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Hyperinflation and The Destruction of Human Personality

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Abstract:
The unorthodox monetary policies currently being pursued by the Fed and other central banks raise the distinct possibility of a future hyperinflation. This is not just alarmist fantasizing, because the implicit aim of these policies is to create inflationary expectations in order to induce households and businesses to increase their spending. What has not been considered by mainstream macroeconomists and policymakers who support such policies is that the unhinging of the public's expectations concerning the future value of the monetary unit is the defining feature of the dynamics of hyperinflation. It thus appears to be an opportune time to revisit the effects of hyperinflation. The purely economic destruction wrought by historical episodes of hyperinflation has been adequately dealt with by economists. The disastrous social consequences of hyperinflation have been well documented in the narratives of sociologists, historians, and journalists. It is the aim of this paper to bring an economic perspective to bear on the destructive effects on individual human personality that are caused by the breakdown of monetary calculation that results from hyperinflation. Using the classic case of the German hyperinflation, the deformation of human personality is characterized and its implications for a radical transformation of the relationship between the individual and the State are drawn out.

Keywords: hyperinflation, monetary calculation, private property, National Socialism.

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1. Introduction

More than four years after the Great Recession was declared to have officially ended, the U.S. economy is still stagnating with slow growth and high unemployment. In response, the Fed continues to resort to "unorthodox" monetary policies, such as targeting a zero interest rate and massively expanding the Fed's balance sheet through a program of long- and short-term bond purchases (quantitative easing). Although these policies have thus far not worked, the Fed has indicated that they will be continued indefinitely until the unemployment rate has fallen to the desired level [1]. With the EU economies also mired in recession, Mario Draghi, President of the European Central Bank, has openly discussed setting the ECB's "deposit rate", *below* zero, which means that banks would have to pay for funds on deposit at the central bank [13].

The stated aim of the unorthodox monetary policies adopted by the Fed is to stimulate more consumption and investment on the part of households and businesses through traditional channels.

Thus it was hoped that super-low interest rates would jump start investment spending, while re-inflation of asset prices on housing and financial markets stimulated consumption spending by pumping up household net worth. Yet, despite the abysmal failure of these policies to revive the stagnant U.S economy, the Fed has vowed to continue them indefinitely, and possibly to ratchet them up, e.g., by driving interest rates into negative territory.[1] But if these traditional channels of monetary stimulus remain stopped up the Fed has one more weapon at its disposal which it would resort to and which would be facilitated by the unorthodox policies that it is already using. This is the deliberate promotion of expectations of rapid inflation among the public, igniting panic spending by households and businesses eager to rid themselves of the depreciating dollar. Such spending would expand aggregate demand and presumably lead to a revival of real economic activity.

In thus targeting inflationary expectations, the Fed would be pursuing a monetary policy that has been advocated by prominent macroeconomists in the U.S. since the late 1990s. The discussion began during the Japanese Great Recession of the 1990s and continued during the initial episode of deflation-phobia triggered by Alan Greenspan's remarks in 2003.[2] It then flared up again after the financial crisis of 2008.

One of the first economists to call for monetary policy deliberately aimed at promoting inflationary expectations was Paul Krugman.[3] In 1998, Krugman diagnosed the Japanese economy as stuck in a Keynesian "liquidity trap," meaning that even with interest rates at zero, consumers and businesses were hoarding money and refusing to borrow and spend. So Krugman [15, pp. 3, 46] advised the Japanese government to adopt a policy in which the central bank would "credibly promise to be irresponsible" by committing "itself to pursue inflation where possible, and ratify inflation when it comes." Once people were convinced by this policy that "the real value of money" would "melt away over time," they would stop hoarding and begin spending money immediately, thereby lifting the economy out of the liquidity trap. Explained Krugman [17, p. 75]: "Once you take the idea of the liquidity trap seriously it's impossible to escape the conclusion that expected inflation can be a good thing, because it helps you get out of the trap."

