Gravedigger of the Present:
Historical Memory and the Making of the Modern International Economic Order



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Abstract: In the decade following the 2008 Global Financial Crisis, policymakers consistently referred to the past to justify their decisions and comprehend their present situation. Two specific examples from the interwar period appeared repeatedly in the realms of trade and fiscal and monetary policy: the 1930 Smoot-Hawley Tariff and the 1923 Weimar hyperinflation. Although almost no policymaker in 2008 would have had a living memory of either, they both became common reference points and were consistently invoked to advocate for trade liberalization and fiscal and monetary austerity, respectively. What explains this focus on a distant past? Why had enormously complex economic events been boiled down to simple policy "lessons"? And what does this mythologization of our economic history tell us about how our recollections of the past operate in the domain of economic decision making?

To answer these questions, this project uses the concept *of historical memory* to show how societies' understanding of the past can shape the international political economy—and how subsequent economic contests can help rewrite our understanding of the past. Unlike other accounts of the role of history in IPE and IR, I examine both how memories of economic events are *deployed* in political debates as well as the process of how memories are *constructed*. My case selection allows the analysis to focus on historical (rather than personal) memory, as well as cover both domestic monetary and fiscal policy and international trade. I demonstrate how, in both cases, the legacy of these economic events was initially hotly contested. Only at points of economic crisis during the 20th Century—when it was necessary to invoke the past to explain the present—did hegemonic understandings of these events begin to emerge. I trace this process of memory construction using archival sources, showing how both how complex economic events evolved into simple narratives and how these narratives were used in policy debates, particularly after the 2008 GFC.

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"Beware of those who speak of the spiral of history; they are preparing a boomerang. Keep a steel helmet handy."
-Ralph Ellison, *Invisible Man*

Chapter 1: Gravedigger of the Present International political economy and the shadow of the past

1.1) Introduction: The politics of the past

As high inflation rates reappeared across much of the developed world in 2021 and 2022, many politicians and pundits could not resist drawing parallels to the last "Great Inflation" of the 1970s. As is often the case with historical references in times of crisis, these invocations of the past were typically not just points of academic curiosity. Rather, they tended to have clear political overtones. For example, Iowa Governor Kim Reynolds delivered the rebuttal to US President Joe Biden's 2022 State of the Union address, warning that the administration was taking the country "back to the 1970s."[1] Citing an alleged recurrence of crime, high energy prices, and inflation, a fellow Republican from Montana, Senator Steve Daines, echoed Reynolds, arguing that "the actions of the Biden administration take us back to the '70s." Both conservative and centrist think tanks made similar remarks, as the American Enterprise Institute labeled the then-sitting US president as "the New Jimmy Carter" and the Brookings Institution observed that "today's global economy is eerily similar to the 1970s," an implicit critique of the country's economic trajectory.[2]

Across the Atlantic, financial institutions like Barclays warned of a new bout of "stagflation," the *Guardian* suggested "a return to the 70s," and the *Financial Times* pointed out "uncomfortable echoes" of the past.[3] Others used the 1970s analogy for different uses, for example the economist Simon Tilford went so far as to say that the 1970s analogy *underestimated* the danger that economies like the UK faced.[4] The magazine *Foreign Policy* even ran an entire "Back to the Future" issue, drawing parallels from the present economic and

[1] Associated Press, "GOP Response: Biden Brought US Back to '70s," Youtube, March 2, 2022, https://www.youtube.com/watch?v=ejz-fn5hs7U.
[2] Marc A. Thiessen, "It's the 1970s All over Again, and Joe Biden Is the New Jimmy Carter," American Enterprise Institute, October 14, 2021, https://www.aei.org/op-eds/its-the-1970s-all-over-again-and-joe-biden-is-the-new-jimmy-carter/; Reilly Lowery, "Sen. Steve Daines to Newsmax TV: Biden Taking US 'Back to '70s' - Senator Steve Daines," Daines Senate Government, January 26, 2021, https://www.daines.senate.gov/2021/01/26/sen-steve-daines-to-newsmax-tv-biden-taking-us-back-to-70s/; Jongrim Ha, M. A. Kose, and Franziska Ohnsorge, "Today's Global Economy Is Eerily Similar to the 1970s, but Governments Can Still Escape a Stagflation Episode," *Brookings*, July 1, 2022, https://www.brookings.edu/blog/future-development/2022/07/01/todays-global-economy-is-eerily-similar-to-the-1970s-but-governments-can-still-escape-a-stagflation-episode/;
[3] Kathy Jones, "Is 1970s-Style Inflation Coming Back?," Schwab Retirement Plan Services, May 12, 2021, https://workplace.schwab.com/content/is-1970s-style-inflation-coming-back; Olivia Raimonde, "Barclays Warns of Credit Pain in Return to 1970s Inflation Regime," *Bloomberg*, August 16, 2022, https://www.bloomberg.com/news/articles/2022-08-16/barclays-sees-credit-pain-in-return-to-1970s-inflation-regime; Larry Elliott, "Return to the 70s: World Bank Warns of Weak Growth and High Inflation," *The Guardian*, June 7, 2022, https://www.theguardian.com/business/2022/jun/07/world-bank-economy-weak-growth-inflation-ukraine-covid; Merryn S. Webb, "Uncomfortable Echoes of the 1970s," *Financial Times*, July 8, 2022, https://www.ft.com/content/61f84a77-a9dc-4198-9819-5e70057cfb24.
[4] Simon Tilford, "Britain Is Much Worse Off Than It Understands," *Foreign Policy*, February 3, 2023, https://foreignpolicy.com/2023/02/03/britain-worse-off-1970s/.

geopolitical turmoil to a half-century prior.[5] Dozens of others echoed these warnings, clearly implying that the alleged woes of a 1970s were something that must be avoided at all costs. Without needing to directly state it, these interlocutors all assumed a preexisting collective understanding among their audiences that the 1970s were universally a time of dysfunction and despair.

Not all commentators were satisfied with such comparisons—or the negative depictions of the seventies that they implied. For example, the economic historian Adam Tooze took issue with these negative characterizations in a number of articles and appearances, while also observing their political usefulness. First, he challenged the dominant memory of the period, arguing that the 1970s were *not* as bleak as they are often characterized, referencing the many social advances made during the decade, the egalitarian impacts of moderate inflation, and the rebalancing in the global economy that took place. Furthermore, he disputed the relevance of the analogy, observing historical dissimilarities such as the large decline in the bargaining power of labor that took place over the last 50 years. These, he claimed, make comparisons between the 1970s and 2020s tenuous at best. He was also clear-eyed about *why* others were fixated on that period of the past, pointing out that "when we say that economic policymakers learned lessons from the 1970s, what we typically mean is that they are focused on a conservative interpretation of their own ostensible failures during that decade."[6] While not as overtly political, former Federal Reserve Chairman Ben Bernanke, known as a student of history, also criticized the historical scaremongering, arguing that the US was "almost certainly not" returning to the high inflation rates of the seventies.[7]

The political debate about history was not confined to commentators and the pages of newspapers. As the United States faced its highest rate of inflation in decades in mid-2021, [8] the White House itself felt the need to intervene both politically and rhetorically. Faced with mounting discontent over rising prices, the Biden administration signed a flurry of executive orders to relieve supply chain disruptions and established a "task force" to address bottlenecks.[9] These concrete policy solutions were not the only tool the White House deployed to ameliorate rising costs, however. Indeed, the president's Council of Economic Advisers (CEA) sought to explicitly frame the current inflation in the context of history, searching for a usable past to legitimate its own present policy goals. Surveying the previous six inflationary episodes in US history, the CEA argued that the period after World War II was "an episode that has strong similarities to what is occurring in the current environment."[10] The authors went on to elaborate on these similarities: in both cases, pent up demand caused temporary price increases, only for

[5] Ravi Agrawal, "Editor's Note: The Back to the Future Issue," *Foreign Policy*, July 1, 2022, https://foreignpolicy.com/2022/07/01/fp-print-issue-history-lessons/.
[6] Adam Tooze, "Inflation Is Only Part of the 1970s Economic Story," *Foreign Policy*, July 1, 2022, https://foreignpolicy.com/2022/07/01/global-economy-policy-financial-crisis-1970s/.
[7] Mike Haddad, "Inflation Isn't Going to Bring Back the 1970s," *The New York Times*, June 14, 2022, https://www.nytimes.com/2022/06/14/opinion/inflation-stagflation-economy.html.
[8] The consumer price index (CPI) measure exceeded 5% for the first time since 1990 in 2021. Most economic analysis pointed to the role supply chain disruptions from the COVID-19 pandemic in causing these prices increases. See: US Inflation Calculator, "Consumer Price Index Data from 1913 to 2023," US Inflation Calculator, 2008, https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/; Jesse LaBelle and Ana M. Santacreu, "Global Supply Chain Disruptions and Inflation During the Covid-19 Pandemic" (National Bureau of Economic Research, 2022), https://www.nber.org/papers/w30240.
[9] Lida R. Weinstock, "Summary of Selected Biden Administration Actions on Supply Chains," *Congressional Research Service*, May 13, 2022, https://crsreports.congress.gov/product/pdf/IN/IN11927/2.
[10] Chair C. Rouse, Jeffery Zhang, and Ernie Tedeschi, "Historical Parallels to Today's Inflationary Episode," *The White House*, July 6, 2021, https://www.whitehouse.gov/cea/written-materials/2021/07/06/historical-parallels-to-todays-inflationary-episode/.

inflation to rapidly fall. This analogy was supported by economists like Isabella Weber, who compared the successful use of price controls after WWII to potential policy options for the present.[11]

Why did so many actors, including the White House itself, feel the need to draw historical parallels when rising economic discontent offered ample immediate challenges to contend with? The answer in this case—as well as in countless others—is clear: to argue about history is to argue about present politics. The political implications contained within a given historical analogy may not always be made explicit, but they are usually easy to infer. We all know how the 1970s ended. The massive interest rate increases of the "Volcker Shock" caused a recession that *did* ultimately tame inflation but also resulted in widespread economic disruption and deindustrialization, the weakening of organized labor in the US, and debt crises across the developing world. To draw a parallel to this decade was to do two things. First, it implied that the economy was truly in crisis. Next, it suggested that the only way out of it was to reduce aggregate demand and increase unemployment by raising interest rates and containing fiscal stimulus.

By arguing that the late 1940s were the better historical analogy, the Biden administration was suggesting that the crisis was only temporary, that its expansionary economic policies were not to blame, and that a painful recession was not the ideal policy solution. In these historical arguments, the CEA—as well as other interlocutors such as Tooze and Weber—were seeking to recast a perception of the past that had already been shaped by decades of political contestations. They were also attempting to alter the ways in which we employ historical analogies in the present and to offer a new set of past reference points that would better suit their policy goals. Put differently, they were contesting both our collective economic memory *and* our use of analogies from economic history.

1.2) Hegemonic histories

While the White House's insistence that the 1940s were the closest parallel to the economic challenges of 2021 may have been exemplary, it was hardly unique. Indeed, policymakers frequently reach for the past to justify and comprehend their own actions. Expansionary fiscal policy is framed as a "New Deal" of one variety or another, large-scale foreign aid is inevitably described as a "Marshall Plan" for a given needy region, and energy shortages in the UK persistently draw references to the "winter of discontent."[12] Commentators and politicians recite these analogies frequently, paying little heed as to whether the 1930s, 40s, or 70s are a relevant point of comparison for our present economic troubles. While these historical reference points all differ with respect to economic diagnosis and prognosis, what they share is a reliance on a *common collective memory* that has been shaped and contested over the previous decades. Franklin Roosevelt's agenda for economic recovery, US aid to Western Europe, and the turmoil of the 1970s all form the set of shared historical reference points in the many of the major North Atlantic economies.

[11] Isabella Weber, "Could strategic price controls help fight inflation?" The Guardian, December 29, 2021, https://www.theguardian.com/business/commentisfree/2021/dec/29/inflation-price-controls-time-we-use-it
[12] Kate Mackenzie and Tim Sahay, "Marshall Plans," *Phenomenal World*, October 11, 2024, https://www.phenomenalworld.org/analysis/marshall-plans/.

In many cases, the dominant narratives of the past may omit important details from the historical record, or at least involve a one-sided view of the events in question. Nevertheless, politicians are able to effortlessly and effectively invoke them because these events—and the simple causal stories they became imbued with—now form the stock of historical narratives in our present political culture. Establishing the rhetorical salience and political implications of analogies from economic history is not a passive process, however. Rather, it reflects political contestation. In many cases, important counternarratives competed with now-dominant ones and once threatened to displace them; the set of historical references we hear today is far more contingent and far less organic than is often assumed. Regardless, once the "common sense" understanding of a historical event has crystallized, it is difficult to displace, and political references are pressured to adopt this folk understanding of the past.

If the historical details contained within political references to the past are often disputable, the parallels to the present may be even more so. Indeed, policymakers often evoke commonly-understood memories because they resonate emotionally or intellectually with the public and form a usable past for political purposes, not necessarily because they are relevant to the present. In the cases mentioned previously, other seismic economic events, like the Panic of 1873, Britain's disastrous 1925 return to the gold standard, or Germany's troubled reunification process are rarely invoked as "lessons" for the present. Even if they bore greater relevance for modern policy challenges, only a relatively small audience would glean a clear political message from these analogies, leaving them comparatively impotent as rhetorical devices.[13]

Why are some historical economic episodes invoked as policy lessons while others are not? And how do certain collectively-remembered economic events attain and retain this status over time, even after no one alive has a personal memory of them? These two questions form this project's core lines of inquiry. Counter to many accounts of "memories," "lessons," and "analogies"[14]—which implicitly or explicitly view the development of historical reference points as a linear and rational process—I argue that the types of economic history we hear referenced in political debates is itself the outcome of a *political process*. That is, from the moment an economic event takes place, there is a political struggle over its meaning and how it is metabolized in societal memory. Subsequently, its memory can be rehearsed and reinforced by both private and institutional actors, especially at moments of crisis. From the vantage point of the present, then, we find a limited subset of emotionally-salient historical references from which to choose. As a result, policy debates within the political economy are constrained not only by the material consequences of previous decisions, but also by the prior political battles over the memory of those events that took place at earlier key junctures and moments of crisis.

This interaction between political contestation and portrayals of the past is familiar to many scholars of historical memory (who mainly focus on wars, genocides and other violent traumas) but is undertheorized in International Political Economy (IPE). To address this, I propose a framework from which we can understand how events in economic history are

[13] The CEA's efforts likely fall into this category. The economics of the 1940s are simply not a common reference point in US political culture and voters continued to show dissatisfaction with price increases throughout 2021 and 2022. Reem Nadeem, "Biden's Job Rating Slumps as Public's View of Economy Turns More Negative," *Pew Research Center*, July 13, 2022, https://www.pewresearch.org/politics/2022/07/13/bidens-job-rating-slumps-as-publics-view-of-economy-turns-more-negative/.
[14] For a full typology and relevant references, see table 2.1.

remembered, forgotten, reconstructed, distorted, deployed, contested, and occasionally displaced in subsequent political debates. I argue that, depending on rhetorical efforts and the outcomes of subsequent political disputes, certain events can be elevated from a mere memory to a foundational narrative of a country, while others are (at least temporarily) forgotten. Put differently, political contestation is core to which historical narratives become "hegemonic"—and to the political effects of these dominant historical accounts.[15]

1.3) The "decade of financial crises" and interwar memories

In the decade between 2008 and 2018, the world economy was ravaged by a novel and severe set of economic challenges. From a collapsing US housing market and financial system to the aftershock risk of Eurozone disintegration to stalled multilateral trade negotiations, the decade after 2008 required "unprecedented transnational action" to address the new challenges.[16] As policymakers stared down these unprecedented and interlocking crises, they did what their predecessors had often done: look to the past to understand their current predicament and make their policy decisions legible to the public. However, the version of history that was immediately available to them (and reasonably legible to their audiences) had often been written years—and in many cases decades—earlier.

These dominant memories also helped to define what was, and what was not, constructed as a crisis. After the fear of global depression subsided by about 2011, two anxieties in particular haunted economic elites: the threat of rising inflation and a resurgence of protectionism. Radical monetary policies such as negative interest rates and quantitative easing (QE) stoked fears that the price stability of the previous three decades could soon vanish. At roughly the same time, declines in economic output not seen since the Great Depression raised fears that parallels to the "beggar-thy-neighbor" trade policies of the 1920s and 1930s would be promoted by the latest economic downturn. In the world's critical economic decision-making centers, each of these fears was accompanied by a particular economic "lesson" from nearly a century before.

In the Eurozone, German elites in particular voiced a preoccupation with risks of inflation, despite the reality of persistently low rates. This fear took the shape not just of generalized inflation, but specifically of the Weimar Hyperinflation, during which the German mark dramatically lost value between 1921 and 1923, eventually to be replaced at a trillion-to-one ratio with the new *Rentenmark*. This history became a frequent reference point for West German elites, continuing well after none of them would have directly remembered the inflation. For example, shortly after the 2008 financial crisis, then-Christian Democratic Finance Minister Wolfgang Schäuble directly referenced hyperinflation to brush off demands to implement a greater fiscal stimulus, citing "aversion to deficits and inflationary fears, which have their roots in German history in the past century."[17] After making the same argument to a

[15] Gramsci argues that hegemony allows "'spontaneous' consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group." See: Antonio Gramsci, Selections from the Prison Notebooks, ed. and trans. Quintin Hoare and Geoffrey Nowell Smith (London: Lawrence and Wishart, 1971). P. 12

[16] For a periodization of this decade and detailed description of the actions taken, see Adam Tooze, *Crashed : how a decade of financial crises changed the world*, (New York: Penguin, 2018).

[17] Wolfgang Schäuble, "Maligned Germany Is Right to Cut Spending," *Financial Times*, June 24, 2010, https://www.ft.com/content/216daeba-7f0c-11df-84a3-00144feabdc0.

domestic audience in 2008, the magazine *Der Spiegel* published a special report on the German hyperinflation in English in 2009. In it, they directly attribute Hitler's rise to the inflation, claiming that it is "no coincidence" that he began his rise to power in the same year as the hyperinflation and arguing that policies that could lead to higher inflation rates must be avoided, given the evident political risks.[18] This contradicts most of the recent scholarly consensus, which stresses that Hitler triumph in 1933 was caused by the 1929 Great Depression and deflation, not the 1923 hyperinflation. [19]

The shadow of 1923 was also lurking elsewhere. The 2013 Free Democratic Party (FDP) manifesto proclaimed that "the hyperinflation of the 1920s and the monetary devaluation of the immediate post-war period is branded deeply into our collective memory".[20] Prominent economist Hans-Werner Sinn repeatedly emphasized the link between the 1923 inflation and the rise of Hitler.[21] This selective deployment of history was not new in German (or even international) politics. Decades earlier, the former Bundesbank President Hans Tietmeyer remarked that the hyperinflation helped "develop a special sensitivity to inflation and has caused the wider public to believe in the critical importance of monetary stability in Germany."[22] In his popular book on the Bundesbank, journalist David Marsh describes "Germany's moral attachment to sound money,"[23] a tendency that continued with Chancellor Angela Merkel's morality-laden speeches about the evils of debt and inflation during the eurozone crisis.[24]

In addition to frequent speeches by Bundesbank presidents warning of the impact of the past on modern inflation perceptions, the institution itself is keen to reinforce this sense of historical injury. Recently, it has pointed to the "lessons learnt from history" on both its website and at its Money Museum in Frankfurt (again in German and English, suggesting that international persuasion was also part of the goal).[25] Similar interventions date back over a half-century. Given the anti-inflationary bias of German economic policy over the last several decades, it appears these were largely successful. Indeed, as Jörg Bibow observes, "German policymakers are notorious for seeing inflation risks everywhere," a tendency that is often attributed to the "tribal memory"[26] around the "trauma" of 1923—a trauma that no current policymakers or commentators were alive to experience.[27] Indeed, this perception of trauma

[18] Alexander Jung, "Millions, Billions, Trillions: Germany in the Era of Hyperinflation," *Spiegel International*, August 14, 2009, https://www.spiegel.de/international/germany/millions-billions-trillions-germany-in-the-era-of-hyperinflation-a-641758.html.
[19] See: Tobias Straumann, *1931: Debt, Crisis, and the Rise of Hitler* (Oxford: Oxford University Press, 2019).
[20] Freie Demokratische Partei, "Bürgerprogramm 2013: Damit Deutschland Stark Bleibt" (July 23, 2013), https://www.fdp.de/files/408/Bürgerprogramm_A5_Online_2013-07-23.pdf.
[21] Philipp Heimberger, "Hyperinflation and the Rise of the Nazis: Distortions of History by Hans-Werner Sinn," Brave New Europe, December 23, 2020, https://braveneweurope.com/philipp-heimberger-hyperinflation-and-the-rise-of-the-nazis-distortions-of-history-by-hans-werner-sinn.
[22] Hans Tietmeyer, "The Role of an Independent Central Bank in Europe," in The Evolving Role of Central Banks, ed. Patrick Downes and Reza Vaez-Zadeh (Washington, DC: International Monetary Fund, 1991), 176–189.
[23] David Marsh, The Bundesbank: The Bank That Rules Europe (London: Heinemann, 1992), 26.
[24] Merkel was fond of using explicitly gendered language to warn of the dangers of profligacy and inflation, frequently citing the frugal "Swabian housewife" as a model of domestic virtue and financial prudence. "Die schwäbische Hausfrau," *Frankfurter Allgemeine Zeitung*, July 14, 2017, https://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/sparpolitik-merkel-und-die-schwaebische-hausfrau-14333164.html
[25] "Inflation – Lessons Learnt from History," Deutsche Bundesbank, October 15, 2012, https://www.bundesbank.de/en/tasks/topics/inflation-lessons-learnt-from-history-666006.
[26] Susan Strange and David Calleo (1984). "Money and World Politics" in *Paths to International Political Economy*. London: George, Allen, and Unwin, 111.
[27] Jörg Bibow, "The Euro and Its Guardian of Stability: Fiction and Reality of the 10th Anniversary Blast," Working Paper No. 583 (Levy Economics Institute of Bard College, 2009), https://www.econstor.eu/handle/10419/56992.

was deliberately honed by political actors—and the Bundesbank in particular—over the course of decades.[28]

In the realm of international trade, 21st century policymakers also reached back to the interwar period to warn of dangers to the world economy. In this case, they often insisted that the specter of protectionism was constantly lurking around the corner. This abstract fear again took on a specific historical form: the 1930 Smoot-Hawley Tariff Act in the US, which raised tariffs on over 20,000 goods in one of the largest increases in history. Although the effects of the tariff are now considered relatively minimal, it has been attributed to deepening the Depression and heightening international tensions in the run-up to WWII.

While few 21st century policymakers would have directly remembered the event, Gabriel Siles-Brügge identifies policymakers' deployment of the "Smoot-Hawley Myth" as an important factor in the failure of nations to pursue protectionist policies after the 2008 financial crisis.[29] He finds that this event forms part of a "crisis discourse" which has become "common sense."[30] For example, in the *Financial Times* in 2009, Alan Beattie compared "Buy American" provisions in the American stimulus package to Smoot-Hawley, the Cato Institute warned of "echoes of Smoot-Hawley" in current US policy, and economist Douglas Irwin cautioned against forgetting the "lessons" of the 1930 tariff hike.[31] Other writers echoed such alarm about his foreign economic policies—with some even calling US President Barack Obama's trade agenda "xenophobic".[32] Despite dire warnings of resurgent protectionism, US tariff levels stayed near record lows and negotiations for several free trade agreements (FTAs) advanced.

Obama would eventually denounce protectionism by referring to this memory of Depression-era economics, stressing that "we have a choice—retreat into old, closed-off economies or press forward".[33] After Obama left office, advocates of trade liberalization continued to find the Smoot-Hawley analogy tempting. In 2017 and 2025, choruses of articles would condemn President Donald Trump's tariffs, again citing the implied dangers of Smoot-Hawley as a reason to oppose the trade policies of both his first and second terms.[34] These critiques echoed verbatim the rhetoric of free traders from decades past, who would often invoke the 1930 tariff whenever they sought to critique even minor increases in customs rates.[35]

Smoot-Hawley references were not just used as a shield against protectionism; they were also wielded as a sword to cut down tariffs and non-tariff barriers (NTBs). Then-World Trade Organization (WTO) General Secretary Pascal Lamy repeatedly invoked the 1930 tariff, arguing that "one of the important lessons of the Great Depression, which we must not forget,

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[28] See section 2 and Simon Mee, *Central Bank Independence and the Legacy of the German Past* (New York: Cambridge University Press, 2019). https://doi.org/10.1017/9781108759601.
[29] Gabriel Siles-Brügge, "Explaining the Resilience of Free Trade: The Smoot–Hawley Myth and the Crisis," *Review of International Political Economy* 21, no. 3, 2014, https://doi.org/10.1080/09692290.2013.830979.
[30] Rorden Wilkinson, "Language, Power and Multilateral Trade Negotiations," *Review of International Political Economy* 16, no. 4, 2009, https://doi.org/10.1080/09692290802587734.
[31] Alan Beattie, "Flaws Emerge in Global Web of Treaties," *Financial Times*, February 2, 2009, https://www.ft.com/content/32c84572-f172-11dd-8790-0000779fd2ac; Doug Bandow, "Echoes of Smoot-Hawley," June 8, 2009, https://www.cato.org/blog/echoes-smoot-hawley; *House Committee on Ways and Means, "*How 'Protectionist' Became an Insult," June 18, 2010, https://waysandmeans.house.gov/how-protectionist-became-an-insult/.
[32] Anne Sibert and Willem Buiter, "The Dangerous Protectionism of Barack Obama," VoxEU / CEPR, February 26, 2008, https://cepr.org/voxeu/columns/dangerous-protectionism-barack-obama.
[33] "Obama Says Protectionism No Answer to Inequalities of Globalization," Reuters, October 6, 2016, https://www.reuters.com/article/us-usa-obama-economist-idUSKCN1260WJ.
[34] Dominic Rushe, "Anyone, Anyone? What Happened When the US Last Introduced Tariffs," *The Guardian*, January 29, 2017, https://www.theguardian.com/us-news/2017/jan/29/smoot-hawley-tariffs-protectionism-donald-trump; Ben Chu, "
[35] See section 3.

is that 'protectionism' and economic isolationism do not work".[36] He went on to reference Smoot-Hawley and the Great Depression over a half-dozen times in that year alone, often arguing that it was "surely among the factors contributing to the geopolitical instability that in turn led to the Second World War".[37] Looking back on his tenure as head of the WTO, Lamy was proud of his successful use of historical analogy to secure his desired policy outcomes, remarking that "I know there are historical controversies [over the effects of Smoot-Hawley], but never mind, I used the narrative anyway."[38] His efforts were successful: few countries raised tariffs after 2008 and the WTO even gained additional surveillance powers over countries' trade policies.

1.4) The importance of historical memory as a concept

Why did policymakers repeatedly refer to these particular events—both of which almost none of them directly experienced—to help them understand the present and justify their own actions? And why did they not cite other events that may have been more recent, more relevant, or that they had lived through? I argue that the answer lies in the importance of *historical memory* for shaping debates and decision making in the international political economy. This intervention enriches the existing IPE literature, which often views ideas as having causal power independent of the political forces that shape them, assumes policymakers undertake a rational "learning" process from the past, or views the role of history in economics through the narrow lens of "path dependency."[39] As chapter 2 elaborates, this thesis adds complexity to these approaches. Specifically, it does so by demonstrating how political struggles shape collective memories of economic history, how historical references can be employed to both understand the present and deployed as a "strategic political resource,"[40] and how political actors contest and dispute the use of certain memories. In addition to enriching IPE through these avenues, this work also seeks to demonstrate to historians how the tool of historical memory, which is often confined to studying wars and other violent episodes, can be adapted to economic history.

Historical memory can be defined as "the ways in which groups, collectives, and nations construct and identify with particular narratives about historical events".[41] The distinct components of this definition are worth stressing: historical memory exists above the level of the individual, is actively constructed, and is a narrative of the past, not necessarily a "factual" historical account. Moreover, historical memory "conditions the hierarchy of power" in a society and often affords a privileged place to the favored political subjects in a given regime.[42]

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[36] "Lamy - Lamy Warns Against Protectionism Amid Financial Crisis," World Trade Organization, 24 September 2008, https://www.wto.org/english/news_e/sppl_e/sppl101_e.htm.
[37] Quoted in Siles-Brügge, "Explaining the Resilience of Free Trade."
[38] Interview conducted by the author with Pascal Lamy in March 2022.
[39] See: Peter A. Hall, "Social Learning, and the State: The Case of Economic Policymaking in Britain," *Comparative Politics* 25, no. 3, 1993, https://scholar.harvard.edu/files/hall/files/hall1993_paradigms.pdf; Kenneth J. Arrow, Social Choice and Individual Values (New York: Wiley, 1951); James Ashley Morrison, "Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain," International Organization 70, no. 1 (2016): 175–207. Further discussion of relevant theoretical literature is provided in chapter 2.
[40] David Howarth and Charlotte Rommerskirchen, "A Panacea for All Times? The German Stability Culture as Strategic Political Resource," *West European Politics* 36, no. 4, 2013, https://doi.org/10.1080/01402382.2013.783355.
[41] K. Hite, "Historical Memory," in *International Encyclopedia of Political Science*, ed. Bertrand Badie, Dirk Berg-Schlosser and Leonardo Morlino (Thousand Oaks, CA: Sage, 2011), 1078.
[42] Paul Connerton, *How Societies Remember* (Cambridge: Cambridge University Press, 1989). https://doi.org/10.1017/CBO9780511628061.

On the individual level, it can affect the perceived identity and interests of individuals by altering their understanding of past causal relationships.[43]

The concept of *historical memory* is vital because it encompasses the political struggles over memory, the distortions of the past that it can contain, and the importance of memory in shaping national identities and power relations. While the IPE and IR literatures are rich with accounts of how the past shapes the present, many of the seminal works on the subject neglect one of more of these aspects (see chapter 2 for a more extensive literature review). I propose a more complex picture, combining the literature on historical memory, Antonio Gramsci's theory of hegemony, and the existing literature on ideas in IPE and analogies in IR to build a novel analytical framework. The first step in this process is establishing a hierarchy of historical memory, which I break down into six categories, consisting of analogies, lessons, traumas, syndromes, traditions, and identities (see chapter 2 for full definitions and elaboration of these terms). These vary from low emotional salience (analogy) to extremely high (identity) and can operate differently in society, affecting either elites or the general public disproportionately.

The process by which a simple lesson could be elevated to a trauma is not a passive one. Rather, it is a political struggle to build a hegemonic narrative of the past, which eventually can be used to "legitimate a present social order."[44] Through interventions in the media, political speeches, educational institutions, museums, and other cultural initiatives, certain events and historical narratives are amplified at the expense of others. These narratives both reflect and establish power dynamics. For example, dwelling on the plight of savers during the 1923 hyperinflation reflects both the political power of that economic group (or else the dominant narrative would likely have been different). This rhetorical move, the product of material power, than can perpetuate it. As savers assume cultural centrality, this strengthens their influence through making their preferences more important (expanding the "trauma" of savers to a larger national one makes the public more sensitive to that specific group's economic challenges, rather than those of debtors, for example).

This struggle for hegemony occurs through both rhetorical and practical means. As Gramsci theorized, control of the media, educational institutions, and culture are vital for establishing hegemony.[45] Although Gramsci is sometimes misconstrued as either purely focused on cultural persuasion or dogmatically centered on only counter-hegemonic struggles, his writings reveal a far more nuanced picture.[46] Indeed, his opposition to pure "economism" only went so far. Gramsci's contribution is important precisely for its synthesis of ideational (individual and collective perceptions, ideas, and values) and material factors (such as class relations, geography, or coercive power). This hegemonic combination of material and ideological power—which historical narratives both help to shape and are themselves reinforced by—can unify domestic political constituencies and international coalitions alike because it "maintains cohesion and identity within the bloc through the propagation of a

[43] David Rieff, In Praise of Forgetting: Historical Memory and Its Ironies (New Haven: Yale University Press, 2016).
[44] Connerton, *How Societies Remember*, 3.
[45] Berthold Molden, "Resistant Pasts Versus Mnemonic Hegemony: On the Power Relations of Collective Memory," *Memory Studies* 9, no. 2, 2016, https://doi.org/10.1177/1750698015596014.
[46] See: Perry Anderson, "The Antinomies of Antonio Gramsci," New Left Review, no. 100 (November–December 1976): 5–78 and John P. Diggins, "The Misuses of Gramsci," Journal of American History 75, no. 1 (June 1988): 141–45.

common culture."[47] The creation of this "common sense" through hegemonic memories of economic history—and the subsequent political effects and dynamics of their construction, maintenance, deployment, and contestation—is the core topic of this thesis.

In the context of historical memory of economic events, this can be extended to mean that mere rhetorical interventions are not sufficient to establish hegemonic narratives. Rather, the lessons of those narratives must eventually prove effective in their service of a seemingly successful policy outcome. As this chapter has introduced—and subsequent sections will demonstrate definitively—in both German monetary policy and US trade policy, this worked remarkably well for several decades. As political interlocutors continued to advance their preferred historical narratives of the interwar period well after 1945, the policies that were shaped in part by these lessons appeared to be a striking success. Price stability seemed to provide the groundwork for the *Wirtschaftswunder* in Germany, while the "embedded liberalism"[48] of the Bretton Woods era appeared largely responsible for the high growth rates across the Western world in the mid-20th Century. Through these successes, the particular interwar narratives that postwar policies were built on were themselves reinforced, weaving together ideological and material power in a self-reinforcing, iterative process. This process continued into the new millennium, at which point it became clear that truly hegemonic understandings of both the hyperinflation and tariff act had been established.

1.5) **Structure of the dissertation**

To examine the processes by which complex economic events can be distilled into simple causal narratives, embedded in a society's broader historical memory, and employed in policy debates, the rest of the thesis proceeds as follows. Part 1 outlines the concept of "historical memory" and its relevance for international political economy, surveying existing literature, providing a typology of memory and important definitions in preparation for developing the analytical framework in chapter 3. Chapter 2 describes how memory may be shaped and examines how subsequent policymakers—who often reach into the past to understand the present and justify political decisions—may be affected by the construction, deployment, and rehearsal of collective memory over time. The chapter then develops a typology of memory and surveys existing literature from the fields of history, IR, and IPE.

It also operationalizes this approach in a political-economic context. I build a theoretical framework for analyzing how historical memory operates in the global political economy, including establishing a typology of memory and definitions of key terms. I elaborate the process by which the memory of an economic event is contested and can eventually be made hegemonic ("the contest of memory") as well as how policymakers employ historical narratives at critical junctures to advocate for their preferred outcome ("the contest of analogy"). This builds off of a survey of the existing scholarship on constructivism, the role of ideas, social learning, and analogies in IR and IPE, during which I demonstrate the novel contribution that historical memory adds to these existing literatures.

[47] Robert W. Cox, "Gramsci, Hegemony and International Relations," *Millennium: Journal of International Studies* 12, no. 2, 1983: 56–57, https://doi.org/10.1177/03058298830120020701.
[48] John G. Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2, 1982, http://www.jstor.org/stable/2706527.

The next two sections center around the case studies of the memory of the Weimar hyperinflation and Smoot-Hawley tariff, respectively. Here a note on case selection is warranted. Comments on earlier drafts of this thesis often asked why I chose these two specific events from the interwar period or what my "universe of cases" from economic history is. Such questions understand my research process exactly backwards. Rather than begin during the interwar period and see which events stayed in the political discourse, I began this project as a mere observer of the news events of the 2010s. In my time as an economics student in Berlin shortly after the Eurocrises, I repeatedly encountered references to 1923 from German economics professors and the broader media in that country. Later, while researching US foreign policy at a London think tank during the early Trump years, I frequently heard top policymakers invoke the Smoot-Hawley in an almost ritualistic way to criticize tariffs. A combination of personal frustration and intellectual curiosity about the repeated use of these historical analogies—as well as a subsequent review of journalistic and academic sources to see if my observations were both warranted and potentially scholarly-relevant—formed the basis for my 2021 DPhil proposal. This dissertation, while of course expanded and slightly modified, emerges from that proposal with relatively little alteration to the core argument or approach.

In that sense, I am representative of Donald Murray's observation that "all writing is autobiography."[49] However, there are also many legitimate academic grounds for this case selection. Considering historical GDP shares from the early 20th century to the present, selecting the US and Germany (especially considering its role in shaping European monetary policy) is an uncontroversial decision. According to the Maddison Project, the combined output of the US and current EU-27 countries exceeded 60% of nominal world GDP for much of the interwar period, hovered around 55% for most of the post-WWII era, and only dipped below 50% after the 2008 Global Financial Crisis.[50] Geopolitically, too, these countries are central to the story of the last century. Whether we consider Germany's role in two world wars, the US' assertion of global dominance after 1945, or the recent re-militarization in both countries, their capacity for violence—which is inherently supported by their respective economic systems—is simply too great to ignore. Economic and military might has also granted these two countries immense cultural power, which has aided in their ability to spread historical narratives across borders—including through the structure of international institutions. Indeed, the late-20th century internationalization of these two interwar economic memories is both a core argument of this thesis and an indispensable reason for their selection as cases.

From a theoretical perspective, Weimar and Smoot-Hawley are compelling objects of study. Adopting the stance of IPE, the choice of one case from international trade and another from monetary (and to a lesser extent, fiscal) policy is an obvious choice. From a historical memory angle, it is important that the number of people alive in 2026 who have a conscious memory of either 1923 or 1930 is vanishingly small.[51] This enables an examination of the shift

[49] Donald M. Murray, "All Writing Is Autobiography," *College Composition and Communication* 42, no. 1 (February 1991): 66–74, https://doi.org/10.2307/357540.
[50] Jutta Bolt and Jan Luiten van Zanden, Maddison Project Database, version 2023, Groningen Growth and Development Centre, University of Groningen, 2023, https://doi.org/10.34894/INZBF2.
[51] Office for National Statistics, "Estimates of the Very Old, Including Centenarians, UK: 2002 to 2023," statistical bulletin, March 18, 2025,

from personal to collective memory across the near-century since those events took place. Most importantly, however, is the fact that both are—and have long been—invoked frequently in high-stakes political debates in Germany, the US, and around the world. This finding emerged first from my own anecdotal experiences, but I do hope that the subsequent 90,000 words will demonstrate that what was once a personal observation is indeed an empirical reality. To echo Murray, then, it would be more accurate to say that my subjects chose me, rather than that I selected them.

With that motivation, part 2 explores the Weimar hyperinflation and its memory in both German and European Union political and economic debate. Opening with recent invocations of 1923, chapter 3 then jumps back a century and describes the history of the Weimar hyperinflation. Focusing particularly on the political causes and consequences of the currency destabilization, as well as the ways in which the memory has been deployed, it draws a contrast with the political rhetoric of inflation in 1923 and 2023. In line with substantial recent secondary literature, I cast doubt on the idea that it was universally experienced as an unmitigated economic disaster and also complicate the argument that it was a primary cause of the rise of the Nazis. Instead, I focus on more recent scholarship that suggests that the downfall of Weimar may have ultimately been more attributable to the *deflationary* episode of the Great Depression. Comparing these academic findings with the reality of historical memory, I examine how the perceived catastrophe of the hyperinflation became a key story in support of economic structures like an independent postwar West German central bank, widespread wage and fiscal restraint, and eventually the monetary architecture of a unified Germany and EU, as detailed in chapters 4 and 5. Eventually, the perceived trauma of 1923 was used to fend off efforts at expansionary fiscal policy following the 2008 Global Financial Crisis (GFC), to great consequence for much of Europe. In addition to political debates, speeches, and memoirs of key figures, part 2 examines German newsreels, newspapers, museums, and educational materials to see how a particular memory of the hyperinflation has been strengthened at the expense of both other readings of that event and other episodes in Germany's economic history.

Part 3 begins by observing recent invocations of US trade history in recent American political debates about the benefits of global economic integration. Highlighting how prevalent references to Smoot-Hawley once were, chapter 6 then pivots to examining the history of US trade policy during the interwar period, placing the decision to impose the tariff in both the context of previous US trade policy and the global Great Depression. Chapter 7 focuses primarily on the history of Smoot-Hawley and the rest of the 1930s, surveying secondary literature and evaluating the political and economic impact of the tariff, pointing out that while it was economically counterproductive, the strong causal case that it led to WWII is almost certainly overstated. Chapter 8 looks at how, despite some evidence to the contrary, the memory of Smoot-Hawley became a key piece of support for US Secretary of State Cordell Hull's belief that "wars were often caused by economic rivalry" [52] and ultimately for the creation of the General Agreement on Tariffs and Trade (GATT) and further trade liberalization during the Bretton Woods era. It also details how Smoot-Hawley continued to be used in media

https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/bulletins/estimatesoftheveryoldincludingcentenarians/uk2002to2023.

[52] Cordell Hull, *Memoirs of Cordell Hull* (New York, MacMillan, 1948), 84.

and political debates in the late 20th and early 21st centuries, including with the formation of the World Trade Organization (WTO) in 1995, progressive rounds of trade liberalization in the 21st century, leading up to the decision to preserve free trade in the decade following the 2008 financial crisis. Although the focus is on US trade policy, I also explore how Smoot-Hawley's memory has been internationalized and wielded in political fora across the globe.

Part 4 evaluates the findings and insights of the two previous sections, tying them back together empirically and discussing theoretical implications. Chapter 9 explores the post-GFC world of historical economic memory, weaving the stories of monetary/fiscal policy and international trade into an intertwined story. In chapter 10, I reflect on the generalizability of arguments made in the previous sections. I suggest that it is difficult to predict if an event will be made into a core economic memory at the exact moment when that event occurs, but also that the level of discussion and political suitability of given episodes do help predict which are unlikely to become prominent. Although a predictive model of exactly which economic events will become prominent in future debates is likely impossible, the range of possibilities can be narrowed down into a quiver of potential historical cases that could be useful to specific political groups. I find that it is difficult to resurrect an event from the distant past and (re)embed it in the popular memory if it was not already latent. Additionally, by analyzing the empirics of parts 2 and 3, it explores how political-economic memories can be constructed most effectively. Finally, it asks if the way in which we approach our economic past can ever escape the political battles surrounding the construction of a hegemonic collective memory. If not, what does the economic history of memory politics tell us about the future politics of historical economic memories?

Most fundamentally, why is the analysis of our memories of interwar trade and monetary history still relevant for present political-economic analysis? We already know how most of the economic disputes between 2008 and 2018 turned out. Inflation stayed low, fiscal austerity triumphed, and relatively free trade remained the norm. I argue that part of the reason for the peculiar continuity was that the historical references which were used to defend these policies in the face of unprecedented economic challenges had already solidified into hegemony by the end of the 20th century, leaving little room for analogical innovation. Throughout the crises and memory contests of previous decades, both the Weimar hyperinflation and Smoot-Hawley tariff acquired a legendary status and were imbued with a simple causal logic and a broader meaning about the relationship between democracy and capitalism. On the level of the specific, they implied that high inflation and high tariffs almost inevitably breed economic and political turmoil. More generally, they cautioned against democratic control of foreign economic policy (in the form of either a dependent central bank or congressional control over trade policy). Faced with clear-cut "lessons" from the interwar period, efforts at dramatic economic policy shifts could easily be dismissed as foolish and dangerous, with a "history" to "prove" it. Indeed, the system remained largely intact, bolstered by these historical narratives. However, even if historical memory could help preserve old economic structures for some years after their material basis eroded, it could not do so forever.

By the early 2020s, differences between popular demands and official policy and narratives that had long been apparent became unavoidable. At this time, hegemonic memories began to break down, but have yet to be replaced. Today, we are bombarded with new sets of

historical references, yet their meaning has yet to be firmly entrenched. Put differently, these malleable (and sometimes personal) memories have not yet fully hardened into a brittle hegemonic collective memory. The contest of both analogy *and* memory still rages, making our current struggles over the lessons of the 1970s roughly analogous to the ways in which policymakers a half-century ago battled over interwar economic history. Today, the political meaning of the 1970s is still partly up for grabs, and along with it, substantial parts of our economic future. While post-2020 economic debates are not the main focus on this research, I intend the study to illuminate and demonstrate the importance of how a previous round of memory battles was waged, for whom it was a victory and for whom it was a defeat, and the ultimate consequences of that outcome of remembrance and forgetfulness. My ultimate hope is that this study will provide insights for those who wish to understand—and wage—this ongoing round of battles over our economic past and political future.

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I do not know which makes a man more conservative—to know nothing but the present, or nothing but the past.
-John Maynard Keynes, *End of Laissez Faire*

Chapter 2: Historical memory and its uses in international political economy

2.1) Defining memories

The term "historical memory" is better-known to the historian than the political economist, but it bears deep relevance for the fields of international political economy and international relations. The term has no universally agreed-upon definition, but Hite provides the following useful introduction: "The concept of 'historical memory,' often expressed as 'collective memory,' 'social memory,' or for political scientists, 'the politics of memory,' refers to the ways in which groups, collectivities, and nations construct and identify with particular narratives about historical events."[53] To further understand its meaning and relevance to political economy and international relations, it is first useful to discuss a brief history of collective memory as both a term and object of scholarly analysis.

Although thinkers from Plato to Nietzsche to Marx[54] have grappled with the ways in which humans and societies remember, historical memory was first explicitly coined as a term by French philosopher Maurice Halbwachs in 1925. In his posthumously published 1950 work *La mémoire collective* (first translated into English in 1980),[55] Halbwachs laid out his concept of collective memory as separate from both individual, personally-experienced, memory and "true" history. Collective memory, Halbwachs said, differed from formally-constructed history in two ways. First, collective memory is constantly changing, as each subsequent group bears a different relationship to that memory and takes only the pieces useful and salient to it.[56] The second is that, as opposed to history, which is often more general and constructed by professionals and organizations, collective memory must be based around the experience of a particular group and is often constructed by this collective (often through professional mediators in the media, state, and academy).[57] Without reifying academic historians or implying a "true" version of the past exists, it is still possible to draw a distinction between more and less politicized versions of history. This second characteristic is particularly important for this research project: if economic policies are based in part on an understanding of the past,[58] and that understanding can be altered by political contestation of historical

[53] K. Hite, "Historical Memory," in *International Encyclopedia of Political Science*, ed. Bertrand Badie, Dirk Berg-Schlosser and Leonardo Morlino (Thousand Oaks, CA: Sage, 2011), 1078.
[54] Plato compared memory to a "wax tablet" in 399 BC in *Theaetetus*; Nietzsche argued excessive focus on the past would be the "gravedigger of the present" in 1876 in *Untimely Meditations*; and Marx famously remarked that "the tradition of all dead generations weighs like a nightmare on the brains of the living" in the 18th Brumaire. Plato, *Theaetetus* (Oxford: Oxford University Press, 2014); Friedrich Nietzsche, *Untimely Meditations* (Cambridge: Cambridge University Press, 1997), 62; Karl Marx, The Eighteenth Brumaire of Louis Bonaparte (1852; Marx/Engels Internet Archive, 1999), 5. https://www.marxists.org/archive/marx/works/download/pdf/18th-Brumaire.pdf.
[55] Maurice Halbwachs, *The Collective Memory* (New York: Harper & Row, 1980).
[56] This is often an ethnic, religious, or national group in typical memory studies. See: David Lowenthal, The Past Is a Foreign Country (Cambridge: Cambridge University Press, 1985), 193.
[57] Halbwachs, *Collective Memory*.
[58] Peter A. Hall, "Social Learning, and the State: The Case of Economic Policymaking in Britain," *Comparative Politics* 25, no. 3, 1993, https://scholar.harvard.edu/files/hall/files/hall1993_paradigms.pdf.

memory, it is clear that political decisions themselves can be affected by the struggle over collective memory and its organic evolution in everyday life.

