitutes investment advice, performance data or any recommendation that any security, portfolio of securities, investment product, transaction or investment strategy is suitable for any specific person. From reading my Post I cannot assess anything about your personal circumstances, your finances, or your goals and objectives, all of which are unique to you, so any opinions or information contained on this Post are just that – an opinion or information. Please consult a financial professional if you seek advice.

*If you would like to learn more, check out my recommended reading list [here](<https://docs.google.com/document/d/1nSw9odLoExaq0oEBqIHrCK1Xj5KfyjBkGQZ93LTh34g/edit?usp=sharing>). This is a dummy google account, so feel free to share with friends- none of my personal information is attached. You can also check out a Google docs version of my[Endgame Series here](<https://docs.google.com/document/d/1552Gu7F2cJV5Bgw93ZGgCONXeenPdjkBbhbUs6shg6s/edit?usp=sharing>). If you want a PDF version, [u/zedinstead](<https://www.reddit.com/u/zedinstead/>) made copies of Parts 1,2, and 3 in his Superstonk DD library [here](https://www.reddit.com/r/Superstonk/comments/p7fx8w/the_superstonk_library_of_dd_art_books_and/).