An early endorsement of the Krugmanian strategy of fostering inflationary expectations as a cure for deflation was offered by none other than Fed Chairman Bernanke. In November 2002, then Fed Governor Bernanke [2] delivered a now famous speech that attracted very little attention at the time. In it he vigorously promoted the view that the Fed could and should create expectations of a permanently rising price level among the public as a means of combating an imminent deflation. The crux of his view was expressed in the following passage:

> The conclusion that deflation is always reversible under a fiat money system follows from basic economic reasoning. A little parable may prove useful: Today an ounce of gold sells for $300, more or less. Now suppose that a modern alchemist solves his subject's oldest problem by finding a way to produce unlimited amounts of new gold at essentially no cost. Moreover his invention is widely publicized and scientifically verified, and he announces his intention to begin massive production of gold within days. What would happen to the price of gold? Presumably, the potentially unlimited supply of cheap gold would cause the market price of gold to plummet. Indeed, if the market for gold is to any degree efficient, the price of gold would collapse immediately after the announcement of the invention, before the alchemist had produced and marketed a single ounce of yellow metal.
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> What has this got to do with monetary policy? Like gold, U.S. dollars have value only to the extent that they are strictly limited in supply. But the U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even credibly threatening to do so, the U.S. government can also reduce the value

> of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services. We conclude then that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation.

N. Gregory Mankiw [20, p. 446], a former Chairman of the Council of Economic Advisers under George W. Bush, the author of a top-selling textbook on economics principles, once famously dismissed Keynes's *General Theory* as "an outdated book." In 2008, however, Mankiw [21] jumped on the Krugmanian bandwagon, arguing that the Fed "needs to convince people that we are going back to the normal inflation rate of 2 to 3 percent." In order to ignite the necessary inflationary expectations and stimulate spending, he suggested the following wording for a Fed press release:

> The [Federal Open Market] Committee recognizes that moderate inflation would be desirable under the present circumstances. In particular, the overall level of prices a decade hence should be about 30 percent higher than the price level today. The committee anticipates keeping the stance of monetary policy sufficiently accommodative to achieve that degree of inflation over the coming decade.

In other words Mankiw was recommending that the Fed announce to the public that it was going to deliberately inflate away approximately 25 percent of the dollar's value over the subsequent ten years. He extolled this "abandonment of 'price stability'" as "the modern equivalent of Roosevelt's abandonment of the gold standard" [21]. Of all the things that Roosevelt did to get the economy out of the Depression, according to Mankiw, jettisoning the gold standard was the most successful. Today, opined Mankiw, monetary policy is no longer fettered by gold but by fear of inflation.

Mankiw even went as far as endorsing, at least in principle, a proposal for driving the nominal interest rate below zero that is a modern equivalent of the scheme for a "carrying tax" on money proposed by 19th-century monetary crank, Silvio Gesell. In order to suppress the hoarding of money and stimulate spending, Gesell advocated a date-stamped paper currency that would lose 0.1 percent of its face value per week. Interest was also to be abolished under Gesell's plan.[4]

In the intellectual exercise formulated by Mankiw [22], the Fed would announce that a year from that date, it intended to pick a numeral from 0 to 9 out of a hat. All currency with a serial number ending in that numeral would instantly lose its status as legal tender, causing the expected return on holding currency to plummet to minus 10 percent. This would allow the Fed to reduce interest rates below zero for a year because people would happily loan money for, say negative 2 percent when faced with the prospect of losing 10 percent. At negative interest rates many people would now have a strong incentive to spend the money immediately on consumer goods, which was the Fed's aim.

Mankiw's proposal was certainly in the spirit of Gesell's work, whose stated goal was to subject money to deterioration over time in order to neutralize its advantage over commodities in terms of durability and thereby discourage its hoarding.[5] To be fair to Mankiw, this scheme was dreamed up by one of his graduate students, although Mankiw maintains that the plan "does address a fundamental problem facing the economy right now: Given the fall in wealth, increases in risk premiums, and problems in the banking system, the interest rate consistent with full employment might well be negative." This is a return to brute 1950s Keynesianism with a vengeance by one of the founders of the New Keynesian movement.

Another influential economist, Kenneth Rogoff (quoted in [24]), former chief economist at the International Monetary Fund and now a Harvard professor stated bluntly: "I'm advocating 6 percent inflation for at least a couple of years. It would ameliorate the debt bomb and help us work through the deleveraging process."

In the view of these macroeconomists and the policymakers under their sway, the calculated loosing of inflationary expectations on the economy would be a relatively costless way of spurring panic spending thus breaking the "liquidity trap" and getting the real economy moving. After all, there does not have to be much of an actual inflation if the boobs in the private sector can be tricked by Fed pronouncements into foreseeing inflation in their future. Unfortunately what has not been considered by supporters of this policy of manipulating inflationary expectations is that it is very difficult to put the genie back in the bottle once it has been loosed. For the unhinging of the public's expectations about the future value of the money is the defining feature of the dynamics of hyperinflation. Indeed, history has shown time and again that confidence in a paper fiat currency is a very precarious thing and once lost propels the economy down the road to hyperinflation. Once the explicit threat of the destruction of the dollar's purchasing power becomes viewed as a legitimate tool of monetary policy, the actual destruction of the U.S. fiat dollar becomes a distinct possibility. Accordingly, a re-examination of the effects of hyperinflation from a new perspective is in order.