Through a survey of scholarship on historical memory, we can discern five (non mutually-exclusive) key characteristics that are relevant to memory's impact on economic decision-making and ideological contestation. First, historical memory exists above the level of the individual and is most applicable when events have not been directly experienced by the individual in question.[59] Additionally, it does not need (and is unlikely) to conform to the historical record.[60] Relatedly, the production of what we often understand as "history"—the crafting and promulgation of memory—is also an inherently contested and political process. Fourth, memory can affect the perceived interests of individuals by altering their understanding of past causal relationships.[61] Finally, memory forms a key part of group identity and the elevation of one memory over another typically reflects and shapes the dominant politics of a given community. Each of these five characteristics warrants further examination.

As Halbwachs[62] points out, each individual is affected differently by the collective memory of the society to which they belong, yet all individual memories of a particular event occur in relation to larger societal memories. Moreover, the utility of the concept of collective memory increases as more time elapses after the event in question and those who directly experienced it have passed away or are less present in the current discourse. As Hodgkin and Radstone observe, "memory can become property to be inherited and passed on, continuing to function in the minds of others" after the original ones who personally remembered it have gone.[63] Beyond individual cognitive effects, the aggregate outcome of this shared remembrance may also have society-wide effects by building shared identities and narratives of the past, since almost any group "defines its own cultural, institutional, or geographical boundaries, [by using] a set of positive and negative references to the past."[64]

A second important characteristic is that the historical record and historical memory can often bear little resemblance to each other. Halbwachs[65] recognized this, pointing out that as societies reconstruct their past, they "deform it." While his reverence for "true" academic history is overly deferential, his point still has some merit. Historical memory lacks nuance, leaving "the essence of historical remembrance consist[ing] of identification and psychological proximity rather than historical accuracy, let alone historical nuance and depth."[66] Ultimately, "exercises in collective historical remembrance far more closely resemble myth on one side and political propaganda on the other than they do history."[67] Of course, determining objective historical "truth" is a fraught task, but that does not mean that memory and history are indistinguishable. Whereas scholarly history seeks to reconstruct and understand the past in its own right (while inevitably incorporating some modern biases), memories focus on particular,

[59] Susannah Radstone and Katharine Hodgkin, eds., *Contested Pasts*: *The Politics of Memory* (London, UK: Routledge, 2003).
[60] Stefan Berger and Bill Niven, *Writing the History of Memory* (London: Bloomsbury Academic, 2014), https://ebookcentral.proquest.com/lib/kxp/detail.action?docID=6939399.
[61] David Rieff, *In Praise of Forgetting*: *Historical Memory and Its Ironies* (London: Yale University Press, 2016).
[62] Halbwachs, *Collective Memory*.
[63] Radstone and Hodgkin, *Contested Pasts*, 10.
[64] Berthold Molden, "Resistant Pasts Versus Mnemonic Hegemony: On the Power Relations of Collective Memory," *Memory Studies* 9, no. 2, 2016: 139, https://doi.org/10.1177/1750698015596014.
[65] Halbwachs, *The Collective Memory*, 182.
[66] Rieff, *In Praise of Forgetting*, 28.
[67] Rieff, 22.

de-contextualized elements of earlier events, highlighting those which may be most relevant for present-day political debates.

Third, historical memory can have a profound effect on individuals' concept of their own identity, interests, and decision making and is also a key element of what defines them as a group. As Marek D. Steedman observes, "the shaping of political memory, as an aspect of hegemony, constitutes people's identities."[68] Historical memory is fundamentally a way of understanding the present through the lens of the past (and often vice versa), grounding earlier events in the current "system of moral references".[69] It can have dramatic consequences for individuals, operating as "a dynamic shaping force, capable of transforming both the narrative of what is remembered, and the individual subjects who do the remembering."[70] Collective memory even "has the power to influence the course of world events" and can be considered "fundamental to developments in the twentieth century."[71] Indeed, scholars have found societal memories of specific eras and events to have a strong bearing of the political decisions of leaders several decades later.[72]

Fourth, crafting, propagating, and disseminating memory is an inherently political process, often beginning immediately after the events in question.[73] As Michel Foucault once argued, "there's a battle for and around history going on at this very moment" as political agents seek "to propose and impose on people a framework in which to interpret the present".[74] Indeed, "the takeover of history by memory is also the takeover of history by politics."[75] To be sure, the distinction between a "pure" history and "corrupted" memory is somewhat more muddled than these theorists argue. Furthermore, it is important to note that "committed history is not necessarily bad history, and all [historical] writing and research is informed by a degree of moral, intellectual, and political purpose formulated in the present."[76] However, some line still must be drawn between the two and it is accurate to say that "the formation of memory is a more inherently political process than the writing of scholarly history.[77]

This is not to say that deploying memory as an argument is always a cynical political tool. Berger and Niven point out that a "convenient symmetry between the promotion of these views and the acquisition, consolidation, and extension of power" does not imply that "these bodies do not believe in the views they promulgate."[78] To be sure, the exact motives of policymakers who deploy memories in any given political debate are often unknowable. However, regardless of whether actors in the international political economy deploy historically-contested analogies cynically or truly believe in the comparison they are making, they know that a society's collective memory will lend their argument political resonance. In

[68] Marek D. Steedman, "State Power, Hegemony, and Memory: Lotman and Gramsci," *Poroi* 3, no. 1, 2004: 83, https://doi.org/10.13008/2151-2957.1045.
[69] Henry Rousso, *The Haunting Past*: *History, Memory, and Justice in Contemporary France* trans. Ralph Schoolcraft (Philadelphia, PA: University of Pennsylvania Press, 2002).
[70] Radstone and Hodgkin, *Contested Pasts*, 11.
[71] Berger and Niven, *Writing the History of Memory*, 3.
[72] Thomas Banchoff, "German Policy Towards the European Union: The Effects of Historical Memory," *German Politics* 6, no. 1 (1997), https://doi.org/10.1080/09644009708404464.
[73] Holger Herwig, "Patriotic Self-Censorship in Germany After the Great War," in *Forging the Collective Memory: Government and International Historians Through Two World Wars*, ed. K. Wilson (New York, NY: Berghahn Books, 2016).
[74] Sylvere Lotringer, ed., *Foucault Live: Collected Interviews, 1961-1984: Michel Foucault* (New York, NY: Semiotext(e), 1996), https://monoskop.org/images/8/83/Foucault_Live_Collected_Interviews_1961-1984_1996.pdf, 102.
[75] Rieff, *In Praise of Forgetting*, 63.
[76] Richard J. Evans, "History, Memory, and the Law: The Historian as Expert Witness," *History and Theory* 41, no. 3 (2002): 338.
[77] Rousso, *The Haunting Past*.
[78] Berger and Niven, *Writing the History of Memory*, 7.

either case, the societal memory of a certain past event may be crucial in deciding on certain course of political action. This means that societal memory can exert influence even in the presence of elites who dispute the official economic narrative.

A lack of "true" shared history need not stand in the way of creating shared narratives of the past. As James Brow argues, "even newly established collectivities quickly compose histories for themselves that enhance their members' sense of shared identity, while solidarity is fortified by a people's knowledge that their communal relations enjoy an historical provenance."[79] Indeed, shared historical memory, and the sense of continuity this communal interpretation of the past creates, is a core element of nations and national identities. As Eric Hobsbawm argues, an "invented tradition"—which he defines as "set of practices, normally governed by overtly or tacitly accepted rules and of a ritual or symbolic nature, which seek to inculcate certain values and norms of behavior by repetition, which automatically implies continuity with the past"—forms a key part of the sense of nationhood. Generally, this reflects a "sense of belonging together is nourished by being cultivated in the fertile soil of the past" and "solidarity is fortified by a people's knowledge that their communal relations enjoy an historical provenance."[80]

Whereas the historical memory of a war or genocide may be fairly coherent within a given ethnic, religious, or geographical community, societal recollections of economic events divide societies in a somewhat different manner. In the case of economics, a tradition can assume the form of the currency and economy's performance, as the symbolic and ceremonial basis of the West Germany state shifted from militarism to the "secondary authoritarianism" of a strong economy and currency.[81] Because economic crises fall differently across distinct class, racial, and gender lines, they often intersect and divide geographical, ethnic and political communities, rather than binding them together (a worker and employer may share the same ethnicity, for example, but this bond does little to ameliorate class conflict during economic crises). This dynamic makes the creation of economic memory noticeably different from building the memory of wars and other violent events, even as in both cases "representations of the past are [a] prominent feature of hegemonic struggle."[82]

Indeed, while the establishment of a dominant memory of a genocide or revolution usually reflects the triumph of a certain national, ethnic, or religious group, the emergence of a hegemonic narrative of economic history is typically the result of an exercise of *class power*. As James Brow puts it, "at any moment socially organized knowledge of the past both reflects and affects the distribution and exercise of power" in a community as well as shapes the very existence of that community.[83] In the context of economic remembrance, the project of turning a memory of an event that predominantly affected one economic group (say, the plight of savers in an inflationary episode) into a national memory both reveals and solidifies the dominance

[79] Brow, "Notes on Community," 2–3.
[80] James Brow, "Notes on Community, Hegemony, and the Uses of the Past," *Anthropological Quarterly* 63, no. 1, 1990: 2–3, http://www.jstor.org/stable/3317955.
[81] Oliver Decker, "Secondary Authoritarianism: The Economy and Right-Wing Extremist Attitudes in Contemporary Germany," Journal of Psychosocial Studies 12, nos. 1–2 (2019): https://doi.org/10.1332/147867319X15608718111032. See also: Foucault (2008), who remarked that "A strong Deutschmark, a satisfactory rate of growth, an expanding purchasing power, and a favorable balance of payments are, of course, the effects of good government in contemporary Germany, but to a certain extent this is even more the way in which the founding consensus of a state – which history, defeat, or the decision of the victors had just outlawed – is constantly manifested and reinforced." Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège De France, 1978-1979* (Basingstoke, UK: Palgrave Macmillan, 2008), 85.
[82] Brow, "Notes on Community."
[83] Brow, 3.

of that group. By helping to convince the general populace that their economic interests align with those of a specific sub-group, the elevation of these historical narratives is a core element in the process of building and maintaining a hegemonic social class and economic order.

2.2) Survey of existing IPE literature

Although the concept of historical memory is not prominent in IPE, political economists are far from oblivious to the effects that individual ideas and historical events have on developments in the international political economy—particularly in the "constructivist" tradition. While many of these accounts have important analytical strengths from which to build, they each could benefit from the application of historical memory, as the existing concepts like "myths," "ideas," and "learning" fall short for a variety of reasons discussed below.

For example, Bairoch provides a series of refutations of key "myths" in economic history. He defines a myth as an "incorrect knowledge of the economy"[84] and states that both economists and the general public can fall victim to believing "false" narratives such as that the Global South was always relatively poor or that free trade was necessary for industrialization. Bairoch emphasizes the importance of the study of economic history to refute "incorrect" beliefs that even other prominent social scientists may hold. However, he does not aspire to analyzing the origin of each myth, the reasons for its longevity, or the effect that a given myth can have on economic policies down the line. While Bairoch does a convincing job of dispelling what he sees as historical economic falsehoods, his work lacks a broader theoretical framework that can be used to ask where myths come from. Moreover, the language of "myth" assumes that there is a corresponding "true" understanding of economics or history. There are undoubtedly outright falsehoods that permeate some historical memory, yet it is not typically the task of the social scientist to adjudicate absolute historical truth and falsehood. Often, belief in a false objectivity can obscure the more fruitful study of *why and how* policymakers employ the past as they do.

Scheve seeks to understand the historical bases of differences in relative public aversion to unemployment and inflation.[85] Both of these economic phenomena are typically considered undesirable, but preferences on the relative harmfulness of each vary across countries. Scheve develops a method to account for these differences. He determines that the public is more likely to fear inflation over unemployment if there has recently been a high-inflation episode, and vice versa. However, Scheve fails to account for a large degree of cross-country variation. To address this, he says that differences may be affected by "constructed and politically contested interpretations in which influential ideas help shape the public's view of historical economic performance".[86] In this, he comes close to discussing the historical memory of economic events but fails to develop the idea beyond suggesting it as an avenue for further research.

[84] Paul Bairoch, *Economics and World History* (London: University of Chicago Press, 1993), 2.
[85] Kenneth Scheve, *Public Inflation Aversion and the Political Economy of Macroeconomic Policymaking* (Cambridge: Cambridge University Press, 2004). https://doi.org/10.1017/S0020818304581018.
[86] Scheve, *Public Inflation Aversion*, 8.

Focusing on the elite instead of the popular level, Hall[87] develops a concept of "social learning" defined as "a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information." Hall breaks down social learning into a three-tiered system of "orders."[88] First order change is policymakers altering specific instruments in response to new information. Second order change is when the fundamental goals remain the same, but the tools used to achieve that goal are altered. A third order change constitutes a "paradigm shift," in which both the instruments and the fundamental goal of the policy are changed. This process will be affected by public opinion (in addition to that of experts) and will be based in part of past experience. However, Hall's approach is far too credulous, assuming that policy makers embark on a linear, rational, and benevolent quest to learn from a fixed set of agreed-upon facts about the past.[89] The literature on historical memory warns us that historical memory can "closely resemble myth".[90] If large-scale paradigm shifts can occur as a "result of reflection on past experience,"[91] it stands to reason that it is possible for leaders to alter the very goals of their policies due to an understanding of the past that is shaped by contested memories.

Many scholars have taken issue with Hall's approach, arguing that it mistakenly portrays crises as objective occurrences, rather than contested ideational constructions in which actors actively narrate causality and attempt to offer alternative solutions. [92] These critiques broadly resonate with the approach of this thesis, but what could be labeled "vulgar Hallism"—which insists on the importance of straightforward "lessons of the past" and "learning from history"—still holds significant sway in the real world. Indeed, the subsequent chapters will repeatedly uncover a stubborn belief that policymakers can objectively and apolitically read history as an instruction manual in order to improve policy. Of course, the historical memory literature, Gramsci, constructivist IPE scholars, and others are correct to suggest that elites often employ history strategically to further their political goals, frequently disregarding nuance for strategic gain.

However, the more earnest "learning" approach does have important scholarly antecedents. Several scholars have examined policymakers' fondness for the use of war analogies (which is studied primarily in the field of international relations). As they find, historical analogy is often a tool that policymakers may use, as their understanding of past events serves as a comprehension tool for present events, especially during moments of uncertainty. For example, in his 1973 *'Lessons' of the Past: The Uses and Misuses of History in American Foreign Policy* Ernest May writes largely from the perspective of a government advisor seeking to improve decision-making in Washington. Importantly, May does not flatter what he sees as elites' tendencies to find "historical parallels" or to believe that the future will "follow a straight line from what has recently gone before." Indeed, he views the book as a

[87] Peter A. Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain," Comparative Politics 25, no. 3 (1993): 278, https://scholar.harvard.edu/files/hall/files/hall1993_paradigms.pdf.
[88] Hall, "Social Learning, and the State," 280.
[89] Ibid.
[90] Rieff, *In Praise of Forgetting*.
[91] Hall, "Social Learning, and the State," 279.
[92] See: Colin Hay, "The 'Crisis' of Keynesianism and the Rise of Neoliberalism in Britain: An Ideational Institutionalist Approach," in *The Rise of Neoliberalism and Institutional Analysis*, ed. John L. Campbell and Ove K. Pedersen (Princeton: Princeton University Press, 2001), 193–218; Mark Blyth, Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century (Cambridge: Cambridge University Press, 2002); Vivien A. Schmidt, "Discursive Institutionalism: The Explanatory Power of Ideas and Discourse," *Annual Review of Political Science* 11 (2008): 303–26.

corrective to these habits.[93] Additionally, May acknowledges that elites are often led astray by a poor understanding of the past and that they frequently "use history badly."[94] While his interventions were useful at the time, they have two important drawhs. First, it assumes that policy makers would use "better" historical analogies if only they were available. Second, it grants the analogies undue causal power and does not question how the historical references themselves originate.

Yuen Foong Khong's *Analogies at War* adopts a more sophisticated framework of "analogical explanation," providing important insights into the use of the past in US foreign policy at the height of the Vietnam War.[95] He also explores how policymakers settle on a certain analogy at the moment of decision. However, his book mostly fails to account for why and how certain historical reference points become embedded in the national discourse or why one might appear more salient (not just accurate) than others. Both May and Khong also place excessive emphasis on personal memory, with May even claiming that policymakers are increasingly "hesitant about alluding to events or experience outside of living memory."[96] This contradicts the findings of this thesis, which observes that many historical analogies become *more popular* after personal memory fades to collective memory. Additionally, both books focus almost exclusively on the elite level, largely ignoring the mass effect of historical memory, the interplay between popular and elite memory, and how politicians may be shaped by (as well as seek to shape) dominant understandings of the past.

Relatedly, Goldstein and Keohane develop a broad framework for how ideas affect policy. They break down ideas into three categories: "world views," principled beliefs," and "causal beliefs."[97] World views, they say, are the broadest and most influential type of idea, encompassing human identity and limiting the range of ideas considered feasible to individuals. Principled beliefs are normative ideas that specify right from wrong. Finally, causal beliefs specify specific means-end relationships. These ideas can alter self-perception of one's own interests.

They say ideas influence policy in three main ways. First, they can act as "road maps" by providing individuals with a basis to determine their own interests given incomplete information. Next, given multiple potential policy equilibria, ideas can guide actors to a specific decision. Finally, ideas can be institutionalized in agencies and legal frameworks, preserving their influence even after they have fallen out of the mainstream. Goldstein and Keohane do acknowledge the impact that history has on affecting ideas. However, by neglecting the possibility that ideas are formed by the convoluted nature of historical memory, they fail to account for the fact that all types of ideas can be shaped by political actors. Since ideas can have dramatic consequences through the three causal pathways they discuss, and historical memory shapes the ideas of policymakers[98] it stands to reason that historical memory can have a distorting impact on policy decisions over a long duration.

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[93] Ernest R. May, "*Lessons" of the Past*: *The Use and Misuse of History in American Foreign Policy* (New York: Oxford University Press, 1973), ix.
[94] Ibid., xi.
[95] Yuen Foong Khong, Analogies at War: Korea, Munich, Dien Bien Phu, and the Vietnam Decisions of 1965 (Princeton, NJ: Princeton University Press, 1992).
[96] May, *Lessons*, x.
[97] Judith L. Goldstein and Robert O. Keohane, eds., *Ideas and Foreign Policy*: *Beliefs, Institutions, and Political Change* (Ithaca: Cornell University Press, 1993).
[98] Berger and Niven, *Writing the History of Memory*.

Seeking to relate culture to IPE, Best and Paterson take issue with the idea that "'the economy' can be analysed without reference to the specific sorts of people which inhabit and produce it".[99] In a similar vein that reflects some of the older neo-Gramscian approaches discussed later in this chapter, Jessop defines what constitutes this "cultural turn" in political economy, including the study of identity, rhetoric, and history.[100] He states that "a crisis is never purely objective"[101] and that the types of crisis responses under consideration are directly shaped by a given nation's preexisting cultural characteristics and identity (the concept of crisis is discussed in greater detail below). As scholars of historical memory have determined, collective memory constitutes a key pillar of identity and culture.[102] Therefore, analyzing the cultural components of political economy is incomplete without understanding the ways in which historical memory shapes culture.

Mark Blyth, James Morrison, and other political scientists focused on the role of ideas in international political economy also provide a valuable basis for analyzing the role of historical memory in IPE—but fall short of fully incorporating it into their work. For example, Blyth's *Great Transformations* seeks to describe the role that both interests *and* ideas play in driving economic policy shifts. He argues that "the set of available ideas with which to interpret the environment, reduce uncertainty, and make purposeful collective action possible becomes crucially important in determining the form of new institutions."[103] While this is certainly correct, focusing on a "set of available ideas" (as if they are sitting on a shelf in a warehouse) occludes the political contestation that determines which economic ideas and memories are viewed as "common sense" and are easily propagated in order to shape new economic regimes. Importantly, however, Blyth has also identified the interlinkages between declining material benefits of economic regimes and the ideas associated with them, observing that "the failure of Keynesian institutions in the 1970s helped delegitimate Keynesian ideas in the 1980s."[104]

Relatedly, Morrison's analysis of England's return to the gold standard in 1925 incorporates an account of the role of historical perceptions in shaping contemporary policymaking through a series of religious analogies. By using this framework, he views gold standard orthodoxy as a "religion born of the capitalist age" in which the "high priests" at central banks administer a system of economic "theocracy."[105] This offers a compelling account for why British policymakers chose to return to gold in 1925, but offers less explanation for *why* that particular "zealous faith" in gold emerged historically and politically.

Why Gramsci? As discussed in chapter 1, Gramsci's concept of hegemony is an important jumping-off point for this thesis' discussion of the political contestations around historical memory. Despite his well-known focus on culture, the Sardinian Marxist maintained a fundamentally materialist outlook, famously remarking that "hegemony is born in the

[99] Jacqueline Best and Matthew Paterson, *Cultural Political Economy* (London, UK: Routledge, 2010). https://doi.org/10.4324/9780203861394, 37.
[100] Bob Jessop, "Cultural Political Economy and Critical Policy Studies," *Critical Policy Studies* 3, 3-4, 2010: 337, https://doi.org/10.1080/19460171003619741.
[101] Jessop, 346
[102] Halbwachs, *The Collective Memory*.
[103] Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002: 10).
[104] Mark Blyth, "Structures Do Not Come with an Instruction Sheet: Interests, Ideas, and Progress in Political Science," *Perspectives on Politics* 1, no. 4 (December 2003): 695, https://doi.org/10.1017/S1537592703000458.
[105] James Morrison, England's Cross of Gold (Ithaca: Cornell University Press, 2021: 6-7).

factory."[106] By this he meant that the ideological bases for control are also shaped by material realities. For example, in the *Prison Notebooks*, he carefully balances between history, memory, economic interests, and power, stating that the dominant ideology "of an historical epoch is nothing other than the 'history' of that epoch itself, nothing other than the mass of variations that the leading group has succeeded in imposing on preceding reality."[107] Relatedly, Gramsci defines hegemony as the "complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules."[108]

There is also the important questions of Gramsci's relationship to more familiar and recent literature in political science, particularly political economy. The neo-Gramscian current in IPE is often treated as a heterodox departure from "mainstream" constructivism, but I suggest that the chronology supports the opposite reading. For example, Robert W. Cox's interventions in the early 1980s—which were drawn directly from Gramsci's *Prison Notebooks*[109]—already articulated a recognizably constructivist viewpoint, portraying material capabilities, ideas, and institutions as mutually constitutive. This took place several years before the approach expanded into international relations (rather than international political economy) in the late 1990s and early 2000s. This disciplinary migration necessitated shifting the lens from production and class relations to sovereignty and state identity.

When constructivist concepts were re-imported into IPE by Blyth, McNamara, and others in the early 2000s, they had lost some of their critical edge. Their scholarship largely asked how economic beliefs function at times of economic crisis, rather than how those beliefs both reinforce and are shaped by class interests and struggles.[110]

Accordingly, I argue that "returning" to Gramsci is not the importation of an alien or outdated approach. Rather, it represents a return to the more traditional and radical roots of constructivist IPE and is an important tool for uncovering the interwoven strands of cultural, ideational, and material power in contests over historical memory.[111] Importantly, using Gramsci as an inspiration or starting point does not imply a thorough dedication to all of his ideas or political commitments. As opposed to more methodical and comprehensive texts like Marx's *Capital*, Gramsci's *Prison Notebooks* were indeed mere notebooks written while in one of Mussolini's prisons. They contain important ideas, but do not provide an overarching and unified theoretical framework. Additionally, the term *Gramscian* should be taken much in the same way that *Marxian* denotes a departure from *Marxism*. That is, the former implies the use of Marx's ideas, while the latter reflects an adherence to his political project as well.

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[106] Gramsci, *Prison Notebooks.*
[107] Gramsci, *Prison Notebooks*, 345.
[108] Ibid., 244.
[109] Antonio Gramsci, *Selections from the Prison Notebooks*, ed. and trans. Quintin Hoare and Geoffrey Nowell Smith (London: Lawrence and Wishart, 1971); Stephen Gill, ed., *Gramsci, Historical Materialism and International Relations* (Cambridge: Cambridge University Press, 1993); Kees van der Pijl, *The Making of an Atlantic Ruling Class* (London: Verso, 1984); John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2 (1982): 379–415.
[110] Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999); Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002); Kathleen R. McNamara, *The Currency of Ideas: Monetary Politics in the European Union* (Ithaca: Cornell University Press, 1998); Rawi Abdelal, *Capital Rules: The Construction of Global Finance* (Cambridge, MA: Harvard University Press, 2007).
[111] Berthold Molden, "Resistant Pasts Versus Mnemonic Hegemony: On the Power Relations of Collective Memory," *Memory Studies* 9, no. 2 (2016): 125–42.

The choice of an "-ian" suffix after Gramsci's name should be interpreted in much the same way.

2.3) Toward a typology of memory

For policymakers reaching for analogy, several considerations are crucial: does the analogy support their political interests? Is the policymaker familiar with that event? Will that historical reference resonate with the public and does it have emotional significance? For the last two questions in particular, the process of building memory is crucial. Additionally, the *type* of memory is important: whether a certain collective permeates elite or popular discourse more affects how it is deployed politically. For these reasons, distinguishing between different forms of memory is essential for analyzing memory's effect on policy. Employing a simple historical analogy cannot be expected to have the same significance as a reference to a national trauma, for example. To address this, I propose a hierarchy of historical references, increasing in emotional and political salience (see table 1). I assume that the invocation of a historical reference is always a political intervention, but that not all interventions are equally successful due to differences in historical awareness and emotional resonance.

The typology specifies distinct characteristics for each type of memory. "Policy guidance" refers to whether the invocation of a certain event is typically intended to ward off a type of policy change ("negative") or promote one ("positive"). "Emotional salience" is the extent to which a given historical reference is likely to resonate and provoke strong feelings in the audience. This can be used both to stir the domestic population and as a political tool in international negotiations, with emotionally-charged historical references deployed strategically to win sympathy.[112] "Level of effect" indicates to which audience a memory is likely to spur the strongest reaction: elites or the wider public. Finally, "method of contestation" refers to Gramsci's terminology of "war of maneuver" versus "war of position" (and the lesser-known "underground war") as to the most effective way to counteract the political effect of a given historical narrative.[113]

In a war of maneuver, the terrain of the debate is still up for grabs, and both sides of a given historical argument struggle for advantage. After one side has established itself, the "war of position" ensues, with the loser of the first round being forced into a slower, methodical assault on the opponent's stronger, reinforced defenses. When a hegemonic narrative has been fully established, only an underground war is possible. In this case, historical arguments that contradict the official account are not only deemed incorrect, but actively harmful and potentially punishable. The characteristics of each type of memory are elaborated below. In addition to these terms, I also use the terms "historical reference" and "historical narrative." Historical reference refers to the act of recalling the past, while historical narrative is the implied causal story within a given reference. These are both used generally to describe the terms and processes described in table 2.1.

[112] For more on emotion in foreign policy, see: Todd Hall, *Emotional Diplomacy: Official Emotion on the International Stage* (Ithaca: Cornell University Press, 2015).
[113] Perry Anderson, "The Antinomies of Antonio Gramsci," *New Left Review* 100, December 1976, https://newleftreview.org/issues/i100/articles/perry-anderson-the-antinomies-of-antonio-gramsci.

Table 2.1: Forms of collective memory and their characteristics

Term	Policy Guidance	Emotional Salience	Level of Effect	Method of contestation	Indicative source(s)
Analogy	Neutral	Low	Elite/Popular	War of maneuver	Khong (1992)[114]
Lesson	Positive	Middle	Elite	War of maneuver	May (1973)[115]
Trauma	Negative	Very high	Popular	War of position	Sereny (2001); Edkins (2003) Lerner (2020)[116]
Syndrome	Positive (double negative)	High	Popular	War of position	Simons (1998); Rousso (1994)[117]
Tradition	Positive or negative	High	Popular	War of position	Hobsbawm and Ranger (1983)[118]
Identity	Positive or negative	Very high	Popular	Underground war	Habermas (1975)[119]

At the lower end of salience, simple analogies serve merely to compare contemporary events to past ones. These comparisons may fail to spark an emotional reaction and they do not necessarily suggest a clear policy action. For example, recent comparisons of the fighting between Russian and Ukrainian forces at Bakhmut and the Battle of Passchendaele may be of relevance to military historians but fail to achieve a wider political effect or carry a specific policy guidance. Analogies may be interesting to some, but they carry little rhetorical or political weight.

Lessons often suggest a distinct course of action and are more emotionally resonant than memories, operating at both the elite level and for an educated minority of the wider population. The most notorious "lesson" of history is almost surely the "lesson of Munich," Neville Chamberlain's allegedly foolish decision to allow Nazi Germany to occupy the Sudetenland in 1938 and the ensuing conclusion that wars of conquest must be stopped in their

[114] Khong, *Analogies at War.*
[115] May, *Lessons of the Past.*
[116] Gitta Sereny, *The German Trauma: Experiences and Reflections 1938-2001* (New York, NY: Penguin, 2001); Adam B. Lerner, "From the ashes of history: Trauma, national identity and state-building in India and Israel" (Ph.D. thesis, University of Cambridge, 2020).
[117] Geoff Simons, *The Vietnam Syndrome*: *Impact on US Foreign Policy* (New York: St. Martin's Press, 1998); Henry Rousso, *The Vichy Syndrome*: *History and Memory in France Since 1944* (London: Harvard University Press, 1994).
[118] Eric Hobsbawm and Terence Ranger, eds., *The Invention of Tradition* (Cambridge, UK: Cambridge University Press, 1983).
[119] Habermas, *Legitimation Crisis*.

tracks as early as possible—ideally before they begin. Whenever this lesson is invoked, the political agenda is clear: "appeasement" should be avoided and the more hawkish policy is the better one. Lessons can be relatively widely known and therefore politically effective. However, overuse can threaten lessons' legitimacy. Furthermore, critics can point out flaws in the causal logic of the original reference (arguing that appeasement was not a flawed policy, as Angela Merkel after she departed the chancellery[120]) or saying a comparison is not valid (arguing that Ukraine is not like Czechoslovakia and that Putin is not like Hitler).

Invoking a "syndrome" presents a more complex policy prescription but can be highly emotionally charged. Syndromes implicitly suggest a positive policy direction by arguing *against avoiding* something. For example, when George H.W. Bush implored the US to get over its "Vietnam Syndrome"[121] in the run up to the Gulf War he was claiming that lessons from Vietnam that might have encouraged foreign policy restraint were invalid. This is a way of flipping the historical script. The speaker acknowledges that the audience may have a certain understanding of history and then pathologizes it in the hope of reversing it. The language here is revealing: "lessons" should be learned but "syndromes" must be treated.

Referencing a historical trauma in political debate is highly emotionally charged and is usually intended to encourage avoiding a specific policy course. As Adam Lerner identifies it, "national trauma" is the product of political contestation over who gets to define "trauma."[122] Importantly, he identifies the traumatic "legacy's economic reification, as well as the interplay between material and nonmaterial levels."[123] He goes on to correctly point out that "memory competition will, of course, be mediated by existing power dynamics" and that "when a particular narrative is sufficiently embraced by a population or elite political influencers within it, it can imbue a nation-state or other international actor's identity and shape action on the international stage."[124] Even though Lerner does acknowledge the possibility of political instrumentalization in theory, he is overly-credulous about various examples of national trauma in practice. For example, he focused on Israeli existential security anxieties as more of a social fact than a political tool. This politically-instrumentalized use of trauma is what interests this thesis most.

I argue that an invocation of trauma is typically aimed at the wider public in an effort to awaken deep-seated anger and (often indirectly-experienced) pain for political ends. From an international perspective, is almost impossible to argue that a population does not possess a historical trauma if its leaders insist they do. Furthermore, the nebulous nature of the term makes any potential lack of historical similarities largely irrelevant. Even if it only *feels* traumatic, it is likely to be effective politics. This is one reason we will often see "trauma" invoked defensively in international negotiations.

Tradition calls back a longstanding series of political preferences that are allegedly immutable, or at least firmly grounded in the past. Invoking a tradition arouses a sense of

[120] Alexander Osang, "Ein Jahr Mit Ex-Kanzlerin Merkel: »Das Gefühl War Ganz Klar: Machtpolitisch Bist Du Durch«," *Der Spiegel*, November 24, 2022, https://www.spiegel.de/panorama/ein-jahr-mit-ex-kanzlerin-angela-merkel-das-gefuehl-war-ganz-klar-machtpolitisch-bist-du-durch-a-d9799382-909e-49c7-9255-a8aec106ce9c.
[121] "Kicking the 'Vietnam Syndrome'," *Washington Post,* March 4, 1991, https://www.washingtonpost.com/archive/politics/1991/03/04/kicking-the-vietnam-syndrome/b6180288-4b9e-4d5f-b303-befa2275524d/.
[122] Adam B. Lerner, "Theorizing Collective Trauma in International Political Economy," *International Studies Review* 21, no. 4 (December 2019): 549–71.
[123] Lerner, "Collective Trauma," p. 550
[124] Ibid., 557

national pride, appealing to the wider public in a way that can suggest either pursuing or avoiding a specific policy is in line with deeply-held values and pastimes. In almost all cases, the tradition in question is incomplete and an invented political construct. For example, when US President Joe Biden points to past foreign policy decisions that supported "the free world" and argues for continuing support to Ukraine,[125] he references a cherry-picked set of historical examples. Intervention in World War Two and support for liberal capitalism during the Cold War inevitably appear in speeches like this. Disasters like Vietnam and Iraq do not, despite them belonging to the US foreign policy tradition every bit as much as the triumphs do.

Finally, identity is extremely difficult to alter and is highly emotionally powerful, yet is also vague enough that it can be addressed differently by politicians with different interests. Often, invoking it is a way to block off policy changes and is designed to resonate with the majority of the population. For example, when Margaret Thatcher referred to Britain as a "nation of shopkeepers"[126] as a way to promote her liberalization agenda, she did not need to bring up any specific cause-effect historical relationship. Her policy path was simply in accordance with *who the British are*. The political power here is immense and the outcome of elevating the bourgeoisie's class interests to a national self-image. The interests of the working class become irrelevant because, in this reading, Britain is itself *inherently* petty bourgeois.[127] A different politician could easily appeal to a different part of an alleged identity, for example citing a propensity for fairness as a justification for increasing welfare spending. In this way, we can see that while certain parts of identity are nearly immovable if they're strongly held, different parts of a national identity can be activated differently at different times.

2.4) Memory machinations

When can we say that the hegemony has been established? As Robert Cox remarks, "hegemony is like a pillow: it absorbs blows and sooner or later the would-be assailant will find it comfortable to rest upon." The process of the opposition succumbing to the comfort of the "pillow" of hegemony is the core focus of rest of this work. In both the case of the memory of German hyperinflation and US interwar trade policy, clear "lessons" were not initially obvious. As Simon Mee details, the fact that the Reichsbank was legally *independent* during the 1923 hyperinflation lent credibility to the idea that a central bank accountable to the government would provide for greater stability in the immediate postwar years.[128] Only after decades of deliberate political interventions from the Bundesbank and economic crises during which it proved its competence did the ostensibly pro-worker Social Democratic Party (SPD) fully acquiesce to full central bank independence.

Similarly, in US trade policy, one of the early lessons after 1945 was the need for *greater* domestic leeway to provide for the social needs of citizens, a view that was embodied

[125] "Remarks by President Biden on the United Efforts of the Free World to Support the People of Ukraine," US Embassy in Ukraine, March 26, 2022, accessed February 21, 2023, https://ua.usembassy.gov/remarks-by-president-biden-on-the-united-efforts-of-the-free-world-to-support-the-people-of-ukraine/.
[126] Margaret Thatcher, "Remarks After Speaking to National Chamber of Trade," Margaret Thatcher Foundation, February 17, 1975, https://www.margaretthatcher.org/document/102496.
[127] For more on this specific utterance, see Dan Evans, *A Nation of Shopkeepers: The Unstoppable Rise of the Petty Bourgeoisie* (London, UK: Watkins Media Limited, 2023).
[128] Mee, *Central Bank Independence.*

in the short-lived proposal for an International Trade Organization (ITO).[129] Eventually, however, the hegemonic interpretation of Smoot-Hawley became clear: trade liberalization is the only way forward. When center-left Democratic Vice-Presidential candidate Al Gore parroted the talking points that his pro-business Republican opponents had made about the 1930 tariff act only a few years prior,[130] it was clear that a hegemonic historical narrative had been established. In both cases, the natural opponents of tight monetary policy and liberalized trade (the notionally pro-worker SPD and Democratic parties, respectively) succumbed to the dominant historical narratives, resting their heads on the soft pillow of hegemony and ceding to the political battle to their traditional opponents.

A given historical memory's category is not static across time and place. Elevating a memory from a mere analogy to a lesson, tradition, or identity is a political process. A given historical event's status is constantly contestable, especially when it is invoked during moments of political struggle. As William Sewell argues in an article on the Bastille's meaning for the French Revolution, "social relations are profoundly governed by underlying social and cultural structures and that a proper understanding of the role of events in history must be founded on a concept of structure."[131] Not every episode from the past achieves the same treatment, as "an occurrence only becomes a historical event…when it touches off a chain of occurrences that durably transforms previous structures and practices."[132] Sewell goes on to argue that "symbolic interpretation is part and parcel of the historical event" but that also stresses that while structures affect practices, "it is also people's practices that constitute and reproduce structures."[133]

Establishing a definition of "crisis" is also essential. As Jürgen Habermas describes it, the very definition of "crisis" is when a cultural identity is threatened, leaving crisis, memory and culture inextricably linked.[134] Indeed, a crisis is not just a moment of "objective" structural breakdown, but rather a period in which a prevailing hegemonic order can no longer secure consent to its own account of the present. Stuart Hall argues that crisis is a moment "marked by constant movement, polemics, [and] contestations…which represent the attempt by different sides to overcome or resolve the crises and to do so in terms which favour their own long-term interests."[135] Crisis is, in this reading, not a specific event but rather a *field of struggle.*[136]

For example, Colin Hay's work operationalizes this framework by insisting that crises are not read off material conditions but *narrated* into being. In his account of the "Winter of Discontent," a crisis is not self-evident, but rather "a moment of decisive intervention."[137] The

[129] Daniel Drache, "The Short but Amazingly Significant Life of the ITO: Free Trade and Full Employment — Friends or Foes Forever?" (Toronto: Robarts Centre for Canadian Studies, York University, 2004), http://www.yorku.ca/drache/academic/papers/ITOas_Robarts_Paper.pdf.
[130] CNN, "Ross Perot Battles Al Gore in 1993 NAFTA Debate," YouTube video, https://www.youtube.com/watch?v=0fi8OOAKuGQ.
[131] William H. Sewell Jr., "Historical Events as Transformations of Structures: Inventing Revolution at the Bastille," *Theory and Society* 25, no. 6 (December 1996): 842.
[132] Sewell, "Historical Events as Transformations of Structures," 843.
[133] Sewell, "Historical Events", 842; 861.
[134] Habermas, *Legitimation Crisis*.
[135] Stuart Hall, "Domination and Hegemony," in *Cultural Studies 1983: A Theoretical History*, ed. Jennifer Daryl Slack and Lawrence Grossberg (Durham, NC: Duke University Press, 2016), 160.
[136] Berthold Molden, "Resistant Pasts Versus Mnemonic Hegemony: On the Power Relations of Collective Memory," *Memory Studies* 9, no. 2 (2016): 127.
[137] Colin Hay, "Narrating Crisis: The Discursive Construction of the 'Winter of Discontent,'" *Sociology* 30, no. 2 (1996): 253–77; Hay, "Crisis and the Structural Transformation of the State: Interrogating the Process of Change," *British Journal of Politics and International Relations* 1, no. 3 (1999): 317–44.

very recognition of a set of circumstances *as* a crisis is a political act that selects between competing accounts of dysfunction and licenses a particular response. Hay's subsequent work on globalization and European integration extends the argument by showing how the discursive construction of external "imperatives"—competitiveness, globalization, "there is no alternative"—centers around moments have already been coded as crises.[138]

Additionally, invoking a certain event does not just call back to a pre-existing memory, it simultaneously builds and solidifies that memory. For example, bringing up a national trauma is not just an effort to shape currency policy, it *actively develops* the sense of shared pain and develops the potential for future political use of the memory in subsequent times of policy uncertainty. This is the dual process of development and exercise of hegemony, as "the production of new meaning entails the production of new memories, just as memory enables the generation of meaning."[139] For a trauma of one group to become that of the nation as a whole, the traumatized group expends political effort and is ultimately rewarded with greater political power, if successful.

To specify the functioning of this dual mechanism, I point out two distinct processes that work in concert to create a link between a society's dominant perceptions of historical events and future policymaking, even after all those who remember a specific event may be gone. First, there is the *contest of memory* though which political actors immediately attempt to construct a narrative of past events that is amenable to their political interests in a "war of maneuver."[140] The chronology of this progresses forward as memory is forged through narratives of subsequent events (especially during "critical junctures"), the media, and other tools for shaping and propagating memory. The process of crafting memory is an iterative and ongoing process and often closely tied with producing a suitable narrative for both specific political actors and national identity as a whole.[141]

Second, there is the *contest of analogy*, as policymakers reach back in time to find historical examples that enable them to make sense of present events and justify their present policy decisions.[142] Their exact reason for engaging in this "war of position" over the past is not always clear. As Arthur Schlesinger writes, "the historian can never be sure—the stateman himself cannot be sure—to what extent the invocation of history is no more than a means of dignifying a conclusion already reached on other grounds".[143] This potential hurdle may seem daunting, but for the purpose of discerning the importance of historical memory's meaning for contemporary policymaking, determining *why* a policymaker selects a certain historical reference is not always vital. Regardless of whether an analogy is employed to justify existing preferences or to shape new ones, its use reflects an assumption that the analogy contains a clear "lesson" and that it will be easily understood by the audience. It is therefore the political

[138] Colin Hay and Ben Rosamond, "Globalization, European Integration and the Discursive Construction of Economic Imperatives," *Journal of European Public Policy* 9, no. 2 (2002): 147–67.
[139] Steedman, "State Power," 86.
[140] This process is similar to how Ronald Krebs describes the "fixing" of the meaning of 9/11 in US politics after the 2001 terrorist attacks. Ronald R. Krebs and Jennifer K. Lobasz, "Fixing the Meaning of 9/11: Hegemony, Coercion, and the Road to War in Iraq," Security Studies 16, no. 3 (2007): 409–451, https://doi.org/10.1080/09636410701547881.
[141] Charles S. Maier, *In Search of Stability*: *Explorations in Historical Political Economy,* Cambridge Studies in Modern Political Economies (Cambridge: Cambridge University Press, 1987). https://doi.org/10.1017/CBO9780511583995.
[142] The search for a "usable past" as Robert Moeller describes it in the German context. Robert G. Moeller, "War Stories: The Search for a Usable Past in the Federal Republic of Germany," *American Historical Review* 101, no. 4 (1996): 1008-1048. https://doi.org/10.2307/2169632.
[143] Quoted in May, *Lessons of the Past*, 443.

salience of the reference (itself an outcome of the battle of memory) that is of primary interest, rather than the motivation behind its use.[144]

These two processes are closely intertwined and policymakers' analogy selection process is not free from historical constraint. That is, while they are free to choose their own analogies, they do not do so as they please. The range of historical analogies—and the possible interpretations of each analogy—that they are able to choose from is partially the product of the prior contest of memory. In other words, the contest of analogy operates temporally later than, and is shaped by, the contest of memory. Figure 1 in the following chapter operationalizes and specifies these processes.

2.5) Shaping memory

What are the primary sites of memory's creation, reproduction, and dissemination? Political speeches, parliamentary debates, and the records of international negotiation are an obvious example, especially when examining the political uses of memory. However, other sites of memory include nearly anywhere that a visual or verbal message can be conveyed or stored, including print publications, television, film, museum exhibitions, and school textbooks. Popular and scholarly books are vital tools for memory production and blur the line between tools of memory production and academic history. All of these form a broader hegemonic discourse. As Berthold Molden points out, "access to and control over the means of communication and diffusion of historical narratives are of utmost importance for the establishment and maintenance of hegemony."[145] While discursive power does not guarantee that the establishment of hegemonic historical narratives will in fact be established, it is a vital prerequisite for doing so. each element of cultural diffusion plays an important role.

Numerous scholars have argued for the importance of images in shaping historical understanding. As Coakley argues, "nationalist mobilization has an important basis in images of the past."[146] Images recall and fortify national trauma and triumph, serving to "legitimate the present social order".[147] Videos act in a similar way, with the added benefit of being able to impart narratives directly over images, strengthening the emotional connection and reaction of viewers. In museums, a range "of personal memories is produced, not limited to the subject matter of exhibits, as well as a range of collective memories shared among museum visitors".[148] These museums themselves are the product of national and institutional conceptions of memories,[149] creating a reinforcing effect between the museum and collective memory. Scholarly works generally shape the historical understanding of the educated elite, while children's books and textbooks can also contribute to a broader societal memory. Preserved

[144] Occasionally, it is possible to discern whether policymakers truly believe the references they use. However, this is not always possible and should not be viewed as the primary goal of this thesis.
[145] Molden, "Resistant Pasts Versus Mnemonic Hegemony," 134
[146] John Coakley, "Mobilizing the Past: Nationalist Images of History," *Nationalism and Ethnic Politics* 10, no. 4, 2004, https://doi.org/10.1080/13537110490900340.
[147] Paul Connerton, *How Societies Remember* (Cambridge: Cambridge University Press, 1989).
[148] Susan A. Crane, "Memory, Distortion, and History in the Museum," *History and Theory* 36, no. 4, 1997, https://doi.org/10.1111/0018-2656.00030.
[149] Jarosław Klaś, "Historical Museums: Between Collective Memory and Politics of Historical Memory," in Cultural Heritage – Management, Identity and Potential, ed. Ewa Kocój and Łukasz Gaweł (Kraków: Jagiellonian University Press, 2018), 107–130.

physical artifacts (such as old notes) are also important.[150] I elaborate further on the theoretical implications of each medium in the chapters during which they are presented.

2.6) Deploying and contesting memories:

An essential prerequisite for historical narratives to contain political power is an implied causal logic. Although scholars are accustomed to thinking in terms of historical causes and effects, to establish a causal relationship requires analysis and inference; historical facts contain no lessons in and of themselves. As Keith Tribe argues, "The 'lessons of history' are not inscribed in the simple existence of a past; they are the product of the construction of a history which can be deployed in contemporary arguments."[151] Lessons are particularly powerful when we know a story ended badly. Both the memory of the German hyperinflation and US interwar trade policy fall squarely into this category. Although the causal stories of each are disputed by historians and have often been overstated,[152] the simple fact that the world fell into depression, fascism, and an apocalyptic war at the end of the 1930s suggests that almost *any* policy preceding this collapse could be disastrous. By linking inflation and protectionism to the deadliest event in human history, an implicit causal story and high emotional salience are instantly conjured.

When are memories most frequently deployed? As with most forms of political rhetoric, their salience grows in times of economic crisis. In moments of uncertainty, policymakers and the public look to the past to understand the present and chart a policy course for the future. As the previous section elaborates, however, the historical narratives that are available at a given moment are constrained by previous struggles over the meaning and relevance of history, forming a path dependency of memory. If a crisis reinforces an existing order, such as the Bundesbank's successful management of the German economy through the 1960s and 70s, the narratives that underpin that policy are themselves strengthened. A rigorous causal analysis of the relationship between policy and outcome is not needed; a mere association with success adds luster to the economic order. Indeed, doubting that the hyperinflation was economically and politically disastrous became increasingly incredible after the German population saw how low postwar inflation appeared to lead to high growth rates and political stability in the 1950s and 1960s.[153]

This effect illustrates the complex interactions contained within Gramsci's theory of hegemony. Establishing hegemonic narratives is not only about controlling the narrative; it also rests on concrete power relations. As Robert Cox puts it, "Material circumstances include both the social relations and the physical means of production. Superstructures of ideology and political organisation shape the development of both aspects of production and are shaped by them."[154] Applying this to the memory framework, if the existing political order can wield its

[150] Walter Benjamin, "The Work of Art in the Age of Mechanical Reproduction," in *Illuminations: Essays and Reflections*, ed. Hannah Arendt, trans. Harry Zohn (New York: Schocken Books, 1968), 220–221
[151] Keith Tribe, "History and the Production of Memories," *Screen* 18, no. 4, 1977, https://doi.org/10.1093/screen/18.4.9.
[152] Stated in their strongest form, causal arguments around each can be as extreme as stating that hyperinflation led to the rise of Hitler and that the Smoot-Hawley tariff led to the outbreak of World War II.
[153] Simon Mee, *Central Bank Independence and the Legacy of the German Past* (Cambridge, United Kingdom, New York: Cambridge University Press, 2019). https://doi.org/10.1017/9781108759601.
[154] Robert W. Cox, "Gramsci, Hegemony and International Relations," *Millennium: Journal of International Studies* 12, no. 2, 1983, https://doi.org/10.1177/03058298830120020701.

power successfully in times of crisis, both its own legitimacy and the legitimacy of the historical narratives that legitimate it are strengthened.

