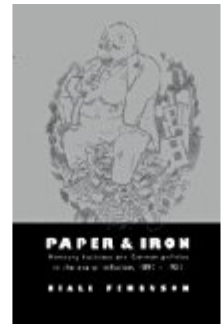
Niall Ferguson. *Paper & Iron: Hamburg Business and German Politics in the Era of Inflation, 1897-1927.* Cambridge and New York: Cambridge University Press, 1995. xiv + 539 pp. $69.95, cloth, ISBN 978-0-521-47016-2.



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Niall Ferguson, a young Oxford historian, has produced a close examination of the German inflation and its impact on the city of Hamburg from the 1890s through the 1920s. In an epilogue he extends his analysis of inflation issues into the National Socialist era and ends with a brief discussion of a second German hyperinflation from 1944 to 1947. Two central arguments run through the study. First, the phenomenon of inflation extended far beyond the usual boundaries of 1914 to 1924 that most historians have identified. Second, in contrast to much recent literature, the negative costs of inflation far outweighed any positive benefits for industry and economy in recovering from the war and ameliorating reparations. Ferguson sides clearly with those scholars who see the inflation as the decisive trauma of the Weimar era. He asserts, "It was inflation which led from Wilhelmine grandeur to Weimar collapse" (408).

To develop his argument, Ferguson structures the book around eight chronological chapters, each of which examines a major phase of German and Hamburg inflation history. The first chapter outlines the dynamism of Hamburg business in the "Golden Years" of economic growth and prosperity from 1890 to 1914, stressing the growing demand for credit and capital. Three chapters study the impact of the war and growing inflation, the revolution of 1918-1919, and the Versailles settlement. Ferguson devotes his fifth chapter to the possibility of a "relative stabilization" in 1920, suggesting that the inflation was not inevitable and other policies were possible. Chapters six and seven discuss reparations and the failure of the policy of fulfillment and the hyperinflation, including Cuno's policy of passive resistance to the Ruhr occupation and the failure of "politics by businessmen" (380, 406-7). Chapter eight assesses the legacy of the inflation in the years after stabilization, a "legacy of profound economic, social and political disruption that continued to burden the Reich long after the last paper Mark had vanished from circulation" (407).

The reason that Ferguson takes such a long perspective on the German inflation stems from his assessment of its causes. He elaborates these in a thorough analysis of the historiography of the inflation in his introduction. Historians, says Ferguson, have essentially followed two interpretations of the inflation. The first was offered in the 1930s by the Italian economist Constantino Bresciani-Turroni, who blamed poor monetary and fiscal policy and argued that the inflation had predominantly negative consequences. Recent scholar- ship, however, has followed the lead of two Keynsian Scandinavian analysts of the 1960s, Karsten Laursen and Jorgen Pedersen, who identify positive aspects of inflation such as full employment and higher real wages and consumption than previously thought, especially for the unskilled (3-17). Ferguson strongly argues that the assumed benefits were illusory and he repudiates the trend of recent scholarship. "In a sense (the book) therefore represents a return to Bresciani" (19).

Ferguson's most important argument concerns the origins of the misguided monetary and fiscal policies that the Weimar Republic followed. He agrees with recent historians such as Gerald D. Feldman and Knut Borchardt that inflationary monetary and fiscal policies were political strategies. His study, however, poses the question why economic interest groups in Germany were so easily able to manipulate such policies, hoping to circumvent reparations and avoid political revolution after World War I. He finds the answer in the weak economic and monetary institutions set in place in Bismarck's Reich. From the 1890s forward these weak institutions contributed to a thirty-year inflationary era lasting through the war and into the later 1920s. The central *Reichsbank* of the Wilhelmine era had relatively little power compared to the large private discount banks to dictate monetary reserves or control the supply of money in the German economy. Furthermore, the limited tax authority of the three public entities -- Reich, *Laender*, and Communes - could not keep pace with public expenditures, which therefore had to be financed by inflationary public borrowing (24-26, 86-89). The frail structure of the new Reich's monetary and fiscal institutions compared to powerful regional and industrial sectors created a set of conditions that made an inflationary trend in German economy almost certain from the outset.

Ironically, it was the Nazi regime that reformed and stabilized the weaknesses of the German political economy inherited from the Wilhelmine and Weimar eras. The Nazis, Ferguson argues, checked the autonomy of economic interest groups such as large firms and organized labor (by destroying oppositional trade unions), and increased the state's share in overall investment, thereby creating a "decisive shift in the economic balance of power" from the private sector to the Reich. The regime also imposed more stringent price controls and brought Germany's balance of payments under tighter reign by pursuing economic and industrial autarky. The result was that between 1933 and 1939 the cost-of-living index rose only 7%, while the economy experienced an annual wholesale price inflation of only 1.2% (463-467).

Ferguson's book is a solid piece of scholarship with an important argument. The perspective from Hamburg is also refreshing. With important international commercial and financial connections, Hamburg offers a different window on the inflation from the traditional heavy industry and manufacturing sectors so often studied. As Ferguson points out, Hamburg's bankers and businessmen also played key roles in negotiating the terms of the peace and setting reparations policy in the years after the war. Wilhelm Cuno, the inflation Chancellor, was in fact the Director of a Hamburg shipping line.

Not surprisingly, the book's main strength is also its weakness. While concentrating so strongly on the impact of the inflation, Ferguson diminishes almost all other factors that might have contributed to Weimar's troubles and facilitated the rise of the Nazi Party. Repudiating the assertions of German *Sonderweg* proponents, Ferguson nonetheless makes a determined argument that the origins of Weimar's collapse and the triumph of the Third Reich grew out of the fundamental weaknesses of Wilhelmine Germany. In that sense, he belongs squarely among the continuity theorists of German history.