In what follows, I do not dwell on the narrowly economic effects of hyperinflation which have been thoroughly investigated in numerous studies (e.g., [3], [5], [7]). Instead, I proceed to examine the devastating consequences of hyperinflation for the closely related phenomena of private property and human personality, as they jointly evolved under a functioning social division of labor. A consideration of the German hyperinflation of 1923 clearly illustrates these consequences. It also sheds light on how Adolf Hitler and his National Socialist movement exploited these conditions by explicitly promoting the State as the new basis upon which a collectivized human personality could be reconstructed and made to flourish.

2. The Link between Economic Calculation and Human Personality

It has been well documented by economic theorists and historians that hyperinflation, in destroying the value and function of money, makes economic calculation impossible and leads to economic and social disintegration and widespread poverty. What is not so clearly understood is that during periods of rapid inflation, the inability to calculate undermines the very nature of property and causes a withering of the human personality, which is inextricably bound up with property ownership. By eliminating the means of appraising and comprehending one's property, hyperinflation eliminates the very basis of independent human existence and personality under the social division of labor. In some cases, as we shall see, this may result in the dissolution of the society of voluntary contract and its eventual replacement by a hegemonic order in which property and personality is collectivized.

The central role of money and property in the formation of the individual human personality under the social division of labor has yet to be investigated in any depth and will not be attempted here. However I note that in speaking of human personality, I am referring to what has been called, sometimes derisively, the "bourgeois personality."[6] This is the common state of thinking and being that characterizes the modern individual embedded in a private-property social order. This individual is goal-oriented, self-interested (but not necessarily, or even mainly, selfish), thrifty, wealth-accumulating, and uses time as a scarce resource in improving his productivity and planning for his future welfare and those of his descendents living and yet to be conceived.[7] In pursuing his own interests, he must consciously and repeatedly take recourse to social action, producing for and exchanging with known and unknown others, thereby integrating himself into the social division of labor. Social action, which is necessarily guided by market prices, involves purposeful choice of concrete means and ends and the monetary calculation of costs and benefits. "Human personality" as the term is used here, therefore, does not denote a cluster of psychological attributes and qualities; rather it is a mode of being and becoming based on economic calculation and the ownership of property.

3. Money, Inflation, and Property

As the general medium of exchange money is the tool of economic calculation and the pre-eminent store of value. Once the future value of money becomes impossible to reliably forecast, ordinary people lose the ability to preserve their accumulated savings and thus become incapable of planning for the future. They cease to actively employ time as a device for planning improvements in future welfare by exploiting lengthier and more fruitful production processes. Instead they are compelled to passively experience time like beasts do, as mere duration. This leaves them little recourse but to dissipate their wealth and energy in seeking after immediate gratification. This rise in time preference – that is, in the premium on present satisfaction relative to satisfactions in the more remote future – undermines the values of productive work, thrift and sober investment and brings about a social revolution in which the middle classes and the productive rich, that is, the entrepreneurs, capitalists and inventors are destroyed and replaced by gamblers, con artists and swindlers at the top of the social structure.

Inflation does not just wipe out the savings of the productive classes and divert their energies into sterile and corrupt pursuits, however; it also deforms and attenuates their personalities. Whether we like it or not, men and women exist in a world where they cannot live and flourish either physically or spiritually without property. As the founder of the Austrian school, Carl Menger [23, p. 76] pointed out, "property is not an arbitrarily combined quantity of goods but a direct reflection of [a person's] needs, an integrated whole, no essential part of which can be diminished or increased without affecting realization of the end it serves." Thus property is the foundation of human personality – no meaningful motion, activity, or external expression of inner being (thought) is possible without it. For human personality is not the spontaneous projection into the outer world of random inner urges that characterizes the unreflective behavior of a human infant. Personality is the external projection of a deliberately planned mode of individual being and becoming. As such, it involves a self-conscious arrangement of activities whose pursuit requires a carefully chosen structure of means, i.e., property. Property is therefore not a haphazard collection of things that can be completely described in physical terms but rather the coherent, objective embodiment of the yearnings and aspirations of the human spirit.