Of course, dominant historical narratives are not just built. They can also be contested and even toppled. As Berthold Molden points out, "because the relations of forces are neither permanent nor completely stable, powerful actors may lose ground and influence in the interpretation of history, while formerly silent communities of experience may 'suddenly' challenge the regnant master narratives."[155] This can happen most dramatically when a regime collapses, for example when the countries of the former Warsaw Pact reached back to pre-communist history after the 1989 revolutions in order to establish credibility for their new governments (the revolutions themselves were also partially the result of challenging dominant historical narratives, an illustration of the dual mechanism of hegemony operating in reverse).[156] As Sheri Berman writes, if a "political, social, or economic landscape changes, then the [previously-dominant] ideology becomes less useful than it was."[157]

Contestation rarely takes place so dramatically and quickly, however. Indeed, hegemonic ideas and memories can themselves be embedded in institutions, as "people interact with institutions, the founding ideas are reproduced [and] through repeated interaction with institutions, people are confronted again and again with the founding ideas," in Daniel Béland's formulation.[158] The close linkage between ideas and structures makes them difficult to challenge. This changes when material circumstances change, triggering a process in which "existing ideologies come under question or even attack, and a political space is opened up," after which "political actors advance and adopt alternative approaches."[159] Crucially, neither the shift in economic conditions nor the rise of challenging narratives alone is sufficient to establish a new hegemonic regime. Additionally, new ideas do not emerge organically, but are rather "power resources used by self-interested actors or as weapons in political struggles that help agents achieve their ends."[160]

The exact methods of contestation appear in two different ways, each of which map on to the contest of analogy/contest of memory framework in the previous section. First, interlocutors can dispute the relevance of the analogy. This tactic merely requires saying that a current political event is dissimilar to a historical one, so any lessons that may be gleaned from that example of the past are not relevant to the present. In the context of one of the case studies in this project, an opponent of trade liberalization would simply say that given extremely low tariff levels worldwide, the present-day trading order has little relationship to that of the 1930s, making comparisons to the Smoot-Hawley tariff facile. While this tactic may succeed factually, if politicians or the public have decided that two events resemble each other, it may be difficult to dislodge their insistence that a historical parallel does indeed exist.[161] Repeated comparisons

[155] Molden, "Resistant Pasts Versus Mnemonic Hegemony," 135.
[156] Marek Ziółkowski, "Memory and Forgetting after Communism," *Polish Sociological Review*, no. 137 (2002): 7–24, https://www.jstor.org/stable/23292875.
[157] Sheri Berman, "Ideology, History, and Politics," in *Ideas and Politics in Social Science Research*, ed. Daniel Béland and Robert Henry Cox (Oxford: Oxford University Press, 2011), 107.
[158] Daniel Béland and Robert Henry Cox, "Introduction: Ideas and Politics," in *Ideas and Politics in Social Science Research*, ed. Daniel Béland and Robert Henry Cox (Oxford: Oxford University Press, 2011), 9.
[159] Berman, "Ideology, History, and Politics," 123.
[160] Blyth, "Structures," 702.
[161] This phenomenon is likely reinforced by folk wisdom such as "those who don't know history are destined to repeat it," a quotation often misattributed to Edmund Burke, later Winston Churchill, but recently popularized by George Santayana. See: George Santayana, The Life of Reason; or, The Phases of Human Progress, vol. 1, Reason in Common Sense (New York: Charles Scribner's Sons, 1905), 284.

between Vladimir Putin and Adolf Hitler—despite the wildly different success levels of the invasions they launched—support the notion that even tenuous historical analogies can have a strong staying power. Importantly, the trend to insist upon potentially dubious parallels is itself the outcome of the creation of hegemony. As individuals are only able to retain a relatively small set of historical details, the events they can recall—and therefore deploy as analogies—are limited by the hegemonic process of elevating some historical narratives at the expense of others.

While contesting the applicability of a given analogy is a relatively semantic and nit-picky (if often futile) endeavor, the task of disputing the core narrative of a hegemonic historical memory is a much more imposing and politically fraught undertaking. Rather than simply pointing out dissimilarities between the past and the present, the contester must actively argue that the implied causal logic of a given narrative is incorrect. When a memory has been elevated to the status of trauma or identity, this is extremely difficult and can cause significant backlash. For example, telling a German citizen that the hyperinflation *actually* was not a cause of the country's economic ruin and the rise of the Nazis is likely to arouse suspicion and contempt. Although the historical arguments may be sound, the established "common sense" often proves largely impervious to contestation. In this case, only slow-moving "wars of position"—or even "underground wars"—can chip away at hegemonic historical understandings.

2.7) Conclusion: Historical memory and IPE

As I have outlined, the study of analogies and memory has typically been confined to the field of international relations and the study of wars and genocides.[162] What makes the study of historical memory in the context of international political economy unique and worthwhile? I argue that both *temporality* and *identity* distinguish the use of memory in IPE from that in IR. By temporality, I mean that the pace at which a financial calamity may set in often appears more rapid and uncertain than that of slower-moving geopolitical crises. Modern intelligence services can typically see troops amassing for an attack; financial regulators often miss accumulating systemic risk. Due to this, the use of economic memory often serves a negative function, providing an "perverse" outcome which must be avoided, rather than pursued.[163]

Secondly, economic identity is often constructed differently from political identity. Whereas the collectivities typically examined in memory studies center around race, ethnicity, religion, or region, socio-economic class is at the core of studies of IPE. While the mechanisms of identity formation and domination are analogous, the groups that emerge and seek to establish hegemonic understandings of the past are different. For example, rather than a specific linguistic group advocating for its version of history, in my cases a certain economic contingent may seek to elevate its particular experience of the past to a larger shared history (depending on the context this could be the fate of creditors, industrialists, the working class, etc. being

[162] K. Bachleitner, *Collective Memory in International Relations* (Oxford, UK: Oxford university press, 2021).
[163] Albert O. Hirschman, *The Rhetoric of Reaction: Perversity, Futility, Jeopardy* (Cambridge, MA: Belknap Press of Harvard University Press, 1991).

expanded to a national or even international story). The subsequent sections will further explore and develop how historical memory can be integrated into the study of political decision-making through the cases studies of the memory of the 1923 Weimar hyperinflation and the 1930 Smoot-Hawley Tariff.

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The present intrudes upon remembrance, today becomes the last day of the past.
-Christa Wolf, *Patterns of Childhood*

Chapter 3: The Weimar hyperinflation and its long shadows, 1923-48

3.1) Lindner and the legacy of the Weimar Hyperinflation

Christian Lindner does not like to let a chance at publicity pass him by. Serving as Germany's Federal Finance Minister from 2021 until his dismissal in 2024, the Free Democratic Party leader had long cultivated a reputation for being as committed to fiscal austerity as he is to sports cars and luxury holidays.[164] During his time in office, the "rockstar" of Rohwedder Haus quickly bolstered this reputation. He repeatedly reveled in his ability to act as a wrench in the gears of Germany's complex three-way "Traffic Light" coalition government and courted attention and controversy, such as when he drove a vintage Porsche away from his high-profile wedding to his second wife on the exclusive island of Sylt.[165]

Given the chance to combine his enthusiasm for economic orthodoxy and penchant for the spotlight, Lindner was not going to miss a chance to commemorate the most notorious monetary event in his country's history. Predictably, then, the minister and his distinguished guests gathered at the Finance Ministry in Berlin on November 21st, 2023 to reflect on the currency chaos of exactly a century prior, when the value of the *reichsmark* sunk to an all-time low of over 4 trillion to the US dollar. Adding to the gravitas to the occasion, he was joined on stage by European Central Bank (ECB) President Christine Lagarde and several other prominent academics and technocrats.

As is true of so many important dates and notable anniversaries in Germany, this event offered a chance to look back upon a dark history and reflect about how to avoid the mistakes of the past. However, Lindner's remarks differed from most non-monetary official discussions of the early 20th century in two notable ways. Most strikingly, Germans were not the perpetrators of injustice, but rather the victims in this case. Emphasizing his country's historical injury, the *Finanzminister* argued that the hyperinflation of 1923 is still seared into the country's "collective consciousness," forming an "inherited trauma" which continues to make it "feel the danger" of rising prices more acutely than other countries.[166]

Secondly, rather than repeating the usual platitudes about cooperation and tolerance that characterize most official reflections on German history, Lindner offered an explicitly political-economic interpretation of the past. Echoing the title of the event—which confidently

[164] "Christian Lindner," *Politico*, October 25, 2018, https://www.politico.eu/list/politico-28-2018-ranking/christian-lindner/; "Christian Lindner, Car Lover at Wheel of Europe's Top Economy," Radio France Internationale, December 12, 2021, https://www.rfi.fr/en/christian-lindner-car-lover-at-wheel-of-europe-s-top-economy.
[165] When controversy erupted over the wedding, Lindner defiantly remarked "If you have a problem with Porsche, Sylt or anything else you can choose a different party. There are lots of them." "Christian Lindner Steht Zu Porsche Und Sylt-Hochzeit - Ohne Wenn Und Aber," RedaktionsNetzwerk Deutschland, March 14, 2024, https://www.rnd.de/panorama/christian-lindner-steht-zu-porsche-und-sylt-hochzeit-ohne-wenn-und-aber-I4Y6UQQPIFN6DL52VUZNEOZ6BI.html.
[166] "Economic Dialogue: „Inflation Kills Democracy"," Bundesministerium Der Finanzen, November 21, 2023, https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Video-Textfassungen/2023/textfassung-2023-11-21-vierter-economic-dialogue.html.

proclaimed that "inflation kills democracy"—he stressed that keeping his commitment to the austerian *Schuldenbremse* ("debt brake") was the only way to stabilize prices and avoid political catastrophe. Lindner further argued that "safeguarding liberal democracy includes the fight against inflation," a remarkable historical conclusion given his country's history.[167] Despite her distinct national and ideological background, ECB's President Christine Lagarde echoed Lindner's reading of past, tweaking it only slightly to serve her own institutional purposes.[168] Citing the same history that Lindner did, Lagarde provocatively claimed that only central banks *independent* from direct democratic control could preserve liberal democracy in the long run.[169]

This event raises several important questions. With 100 years of hindsight, why were Germans—and international observers as well—still being told to fixate on the Weimar hyperinflation with such intensity? Given the myriad causes that led to 1923 and the complex web of political-economic aftershocks, why was the inflation often depicted as a simple morality play about the dangers of fiscal profligacy? And were the "lessons" that had emerged from it really as straightforward as they were being portrayed?

Considering the scale of the horrors throughout 20th century German history, Lindner's claim that a monetary event from a century prior could still constitute a collective national trauma does indeed appear unusual. Rather than the isolated view of a small party's embattled leader, however, Lindner's comments reflect what has become historical "common sense" across nearly the entire German media, cultural, and political landscape. In 2023 alone, multiple museums, dozens of news broadcasts and documentaries, scores of newspaper articles, and at least six books published that year reflected on the ongoing legacy of 1923—and asked if similar events may be recurring today.

Fixation with the 1923 hyperinflation was not just a product of chronological coincidence. While the 100th anniversary provided the opportunity for more commemoration than usual, references to the hyperinflation had been widespread in German media and politics for decades. In addition to their ubiquity, these reflections (both in 2023 and throughout recent German history) shared four important characteristics. These include emphasizing the emotional effects of the inflation, providing a narrow and disputed view of historical causality, insisting that 1923 offers concrete "lessons" for the present, and using the past to argue that hyperinflation is still a significant risk in Germany—and across the globe.

As we will see in chapter 4, these similarities are not an accident. Rather, they are largely the product of a concerted and decades-long political campaign from top governmental and financial actors to build a hegemonic collective memory of 1923—and wield it for political ends in the Federal Republic of Germany (BRD). Even when no political motive can be discerned, the specific narratives that may have been originally popularized through deliberate efforts become "common sense" and are uncritically repeated. This snowball effect of these discursive interventions results in the construction of hegemonic historical memory, as described in detail in the previous chapters. While hegemony can be established through all

[167] Bundesministerium Der Finanzen, "Economic Dialogue."
[168] Lagarde's defense to German economic rituals is reminiscent of former ECB chief Mario Draghi accepting a *Stahlhelm* from *Bild* to prove his dedication to "Prussian" economic thinking. "Draghi Gets a Prussian Helmet," *Financial Times*, March 22, 2012, https://www.ft.com/content/867c8e46-936d-35f0-bc7b-906880f998a1.
[169] Bundesministerium Der Finanzen, "Economic Dialogue."

forms of communication at any given moment, I argue that it is most forcefully constructed at key moments of crisis (see chapter 2), contestation, and memorialization (such as anniversaries) through interventions in media, political speeches, and important cultural and educational institutions like museums.

The relationship between the historical memory of the hyperinflation and the construction and resolution of economic crises in the BRD is complex. To begin, memory 1) shapes identity, and therefore when an economic crisis is perceived; 2) helps forge and solidify a conservative monetary and fiscal consensus in moments of uncertainty; 3) is itself strengthened and re-embedded each time the memory is deployed during crises. The cycle repeats itself at key crisis moments, building a more hegemonic and one-sided understanding of the past as time passes. This three-step process has continued throughout the post-1949 history of the BRD, but there was not always such a consensus. Rather, political battles over the meaning of the hyperinflation slowly built a hegemonic understanding of the past as direct, personal, and ambiguous memories and lessons of 1923 eventually calcified into the much more simplistic view of the past that characterizes present-day German memory culture.

3.2) Characteristics of German historical memory of the hyperinflation:

Before addressing *how* the modern German historical memory of the hyperinflation emerged, we must first ask *what* exactly this collective recollection consists of today. While we can clearly see the similar words, phrases, and themes appear and reappear throughout discussions of Germany's experience during the inflation, mere pattern identification says little about whether these reflect possible generalizations about the political, historical, emotional, and economic content of the German collective memory of the 1923 hyperinflation. Accordingly, I group the main themes and types of rhetorical devices that speakers from politics, the media, and the cultural sphere typically employ.

Through a survey of museum exhibitions, newspaper articles, and television documentation from 2023, I observe four primary characteristics. These include: a sense of collective psychological trauma; the insistence that inflation destabilizes democracy more than deflation does; the assertion that 1923 continues to offer straightforward policy lessons for the present; and a fear that hyperinflation is an ever-present risk that could reemerge at any time. These same characteristics have long formed part of the collective memory of the hyperinflation and subsequent chapters will document how they emerged though political contestation over decades. For now, though, I present their most recent empirical manifestations through a series of high-profile journalistic, political, and cultural sources. These are later linked back to the IPE and memory literature to draw further conclusions.

First, modern reflections on the hyperinflation frequently employ the language of *collective psychological trauma*. At the Historical Museum of Frankfurt (HMF)—located in Germany's financial center, which is home to both the Bundesbank and ECB—an exhibition titled "Inflation 1923. Krieg, Geld, Trauma" ("war, money, trauma")[170] was featured in the

[170] This specific historical narrative had powerful backers from the world of finance: the Bundesbank, Bankhaus Metzler (Germany's second oldest bank and the fifth oldest in the world), and the Frankfurter Sparkasse Foundation all donated to the exhibition. "Krieg, Geld, Trauma – 100 Jahre Inflation Von 1923," Frankfurt Main Finance, May 26, 2023, https://frankfurt-main-finance.com/inflation-1923-ausstellung/.

anniversary year of 2023. In addition to claiming that the experience of rapid price increases was still "deeply etched in the collective memory of the people of Frankfurt," curators argued that the "existential catastrophe" of the hyperinflation had a clear "relevance for today."[171] At the Haus der Weimarer Republik (HdWR), the "Trauma '23" special exhibition focused on the "grotesque excesses of limitless inflation that burned itself deep into the collective memory of the Germans." The Berlin State Center for Political Education echoed the sense of injury, claiming that the "specter" of inflation "became the primal economic experience that still shapes the way we deal with money today."[172]

Deutschlandfunk repeated the psychological language of the museum exhibitions, again pointing to a "collective trauma" from the hyperinflation.[173] The radio station's cultural division also surveys the broader historiographical and cultural landscape, remarking that no less than six books were published on the 100th anniversary of 2023 and reviewing them in turn—with a focus on the "trauma" present in the books.[174] German public broadcasters also published several anniversary videos for the occasion. One observes that "because of 1923, the fear of inflation sits deep in Germany."[175] An hour-long ARD special on the "long shadow of inflation" similarly argues that the memory of 1923 "is still deeply etched in the collective memory of Germans" and "awakens deep-rooted fears" of price increases.[176] Another anniversary video from WDR states that "hyperinflation of 1923 is still anchored in the collective memory"[177] Although inflation is well-known to affect different societal groups in different ways,[178] MDR argued that the "trauma of the hyperinflation" formed a "national memory" among "all social classes."[179] The Bundestag's website refers to a "lingering trauma that is deeply etched in the collective memory of the Germans," for example.[180]

The use of psychological language to describe Germany's relationship to its past serves several important purposes. First, it offers Germany the rare chance to portray itself as a victim of the 20th century, rather than one of its most notorious perpetrators. By dwelling on the scars of the hyperinflation with a term that is typically reserved for wars and genocides,[181] the use of "trauma" implicitly equates the inflation with far more violent catastrophes. By presenting Germans as a victim, it also implicitly relativizes the many traumas that Germany inflicted on

[171] "Inflation 1923. Krieg, Geld, Trauma," Historisches Museum Frankfurt, accessed June 15, 2024, https://historisches-museum-frankfurt.de/de/ausstellung/inflation; Historisches Museum Frankfurt, "Inflation 1923. Krieg, Geld, Trauma," YouTube, July 20, 2023, video, 2:45, https://www.youtube.com/watch?v=uJHNFDC8VvI.
[172] "Geschichte im Ersten: 1923! Der lange Schatten der Inflation," Berliner Landeszentrale für politische Bildung, December 16, 2022, https://www.berlin.de/politische-bildung/politikportal/blog/artikel.1275882.php.
[173] Caspar Dohmen, "Deutschlands Weg in die Hyperinflation," Deutschlandfunk, January 11, 2023, https://www.deutschlandfunk.de/hyperinflation-100.html.
[174] Florian Felix Weyh, "Krisen und Aufruhr vor 100 Jahren," Deutschlandfunk Kultur, January 5, 2023, https://www.deutschlandfunkkultur.de/1923-sachbuecher-zum-krisenjahr-100.html.
[175] "Vor 100 Jahren: Hyperinflation in Deutschland," Das Erste, October 23, 2023, video, 2:36, https://www.daserste.de/information/politik-weltgeschehen/morgenmagazin/berichte-und-interviews/Vor-100-Jahren-Hyperinflation-in-Deutschland-100.html.
[176] "1923! Der lange Schatten der Inflation," ARD Mediathek, March 1, 2024, video, 43:48, https://www.ardmediathek.de/video/dokus-und-reportagen/1923-der-lange-schatten-der-inflation/hr-fernsehen/ZTRjYTRhMGYtZTlkYi00M2RjLThjYmUtZmFmZTIwYWI5YmFh.
[177] "Hyperinflation vor 100 Jahren - auch heute ein Risiko?" SWR Fernsehen, January 23, 2023, https://www.swrfernsehen.de/landesschau-rp/gutzuwissen/hyperinflation-vor-100-jahren-auch-heute-ein-risiko-100.html.
[178] Charles S. Maier, "The Politics of Inflation in the Twentieth Century," in *In Search of Stability: Explorations in Historical Political Economy* (Cambridge: Cambridge University Press, 1988), 187-224, https://doi.org/10.1017/CBO9780511583995.006.
[179] Miriam Frank and Cezary Bazydło, "Droht uns eine Hyperinflation wie in den Zwanzigern?" MDR Fernsehen, April 12, 2023, https://www.mdr.de/geschichte/zeitgeschichte-gegenwart/wirtschaft/inflation-prognose-deutschland-hyperinflation-zwanziger-jahre-102.html.
[180] "Hyperinflation in Deutschland 1923," Deutscher Bundestag, accessed June 16, 2024, https://www.bundestag.de/parlament/geschichte/100-jahre-weimar/hyperinflation-970722.
[181] Adam B. Lerner, *From the Ashes of History: Collective Trauma and the Making of International Politics* (New York: Oxford University Press, 2022).

others. Next, the language of trauma both justifies seemingly irrational responses on the part of the traumatized and resists any factual contestation from outsiders. Finally, the reference to national trauma helps foster a sense of identity and common experience. As the archival evidence offered in subsequent chapters indicates, this formed an important way to foster a new identity after World War II and continues to be a source of "meaning making" in the country today.[182] The flattening of a class-specific event into a national trauma also elevates those who lost most from the inflation to the "true" German people—implicitly privileging the interests of savers over other social and economic groups.

The next main characteristic of public representation of the hyperinflation is that accounts of it offer a simplistic (and widely contested) *narrative of historical causality*. In this telling, the dramatic prices increases were caused by excessive debt and overly loose monetary policy. In turn, the hyperinflation destabilized democracy and either directly or indirectly led to the rise of Hitler. By contrast, the deflationary shock of 1929-33—which closely preceded Hitler's ascent to the Chancellery—is typically either left unmentioned, collapsed into one crisis with the hyperinflation, or is only discussed in passing. For example, the Haus der Weimarer Republik exhibit explicitly linked the hyperinflation to the downfall of democracy, stating that "the hyperinflation played a significant role in the destruction of the Weimar Republic." Similarly, the HMF exhibition directly tied fascism with inflation, referencing "historical price increases and the ensuing rise of Hitler" without mentioning the catastrophic Depression and deflation that took place in between.[183]

Just up the road, the *Frankfurter Allgemeine Zeitung* also made the explicit connection between a stable currency and a functioning democracy in much of its anniversary coverage. Warning of a potential resurgence of *bürgerlich* rage at rising prices, *FAZ* stated bluntly that inflation "spreads status anxiety and makes parts of the well-off and middle classes vulnerable to political extremes." [184] Even the center-left *Süddeutsche Zeitung* published a commemoration with a clear sense of historical causality, repeating Stefan Zweig's famous words that "nothing made the Germans as ready for Hitler as inflation."[185] SWR also suggested that the hyperinflation laid the groundwork for Hitler, claiming that price instability "provided the breeding ground for political unrest and the rise of the National Socialists."[186] Echoing Lindner's theory about inflation's political consequences, *Hessischer Rundfunk* asked "does inflation threaten democracy?"[187]

By combining the simple "if, then" causality implied by this rhetorical tactic with the psychological language of the first, Germany's hegemonic understanding of the hyperinflation becomes simultaneously too factual and too emotional to dispute. The narrative both *is* and *feels* true. Accordingly, any outside criticism can be dismissed as either too misinformed or too unempathetic. Former German Finance Minister Wolfgang Schäuble illustrated this dynamic

[182] Lerner, 55.
[183] Maier, "The Politics of Inflation"; "Inflation 1923," Deutsche Bundesbank, accessed June 16, 2024, https://www.bundesbank.de/resource/blob/908074/b47509e0d6da7da6d4f79c55db380de3/mL/inflation-1923-flyer-data.pdf.
[184] Gerald Braunberger, "Inflation heute wie vor 100 Jahren: Wertstabiles Geld für die Demokratie," FAZ.NET, August 30, 2023, https://www.faz.net/aktuell/finanzen/inflation-heute-wie-vor-100-jahren-wertstabiles-geld-fuer-die-demokratie-19130955.html.
[185] Thomas Daller, "Erding: Millionen für einen Wecken Brot," *Süddeutsche Zeitung*, February 21, 2023, https://www.sueddeutsche.de/muenchen/erding/erding-inflation-1923-reichsmark-weimarer-republik-armut-nazi-tauschhandel-erster-weltkrieg-1.5755614.
[186] SWR Fernsehen, "Hyperinflation vor 100 Jahren."
[187] Hessischer Rundfunk, "Does Inflation Threaten Democracy? | PAST FORWARD | Documentary," YouTube, July 18, 2022, video, 29:39, https://www.youtube.com/watch?v=XxmAtqg1o4E&ab_channel=HessischerRundfunk.

when he dismissed foreign demands for greater stimulus in the wake of the Global Financial Crisis. Contrasting Germany with his Anglophone counterparts, Schäuble cited "aversion to deficits and inflationary fears, which have their roots in German history in the past century" as the reason why he could not implement more expansionary policies. By invoking a story from the past ("roots in German history") and the associated emotions ("inflationary fears") simultaneously, the former finance minister successfully deflected criticism about his policies by implying than any dissent was either misinformed or uncaring about the psychological particularities of his countrymen.

Third, modern portrayals of 1923 stress that it continues to offer *concrete and unambiguous lessons for the present*, despite the myriad institutional, political, and economic differences between the modern Federal Republic state and the fragile Weimar Republic. For example, the Christian Democrat (CDU)-aligned Konrad Adenauer Stiftung (KAS) held an anniversary conference in 2023 that looked back on the hyperinflation and discussed the ways in which its alleged lessons reinforced the need to restrict the money supply and balance budgets.[188] The political foundation affiliated with Lindner's Free Democrats, the Friedrich Naumann Stiftung, struck a similar tone. In words with clear relevance for the current Finance Minister, they argued that the Weimar Republic was only able to escape hyperinflation through "extremely tough financial consolidation—perhaps the toughest that has ever been seen in Germany."[189] Predictably, the far-right Alternative for Germany (AfD) took things even further. Returning to its roots as an anti-euro party, they recited the tenets of Austrian monetary theory and discussed the benefits of readopting the gold standard. Repeating a trope found frequently in cultural conservatives' critiques of inflation, the AfD lamented that by reducing the value of the future relative to the present, inflation led to an array of immoral behavior like prostitution, profligacy, homosexuality, and promiscuity.[190]

The German press also marked the anniversary with the language of "learning" from the past. For example, the pro-business *FAZ* discussed "lessons for today" from the hyperinflation[191] and Berlin's *Tagesspiegel* also sought to mine the past for "lessons" about the present.[192] In a museum setting, the HMF curator claimed that the "existential catastrophe" of 1923 had a deep "relevance for today."[193] The fact that she did not feel the need to elaborate is itself revealing: the assumption that inflation is highly dangerous—even more so than unemployment—is close to common sense in Germany.

There is also a strategy to this ambiguity. Combining the insistence on clear "lessons" with emotionally-charged language and allegedly-simple causality (as discussed above) imbues a speaker's words with significant rhetorical heft. Lindner's speech was an excellent

[188] "Wohlstand für alle? Soziale Marktwirtschaft in Zeiten der Inflation," Konrad-Adenauer-Stiftung, September 27, 2023, https://www.kas.de/de/web/wissenschaftliche-dienste-archiv/veranstaltungen/detail/-/content/wohlstand-fuer-alle-soziale-marktwirtschaft-in-zeiten-der-inflation.
[189] Karl-Heinz Paqué, "Das Wunder der Währungsreform von Stresemann." Friedrich Naumann Stiftung, November 15, 2023, https://www.freiheit.org/de/deutschland/das-wunder-der-waehrungsreform-von-stresemann.
[190] "100 Jahre nach der Hyperinflation – Ursachen der Extremteuerung 1923 und Lehren für die Gegenwart," AfD-Fraktion im Bundestag, accessed June 16, 2024, https://afdbundestag.de/100-jahre-nach-der-hyperinflation-ursachen-der-extremteuerung-1923-und-lehren-fuer-die-gegenwart/.
[191] Das Erste, "Vor 100 Jahren."
[192] Kerstin Decker, "1922 traf Deutschland eine massive Inflation: Kann sich das 100 Jahre später wiederholen?" Der Tagesspiegel, July 2, 2022, https://www.tagesspiegel.de/gesellschaft/1922-traf-deutschland-eine-massive-inflation-kann-sich-das-100-jahre-spater-wiederholen-525066.html.
[193] Historisches Museum Frankfurt, "Inflation 1923."

example of this, as he referenced the "important lessons we can learn from the time"—namely that it would be potentially disastrous to dispense with his desired course of fiscal and monetary orthodoxy.[194] By linking his political preferences with the weight of history, logic, and generational trauma simultaneously, invoking the hyperinflation offers a ready-made way to give partisan opinions the appearance of timeless wisdom and tradition. Borrowing a term from David Howarth and Charlotte Rommerskirchen's analysis of German use of the notion of "stability culture" in international negotiations, the so-called lessons of the hyperinflation also form a "strategic resource." [195] It can be deployed at will to brush off criticism from political or garner sympathy from audiences, depending on the needs of the speaker.

Closing the loop back to the first point, popular depictions of the hyperinflation also insist on the *omnipresent risk of a similar event recurring* in the near future. For example, the Haus der Weimarer Republik exhibition explicitly asked if there is a "danger of a return of hyperinflation—and whether 2023 could become the new 1923?"[196] In the print media, *Tagesspiegel* openly worried that inflation "could happen again 100 years later"[197] and the prominent weekly magazine *Der Spiegel* stressed that the "horror year" of 1923 "won't leave us." Doubling down on the specter of repetition, they added that "historians show astonishing parallels" between Weimar and the present.[198]

These claims that an inflation recurrence could be imminent did not always rely on academic expertise, however. Toward the end of one ARD video segment, the interviewer asks an economist if "the ghost of inflation is coming back." When he straightforwardly concludes that 1923 and 2023 are too dissimilar economically to warrant direct comparisons, the narrator nevertheless responds that "the fear is still in our heads after 100 years," effectively telling the audience to trust their superstitions rather than professional opinions.[199] For its part, Berlin-based RBB asked the listener if the Weimar inflation "reminds you of the present" and explicitly tried to find "parallels with today"[200] while WDR wondered aloud whether "inflation is still a risk today."[201]

This dynamic is closely linked to the first point on trauma and reflects a form of "destiny neurosis" at the scale of an entire country. Past trauma can often form an "essential character-trait which remains always the same and which is compelled to find expression in a repetition of the same experience."[202] Germany's compulsive habit of highlighting the supposedly-inescapable danger of inflation reflects an analogous pattern of behavior. This framing also serves to perpetuate the sense that crisis lurks around every corner—demanding vigilance from every citizen[203] and allowing certain actors to define a crisis in historical terms whenever it suits their political interests.

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[194] Bundesministerium der Finanzen, "Economic Dialogue."
[195] David Howarth and Charlotte Rommerskirchen, "A Panacea for All Times? The German Stability Culture as Strategic Political Resource," *West European Politics* 36, no. 4 (July 2013): 750–70, https://doi.org/10.1080/01402382.2013.783355.
[196] "Trauma 23 – Deutschlands Hyperinflation vor 100 Jahren." Haus der Weimarer Republik, accessed June 16, 2024, https://www.hdwr.de/veranstaltungen/trauma-23-deutschlands-hyperinflation-vor-100-jahren/.
[197] Decker, "1922 traf Deutschland eine massive Inflation."
[198] Felix Bohr and Eva-Maria Schnurr, "Das deutsche Horrorjahr: Warum 1923 uns nicht loslässt," *Der Spiegel*, January 27, 2023, https://www.spiegel.de/geschichte/das-deutsche-horrorjahr-warum-1923-uns-nicht-loslaesst-a-cba9234d-d366-410e-abba-b33f78cfdb12.
[199] Das Erste, "Vor 100 Jahren."
[200] Harald Asel and Matthias Schirmer, "Januar 1923: Hyperinflation," *Rbb24 Inforadio*, December 19, 2022, https://www.inforadio.de/rubriken/heute-minus-100/2022/januar-1923---hyperinflation.html.
[201] SWR Fernsehen, "Hyperinflation vor 100 Jahren."
[202] Sigmund Freud, *Beyond the Pleasure Principle*, trans. James Strachey (New York: W. W. Norton, 1961), 15–17.
[203] German accounts of the inflation frequently cite the "excessive" demands of labor unions as a contributor.

An important commonality in all of these themes is the role of images. Whether a photograph serves as the header of a commemorative news article or a frame in a video, the legendary images of wheelbarrows full of money and bills with a preposterous amount of zeroes serve as one of the primary transmission mechanisms for the memory of the hyperinflation. The images are not politically neutral. As Walter Benjamin argues, "photographs become standard evidence for historical occurrences, and acquire a hidden political significance."[204] For the memory of the hyperinflation, a great deal of the political lies in the sheer shock values and ubiquity of the images. In the words of WJT Mitchell, "images are not just a particular kind of sign, but something like an actor on the historical stage, a presence or character endowed with legendary status."[205] This legendary status serves as a "kind of language" that "presents a deceptive appearance of naturalness" and serves a "process of ideological mystification."[206] In doing so, the feeling of immediacy that these images conjure contributes to the sense of ever-present crisis and take on their own historical importance through creating a "kind of immortality."[207]

Images of the hyperinflation form a central reference point and argument for the event's continued relevance. For example, the MDR broadcast even directly tied the photographs of the era to the their presence in the modern Germany psyche, arguing that "the images from back then—wheelbarrows full of worthless banknotes—are still present in the collective memory."[208] These photographs are assumed to be accurate representations, even though, as Susan Sontag argues, "picture may distort; but there is always a presumption that something exists, or did exist, which is like what's in the picture."[209] In the context of documentaries, this effect can be multiplied. Continuing Sontag's famous analysis the use of images in video format, "Both the order and the exact time for looking at each photograph are imposed; and there is a gain in visual legibility and emotional impact."[210] As we will see throughout the archival evidence in the following chapters, this sort of emotional impact is a vital ingredient on the hyperinflation's continuing political important and may help to explain why it is more central to the German collective memory than other events (a tariff, for example, is much harder to convey visually).

Lindner's speech may have been notable for its location, timing, and guestlist, but the content of it could have been lifted from almost any news outlet, historical museum, or mainstream politician in the country during the last half-century. It is now worth returning to the core questions of this section. How has Germany developed such a strong sense of historical injury related to the hyperinflation, rather than the crushing depression of 1929-33? Did this "trauma" develop organically over time as memories were passed down between generations? Or is this collective memory—as with so many others throughout history—also shaped by political struggle?

[204] Walter Benjamin, "The Work of Art in the Age of Mechanical Reproduction," in *Illuminations*, ed. Hannah Arendt, trans. Harry Zohn (New York: Schocken Books, 1969), 220.
[205] W. J. T. Mitchell, "What Is an Image?" *New Literary History* 15, no. 3 (Spring 1984): 504.
[206] Mitchell.
[207] Susan Sontag, *On Photography* (London: Penguin UK, 2014), 178.
[208] Frank and Bazydło, "Droht uns eine Hyperinflation."
[209] Sontag, *On Photography,* 177.
[210] Sontag, 175.

I argue that the answer to the last question is an emphatic yes. As the following chapters will demonstrate, specific political actors have repeatedly sought to grant to the hyperinflation clear political meaning and to elevate it in the German collective memory at key crisis points throughout postwar history.[211] At vital hinge points in The Federal Republic's economic development—such as the founding of the Bundesbank, experience of the breakdown of Bretton Woods and subsequent inflation, reunification and introduction of the euro, and Eurocrises—the memory of the inflation served as both a way to politically construct a crisis and offered supposed solutions for how to navigate it. Furthermore, the use of the memory at each crisis strengthens the centrality of the event in the public consciousness. This iterative cycle progresses as time elapses and personal memory fades, calcifying one specific reading of the past and elevating it to greater and greater prominence in the collective memory. Eventually, we are left with a memory with a memetic quality that can differ substantially from the scholarly consensus of the actual event.

Before demonstrating this process, however, it is important to examine the history of the German hyperinflation and interwar economic history more broadly. While it is not the goal of this chapter to demonstrate that there is one "true" history of an enormously complex and widely-researched event, a survey of the most respected secondary sources on Germany's interwar economic history does reveal several important divergences between the past and how it is discussed in politics and media today.

3.3) The 1923 hyperinflation and its political consequences

Having abandoned the gold standard as war broke out in Europe in 1914, the German government chose to finance its war effort without the help of additional taxation. Instead, the entirety of the years-long campaign was paid for solely by borrowing and printing money with the hope that war debts would be paid by reparations from the defeated Entente powers.[212] When Germany instead lost, it was saddled with debt and already had an enormous amount of inflationary pressure upon its currency. Famously, economist John Maynard Keynes recognized the peril that war-ravaged Germany was in during the immediate postwar era, condemning the "Carthaginian Peace" of the Treaty of Versailles.[213] "The policy of reducing Germany to servitude for a generation," he wrote, would "sow the decay of the whole civilized life of Europe".[214] He highlighted the inflationary pressures of insurmountable reparations demands, echoing Lenin's (likely apocryphal) warning that "debauching the currency" is the surest way to destabilize a society.

After the 1921 reparations agreement, Germany's bill totaled 132 billion gold marks ($31 billion), more than double what Keynes claimed was Germany's maximum capacity to pay. Germany initially made some progress in delivering the reparations. However, by mid-1922, with the Reichstag unable to reach an agreement as to how to raise the necessary revenues, Germany was struggling to make payments. As it became more and more clear that German revenues would fall far short of outflows, inflationary expectations resumed. Capital

[211] Simon Mee, *Central Bank Independence and the Legacy of the German Past* (Cambridge: Cambridge University Press, 2019).
[212] Richard J. Evans, *The Coming of the Third Reich* (New York: Penguin Books, 2002).
[213] John Maynard Keynes, *The Economic Consequences of the Peace* (New York: Harcourt, Brace, and Howe, 1920), 67
[214] Keynes, 100

inflows, which had previously stabilized the mark, reversed direction, causing a sudden loss in value relative to foreign currencies. These factors, and continued Allied unwillingness to show flexibility on repayment terms, contributed to a shock to the price level.[215]

Confronted by inflation and faced with a sizable deficit, German policymakers were forced into a vicious feedback cycle. Due in part to Weimar German's tax structure, nominal expenditures (which had to be paid immediately) were more sensitive to rising prices than nominal revenues (which were often collected with significant delay), so the inflationary shock ballooned the deficit. The Reichsbank responded by monetizing the deficit. This increased the inflation rate further, expanding the deficit, requiring even more monetization, and the cycle continued. Foreign intervention made the problem worse. Angered by German failure to make timely deliveries of coal—which constituted part of the reparations agreement— France and Belgium invaded the Ruhr, Germany's coal-rich industrial heartland, in January 1923.[216] Although the link between the occupation and inflation is disputed, price rises did accelerate just as the policy of "passive resistance" was implemented and the tensions and loss of industrial production certainly did not ease Germany's economic woes.

Although prices had been galloping upward for some time, mid- to late-1923 is the main source of the truly outlandish tales of the Germany hyperinflation that still linger in public consciousness. This is the time period from which the fantastic stories of prices changing by the hour originate. A coffee's price would rise before it could be finished and paid for. Cities as large as Cologne printed their own emergency money and everyday transactions required extensive mathematical calculation. A 100 trillion-mark bill—worth $312.50 on November 2, 1923—was only valued at $23.81 eighteen days later. Germany had to commission so much currency that it used 30 paper mills and 132 printing plants. Photographs from this time period—of people pushing wheelbarrows of money, of a woman burning paper bills as firewood, of children stacking bundles of currency above their heads—are so ubiquitous now as to seem nearly as over-circulated as those worthless paper notes were when the pictures were taken.[217]

The economic fallout went beyond consumer purchases. Class tensions—which had originally been eased by price increases—eventually worsened as uncontrolled inflation hit all social groups.[218] Those savvy enough speculated heavily in stocks, which tended to rise along with prices. Rampant speculation by ordinary citizens was accompanied by wild over-investment by companies. Durable items kept their value, so it was logical to over-purchase industrial capital. The dynamics, which had the positive effect of stimulating German investment at first, soon resulted in misallocation and waste. Eventually, the large industrialists—despite the fact access to cheap credit benefitted them initially—realized that the havoc that inflation wrought was becoming too costly.[219]

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[215] Barry Eichengreen, *Golden Fetters* (New York: Oxford University Press, 1992); Theo Balderston, *Economics and Politics in the Weimar Republic* (Cambridge: Cambridge University Press, 2002); Steven B. Webb, *Hyperinflation and Stabilization in Weimar Germany* (New York: Oxford University Press, 1989).
[216] Adam Tooze, *The Deluge: The Great War and the Remaking of Global Order, 1916–1931, 442-43* (London: Penguin Books, 2015).
[217] Adam Fergusson, *When Money Dies: The Nightmare of the Weimar Collapse* (London: William Kimber & Co., 1975); Jeffry A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W. W. Norton & Company, 2006); Evans, *The Coming of the Third Reich; Frederick Taylor, The Downfall of Money: Germany's Hyperinflation and the Destruction of the Middle Class (London: Bloomsbury, 2014).*
[218] Patricia Clavin, *The Great Depression in Europe, 1929–1939* (London: Palgrave, 2000), 32.
[219] Sebastian Haffner, *Defying Hitler: A Memoir*, trans. Oliver Pretzel (London: Weidenfeld & Nicolson, 2002); Webb, *Hyperinflation and Stabilization.*

In November 1923, the Great Inflation was suddenly halted as the German government and its international partners took drastic measures to end the runaway price increases. They ended the floating exchange rate, stopped monetizing the government debt, and ceased to run a deficit. On November 15th, two days after Hjalmar Schacht became commissioner of the national currency, the Rentenmark, a new currency tied to land, was issued. On the 19th, the old paper mark was pegged at 4.2 trillion to the dollar, an amount which proved defensible against speculation.[220] The next day, Schacht became Reichsbank commissioner and continued to see to it that the currency remained stable. Much of this required delicate negotiation, both through the Dawes Plan format and via regular communication between Schacht and his counterparts at other large European central banks.

Schacht initiated negotiations for the Dawes Plan with the Allied powers, during which reparations would be suspended. This agreement, reached in August 1924, provided Germany with more bearable reparations payments schedule as well as a $200 million loan. As Eichengreen writes, the crucial component of stabilizing the currency was the "accommodation reached among industry, government, and the Allies."[221] By giving the government sufficient resources to defend the mark from speculation, the Dawes Plan was vital for ensuring the (relative) sustainability of the stabilization and "by late 1924 Germany too had beaten back hyperinflation and began to grow".[222] Although the Dawes Plan would make repayment easier, it had terms extremely favorable to the private US creditors (notably JP Morgan) and did not actually reduce the total debt load, a sticking point that would inflame nationalist sentiments in Germany.[223]

Although the destructive inflation was over, the stabilization did not mark the end of German economic difficulty. While inflation—as a redistributive force from creditors to debtors—helped some aspects of German society, "as the deflationary effects of the stabilization began to bite, all social groups felt the pinch".[224] Although the budget did reach a surplus, the cost was severe disruption: the number of government employees was reduced by 25% and tens of thousands of firms went bankrupt.[225] Despite the consequences, commitment to gold would form the core organizing principle for European (and particularly German) economic policy for roughly the next decade.[226] Importantly, inflation was then closely associated with *exchange rate devaluation*, rather than *direct price increases* (even now, measures of the 1923 German hyperinflation are often conveyed in dollar exchange rate terms, a measure which is rarely used to express modern inflations). This would severely limit the appeal of any devaluation to combat future crises.

Despite difficult adjustments, the period from 1924-29 is now retroactively portrayed as relatively calm, at least by Weimar standards. There were periods of growth and contraction, but under the Dawes Plan and the guidance of Schacht as Reichsbank President and Gustav Stresemann as Chancellor, the Weimar Republic enjoyed its *Goldene Zwanziger* ("golden

[220] Carl-Ludwig Holtfrerich, *The German Inflation, 1914–1923: Causes and Effects in International Perspective*, trans. Theo Balderston, 311-313 (Berlin: De Gruyter, 1986).
[221] Eichengreen, *Golden Fetters*, 147.
[222] Frieden, *Global Capitalism*, 137.
[223] Tooze, Deluge, 459-61.
[224] Evans, *The Coming of the Third Reich*, 110.
[225] Gerald D. Feldman, *The Great Disorder: Politics, Economics, and Society in the German Inflation, 1914–1924* (New York: Oxford University Press, 1997); Eichengreen, *Golden Fetters.*
[226] Clavin, *The Great Depression in Europe*, 34.

twenties"). Germany was admitted to the League of Nations in 1926. Weimar culture flourished. The relative stability, however, was predicated on massive capital flows from US private lenders, with Germany comprising roughly half of all private US loans during the period. Already by 1928 there were signs that these flows were slowing, placing enormous pressure on the fragile Weimar economy. The irony of this period in retrospect, therefore, is that it is often portrayed as the stabile respite after the spendthrift era of hyperinflation, when in fact it was premised on the sort of foreign loans that are now considered so taboo in modern Germany.[227]

3.4) Depression and the rise of the Nazi dictatorship

When a stock market crash hit the United States in 1929, its banks quickly halted their capital flows to Europe and the entire delicate system supporting European economies collapsed. Germany, due to both dependence of foreign capital and its rediscovered monetary and fiscal orthodoxy, proved especially vulnerable. While other countries also enacted austerity policies, Germany's were particularly severe when judged against the catastrophic downturn facing the country. Due to the experience of the hyperinflation, a deflationary preference was embedded in both the legal and ideological structures of the Reichsbank. This reduced liquidity and the government's ability to pay its bills. Unemployment surpassed 30%, but "because inflationary fears were rife, even in the slump, expansionary initiatives were tentative" and "opposition to the tax increases and spending cuts were overshadowed by the trauma of uncontrolled inflation and the breakdown of the monetary economy" earlier in the decade.[228]

After the center-left governing coalition collapsed in early 1930, Heinrich Brüning rose to power and called an election in September 1930. After two years of punishing austerity, the unsurprising result was a spike in support for those parties who appeared to be *least* committed to economic orthodoxy, such as the Nazis (from 3% to 18%) and Communists (from 10% to 13%). Contrast this to the post-inflation election of May 1924 when the Nazis received only 6.5% of the vote.[229] To the extent that inflation resulted in the resentment that Hitler harnessed so effectively, it was often anger at having failed to benefit from the "Jubilee" effect of 1923—something that also played into antisemitic Nazi tropes about finance and lending.[230]

When the United Kingdom—historically the leading proponent of the gold standard—shocked the world by exiting it in 1931, Germany held fast, enacting exchange controls rather than fully abandoning gold. Eichengreen sees this as a result of direct personal experiences of the hyperinflation, writing that, "commitment [to maintaining external balance] remained most credible in precisely those countries suffering high inflation in the 1920s".[231] He goes on to point out that "policymakers there were willing to go to extraordinary lengths in defense of their gold parities to avoid a replay of the traumatic inflations they associated with inconvertibility" and that this policy was "counterproductive once the failure of cooperation

[227] See for example the laudatory treatment of Stresemann by the Friedrich Naumann Stiftung in 2023.
[228] Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, 2nd ed. (Princeton, NJ: Princeton University Press, 2008), 88; Clavin, *The Great Depression in Europe*; Evans, *The Coming of the Third Reich.*
[229] Feldman, *Disorder*, 854-855
[230] Feldman, 857.
[231] Eichengreen, *Golden Fetters*, 152.

rendered the gold standard to principle obstacle to prosperity."[232] This line of thinking, rather than the historical reasoning outlined by Lindner, much more closely resembles a "learning" framework, even it did not improve actual policy outcomes.

The exact extent to which Brüning had the freedom to pursue an expansionary policy is often debated, but Germany's diplomatic and economic circumstances certainly provided him with less room for maneuver than in reserve-rich surplus countries like the United States or France. While it is true that, "it was in part the fear of inflation that made the deflation and the economic crisis so severe,"[233] Germany was also legally restricted from too much deviation from orthodox policies due to its international obligations (including both reparations and subsequent treaties). Still, the perception that the "Hunger Chancellor" seemed unwilling to entertain any expansionary policies contributed to dissatisfactions with mainstream parties.

After Brüning's policies proved woefully inadequate to address the rampant deflation and unemployment, another election was called in July 1932. Hitler's National Socialists emerged as by far the largest party, with 37% of the vote share. Importantly, the Nazis did not rise to power due directly to inflation fears; it was other, less successful parties who campaigned on controlling inflation. Following months of political instability and new elections, Hitler was appointed Chancellor in January.[234]

To the surprise of many, Hitler appointed Hjalmar Schacht (the same central banker who had halted the hyperinflation) as economics minister. Schacht had been a chief proponent of economic orthodoxy in the previous decade, but appeared to have adapted his views to new economic (and political circumstances) after seeing the failure of traditional policies during the Great Depression and the rise of the Nazis. Schacht helped Hitler carry out his policies of rearmament and recovery through monetary and fiscal expansion—including financial instruments like the infamous "Mefo Bill." However, Schacht was cognizant of international perceptions and worked hard to maintain the veneer of gold standard orthodoxy even as he helped his country prepare for war.[235]

Aware of the risk of inflation as a result of expansionary policies, Hitler remarked that the "cause of stability of the currency is the concentration camp" and that the Gestapo would ensure that prices did not rise.[236] "Repressed inflation" affected the quality of goods, but prices were kept largely stable during the war.[237] The true consequences of Hitler's policies only became clear after the war, when Allies had to fix "monetary overhang" by cutting monetary asset values by a factor of ten. In some postwar accounts, this would be referred to as the "second inflation" that contributed to Germans' extra sensitivity about rising prices (see chapter 4), although more contemporary accounts tend to limit sympathetic references to what were effectively the direct consequences of Hitler's own policies.

3.5) Assessment of the interwar period

[232] Ibid.
[233] Markus K. Brunnermeier, Harold James, and Jean-Pierre Landau, *The Euro and the Battle of Ideas* (Princeton: Princeton University Press, 2016), 55.
[234] Feldman, *Disorder,* 858.
[235] Clavin, *The Great Depression in Europe,* 176.
[236] Brunnermeier, James, and Landau, *The Euro,* 55.
[237] David Marsh, *The Bundesbank: The Bank That Rules Europe* (London: Heinemann, 1992).

Ultimately, what is the legacy of the hyperinflation? There is no doubt that it was a tremendously destabilizing event with negative economic and political consequences. However, those who claim that there was a straightforward cause-effect relationship between the rapid postwar price increases and Hitler's rise is to ignore important evidence from the historical record and more recent economic analysis. This simplistic view did have important proponents, however. For example, Stefan Zweig famously remarked in *The World of Yesterday* that "nothing ever embittered the German people so much—it is important to remember this—nothing made them so furious with hate and ripe for Hitler as the inflation."[238]

Gerald Feldman, who has written the most authoritative English-language book on the hyperinflation, finds that many other writers and commentators echo this basic line of reasoning. However, Feldman argues that construing the inflation "as an unmitigated disaster is historically inaccurate and misleading" because "horrendous unemployment, wage cuts, and general impoverishment of the Great Depression proved a far greater danger to German democracy than inflation ever had."[239] Carl-Ludwig Holtfrerich strikes a similar tone, arguing that the hyperinflation moved wealth in a highly egalitarian direction and that it suited Germany's foreign policy goals by boosting exports and encouraging the Allies to accept more moderate reparations.[240]

While it is impossible to lay exact proportions of blame on any one economic event (Feldman memorably describes the question of the hyperinflation's impact on Hitler's election as "beyond historiography")[241] the historical record clearly shows that Hitler's party remained an electoral non-factor in the years immediately following the inflation. It was only after a devastating *deflation* that it rose to prominence. This lends support to the argument that "the event that immediately preceded the interwar collapse of democracy and the dictatorship of the Nazis was not the inflation but a catastrophic deflation".[242] Tobias Straumann's *1931* makes a similar case of the primacy of the deflation over the inflation in causing Hitler's rise.[243]

This argument is not only supported by historians. Using econometric analysis, Stögbauer and Komlos argue that even a small amount of redistribution to reduce unemployment may have been sufficient to ward off the rise of the Nazis to the plurality they achieved in 1932.[244] A more recent 2021 paper in the *Journal of Economic History* reaches many the same conclusion.[245] Even if policymakers had wanted to implement expansionary policies, they would have been difficult to implement in practice, however. This was partially due to the fear of inflation that paralyzed German policymakers and the interests of international counterparts to whom Germany was indebted. Thus, while inflation may have contributed to the downfall of the Weimar Republic, it did not do so in direct fashion. Rather, if it does bear some responsibility, it is likely through the indirect channel of renewed dedication to gold standard orthodoxy that limited an effective response to the Great

[238] Stefan Zweig, *The World of Yesterday*, 315 (New York: Viking Press, 1943).
[239] Feldman, *Disorder*, 838.
[240] Holtfrerich, *German Inflation*.
[241] Feldman, *Disorder,* 4.
[242] Brunnermeier, James, and Landau, *The Euro,* 54.
[243] Tobias Straumann. *1931: Debt, Crisis, and the Rise of Hitler*. Oxford: Oxford University Press, 2019.
[244] Christian Stögbauer and John Komlos, "Averting the Nazi Seizure of Power: A Counterfactual Thought Experiment," *European Review of Economic History* 8, no. 2 (2004): 173–199.
[245] Gregori Galofré-Vilà, Christopher M. Meissner, Martin McKee, and David Stuckler, "Austerity and the Rise of the Nazi Party," *Journal of Economic History* 81, no. 1 (2021): 81–113.

Depression. This more nuanced potential lesson would not be the one to emerge decades later, however.

The link between inflation and the decline of democracy would become an omnipresent theme of postwar Germany, as it sought to both learn lessons from the past and construct new symbols to bolster the fledging Bonn Republic's legitimacy and prestige. As we will see, however, the nuanced and complex relationship between 1923 and 1933 was often discarded in favor of a more parsimonious and politically useful account. The decades-long process of memory contestation defined the Federal Republic from its founding until the present day, and helps explain how the intricate history of 1923 could have become distilled into a simple polemic a century later.

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"Forgetting, I would even go so far as to say historical error, is a crucial factor in the creation of a nation." -Ernest Renan, "What Is a Nation?"

Chapter 4: **Nation-building and memory-making: the rise of the Bundesbank and the decline of Bretton Woods, 1948-1971**

4.1) A central bank without a country: 1948 and the birth of the Deutsche Mark

The year 2023 was an opportunity to commemorate more than just the hyperinflation from a century prior. It also provided the occasion to celebrate a happier milestone: the 75th anniversary of the Deutsche Mark's (DM) introduction to the Western Occupation Zones of Germany and the liberalization of prices on June 21, 1948. To mark this occasion, the President of the Bundesbank, Joachim Nagel, delivered an address to the Ludwig Erhard Foundation—named after the Federal Republic's (BRD) first Economics Minister and "father of the economic miracle." Nagel recited the conventional history of the birth of the DM—namely that Erhard's price liberalization "changed life overnight" by jumpstarting the Germany economy and "the population marveled at shop windows that had previously been empty but were now suddenly filled up." [246] In the central banker's telling, with a strong independent central bank to protect the value of the currency and leaders who had learned of the evils of both runaway inflation and central planning, the BRD (founded in 1949, over a year *after* its central bank) was allowed to proceed on its happy path to prosperity, sovereignty, and eventual unity. [247]

This story—and the date on which it begins—forms the "founding myth of modern Germany" and is now imbued with "almost mystic significance."[248] The DM's introduction is most commonly associated with the Christian Democrats (the party of Erhard) and other economic liberals. This eventually transcended partisanship, and that date is widely hailed as the "day the economic miracle began" across the political spectrum.[249] Indeed, even parties of the (center-) left now celebrate Erhard's economic attitudes. For example, when Social Democrat Olaf Scholz was Finance Minister in 2018, he used the 70th anniversary to praise the currency reforms and celebrate the so-called "social market economy."[250] Five years later, then as Chancellor, Scholz again echoed Erhard, claiming that a "dependent central bank equals inflation."[251] He also applauded the European Central Bank for its fight against price rises and

[246] Joachim Nagel, "Die Wirtschafts- und Währungsreform von 1948: Basis für stabiles Geld," Deutsche Bundesbank, August 28, 2023, https://www.bundesbank.de/de/presse/gastbeitraege/die-wirtschafts-und-waehrungsreform-von-1948-basis-fuer-stabiles-geld-915264.
[247] Originally the Bank deutscher Länder (BdL), the Bundesbank (BuBa) from 1957 onward.
[248] Uwe Fuhrmann, "Illusions of Decontrol: The Myth of Germany's 'Social Market Economy,'" Phenomenal World, April 12, 2023, https://www.phenomenalworld.org/analysis/illusions-of-decontrol/; David Marsh, *The Bundesbank: The Bank That Rules Europe* (London: Heinemann, 1992), 145.
[249] Von Peter Sturm, "Währungsreform 1948: Als das Wirtschaftswunder begann," *Frankfurter Allgemeine Zeitung*, September 7, 2020, https://www.faz.net/aktuell/politik/geschichte/deutsche-stationen/waehrungsreform-1948-als-das-deutsche-wirtschaftswunder-begann-16938097.html.
[250] Olaf Scholz, "Rede beim Festakt 70 Jahre Währungsreform und soziale Marktwirtschaft," Sozialdemokratische Partei Deutschlands, June 15, 2018, https://olaf-scholz.spd.de/aktuelles/detail/news/rede-beim-festakt-70-jahre-waehrungsreform-und-soziale-marktwirtschaft/15/06/2018.
[251] Simon Mee, "The Bank Deutscher Länder and the Foundation of West Germany, 1948–1951," in *Central Bank Independence and the Legacy of the German Past* (Cambridge: Cambridge University Press, 2019), 25.

pledged his support for the ECB's independence, argued that a strong currency is "crucial for stable and credible monetary policy."[252]

Scholz's support for Erhard's policies (and the concept of the "social market economy" more broadly) would have come as a shock to his mid-century *Genossen* in the Social Democratic Party (SPD). Indeed, rather than a universally-praised set of policies, the hegemonic economic pillars of the modern BRD—such as price liberalization, a rigorously anti-inflationary and independent central bank, and frugal central government—were hotly debated during the Federal Republic's early days. In their 1949 manifesto, for example, the SPD lambasted Erhard's economic policies and the "meaningless" concept of the "social market economy." The "Frankfurt economic administration" it argued, was pursing "class war from above" through suppressing wages while tolerating the "absolute dictatorship" of high prices set by overly-powerful businesses.[253] By referring to Frankfurt, the SPD was pointing specifically to the *Bank deutscher Länder* (bank of the German states, or BdL). The Allies established it in 1948 to coordinate the individual German state banks (*Landeszentralbanken*), themselves the product of the decentralizing approach taken by the French, Americans, and British. Initially, the BdL primarily coordinated with the Allied powers. However, as the West German government in Bonn slowly gained autonomy, relations between Frankfurt and the capital become a crucial power axis as well.

The overriding priority of price stability over high employment was not always a given in the Federal Republic. For example, the postwar Social Democrats argued that unemployment remained the great evil in society, much as they had in the interwar period. Furthermore, in the late 1940s, the SPD demanded economic planning to address it.[254] Such concerns were not purely partisan, either. Although it rejected any central direction of the economy, even the CDU's manifesto from the same year recognized the threats of price rises and unemployment equally, stating that "deflationary crises, which result in mass unemployment affecting all sectors of the economy, must be avoided" and also that "any inflationary development must be nipped in the bud."[255]

These statements reflect a clear lack of consensus about fundamental economic questions that existed both between *and within* the major German parties after WWII. The heightened rhetoric also reflects dire economic and political economic conditions in the Western Occupation Zones in the late 1940s, which barely resemble the romanticized images that became commonplace during the subsequent decades. Indeed, Erhard's rapid liberalization of prices in 1948 initially caused mass protest and economic unrest, not the suddenly full shelves and miraculously growing economy found in so many retellings.[256] Within three weeks of instituting price reforms, the price of fruits, vegetables, clothing, and other household items doubled.[257] Beginning in Stuttgart in October, the protest movement soon swept across the rest

[252] Olaf Scholz, "Rede von Bundeskanzler Scholz anlässlich des 25-jährigen EZB-Jubiläums am 24. Mai 2023 in Frankfurt am Main," Bundesregierung, last modified May 24, 2023, https://www.bundesregierung.de/breg-de/aktuelles/rede-von-bundeskanzler-scholz-anlaesslich-des-25-jaehrigen-ezb-jubilaeums-am-24-mai-2023-in-frankfurt-am-main-2192894.
[253] Sozialdemokratische Partei Deutschlands, *Wahlaufruf der Sozialdemokratischen Partei Deutschlands: Für ein freies Deutschland in einem neuen Europa* (Friedrich Ebert Stiftung, 1949), http://library.fes.de/spdpd/1949/490801-sondervers.pdf.
[254] Mee, *Central Bank Independence*, 26
[255] Christian Democratic Union, 1949 Wahlprogramm, https://visuals.manifesto-project.wzb.eu/mpdb-shiny/cmp_dashboard_corpus/.
[256] Uwe Fuhrmann, *Die Entstehung der »Sozialen Marktwirtschaft« 1948/49: Eine historische Dispositivanalyse* (Munich: UVK Verlagsgesellschaft mbH, 2017).
[257] Fuhrmann, 167.

of the Western Zone, with a general strike beginning on November 9th. The work stoppages soon expanded to include a full 9 million people, or 72% percent of the labor force.[258]

As a result, the government reintroduced de facto price controls, punishing businesses that exceeded "reasonable" levels. Other initiatives to regulate supply were also implemented, and prices eventually stabilized as a result of price controls and planned production. Only after experiencing the backlash to the unrestrained *Marktwirtschaft* ("market economy") did the CDU adopt the now-ubiquitous *Sozialemarktwirtschaft* ("social market economy") as a campaign term in the 1949 elections.[259] The "social" element of this concept proved to be elusive, however. In 1949 the German economy plunged into deflation, with millions losing work and the unemployment rate rising to 8%. Welfare protections also struggled to keep pace with the extent of the wartime destruction and refugee inflows, as German authorities refused Allied attempts to move away from the prewar Bismarckian welfare system.[260] The Christian Democrats barely eked out a victory in that year's election, with Konrad Adenauer's CDU/CSU alliance defeating Kurt Schumacher's SPD by only 1.8%.[261]

Despite the upheaval, the economic turbulence of the late 1940s has been largely forgotten in the German public memory.[262] Headlines from the time, however, help us understand how contested and undecided the memory of the interwar period—and therefore also the normative biases of economic culture—were in the months shortly before and after the Federal Republic was established in May 1949. After nearly two years of tumult, newspapers from the SPD's progressive *Neuer Vorwärts* to the more centrist *Allgemeine Zeitung* bashed the BRD's economic leadership and the deflationary crisis under way .[263] Even the conservative *Frankfurt Allgemeine Zeitung*, which later became eager to fan the flames of inflationary fears, took a surprisingly balanced view of both history and the risks facing the German economy. Writing in May 1950, *FAZ* highlighted the "disruptions that lead to inflation" but also argued that "in 1931 the deflationary policies of the independent central bank—with its imperiousness and rigidity—led German economy and society to ruin, which resulted in the domination of National Socialism."[264]

This balanced and roughly symmetrical view regarding the relative risk of inflation and deflation was broadly shared by the German public, which overwhelmingly blamed the government for unemployment. Moreover, polling from the time indicates that it tended to view the challenges of 1949-50 as broadly analogous to the deflationary period of 1930-31, even as it was still irate over the price rises resulting from Erhard's liberalization.[265] Clearly, then, we can see that at this time there was no universal consensus as to whether inflation or

[258] Matthew Read, "The German Workers' Movement and the Struggle for a Neutral, Democratic Germany," International Forschungsstelle DDR, 21 April 2022, https://ifddr.org/en/neutral-democratic-germany/.
[259] Fuhrmann, "Illusions of Decontrol." Although initially invoked in an ad hoc and almost entirely rhetorical way, the term "social market economy" would later take on a mythological status in Germany and is still frequently referenced as the basis for Germany's economic model.
[260] Peter Starke, "The Impact of War on Welfare State Development in Germany", in Herbert Obinger, Klaus Petersen, and Peter Starke (eds), *Warfare and Welfare: Military Conflict and Welfare State Development in Western Countries* (Oxford: Oxford University Press, 2018)
[261] The Federal Returning Officer, "Bundestag Election 1949," https://www.bundeswahlleiterin.de/en/bundestagswahlen/1949.html.
[262] Nelli Tügel, "Der Mythos der Bundesrepublik," *nd*, November 9, 2018, https://www.nd-aktuell.de/artikel/1105354.generalstreik-der-mythos-der-bundesrepublik.html.
[263] Mee, "The Bank Deutscher Länder," 113.
[264] Hans Baumgarten, "Die Währung geht jeden an," *Frankfurter Allgemeine Zeitung*, May 9, 1950.
[265] Mee, "The Bank Deutscher Länder," 122.

deflation was the primary threat to the German economy—and correspondingly also no agreement as to which interwar lesson best informed future economic policymaking.

As a result of the tumultuous currency fluctuations, there was widespread pressure for greater domestic political oversight of the BdL. Even CDU politicians were clamoring for some degree of direct influence over its decisions.[266] Vocke, eager to cultivate good relations with the occupying powers in order to protect the BdL's autonomy (and therefore his influence over German economic policy), corresponded frequently with Bank of England Governor Otto Niemeyer and other key figures in both the US and UK. In these communications, Vocke emphasized his grasp of the challenges currently facing the German economy, rather than any specific view of the past. For example, directly following Erhard's disruptive price reforms, Vocke remarked in August 1948 that "[t]he German economy feels an oppressing concern and fear from both inflation and deflation."[267] Clearly, then, Vocke did not *personally* possess the same one-sided memory of interwar economics that he would later help to popularize.

Rather than traumatic memories of 1923, Vocke was largely motivated by bureaucratic infighting and was more than willing to seek unlikely allies to protect his institutional power in the fledging state. Realizing that German public opinion was not on his side regarding central bank independence, he told the Allied Banking Committee (ABC) that domestic democratic control over the central bank was "short-sighted" and "dangerous."[268] Vocke repeated this line in several different letters to the ABC, eager to suggest that he would accept greater *foreign* control if it meant preserving his independence vis-à-vis the provisional Frankfurt government. In correspondence with the Allies, Vocke largely avoided interwar historical references, instead concerning himself with the recent currency developments that would have resonated most with his British and American audience. This suggests interwar memories were largely a political tool that was wielded depending on the audience, rather than a deeply-held belief that shaped his preferences. This tactic would become even more apparent as he sought to defend central bank independence throughout the subsequent decade.

Before public opinion could be swayed to his side, Vocke effectively ensured that the BdL remained under Allied control even after the Federal Republic was founded in May 1949. Control from the occupying powers was preferable to the oversight of democratic institutions in Bonn, he surmised, as occupation would likely be less permanent than ceding power domestically. Having been formed of the states' *Landeszentralbanken*, the provisional central bank represented a triumph of the British centralizing tendencies over the de-centralized US approach, itself a partial reflection of the Morgenthau plan. True to Vocke's preferences, the occupation authorities, led by Lucius Clay, turned down proposals for greater West German domestic control between 1948 and 1951.[269] Given these years of breathing room, the BdL would grow its power and eventually prove strong enough to defend its independence against encroachment from Bonn after the Allies allowed the BRD increased sovereignty in the early 1950s.

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[266] Vocke even annoyed Konrad Adenauer to the extent that the BRD's first chancellor eventually came to oppose central bank independence, something that would become virtually unthinkable only years later. Marsh, *The Bundesbank,* 165.
[267] Quoted in Mee, "The Bank Deutscher Länder," 108.
[268] Mee, 112.
[269] "German Bank Plan Rejected by Allies," New York Times, April 30, 1948. https://timesmachine.nytimes.com/timesmachine/1948/04/30/101515942.html?pageNumber=8.

4.2) Memory, monetary policy, and the media, 1948-50

Although it would later gain a formidable public relations apparatus (part of the reason the Bank's employee headcount skyrocketed from 300 to nearly 1500 in its first year), during the BdL's early days, it was relatively silent in the public sphere. Instead, it focused on relations with the Allied powers that had the final say in its affairs. However, Vocke and others realized that the British and Americans would not have the final say over West German central bank independence forever. As the ABC slowly ceded influence, it became apparent that the independence provision of the Bank's charter might not withstand the creation of a fully "German" central bank.[270] Vocke knew this and shaped his messaging accordingly. As head of the BdL, Vocke innovated many of the public relations tools and tactics of a modern central banker. For example, BdL officials—most prominently press chief Viktor von der Lippe—scrambled to build both elite and mass support for Bank autonomy through public communication and close ties with the media.[271]

In an effort to shape the economic narrative, von der Lippe expanded the BdL's press functions in 1948 and started assembling collections of article clippings that he found relevant. Another move was to begin publishing monthly reports on the German economy. These reports are also still published today and prominently feature the bank's diagnoses and prognoses for what ails the German economy, as well as a wide array of statistics. Speeches formed the third pillar of the BdL's communications campaign. These became more prominent after the bank realized the need to improve its public image in late 1948.[272] The pace and intensity of communications with the media would increase at moments when the Bank felt that it was under political pressure. In such cases, von der Lippe would write individually to members of the directorate to coordinate public relations and media strategy.[273]

Whereas the monthly reports and prominent speeches reveal the German central bank's preferred narrative of economic events, the *Auszüge aus Presseartikeln*[274] (excerpts from press articles, abbreviated as AaP) offer a selective glimpse into the journalistic discourse around German (and occasionally global) economic debates. In the AaP, which are massive bound volumes that date back to shortly after the founding of the BdL, the bank was able to select its chosen narratives and journalists for preservation, effectively curating a friendly history for posterity. Most articles are in German, but French and English content is also commonplace. Speeches from German central bank presidents typically come first, followed by news and opinion pieces favorable to BdL/Bundesbank policy.[275] The AaP therefore represent a primary source in two ways. In a more straightforward sense, they are well-preserved collations of authentic news stories and other documents from the time. More interestingly, their very

[270] Article 88 of the Federal Republic's constitution specifies that the BdL would be replaced, with no guarantee of independence from the government.
[271] Mee, "The Bank Deutscher Länder," 110.
[272] Ibid.
[273] Mee, 204
[274] They are available for every month from the BdL's founding until the outbreak of the COVID-19 pandemic in March 2020, consisting of hundreds of thousands of pages in total.
[275] Author's own archival research trips to the Bundesbank Library in Frankfurt.

existence—and the content contained within them—reveals the sorts of articles and information that Frankfurt wanted to preserve for future generations.

Indeed, the *Auszüge aus Presseartikeln* form a fascinatingly recursive source for the study of the BdL/Bundesbank efforts to shape narratives and compile their own version of history for subsequent historical memory. In addition to curating and commenting on newspaper articles (and occasionally writing to journalists they disagreed with), the Bundesbank would send the excerpts to key journalists and academic institutions.[276] Today, a limited set of copies is found in some university libraries and other archives abroad, with the entire collection is available at the Bundesbank Library in Frankfurt. Excerpts were also sent to prominent journalists shortly after they were published.[277] We can therefore see the self-reinforcing media relations that the press department fostered: favorable articles were selected and compiled, then sent to the very journalists who would be writing future news stories about the Bundesbank.

This was a deliberate strategy, as von der Lippe's correspondence makes clear. Referring explicitly to the AaP, he stated that they were assembled in a way "that one can indeed talk of 'politics' or 'psychological warfare'".[278] He was very pleased with his efforts, remarking that "[t]he reaction with respect to the public is, as noted, in general quite positive and helpful" and boasting that "hardly any other central bank in the world is manifested in speech and writing so often and so thoroughly about its aspirations and concerns as the Bundesbank."[279] This suggests that many of the archival materials of press reports held by BdL/Bundesbank reflect political calculation, not just inherited common sense or personal memory.

Beyond these visible efforts at swaying popular opinion, the BdL also started to foster more covert relations with the press. Although it had been cautious to link itself too closely with journalists, by the time the political climate around the BdL soured in late 1948 it changed its approach. At this time, it decided to support establishments that would be friendly to the cause of central bank independence. Most prominently, in late 1948 it accepted an offer from prominent financial journalist and publisher Volkmar Muthesius to explicitly use his journal *Die Zeitschrift für das gesamte Kreditwesen* "as an opportunity to influence public opinion" by funding it through the individual state banks.[280] This link with Muthesius would prove long lasting and set a template for later bank-media ties.

The BdL's close ties with the German media, established with the goal of protecting central bank independence, are therefore apparent. Less clear, however, were the narratives and messages that would use to help it achieve this goal. As we have seen, interwar history offered few unambiguous "lessons" at this time. Further illustrating the point, one left-wing newspaper directly linked Vocke to interwar *deflation*, mocking his current attempts at the "safeguarding of the currency" by drawing a parallel between 1949 and the 1929-33 period of restrictive

[276] The excerpts, as well as the policy, are first discussed in the Bundesbank Press Archive from December 1948 (B 330/3355).
[277] Notably, one copy found in the British Library has previously been addressed to David Marsh, then the Bonn correspondent for the *Financial Times*. He would later go on to write one of the most well-known books on the German central bank, 1993's *The Bundesbank: The Bank That Rules Europe*.
[278] Quoted in Mee, "The Bank Deutscher Länder," 205.
[279] Mee.
[280] Letter from Muthesius to Wrede dated 12 June 1948; quoted in Mee, "The Bank Deutscher Länder," 110.

monetary policy, after which "we ended up with seven million unemployed and Nazism."[281] This connection is significant: in contrast to the popular causal link present in most current hyperinflation discourse, the article drew the opposite conclusion, implying that *deflation* was the proximate cause of Hitler's rise. Clearly, then, the early Federal Republic lacked a clear narrative around the political implications of inflation and what this meant for economic policy, with both the contest of memory and the contest of analogy still hotly debated. Such disagreements motivated the BdL to more actively work with the media and make "good propaganda" through close media relations.[282]

Viktor von der Lippe and his press contacts were instrumental in these efforts, eventually helping to reducing the space for debate by fostering a hegemonic historical narrative in both the press and the popular imagination. Von der Lippe rose to prominence in 1949 when he was hired by Vocke to head the newly-established official press department at the Bundesbank. His duties soon expanded to encompass to answering letters on the president's behalf, drafting speeches, and overseeing contacts in both domestic and foreign media.[283] Von der Lippe continued his work (later in the Bundesbank) for decades, but remains a largely unknown figure. While the exact details of his day-to-day role are not well-documented, there is no doubt that he had a considerable impact on the public face of the bank(s) through decades-long connections with key figures in the German media. For example, he constantly arranged meetings between journalists and the reserved and press-shy Vocke, stressing the importance of good media relations in order to stave off calls for political control of the German central bank.

Von der Lippe soon realized what a potent weapon interwar history could be, wielding it effectively in the struggle over the shape of BdL's successor through his influence over Vocke's rhetoric and the bank's overall messaging strategy. Drafting the Bundesbank Law was an excruciatingly fraught political process, requiring 25 different drafts over the first nine years of the Federal Republic's history. When an early draft from 1950 suggested a government council to oversee the new central bank, the BdL responded with outrage, employing a one-sided historical account for political ends in its opposition. Writing to Finance Minister Fritz Schäffer, Vocke argued that "after two inflations the people are distrustful when it comes to money" and that any government oversight over the bank would exacerbate this.[284]

It is worth noting here exactly how Vocke invokes the fears of the German populace—and how he does not. Importantly, he does not express the history of inflation as something that affects him personally or directly shapes his thinking. Vocke is not making a "learning" argument. He also does not suggest that Schäffer has forgotten his monetary history and needs to be reminded of it. There is no talk of "lessons" to be learned. Rather, German anxiety over price increases is introduced solely as an external political constraint, something that must be heeded—regardless of whether these assessments of societal memory are accurate and independent of their relationship with the historical record. Indeed, Vocke also feels no need to justify the analogy, explain the relative incidence of fears over inflationary versus

[281] Vocke served on the Reichsbank's Board of Directors from 1919 to 1939 and joined several colleagues in departing due to disagreements with Hitler's inflationary policies. Quoted in Mee, 114.
[282] Mee, 128.
[283] Mee, 117.
[284] Quoted in Mee 124.

deflationary historical events, or engage with it in any deeper way. He thus ventriloquizes his own political preferences through the alleged voice of a German populace that was far from unanimous on this issue at the time, according to polling and the record of Bundestag debates. This moment of contingency and fluid contestation reflects Gramsci's "war of maneuver," as no dominant narrative had yet been established and competing interest groups sought to shape and embed their own preferred reading of history.

The BdL's internal debates display a similar stance toward the supposed attitudes of everyday Germans. In a 1950 council meeting, the bank's directors railed against governmental oversight, arguing that an independent central bank "is particularly appropriate in present day Germany, whose population has become particularly suspicious of state influences on the central bank leadership in light of two inflations triggered by the state within a single generation."[285] Of course, not all Germans held this view of the past, and the BdL frequently came under fire in the press, with historical references to the devastation of deflation used to bolster the case. Realizing that promoting the hyperinflation-centric view of the past was crucial to deflecting these critiques, von der Lippe and Vocke engaged media ally Muthesius to help. The publisher actively dismissed any contrary readings of the past and agreed to arrange meetings between top newspaper editors and the bank in all of West Germany's major cities. Von der Lippe, in his expansive communications capacity, attended these meetings and explicitly discussed the need to invoke Germany's inflationary history in order to defend the central bank—a task the editors would later take up dutifully.[286]

In addition to the behind-the-scenes wrangling about central bank independence, public statements and political documents from the time show an initial clear lack of consensus about the legacy of the 1923 hyperinflation and the relative risks of inflation and deflation. Party political manifestos are a particularly valuable source, as they both reveal the policies preferred by groups at different points along the ideological spectrum and reflect the type of language that they *thought* would appeal to voters in any given election. Manifestos can therefore be used to glean (at least in part) both the intent of parties and their perception of public opinion. In the Federal Republic's first election, we see that even the center-right Christian Democrats lacked the single-minded focus on inflation they would later develop. In 1949, for example, the CDU's election manifesto placed roughly equal price increases *and* decreases, arguing that "deflationary crises, which result in mass unemployment affecting all sectors of the economy, must be avoided by means of a responsible monetary and capital policy and a tax policy" but also that "any inflationary development must be nipped in the bud."[287] The SPD's manifesto from 1949 was also deeply critical of the new BdL's power and repeatedly warns of the risks of unemployment.[288]

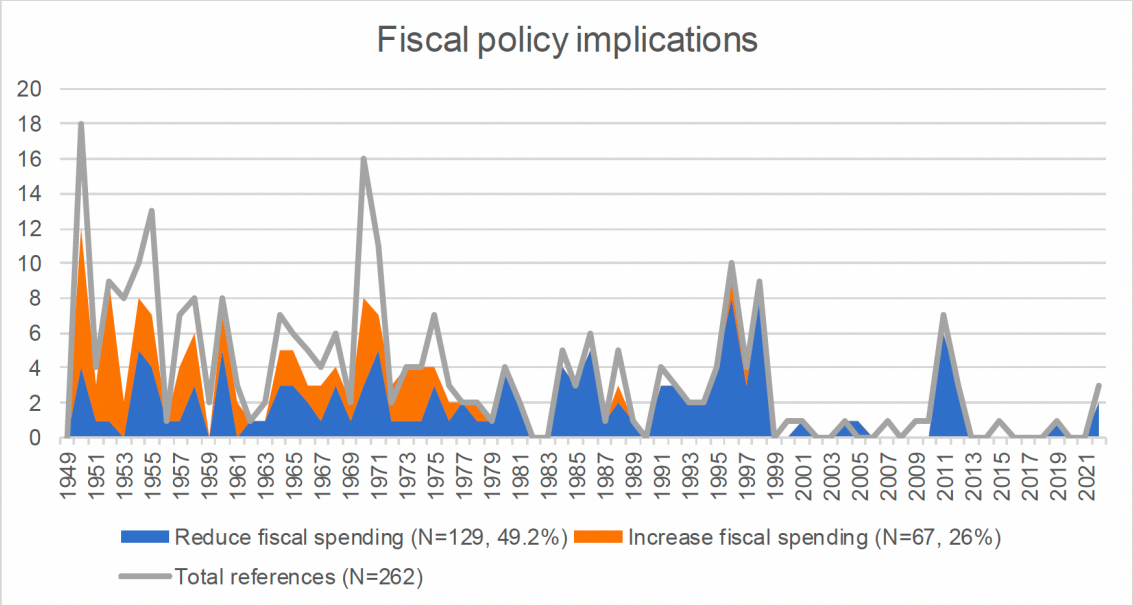
Parliamentary debates tell a similar story. Indeed, recent analysis of the records from the early BRD shows a relatively clear partisan split regarding how the memory of the 1923 hyperinflation was invoked. For example, Teupe and Barkhausen find that "speeches connecting references to Weimar with the impetus to reduce or restrict spending reflect a clear

[285] Quoted in Mee, 126.
[286] Mee, 129.
[287] Christian Democratic Union, 1949 Wahlprogramm, Manifesto Project, https://manifesto-project.wzb.eu/.
[288] [288] Sozialdemokratische Partei Deutschlands, *Wahlaufruf der Sozialdemokratischen Partei Deutschlands: Für ein freies Deutschland in einem neuen Europa* (Friedrich Ebert Stiftung, 1949), http://library.fes.de/spdpd/1949/490801-sondervers.pdf.

conservative bias, with the Christian-conservative CDU invoking it the most, and the liberal-conservative FDP also contributing a sizable share of all such speeches" in the first decades of the Federal Republic.[289] The SPD also referenced the inflation, but did so to advocate for *greater* public spending as a way to compensate for the loss of savings. Occasionally, even the more conservative parties followed a similar logic, again showing the lack of a fixed meaning with respect to the causes of the hyperinflation, as well as its policy implications. Indeed, in this period the hyperinflation was invoked relatively frequently, but was actually used to advocate for increased fiscal spending, a far cry from the later near-consensus implications discussed in the previous chapter (see figure 4.1). Clearly, then, both the contest of memory and contest of analogy were far from settled at this point and hegemony was a long way off.

As Teupe and Barkhausen argue, only when the direct, personal memory faded and a collective memory emerged did the hyperinflation take on a fixed political meaning.[290] At the time of the hyperinflation itself, by contrast, memoirs revealed a wide diversity of experiences and opinions, with no uniformly negative experience, nor universal political takeaways, apparent. However, as we will see in the following sections, staunch fiscal hawks like Ludwig Erhard would eventually triumph in inserting their view that fiscal stimulus and full-employment policies should be resisted because "history has shown time and again where open or price-controlled inflation leads us."[291]

Figure 4.1: Bundestag mentions of the hyperinflation and implications for fiscal policy



Source: Teupe and Barkhausen (2023)

Despite the lack of consensus in parliament, the central bankers had powerful allies at the more elite high levels of government—although notably not at the very top. While Chancellor Adenauer was skeptical of central bank independence, his powerful economics

[289] Sebastian Teupe and David Barkhausen, "The German Inflation Trauma: Weimar's Policy Lessons Between Persistence and Reconstruction" (Working Paper no. 40, German Research Foundation's Priority Programme 1859, Experience and Expectation. Historical Foundations of Economic Behaviour, Humboldt University Berlin, Berlin, 2023), 14, https://doi.org/10.18452/26377.
[290] The period of the 1980s, when the meaning of the hyperinflation became relatively fixed, is discussed in the subsequent chapter.
[291] Teupe and Barkhausen, 14.

minister, Ludwig Erhard, was committed to it—at least *de jure*. Neglecting the actual interwar record of central bank independence during the hyperinflation, Erhard confidently asserted that "historical experience proves" that "the formula 'dependent central bank equals inflation' is valid at all times."[292] In practice, Erhard wanted to limit the chancellery's control so that the "father of the economic miracle" himself could retain his informal influence as economics minister.[293] Although Erhard's simple formula was historically inaccurate and likely expressed for cynical political ends, this did not stop it from succeeding. Indeed, we will later see than a nearly unchanged version of this story would eventually become dominant, forming German central bankers' preferred historical narrative, from the BdL and Bundesbank up to the present world of the ECB.

4.3) From Deutsche Mark to Deutschland, national identity and currency 1950-57

Although Erhard and Vocke each prioritized their own institutional power, the historical narratives they espoused dovetailed when it was politically useful. One of the most notable and influential examples of rhetoric is a speech titled "The Currency of Savers" ("*Die Währung des Sparers*") that Vocke delivered to the association of German savings banks (Sparkassen) in Hamburg in 1950. Later reprinted in Muthesius' *Zeitschrift für das gesamte Kreditwesen,* Vocke's arguments formed a blueprint of what was to become the dominant historical narrative of central bankers and conservative political interests up to the present day.[294] Discussing the challenges facing Germany, Vocke outlined both a set of economic philosophies and a series of historical arguments to back them up. These bear a striking resemblance to those identified in the previous chapter and form a first draft of what was to become the conventional wisdom regarding Germany's interwar history.

Vocke made four interrelated arguments. To begin, Vocke invoked a series of contested, political-economic theorems supposedly derived from interwar history. First, he claimed that 1919-23 had demonstrated that only an independent central bank can stave off inflation—neglecting the fact that the Reichsbank *was* legally independent from the central government at the time of the hyperinflation. More credibly, he argued that inflation "harms and corrupts the economic system," [295] a fact that he said was made clear by recent German history. He then extended the causal chain two steps further, claiming price increases' effect on the economy were the greatest threat to social stability. Social unrest, then, was sure to lead to the rise of authoritarianism. [296] In addition to his claim that inflation necessarily begets dictatorship, Vocke stressed that the converse was true as well: any authoritarian government would always seek to start an inflation through debt financing.[297]

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[292] Quoted in Jörg Bibow, "Investigating the Intellectual Origins of Euroland's Macroeconomic Policy Regime: Central Banking Institutions and Traditions in West Germany After the War" (working paper no. 406, The Levy Economics Institute, Annandale-on-Hudson, NY, May 2004), 23.
[293] Later, in an effort to influence the bank in 1961, Erhard changed his argument to "independence of the Bundesbank presupposes that a common line will be found." After succeeding Erhard as chancellor in 1963, Erhard was toppled in part due to restrictive BuBa policy. See Bibow, 23, 26.
[294] Wilhelm Vocke, "Die Währung des Sparers," *Sonderdruck der Zeitschrift für das gesamte Kreditwesen*, May 1950.
[295] Vocke, 1.
[296] See Chapter 3 for greater detail on this issue. Recent scholars attribute Weimar collapse more to the later deflation, but others like Gerald Feldman argue that the questions are complex as to be "beyond historiography." Gerald D. Feldman, *The Great Disorder: Politics, Economics, and Society in the German Inflation, 1914–1924* (New York: Oxford University Press, 1993),
[297] Vocke, "Die Währung des Sparers, " 2.

Building upon these assertions, Vocke then used them to invert the role between democracy and central bank independence. In demanding autonomy from the government, Vocke was essentially asking to be shielded from democratic oversight. In a country only five years removed from a catastrophic defeat brought on by an authoritarian government, the central banker was understandably hesitant to publicly advocate for an openly anti-democratic arrangement between Bundesbank and the Bonn government. His solution, then, was to directly reverse the relationship. Democracy and political freedom could *only* survive in a low inflation environment, he argued. Furthermore, any democratic government would engage in reckless spending if not reined in by the central bank. Combining these two assertions, the implication is clear: democracy can survive *if and only if* the central bank is independent.[298]

Vocke also depicted himself as the defender of German savers, a role that would be emulated across subsequent central bank presidencies. The title of the published piece, "The Currency of Savers" (*Die Währung des Sparers*) suggests such an attitude, but the details of the speech put an even finer point on it. "Inflation is always paid for by the masses of little people," he argued, something "Germany has had to experience twice in a terrible way."[299] The rhetorical centering of savers—as well as the injustice inflicted upon them—reflects one of the ways in which historical memory can operate differently in economics than in religious, ethnic, or national realms. In these categories, a central historical injury is often used to bind a group together, subsuming other differences in order to create a unified identity that is often defined against the injuring "other". Rather than emphasizing the harm to the group as a whole and flattening intra-group class distinctions, hegemonizing an economic memory often serves instead to elevate one class or interest group's experience over others.[300] This can result in making a materially-defined collective, rather than an ethnic or religious group, synonymous with the nation. In this case, any injury to savers, such as an inflation, becomes an injury to Germany itself.[301] Vocke's implication, therefore, is that defending the currency is akin to defending the German nation.

The ongoing German insistence on saving as a moral "virtue" is now widely recognized[302] and Vocke's speech offers a glimpse into how that connection was made during the early years of the Federal Republic. Beginning with the caveat that he was "not a moral preacher," Vocke went on to give value-laden advice. He began by expressing that he understood why the German people might want "sweets and delicacies" after years of deprivation. However, he implored them to realize that "treats" must not come at the expense of the necessary materials for reconstruction. He reminded the audience that "we do not want to spoil our opportunity to work our way up through work, sober economic management, and saving."[303] The morality and sobriety Vocke urged stood in stark contrast to characterizations of the interwar inflation, which was seen as both an effect and a cause of moral decay.

[298] Vocke, "Die Währung des Sparers," 3.
[299] Vocke, "Die Währung des Sparers," 2.
[300] Labor vs. capital is the most obvious distinction, but others include exporters vs. importers, creditors vs. debtors, landlords vs. tenants, etc.)
[301] Contrast this to Hitler's preferred form of historical trauma, the defeat in WWI. In his telling, the injury from war should create a unified German identity, forging a nation which "ceased to be a mixture of classes." See Ian Kershaw, *Hitler, the Germans, and the Final Solution* (New Haven, CT: Yale University Press, 2008), 203.
[302] Most recently, Chancellor Merkel was famous for invoking the "Swabian Housewife" as a model of virtue, while earlier scholars like Max Weber identified connections between Protestantism and frugality. See: Robert Muschalla, ed., *Sparen: Geschichte einer deutschen Tugend* (Berlin: Stiftung Deutsches Historisches Museum, 2018).
[303] Vocke, "Die Währung des Sparers," 4.

Finally, Vocke connected DM stability with Germany's international standing. This helped to form an association between the currency and national sovereignty and self-confidence that would later approach the status of national identity. Describing "a stable DM as a political asset," Vocke claimed that a strong currency and "the good name of the Bank deutsche Länder are among the most valuable foreign policy assets of the young West German Federal Republic."[304] Vocke's statement is especially remarkable if we recall that his country was only a year old when he delivered his remarks. The very malleability inherent to the identity of a new and externally-created nation, as well as the discrediting of much of the old nationalist mythology after the devastating defeat in 1945, almost certainly helped Vocke's cause of establishing a new symbol and *Staatsräson*. Indeed, his belief that a currency could form the core of German identity and sovereignty—with the inflationary memory used to back it up—would later be proven prescient. For the time being, these nascent efforts to establish a full identity around the DM were not yet successful (the currency was still correctly seen as a foreign creation) but they formed a basis of what Foucault would later describe as the "founding consensus of a state" that "history had said no to."[305]

He also envisioned a model for the future German economic model that would prove surprisingly durable. Urging the audience to accept his "two demands," the central banker proclaimed that the BRD must focus on "exports above all, and secondly saving." As we will see in the subsequent sections, Vocke's suggestions—however simplistic—would prove to be a remarkably resilient part of West Germany's foreign economic policy and domestic political economy. His one-sided reading of the interwar period was a crucial part of the rhetorical strategy to get citizens of the Federal Republic to accept these two goals, both of which required short-run sacrifice.

In all of these debates, we can clearly see the work of contingency at play, even as structural power provides the battlegrounds on which the struggle for narrative hegemony will be waged. The primary reason that the Bank deutscher Länder enjoyed sufficient independence to take a lead role in developing this narrative in the first place was not the product of German political preferences, but rather Allied occupation authorities' demands that the Bizonal government have limited influence over monetary policy. Vocke, granted the power of such independence and eager to keep it, then employed historical narratives to defend it. His constant invocations of the risks of inflation and the lessons of 1923 then helped to popularize this story in the media, political class, and population as a whole. Moreover, he drew the tenuous—and indeed ahistorical[306]—link between a dependent central bank, inflation, and dictatorship. Nevertheless, Vocke helped form the narrative that quickly became dominant among proponents of central bank independence and fiscal restraint—and later itself helped to dominate those who favored greater democratic oversight of monetary policy and using government spending to stimulate the economy and reduce unemployment.

By the mid 1950s, the basic mold of the Bundesbank's version of interwar history had been cast, but it was not yet hegemonic. Indeed, the Social Democrats actively employed an alternate reading of interwar history in order to criticize the independence of what they feared

[304] Vocke, 4.
[305] Foucault, *The Birth of Biopolitics*, 85–86.
[306] The Reichsbank was *independent* under both the hyperinflation of the early 1920s and the deflation of the late 20s and early 30s.

would become a "shadow government" that would undermine "economic democracy."[307] Although the party faced internal disagreement with respect to the exact legal structure the future Bundesbank should take, as a whole it remained opposed to a fully independent central bank. The SPD also cited interwar economic history to back their preferences. However, in a stark example of the "contest of analogy" still raging, they used the Brüning *deflation* as their reference point of choice, arguing that the BRD must avoid the mistakes of the chancellor who "sacrificed the economy to the currency."[308] The BdL took direct aim at these comparisons, with Karl Bernhard—then-president of the central bank council—arguing that 1931-32 was "completely unjustified" as an analogy for the present moment and that drive for central bank independence was viewed as important by Vocke and his colleagues for subduing left-wing economic currents and democratic economic demands.[309]

Party manifestos from the 1953 federal election tell a similar story, with the SPD again citing unemployment as a greater risk than inflation. Directly targeting the Adenauer's government's prioritization of currency stability, it pointed out that although the Bundestag had instructed the government to pursue full employment, it "has done nothing, and the Federal Minister of Labor recently even falsely claimed that the Federal Republic has reached 'full employment'" without guaranteeing it in the future.[310] The CDU was more pointed about the risks of inflation, stating that "The protection of the currency is the most urgent obligation of the government and central bank management…the prerequisite has proven to be a policy of balancing public budgets."[311] Still, they maintained a greater degree of balance than they would in subsequent elections, arguing for the "elimination of unemployment" without a specific job guarantee. Displaying similar evenness, the FDP advocated a "further increase in employment without jeopardizing the stability of the currency."[312]

Although the battle of the meaning of the hyperinflation—as well as its applicability as an analogy—still was openly debated in public, the right-wing narrative preferred by the BdL and its allies in the CDU and FDP was on the march. Predictably, the central bank and its media allies continued to cite 1923 as grounds for an independent central bank. Adenauer and his finance minister felt the need to respond directly to these references to the interwar period, arguing that they did not imply the need for an autonomous Bundesbank.[313] Regardless of historical accuracy, advocates of central bank independence largely got what they wanted: the 1951 transition law left previous structures intact, allowing the independent BdL to flex its rhetorical and political muscle until the Bundesbank Act was finally signed in 1957.

In this six-year period, Chancellor Konrad Adenauer made what amounted to an ill-fated attempt to influence the BdL after it raised the discount rate from 3.5 to 4.5 percent in 1956, attempting to veto the decision and summoning both Vocke and Bernhard to Bonn. When they defied him, he later fumed and described the interest rate hike as an economic "guillotine" to a BDI (Federation of German Industries) audience, openly challenging the bank's autonomy.

[307] Mee, "The Bank Deutscher Länder," 140
[308] Mee, 140.
[309] Mee, 139.
[310] The Labor Minister was the CDU's Anton Storch. For more, see: SPD, 1953 Wahlprogramm, Manifesto Project, https://visuals.manifesto-project.wzb.eu/mpdb-shiny/cmp_dashboard_corpus/.
[311] SPD, 1953 Wahlprogramm, Manifesto Project, https://visuals.manifesto-project.wzb.eu/mpdb-shiny/cmp_dashboard_corpus/.
[312] FDP, 1953 Wahlprogramm, Manifesto Project, https://visuals.manifesto-project.wzb.eu/mpdb-shiny/cmp_dashboard_corpus/.
[313] Mee, "The Bank Deutscher Länder," 137.