In a real sense, then, property defines and delimits an individual's personality. One cannot be whatever he wants to be; he is rigidly limited by the means at his disposal. One is not truly a "physician," "software engineer," or "restaurateur," unless he can acquire the requisite "complementary goods" for producing the product or service. Nor can one even consistently pursue leisure or vocational activities without possessing specific concrete means. Thus one is not a "fisherman" without fishing tackle and access to a boat and body of water; and one is not a "golfer" or "gardener" without the possession of – or the means of acquiring – the needed complementary golfing equipment or gardening tools.

Furthermore, in an exchange economy, it is economic calculation based on money prices that gives meaning to a collection of different kinds of concrete goods and enables the actor to transform these goods into an integrated structure of property suited to his system of ends. Without money prices and future price appraisements to guide him in his calculations, a person is unable to specialize in a particular profession or business, because he can never know whether these activities will help sustain his existence.[8] Furthermore, one does not know the degree of his success or his position in the social structure unless he can calculate the monetary value of his possessions. Has he achieved eminence or suffered crushing disappointment? Is he prince or pauper?

People do not even know what or who they will become in the future without knowing the monetary value of their accumulated savings and assets and the ability to assess the prospects of future accumulation. All their plans for themselves and their children are shaped by this knowledge and the possibility of this assessment. Will an individual be comfortably ensconced in a retirement community on a golf course in North Carolina at the age of 60, or will he be greeting customers at the local Home Depot as a septuagenarian? Without economic calculation there is no way for him to develop a meaningful plan to influence this eventuality.[9] In other words, if one does not know what his real income will be from day to day or what his financial and real assets, that is his "property," will be worth in a week, his range of planning and action narrows sharply and external events appear to him as random and beyond his control.[10]

Money and property are thus essential elements in the socio-economic process conditioning what an individual human being is and can become. Without economic calculation based on sound money, not only is it impossible for entrepreneurs and businesses to reasonably calculate the outcome of alternative production decisions, it also becomes problematic for a person to even know who he is or to reasonably assess the possibilities of what he can become. During the German hyperinflation, for example, University professors and high-ranking civil servants on relatively fixed salaries could no longer support themselves and their families and, overnight, "became" taxi drivers and waiters, with all that implies for their professional and personal relationships, future prospects, and social position.

For an empirical illustration of the effect on human personality of the destruction of calculation and property we now turn to the episode of the German hyperinflation of 1921-1923 and its aftermath.

4. The Destruction of Property and Personality during Hyperinflation

In the extreme case of hyperinflation, as the value of money hurtles toward zero, property loses its meaning, human personality withers and society disintegrates. This all-important connection between money and property on the one hand and human personality on the other was dramatically and poignantly expressed by the German historian and sociologist, Konrad Heiden, a shrewd observer of the great German hyperinflation that culminated in 1923. Wrote Heiden [11, p. 172]:

> [T]he German people was one of the first to witness the decay of those material values which a whole century had taken as the highest of all values. The German nation was one of the first to experience the death of the unlimited free property which had lent such a royal pride to modern humanity; Money had lost its value – what, then, could have any value? Of course, many were accustomed to having no money; but that even *with* money you had nothing – that was a twilight of the gods, as horrible as anything Wagner could have foreseen. A cynical frivolity penetrated men's souls; no one knew what he really possessed and some men wondered what they really were.[11]

Heiden's insights are illustrated in the recollections of a woman who lived through the German hyperinflation, Erna von Pustau, a middle-class resident of Hamburg who was interviewed by the eminent American writer Pearl S. Buck. Pustau's reminiscences reveal how the German people lost their intellectual and spiritual moorings amid the calculational chaos of hyperinflation. The inability to perform simple arithmetic calculations with money that were a matter of routine in the past sowed confusion of thought and wreaked havoc with language. As Pustau recalled to Buck [4, p. 122]:

> But, you see, we could hardly say that our mark was falling, since, in figures, it was constantly going up and up and up, and so did the prices, and this was much more visible than the realization that the value of our money was going down. It sounds confusing, doesn't it? But this confusion belongs to inflation, is inseparably connected with it, and was one of the reasons why the people gave up thinking things out. It all seemed just madness and it made the people mad.