He went to far as to ask to edit Vocke's subsequent speech at the Hamburg Overseas Club, criticizing the BdL president's reference to the 1920s as well as his frequent mentions of inflation, which was mentioned 26 times—a number the chancellor found "irresponsible."[314]

During this moment of crisis and potential institutional change in 1956, the BdL's investment in media contacts paid off. Prominent publications expressed widespread condemnation and critiques of the chancellors' remarks,[315] forcing him to back down and cooling any future attempts to undermine central bank independence. The publisher Muthesius continued to play his role, both assisting in the media campaign and even publishing a collection of Vocke's speeches. A *Spiegel* article from 1956, for example, critically portrays Adenauer and defends the BdL's efforts at "fulfilling its legally enshrined duty to oversee the currency regardless of current politics."[316] The result was to solidify both central bank independence *and* the conservative reading of interwar history. Indeed, by the end of the so-called Gürzenich affair, even the SPD had been cowed into reluctantly supporting central bank independence and dropping its historical references to the Brüning deflation.[317] The opposition was not fully asleep on the "pillow" of hegemony, but it had certainly begun to rest its head.

This nascent hegemony was built through an iterative process in which material and ideological power strengthened each other through the power of institutions. As Mee writes, **"**the BdL's monetary mythology helped to forge the Bundesbank Law. And after 1957, the Bundesbank Law helped maintain the central bank's monetary mythology."[318] The self-reinforcing relationship between control over historical narrative and exercise of political power that Mee identifies is no doubt correct—and is indeed one of the core arguments of this study. However, we must be cautious not to mistake the self-reinforcing relationship between ideological and material hegemony as a deterministic one. Although it may be difficult to dislodge a dominant historical narrative once the powerful side is dug into a "war of position," the contingent moments that led to these battle lines being drawn are vitally important. For example, if the razor-thin margins of the 1949 election had been reversed, negotiations between the British and Americans regarding BdL independence could have reached a very different conclusion. Or, had von der Lippe not helped Vocke build his ties with the media, both the material and ideological structures that were built during this period could have emerged far differently.

Favorable external conditions also granted legitimacy to a particular version of history. Recalling Gramsci's acknowledgement that hegemony is "built in the factory," it was vital for the memory of 1923 that the actual policies that the BdL advocated by invoking its particular reading of interwar economic events proved successful. This apparent success of economic policy indirectly lent credibility to their telling of history. Whether economic growth was truly the result BdL policies, as opposed to foreign actions like the Marshall Plan, was less important than the *perception* of success. Vocke, Erhard, and other supporters of an independent central bank and fiscal restraint also benefitted from operating in society that was desperate for

[314] "Die Weiche wird gestellt," Der Spiegel, June 5, 1956, https://www.spiegel.de/politik/die-weiche-wird-gestellt-a-748faaef-0002-0001-0000-000043062325?context=issue.
[315] Newspapers from *Die Zeit* to *Der Spiegel* to *FAZ* all mobilized interwar economic references to defend central bank independence and criticize Adenauer. See Mee, "The Bank Deutscher Länder," 177–80 for more detail.
[316] Mee.
[317] Mee, 153.
[318] Mee, 191.

renewed signs of national pride that it could rally around after the destructive nationalism that led to two world wars. In this way, they were able to fuse a one-sided view of economic history with the need for national identity—a relative unique and contingent phenomenon.

Tellingly, even Vocke—who in retrospect may seem like a master strategist for the ways he employed and shaped historical narratives to defend central bank independence—was surprised by his own achievements. Looking back on his time as central bank president after he left the BdL, Vocke remarked that "it remains a mystery how we accomplished it at all."[319] If the architect of central bank independence, and key innovator of the political uses of the hyperinflation, was not sure of success, we can be all but sure that this outcome was not preordained. Indeed, as Mee argues, "at the dawn of the new republic, it remained to be seen which history would emerge triumphant."[320] Put another way, the contests of memory and analogy, while no longer fully mobile "wars of maneuver," were not fully decided by the mid-1950s.

4.4) Reading Weimar from East Berlin: currency under communism

Of course, the BRD was not the only nation in search of a new economic model and political rationale after WWII. Communist East Germany (the DDR) which was also founded in 1949, sought to establish itself as a rival to the capitalist West, a project that lasted for almost exactly 40 years. The quasi-natural experiment of Germany's decades of division is useful because it reveals that there was no "true" lesson of the hyperinflation. Rather, different regimes employed the history of the Weimar hyperinflation—which both East and West experienced together in 1923 as part of the same state—for different ends. As we have seen, the Federal Republic wielded memories of the currency's destruction to argue for a highly stable DM and extremely limited political oversight over the central bank. The strength of the currency—and the intensity with which its value was defended—formed both the economic and ideological basis for the BRD. Indeed, it is only fitting that the DM itself became a core way for the West to define itself against the East, considering the introduction of the Deutsche Mark in the Western occupation zone was the event that triggered the Berlin airlift and foreclosed any lingering hopes of political or economic unity that still remained by 1948.

While the West pursued a policy of "never again hyperinflation" as a response to 1923, the East drew a far different lesson, more akin to "never again currency." Although the DDR did of course have *Ostmark* as its currency, which was also introduced in 1949, this was officially seen as a temporary stopgap that would "become entirely redundant once the GDR was transformed into a communist society."[321] This attitude did have some intellectual origins in Soviet communism. However, it was also grounded in the DDR's understanding of the past, as "mistrust of money had been shaped by the peculiarities of the German history," with the 1923 hyperinflation standing out as a core example of "money as a source of social injustice."[322] The difference between DDR and BRD, where a strong and stable currency was

[319] Quoted in Marsh, *The Bundesbank,* 154.
[320] Mee, 148
[321] Jonathan R. Zatlin, *The Currency of Socialism: Money and Political Culture in East Germany* (Cambridge: Cambridge University Press, 2009), 6.
[322] Zatlin, 4.

considered the *basis* of social justice, is stark. In their own way, both German states cultivated a separate raison d'etat—one economic, one political. If denazification was to be brushed aside in favor of economic growth in the West,[323] antifascism would form the basis of legitimacy and identity in the East. In the communist reading of history, powerful business interests were responsible for Weimar's collapse and Hitler's rise, drawing a link between capitalism and fascism, rather than inflation and fascism.

The different lessons drawn from the interwar period also manifested institutionally. The East German central bank, the *Notenbank*, was established by Soviet authorities as a direct repose to the introduction of the DM in the West.[324] In the runup to its creation, all deposits over 3000RM were seized, and all private banks abolished. Later, the *Staatsbank der DDR,* which was established in 1968 as a successor institution, was legally made dependent in 1974 (although it had always been subservient for practical purposes). Skeptical of private credit in all forms, the DDR's central bank handled all monetary affairs for both individuals and the state. It also spent much of its energy combatting the inflow of foreign currencies as a way to avoid black market transactions in the East's highly-controlled economy.[325] The DDR's ostensible rejection of ties between banking and the Third Reich also stood in stark contrast to the number of prominent former Nazis in the BdL and Bundesbank.[326]

In addition to the different material roles that currency and central banks played in East and West, the DM and *Ostmark* also served distinct symbolic functions. Even on an architectural level, the *Staatsbank* represented an effort to triumph over private capital and currency—as well as the legacy of fascism. It was housed in the former headquarters of Dresdner Bank, one of the largest banks in the interwar period that was once led by Hjalmar Schacht. It was also the chief financier of the SS and provided important services for the Nazi-occupation authorities in Poland, including helping to fund the construction of the Auschwitz-Birkenau death camp.[327] The political message of the notes themselves was also distinct. Karl Marx naturally adorned the *Ostmark* and was accompanied by figures like the Marxist feminist Clara Zetkin and 16th-century peasant revolt leader Thomas Müntzer—demonstrating a commitment to using currency to highlight the radical tradition in Germany. The BRD avoided explicit symbols of militarism like Bismarck or the Kaiser, but still employed some nationalist-friendly figures such as famous writers, painters, or scientists that lacked any clear ideological coherence but broadly reflected pride in German history and culture.

In many ways, then, we can see that currency and central banking took on an opposite meaning in West and East—with the same history used to justify two diametrically opposed viewpoints. Divergent uses of the hyperinflation's legacy on each side of the Iron Curtain underscores the point that historical episodes typically lack a fixed "lesson." Just as pro- and anti-CBI voices alike invoked 1923 as a way to justify their chosen policies in the early BRD

[323] As made clear by the large number of former Nazis on the BdL and BuBa councils. See Marsh, *The Bundesbank,* 146-47.
[324] David Childs, *The Fall of the GDR: Germany's Road to Unity* (London: Routledge, 2014), 139.
[325] For more detail, see IBF Institut für Bank- und Finanzgeschichte, working paper, https://www.econstor.eu/handle/10419/316697.
[326] Deutsche Bundesbank. "Study on Central Banking History in Germany between 1924 and 1970 Unveiled." Press release, March 15, 2024. https://www.bundesbank.de/en/press/press-releases/study-on-central-banking-history-in-germany-between-1924-and-1970-unveiled-771272.
[327] Marc Young, "Dresdner Bank and the Third Reich: Hitler's Willing Bankers," *Der Spiegel*, February 18, 2006, https://www.spiegel.de/international/dresdner-bank-and-the-third-reich-hitler-s-willing-bankers-a-401575.html.

years, both West and East cited previous currency instability as grounds for their preferred economic projects, whether ordoliberal or state-socialist.

4.5) Breaking Bretton Woods, building the Bundesbank, 1957-71

As the 1960s approached, unsustainable imbalances in the global economy threatened the low-inflation domestic environment at home and the system of fixed exchange rates abroad.[328] The combination of rising global turmoil and the simple passage of time also intersected with the fading of personal memory into collective memory—and therefore also its increasing distortion and politicization, as argued in chapter 2. Indeed, by the mid-1960s, the share of Germans who had a direct memory of the hyperinflation was relatively low. However, the population still had a much higher awareness of inflation than their peers in other countries, even those who also experienced high inflation rates during the interwar period. For example, German respondents to a 1967 public survey reported that they would sacrifice wage increases in order to keep inflation low, supporting the notion that "inflation therefore acts as a normative criterion for the development of Germany's domestic economy" much more so than in peer countries.[329] This awareness was no accident—and also not purely the product of a directly-inherited societal memory. As Mee argues, interest groups and political actors including helped shape this norm—and used history to do so. Importantly, the eventual of dominance of inflation over deflation in the German historical memory was not preordained. As Mee writes, in the days Federal Republic "there was no certainty as to which version of the past would triumph."[330]

By the 1960s, though, we begin to see the emergence of what was to become a solidly hegemonic version of interwar history. As a whole, the second full decade of the BRD's existence saw the country gain greater sovereignty, continue its rapid economic rise, and become increasingly enmeshed into the global economy. This brought both prosperity and vulnerability. Seemingly having heeded Vocke's advice from 1950, Germany's trade balance reached a surplus the following year, rising to over 8 billion DM by the mid-1960s.[331] While some of this striking imbalance was surely the result of German industriousness, it also reflected the geopolitical and foreign economic structures of the time. Most notably, the DM's membership in the Bretton Woods monetary system (which pegged the US dollar to gold at $35 per ounce, with other currencies convertible for dollars at rates within a 1% band) gave it an undervalued currency and therefore highly competitive exports—if domestic price increases could be kept lower than those of competitors.[332] The Bundesbank's focus on low inflation therefore must be seen in this context, rather than solely in terms of domestic price stability. As Julian Germann writes, "The emphasis on price stability…was rooted neither in ordoliberal doctrine nor in the trauma of hyperinflation, but in a postwar settlement constructed around

[328] Michael Mastanduno, "System Maker and Privilege Taker: U.S. Power and the International Political Economy," *World Politics* 61, no. 1 (January 2009): https://www.jstor.org/stable/40060223.
[329] Ellen Kennedy, *The Bundesbank: Germany's Central Bank in the International Monetary System* (London: Royal Institute of International Affairs, 1991), 8.
[330] Mee, "The Bank Deutscher Länder," 12.
[331] Henry C. Wallich and John F. Wilson, "Thirty Years (Almost) of German Surpluses," *Journal of Institutional and Theoretical Economics* 135, no. 3 (September 1979): 482, https://www.jstor.org/stable/40750157.
[332] Otmar Emminger, *D-Mark, Dollar, Währungskrisen: Erinnerungen eines ehemaligen Bundesbankpräsidenten* (Stuttgart: Deutsche Verlags-Anstalt, 1986)

Germany's export performance."[333] The political uses of the memory of the hyperinflation—and the broader linkages between national identity and currency—were both a cause of this success and the product of it.

Of course, Germany was not the only country to realize that a low inflation rate could help their international competitiveness: the French also sought to employ the strategy of *désinflation competitive* during the postwar period.[334] However, they were markedly less successful in doing so, as French wages prices rose much faster than German ones. While the corporatist structure of Germany surely helped in limiting wage growth, scholars have argued that some German willingness to tolerate stagnant wages was due to inflation-phobia.[335] Remarkably, the Bundesbank would even actively comment on collective wage agreements (which covered a large share of the workforce) that it viewed as too inflationary.[336] This suggests a strategic purpose behind the frequent invocations of 1923, as "German tribal memory heightens political awareness of the long-run penalties attached to inflation and, therefore, substantially assists inflation resisting policies," which contributes to export success."[337]

Although Germany rigorously pursued price stability at home, international trade meant that some prices were beyond its direct control. Accordingly, the 1960s also saw the rise of the concept of "imported inflation," in Germany's political discourse. The German term *importierte Inflation* was coined by Bundesbank President Otmar Emminger in 1956 and became a widespread concern in the following decade.[338] The essential concept is that if Germany's trading partners had a higher rate of inflation than it did, domestic prices of imported goods would increase simply to the lack of price stability abroad. Currency inflows could cause a similar problem under fixed exchange rates, with Bundesbank purchases of foreign currency increasing the domestic money supply. Separating "home grown" from "imported" inflation served as a useful tool for a central bank keen to preserve its reputation at home and defend its interests in international negotiations. If prices did rise at an unacceptable rate, this could be attributed to foreigners' lack of discipline, rather than a failure to learn from a particular version of interwar monetary history.

Imported inflation was not the only way that West Germany's export model was becoming a victim of its own success. As the BRD returned to its prewar focus on high-skilled manufacturing and advanced industrial goods—but now in a more favorable international environment under the aegis of American-led "embedded liberalism"[339]—it was able to achieve rapid growth through exports and a growing trade surplus. While these exports fueled high employment at home, they also necessarily resulted in large capital inflows from the rest of the

[333] Julian Germann, "Unwinding Bretton Woods: The Deutsche Mark Float and the Renewal of Stability Politics," *Unwitting Architect: German Primacy and the Origins of Neoliberalism* (Stanford, CA: Stanford University Press, 2021), 95, https://doi.org/10.11126/stanford/9781503609846.003.0005.
[334] David Howarth and Peter Loedel, *The European Central Bank: The New European Leviathan?* 2nd ed. (Basingstoke: Palgrave Macmillan, 2005), 65.
[335] Kennedy, *The Bundesbank.*
[336] Karl Kaltenthaler, *Germany and the Politics of Europe's Money* (Durham and London: Duke University Press, 1998).
[337] Susan Strange and David Calleo, *Paths to International Political Economy* (London: George Allen & Unwin, 1984), 111.
[338] Otmar Emminger, *The D-Mark in the Conflict between Internal and External Equilibrium, 1948–75* (Princeton, NJ: International Finance Section, Department of Economics, Princeton University, 1977).
[339] John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2 (Spring 1982): 379–415, https://doi.org/10.1017/S0020818300018993.

world and frequent protests from trading partners like the US, which had to endure the corresponding trade deficits.

These pressures were felt primarily by both the Bundesbank and the finance ministry,. Frankfurt was forced to buy foreign currency to maintain the DM's parity and Bonn faced calls to revalue the currency in order to balance Germany's growing surplus during the late 1950s and 1960s.[340] Loathe to do so for economic reasons, yet hesitant to anger the United States due to its protective military presence, Germany implemented a 5% revaluation in 1961. Still, the BRD's surplus continued to rise throughout the 1960s, drawing increasing attention in Washington as its military spending in Vietnam and domestic welfare programs under the Great Society increased demand for goods from abroad and contributed to a larger US trade deficit. Julian Germann attributes these imbalances to deliberate German *foreign* economic policy as well (as opposed to only an interest in domestic price stability). Arguing that the surplus was "assisted through an undervalued DM and shored up by monetary and fiscal discipline" he also stresses that "price stability mattered a great deal—but principally in so far as it cheapened Germany's exports relative to those of its core competitors."[341] One-sided hyperinflation narratives, then, were not only useful for preserving CBI and low inflation at home—they could also be used to defend the Federal Republic's increasingly prominent, if precarious, place in the global economy.

Despite the lack of resolution to the imbalances problem and increasing pressure from Washington, the BRD remained stubborn any potentially-inflationary domestic stimulus. In addition to export interests, this was also a result of the increasing links between patriotism and currency. For example, the CDU's manifesto from the 1965 election shows the strong ties between The Federal Republic's national identity and the DM. The document boasts that the "Deutschmark is considered one of the best and hardest currencies in the world," bluntly claiming that "the currency is the sign of a country's political and economic status." In their view, the BRD had achieved this newfound status through harsh anti-inflationary policies and the solution to global imbalances was that the "international monetary order must be reformed in such a way that it forces all countries to adopt monetary discipline." On that matter of unemployment, they simply claimed that there was no such thing. Therefore, they argued, no reason for a job guarantee or other full employment policies existed.[342] While not as extreme, the SPD had by now begun to adopt more conservative language, placing currency stability ahead of full employment on its priority list. Although it did encourage greater investment, it had to qualify its demands by claiming they would aid currency stability.[343] This is the process of building hegemony in action, as the room for debate progressively narrows and the opposition begins to acquiesce to once-anathema viewpoints.

Although the Bundesbank was on fairly secure ground domestically, it was also sensitive to growing imbalances internationally and their geopolitical implications, especially US security leverage. Bonn was eventually forced to relent to these pressures, revaluing by 9.3

[340] Germann, "Unwinding Bretton Woods," 88.
[341] Germann, 93.
[342] CDU/CSU, Wahlprogramm zur Bundestagswahl 1965, Manifesto Project Dataset (WZB Berlin Social Science Center, https://manifesto-project.wzb.eu/
[343] SPD, Wahlprogramm zur Bundestagswahl 1969, Manifesto Project Dataset (WZB Berlin Social Science Center, https://manifesto-project.wzb.eu/

percent in 1969. Still, the Federal Republic's trade surplus continued to rise, suggesting that the revaluations (and other measures such as export duties) were not of a sufficient scale to address the issue. Interest rate cuts from Frankfurt were also not enough. As Grey writes, "The Bundesbank did engage in a few half-hearted cuts in the discount rate—justified with reference to the international situation, not domestic conditions—but it was unwilling to keep pace with the Fed."[344]

One of the forces containing the scale of the concessions to trading partners was a rearguard rhetorical action by German policymakers. They pursued a two-pronged strategy. First, they would reframe surpluses as the result of exporter virtue and importer vice. They would simultaneously use austerian arguments to encourage economic discipline at home—which would continue to fuel the trade imbalance. These messaging campaigns therefore served as both sword and shield for German export interests. In both cases, references to the memory of the hyperinflation played a central role. Domestically, The Bundesbank was "keen to present itself as the guardian of the DM, acting out of a sense of historical responsibility to the German population." However, we have seen that it fostered the very sense of historical duty that it claimed to address. In this way, it mobilized history for the political-economic ends of boosting export industries, while in doing so altering the telling of that very history.

As Germann argues, "the Bundesbank's strict adherence to price stability, then, does not unequivocally emerge from the historical experience of hyperinflation,"[345] a claim supported by both Mee's investigation into the bank's history and Teupe and Barkhausen's parliamentary analysis. Although its use of history may have been largely cynical, the Bundesbank continued to hone many of the public relations tools discussed in the previous section, further entrenching its lopsided narrative of interwar economic history as the Corresponding with the internationalization of the West German economy, the 1960s were also the decade in which Germany would begin to deploy a distorted view of economic history as a tool of foreign economic policy. In multiple international negotiations, references to the psychological and economic damage of 1923 would be used to portray Germany as a scarred victim that was be unable to contemplate any potentially-inflationary domestic stimulus.

Desperate the ward off Allied demands to stimulate the domestic economy (which would result in bolstering demand at home, raising wages, and therefore reducing the trade surplus), German policymakers[346] reached back to 1923 as a justification for inaction. It is here that the notion of an inflationary "trauma" appears as a consistent rhetorical flourish—terminology that is nearly ubiquitous today (see previous chapter). Rather than individuals who lived through the hyperinflation citing their own trauma, however, the concept of a national psychic wound was almost always invoked to make or deflect political demands from others. It was also ascribed to the nation as a whole, ignoring the distributional implications of price increases and the fact that the inflation was felt very different depending on one's class status. For example, Blessing highlighted German victimhood by claiming that "on the grounds of its experience the German nation is more sensitive to inflation than any other nation in the world." Turning around this national trauma to defend against international criticism, he then declared

[344] William Glenn Gray, "Floating the System: Germany, the United States, and the Breakdown of Bretton Woods, 1969–1973," *Diplomatic History* 31, no. 2 (April 2007): 295–323, https://doi.org/10.1111/j.1467-7709.2007.00603.x.
[345] Germann, "Unwinding Bretton Woods," 93.
[346] Notably Karl Blessing, see Mee, "The Bank Deutscher Länder," 247.

that "it would be as well if those who suggest that we give up our supposed island life did not forget this."[347] There were clear material reasons behind Germany's hesitance about revaluing its currency—and therefore also for is selective use of history to resist such policies. Indeed, compared to introducing some degree of flexibility in exchange rates, "revaluing the D-mark was an altogether more painful prospect" as "it would represent a clear competitive setback to German exporters."[348]

4.6) Memory dynamics and mechanisms in the early Federal Republic

Sections 4.1-4.4 have focused on the words of political actors, most notably Bundesbank presidents and their allies in the media. However, the ways in which memory diffuses and solidifies across a society is not as simple as elite figure giving a speech and the population immediately adopting its message. To the contrary, the success or failure of certain narratives to solidify and expand relies on the ways in which they are propagated—both in terms of medium and the nature of the language used. To follow this important fact, the rest of this chapters covers four important dynamics relating to how one specific reading of the 1923 hyperinflation became so embedded. These include the language of "national trauma," the politics of forgetting amid the shift from personal to collective memory, the materiality of memory, the use of newly-available technologies—notably television programs—to shape public opinion.

One of the recurring defenses of Germany's low-inflation policies was the concept of a "national trauma." As discussed in chapter 2, the use of trauma (and similar language) to describe the past heightens the emotional salience of an issue and places any potential critics on the backfoot. This has proven especially effective in international negotiations—who would want to deny someone else's trauma, after all? As a result, although trauma is increasingly discussed in the IR literature, most works take assertions of trauma at face value.[349] In the case of the German hyperinflation, however, we see that there is no universal experience of a national trauma. As Teupe and Barkhausen find in their analysis of memoirs from the 1920s, there was a "plurality of hyperinflation experiences,"[350] with many descriptions of the period either recalling it favorably or hardly mentioning the inflation. Of course, many Germans did consider the post-WWI inflation a personal trauma, but the lack of uniformity across their experiences suggests that subsequent invocations of "trauma" from policy elites were willing it into existence as much as they were reflecting a truly universal historical injury. The widespread use of trauma language in international settings also serves as a useful negotiating tool, as a deeply held psychic wound is harder to bargain against than purely economic matters like tariff levels or currency exchange rates that are not backed up with such heightened emotional rhetoric.

[347] Quoted in Mee, "The Bank Deutscher Länder," 246.
[348] Gray, "Floating the System," 295–323.
[349]Erica Resende and Dovile Budryte, eds., *Memory and Trauma in International Relations: Theories, Cases and Debates* (London: Routledge, 2016); Adam B. Lerner, *From the Ashes of History: Collective Trauma and the Making of International Politics* (New York: Oxford University Press, 2022).
[350] Teupe and Barkhausen, "The German Inflation Trauma," 7.

The use of heightened emotional language to describe the hyperinflation corresponded with rising fears among the political and economic elite that the younger generation has forgotten the risks of inflation—and would therefore be less compliant toward the entrenched German economic orthodoxy. For example, Vocke's successor at the head of the Bundesbank, Karl Blessing, lamented that "The younger generation does not understand or remember [the hyperinflation]" and that "as time goes on that disciplinary factor is slowly fading away."[351] Blessing would go on to give several speeches about the 1923 hyperinflation to groups of young people throughout his tenure, repeating the monetary ghost story in order to provoke fear and compliance among the audience. In 1970, *Zeit* echoed Blessing's fears, warning that "as the inflations in the first half of our century recede into the distance, the tolerance to price rises is increasing", and that the consequent "erosion of the world-famous German stability-consciousness has already begun."[352] Von der Lippe joined the efforts, with special effort directed at inserting memories of the hyperinflation into the memory of the younger generation though media connections, something that increasingly meant television by the 1960s.

Two important memory dynamics are visible here: the transformation of personal memory into societal memory and political struggles over forgetting. Due to the timing of the monetary upheaval, there were relatively few Germans alive with a personal memory of the hyperinflation. Therefore, it was necessary to collectivize these memories, making them an essential part of the national story, rather than just a collection of disparate recollections. As Mee writes, while "personal memory of the Weimar inflation was fading, the use of such narratives continued to experience a strong life, often by people who were too young to have experienced the event. This was because the narratives remained in large part useful reference points for contemporary political debates."[353] Both direct political interventions and close relations with the media were used for this goal, as we have seen.

Additionally, the use of historical narratives to increase political support for the BRD's conduct during the collapse of Bretton Woods is an excellent case study in the politics of forgetting. Ironically, the very same actors who fretted about the hyperinflation being forgotten were themselves propagating historical amnesia. In this case the West Germany population was encouraged not to recall the Great Depression and its disastrous consequences through elites' silence about it and their insistence that the hyperinflation form the key historical reference point for the BRD's economic policy.

Forgetting is less theorized than remembering in memory studies, but it also forms an essential part of national identity. Just as nations need stories from the past on which to base their identity, they also contain histories that contradict official narratives or reify subgroups at odds with the ruling class. In the West German case, the eagerness to discuss injustices done to German refugees in 1945—and the relative unwillingness to recall war crimes perpetrated by the Wehrmacht—is a central example of the role forgetting plays in "the search for a usable past" that all new nations undertake.[354] The difference between the fixation on the negative example of the hyperinflation is even more striking given that Germany was also eager to forget

[351] Quoted in Mee, "The Bank Deutscher Länder," 244.
[352] Quoted in Mee, 243.
[353] Mee, 275.
[354] Robert G. Moeller, *War Stories: The Search for a Usable Past in the Federal Republic of Germany* (Berkeley: University of California Press, 2001), 16

the implications of the 1929 crash (not to mention the Holocaust and other Nazi crimes[355]) during this same time period.

Whether done by outright suppression, ignoring, or selective focus, forgetting therefore also serves as an instrument of power. As Minarova-Banjac writes, "as well as producing hegemony, forgetting conceals the processes of domination as consent is established through the mutual participation of both the dominant and non-elite groups."[356] To use Gramscian terms, forgetting bring the ideological battle to a new stage, forcing the weaker group from an entrenched "war of position" to a more desperate "underground war." We see this in the interwar economic case, as efforts to remember the inflation(s) and forget the Depression were initially led by elites, then later successfully reproduced among the population as a whole.

In addition to the political forces at work, the deck may have been stacked against the memory of the Depression due to simple material differences. As Buchili and Lucas write, "the explicit materialisation or dematerialisation of events can act to forge memories or facilitate forgetting, they produce memories, not simply recall them."[357] In the case of the two monetary events, there was a clear distinction between ease of materialization. Inflation can be quickly and iconically represented by the prosperously high figures on old notes, whether these are depicted in images or physically passed down. So-called "emergency money" (*Notgeld*)[358] from the inflation also persisted in tangible form and relayed the chaos of the time. As Walter Benjamin observed, an authentic historical object carries "a unique existence at the place where it happens to be," and this uniqueness is inseparable from the "testimony to the history which it has experienced." [359] It is hard to find an equally-transmissible analogue for conveying the history of a deflation. Photographs of soup lines and protest signs often suffice in media representations, but they are far less memorable than the fanciful images of wheelbarrows of money or seemingly endless zeroes on banknotes. For example, 4.2 demonstrates one example of a local *Notgeld* bill, issued for Berlin's Neukölln district. Similar notes exist for other districts, as well as countless other municipalities, and remained physical reminders of the hyperinflation well into the BRD's existence. They frequently had memorable designs and are widely available, even today.

[355] Germany's much lauded atonement for the past would only emerge after 1968, after which Vergangenheitsbewaltigung became a central theme in memory politics.
[356] Cindy Minarova-Banjac, "Collective Memory and Forgetting: A Theoretical Discussion," *Centre for East-West Cultural & Economic Studies* 16 (2018): 27.
[357] Victor Buchli and Gavin Lucas, "Between Remembering and Forgetting," in *Archaeologies of the Contemporary Past* (London: Routledge, 2001).
[358] For more on the visual culture of emergency money, see Tom Wilkinson, *Emergency Money: Notgeld in the Image Economy of the German Inflation, 1914–1923* (Cambridge, MA: MIT Press, 2024).
[359] Walter Benjamin, "The Work of Art in the Age of Mechanical Reproduction," in *Illuminations: Essays and Reflections*, ed. Hannah Arendt, trans. Harry Zohn (New York: Schocken Books, 1968), 220–221

Figure 4.2: 1921 Emergency Money (*Notgeld*) Issued by Berlin's Neukölln District



Source: Author's own collection

On a technological level as well, proponents of monetary and fiscal orthodoxy had a powerful new ally in their fight to propagate the memory of the hyperinflation from the late 1950s onward: the television screen. This format of the newsreel (later the news show) provided a novel way to communicate information in a way that was far more emotionally evocative than still images and text. This proved especially important during a period of rapid changes to the international economic system, with the collapse of Bretton Woods requiring significant adjustment—and therefore significant moral suasion to keep the population supportive of sometimes painful adjustments.

News programs formed an important part of this effort. As Sigrun Lehnert writes, "images have always been used by different entities (such as politicians) to 'create' history. Therefore, the selection of images and their context, as well as the background of the production process, are crucial for the interpretation of historically noteworthy topics in newsreels."[360] This view echoes more classic analyses, such as Gerhard Paul's observation[361] that images are not mere representations of history, but rather shape it as well. Moving beyond still images to the more dynamic video format, Alexander Kluge stressed the multiple perspectives embedded in any single documentary film: the literal, physical camera view; the "vision" of the director; and the seemingly-factual perspective of the genre of documentary film.[362] Combining moving pictures with audio then serves two important and novel functions.

[360] Sigrun Lehnert, "German Newsreels as Agents of History," *Media History* 26, no. 3 (November 21, 2018): 263–79, https://doi.org/10.1080/13688804.2018.1544886.
[361] Paul, Gerhard, ed. *Visual History: ein Studienbuch; Einführung* (Göttingen: Vandenhoeck & Ruprecht, 2006), 25.
[362] Alexander Kluge, *Gelegenheitsarbeit einer Sklavin: Zur realistischen Methode* (Frankfurt am Main: Suhrkamp Verlag, 1973), 203.

First, it allows for more visually and emotionally compelling content due to the extra sensory stimulation. Additionally, documentary film in particular allows for a more didactic and outwardly ideological/political message to be conveyed than simple images.

Similarly to photographs, documentary film both projects an aura of objectivity and is relatively easy to manipulate in order to advocate a particular belief or narrative. As Carl Plantinga writes, "documentary representation commits the filmmaker to assert the reliability or functionality of whatever materials are used to show the spectator how something is, was, or might be in the actual world."[363] However, a number of tactics—from selective cropping and editing to misleading voiceovers—allow the director to construct their own version of the "real." Indeed, it is the very combination of apparent objectivity and vulnerability to distortion that can make them potent communications tools, as the allegedly-neutral form grants the ideological messages contained within extra weight as supposedly "true" depictions of reality. These same characteristics hold for news magazine programs, which are popular in Germany and are effectively short documentaries.

Film portrayals of real events have a long history in Germany. The specific format of the newsreel was important in early 20th century, with their propaganda use by the Nazis particularly pronounced.[364] Only in the immediate postwar period did newsreels truly reach their zenith, rising to immense popularity in the late 1950s—a time when the country was increasingly wealthy and able to spend free time at the cinema but just before television was introduced. By the 1960s, an increasing share of Germans owned a television, allowing for a broader dissemination of newsreels and special magazine shows, which remain popular today. Due to their ubiquity and the specific characteristics of film, these news productions formed the "cultural memory for generations of cinemagoers" in the early Federal Republic.

This all suggests that depictions of economic history in these news programs helped to shape beliefs of the population about the economy and assisted in popularizing certain views at the expense of others. For this reason, analyzing news shows' portrayal of economic debates during the Bretton Woods-era Federal Republic offer an important way to understand the common-sense views that were popular at the time—or at least that were being advocated at the time by the powerful state media apparatus. In the subsequent analyses of indicative news shows, this chapter does not attempt to conduct an exhaustive examination of all portrayals of inflation in the early Federal Republic. Rather, it focuses on choose particularly representative samples that correspond to the polling done at the time. Focusing on the language and visual imagery grants a far more detailed understanding of how economics (and specifically inflation) were viewed at the time. Often the language used closely matches more modern rhetoric on the same subjects, suggesting that news programs do indeed help to shape and perpetuate hegemonic economic ideas and historical memories.

For example, one 1964 news program from *Hessischer Rundfunk* titled "Fear of Inflation"[365] discusses inflationary concerns, but clearly supports the Bundesbank's preferred

[363] Carl Plantinga, "What a Documentary Is, after All," *The Journal of Aesthetics and Art Criticism* 63, no. 2 (2005): 111, https://www.jstor.org/stable/3700465.
[364] "The Deutsche Wochenschau („German Newsreel") between 1940 and 1945," Digitaler Lesesaal, accessed November 16, 2024, https://digitaler-lesesaal.bundesarchiv.de/en/page/ba92d3d4dc1b49ee9aace3f723b4666d.
[365] Hessischer Rundfunk (hr), "Angst vor der Inflation," ARD Mediathek, *hr Retro | Der Markt*, aired June 13, 1964, video, 10:58, https://www.ardmediathek.de/video/hr-retro-oder-der-markt/angst-vor-der-inflation/hr/Y3JpZDovL2hyLW9ubGluZS8xNjU3Mjk.

line that prices rises were primarily driven from abroad. Observing that years 3.5% inflation rate with alarm, the narrator offers a simplified graphic to explain imported inflation: goods out, money in (see figure). By centering inflation as a risk over unemployment and focusing on imported inflation, the film both contributes to the forgetting dynamics and bolsters the legitimacy of the Bundesbank. In continues to point out the neighboring countries with higher inflation rates, blaming their lack of discipline for the BRD's troubles. Remarkably, it then features Volkmar Muthesius—then-President of the Association of Taxpayers and media ally of the Bundesbank—as an interview subject. In line with his conservative views, he criticizes public spending for the price increases, illustrating how inflation-phobia could be used as a rhetorical tool to support monetary and fiscal rigor at home and to criticize trading partners abroad.

Another video that aired on public broadcaster ARD in 1968 later forcefully makes the case for inflation-phobia and fiscal restraint, grounding its arguments in interwar history.[366] Coming from the popular show *Panorama* near the end of the Bretton Woods era of fixed exchange rates, the newsreel is worth analyzing at length due to the pure distillation of soon-to-be hegemonic narrative that it proffers. To begin, it refers to Germans as "burned children" due to their currency "losing its value twice in a generation." For this reason, it argues, the relatively small price increases (3.5% in 1966) are felt much more deeply in Germany than larger rises are in countries like France or Britain. Indeed, "in Germany, galloping prices are immediately associated with memories of the two major currency crises," leaving the country no choice but to (over)react to small bouts of inflation.

Due to the fact that the shock of inflation "sits deep" and because reminders of it have been passed down physically though the "tragic souvenirs of worthless notes", the narrator argues that "while other nations think primarily of the Great Depression of 1929 and fear unemployment more than inflation, the memory of inflation has become a national trauma for the Germans." It then links this alleged trauma to distinct economic preferences, claiming that due to the memory of the inflation, "German workers were much less willing than their colleagues in England or France to cause a loss of production through strikes, which would damage the economy and the currency." It then graphically compares strike days, wage growth, and price increases to those in France and the UK—boasting about *lower* wage increases in Germany than peer countries. Identifying another risk to a stable currency, the film also warns of the danger of high public debt and boasts about a legal provision to balance government spending with income, again highlighting Germany's uniqueness as an "island of stability."

Moving to the international implications, the film highlights how lower inflation rates improve Germany's export competitiveness—boasting that 1968 will be another record year for the country's exports. Such success can breed problems, if enough foreign money floods into the DM and Germany was forced to revalue its currency. Faced with these problems, France and the UK have begged for Germany to adopt more inflationary policies in order to balance the discrepancy. With a new narrator appearing in person in front of a giant DM background, this course is forcefully ruled out. Claiming that "for *us* an inflation policy is not

[366] Das Erste, "Währungskrise: Inflation in Europa," *Panorama*, aired December 2, 1968, video, 7:32, ARD Mediathek, https://www.ardmediathek.de/video/panorama/waehrungskrise-inflation-in-europa/das-erste/Y3JpZDovL2Rhcy1lcnN0ZS8xOTY4LTIwMjEtMTItMDItMDItNTEtMjAwLTAwMDAtMTQ0ODEtMjAwMw.

possible,"[367] he warns that ceding to international pressure to stimulate the economy or devalue the DM is out of the question. Ahead of the next currency conference, other countries would be wise to follow the German example, rather than demand it change direction, he concludes.

Altogether, the video distills the postwar tropes of the West German economy: Germany has been scarred by inflation increases and must resist them at all costs, even if that means international scorn and workers earning lower wages at home. Referring to the theoretical framework outlined in chapter 2, the video suggests a clear momentum in both the contest of memory and the contest of analogy: a specific narrative of interwar economic events that centered on inflation was prevailing in memory and the 1923 hyperinflation (as well as the 1948 currency devaluation) were used as the central analogical reference point, even at a time when price rises in Germany were admittedly low.

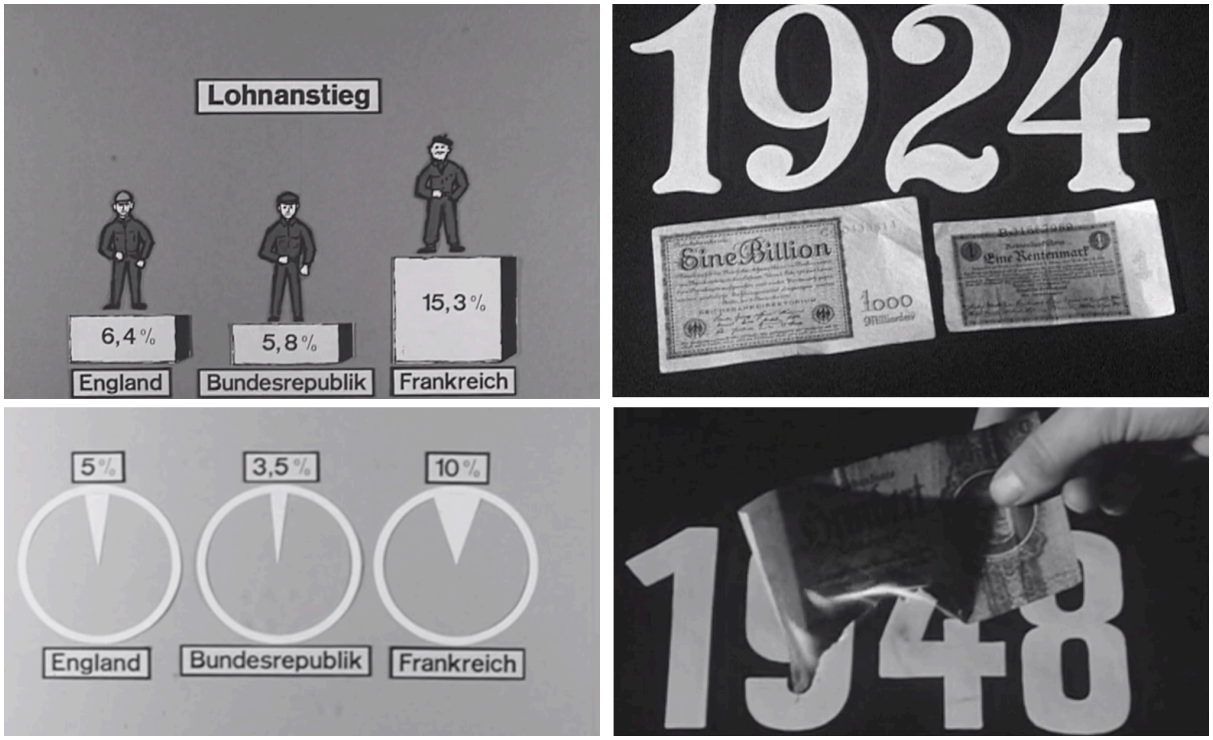


Figure 3: Frames from the 1968 ARD video. Left: Germany's lower wage growth and inflation than competitors. Right: visual references evoking the fear of past inflationary episodes.

Another newsreel, this one a UFA Dabei[368] production from 1973[369], discusses interwar economic events with glaring inaccuracy. Opening the ten-minute program with an image of notes from the hyperinflation in 1923 and then cutting suddenly to a shot of a mass of unemployed workers on the street in 1929, the narrator remarks "pictures that make history!" As the camera moves between various depictions of joblessness and poverty, the narrator continues to say that "the Great Depression of 1929 with its consequences of mass unemployment and inflation brings up memories that have now come back to life." It then shows alarming newspaper of headlines of inflation statistics, discusses warnings from

[367] Using the German phrase "nicht möglich," in this case more equivalent to a stubborn unwillingness than a literal impossibility.
[368] UFA Dabei was the successor of Ufa-Wochenschau and one of the most popular newsreels until its demise in 1977. The show was run by the German government, earning it criticism from the SPD for alleged bias in favor of the CDU. "Die Wochenschau in der BRD," *Filmportal.de*, accessed November 15, 2024, https://www.filmportal.de/thema/die-wochenschau-in-der-brd.
[369] *UFA-Dabei*, no. 877 (1973), produced in the Federal Republic of Germany, Bundesarchiv, 10:38, accessed November 15, 2024, https://digitaler-lesesaal.bundesarchiv.de/en/video/31881/31881.

economists, and then transitions to the ways in which the *Sparkassen* are helping to fight inflation.

Two main inaccuracies stand out in this newsreel. First, the outright historical falsehood that the Great Depression was inflationary is particularly misleading, as are the images of billion-mark notes when there were no such things in circulation during 1929. Additionally, the supposed parallels between 1973 and the interwar economic crises strain credulity. The average inflation rate that year was roughly 7%, drastically different from the highs of 1923. Similarly, the unemployment rate of 1.2%[370] would have seemed like a rounding error to Weimar economists, with such a low jobless rate remarkable even today.

Despite the outright historic misrepresentation, this distorted description is reflected almost exactly in present-day opinion surveys. For example, polling by Lucas Haffert and others in 2021 finds that "many Germans do not distinguish between hyperinflation and the Great Depression, but see them as two dimensions of the same crisis. They conflate Weimar economic history into one big crisis, encompassing both rapidly rising prices and mass unemployment."[371] The authors use the term "misremembering" to describe this phenomenon. As the newsreel makes clear, however, these narratives were not invented in the minds of individual Germans. Rather, they have often been deliberately conflated in media and political representations.

Media examples like this, and well as political interventions from key figures, helped embed a specific reading of interwar history, one that had clear political implications, into the BRD's collective memory. The scene global inflationary decade of the 1970s—and subsequent monetarist crackdown—was set. In the realm of material economic relations, the Bundesbank would gain a new level of influence due to the collapse of Bretton Woods and the failure of various efforts to place it under greater democratic oversight. Complimenting this structural and legal power, ideology was now also firmly on the side of both the bank and conservative views on fiscal and monetary policy more broadly. By elevating anti-inflationary ethos to the level of national identity and labeling 1923 as a national trauma, interests in Germany that benefitted from low inflation and tight budgets were able to prevail in both domestic and international political debates. At each crisis moment during which the hyperinflation was invoked for political ends, the prominence of that narrative was itself amplified. Eventually even the foreign press would echo Vocke's rhetoric from the 1950s regarding the effects of the hyperinflation. When German and then European currency union arrived decades later, the specific reading of interwar history that was popularized in Frankfurt would eventually be extended east to the Oder River and west to the Atlantic coast.

[370] Statistisches Bundesamt (Destatis), "Registered Unemployed, Unemployment Rate by Area," accessed November 15, 2024, https://www.destatis.de/EN/Themes/Economy/Short-Term-Indicators/Long-Term-Series/Labour-Market/lrarb003ga.html.
[371] Lukas Haffert, Nils Redeker, and Tobias Rommel, "Misremembering Weimar: Hyperinflation, the Great Depression, and German Collective Economic Memory," *Economics and Politics* 33, no. 3 (March 23, 2021): 664–86, https://doi.org/10.1111/ecpo.12182.

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"The capital of the world war, full as it was of generals, experts in street-fighting, strategic maps, armaments and well-kept trenches, had ceased to exist. Or rather, it had begun a new existence, similar to that of present-day Athens or Rome. Historians, museum guides, teachers and eternally bored schoolchildren, though not yet visible, had become its new masters." -Vasily Grossman*, Life and Fate*

Chapter 5: The Downfall of Bretton Woods and the Rise of European Monetary Union, 1971–2009

5.1 Milestones, memory, and monetary policy

During the Bundesbank's first fifteen years of existence, it fought doggedly to maintain its independence. Its predecessor, the Bank deutscher Länder, was initially granted autonomy only as a result of the institutional arrangements that the Allied occupation authorities established immediately after the Second World War. Subsequently, emerging West German elite at the BdL sought to hold on to their authority even after the Federal Republic gained autonomy. With the precarious power granted to the BdL, Chairman Vocke and his growing press apparatus wielded a particular version of history to help maintain its independence in both the run-up to—and aftermath of—the 1957 Bundesbank Law. At each moment of crisis or challenge to the Bank's authority, appeals to the past were a key tool in its rhetorical toolkit.

In turn, the increased power of the BdL/BuBa allowed it to propagate this version of history with increasing scale and intensity. Throughout this time period, advocates of fiscal and monetary orthodoxy continued to mobilize selective narratives of interwar inflation to defend central bank independence and fiscal restraint, much as they had in the 1950s. With the increased need to defend Germany's enviable international economic position, the 1960s also saw an increased use of hyperinflation narratives in the international space to resist demands for currency reflation and Keynesian stimulus from allies as trade imbalances grew.

Frankfurt was well aware of what it was doing. Indeed, von der Lippe had laid out a press strategy as early as 1948 and continued to advance his agenda, continuing working for the Bundesbank well into the 1970s. Writing to Otmar Emminger (then the bank's vice president, later to become President from 1977 to 1979), von der Lippe said the Bundesbank should continue to spread its narratives "through speeches, interviews, press conferences and conversations with central bank's leading men, and through monthly reports and press announcements."[372] Reflecting on how this had gone in his previous decades in Frankfurt (von der Lippe had an extremely long tenure, serving for nearly three decades), the press man expressed pride that his efforts were "in general, quite adequate and in no way unsuccessful."[373]

Throughout the 1950s and 1960s, West Germany had built an extraordinarily successful export-led growth model. In addition to industrial prowess, this model was based

[372] Simon Mee, *Central Bank Independence and the Legacy of the German Past* (Cambridge: Cambridge University Press, 2019), 204.
[373] Mee, *Central Bank Independence*, 205.

on competitive exchange rates, restrained domestic wages, and the suppression of inflationary pressures. As we have seen, this was bolstered by rhetorical appeals to a specific reading of 1923. However, the anti-inflationary resolve that made this possible was not only the instinctive reflex of a population scarred by 1923. Rather, it was also "a postwar settlement constructed around Germany's export performance"[374] in which memory was a political tool. However, it was not without problems. Henry Wallich and John Wilson, writing in the early 1970s, captured what they termed the paradox of "Thirty years (almost) of German surpluses."[375] As they observed, and many central bankers at the time also realized, by the 1960s West Germany was accruing financial claims on the rest of the world at a remarkable pace. This was fueled by the BRD's large trade surplus, which arithmetically necessitated accumulating foreign assets. This caused pressure, ultimately contributing to breaking the Bretton Woods system in the early 1970s, followed by the last serious attempt at restricting CBI in the early 1970s.

In this failed attempt, history would again be a powerful weapon in defending Bundesbank independence. As with previous challenges, this crisis would then strengthen that very reading of the past, allowing it to achieve hegemonic status by the late 1970s and early 1980s. This was all the more apparent given the Social Democrats' eventual acquiescence to historical narratives that had previously been preferred mostly by the political right. This is the establishment of hegemony in action—the political challenger eventually gives up and rests his head on the "pillow" of a hegemonic narrative.[376]

After 1973, the Bundesbank would use its ironclad independence to chart a low-inflation course during a time when much of the developed world was experiencing rapid price increases. This in turn strengthened its credibility—and therefore also the power of its narratives. This is an illustration of Gramsci's idea that "hegemony is born in the factory".[377] That is, dominant narratives can perpetuate a certain material structure, but the perceived success of that structure also helps strengthen the stories that prop it up. Armed with this credibility, the Bundesbank soon became the model for a potential continent-wide central bank as part of the Delors Report on a European Monetary Union (EMU). As currency was raised to the European level though the EMU, ECB, and euro, elites from across the continent had a mostly German model in mind.[378]

This chapter examines key periods of contestation from 1971 to 2009, following the narrative of German interwar monetary memory through four distinct phases. First, it discusses the inflationary decade of the 1970s and the decisive defeat of Bundesbank independence's last serious political challengers. Next, it examines the quiet consolidation of *Stabilitätskultur* in the 1980s under the asymmetric European Monetary System, followed by German reunification at the end of the decade. Third it discusses the Delors Report and

[374] Germann, "Unwinding Bretton Woods: The Deutsche Mark Float and the Renewal of Stability Politics," in *Unwitting Architect: German Primacy and the Origins of Neoliberalism* (Stanford, CA: Stanford University Press, 2021), 95.
[375] Wallich and Wilson, "Thirty Years (Almost) of German Surpluses"; Rudolf Richter, "Currency and Economic Reform West Germany After World War II: A Symposium: Editorial Preface," *Zeitschrift für die gesamte Staatswissenschaft / Journal of Institutional and Theoretical Economics* 135, no. 3 (September 1979): 297–300, https://www.jstor.org/stable/40750144.
[376] Robert W. Cox, "Gramsci, Hegemony and International Relations: An Essay in Method," *Millennium: Journal of International Studies* 12, no. 2 (1983): 63, https://doi.org/10.1177/03058298830120020701.
[377] Gramsci, *Prison Notebooks*, 285.
[378] Markus K. Brunnermeier, Harold James, and Jean-Pierre Landau, *The Euro and the Battle of Ideas* (Princeton, NJ: Princeton University Press, 2016),

subsequent Maastricht Treaty, which institutionalized German monetary preferences in European law through the ECB. Finally, it explores the euro's first decade, leading up to the 2008-09 Global Financial Crisis, which would help to trigger the Eurocrises in 2011 and 2015. This period—which explores domestic memory and institutional consolidation to the internationalization of German historical narratives up to a time of crisis and contestation—reveals both the power and the pitfalls of memory in economic policy. Throughout, the memory dynamics discussed in chapters 1 and 2 allow us to see the extent to how the narrative was constructed and deployed.

5.2 Escaping the "Inflationary Decade" 1971-1980

As the world's monetary system showed clear signs of unraveling in the early 1970s, there were also questions about the institutional role of the Bundesbank in Germany's domestic monetary order. Both Bonn and Frankfurt had helped the US maintain the Bretton Woods system throughout the 1960s, but the contradictions within it began to mount as 1970 neared.[379] As a result of continued capital inflows, the German government eventually opted to float its currency in March 1971. Later that year, President Nixon suspended gold convertibility in August 1971—a decision made in part because of a rising US trade deficit. These imbalances were, in part, the result of stubborn German refusal to accept higher inflation under a system of fixed exchange rates. As the US price level increased due to the spending demands of the Vietnam War and increased welfare provision, Germany's exports became relatively more competitive, with the resulting large trade surpluses accounting for a substantial share of the US deficit.[380]After the brief flat in early 1971, it then revalued by 13.6 percent in the December 1971 Smithsonian Agreement, which cemented the end of the Bretton Woods system as the United States floated the dollar and abandoned gold convertibility.

This story is often told through the lens of Washington and Nixon's unilateralism. However, authors such as William Glenn Gray and Julian Germann[381] have challenged this, emphasizing the view from Bonn and Frankfurt. As Gray puts it, in Germany, "the Deutsche Mark assumed mythic status as a symbol of postwar achievement" and voters prized currency stability over other metrics due to the "hyperinflation of the 1920s".[382] As Germann writes, Germany's "anti-inflationary policies and monetary power unsettled the embedded liberal world order. Importantly, this was not because German policymakers favored a neoliberal solution; rather, "they feared that protectionism and imported inflation would erode the basis of Germany's export success and social peace".[383] Indeed, an expansionary "course was unpopular with a German public worried about the legacy of inflation and was opposed by

[379] Michael Mastanduno, "System Maker and Privilege Taker: U.S. Power and the International Political Economy," *World Politics* 61, no. 1 (January 2009): 132, https://www.jstor.org/stable/40060223.
[380] Henry C. Wallich and John F. Wilson, "Thirty Years (Almost) of German Surpluses," *Zeitschrift für die gesamte Staatswissenschaft / Journal of Institutional and Theoretical Economics* 135, no. 3 (September 1979): 480–92.
[381] Julian Germann, *Unwitting Architect: German Primacy and the Origins of Neoliberalism* (Stanford, CA: Stanford University Press, 2021); William Glenn Gray, "Floating the System: Germany, the United States, and the Breakdown of Bretton Woods, 1969–1973," *Diplomatic History* 31, no. 2 (April 2007): 295–323.
[382] Gray, "Floating the System," 297.
[383] Germann, *Unwitting Architect*, 4.

the powerful and independent central bank, the Deutsche Bundesbank."[384] Even so, there was still open conflict between Bonn and Frankfurt. The Bank's lack of democratic accountability remained a live question.

This was especially true after it became clear that the Bundesbank was poised to gain even more power due the end of fixed exchange rates and rise of floating currencies. Whereas the government in Bonn had negotiated the exchange rates under the fixed system, a freely floating currency meant that the central bank expanded its leverage over the currency's value by adjusting the interest rate. This dynamic was replicated across the Bretton Woods countries, giving independent central banks much greater sway. Again, the Bundesbank and its allies would win an institutional fight with the rhetorical assistance of distorted narratives of the interwar period—and assistance from external economic forces. And again they were able to use this increased institutional power to further hegemonize their preferred reading of the past.

Aware of the increased power that resulted from the floating DM, skeptics of the bank's lack of accountability sought to slightly adjust the relationship between Bonn and Frankfurt. The SPD's Helmut Schmidt and Karl Schiller tried to convince Bundesbank officials to adopt a "two-key" approach to some decisions.[385] In their debates over the central bank's legal and political status, Schmidt stepped lightly amid open opposition from Frankfurt. Their key support base in organized labor was more eager to place it under greater democratic control, however. Arguing for a four-pronged set of economic priorities in the proposed Stability and Growth Law, they stressed that "the central bank should be obliged to factor into its policy decisions considerations of price stability—and full employment, economic growth and balanced trade".[386]

Schmidt tried to popularize a narrative about the risks of deflation, drawing parallels to 1930. This was of little effect. What emerged in the media, as Mee writes, was "a dialectic of sorts, with the inflation narratives being continually propounded back and forth between the Bundesbank and journalists".[387] The *Frankfurter Allgemeine Zeitung* captured the public mood, stating that "any attempt to weaken the position of the central bank will be met with the sharpest resistance in the German public".[388] Although personal memory of the Weimar inflation was fading, the use of such narratives continued—and even intensified.

As Mee notes, a proposed minor amendment to the Bundesbank Law in 1973 "sparked a wide debate concerning the Bundesbank's present position in democratic society, and, indeed, the history of the inter-war Reichsbank."[389] Trade union leaders knew which side of the debate they were on. In 1972, Heinz Oskar Vetter, the chairman of the Deutscher Gewerkschaftsbund (DGB), lambasted what he termed the "fetish" of stability consciousness. or *Stabilitätsgedanken*, in West German public life. Similarly, IG Metall called for the end of the "taboo-isation" of inflation in 1977, warning of the dangers that unemployment posed to

[384] Markus K. Brunnermeier, Harold James, and Jean-Pierre Landau, *The Euro and the Battle of Ideas* (Princeton, NJ: Princeton University Press, 2016), 78.
[385] Helmut Schmidt and Karl Schiller were both significant figures in the cabinet of Willy Brandt—the first postwar Social Democratic chancellor, serving from 1969 to 1974. Schiller served as Economics Minister under the preceding CDU-led Große Koalition, continuing after Brandt took office and eventually serving as both Economics and Finance Minister from 1971 to 1972. Schmidt succeeded him as Finance Minister in 1972 and eventually succeeded Brandt as chancellor in 1974.
[386] Simon Mee, *Central Bank Independence and the Legacy of the German Past* (Cambridge: Cambridge University Press, 2019), 292.
[387] Mee, *Central Bank Independence*, 274.
[388] "Bundesbank an der Regierungsleine?," *Frankfurter Allgemeine Zeitung*, September 6, 1973.
[389] Mee, *Central Bank Independence*, 290.

society at large.[390] One of the most radical SPD members, Herbert Ehrenberg, took the unions' side. Challenging the Bundesbank on its preferred battlefield of interwar economic history, Ehrenberg corrected the record by stressing that the Reichsbank had been formally independent during the 1922–23 crisis.[391] Despite being factually correct, Ehrenberg's faced entrenched opposition.

Faced with a challenge to its power, the Bundesbank again leveraged a one-sided view of interwar history to defend its interests. In addition to the usual media channels, it took the unprecedented step of adding a special article to its August 1972 report that advocated for central bank independence.[392] Explicitly referencing the hyperinflation, the bank used its preferred reading of interwar history to defend its interests at a moment of perceived peril. Rather than burying the article in the monthly reports full of dry statistics, it was also published in the *Auszüge aus Presseartikeln*, connecting it to the press and further swaying them to the bank's side.[393] The report, titled simply "The Bundesbank and the Federal Government" ("Bundesbank und Bundesregierung"), has a matter-of-fact and slightly lecturing tone. It begins by explaining that "Recently, the relationship between the Federal Government and the Deutsche Bundesbank has attracted particular public interest—The Bank therefore provides a brief description of its relationship with the Federal Government, as defined by the Law on the Deutsche Bundesbank of July 28, 1957".[394]

The report goes on to quote the exact text of the Bundesbankgesetz, emphasizing the role of currency stability in its mandate. It then pivots to a historical justification for the institutional delineation. Clearly referencing 1923, it states that the "Bundesbank Act has granted the Bundesbank a high degree of independence—*not least on account of the historical experiences* Germany was compelled to accumulate across two world wars and the associated inflations under a dependent central bank".[395] The report then bluntly defends the Bank's right to counteract the policies of elected government, claiming that "the Bundesbank is obliged to support the general economic policy of the Federal Government *only insofar as doing so is compatible with its task of protecting the currency*—whether these conditions are met is for the Bundesbank to determine at its own discretion" (author's own emphasis).[396] It also reiterated its role in advising and commenting on government policy, saying that "the Bundesbank has the right, within the scope of the Bundesbank Act, to offer its assessment and recommendations" on deliberations that could affect price stability.[397]

This remarkable document warrants closer analysis. On the surface, the clear historical misrepresentation of Reichsbank dependence during 1923 is striking, especially given the precision of the statistics published alongside this highly political intervention. Rigor was less valued in history than monetary policy, it seems. Looking more closely, the direct link it draws between the defense of its institutional prerogatives and this mythologized

[390] Mee, 276.
[391] Mee, 296.
[392] Deutsche Bundesbank, *Monatsbericht*, August 1972 (Frankfurt am Main: Deutsche Bundesbank, 1972).
[393] Mee, *Central Bank Independence*, 287.
[394] Mee.
[395] Deutsche Bundesbank, "Bundesbank und Bundesregierung," in *Monatsbericht*, August 1972 (Frankfurt am Main: Deutsche Bundesbank, 1972), 15.
[396] The original German reads: "Das Bundesbankgesetz hat der Bundesbank, nicht zuletzt auf Grund der historischen Erfahrungen, die Deutschland in zwei Kriegen und den damit verbundenen Inflationen mit einer weisungsgebundenen Notenbank sammeln musste, ein hohes Maß an Unabhängigkeit verliehen." Deutsche Bundesbank, 15.
[397] Deutsche Bundesbank, 18.

view of the past is also notable. It is even more noteworthy that the report spends no time explaining what took place during earlier inflations—or what that might mean for the present. Rather, the fixed meaning of the past is assumed. Most substantially, the views of democracy espoused by the document are significant. On one hand, it is referential of the democratic process, quoting verbatim a law passed by representatives of the citizenry. On the other, however, it disdains democratic accountability. Not only is any notion of greater oversight dismissed out of hand, the Bank stresses *its* prerogative to comment on government policy even as it rejects elected politicians' right to do the same to monetary policy.

Despite the radicalism of this argument (central bank independence is now the norm in the developed world, but it was extremely rare in 1970[398]), the Bundesbank's message found a receptive audience. This was the result of both previous efforts to affect public opinion and the fact that these debates coincided with a moment of genuine anxiety about price stability. Real inflation—albeit only a tiny fraction of the rates from a half-century prior—had been rising steadily since the mid-1960s. By 1972, consumer prices were increasing at over five percent annually, a rate that, while modest by international standards, felt alarming to a public conditioned to associate any acceleration of prices with the catastrophic trajectory of 1923.[399] The Bank had been actively cultivating this sensitivity through its elaborate public communications apparatus, including by working to embed a particular narrative of monetary history into the broader media discourse for years.

For example, in January 1972 the Bundesbank economist Dr. Heinrich Irmler broadcast a radio address on the *Süddeutscher Rundfunk* Stuttgart entitled "Wann spricht man von Inflation?" ("When Does One Speak of Inflation?"). In the broadcast, subsequently reprinted in the *AaP*, Irmler deployed a typology of inflation drawn explicitly from German historical experience. [400] He distinguished between three types. First, there was the galloping inflation of 1923, which he described as "still in the deeply painful personal memory of the older among us." Then, there was the repressed inflation of the wartime period and the subsequent currency reform of June 20, 1948. Finally, there was the creeping inflation that Germany was currently experiencing in 1972. By positioning the creeping inflation of the present as the beginning of the same continuum that had ended in catastrophe in 1923 and 1948, the address served as a warning and creation on an ever-present danger. Vigilance was required before the slide became irreversible—even the pathway between the political dynamics that produced the hyperinflation and those present in the BRD at the time was hard to discern.

Interventions like this (many other journalistic sources cite Irmler's speech, also cited in the AaP of that years), with both the media and public opposed to major changes. Realizing that he was fighting a losing battle, Schmidt was forced to back down. Schmidt admitted to the SPD in 1974 that "we are not able to make use of any public conflict with the

[398] One foreign affairs article would indeed describe the later spread of CBI as "Following the Bundesbank." See: Sam Y. Cross, "Following the Bundesbank: The Spread of Central Bank Independence," review of *The Most Powerful Bank: Inside Germany's Bundesbank*, by David Marsh, *Foreign Affairs* 73, no. 2 (March/April 1994): 128–133, https://doi.org/10.2307/20045924.
[399] World Bank, "Inflation, Consumer Prices (Annual %) - Germany," accessed April 21, 2026, https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=DEU.
[400] Heinrich Irmler, "Wann spricht man von Inflation?," lecture broadcast on Süddeutscher Rundfunk Stuttgart, January 18, 1972, reprinted in *Auszüge aus Presseartikeln* 1972-1, no. 10 (February 9, 1972): 147-52 (compiled pp. 106-111).

Bundesbank: public opinion would not stand on our side."[401] Conceding that Bundesbank autonomy was a lost cause Schmidt pivoted to using the bank's independence as a resource for his broader diplomatic goals. The most consequential of these was the European Monetary System. When Schmidt brought the EMS proposal to the Bundesbank Council, in 1979, he did so with a humiliating caveat that would have been almost unthinkable to his Social Democratic predecessors. "I am in a different situation to Adenauer 28 years ago," he said, "I have no demands on you."[402] Although he would later complain about overuse of inflation narratives from retirement decades later,[403] his political challenge as chancellor was done. Once a man who had proudly claimed "better five percent inflation than five percent unemployment" (*Lieber fünf Prozent Inflation als fünf Prozent Arbeitslosigkeit*)[404] and identified the 1929-30 crash as the true cause of Weimar's fall, this was a remarkable turnaround.[405] The last, best, Social Democratic challenger had finally rested his head on the "pillow" of hegemony.

The defeat of the reform effort and the SPD's final capitulation on central bank independence coincided with a broader shift in the intellectual landscape of Western monetary policy—the rise of monetarism and speed of CBI as an accepted best practice. Indeed, the Bretton Woods system unraveled and inflation spread across the industrialized world, the theoretical case for central bank independence found new academic backing in the emerging monetarist literature. The Bundesbank was eager to serve as an example. In December 1974, it became the world's first central bank to adopt explicit monetary targeting.[406] The monetary targeting experiment appeared, by the late 1970s, to have succeeded. While the United States, the United Kingdom, and much of Southern Europe experienced double-digit inflation rates following the 1973 and 1979 oil shocks, West Germany maintained price increases in the low-to-mid single digits.[407] By the end of the decade, West Germany had achieved the lowest inflation rate of any major industrialized economy.

This performance was real—but it was not self-evidently the product of the institutional structures or set of historical lessons that the Bundesbank claimed credit for. Bibow and others have subsequently argued that Germany benefited from other factors specific to its political economy, such as the wage bargaining structure.[408] The Bundesbank's independent monetary policy was one factor among several. However, in much of the dominant political and media discourse of the late 1970s and early 1980s, with the focus instead on historical lessons, morality, and the accompanying institutional setup of the Bundesbank. In this telling, Germany's inflation performance was the Bundesbank's triumph,

[401] Quoted in Mee, 298.
[402] Mee, 299.
[403] Helmut Schmidt, "Droht Deutschland eine neue Inflation?," Die Zeit (Hamburg), May 31, 2001, reprinted in *Auszüge aus Presseartikeln*, no. 26 (June 6, 2001).
[404] Wolfgang Kaden, "Helmut Schmidt: Der Ökonom im Kanzleramt," *Der Spiegel*, November 11, 2015, https://www.spiegel.de/wirtschaft/helmut-schmidt-der-oekonom-im-kanzleramt-a-1062143.html.
[405] Bundesarchiv Koblenz, B136/11551-1, September 18, 1975.
[406] Inga Rademacher, "One State, One Interest? How a Historic Shock to the Balance of Power of the Bundesbank and the German Government Laid the Path for Fiscal Austerity," *Review of International Political Economy* 29, no. 6 (2022): 1987-2009, https://doi.org/10.1080/09692290.2021.1953109.
[407] Andreas Beyer, Vítor Gaspar, Christina Gerberding, and Otmar Issing, Opting Out of the Great Inflation: German Monetary Policy after the Breakdown of Bretton Woods, ECB Working Paper no. 1020 (Frankfurt am Main: European Central Bank, March 2009).
[408] Jörg Bibow, "The Economic Consequences of German Unification: The Impact of Misguided Macroeconomic Policies," Levy Economics Institute Working Paper No. 328 (May 2001).

and the Bundesbank's triumph was a vindication of their preferred reading of interwar history.[409] Yet again, we see the interplay of memory, institutions, and material outcomes described in chapters 1 and 2.

By the late 1970s, German monetary conservatism had acquired an international reputation. This likely reflected both the Bundesbank's own press apparatus as well as foreign observers searching for a respite from their own persistent price increases. Indeed, foreign correspondents filed articles from Bonn and Frankfurt that helped propagate the now-hegemonic German historical memory of 1923 to international audiences. For example, the *Wall Street Journal* reported positively on Germany's monetary performance in 1977. Revealing the internationalization of emotionally-heightened language around the inflation as well, they framed the Bundesbank's resistance as a moral stance, stating price stability had become a "cardinal virtue" of German economic life.[410] The *New York Times* used the "trauma" language, saying "for Germans, 'inflation' means a terrifying, incomprehensible, cruel time between the end of the first World War and November 1923, when money became quite literally worthless…The trauma that resulted from the loss of stable monetary value was one of the reasons for the rise of Adolf Hitler and Nazism.[411] Many other prominent anglophone publications struck a similar note.[412]

The 1970s also saw important monetary milestones. Between 1973 and 1978, a rapid succession of important anniversaries invited reflection—bolstering the redemption arc narrative that ran from monetary catastrophe to currency pride. In 1973, the twenty-fifth anniversary of the D-Mark's introduction coincided with the fiftieth anniversary of the hyperinflation's peak, while the twentieth anniversary of the Bundesbank followed in 1977. As Mee notes, these occasions served to "ground the currency's development along historical lines while allowing West German elites to acknowledge the feats achieved—and the challenges that remained".[413] For example, Karl Klasen and Irmler of the directorate both invoked the hyperinflation in anniversary speeches. These were then published by press allies.

For his part, Muthesius remarked in his own paper that "he who has not experienced this himself—and indeed, about half of the current population is not of an age to appreciate the impact of such mental tortures that were prevalent during the years 1940–1947—can hardly understand that such memories remain oppressive decades later."[414] Muthesius would also publish a book in 1973, provocatively titled *Augenzeuge von drei Inflationen: Erinnerungen und Gedanken eines Wirtschaftspublizisten* ("*Eyewitness to three inflations: Memories and thoughts of an economic journalist*").[415] Again we see the invocation of "three inflations" as a way to link 1923 and 1948 with the present, an implicit contest of analogy that he could make so causally as a result of decades of successful struggles when the

[409] Jörg Bibow, "Germany and the Euroland Crisis: The Making of a Vulnerable Haven," Levy Economics Institute Working Paper No. 767 (2013). These included the corporatist wage-bargaining system that restrained labor costs, the export sector's sensitivity to competitiveness, and the particular position of the DM as a reserve currency that attracted capital inflows and strengthened the currency.
[410] Quoted in Mee, *Central Bank Independence*, 272.
[411] "Specter of 1923's Superinflation Haunts West Germans," New York Times, October 5, 1974, https://www.nytimes.com/1974/10/05/archives/specter-of-1923s-superinflation-haunts-west-germans-3-billion-to-a.html.
[412] Mee, *Central Bank Independence*, 273-74.
[413] Mee, 302-3.
[414] Quoted in Mee, 306.
[415] Volkmar Muthesius, *Augenzeuge von drei Inflationen: Erinnerungen und Gedanken eines Wirtschaftspublizisten* (Frankfurt/M.: Fritz Knapp Verlag, 1973).

analogical terrain was far less secure for his side. Despite the fact that consumer price inflation peaked at only 7% that decade,[416] Muthesius' framing implied 1973 and 1923 differed only by degree, not kind. Vigilance was essential, especially from those of his generation, as he argued "those who have already experienced total currency devaluation twice were inclined to remember the old Roman maxim: *Principiis obsta*—you must resist from the beginning."[417] Here we see both the urge to transmit inflationary awareness to new generations as well the crisis-construction effect of a "slippery slope argument." 1970s inflation, in this now-dominant view, was not fundamentally different from the early 1920s. Rather, it was another brewing hyperinflation that could only be avoided if these actors' policy preferences were implemented.

Later in the decade, the thirtieth anniversary DM ceremony of 1978 was particularly striking to foreign observers, some of whom were puzzled by the gravitas of such a commemoration. "It may have been the first time that any nation paid official homage to the strength and prestige of its own currency," reported *Time* magazine.[418] The *New York Times* noted the role that history played in the pomp of 1978, contrasting the Chancellor's views with those of his government by saying that "Chancellor Helmut Schmidt himself may not suffer from a pathological memory of runaway inflation, but his uneasy coalition partners do."[419] Would this "new form of memorial day" be further etched in memory? Perhaps, as *Time* pondered that someday, Germany "may even build a monument to the deutsche mark."[420] They were wrong on the specifics, but strikingly prescient in a broader sense. Frankfurt would indeed erect a monetary sculpture just over two decades later—but the currency it memorialized would have a far greater reach than even the DM.

5.3 The DM's decade of dominance

In the 1980s, the Bundesbank entered a period of unchallenged institutional authority. Its anti-inflationary policies (at least relative to other OECD countries) had produced, or had at least appeared to produce, precisely the outcome it had promised. However, the 1980s brought a different set of pressures—ones that were not as suited to narratives of 1923. Indeed, the rigorous monetary discipline that had kept German inflation relatively low also contributed to a sharp rise in unemployment, which remained stubbornly high for much of the decade. The interwar hyperinflation memory playbook became temporarily less useful, even though inflation was not notably lower in the 1980s than it was in the 1970s (2.39% average in the 80s vs. 4.88% in the 70s and 2.90% in the 60s).[421] Likely more important than the change in inflation rate was the lack of a major institutional challenge to its independence. As Mee observes, "throughout the 1980s, West Germany struggled with unemployment" and "for much of this decade, the press output of the central bank omitted any such references to

[416] World Bank, "Inflation, Consumer Prices (Annual %) - Germany," accessed April 21, 2026, https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=DEU.
[417] Muthesius, *Augenzeuge,* 136.
[418] Quoted in Mee, 310.
[419] Edmund Stillman, "The German 'Miracle,'" *New York Times*, March 12, 1978, 171, https://timesmachine.nytimes.com/timesmachine/1978/03/12/110799862.html?pageNumber=171.
[420] Mee, *Central Bank Independence*, 310.
[421] World Bank, CPI.

the lessons of the two inflations."[422] The jobless rate exceeded 9% during the mid 1980s. However, when journalists attempted to invoke the memory of the Great Depression—rather than the hyperinflation—to argue for a more expansionary response to unemployment, the Bank generally rejected such references.[423] Clearly, even if its preferred memory was less useful than before, it was still unwilling to legitimize a different set of historical lessons that could run counter to its institutional and policy preferences.

Growing European monetary coordination and unification would provide this opportunity. The European Monetary System, formally launched in March 1979, was designed as a zone of monetary stability.[424] Under the EMS's Exchange Rate Mechanism, participating currencies were pegged to the DM within narrow fluctuation bands, which meant in practice that their central banks were obliged to mirror Bundesbank policy. When the Bundesbank tightened, other EMS members had to tighten regardless of their own economic conditions. Countries that had previously conducted their own monetary policies were now, in effect, adopting the German approach by necessity. This caused frequent conflict with European neighbors, with French Prime Minister Jacques Chirac calling Bundesbank policy "a little selfish."[425]

Kathleen McNamara, in her influential analysis of European monetary integration, argues that the convergence toward German-style monetary policies across Europe was not primarily driven by economic theory or intellectual conviction. Rather, it was due to demonstrated—or apparent—success of the German model. She terms this the "orthodox consensus," a shared framework of ideas about sound money, central bank independence, and the primacy of price stability that became hegemonic among European policymakers in the 1980s and early 1990s.[426] This is again the interest of ideas and material reality that Gramsci describes so well. As its image of success grew, the Bundesbank's memory of 1923 expanded with it. As Kenneth Dyson has similarly noted, the construction of a European "sound money" norm reflected the embedding of German preferences in a supranational framework that progressively narrowed the policy options available to member states.[427]

Within Germany, the return of the CDU/CSU to power under Helmut Kohl in 1982 ensured that Bundesbank's position remained essentially uncontested. Whereas the SPD had begrudgingly accepted CBI (while still stressing the importance of high employment), Kohl and the Union government expressed nearly-unambiguous enthusiasm for the Bundesbank's anti-inflationary mandate.[428] This took place as the question of European monetary integration moved to the center of both continental and German politics.

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[422] Mee, 324.
[423] Statistisches Bundesamt (Destatis), "Registered Unemployed and Unemployment Rate by Area," accessed April 21, 2026, https://www.destatis.de/EN/Themes/Economy/Short-Term-Indicators/Long-Term-Series/Labour-Market/lrarb003ga.html.
[424] Barry Eichengreen, "The EMS Crisis in Retrospect," NBER Working Paper No. 8035, Cambridge, MA: National Bureau of Economic Research, December 2000, https://doi.org/10.3386/w8035.
[425] Dorothee Heisenberg, *The Mark of the Bundesbank: Germany's Role in European Monetary Cooperation,* 90 (Boulder, CO: Lynne Rienner Publishers, 1999).
[426] Kathleen R. McNamara, The Currency of Ideas: Monetary Politics in the European Union (Ithaca, NY: Cornell University Press, 1998), esp. chap. 5.
[427] Kenneth Dyson, The Politics of the Euro-Zone: Stability or Breakdown? (Oxford: Oxford University Press, 2000).
[428] CDU/CSU, Regierungsprogramm 1987–1991 (Bonn, 1987): "Wir haben die Inflation, diesen lautlosen Diebstahl an dem Einkommen und dem Geldvermögen unserer Bürger, überwunden. Zum ersten Mal seit 16 Jahren steht die Bundesrepublik Deutschland wieder weltweit an der Spitze der Geldwertstabilität." Translation: "We have overcome inflation, that silent theft of the income and financial assets of our citizens. For the first time in 16 years, the Federal Republic stands once more at the top of monetary stability worldwide."

As we have seen, the European Monetary System had already evolved into an asymmetric framework in which the Bundesbank effectively set the tone for monetary policy across the EEC. By the late 1980s, as several member states contemplated whether to pool their remaining monetary sovereignty in a genuinely supranational institution, the Bank found a new purpose for its historical arsenal. "In the late 1980s and early 1990s," Mee writes, "the Bundesbank once again began referring to the lessons of the two inflations. This time, however, these historical narratives were applied in a different manner, and towards a different goal."[429] What had been a domestic instrument of institutional self-defense was now being recalibrated as a tool for shaping the design of a potential European central bank. Countries that were tempted to emulate Germany's economic model found themselves increasingly accepting the historical memory that Germany had used to support the policies that led to that success.

When Bundesbank president Karl Otto Pöhl gave an interview in September 1989—two months before the Berlin Wall fell—he was characteristically direct about what Germany required of any European monetary arrangement. The European money, he insisted, "had to be at least as stable as the Deutsche Mark" (*muß mindestens so stabil sein wie die Deutsche Mark*).[430] Any European currency that fell below that standard would not merely be technically inferior, it would also be an insult to their historical injury. Finance Minister Theo Waigel, speaking in August 1989, made the same point in even more emphatic terms. In an address reprinted in the AaP, Waigel insisted that there could be "no monetary union without monetary stability" (*keine Währungs-Union ohne Geldwert-Stabilität*).[431] With the newly-resurfaced narratives of 1923 as a key rhetorical tool, the Bundesbank and its political allies were able adopt this hardline stance with European partners, framing price stability not as a German preference or peculiarity, but as historical necessity resulting from deep collective trauma and national identity.

5.4 The Decline of the DDR and German Unification

As discussed in the previous chapter, the East German state initially drew upon anti-fascism as an organizing ethos. Although this approach had some credibility while memories of National Socialism were still fresh, by the 1970s they had faded. By that time, "merely equating West German capitalism with fascism no longer sufficed to create political sympathy for socialism."[432] Additionally, the increasingly-obvious economic divergence between the two states reduced the ideological appeal of the DDR. By the 1980s, the East's insistence on an official 1:1 exchange rate between the *Ostmark* (OM) and the DM bore no relationship market realities, as the black market and Western financial institutions estimated it was between 3 and 4 to 1.[433] By the mid-1980s, ordinary East Germans held whatever DM

[429] Mee, *Central Bank Independence*, 324.
[430] Karl Otto Pöhl, interview, reprinted in *Auszüge aus Presseartikeln*, no. 73 (September 17, 1989).
[431] Theo Waigel, "Keine Währungs-Union ohne Geldwert-Stabilität," Address, August 1989, reprinted in *Auszüge aus Presseartikeln*, no. 65 (August 22, 1989).
[432] Jonathan R. Zatlin, *The Currency of Socialism: Money and Political Culture in East Germany* (Cambridge: Cambridge University Press, 2007), 63.
[433] Jonathan R. Zatlin, "Unifying without Integrating: The East German Collapse and German Unity," *Central European History* 43, no. 3 (September 2010): 484–507, https://www.jstor.org/stable/27856217.

they could obtain (typically from family in the West) as a hedge against the *Ostmark*'s lack of purchasing power. As Zatlin documents, by the mid-1980s the currency had "moved to the center of political life in ways the regime had never intended and could not control," becoming a primary site of popular disenchantment with the system.[434]

Politicians from the other side of the Iron Curtain were eager to exploit the perceived failures of the OM and the DDR economy. As Hans Roeper remarked in the *Frankfurter Allgemeine Zeitung* in 1968, "The *Ostmark* is and remains a document of unfreedom. The *Westmark* [DM], by contrast, is still a charter of liberty, a document of trust."[435] It was not only that Western commentators diagnosed the OM's failure, but eventually East German economists began to admit it (these admissions were naturally later compiled and published by the Bundesbank). Professor Helmut Richter gave an interview that the AaP reproduced in full, stating that "The *Ostmark* isn't worth the paper it's printed on!" (*Die Ostmark ist kaum das Papier wert, auf dem sie gedruckt wird!*).[436] Continuing their capitulation to Western ideology and material power, Prof. Dr. Hans-Joachim Dubrowsky wrote in *Neues Deutschland* (the official paper of the ruling SED) in 1989 that:

"It is also important that we assign a high priority to monetary stability in our economic strategy….The introduction or expansion of the convertibility of the DDR mark will accordingly simultaneously require that we devote ourselves much more strongly to "nurturing" our currency in the sense of low inflation rates and limited money creation than has previously been the case."[437]

The dramatic opening of the Berlin Wall on 9 November 1989 transformed what had been the *Ostmark*'s quiet internal degradation into a public and undeniable catastrophe. In the days that followed, East German citizens flooded across the border to claim the hundred DM "Begrüsungsgeld" (welcome money) that the West German state offered each visitor. Helmut Schlesinger, the Bank's VP, spoke at the Statistisch-Volkswirtschaftlichen Gesellschaft in Basel on 11 December 1989. Addressing the monetary questions in Germany barely a month after the Wall fell, Schlesinger summed up the BRD worldview, stating that "money—stable money—is congealed freedom" (*Geld—stabiles Geld—ist "geronnene Freiheit).*[438]

Although it was clear the old DDR state could not persist, the questions of how to reconcile both governmental and economic systems was not preordained. On the matter of currency, Bundesbank president Karl Otto Pöhl had argued strenuously that the economically appropriate exchange should be 3-4 OM per DM, reflecting the actual productivity differential between the two economies. Former Economics Minister Karl Schiller agreed with 4:1.[439] Chancellor Kohl, however, preferred 1:1 for political and symbolic reasons. Kohl won out, reasoning that East Germans would not accept unification on terms that decimated

[434] Zatlin, *The Currency of Socialism*.
[435] Hans Roeper, "Auch die Ostmark ist zwanzig Jahre alt," Frankfurter Allgemeine Zeitung, June 24, 1968, reprinted in *Auszüge aus Presseartikeln*, 1968-1, 438.
[436] "Wir müssen jetzt brutal die Wahrheit sagen": Gespräch mit Prof. Helmut Richter, Chef des Instituts für Sozialistische Wirtschaftsführung an der Ostberliner Hochschule für Ökonomie "Bruno Leuschner," Die Welt, November 23, 1989, reprinted in *Auszüge aus Presseartikeln*, no. 94 (November 27, 1989), 7.
[437] Hans-Joachim Dubrowsky, "Konvertierbarkeit der Mark – kann man das einfach beschließen?," *Neues Deutschland* (Ost-Berlin), 15. November 1989, reprinted in Deutsche Bundesbank, *Auszüge aus Presseartikeln*, Nr. 93, 21. November 1989.
[438] Helmut Schlesinger, "Aktuelle geld- und währungspolitische Fragen—Auf dem Weg zur Währungsunion," address to the Statistisch-Volkswirtschaftlichen Gesellschaft Basel, December 11, 1989, reprinted in *Auszüge aus Presseartikeln*, no. 98 (December 12, 1989), 1–5.
[439] "Schiller: Schnell kann die DDR-Mark nicht konvertibel werden," Frankfurter Allgemeine Zeitung (Frankfurt am Main), November 21, 1989, reprinted in *Auszüge aus Presseartikeln*, no. 93 (November 21, 1989), 7.

their savings. Pöhl considered resigning, describing the decision as a "catastrophe" for the Bundesbank's management of the monetary union process.[440]

Pöhl was likely correct on the economics, but Kohl was right on the politics (at least in the short term). A student of German history, the chancellor understood that the success or failure of unification would determined as much by memory and symbolism as by economics. His promise to exchange Ostmarks for Deutschmarks at a one-to-one rate for individual savings seemed to grant Easterners membership in the prosperous Federal Republic on an equal basis—although other economic arrangements would prove far less equitable. Furthermore, as the *Ossis* accepted the BRD's Mark, they would also have to accept its version of the past. In his memoirs Kohl made the link between memory and currency clear:

> "The fact that the Reichsmark played a major role in the destabilization of the Weimar Republic due to the hyperinflation after the First World War was a traumatic experience for all Germans. Seen in this light, the signing of the State [Unification] Treaty also conveyed another message: the fate of the Germans in the Federal Republic and in the DDR was now inextricably linked. With the transition from the socialist command economy to the social market economy, the Germans were able to achieve a more democratic and democratic state."[441]

Unification therefore required the East to accept not only the D-Mark and the Bundesbank Act, but also to accept the version of history that helped give those institutions their legitimacy. The euphoria caused by open borders, a strong currency, and access to the consumer goods of the West was short-lived, however—as was the East's infatuation with the ideas of the West. As Zatlin writes, "despite comparisons with the 1948 currency reform and Kohl's prediction of 'flourishing landscapes,' there has been no second 'economic miracle.'"[442] This is perhaps an understatement, as the deindustrialization triggered by an overvalued currency and rapid privatization casued unemployment, massive outmigration, and social unrest.[443] Indeed, the backlash to the *Treuhand* (the agency in charge of selling off DDR state-owned asset) resulted in its Chief Executive, Detlev Rohwedder, being assassinated by the Red Army Faction in 1990. The fear of suffering a similar fate, as well as preexisting disagreements with Kohl, caused Pöhl to resign in mid-1991.[444]

Still, the Bundesbank and the Federal Government would respectively pursue restrictive monetary and fiscal policy for much of the 1990s. This had severe effects for both the West and former East. Much of this had to do with inflation fears, as "probably the most crucial root cause of the missing of [the Unification] opportunity has to be seen in the fact that the key player in German economic policy-making, the Bundesbank, never regarded the situation as an opportunity for sustained growth, but primarily as a risk to price stability."[445] Despite some later growth, social costs continued to mount and the East still lags behind the West in almost all measures.

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[440] Marsh, *Bundesbank*, 222.
[441] Helmut Kohl, *Vom Mauerfall zur Wiedervereinigung: Meine Erinnerungen* (Munich: Droemer, 2014), 89.
[442] Jonathan R. Zatlin, "Unifying without Integrating: The East German Collapse and German Unity," *Central European History* 43, no. 3 (September 2010): 506, https://www.jstor.org/stable/27856217.
[443] Rachel Knaebel and Pierre Rimbert, "The Economic Anschluss of the GDR," *Le Monde diplomatique*, November 2019, https://mondediplo.com/2019/11/06germany; Willi Leibfritz, "Economic Consequences of German Unification," *Finance & Development* 27, no. 4 (December 1990), 5–9.
[444] Marsh, *Bundesbank*, 223.
[445] Jörg Bibow, "On the 'Burden' of German Unification: The Economic Consequences of Messrs. Waigel and Tietmeyer," Working Paper No. 328 (Annandale-on-Hudson, NY: Jerome Levy Economics Institute of Bard College, May 2001), 507.

The political anger that resulted from this and other factors contributes to the far-right Alternative for Germany's (AfD) disproportionate success in the former East. Geography and history are crucial to this as some researchers we "show that a place-based collective memory about past prosperity plays a crucial role in shaping present resentment."[446] Nearly every economic, cultural, and political elite in the new states also came from the West.[447] "Once again," Zatlin remarked, "unification has brought not integration, but the dominance of one German particularism over another."[448]

5.5) Internationalizing Germany's economic memories: the euro

Advocates of this "German particularism" about inflation were not content with their narrative of 1923 -rep only from the Rhine to the Oder. They wanted the Weimar Hyperinflation to become *the* central historical reference point for European economic policy across the continent, spreading their version of the past beyond the far shores of the Danube, Vistula, Seine, Douro, and Tiber. Such hopes were far more credible than Vocke or von der Lippe could have dreamed in the BdL's early days. After Pöhl resigned, he was replaced by Schlesinger from 1991-93 and then Hans Tietmeyer, who held the job in the crucial run-up the euro, 1993-99. In a consequential turn of historical fate, at the same time East Germany was collapsing, European Monetary Union was progressing. With the creation of the Delors Report—a blueprint for European monetary integration—in 1989, the effects of the historical memory of hyperinflation began to be codified into European institutions.

Despite having been authored by Frenchman Jacques Delors—whose country's "monetary history was considerably different from that of Germany"—the report "reflects the German [monetary] conception."[449] Many French economists and officials (who tended to be more averse to deflation than inflation) opposed the report's recommendations. However, a German-derived EMU was eventually enshrined in the 1992 Maastricht Treaty. Maastricht established the common euro currency, which was introduced between 1999 and 2002 and supervised by the newly-established European Central Bank (ECB) on Frankfurt's Main River. This new institution was not just inspired by its German predecessor, it also has clear legal similarities, as the "statutes of the ECB are largely modelled after the law that governs the Bundesbank" and "the primary objective of the ECB is to maintain price stability."[450]

Throughout this process, Germany's particular readings of its past were also "Europeanized". We have seen that link between memory and policy at the pre-euro Bundesbank. As Kaltenheiner puts it, "The Bundesbank's fixation on price stability is the product of the German experience with wo bouts of severe inflation, in 1923-1924 and 1945-1948" and "The hyperinflation of 1923…has done the most to create the Bundesbank's inflationary ethos."[451] The euro implied the diffusion of the Bundesbank's preferred narrative

[446] Maria Greve, Michael Fritsch, and Michael Wyrwich, "Long-term Decline of Regions and the Rise of Populism: The Case of Germany," *Journal of Regional Science* 63, no. 2 (2023).
[447] Steffen Mau, "Over Three Decades Since Reunification, Germany Is Still Fractured," interview by Loren Balhorn, *Jacobin*, October 2021, https://jacobin.com/2021/10/german-reunification-east-west-berlin-wall-anniversary.
[448] Zatlin, "Unifying," 507.
[449] David Howarth and Peter Loedel, *The European Central Bank: The New European Leviathan?,* 2nd ed. (Basingstoke, UK: Palgrave Macmillan, 2005), 65.
[450] Jakob de Haan, ed., *The History of the Bundesbank: Lessons for the European Central Bank* (London: Routledge, 2000), 1.
[451] Karl Kaltenthaler, *Germany and the Politics of Europe's Money* (Durham, NC: Duke University Press, 1998), 25.

of 1923, meaning that the "lessons of two inflations, once German, have now become European."[452] Remarkably, even bank presidents from "inflationary" countries would eventually adopt Bundesbank official history, with both Italian and French ECB chiefs proving almost as willing to espouse this narrative as their German colleagues in Frankfurt's inland northwest (see chapter 9).

However, at the start of EMU negotiations in the 1980s, the French and Germans brought dramatically different understandings of monetary history to the table. As Howarth and Loedel document, the German conception—expressed through the Delors Report, which was written primarily by central bankers—struck many leading French politicians as alien to their own experience, in which it had been the Great Depression's deflation, rather than any inflationary episode, that had inflicted the most lasting economic damage.[453] The Delors Report's strongly negative reception among senior French officials reflected the degree to which a specifically German reading of monetary history had already affected European central banking before the negotiations had properly begun.[454]

For Karl Otto Pöhl, the Bundesbank president, the question of institutional design was inseparable from the question of historical memory. Pöhl was initially furious upon learning that Jacques Delors—"a Brussels man"—would chair a committee dealing with monetary policy matters. He feared such a committee might well give rise to "Latin" views at the expense of the "stability-orientated mindset of the West Germans." [455] But his colleagues at the Bundesbank, along with the Dutch central bank president Wim Duisenberg, persuaded him that if Pöhl did not take part, the dreaded southerners would have more influence. With Pöhl's participation, the Bundesbank could at least ensure that its views were forcefully put forward. Pöhl argued that any European monetary institution would have to correspond to the Bundesbank independence and policy preferences, given that "most Germans, with traumatic memories of two hyperinflations, would not accept a central bank system that attributed this goal less significance than the Bundesbank Act does".[456]

The French negotiators at Maastricht brought a fundamentally different set of intuitions to the table, as opposed to the "the Germans [who] lead the world in preaching and practicing the doctrine of sound money" via a "tale was handed down to subsequent generations as a particularly outlandish form of twentieth century folklore."[457] For a French economic culture shaped by the memory of the 1930s deflation rather than the 1920s inflation (1930s austerity was thought to have contributed to poor preparedness for the German invasion in 1940[458]), monetary and fiscal discretion was not necessarily seen a vice but rather an essential tool of democratic governance. As Brunnermeier, James, and Landau document in their anatomy of European monetary politics, the euro has always embodied an unresolved tension between the German tradition of rules-based stability culture, and the French tradition of pragmatic governance[459] The Maastricht negotiations represented a decisive, though not

[452] Mee, *Central Bank Independence*, 7
[453] David Howarth and Peter Loedel, *The European Central Bank: The New European Leviathan?*, 2nd ed. (Basingstoke: Palgrave Macmillan, 2005).
[454] Howarth and Loedel, 65.
[455] Quoted in Simon Mee, *Central Bank Independence*, 326.
[456] Mee, 326–29.
[457] David Marsh, The Bundesbank: The Bank That Rules Europe (London: Heinemann, 1992).
[458] Julian Jackson, *The Fall of France: The Nazi Invasion of 1940* (Oxford: Oxford University Press, 2003).
[459] Brunnermeier, James, and Landau, *The Euro and the Battle of Ideas*, 9–15.

final, victory for the German framework. But the French concession was bigger-picture, as the price extracted for French acceptance of a German-model central bank was Germany's agreement to monetary union itself.

The convergence criteria that ultimately appeared in the 1992 Maastricht Treaty—a maximum inflation rate of 1.5 percentage points above the three lowest-inflation member states, government deficits below 3 percent of GDP, government debt below 60 percent of GDP—were at least as much a product of memory-infused political ideology as they were derived from empirical economic evidence. The inflation criterion institutionalized the Bundesbank's primary mandate. Each of the criteria could be justified in technical economic terms, but their particular numerical parameters reflected the priorities of a specific national tradition as much as any universal economic logic. [460]

Across Europe in the early and mid-1990s, the Maastricht criteria drove a wave of fiscal and monetary retrenchment. Countries whose economies were structurally different from Germany's—with higher inflation histories, more powerful trade unions, weaker export sectors—found themselves uncompetitive and unable to adjust their currencies. Italy, which had used periodic devaluations of the lira to maintain competitiveness, was now required to abandon that instrument, having been stuck in a state of perpetual austerity and stagnation ever since.[461] Spain, Portugal, and Greece had similar experiences, but even Germany itself exceeded the deficit limits and imposed austerity on itself. In each of these cases, protests could be delegitimized in part through the language of historical memory.