Referring to a popular song of the day, Pustau (quoted in [4, p. 139]) quoted the following line: "We are drinking up our grandma's little hut and the first and second mortgage, too."[12] She then remarked, "Saving is the very source of wealth and health of a sound nation. But, we have no longer a sound nation. We are on our way to become a crazy, a neurotic, a mad nation." Pustau (quoted in [4, p. 140]) also lamented the spiritual trauma inflicted by the sudden collapse of the social structure: "It was a sad world, a world in which none was better than the other and all was a matter of chance and degree. A sad world, and a sad conception for a girl who still remembered the good old times of Grandmother! Our times made us cynical."

The "madness" and "cynicism" Pustau speaks of manifested itself in bizarre incidents. For example, the Prime Minister of Bavaria submitted a bill to the Bavarian legislature that would have outlawed "gluttony." According to the bill (as quoted in [5, p. 61]), a glutton was defined as "one who habitually devotes himself to the pleasure of the table to such a degree that he might arouse discontent in view of the distressful condition of the population." Such a person "may be arrested on suspicion, and punished by imprisonment and/or a fine of up to 100,000 marks for a first offense." A second offense would entail the convicted glutton to serve a prison sentence of up to five years, pay a fine of up to 200,000 marks, and be deprived of his civil rights. There was also a provision in the bill for punishing caterers who aided and abetted the crime. The bill never passed.

But such events in the political arena were merely a reflection of daily social interactions, especially those involving monetary exchange, whose cumulative effect was to drive individuals "mad." Pustau, a music lover, recounted such an ordeal. She and her suddenly impoverished middle class friends were forced to wait for hours in line to purchase standing room tickets to see Wagner's "The Twilight of the Gods." Most of the seats in the theater had been bought by dilettantes who chose to attend not because they were genuine music lovers but because they had gained a windfall from the inflation. This incident impressed on Pustau that the malfunctioning of money penetrated to the very core of one's self-identity and radically reshaped her most cherished goals and beliefs about the world. Thus she stated (quoted in [4, p. 128]):

> [Wagner's gods] set fire to the entire world, yet they did it for great things, for heroic deeds, for love – for this beautiful thing love. And how is it with us? We fight for tickets, we fight for pennies. It is these ugly little things that break us down. It was all so mixed up with money. We used to consider money as nothing and we said, 'Money is dirty,' and 'One doesn't speak about money.' And here everything was mixed up with money and with small sums only and small things.

Pustau's observations here point up a paradoxical situation. As money rapidly lost its value disrupting and falsifying routine economic calculation, it began to intrude into and absorb much of people's conscious thought. Indeed during the final stage of the collapse of the German mark, when money had lost its *function* even as a medium of exchange – e.g., German farmers refused to sell their produce in the cities and towns for paper money – there appears to have developed a morbid and all consuming fixation on the empty *form* of money as represented by the worthless paper mark. In a letter written to the British Foreign Office in early November1923, British businessman J. C. Vaughn (quoted in [5, p. 200]) starkly illustrated this strange phenomenon:

> I happened to pass through the Arcade between the Friedrichstrasse and Unter den Linden, and in that small space I saw three almost moribund women. They were either in the last stages of decline or starvation, and I have no doubt it was the latter. They were beyond asking for alms, and when I gave them a bunch of worthless German notes, it shocked me to see the eager way in which they seized upon them – like a ravenous dog at a bone.

It is not surprising, then, that Pustau (quoted in [4, p. 146]) summed up her recollections of the hyperinflation by comparing the cultural and moral effects of hyperinflation to those of war:

> For a battle it was this inflation, fought out with financial means. The cities were still there, the houses not yet bombed and in ruins, but the victims were millions of people. They had lost their fortunes their savings; they were dazed and inflation-shocked and did not understand how it had happened to them and who the foe was who had defeated them. Yet they had lost their self

> assurance; their feeling that they themselves could be the masters of their own lives if only they worked hard enough; and lost, too, were the old values of morals, of ethics, of decency.

Heiden [11, pp. 172-73] poignantly summarized the general lesson of the experiences of the millions of Germans like Erna Pustau who were caught up in the hyperinflation:

> Man had measured himself by money; his worth had been measured by money; through money he was someone or at least hoped to become someone. Men had come and gone, risen and fallen, but money had been permanent and immortal. Now the State had managed to kill this immortal thing. The State was the conqueror and successor of money. And thus the State was everything. Man looked down at himself and saw that he was nothing.