A similar story was true for the ECB itself. As Carl-Ludwig Holtfrerich has observed, the ECB was nearly a carbon copy of the Bundesbank.[462] The design that Pöhl and his Frankfurt colleagues had insisted upon did not go wholly uncontested, however. Financial commentators worried whether a pan-European institution could maintain the Bundesbank's disciplinary authority over member states whose fiscal traditions were more permissive. The *Wall Street Journal* expressed the concern in January 1995, in a piece reprinted in the AaP under the headline "A High Price for Monetary Union." The proposed single currency, the paper warned, might effectively "emasculate" the Bundesbank, dissolving its influence within a larger and more heterogeneous institution in which German preferences would be only one voice among many.[463] Would an institution that had fought for decades to insulate German monetary policy from political pressure allow Europeanization to achieve what domestic challengers had repeatedly failed to accomplish?

Likely not. Jürgen Stark, the German member of the ECB's executive board, articulated the institutional rationale for the ECB's design in terms that drew directly on the Bundesbank's historical self-understanding. Speaking in March 1999, Stark argued that central bank independence was not merely an operational preference but a lesson embedded in the historical record: independent central banks delivered lower inflation because they were insulated from the fiscal pressures that had, in the past, led governments to erode

[460] Lars P. Feld, Ekkehard A. Köhler, and Daniel Nientiedt, "Ordoliberalism, Pragmatism and the Eurozone Crisis: How the German Tradition Shaped Economic Policy in Europe," *European Review of International Studies* 2, no. 3 (2015): 48–61, https://doi.org/10.3224/eris.v2i3.23448.
[461] Max Krahé, "Understanding Italy's Stagnation," Papers 277913 (Berlin: Dezernat Zukunft – Institute for Macrofinance, 2023).
[462] Carl-Ludwig Holtfrerich, "Power or Economic Law? Fresh Reflections on ECB Policy," *Intereconomics* 53 (2018): 164.
[463] "A High Price for Monetary Union," *Wall Street Journal*, January 23, 1995, reprinted in *Auszüge aus Presseartikeln*, no. 6 (January 23, 1995).

monetary stability for short-term gain.[464] The ECB's mandate—price stability as the primary objective, with growth and employment as secondary concerns—was the logical conclusion. The Germans largely got their way, as de Haan confirms that "the statutes of the ECB are largely modelled after the law that governs the Bundesbank" and "the primary objective of the ECB is to maintain price stability".

The Bundesbank also worked hard to maintain domestic public support during the 1990s, with the stakes in many ways even higher than in previous moments of institutional flux.[465] Still, Germans were nervous about the losing their treasured DM. To assuage these fears, Hans Tietmeyer gave an address marking the fiftieth anniversary of the Deutsche Mark, framing the DM's end not as a loss but as a legacy.[466] He argued that "stable money was in Germany never merely a matter for experts—it is today deeply anchored in the thinking of our society."[467] In other speeches, he also argued that support for CBI "resulted more strongly from the memory of the galloping inflations of the past."[468] Interestingly, he also felt the need to defend against accusations they had used this narrative too much:

> "We Germans naturally have special reasons to occupy ourselves from time to time with this chapter of monetary history. This is not because—as has occasionally been falsely attributed to the Bundesbank—it supposedly conjured up the specter of galloping inflation more often in its monetary policy—certainly not."[469]

Further speeches reveal that the emotional dimensions of the transition were not lost on German monetary officials. Ernst Welteke, Bundesbank president from 1999-2004, gave an interview in October 2001. Speaking three months before euro notes and coins replaced the DM, he spoke in a language typically unfamiliar to economists, pointing out that "the Mark has become a national symbol."[470] Rather than disappearing, however, he argued it was actually gaining a new and more powerful manifestation in the form of the common currency.

The euro itself eventually launched as an accounting currency on January 1, 1999, with notes and coins following on January 1, 2002. Eleven countries participated in the initial wave. The Deutsche Mark, which had served for fifty years as the material embodiment of Germany's recovery from catastrophe, was withdrawn from circulation. The physical introduction of new euro notes and coins—an event staged with considerable ceremony across the continent—represented the moment at which Germany's was superimposed on the rest of Europe.[471] It was also time for memorialization, as Frankfurt saw the introduction of the Bundesbank's *Geldmuseum* ("Money Museum") in 1999.[472] Predictably, the museum has an entire room dedicated to the hyperinflation, complete with a replica of children burning

[464] Jürgen Stark, address on ECB independence and price stability, reprinted in *Auszüge aus Presseartikeln*, no. 15 (March 4, 1999).
[465] Mark Duckenfield, "Bundesbank-Government Relations in Germany in the 1990s: From GEMU to EMU," *West European Politics* 22, no. 3 (July 1999): 87–108, https://doi.org/10.1080/01402389908425317.
[466] Hans Tietmeyer, "Stabiles Geld—eine gesellschaftspolitische Aufgabe: 50 Jahre Deutsche Mark," address, reprinted in *Auszüge aus Presseartikeln*, no. 19 (March 25, 1999).
[467] Hans Tietmeyer, "50 Jahre Deutsche Mark in Berlin," reprinted in *Auszüge aus Presseartikeln*, no. 19, March 25, 1999.
[468] Hans Tietmeyer, "Anniversary, 1999," reprinted in *Auszüge aus Presseartikeln*, no. 41, June 17, 1999.
[469] Hans Tietmeyer, "Festrede anlässlich des Festaktes zum 50-jährigen Jubiläum der Landwirtschaftlichen Rentenbank in Frankfurt am Main am 11. Mai 1999," reprinted in *Auszüge aus Presseartikeln*, no. 32, May 12, 1999, 1.
[470] Ernst Welteke, interview on the Deutsche Mark as national symbol, reprinted in *Auszüge aus Presseartikeln*, no. 47, October 24, 2001.
[471] Alison Johnston and Aidan Regan, "European Monetary Integration and the Incompatibility of National Varieties of Capitalism," *Journal of Common Market Studies* 54, no. 2 (2016): 318.
[472] Deutsche Bundesbank, "Geldmuseum," accessed April 25, 2026, https://www.bundesbank.de/de/bundesbank/geldmuseum.

notes for warmth. The Great Depression, by contrast, only receives a small plaque and a few paragraphs of explanation.[473]

At the press conference marking the euro cash launch in January 2002, Welteke and ECB board member Jürgen Stark offered a characteristically Bundesbank framing of what had just occurred. The euro, they emphasized, had already demonstrated in its first three years what German officials had promised: price stability at the level that the DM had achieved. Germany had not sacrificed monetary discipline on the altar of European solidarity. Rather, it had Europeanized that discipline.[474]

German central bankers also honed their national message to suit local contexts. Bundesbank and ECB economist Otmar Issing, speaking in 2004 to a recently-democratized Prague, would make another historical argument. Tying his countries history to that of the Czechs, he claimed that there was a "fundamental link between inflation and the tendency towards collectivist solutions" as a way to defend his preferred monetary policy."[475] The euro, in his reading, stood a currency designed explicitly and deliberately to embody his country's values. The data, for the moment, appeared to support the claim. Euro-area inflation had remained close to the ECB's target, lower than in the pre-euro decade in most member states, and the institutional architecture had seemingly survived its first political tests—at least in Europe's economic core. With German history now the inheritance of hundreds of millions of Europeans, had the Bundesbank finally triumphed?

5.6 The Euro's First Decade, 1999–2009

In the early 2000s, German economic conditions were actually comparatively weak: reunification had proven more economically costly than anticipated, productivity growth had slowed, and the reforms that successive governments had deferred were now seemingly unavoidable. The response under SPD Chancellor Gerhard Schröder was severe. Pursuing a rapid change of the longstanding German welfare system, this Agenda 2010 program and the associated Hartz labor market legislation of 2002–2003 loosened employment protections, reduced unemployment benefits, and created the infrastructure for a large low-wage service sector.[476] The effect was a sustained compression of German unit labor costs relative to the eurozone average. In a currency union in which nominal exchange rate adjustment was no longer available, Germany had found its substitute: the disciplined compression of wages. Between 1999 and 2007, Germany's unit labor costs fell by approximately 10 percent relative to the eurozone average, driving up its export competitiveness.[477] However, the eventual headline GDP growth this produced was built on the back increasing inequality and worsening social conditions for millions.

[473] Author's own visit in 2023.
[474] Ernst Welteke and Jürgen Stark, press conference statements on the euro cash launch, reprinted in *Auszüge aus Presseartikeln*, no. 2, January 9, 2002.
[475] Otmar Issing, "On the Primacy of Price Stability," speech delivered at the conference "National Competitiveness in an Enlarging Europe," Prague, June 10, 2004, European Central Bank. https://www.ecb.europa.eu/press/key/date/2004/html/sp040610.en.html.
[476] Anke Hassel and Christof Schiller, *Der Fall Hartz IV: Wie es zur Agenda 2010 kam und wie es weitergeht* (Weinheim: Campus Verlag, 2010).
[477] Wolfgang Merkel and Bruno Palier, eds., *Growth and Welfare in Advanced Capitalist Economies: How Have Growth Regimes Evolved?* (Oxford: Oxford University Press, 2022).

Germany's growing current account surplus—which reached 7.4 percent of GDP in 2007 was presented as a mark of national virtue.[478] The *Exportweltmeister* title, in this reading, reflected fiscal prudence, wage moderation, and industrial excellence. As Bibow observed, the German current account surplus implied, by accounting identity, equivalent deficits elsewhere in the eurozone—deficits that were financed by German banks' lending and that would, when the cycle turned, generate crisis.[479] The uneven economic performance and imbalanced capital flows that the euro caused would later wreak havoc on Europe's fledgling currency.

For now, though, the Bundesbank's preferred reading of history—once contested even within Germany's center-right party—had now expanded to conquer the Federal Republic's political spectrum, the territory of the former DDR, and eventually the whole of the Eurozone. However, as we have seen, the now-inescapable references to the 1923 hyperinflation were largely the product of political struggle and media depictions, rather than directly inherited memories. Indeed, throughout the first decades of the BRD's existence, "central bankers, politicians, industrialists, trade unionists and other post-war elites all reverted to the troubled and contradictory lessons of the inter-war period and put them to political use along grounds of self-interest."[480]

That political use followed a clear logic. Each challenge to the Bundesbank's independence—from the debates of 1972–73 to the EMS negotiations to the Maastricht negotiations to the sovereign debt crisis of 2010–2015—prompted a renewed invocation of the memory of 1923. Each such invocation, successfully deployed, strengthened the public standing of the memory itself. And each strengthening of the memory made the next invocation more powerful. The economic implications of this memory were often ill-suited for a heterogenous continent, however.

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[478] Deutsche Bundesbank, "German Balance of Payments in 2007," Monthly Report, March 2008. https://www.bundesbank.de/resource/blob/706832/f1f6dce58a9fd875fdddb32bfab00c9f/mL/2008-03-balance-payments-data.pdf.
[479] Bibow, *Germany's Approach*, 8–12.
[480] Mee, *Central Bank Independence*, 12.

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"Thanks to economists, all of us, from the days of Adam Smith and before right down to the present, tariffs are perhaps one tenth of one percent lower than they otherwise would have been. And because of our efforts, we have earned our salaries ten-thousand fold."
-Milton Friedman, 2006 speech to the American Economic Association

Chapter 6: Of tariffs and time travel

6.1) Gilded age as tragedy, then farce?

Donald Trump does not read history books. Asked in 2017 if he had ever consulted a biography of a past commander-in-chief as inspiration for his own time in office, the then-45th president responded, "I never have. I'm always busy doing a lot."[481] This lack of historical awareness has revealed itself on multiple occasions, but has not stopped his political movement from drawing heavily on the past.[482] Indeed, while Trump himself may not be an avid student of the past, the "Make America Great Again" (MAGA) political movement has always had a decidedly nostalgic bent to it. His first campaign was characterized by a thinly-veiled pining for the 1950s, with appeals to the Fordist family structure, industrialized economy, and clear racial and gender hierarchies of the mid-20th century forming a core part of the "make America great again" political message.[483] Trump himself stated in a *New York Times* interview that during the "late '40s and '50s…we were respected by everybody, we had just won a war, we were pretty much doing what we had to do."[484]

As president, his pledges to bring back many male-coded blue collar jobs and restore US geopolitical hegemony also harkened back to this highly-romanticized era.[485] Given the upheavals the American working class has faced since its apex of power in the 1950s, this backward-looking rhetoric found a receptive audience.[486] Trump's results in restoring blue collar workers to their midcentury glory were decidedly mixed during his first term, but the rhetoric remained powerful. One factor is that his supporters also skew older, making appeals to the midcentury period of their youth sensible on electoral grounds.[487] There is also a

[481] Maria Perez, "Trump Claims He's Too Busy Reading to Watch TV," *Newsweek*, November 11, 2017, https://www.newsweek.com/trump-claims-too-busy-reading-watch-tv-708873.
[482] Phil Hornshaw, "19 Times Donald Trump and Co. Were Confused about History, Including Canada Burning Down the White House (Photos)," *TheWrap*, June 6, 2018, https://www.thewrap.com/donald-trump-team-confused-history/; Jackie Calmes, "When Donald Trump Cites History, Watch out," *Los Angeles Times*, October 24, 2024, https://www.latimes.com/opinion/story/2024-10-24/when-donald-trump-cites-history-watch-out.
[483] John L. Campbell, "Make America Great Again," in *American Discontent: The Rise of Donald Trump and Decline of the Golden Age* (New York: Oxford University Press, 2018), 20-30, https://doi.org/10.1093/oso/9780190872434.003.0002.
[484] Donald J. Trump, "Transcript: Donald Trump Expounds on His Foreign Policy Views," *New York Times*, March 27, 2016, https://www.nytimes.com/2016/03/27/us/politics/donald-trump-transcript.html.
[485] The White House, "President Trump Is Remaking America into a Manufacturing Superpower," March 12 2025, https://www.whitehouse.gov/articles/2025/03/president-trump-is-remaking-america-into-a-manufacturing-superpower/.
[486] Geoff Kabaservice, host. "Populism and Working-Class Nostalgia for the 1950s," podcast interview with Alan Ehrenhalt. In *The Vital Center Podcast,* Niskanen Center, June 12, 2025, https://www.niskanencenter.org/1950s-working-class-nostalgia-populism/.
[487] Randy Blaser, "Column: Among Baby Boomer Presidents, Trump Offers Nostalgia," *Chicago Tribune*, November 21 2017, https://www.chicagotribune.com/2017/11/21/column-among-baby-boomer-presidents-trump-offers-nostalgia/; Pascal-Emmanuel Gobry, "The Boomers Have an Unrelenting Death Grip on America," *The Week*, August 2, 2016, https://theweek.com/articles/640245/boomers-have-unrelenting-death-grip-america.

general and ongoing cultural centrality of the 1950s even among younger voters, allowing Trump to benefit electorally from invoking them.[488]

Slightly less intuitively, the most recent iteration of "Make American Great Again" (MAGA) reaches back into American history a further half-century for guidance and inspiration—to a time when even his most elderly backers were not yet born. Trump may yet to have finished one of the many biographies about his predecessors, but the 47th president clearly found a new favorite historical role model—William McKinley, an Ohio Republican who occupied the White House from 1897 until his assassination in 1901. Trump has enthusiastically expressed his admiration for the "highly underrated" McKinley on multiple occasions.[489] This is a far less obvious choice of role model than FDR or JFK for Democrats, or Reagan and Lincoln for Republicans. While McKinley is a familiar name to students of the United States' rise to global power status at the end of the 19th century, he is far less-known figure to the average American. For example, a 2015 poll of the "best" US presidents from the Brookings Institution ranked him 21st.[490] A 2021 poll on facial and name recognition placed him as only the 36th most memorable president.[491]

Still, this has not stopped Trump and his allies from repeatedly invoking McKinley, both on the campaign trail and in office. Many 1890s-era "Gilded Age" age norms like naked imperialism, regressive racial and gender relations, and relatively de-regulated capitalism seem to reflect the administration's priorities. But the clearest and most frequently-drawn parallel is to the *trade policy* of America's 25th president. Trump praised McKinley's high tariff approach at many of his MAGA rallies, arguing that "in the 1890s, our country was probably the wealthiest it ever was because it was a system of tariffs."[492] Trump's Secretary of Commerce, Howard Lutnick, went even further when he posed the question "when was America great?" to a Madison Square Garden audience. Lutnick quickly and emphatically answered his own question: "The turn of the century!" Justifying his decision to reach back 125 years for a historical example, he elaborated that around 1900, "our economy was rockin', we had no income tax, all we had was tariffs, and we had so much money!"[493] At his inauguration, Trump again praised McKinley as someone who "made our country very rich through tariffs and through talent" as he defended his trade policies and announced the re-renaming of the mountain formerly known as Denali.[494] Notably, McKinley was the only president that Trump invoked during his speech, aside from the perfunctory mentions of those present at the inauguration.

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[488] Meagan Day, "How Social Reactionaries Exploit Economic Nostalgia," Jacobin, May 20, 2025, https://jacobin.com/2025/05/1950s-us-class-culture-conservatism;
Gabriel Winant, *The Next Shift: The Fall of Industry and the Rise of Health Care in Rust Belt America* (Cambridge, MA: Harvard University Press, 2023).

[489] C-SPAN, "Former President Trump Holds Town Hall in Warren, Michigan," September 27, 2024, video 49:49, https://www.c-span.org/program/campaign-2024/fmr-pres-trump-holds-town-hall-in-warren-michigan/649381.

[490] Brandon Rottinghaus and Justin S. Vaughn, "Measuring Obama Against the Great Presidents," Brookings Institution, February 13, 2015, https://www.brookings.edu/articles/measuring-obama-against-the-great-presidents/.

[491] Adam L. Putnam, Sarah M. Drake, Serene Y. Wang & K. Andrew DeSoto, "Collective Memory for American Leaders: Measuring Recognition for the Names and Faces of the US Presidents," *PLoS One* 16, no. 7 (2021), https://doi.org/10.1371/journal.pone.0255209.

[492] C-SPAN, "Former President Trump Holds Town Hall in Warren, Michigan," September 27, 2024, video 49:49, https://www.c-span.org/program/campaign-2024/fmr-pres-trump-holds-town-hall-in-warren-michigan/649381.

[493] Howard W. Lutnick, "Howard Lutnick Speaks at President Donald Trump's MSG Rally," YouTube, October 27, 2024, video, 20:34, https://www.youtube.com/watch?v=x1b4UZn1GAk.

[494] "The Inaugural Address," White House, January 20, 2025, https://www.whitehouse.gov/remarks/2025/01/the-inaugural-address/.

Trump's enthusiasm for a US president better remembered for the again-eponymous mountain in Alaska[495] than his time in office struck many commentators as both unusual and historically misguided. McKinley may have been a "big tariff guy" during his time in the US Congress,[496] but historians were correct to point out that he changed his views drastically on trade after becoming president.[497] Invoking a contest of memory, critics also observed that positive depictions of the Tariff (which increased average duties across all imports from 38 to 49.5 percent and may have contributed to an economic downturn in 1893) are inaccurate. Indeed, the perceived failure of this tariff may have contributed to McKinley's about-face on protectionism.[498] Others pointed out that even if the tariff had been a success, the centrality of industry and agriculture during the 1890s makes that decade a poor analogue for the complex, integrated, and service-intensive economy of the contemporary United States. The use of both contests of analogy and memory reveal the lack of embeddedness of this memory. Trump and his allies were seeking to embed a new memory, creating a fundamentally different version of memory battle than would take place with a more hegemonic memory.

These critiques certainly have merit, but to focus on the minutiae of historical analogies is to miss more important questions regarding references to the past in trade debates. For example, why would Trump think that invoking a president who died nearly a half-century before he was born could have political benefits? Which other historical narratives are Trump and his allies pushing up against—and how did such "pop history" events get popularized in the relatively technical and dry realm of trade policy? What other challenges have there been to this hegemonic narrative? Finally, what can the past tell us about the likelihood that Trump will succeed in popularizing his narrative of McKinley's allegedly-successful trade policy—or if another political movement might be able to embed another dominant historical tale?

6.2) A three-way narrative battle

Trump and his administration are also clearly waging a concerted struggle to embed their preferred reading of the past into the American political consciousness. However, they do not have the luxury of conducting their operations on abandoned discursive terrain. Rather, MAGA's efforts to rewrite both the past and future of US trade policy have encountered fierce resistance from entrenched forces—akin to a grinding assault on a heavily-fortified hegemonic position in a Gramscian "war of position." So formidable was the entrenched bastion of historical common sense that for decades it must have seemed impregnable to skeptics of free trade. Indeed, the mere image of Senator Reed Smoot of Utah

[495] On his inauguration day in 2025, Trump renamed the mountain back to "Mt. McKinley" from "Denali" as part of an executive order aimed at "Restoring Names that Honor American Greatness." "Restoring Names That Honor American Greatness," The White House, January 20, 2025, https://www.whitehouse.gov/presidential-actions/2025/01/restoring-names-that-honor-american-greatness/

[496] "Donald Trump: We have to guard our companies," Fox Business, October 4, 2024, video, 18:35, https://www.foxbusiness.com/video/6362854586112.

[497] Douglas A. Irwin and Alan Wm. Wolff, "Trump's Selective Celebration of President McKinley," *PIIE Realtime Economics Blog*, Peterson Institute for International Economics, October 4, 2024, https://www.piie.com/blogs/realtime-economics/2024/trumps-selective-celebration-president-mckinley; John Cassidy, "Even Donald Trump's Historical Role Model Had Second Thoughts About Tariffs," *The New Yorker*, March 17, 2025, https://www.newyorker.com/news/the-financial-page/even-donald-trumps-historical-role-model-had-second-thoughts-about-tariffs.

[498] Daniel Fried, "Note to Trump: McKinley's Legacy Is About more than Tariffs and Territory," Atlantic Council, March 12, 2025, https://www.atlanticcouncil.org/blogs/new-atlanticist/note-to-trump-mckinleys-legacy-is-about-more-than-tariffs-and-territory/.

and Representative Willis C. Hawley of Oregon—who notoriously sponsored a 1930 bill that constituted the greatest tariff rise in US history to date—could be enough to win an argument.[499]

While there is no way to be sure of the origins of Trump's fondness for McKinley (the current president is famously influenced in unpredictable ways[500]) the answer as to why his administration constantly invokes the past to justify the present has a much clearer answer. Far from being aberrant, the use of historical analogy to justify US trade policy is part of a deep tradition in debates over America's relations with the rest of the world. That is, Trump's approach is not *sui generis*, but rather *symptomatic* of the rhetorical landscape of foreign economic policy. Indeed, the better question in US trade debates is *how*, rather than *whether*, references to the past (even if highly selective or distorted ones) are used. As the rest of this section will demonstrate, for decades the dominant reference to the past in US trade policy was a *cautionary tale* about the risks of tariffs, not an inspirational one about their benefits. This tale, which utilizes the allegedly disastrous 1930 Smoot-Hawley tariff to warn against any impediments to trade liberalization, has been a favorite rhetorical weapon for free traders since its passage.

This was especially true during Trump's fitful attempts at rewriting the US trade consensus during his first term. Although relatively modest in policy terms, the rhetorical deviation from his predecessors prompted a full-scale defensive mobilization from the advocates of the postwar American-led "liberal international order." Indeed, the 1930 Smoot-Hawley Tariff Act, which raised tariffs on over 20,000 goods in one of the largest increases in history, is somewhat of a middlebrow trivia commonplace.[501] As a result, to observers of US previous trade debates, the frequent rhetorical use of Smoot-Hawley should come as no surprise. This previously dominant historical reference point in US trade policy is relatively well-known among a subset of the American population. For example, fans of classic films and passive consumers of cable news might know its name.[502] Even nearly a century later, many observers allege that the 1930 act was a key factor in worsening the Great Depression, even contributing to the outbreak of war nine years later. [503] Both of these statements are widely disputed by econometric analysis, but they remain popular.[504]

American politicians, including most post-1950 presidents, have found this narrative irresistible. Just to name a few examples, in 1962, John F Kennedy argued that due to being

[499] CNN, "Ross Perot battles Al Gore in 1993 NAFTA Debate," YouTube, October 4, 2024, video 42:04, https://www.youtube.com/watch?v=0fi8OOAKuGQ.

[500] David A. Graham, "The President's Pattern of Impatience," *The Atlantic*, May 28, 2025, https://www.theatlantic.com/newsletters/archive/2025/05/the-presidents-pattern-of-impatience/682960/; Amber Phillips, "Want to change Trump's mind on policy? Be the last one who talks to him," *Washington Post*, April 28, 2017, https://www.washingtonpost.com/news/the-fix/wp/2017/04/14/want-to-change-trumps-mind-on-policy-be-the-last-one-who-talks-to-him/.

[501] One memorable piece for Brookings in 2008 remarked that "the ghosts of Messrs. Smoot and Hawley have been conjured up so often that they've lost their capacity to frighten us." Still, the rest of the piece went continued in an attempt to do exactly that. Paul Blustein, "Don't Trade Recession for Depression," *Brookings Institution*, December 7, 2008, https://www.brookings.edu/articles/dont-trade-recession-for-depression/

[502] pmw8000, "Anyone, Anyone? Teacher from Ferris Bueller's Day Off," YouTube, December 30, 2011, video 0:54, https://www.youtube.com/watch?v=uhiCFdWeQfA

[503] To name just a few examples of the causal argument, The economist Richard Cooper, arguing that "the seeds of World War II…were planted by Hoover's signing of the Smoot-Hawley Tariff" (Richard Cooper, "Trade Policy as Foreign Policy," in *US Trade Policies in a Changing World Economy*, ed. Robert Stern (Cambridge, MA: MIT Press, 1987), 292).

[504] Quoted in Douglas A. Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression* (Princeton, NJ: Princeton University Press, 2011).

"faced with the chaos in world trade that had resulted from the Great Depression" and "disillusioned by the failure of the promises that high protective tariffs would generate recovery," Democrats chose to embark on a path of liberalization from 1933 onward.[505] Similarly, Ronald Reagan proclaimed in 1986 that the US "learned that lesson" of protectionism's counter-productiveness after "Smoot-Hawley tariff ignited an international trade war and helped sink our country into the Great Depression."[506] George HW Bush agreed, saying that "to believe that turning our backs on the world would improve our lot here at home, is to ignore the tragic lessons of the 20th century."[507]

Bill Clinton also cautioned against protectionism, asserting that after 1918, "we turned our backs on the rest of the world [and] we succumbed to the siren's song of protectionism," with the Depression and WWII following as a result.[508] In 2008, George Bush argued that "shortly after the stock market crash in 1929, Congress passed the Smoot-Hawley tariff—a protectionist measure designed to wall off America's economy from global competition," with "economic ruin" occurring as a result.[509] The duty of global leadership, he said, was to avoid this mistake in the future. His successor Barack Obama sounded almost identical, denouncing protectionism by referring to this memory of Depression-era economics and stressing that "we have a choice—retreat into old, closed-off economies or press forward."[510]

As late as 2017, the U.S. State Department referred to Smoot-Hawley as a "symbol" and "watchword" for protectionism.[511] More recently, economists and journalists alarmed by Trump's protectionist policies have referenced Smoot-Hawley to warn of the dangers of tariff increases—although their efforts have been about as successful as the 1000 economists who signed a letter opposing the 1930 increases to US trade barriers.[512] The press was similarly opposed, with the *New York Times* reporting that three-quarters of newspapers objected to the tariff.[513] Many scholars today echo these sentiments, calling the bill "irresponsible" or infamous".[514] Occasionally, critiques of the bill reach a remarkable fever pitch. For example,

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[505] John F. Kennedy, "Special Message to the Congress on Foreign Trade Policy," The American Presidency Project, January 25, 1962, https://www.presidency.ucsb.edu/documents/special-message-the-congress-foreign-trade-policy.

[506] Ronald Reagan, "Radio Address to the Nation on Free and Fair Trade," Ronald Reagan Presidential Library and Museum, September 13, 1986, https://www.reaganlibrary.gov/archives/speech/radio-address-nation-free-and-fair-trade-1.

[507] George H. W. Bush, "Remarks to the American Farm Bureau Federation in Kansas City, Missouri," The American Presidency Project, January 13, 1992, https://www.presidency.ucsb.edu/documents/remarks-the-american-farm-bureau-federation-kansas-city-missouri.

[508] William J. Clinton, "Remarks at the Veterans Day Ceremony at Arlington National Cemetery, Virginia" (speech, Arlington, VA, November 11, 1993), American Presidency Project, https://www.presidency.ucsb.edu/documents/remarks-the-veterans-day-ceremony-arlington-national-cemetery-virginia.

[509] George W. Bush, "President Bush Discusses Financial Markets and World Economy," White House, November 13, 2008, https://georgewbush-whitehouse.archives.gov/news/releases/2008/11/20081113-4.html.

[510] "Obama Says Protectionism No Answer to Inequalities of Globalization," Reuters, October 6, 2016, https://www.reuters.com/article/us-usa-obama-economist-idUSKCN1260WJ.

[511] "Protectionism in the Interwar Period," Office of the Historian, U.S. Department of State, https://history.state.gov/milestones/1921-1936/protectionism.

[512] "1,028 Economists Ask Hoover to Veto Pending Tariff Bill: Professors in 179 Colleges and Other Leaders Assail Rise in Rates as Harmful to Country and Sure to Bring Reprisals; Economists of All Sections Oppose Tariff Bill," *New York Times*, May 5, 1930, https://www.nytimes.com/1930/05/05/archives/1028-economists-ask-hoover-to-veto-pending-tariff-bill-professors.html; Dominic Rushe, "More than 1,000 economists warn Trump his trade views echo 1930s errors," *The Guardian*, May 3, 2018, https://www.theguardian.com/us-news/2018/may/03/donald-trump-trade-economists-warning-great-depression.

[513] "Poll Shows Press Opposed to Tariff; Three of 4 Papers Questioned by Times Are Against Measure," *New York Times*, June 2, 1930, https://www.nytimes.com/1930/06/02/archives/poll-shows-press-opposed-to-tariff-three-of-4-papers-questioned-by.html.

[514] See Helen V. Milner, "International Political Economy: Beyond Hegemonic Stability," *Foreign Policy*, no. 110 (Spring 1998): 112–23, https://www.jstor.org/stable/1149280; Barry Eichengreen, *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses—and Misuses—of History* (Oxford: Oxford University Press, 2015); Thomas W. Zeiler, "Depression, 1930–1935," in *Capitalist Peace: A History of American Free-Trade Internationalism* (Oxford: Oxford University Press, 2022), 14–28, https://doi.org/10.1093/oso/9780197621363.003.0002; Sabithulla Khan, *Smoot-Hawley: Lessons From the Most Infamous U.S. Tariff Act* (SAGE Business Cases, 2019), https://doi.org/10.4135/9781526488718.

a paper by Colleen M. Callahan, Judith A. McDonald, and Anthony Patrick O'Brien in the prestigious *Journal of Economic History* claimed that "Apart from the Fugitive Slave Act, the 1930 Smoot-Hawley tariff bill is probably the most infamous piece of legislation in U.S. history."[515] Considering other notorious laws that Congress has passed, such as the 1830 Indian Removal Act or 1882 Chinese Exclusion Act, this statement may seem absurd on its face. However, it does indicate the heightened emotional state that references to Smoot-Hawley are often designed to provoke.

Today, many invocations of the tariff may be automatic and unthinking. However, these countless invocations of Senator Reed Smoot and Representative Willis C. Hawley did not just represent enthusiasm for historical trade trivia, they reflect both clear policy objectives in the present and the outcome of long-term political struggles over the interpretation of interwar trade history—often ones that predate their later use by decades (the "contest of analogy"). Smoot-Hawley references, which were employed by every non-Trump president since 1945, once seemed to have a disciplining effect on any politician who advocated for greater protection of domestic industry—or even showed a slight hesitance about the speed and direction of trade liberalization.[516] This can operate in strange ways: proponents of free trade have lambasted every president from Truman to Trump as "going back" to the dark days of interwar protectionism, invoking the 1930 tariff countless times to advocate for their position. This critique may seem perplexing, given that nearly every American head of state between 1945 and 2016 *themselves invoked* Smoot-Hawley to critique alleged protectionist threats.

Those who now invoke the 1930 tariff in order to critique protectionism or advocate trade liberalization do so on three main grounds. First, they argue that Smoot-Hawley was an example of blatant corruption and inside dealing to special interests, as lobby groups all worked to embed their preferences in the sprawling bill. Next, critics often argue that it worsened—or prolonged—the Great Depression. The most strident among this camp even claim that it *caused* the 1929 stock market crash. Finally, others state that Smoot-Hawley contributed to increased international tensions and then the eventual outbreak of conflict, with some even saying it was responsible for the second world war. As we will see in the next two chapters, the popularity of each of these three critiques has varied over time, with the first becoming less common and the second two increasing in popularity.

As with the elevation and mutation of the Weimar hyperinflation's legacy, this was not a mere accident. Rather, it reflected political and ideological interests wielding a specific telling of history in order to further their political goals. As key "historical entrepreneurs" used Smoot-Hawley institutional struggle within the State Department as a "war of maneuver", the consensus against tariffs first solidified in the Democratic Party. As a war of position emerged, the Republican party was slowly won over after WWII. By the 1980s, it

[515] Callahan et al., "Who Voted for Smoot-Hawley?"

[516] Kevin Merida, "Hawley and Smoot Are Framed Again," *Washington Post*, November 16, 1993, https://www.washingtonpost.com/archive/politics/1993/11/16/hawley-and-smoot-are-framed-again/ec11e1c5-1e0c-4089-8eda-2e72c1807462/.

Rhetorical uses of the 1930 tariff once were so commonplace that they were variously described as a "shibboleth," "myth," "cudgel" and so on. David Warsh, "That Old Hoot-Smalley," Economic Principals, February 21, 2011. https://davidwarsh.substack.com/p/that-old-hoot-smalley; Gabriel Siles-Brügge, "Explaining the Resilience of Free Trade: The Smoot–Hawley Myth and the Crisis," *Review of International Political Economy* 21, no. 3 (2014): 535-74. https://doi.org/10.1080/09692290.2013.830979.

was hegemonic in both parties, with the few remaining dissenting voices on the fringes of each forced into an "underground war." Only after 2016, and a rising sense that free trade had done harm to the US economy, did elements of each party again take up an organized narrative struggle against the rhetorical ramparts of Smoot-Hawley and the free trade consensus that it helped perpetuate.

And just as Trump disrupts the free trade status quo in US policy, he is also attempting to upend the historical consensus through which the postwar emphasis on liberalization was justified. Whether these efforts—both in terms of policy and historical memory—can establish a new hegemony remains to be seen. However, the struggles his administrations have waged against these rhetorical ramparts reveal a great deal about how historical references operate in trade debates—and how such fortifications are created in the first place. In 2017, it appeared Trump was waging an uphill battle. After 2021, he found some allies—or at least those he shared a common hegemonic historical enemy with—in strange places. Indeed, before Trump took office for the second time, Democratic president Joe Biden and his administration also sought to embed a new historical narrative. This centered around a certain "lost cause" story about the failure of the International Trade Organization (ITO) in 1948. So far, neither camp has been successful, but the ferocity of these historical contestations reveal both the breakdown of the old order and the previous narrative strength of the 1930 Smoot-Hawley Tariff's invocation.

What explains this dynamic? Proposed before the 1929 stock market crash and enacted after it, the tariff was controversial even at the time. However, its now-mythological status was forged largely *after* 1945. After about fifteen years of political struggle over the meaning of the tariff, signs of hegemony appeared. Once largely a partisan cudgel, it only achieved rhetorical ubiquity among both Democrats and Republicans in the late 20th century. From the late 1940s to the mid-2010s—as the United States pursued a broadly multilateralist and liberalizing trade agenda—the perceived disaster of the 1930 Smoot-Hawley tariff formed the central reference point in debates about international economic relations.

This main legitimating historical narrative of U.S. trade policy remained surprisingly stable—making Trump and Biden's attempted disruptions all the more notable. To be sure, US trade policy did see some fits of protectionism in the postwar era. However, the executive branch's focus on steady liberalization under US hegemony was almost as consistent as the narrative of failed interwar "beggar-thy-neighbor" policies that would be later used to justify free(er) trade. As the subsequent chapters demonstrate, the number of references to the tariff increased in the decades after WWII, peaking in the 1980s. These then diffused abroad, including international organizations.

Trump is clearly trying to upend this common sense, but it retains a stubborn foothold even in seemingly-friendly quarters. For example, although the current Republican Senate majority might not say it out loud today, its own webpage still refers to Smoot-Hawley as "among the most catastrophic acts in congressional history."[517] Similarly, many of the remaining free traders in the Democratic Party invoked the tariff to criticize both his and Biden's trade policy. As a whole, then, postwar trade history clearly shows that while the

[517]U.S. Senate, "The Senate Passes the Smoot-Hawley Tariff," Senate Historical Office, June 13, 1930, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_Smoot_Hawley_Tariff.htm.

specific historical references of the current administration may be relatively unique, the broader rhetorical strategy is not.

6.3) Wilson, War, and Willis: From WWI to the Smoot-Hawley-Tariff

Before examining the changing narrative around Smoot-Hawley—which the next two chapters will do—it is first essential to establish some basic facts about the tariff and the political context in which it passed. Senator Reed Smoot and Representative Willis Hawley's eponymous tariff—enacted shortly after the Great Depression began in 1929—is now viewed negatively for three main reasons. First, it is seen as the apotheosis of backward-looking protectionism and economic nationalism, prompted largely by a misguided reaction to the Great Depression. Additionally, it is portrayed as an unmitigated political and commercial disaster, causing huge drops in GDP, trade volume, and even international peace. Finally, it is typically discussed narrowly as an effort to increase trade barriers, rather than part of a larger institutional and procedural struggle between the legislature and the executive. As the historical evidence makes clear, however, each of these propositions is somewhat misleading. The transformation of the historical *context* described below into the historical *memory* described above is the key political struggle on which this thesis centers.

6.3.1) The historical origins of Smoot-Hawley

Addressing the initial point, Republicans' motivation for the bill had far more to do with the specific dynamics of domestic US party politics than any broader autarkic vision of global economics, deep-seated American dedication to isolationism, or even the Great Depression itself.[518] Indeed, the tariff had long been a critical issue in American politics. As Irwin writes, "in the brief periods in which they controlled both Congress and the presidency, the Democrats reduced import tariffs (1894,1913). When the Republicans regained control of government, they promptly raised import tariffs (1897, 1922), and they revised or raised them at other times as well (1883, 1890, 1909, 1930)."[519] Furthermore, protectionism had deep roots in US history, with prominent figures like Alexander Hamilton authoring early theoretical justifications for industrial policies like subsidies and trade barriers.[520]

The immediate roots of the Smoot-Hawley Tariff can be found in the 1928 presidential election, which pitted the Republican Party's Herbert Hoover against the Democrats' Al Smith. Republican predecessors Warren Harding (1921-23) and Calvin Coolidge (1923-29) had presided over a booming economy, allowing Hoover to benefit electorally from the promise of continued prosperity. Hoover, like many Republicans before him, had made high tariffs a key campaign pledge. As the party traditionally representing import-competing northern manufacturing, the GOP often sought to bolster US industry

[518] Patricia Clavin, *The Great Depression in Europe, 1929–1939* (London: Macmillan, 2000), 103.
[519] Douglas A. Irwin, "From Smoot-Hawley to Reciprocal Trade Agreements: Changing the Course of U.S. Trade Policy in the 1930s," in *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century*, ed. Michael D. Bordo, Claudia Goldin, and Eugene N. White (New York: University of Chicago Press, 1998), 338, https://www.nber.org/system/files/chapters/c6899/c6899.pdf.
[520] Alexander Hamilton, "Alexander Hamilton's Final Version of the Report on the Subject of Manufactures," Founders Online, National Archives, December 5, 1791, https://www.founders.archives.gov/documents/Hamilton/01-10-02-0001-0007

through customs duties. The Democratic Party, on the other hand, drew more support from the agricultural southern and western states. American farmers often found lucrative markets abroad, which generally led the Democrats to pursue lower tariff levels than their rivals. Lines between the two positions sometimes blurred—some agricultural producers feared imports whereas US manufacturing was increasingly competitive abroad—but the partisan preferences were generally stable. However, this debate occurred against the backdrop of already-high trade barriers, with the average tariff level on dutiable goods hovering around 38% by the late 1920s.[521] At least at the domestic level, then, Hoover's promised tariff during his bid for the White House reflected a broadly-predictable pattern in US politics, rather than a clear break with the past.

While the partisan party politics of protectionism closely resembled much of 19th century American electoral history, the country's position within the global economy had changed drastically. Although the US was the world's largest economy during the interwar period, its new international role was not simply a story of economic growth. By the mid-1890s, the United States had already surpassed Great Britain in terms of GDP per capita.[522] For decades after, however, its financial and political leadership lagged well behind its immense productive capacity. This began to change with the outbreak of general war in Europe in 1914 and increasing demands on US lending and materiel.[523] If eventual US entry into WWI on the Allied side transformed its role in the world, it did not do so evenly across the domains of finance, politics, and production. Even before America's 1917 intervention, credit from private Wall Street banks proved instrumental for the remaining Entente Powers of Britain and France. By 1916, US investors (and JP Morgan in particular) had provided over $2 billion in credit to the Anglo-French war effort, much of which proved vital for that year's grinding battles at Verdun and the Somme.[524]

Unlike the American populace (which had long been skeptical of foreign entanglements and consisted of many recent German and Irish immigrants), Wall Street was fervently pro-English.[525] Some degree of financial entanglement with the Entente could have provided leverage to Wilson, but the sheer scale of the loans instead constrained his room for maneuver. [526] As wider swathes of the country also began to benefit from industrial and agricultural exports, US support of the Allies threatened to become "too big to fail."[527] Although Wilson won reelection on an anti-war platform in 1916—and was personally disgusted by European militarism, equating "German militarism" with "British navalism"[528]—he slowly found his country more entangled with the Entente, particularly as the result of Wall Street's investment in the Allied cause.[529] The German decision to pursue

[521] U.S. International Trade Commission, "U.S. Imports for Consumption, Duties Collected, and Ratio of Duties to Value, 1891-2021," Office of Analysis and Research Services, May 2022, https://www.usitc.gov/documents/dataweb/ave_table_1891_2021.pdf
[522] Jutta Bolt and Jan Luiten van Zanden, "Maddison Project Database 2023," DataverseNL, 2024, https://doi.org/10.34894/INZBF2.
[523] Hugh Rockoff, "Until It's Over, Over There: The U.S. Economy in World War I," NBER Working Paper no. 10580, National Bureau of Economic Research, June 2004, https://doi.org/10.3386/w10580.
[524] Adam Tooze, *The Deluge: The Great War and the Remaking of Global Order* (London: Penguin, 2014), 57.
[525] Gary Gerstle, "The Protean Character of American Liberalism," *The American Historical Review* 99, no. 4 (October 1994): 1043–1073, https://doi.org/10.1086/ahr/99.4.1043.
[526] Justus D. Doenecke, *Nothing Less Than War: A New History of America's Entry into World War I* (Lexington, KY: University Press of Kentucky, 2011), 261.
[527] Bolt and van Zanden, "Maddison Project Database 2023."
[528] Christopher Clark, *The Sleepwalkers: How Europe Went to War in 1914* (London: Allen Lane, 2012), 226.
[529] National WWI Museum and Memorial, 'U.S. Enters the War,', https://www.theworldwar.org/learn/about-wwi/us-enters-war.

unrestricted submarine warfare in February 1917 further pushed the US toward the Anglo-French side and away from the Wilsonian ideal of "peace without victory".[530] The US finally declared war in April of that year, with the arrival of "doughboys" later that year helping to plug the gap left by Russian withdrawal—and eventually contributing to Allied triumph in November 1918.

Victory meant that the US financial sector, which had lent over $7 billion to the Allied powers, cemented its global dominance.[531] Politically, the results were more ambivalent, as US appetites for binding international responsibilities did not match its newfound status as a "super state."[532] The US public was briefly swept up in war fever and Wilson's visions of world governance, but after the armistice, opinions toward European entanglements and global responsibilities soon soured. This disillusionment contributed both to America's failure to join the League of Nations in 1920 and to public hostility at forgiving Franco-British debts throughout the rest of the decade. Allied demands for reparations from Germany were similarly stringent. This created a cycle in which Wall Street financed the newly-formed Weimar Republic, which in turn paid Britain and France its postwar indemnities, which then repaid the debt they had accrued to US banks.[533] Although the system was far from ideal, it could continue as long as American banks had money to lend and the rest of the world could gain access to dollars through exports to the United States. Through this precarious arrangement, private finance in New York was embedded in global geopolitics at the highest levels. However, the government in Washington largely turned a blind eye to these dynamics, instead focusing its diplomatic energy on arms limitation while largely leaving questions of global commerce and money to JP Morgan and his ilk.

This contradictory stance of private economic embroilment and public parochialism, rather than ideological commitment to protectionism, formed the backdrop against which the Smoot-Hawley tariff was formulated. Although the US ran a large trade surplus throughout the 1920s (which created difficulties for the rest of the world, which needed to accumulate dollars), Hoover nevertheless offered protection as a core 1928 campaign promise. Unlike in previous decades, however, US farmers had suffered a difficult decade of falling prices and feelings of unequal treatment compared to manufacturers. Crucially, they demanded "tariff equality" via increasing agricultural barriers to align with those on industry, rather than lowering industrial tariffs to match those on farmed products. This escalatory logic of competing protection between sectors—already present during the 1928 campaign—formed another core of the political-economic dynamics that shaped the infamous 1930 tariff. Again, though, the causes of the tariff reside primarily in the realm of interests and institutions rather than ideology.

Al Smith, who was tainted by allegations of corruption at New York's infamous Tammany Hall and widespread anti-Catholic sentiment, was easily defeated. Hoover carried 58.1% of the popular vote and 40 of 48 states, earning him 444 electoral votes to Smith's

[530] "Woodrow Wilson, 'Peace Without Victory,' Address to the Senate, January 22, 1917," MIT 21H.102 Multimedia Archive, http://web.mit.edu/21h.102/www/Wilson%20Peace%20Without%20Victory.htm
[531] Nicholas Mulder, "War Finance," in *1914-1918-online. International Encyclopedia of the First World War*, ed. Ute Daniel et al. (Berlin: Freie Universität Berlin, February 8, 2018), https://doi.org/10.15463/ie1418.11220.
[532] Tooze, *The Deluge*, 26.
[533] This situation was precarious and led to multiple renegotiations during the 1920s, for more on the dynamics of these arrangements, see chapter 3.

meager 87.[534] After the landslide 1928 election, which also brought strong Republican majorities in both houses of congress—the House Ways and Means Committee went to work on proposed tariff revisions. It held hearings with almost every industry in "excruciating" detail, receiving testimony from over 1,100 people and totaling 10,684 pages.[535] Most of the process took place behind closed doors, with the best-connected insiders holding the most sway. Critiques of "logrolling" were rampant, even from fellow congressmen.[536] Presenting the Committee's work to the entire House body, Representative Willis Hawley of Oregon announced that the bill would increase 845 of 2683 tariff rates (while lowering 82).[537] Summarizing the bill's origins, Irwin clearly states that ""The Smoot-Hawley tariff was not a response to the Great Depression: preparation for tariff revision began in late 1928."[538]

Despite earlier promises to help agriculture, the balance of protectionism was still tilted toward industry, meaning that when the House passed the bill and the Senator Reed Smoot of Utah brought it to the higher chamber, the details were still far from settled. Given the US Senate's system of equal representation regardless of population, rural states had considerably more sway than in the House, creating division between the versions of the bills that each chamber preferred and seemingly threatening the very existence of the tariff revisions. Political momentum seemed low, with supporters seemingly acting more out of inertia and habit than true commitment.