Thus, as Heiden keenly perceived, in Germany the abolition of money through hyperinflation rendered property meaningless and thereby obliterated the ontological basis for the formation of individual human personality. Social and economic institutions long taken for granted disintegrated and disappeared, and the social structure itself began to dissolve causing human existence to become atomized and aimless. Thought, language, values, culture – all were deformed, as the interior life of the individual was inexorably drained of meaning and purpose and, in large measure, extinguished.

Heiden [11, p. 167] concisely summed it up:

> The state wiped out property, livelihood, personality, squeezed and pared down the individual, destroyed his faith in himself by destroying his property – or worse, his faith and hope in property. Minds were ripe for the great destruction. The state broke the economic man beginning with the weakest.[13]

5. The State as the Molder of Personality

There was nothing definite left but the State to fill the economic and spiritual void created by the German hyperinflation. Now, a shrewd and cunning German politician, Adolf Hitler, understood the nature of inflation as a gigantic material *and spiritual* swindle and recognized the deforming of German souls and personalities and the corresponding disintegration of German society. Hitler both taunted the German people for acquiescing in the swindle and at the same time promised them material relief and spiritual regeneration in the State, the successor of money.

Heiden [11, p. 165] reported that Hitler told the following story at a meeting in the summer of 1923:

> We have just had a big gymnastic festival in Munich. Three hundred thousand athletes from all over the country assembled here. That must have brought our city lots of business, you think. There was an old woman who sold picture postcards. She was glad because the festival would bring her plenty of customers. She was beside herself with joy when sales far exceeded her expectations. Business had really been good – or so she thought. But now the old woman is sitting in front of an empty shop, crying her eyes out. For with the miserable paper money she took in for her cards, she can't buy a hundredth of her old stock. Her business is ruined, her livelihood absolutely destroyed. She can go begging. And the same despair is seizing the whole people. We are facing a revolution...

Hitler perceptively noted that once the government had begun to run the printing presses "full time," it was from that moment doomed to continue the "swindle" until the bitter end of a hyperinflationary breakdown. Stopping the monetary expansion would reveal to workers that their real income was substantially less than they realized and much was being siphoned off to pay reparations to foreign powers as mandated by the Treaty of Versailles. This revelation would spell the downfall of the government. In the meantime, people's confidence in the established moral and social order associated with capitalism would be shattered as the vicious would replace the virtuous at the top of the socio-economic structure. Proclaimed Hitler (quoted in [11, p. 170]) in his daily newspaper in 1923:

> The government goes on calmly printing these scraps, because, if it stopped, that would mean the end of the government, because once the printing presses stopped – and that is the prerequisite for the stabilization of the mark – the swindle would at once be brought to light. For then the worker would realize that he is only making a third of what he made in peacetime. Believe me, our misery will increase. The scoundrel will get by. But the decent, solid businessman who doesn't speculate will be utterly crushed; first the little fellow on the bottom, but in the end the big fellow on top too. But the scoundrel and swindler will remain, top and bottom. The reason: because the state itself has become the biggest swindler and crook. A robbers' state.

Now, although Hitler spoke more truly and perceptively about the nature and effects of inflation than our current Fed chairman and establishment macroeconomists, his intent was not to present a program for abolishing the "robbers' state" and restoring sound money, private property and the moral and social order of capitalism. In fact, Hitler was a socialist who hated capitalism and bourgeois morality. His aim was to frighten and shame the property-less, demoralized and atomized German masses into abandoning the venal and short-sighted social-democratic politicians of the Weimar Republic and to seek salvation in a dictatorial state run by his National Socialist movement. Accordingly Hitler accurately prophesied that people who were earning billions of marks would literally starve to death. The farmer will stop selling his products for the worthless billions, "with which he can paper his outhouse on the manure heap." What Hitler (quoted in [11, p. 171]) hoped to bring about was the "revolt of the starving billionaires." According to Hitler (quoted in [11, p. 172]), "If the horrified people can starve on billions, they must arrive at this conclusion; we will no longer submit to a state which is built on the swindling idea of the majority, we want dictatorship!"

Hitler however used more than fear to motivate his listeners. He capitalized on the self-contempt of those who had been swindled out of their property and moral values and whose sense of self had been shattered. He saw that persons such as these had reverted to the unformed state of adolescence and were ready to follow a Leader – to reconstruct their own moral codes and personalities according to the artificial collectivist and nationalist ideal projected in the Leader's twisted vision. Hitler (quoted in [11, p. 173]) addressed and chastised them accordingly:

> The German people [is] made up of children, for only a childish people will accept million-mark bills. True, a third of the German people are heroes, but another third are fools, and the last third are cowards. True strength is a quality of a few men, or else we would not have the word hero. The masses consist of average men, democrats. Cowardly men choose the most cowardly as their leaders, so that they won't have to show courage; and they choose the stupidest among the stupid, so that everyone can have the feeling that he's a little bit better than the leader. A people subjected to the decisions of the majority is on the road to ruin.

Heiden insightfully connected Hitler's aim in his speeches on hyperinflation with the derangement of Hitler's own personality as a product of the same moral, economic and social catastrophe of hyperinflation. Heiden [11, p. 174] characterized the link as follows:

> It was the artificial building of a new national character, an *ersatz* character, an attitude created in accordance with an artificial plan. The people dream and the soothsayer tells them what they are dreaming. This continuous, domineering yet intimate conversation with the people could only be carried on by a man who was people and enemy of the people in one; a torn personality who felt himself a trampled fragment of the people in his own downtrodden miserable nonentity, and rebelled with the people against this destiny; but who at the same time was convinced of the absolute necessity of trampling, coercing and shaking the master's fist.

Hitler not only utilized this theme of the degeneration and reconstruction of personality as a rhetorical device. He developed it into one of the fundamental principles of the National Socialist philosophy. In a chapter entitled "Personality and the Conception of the Folkish State" in *Mein Kampf*, Hitler [12, p. 443] went on to elaborate his vision of the National Socialist state whose "chief task" he saw as "*educating and preserving the bearer of the state*." Underlying this state would be a philosophy that "*builds not upon the idea of the majority, but upon the idea of personality.*" (The emphases are Hitler's.)

For Hitler, personality was born of the inventive ideas and creative actions of especially able individuals, but only reached its full realization in the organized State, and especially the leadership of that State. Individuals do not possess personality but are possessed and molded by it; their being does not emanate from within but penetrates inward from without, from the State and its Leader. Thus Hitler [12, pp. 444, 446] wrote:

> [Man's] first intelligent measures in the struggle with other beasts assuredly originate in the actions of individual, particularly able, subjects. Here, too, the personality was once unquestionably the cause of decisions and acts which later was taken over by all humanity and regarded as perfectly self-evident. The most valuable thing about the invention itself, whether it lie [sic] in the material field or in the world of ideas, is primarily the inventor as a personality. Therefore to employ him in a way benefitting the totality is the first and highest task in the organization of a national community. Indeed the organization itself must be a realization of this principle. Thus, also, it is redeemed from the curse of mechanism and becomes a living thing.

The "living thing" that Hitler refers to above is the "national community" which is infused with personality and being by the State. According to Hitler [12, pp. 446-47] this "selective process" of personality is "the most natural principle." It pervades and organizes all fields of human endeavor including thought, art, and economic life. Indeed, Hitler argued, "the idea of personality is everywhere dominant – its authority downward and its responsibility toward the higher personality." However, it is stifled and incompletely realized because it is barred from entering political life by the antithetical principle of majority. Hence, Hitler [12, pp. 446-47] argued, "*The best state constitution and state form is that which raises the best minds in the national community to leading position and leading influence*." (The emphases are Hitler's.) Within a decade of the publication of these words, Hitler was to have the State that would displace money and private property as the shaper of human personality.

6. Conclusion

The German hyperinflation is a concrete example of how the destruction of property affected human personality formation among a particular people in a given historical epoch. Nonetheless, it illustrates a link between property and personality that is based on the universal principles established by praxeology, the same science of human action that encompasses sound economics. In contrast, the mechanistic, compartmentalized, and hyper-mathematical discipline that is contemporary macroeconomics can never begin to grasp the full moral and social enormity of hyperinflation. Its narrowly specialized practitioners are not even conversant with all the branches of economic science, let alone the closely allied disciplines of history, sociology, psychology and political philosophy. A working knowledge of the main conclusions of the latter disciplines is necessary for an economist who seeks to fully explain the causes and consequences of a complex economic event such as the German hyperinflation of 1923 or the Great Depression of the 1930s. As Friedrich Hayek [10, p. 123] pointed out, "Nobody can be a great economist who is only an economist – and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger."

Certainly, macroeconomists like Bernanke, Krugman, and Mankiw, are "a positive danger," as they casually contemplate the deliberate creation of inflationary expectations to free us from an imaginary liquidity trap or impending deflation. But there is also an important sense in which they are not really economists at all. From its inception as a systematic science in the eighteenth century, the central concern of economics has always been scarcity. Yet, as Hayek [9, p. 374] perceptively noted many years ago, Keynes's economics, upon which modern macroeconomics is founded, "is a system of economics which is based on the assumption that no real scarcity exists, and the only scarcity with which we need concern ourselves is the artificial scarcity created by the determination of people not to sell their services and products below arbitrarily fixed prices." In Keynes's view, all productive resources, including all kinds of labor and capital, therefore exist in idle superabundance solely because there is a scarcity of money available to set them to work. Hayek [9, p. 373] concluded, "The existence of interest in such a world would be due merely to the scarcity of money, although even money would not be scarce in any absolute sense; it would be scarce only relatively to given prices on which people were assumed to insist."

By promoting a zero or even negative interest rate and contriving policies to destabilize the value of money and induce panic spending, contemporary macroeconomists have returned to Keynes's primitive and contradictory conception of an "economics of abundance." But instead of guiding us into the paradise of full employment and personal fulfillment, these policies will propel us inexorably toward the destruction of the natural private-property order and the individuated human personality it gave rise to.

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Notes

1. As early as 2009, Fed staff economists prepared an internal study suggesting that the Fed Open Market Committee adjust the extent of its "unconventional monetary policies" using an "ideal interest rate," then estimated by the Taylor rule to be minus 5 percent [8].
2. On this episode, see Salerno 2010.

3. Krugman [16] even jealously claimed priority for suggesting this policy.
4. For a short summary of Gesell's ideas and works, see [19, p. 95]. Gesell also favored the abolition of interest. He served as People's Representative for Finances in 1919 in the short-lived Bavarian Soviet Republic, although his term lasted only seven days. Keynes [14, p. 353] mentioned Gesell favorably in the *General Theory*, referring to him as a "strange, unduly neglected prophet" and to his ideas as "profoundly original strivings."
5. Wrote Gesell [6, pp. 17-18]:
   Nobody, not even savers, speculators, or capitalists must find money, as a commodity, preferable to the contents of the markets, shops, and warehouses. If money is not to hold sway over goods, it must deteriorate, as they do. Let it be attacked by moth and rust, let it sicken, let it run away; and when it comes to die let its possessor pay to have its carcass flayed and buried. Then, and not till then, shall we be able to say that money and goods are on an equal footing and perfect equivalents. [W]e must subject money to the loss to which goods are liable through the necessity of storage.
6. I am indebted to David Gordon for this insight.
7. The notion of time as a tool deliberately used by people to enhance their productivity and future welfare is particularly emphasized in Austrian capital theory. See, for example, [26, pp. 476-520] and [28, pp. 367-451, 509-55].
8. On the meaning and importance of future price appraisement to economic activity, see: [26, pp. 328-35]; [29, pp. 42-45]; and [30].
9. This is not to deny that an isolated individual can directly value and act to achieve simple ends that may permit him to subsist from day to day, e.g., foraging for food, drawing water from nearby streams, fashioning simple cooking and hunting implements, etc. Thus, as Mises [26, p. 244] pointed out, "Robinson Crusoe, who may have existed would not have been in a position to plan and to act as people can only when taking recourse to economic calculation." On the limited scope of actions that may be accomplished in the absence of economic calculation, i.e., under the conditions of autarky or barter, see Mises [26, pp. 201-212].
10. I owe this insight to Dr. Karen Palasek of the Palasek Consulting Group, LLC.
11. Heiden [11, p. 164] was the leader of a small democratic organization in 1923 when he came into conflict with Hitler and his movement early in the latter's career by sponsoring anti-Nazi parades, mass protests, and large posters.
12. Pustau is here referring to what Austrian economists call "capital consumption" which results from the overstatement of wealth and profits by inflation and attendant overconsumption by households, investors and entrepreneurs. For a discussion of capital consumption as it related to the housing and financial bubbles of the early 2000s, see [31]. Also see the discussions of this phenomenon by Mises [26, pp. 546-47] and [28, pp. 996-997]. The classic article on capital consumption during hyperinflation is by Fritz Machlup [18].
13. In this passage, it is clear that Heiden is here not referring to the abstract and atomized "economic man" of technical economic theory, but to the bourgeois man, the social being emerging from and rooted in private property and the market order.