The House and Senate were still attempting to reconcile their differences when the US stock market crashed on October 24, 1929. Although the crash—and subsequent Depression—is now considered largely the product of restrictive monetary policy,[539] tariff proponents at the time used the downturn to their advantage. Counter to modern free traders' interpretation, they instead claimed that uncertainty over the negotiations (not the looming tariffs themselves) were responsible for the bad economic forecasts. As markets plummeted, the Senate protectionists continued their work relatively undeterred, eventually sending the bill to President Hoover in March of the following year, after making over 1000 amendments.[540] He dutifully signed it on June 17th, 1930. In his justification for it, an air of reluctance is clear, with Hoover citing the extensive negotiations as a reason to finally end the debate. He relied mostly on the delivery of campaign promises as the key reason, saying "I shall approve the tariff bill…it was undertaken as the result of pledges given by the Republican Party at [the convention in] Kansas City. Its declarations embraced these obligations."[541] Further suggesting a lack of enthusiasm for the actual economic provisions of the bill, he repeatedly stated that "no tariff bill…is perfect."[542]

6.3.2) The political-economic consequences of Smoot-Hawley

[534] Howard Zinn, *The Twentieth Century: A People's History* (New York: HarperCollins, 2003).
[535] Irwin, *Peddling Protectionism,* 33.
[536] For example, then-congressman Cordell Hull lambasted the "worst type of logrolling."
[537] Irwin, *Peddling Protectionism,* 36–39.
[538] Irwin, "From Smoot-Hawley," 331.
[539] Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (New York: Oxford University Press, 1996), https://doi.org/10.1093/0195101138.001.0001
[540] Irwin, *Peddling Protectionism,* 67.
[541] "President Hoover on the Hawley-Smoot Tariff Act of 1930." *Advocate of Peace through Justice* 92, no. 3 (August 1930): 191–93. https://www.jstor.org/stable/20681474.
[542] "President Hoover on the Hawley-Smoot Tariff Act of 1930."

Moving to the second point, which frames Smoot-Hawley as an unmitigated disaster: how destructive was the tariff, in both political and economic terms? Domestically, Smoot-Hawley certainly interacted toxically with the worsening recession, as the act "increased the average tariff on dutiable imports from about 40 percent to 47 percent, but price deflation during the Great Depression helped push it up to almost 60 percent in 1932."[543] The "degree to which the Smoot-Hawley tariff was responsible for the severity of the Great Depression has been debated ever since," with many claiming it was a key factor.[544]

However, the hit to overall economic output is now thought to be relatively mild, largely as a result of the fact that imports comprised only 3% of total GDP at the time.[545] As Irwin argues, "the consensus among most economists is that Smoot-Hawley did not play a significant role in generating the Great Depression…monetary policy and financial instability were much more important in driving the economic downturn." Other economic evidence suggests that it may have even *ameliorated* some of the worst effects of the Depression. For example, economic historian Barry Eichengreen "argues that the Keynesian-type stimulus from Smoot-Hawley dominated any foreign retaliation and could have increased GNP by about 2 percent."[546] Regardless of the specific effect, it is clear that the tariff was not a major cause of economic downturn, despite many claims to the contrary.

Aside from the domestic economic consequences, a related argument made about Smoot-Hawley's disastrousness is that it prompted international backlash. This allegedly worsened both the global economic *and* political climate—and may have even led to world war later in the decade. The first half of this statement has more evidence behind it than the latter, but even the narrative of rampant retaliation needs some qualification. As Eichengreen points out, protectionism "had been mounting abroad well before Smoot-Hawley, and a number of countries either had adopted tariff increases or were inclined to do so before the 1930 Tariff Act was passed, much less signed," after Australia, Canada, and New Zealand increased their tariff rates in 1927 and 1928.[547] Combined with Smoot-Hawley, and the reaction against that, the result was fragmentation of the trading system. As Irwin argues, a "higher U.S. tariff also abetted the formation of trade blocs that excluded the United States. Britain, along with Canada, moved to establish imperial preferences that discriminated against U.S. trade, as did other trade blocs that emerged during this period."[548] The Canadian response was most notable, as its deep economic interlinkages promoted an intense reaction against the US tariffs.[549]

While US protectionism may have worsened the international climate in the short run, the strong claim that Smoot-Hawley contributed directly to the outbreak of war appears far more dubious. Adolf Hitler may have pursued economic autarky, but his economic ambitions

[543] Douglas A. Irwin, "U.S. Trade Policy in Historical Perspective," NBER Working Paper No. 26256, National Bureau of Economic Research, September 2019, 33, https://doi.org/10.3386/w26256.
[544] Irwin 2019; President Ronald Reagan adopted a similar line, claiming that Smoot-Hawley "helped sink our country into the Great Depression."
[545] Irwin, "U.S. Trade Policy," 33.
[546] Quoted in Irwin, "From Smoot-Hawley," 335.
[547] Barry Eichengreen, "The Political Economy of the Smoot-Hawley Tariff," NBER Working Paper no. 2001, National Bureau of Economic Research, August 1986. https://doi.org/10.3386/w2001.
[548] Irwin, U.S. Trade Policy, 34.
[549] Judith A. McDonald, Anthony Patrick O'Brien, and Colleen M. Callahan, "Trade Wars: Canada's Reaction to the Smoot-Hawley Tariff," *The Journal of Economic History* 57, no. 4 (1997): 802–26, https://doi.org/10.1017/S0022050700019549.

were inspired by the US *continental* empire, not protectionist trade policy.[550] Furthermore, Italian Dictator Benito Mussolini had already seized power years before Smoot-Hawley, and the embargoes that triggered Japanese aggression against the US would come later in the decade. As renowned economic historian Barry Eichengreen argues, "While not questioning that retaliation took place, it is important, in light of the biases of earlier literature, to take a skeptical view of its generality." The decline in trade had far more to do with a decline in aggregate global demand—itself a key factor in the unemployment that led to fascism and war.[551]

6.3.3) Institutional questions around Smoot-Hawley

Regarding the final point—that Smoot-Hawley should be viewed as far more than a struggle of tariff *rates*—two major themes emerge. First, much of Hoover's support was due to its delegation of some tariff adjustment powers to the President, rather than dedication to protectionism. Additionally, a large share of the criticism about the bill centered around the *process* by which it was formed, rather than the *outcome* it achieved. Both of these findings complicate the simplistic narrative that policymakers "learned" directly from Smoot-Hawley and subsequently rejected trade barriers as a result. As far as Hoover's motivations for signing the bill, his support seems to have stemmed largely from a desire for greater executive power—not simple protectionist thinking or even a sense of obligation to his party and political backers. As historian J. Richard Snyder writes, "Previous examinations of the controversy have focused almost entirely upon the rates themselves and have thereby avoided the significant, difficult, and informative struggle between the President and the Senate…that struggle, it now appears, was as equally significant as the one over the rates themselves."[552]

By mid-1930, Hoover had soured on the bill—instead valuing it primarily for a provision granting him increased power via the "flexible tariff authority."[553] Hoover's own statements make this clear. In his justification for signing the bill, he argued that "the outstanding step of this tariff legislation has been the reorganization of the largely inoperative flexible provision" by providing him with greater autonomy to adjust specific rates without requiring a general revision from Congress.[554] This executive power, he claimed, was needed because economic and technological change may alter the ideal tariff level and require a "prompt and scientific adjustment" without the "disturbance to business" that a new bill would entail.[555] While nascent in 1930, the budding struggle between the President and Congress to assert trade authority would later become a dominant theme in US foreign economic policy.[556]

Hoover's justification for greater executive authority also cited the dangers of Congressional revisions and their "necessary collateral surroundings in lobbies, log-rolling

[550] Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (London: Allen Lane/Penguin, 2006).
[551] Clavin, *The Great Depression in Europe*; Tooze, *The Wages of Destruction*.
[552] J. Richard Snyder, "Hoover and the Hawley-Smoot Tariff: A View of Executive Leadership," *The Annals of Iowa* 41, no. 7 (1973): 1173, https://doi.org/10.17077/0003-4827.11143.
[553] Irwin, *U.S. Trade Policy*, 90.
[554] "President Hoover on the Hawley-Smoot," 192.
[555] "President Hoover on the Hawley-Smoot," 192.
[556] U.S. Const. art. I, sec. 8, cls. 1, 3.

and the activities of group interests, [which] are disturbing to public confidence."[557] While his solution may have been self-interested, the diagnosis was largely correct. Indeed, the process through which Smoot-Hawley was formed was exceedingly prone to interest groups and inside dealings.[558] This was the cause of much public dissatisfaction and condemnation after the 1930, with the "logrolling" becoming notorious.

6.4) International implications

How did the US not foresee the consequences of its actions? Even at the time, it was clear to any informed observer that the entire global financial arrangement was predicated on the ability of debtor nations to export to the United States in exchange for dollars. American refusal to take this into account stemmed largely from denial of the very concept of international duties and an almost ontological refusal to acknowledge the existence of global financial interlinkages. For example, even before the crash, "Washington long refused to acknowledge the link between German reparations and the Anglo-French war debts."[559] This belligerence extended to tariff negotiations, with little concern being paid to the international backlash with which Smoot-Hawley is now so closely associated. As a whole, "protectionist discourse in America concentrated on short-term effects for the United States, as if the country's foreign connections did not exist."[560]

As Douglas Irwin memorably points out, there are more pages in the congressional record of the 1930 tariff dedicated to tomatoes than to the rest of the world combined.[561] At the time, many congressmen defended this approach, with Representative Edward Browne's remarking that "no matter what the people of foreign countries think about our tariff and the tariff duties, it is a question for the people of the United States to decide."[562] As the Depression worsened, Hoover struck a similar tone, claiming that "in the larger view the major forces of the depression now lie outside the United States" and arguing that the US would have recovered if it were not for malign foreign activity.[563]

This myopic view was not purely the result of a lack of information—Wall Street had plenty of economic experts who could (and indeed did) point out the interlinkages. The issue was that these observations were met with deaf ears in Washington. This willful ignorance reflected the same divide between financial centrality and political insularity that emerged during the first years of WWI. As a continent-spanning republic, this divide is perhaps more understandable than hindsight gives it credit for. While deliberate ignorance about the global consequences of US economic decisions is clearly risible, the core instinct to prioritize domestic democratic concerns over those of global commerce is more understandable. Indeed, it was the very subordination of democracy to international exchange that characterized the pre-WWI gold standard and the resulting (geo)political instability.[564] Rather

[557] "President Hoover on the Hawley-Smoot," 192.
[558] Irwin, *Peddling Protectionism.*
[559] Kiran Klaus Patel, *The New Deal: A Global History* (Princeton, NJ: Princeton University Press, 2016), 27.
[560] Patel, 37.
[561] Irwin, *Peddling Protectionism,* 145.
[562] Quoted in Irwin, 146.
[563] Quoted in Patel, *The New Deal*, 34.
[564] Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (New York: Farrar & Rinehart, 1944).

than catastrophic irresponsibility, America's commitment to domestic welfare over the dictates of finance might have represented a good idea, albeit poorly realized. It would eventually be left to Hoover's successor, Democrat Franklin Delano Roosevelt (FDR), to test this idea.

As we see based on the historical evidence, Smoot-Hawley did not immediately become the "byword" for protectionism that it later morphed into and the State Department is wrong to claim that "Smoot-Hawley marked the end of the line for high tariffs in 20th century American trade policy."[565] Trade remained politically contentious for over a decade after the 1930 tariff and it would take years of concerted effort to transform it from partisan issue into a near-universal symbol for the folly of high tariffs. This directly contradicts later presidential statements that Smoot-Hawley immediately formed a "lesson," "tradition," or "identity" in US foreign economic policy. Rather, as this thesis argues more broadly, economic events do not automatically assume clear policy implications directly after they occur. Their meaning must instead be forged through debates and political struggles—including both contests of memory and contests of analogy—that take place over decades. The first important struggles would take place after Hoover was defeated by Franklin Roosevelt in the 1932 election and his ambitious Secretary of State, Cordell Hull, sought to transform both the dominant institutions and historical reference points in US trade policy.

[565] "Protectionism in the Interwar Period," Office of the Historian, U.S. Department of State, accessed March 6, 2026, https://history.state.gov/milestones/1921-1936/protectionism.

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"What is remembered is what becomes reality"
-Patricia Hampl, *I Could Tell You Stories*

Chapter 7) Learning lessons or manipulating memories? Smoot-Hawley and the policy backlash that wasn't

7.1) Periodizing "liberal hegemony"

The United States' journey from an inward-looking and "beggar-thy-neighbor" foreign (economic) policy during the interwar period to that of "benign hegemony" in the postwar era is one of the most frequently discussed transformations in international politics.[566] Various spins on the story abound, but the classical telling insists that an "isolationist" US realized the errors of its post-WWI approach to global politics and vowed not to repeat them again after it was dragged into a second world war in 1941.[567] The defense policy side of this tale focuses on the American decision to keep troops stationed around the world after 1945, citing US withdrawal from Europe after 1918 as an instructive mistake. The economic narrative relies heavily on the perceived failures of interwar protectionism to justify the need for a dramatic reversal. Indeed, if Smoot-Hawley is still widely used as a cautionary tale about the dangers of tariffs, it also doubles as the beginning of a redemptive arc in which the United States learned the "lessons" of the 1930s—or even began a moral conversion away from the evils of protectionism and toward the salvation of free trade.

In many of these tellings, Smoot-Hawley's transformation into a "byword" for protectionist folly reflects a straightforward "learning"[568] process in which policymakers acknowledge the negative consequences of a past decision, then behave differently in future in an effort to avoid future mistakes. In the more religiously-infused chronicles, like those of Ronald Reagan, the US started a moral conversion after the sins of Smoot-Hawley. From 1945 onward, it found salvation in the gospel of free trade and tried to spread it around the world. For Americans, or beneficiaries of US hegemony, these narratives are inherently appealing, paralleling a coming-of-age film or hero's journey in which America accepts its responsibilities and uses its powers for good. A common theme across *Bildungsromane*, stories of religious revival, and epic tales is a pivotal moment of intellectual, spiritual, or moral transformation that shapes all subsequent events. Indeed, such stories would not be as compelling if the protagonist's worldview shifted primarily due to intensive partisan lobbying or evolving economic interests, rather than an earnest conversion. Does America's post-Smoot-Hawley trade policy fit the compelling, yet simplistic, narrative of these genres?

Despite the alluring parsimony of such tales, the historical record suggests that it does not. Indeed, the problem with such neat stories when applied to post 1930 trade policy is that

[566] John J. Mearsheimer, "Benign Hegemony," *International Studies Review* 18, no. 1 (March 2016): 147–49, https://doi.org/10.1093/isr/viv021.
[567] See Robert Kagan, *The World America Made* (New York: Alfred A. Knopf, 2012); G. John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton, NJ: Princeton University Press, 2011); Joseph S. Nye Jr., "The Rise and Fall of American Hegemony from Wilson to Trump," *International Affairs* 95, no. 1 (January 2019): 63–80, https://doi.org/10.1093/ia/iiy212; and Stephen Wertheim, *Tomorrow, the World: The Birth of U.S. Global Supremacy* (Cambridge, MA: Belknap Press of Harvard University Press, 2020). Carla Norrlof, *America's Global Advantage: US Hegemony and International Cooperation* (Cambridge: Cambridge University Press, 2010).
[568] See chap. 2.

they are not supported—and indeed are contradicted—by archival evidence. If the US political class truly did "learn" from the flaws of Smoot-Hawley, we would expect a noticeable reversal in elite opinion from 1931 onward. By 1934 and the passage of the Reciprocal Trade Agreements Act (RTAA), this shift should have been even more pronounced. Such an ideological sea change would then be even more stark after 1945. Archival records, however, paint a far different picture. Indeed, the ways in which Smoot-Hawley emerged as a punching bag in the late 20th and early 21st centuries differ substantially from the ways in which it was criticized shortly after its passage in 1930, with the political battle over Smoot-Hawley's meaning remaining fierce for decades after it was passed.

In stark contrast to bi-partisan consensus about its folly that emerged in the latter half of the 20th century, opinion on Smoot-Hawley fell sharply along partisan lines for years after its passage—even in the deep, early years of the Great Depression. Only after the fierce war of maneuver between Republicans and Democrats was won decisively by the Democrats did the contest over Smoot-Hawley's meaning shift to a more entrenched war of position—a development that coincided with rising US economic dominance. Despite solidifying its meaning within the *leadership* of the two parties, however, the universal condemnation of the Tariff that would persist at the highest levels failed to achieve hegemony fully *within* each party, as both the right of the Republican Party and the left of the Democratic Party continued their dissent well into the 1980s. Meaningful organized resistance was only eradicated after the full triumph of the neoliberal counter-revolution,[569] with dissenters reduced to a mere "underground war." As we saw in the previous chapter, only since the mid 2010s has this resistance truly attempted to assault the entrenched positions that once seemed so formidable.

7.2) Trade debates between Smoot-Hawley and FDR's election

How did voters and elected officials who experienced Smoot-Hawley most directly react politically to its passage and implementation? Fortunately, the US political system provided rapid additional feedback from those outside the executive branch. With American midterm congressional elections occurring every other year in November (halfway between presidential elections) the entire US House and one-third of the Senate were up for reelection less than five months after Smoot-Hawley passed in June 1930. Given the severity of the Wall Street Crash—and the US public's tendency to punish incumbent parties when the economy fares poorly[570]—it is unsurprising that the Republican Party fared extremely poorly in the elections on November 4th of that year. Still, they managed to hang on to a slim 218-216 majority, even after losing 52 seats—the seventh largest loss of seats by a sitting president's party in the 20th century.[571] The GOP eventually lost its slim majority, however, because so many of its elderly representatives died and were replaced by Democrats in special elections before the new Congress was seated thirteen months later.[572] These events

[569] Melinda Cooper, *Counterrevolution: Extravagance and Austerity in Public Finance* (New York: Zone Books, 2024); Stuart Hall, "The Neo-Liberal Revolution," *Cultural Studies* 25, no. 6 (2011): 705–728, https://doi.org/10.1080/09502386.2011.619886.
[570] Kevin B. Grier and Joseph P. McGarrity, "Presidential Party, Incumbency, and the Effects of Economic Fluctuations on House Elections, 1916–1996," *Public Choice* 110, nos. 1–2 (2002): 143–162, https://doi.org/10.1023/A:1013073122941.
[571] Brookings Institution, "Table 2-4," in *Vital Statistics on Congress* (Washington, DC: Brookings Institution, January 2017).
[572] Robert Siegel, interview with Donald A. Ritchie, "A Look Back at the Midterm Election of 1930," *All Things Considered*, NPR, November 3, 2010, https://www.npr.org/2010/11/03/131048598/a-look-back-at-the-midterm-election-of-1930.

reflect more than just the gerontocratic leanings of the US Congress—they also cast doubt on the notion that Smoot-Hawley rapidly transformed public opinion against protectionist representatives. Voters may have begun to reject the Republicans, but only by the slimmest and most contingent of margins. Moreover, the GOP's slide in the House reflected broader economic dissatisfaction, not anger at trade policy specifically, which played an "insignificant role" at the ballot box.[573] If a "lesson" was to be learned from the tariff, it would take longer than five months for voters to absorb it.

Even after losing its congressional majority, there was also little sign of regret in the Hoover administration. As Douglas Irwin writes, the White House did not even consider a course correction, as throughout "1931 and 1932, the response on the trade policy front was inaction: no solutions were offered, and no major change in course was considered."[574] Hoover's own speeches reflect a stubborn commitment to the tariff that actually seem to outstrip his begrudging support in 1930. For example, in the 1931 State of the Union address he defended the trade barriers as necessary to guard against foreign devaluations, stating that "I am opposed to any general congressional revision of the tariff."[575] On the campaign trail in 1932, he appealed to an Indiana audience about the dangers of a Democratic reduction of the agricultural tariff, citing past examples of them doing so.[576] He also sought to highlight allegedly-politicized usage of Smoot-Hawley critiques, noting gleefully that the Democrats had once bashed the 1930 tariff, but now had reversed course in an effort to court rural voters. Far from showing contrition, learning, or a philosophical turnaround, Hoover seems to instead have grown *more* supportive of Smoot-Hawley over time. Indeed, his defenses of the bill in 1931 and 1932 read as far more vigorous from the tepid "no tariff bill has ever been enacted or ever will be enacted under the present system that will be perfect" line that he used to justify signing it in 1930.[577]

If neither the electorate nor the executive had yet achieved the ideational transformation that later US leaders would stipulate, was a philosophical conversion to liberal trade more apparent among the members of the US Congress? Here the answer is more ambiguous, with legislators showing more willingness to reduce tariffs after the 1930 election. However, the change in opinion among representatives mostly reflects a changing partisan composition of the body (one which was not primarily driven by trade preferences), rather than intellectual shifts among individual congresspeople. Furthermore, efforts to erode Smoot-Hawley focused mostly on the institutional division of trade policy powers between the legislature and executive, not tariff levels per se.

Debates in the House reflect a lack of clear consensus, standing in stark contrast to later statements such as Moynihan's. Indeed, on 9 January 1932, Congressman Schafer stated that "I am pleased, from the producing and consuming public standpoint, that I supported and

[573] Douglas A. Irwin, "From Smoot-Hawley to Reciprocal Trade Agreements: Changing the Course of U.S. Trade Policy in the 1930s," in *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century*, ed. Michael D. Bordo, Claudia Goldin, and Eugene N. White (Chicago: University of Chicago Press, 1998), 341.
[574] Irwin, 337.
[575] Herbert Hoover, "Annual Message to the Congress on the State of the Union," December 8, 1931, The American Presidency Project, https://www.presidency.ucsb.edu/documents/annual-message-the-congress-the-state-the-union-24.
[576] Herbert Hoover, "Campaign Speech in Indianapolis, Indiana," October 28, 1932, Miller Center, https://millercenter.org/the-presidency/presidential-speeches/october-28-1932-campaign-speech-indianapolis-indiana.
[577] Herbert Hoover, "Message Regarding the Smoot-Hawley Tariff Act," June 16, 1930, Miller Center, https://millercenter.org/the-presidency/presidential-speeches/june-16-1930-message-regarding-smoot-hawley-tariff-act.

voted for the Hawley-Smoot tariff bill."[578] Congressman Hopkins bashed the Democrats' "great uproar" over the tariff and while Strong of Kansas bemoaned that "I have heard a great deal about the high rates of the Smoot-Hawley tariff bill—in fact, that has been the propaganda of the Democrats, supporters, and free traders."[579] To be sure, many Democrats did condemn the bill, accusing it of causing offshoring, a decline in global trade, and increased international animosity. However, Republicans shot back that Democratic failure to propose any significant change suggested that "the attacks they have been leveling at the Hawley-Smoot law the past 18 months were purely for political effect".[580] This line of attack continued, with Schafer asking the democrats in March: "If the alleged iniquitous Hawley-smoot bill was so terrible and resulted in the present catastrophe confronting this Nation and other nations of the world, why have you not passed legislation to repeal or amend it?"[581]

If all of this could be seen as mere political theater, two important legislative test cases came later in 1932. First, the new Democratic majority in Congress actually did seek to wrest some tariff-making powers back from the president in the form of the Collier Bill, named after Representative James Collier of Mississippi. The proposed legislation would have allowed Congress to move goods from the free list to the dutiable list (or vice versa), created a Tariff Commission to recommend changes in duty levels, and mandated that any tariff concession would require the approval of Congress.[582] It passed the house, as all Democrats voted in favor of the bill, with 94% of Republicans opposing it. It also cleared the Senate, with enough defections among the slim GOP majority to allow a narrow passage. However, Hoover vetoed the bill in May 1932, emphatically stating that there has "never been a time in the history of the United States when tariff protection was more essential to the welfare of the American people than at present." Objecting to any weakened presidential authority, he also claimed that the tariff was "solely a domestic question" and that economic conditions made its maintenance "imperative."[583]

Although it was never signed into law, the fate of the Collier bill is still revealing—perhaps even more so for its failure. Notably, even Democratic lawmakers never expected the piece of legislation to be codified. For example, on May 11th, 1932, President Hoover explicitly stated his intention to veto any amendments to Smoot-Hawley. This speech was entered into the congressional record—suggesting that representatives knew the legislation was not destined to become law. Press accounts from the time also reveal that a presidential veto was all but certain.[584] Collier and other Democrats acknowledged this, but decided to proceed with the vote largely as a means of electoral messaging ahead of the November 1932

[578] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 2 (January 9, 1932): 1632, https://www.congress.gov/72/crecb/1932/01/09/GPO-CRECB-1932-pt2-v75-6.pdf.
[579] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 2 (January 9, 1932): 1629, https://www.congress.gov/72/crecb/1932/01/09/GPO-CRECB-1932-pt2-v75-6.pdf.
[580] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 3 (January 20, 1932): 2363, https://www.congress.gov/72/crecb/1932/01/20/GPO-CRECB-1932-pt3-v75-1-2.pdf.
[581] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 6 (March 28, 1932): 6967, https://www.congress.gov/72/crecb/1932/03/28/GPO-CRECB-1932-pt6-v75-14-2.pdf.
[582] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 6 (March 24, 1932): 6772, 6795, https://www.congress.gov/72/crecb/1932/03/24/GPO-CRECB-1932-pt6-v75-11-1.pdf. The bill also would have authorized reciprocal tariff reductions without Congressional approval (p. 6795), a provision that is often seen as a precursor to the 1934 Reciprocal Tariff Agreement Act. See Irwin, "From Smoot-Hawley."
[583] Quoted in Irwin, 338.
[584] "The Congress: Work Done," *Time*, April 11, 1932, https://time.com/archive/6749044/the-congress-work-done-apr-11-1932.

presidential election.[585] Even when granted the flexibility of performing only for the stage of political theater, however, the Democratic Congress was still cautious about aggressive critiques of high tariffs. Indeed, Collier's proposed legislation never explicitly sought to lower trade barriers. Rather, it was a procedural-institutional critique, in some ways mirroring Hoover's reasoning for signing the 1930 bill in the first place. The fact that even a performative 1932 rebuke of Smoot-Hawley targeted not the ends of the tariff—but rather the means of its enactment—suggests that later advocates of the "lesson" narrative may not be identifying actual historical learning. Instead, they seem to be ventriloquizing their own contemporary political preferences though the lips of those whose chronological proximity to the event often precludes a prominent voice on the matter in the present day.

If the Collier bill was an exercise in performance, the 1932 Revenue Act sat on the opposite end of the practicality spectrum. Given the toxic combination of declining federal tax receipts during the Depression and Hoover's dedication to balanced-budget orthodoxy, Congress was faced with a massive fiscal cliff. In late 1931, Treasury Secretary Andrew Mellon advocated a "vigorous and continued effort to reduce expenditures," a task that required both spending cuts and tax hikes (which he had previously opposed).[586] The resulting legislation contained across-the-board taxation increases, ranging from higher corporate rates to new gift duties to a manufacturers' excise tax. Domestic receipts were not the only source of increased revenue, however. Instead, "despite the efforts to keep the tariff issue out of the revenue bill, it got in early and stayed in till the last."[587] Increased duties on imported lumber, copper, rubber, oil, and coal were added to the (now) infamous Smoot-Hawley levels. Rather than repudiate the 1930 process, the 1932 approach seemed eerily familiar. As economists Gladys and Roy Blakey observed in 1932:

> "Naturally, when the tariff pie was cut, nearly everybody wanted a slice. Senator Shipstead (Minnesota) came forward with an amendment providing for a tariff on vegetable oils; Senator Norbeck (South Dakota) with one for butter; Senator Oddie (Nevada) wanted a tariff on manganese bearing ores; Senators Norris (Nebraska) and Frazier (North Dakota) revived the export debenture plan for agriculture; and so on. Most of the Democrats, having previously cast aside their economic principles relative to tariffs, seemed just as anxious for subsidies as the Republicans."[588]

The congressional record reveals similar themes, with the GOP jumping on the theme of Democratic hypocrisy. As Representative David Hopkins pointed out on January 9, 1932, "For a year and a half the Democrats have joined in a great uproar against the Smoot-Hawley tariff [as] the party's most exuberant orators have pretended to trace the roots of the depression to this 'iniquitous' Republican policy."[589] Congressman Strong of Kansas was similarly defiant, saying that he "voted for the Smoot-Hawley tariff bill because of its splendid protection for agriculture" and calling critiques the "propaganda of the

[585] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 9 (May 11, 1932): 10037, https://www.congress.gov/72/crecb/1932/05/11/GPO-CRECB-1932-pt9-v75-9-2.pdf
[586] United States Department of the Treasury, *Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1931, with Appendices* (Washington, DC: Government Printing Office, 1931), 19, https://fraser.stlouisfed.org/files/docs/publications/treasar/pages/59359_1930-1934.pdf.
[587] Roy G. Blakey and Gladys C. Blakey, "The Revenue Act of 1932," *American Economic Review* 22, no. 4 (December 1932): 637, https://www.jstor.org/stable/1805167.
[588] Roy G. Blakey and Gladys C. Blakey, "The Revenue Act of 1932," *American Economic Review* 22, no. 4 (December 1932): 638.
[589] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 2 (January 9, 1932): 1629–32.

Democrats."[590] He went on to ask: "If the Hawley-Smoot tariff bill was responsible for the unemployment and depression throughout this land, as your Democratic orators try to make the people believe, then, why in the name of goodness, when you have control of the revenue-raising branch of the Government…then why did you not bring in a tariff bill which you believe will cure the situation complained of instead of the camouflage monstrosity which is now pending?"[591]

On the floor of the Senate and House, other Republicans took issue with the specific critiques of Smoot-Hawley. For example, one senator stated that "I want to call your attention to the fact that this tariff of Great Britain was put on in 1927, three years before the Hawley-Smoot tariff bill was passed; and therefore it was not a retaliatory tariff.[592] A Congressman pointed out that "the Hawley-Smoot tariff has not made business good but it has kept it far better than it would have been without it."[593] Throughout 1932, many more would make this exact point: that the Tariff did not cause the Depression—and that it would have been even worse *without* protectionism. Again, we struggle to see the transformation that later free trade advocates would assert occurred after 1930. It would take years for it to morph into a clear-cut "lesson"—and decades for it to turn from a myth, to a tradition, and even to the identity that it became in the late 20th century.

7.3) Roosevelt and the non-repudiation of Smoot-Hawley under FDR

Further evidence for the non-consensus around Smoot-Hawley in the years after its passage is provided by the run-up to, and aftermath of, the 1932 election. Although the political tide was going out on the Republicans, they largely clung to their shrinking terrain on international trade. For example, in the runup to the 1932 election, Republican Senator Henry Hatfield spoke with the *New York Times* to assess Hoover's chance of reelection. Despite evidence to the contrary,[594] Hatfield was defiant, arguing that "the tariff again has become a dominant issue and FDR's "inconsistent attitude toward the tariff, preaching a low tariff in one State, giving lip-service to a measure of protection in others, has been tremendously helpful in advancing the cause of the Republican party, which is uncompromisingly in favor of protection."[595] He went on to argue that voters "have penetrated the haze of Democratic anti-tariff propaganda" and that he therefore predicted "sweeping Republican victories of Senators and Congressmen" because the "electorate now realize they cannot risk lowering the tariff and thus delaying recovery from the depression."[596] Even considering the natural tendency to apply partisan spin prior to an election, these statements still show a remarkable divergence from the subsequent Smoot-Hawley consensus. Any politician would be expected to inflate their party's chance of success, but typically this involves downplaying the least popular issues and emphasizing the

[590] U.S. Congress, January 9, 1932.
[591] U.S. Congress, January 9, 1932.
[592] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 8 (1932): 8267, https://www.govinfo.gov/content/pkg/GPO-CRECB-1932-pt8-v75/pdf/GPO-CRECB-1932-pt8-v75-1.pdf.
[593] U.S. Congress, *Congressional Record*, 72nd Cong., 1st sess., vol. 75, pt. 13 (June 30, 1932).
[594] "Roosevelt Retains Lead in 41 States; Semifinal Report in Digest Poll," *New York Times*, October 29, 1932, https://www.nytimes.com/1932/10/29/archives/roosevelt-retains-lead-in-41-states-semifinal-report-in-digest-poll.html.
[595] "Democrats Predict Margin in Congress; Swanson Sees Majority of Six," *New York Times*, October 24, 1932, https://www.nytimes.com/1932/10/24/archives/democrats-predict-margin-in-congress-swanson-sees-majority-of-six.html.
[596] *Ibid.*

strongest ones. Hatfield's highlighting of the tariff as a potentially *positive* element in the campaign shows that the Republican party was far away from its later embrace of free trade, despite what later GOP presidents would claim.

Herbert Hoover himself would use similar rhetoric. Kicking off his campaign in mid-1931, he argued before the Indiana Electoral Association that "the Republican protective tariff should be maintained."[597] This was not mere rhetoric: despite continued protest from economists, however, he clung to his policy.[598] Shortly before the election, in October 1932, his tone was remarkably similar. Speaking to over 30,000 people in person, and with his address broadcast over the radio, Hoover mocked the Democrats for refusing to support his trade policy. Roosevelt's assertions that US policy might have spread or worsened the downturn globally were met with derision, as Hoover claimed he would treat such statements "with humor."[599] Surprisingly given the later infamy of Smoot-Hawley, he sought to make the economy in general—and the tariff in particular—central to his campaign.

If the worsening Great Depression alone could not inscribe the lessons of Smoot-Hawley into the entire American political consciousness, could Franklin Roosevelt's decisive 1932 presidential run prove more consequential in discrediting protectionism? If viewed selectively, FDR's speeches on the campaign trail could seem to suggest that he was a precursor of his free-trading, Smoot-Hawley-scaremongering successors. Accepting the Democratic nomination at that June 1932 convention, FDR critiqued Hoover's "impregnable barbed wire entanglement around its borders through the instrumentality of tariffs which have isolated us from all the other human beings in all the rest of the round world."[600] Speaking in Seattle in September 1932, he proclaimed "President Hoover probably should have known that [the Smoot-Hawley] tariff would raise havoc with any plans that he might have had to stimulate foreign markets." However, FDR claimed, "when that tariff bill was passed, with its outrageous rates, the President yielded to the demand of those leaders and started us" on the way to "the road to ruin!"[601] He also pointed out another form of hypocrisy, observing that "The same man who tells you that he does not want to see the government interfere in business—and he means it, and has plenty of good reasons for saying so—is the first to go to Washington and ask the government for a prohibitory tariff on his product."[602]

However, a closer look at the archival record reveals that these anti-protectionist statements are only part of the story of the 1932 contest. Indeed, despite Roosevelt's vehement critiques of the Smoot-Hawley tariff during the election campaign and proposal to reach agreements with other countries, trade was not a fully settled issue even *within* the

[597] "Politicians Regard Speech as 1932 Gun," *New York Times*, June 16, 1931, 1, https://timesmachine.nytimes.com/timesmachine/1931/06/16/102239931.html?pageNumber=1.
[598] "Lower Tariff Urged by 180 Economists," *New York Times*, October 17, 1932, 1, https://timesmachine.nytimes.com/timesmachine/1932/10/17/100866219.html?pageNumber=1.
[599] "President at Cleveland," *New York Times*, October 16, 1932, 35, https://timesmachine.nytimes.com/timesmachine/1932/10/16/100808259.html?pageNumber=35.
[600] Franklin D. Roosevelt, "Address Accepting the Presidential Nomination at the Democratic National Convention in Chicago," July 2, 1932, The American Presidency Project, https://www.presidency.ucsb.edu/documents/address-accepting-the-presidential-nomination-the-democratic-national-convention-chicago.
[601] Franklin D. Roosevelt, "Campaign Address in Seattle, Washington on Reciprocal Tariff Negotiations (Excerpts)," September 20, 1932, The American Presidency Project, https://www.presidency.ucsb.edu/documents/campaign-address-seattle-washington-reciprocal-tariff-negotiations-excerpts.
[602] Franklin D. Roosevelt, "Campaign Address on Progressive Government at the Commonwealth Club in San Francisco, California," September 23, 1932, The American Presidency Project, presidency.ucsb.edu/documents/campaign-address-the-commonwealth-club-san-francisco.

Democratic Party, with the *New York Times* citing it as a "hard battle" within the party.[603] Additionally the Democratic platform itself was also relatively tame on the matter of trade, even contradicting Roosevelt. It stated that "we advocate a competitive tariff for revenue with a fact-finding tariff commission free from executive interference, reciprocal tariff agreements with other nations, and an international economic conference designed to restore international trade and facilitate exchange."[604] For his part, FDR promised not to strip away protection for American industry due to the high unemployment rate.[605]

This balancing act worked well at the ballot box. Roosevelt won one of the most decisive elections in US history, claiming 57% of the popular vote and a resounding 472 of 531 electoral votes. Democrats also won at the legislative level, earning decisive majorities in both the House (313-117) and Senate (59-36). These results were not primarily the result of tariff policy, however.[606] Rather, voters were broadly frustrated by the economic downturn and Hoover's stubbornness about robust government intervention. As a whole, then, the 1932 campaign does reveal some nascent movement toward free trade and internationalism in the Democratic Party. However, any rhetorical similarities with postwar presidents likely reflects cynical campaign tactics more than shifting convictions. Moreover, fierce Republican defense of the tariff shows that the Smoot-Hawley consensus was a long way off from achieving hegemonic status.

With a Democrat assuming the presidency in March 1933, there was an impressive opportunity to alter US trade policy. As Douglas Irwin writes, "democrats got a better opportunity to put their mark on tariff policy when they were swept into power in the election of 1932." However, FDR began his first campaign for US president in 1932 along similarly economic nationalist lines as his predecessor. In what Kiran Klaus Patel terms "insulationism" (as opposed to the overused and historically dubious term "isolationism"[607]), Roosevelt and his New Deal allies also sought to prioritize domestic recovery. Democrats, cognizant that their electoral gains had little to do with the minutiae of tariffs and more to do with amorphous dissatisfaction with the economy (the dominant issue in the election was actually the repeal of prohibition, which Roosevelt supported)[608] deftly moved from polemical campaign critiques of protectionism to much more pragmatic protection of American industry and agriculture once in office. Clearly, then, the now-notorious Smoot-Hawley tariff did not poison the American populace and political class against the very idea of protectionism and economic nationalism. Rather, the way *in which the bill was formed*, rather than the content itself, was the most off-putting thing to US voters and politicians.

Instead of a congressional revision, economic liberals had to place their faith in presidential action. Roosevelt was measured regarding his desire to liberalize trade, praising it as a goal, but refusing to delay the domestic recovery until the international situation

[603] "Democrats Face Hard Tariff Battle," *New York Times*, May 25, 1932, 14, https://timesmachine.nytimes.com/timesmachine/1932/05/25/100748139.html.
[604] "1932 Democratic Party Platform," June 27, 1932, The American Presidency Project, https://www.presidency.ucsb.edu/documents/1932-democratic-party-platform.
[605] Irwin, "From Smoot-Hawley," 338.
[606] Irwin, 331.
[607] Wertheim, *Tomorrow, the World*.
[608] Helmut Norpoth, "The American Voter in 1932: Evidence from a Confidential Survey," *PS: Political Science & Politics* 52, no. 1 (January 2019): 14–19, https://doi.org/10.1017/S1049096518001014.

improved.[609] As he argued, 1933 "our international trade relations, though vastly important, are, in point of time and necessity, secondary to the establishment of a sound national economy."[610] This prioritization—that domestic prosperity was the underpinning of global harmony, rather than globalism being a goal in and of itself—would later form the basis of the postwar Bretton Woods system.[611] FDR did ultimately ask Congress for greater tariff setting power in April 1933, but it was a low political priority.[612] Indeed, Roosevelt quickly disappointed many of the most ardent free traders in his administration—deprived of power representatives of returned from London Monetary and Economic Conference in June 1933, unable to negotiate.[613] This also disappointed Europeans, of course. [614]

7.4) Cordell Hull and the RTAA

Despite Roosevelt's equivocations over tariff policy some in his cabinet were still staunchly in favor of lower tariffs through international negotiations.[615] The most notable figure in this camp was Roosevelt's Secretary of State, Cordell Hull. Hull has become synonymous with America's pivot from protectionism to free trade and appears to be a singular figure in this transformation. In many ways, he did eventually triumph—both narratively and in terms of policy. However, his struggle over the institutions, ideas, and interpretations of history relevant to US trade is not a story of simple diffusion of a "battle of ideas." Rather, Hull's role somewhat parallels Vocke's in the Bundesbank. That is, both men were able to carve out new institutional ground for reasons that had more to do with bureaucratic wrangling than high-minded politics (although Hull, unlike Vocke, seems to have been an ideological true believer in his cause). From this terrain, Hull was able to wield rhetorical power—including by advancing a simplistic and one-sided account of Smoot-Hawley's effects—in a way that would shape the broader political landscape for decades to come. Leaving office in 1944 due to illness, Hull did not participate much in the "contest of analogy" that late-20th century policymakers would engage in. However, he was a pivotal figure in the earlier "contest of memory" which helped embed the narrative that the Smoot-Hawley was representative of the follies of tariffs *in general* into the American political consciousness.

Hull had long been a true believer in free trade and mostly searched for historical evidence in support of his previously-held political positions. For the most, he was not necessarily an earnest student of history who formed his opinions based solely on experience and observation. While his later career as the country's most prominent critic of

[609] Thomas W. Zeiler, *Capitalist Peace: A History of American Free-Trade Internationalism* (New York: Oxford University Press, 2022), 18.
[610] David B. Woolner, "The Man Who Wasn't There: Cordell Hull, Bretton Woods, and the Creation of the GATT," in *Global Perspectives on the Bretton Woods Conference and the Post-War World Order*, ed. Giles Scott-Smith and J. Simon Rofe (Cham: Palgrave Macmillan, 2017), 250.
[611] John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2 (Spring 1982): 379–415, https://www.jstor.org/stable/2706527.
[612] "Roosevelt Drafts Tariff Proposals," *New York Times*, April 7, 1933, 7, https://timesmachine.nytimes.com/timesmachine/1933/04/07/99303013.html?pageNumber=7.
[613] Zeiler, *Capitalist Peace,* 23.
[614] "Roosevelt Stirs Hopes in Europe," *New York Times*, March 5, 1933, 47, https://timesmachine.nytimes.com/timesmachine/1933/03/05/99297408.html?pageNumber=47.
[615] Irwin, "From Smoot-Hawley," 338.

protectionism might have reflected earnest convictions, however, his origins as a free trader do have a strong material basis. Much of this reflected his birthplace in the export-oriented agricultural South.[616] Elected as a Congressman in 1907, Hull fought vehemently for low tariffs as part of the influential Ways and Means Committee. These views strengthened over time, with Hull eventually being appointed FDR's Secretary of State. Hull accepted the position, but soon grew tired of Roosevelt's equivocation.[617]

His choice to stay was fateful. Reflecting on the his recovery from the disappointment of the London Conference, Hull turned his attention to bilateral agreements.[618] In the subsequent struggles over the direction of Congress, the Democratic Party, and the Roosevelt Administration, Hull wielded history selectively and enthusiastically. After WWI broke out, he developed his now-iconic view that economic rivalry breeds geopolitical conflict, arguing that "freer commerce made for peace and unfair trade made for war." Further, in a 1918 address to Congress he argued that "permanent world peace" could be achieved through the "removal of economic barriers in international finance and commerce."[619] In a very different economic climate after the war, he again claimed that protectionism would bring conflict and proclaimed that "trade between nations is the greatest peacemaker."[620]

This argument is curious, however, given that there was a great deal of economic integration before WWI and relatively little after 1930. Hull's willingness to make the same causal claim in two completely different political-economic climates suggests that the references to Smoot-Hawley he would employ later do not reflect much "learning" from the event, but rather that the tariff formed a pretext for advancing his prior views. He would also use Smoot-Hawley as a scare tactic in support of his agenda, claiming that "precious opportunity will be lost if we, who have in the recent past taken a position of world leadership in this vital work, should now reverse our own policy and turn our face straight back toward suicidal economic nationalism, with its Hawley-Smoot embargoes."[621] In this statement, we see a nascent form of what would later become a popular form of the "contest of analogy," with free traders equating any failure to maintain or advance liberalization as equivalent with the 1930 tariff.

With Hull's encouragement, FDR submitted his tariff powers proposal to Congress, which ultimately passed on June 12th, 1934. Roosevelt had partially come around to Hull's views, stating "that a full and permanent domestic recovery depends in part upon a revived and strengthened international trade and that American exports cannot be permanently increased without a corresponding increase in imports."[622] Overall, however, FDR's speech to Congress requesting increased trade authority is surprisingly cautious and a far cry from the asking for a revolution in global commerce that later free traders would claim it to be. First, he stressed how gradual the process would be, saying that "quick results are not to be expected…the successful building up of trade without injury to American producers depends

[616] Kenneth W. Dam, "Cordell Hull, the Reciprocal Trade Agreements Act, and the WTO: An Essay on the Concept of Rights in International Trade," *New York University Journal of Law and Business* 1 (2005): 209.
[617] Dam, 250.
[618] Cordell Hull, *The Memoirs of Cordell Hull*, vol. 1 (New York: The Macmillan Company, 1948), 356.
[619] Quoted in Dam, "Cordell Hull," 249–50.
[620] Zeiler, *Capitalist Peace*, 22.
[621] Cordell Hull, *War, Peace, and the American Farmer: Address* (Washington, DC: U.S. Government Printing Office, 1939), 667.
[622] Irwin, "From Smoot-Hawley," 340.

upon a cautious and gradual evolution of plans."[623] Next, he again stressed its subordination to other domestic policy goals, stating that "this is an essential step in the program of national economic recovery which the Congress has elaborated during the past year" and that while using the proposed new trade powers, "the Executive must, of course, pay due heed to the requirements of other branches of our recovery program, such as the National Industrial Recovery Act."[624] Next, he emphasized the agreements as an emergency measure, claiming "[the RTAA] is part of an emergency program necessitated by the economic crisis through which we are passing… it should provide that the trade agreements shall be terminable within a period not to exceed three years."[625] Finally, it couched the benefits in primarily domestic, not international, terms, with FDR saying that "a resumption of international trade cannot but improve the general situation of other countries, and thus increase their purchasing power…let us well remember that this in turn spells increased opportunity for American sales."[626]

In the end, the final bill gave the president the ability to "negotiate reciprocal trade agreements with foreign countries for a period of three years" and the power to increase or decrease tariff levels by 50%.[627] The negotiations would occur on a product-by-product basis, not across the board. According to the text of the RTAA, these would be conducted "in accordance with the characteristics and needs of the various branches of American production."[628] As opposed to the earlier process, in which individual congresspeople were susceptible to intense industry lobbying, the president was (in theory) allowed to take a broader view of US interests. One key detail of the RTAA that is often overlooked is that it was technically passed *as an amendment* to Smoot-Hawley, rather than a revision to the prior legislation.[629] For this reason, much subsequent conversation about the 1930 tariff would point out that it has never been repealed—a fact that remains true to this day.

Importantly, there was no text implying that the bill would be liberalizing, as the president's new powers applied symmetrically to both tariff increases and decreases. Indeed, few observers at the time could speculate how it would be used. Because it was an institutional change, not a direct alteration of commercial policy, it faced little lobbying and passed very quickly. This was likely due to the fact that it did not *directly* lower the tariff rate. Summing up the political climate, when asked whether he would lower trade barriers, Speaker Henry T. Rainey replied that "You Republicans will not do it, and we Democrats dare not do it with conditions as they are. We do not want this market flooded with the products of cheap labor in other countries."[630] As Irwin writes, "The RTAA was simply enabling legislation, and no one knew how the authority would be used, how successful the negotiations would be, or how extensive the agreements might be."[631] As a whole, the

[623] Franklin D. Roosevelt, "Message to Congress Requesting Authority Regarding Foreign Trade," *The American Presidency Project*, March 2, 1934, https://www.presidency.ucsb.edu/documents/message-congress-requesting-authority-regarding-foreign-trade.
[624] Ibid.
[625] Ibid.
[626] Ibid.
[627] Dam, "Cordell Hull," 252.
[628]Irwin, "From Smoot-Hawley," 343.
[629] Susan Ariel Aaronson, Who Decides? Congress and the Debate Over Trade Policy in 1934 and 1974 (New York: Council on Foreign Relations, August 2005), https://www.cfr.org/reports/who-decides-congress-and-debate-over-trade-policy-1934-and-1974.
[630] U.S. Congress, *Congressional Record*, 73rd Cong., 2nd sess., vol. 78 (June 1934) (debate on passage of the Reciprocal Trade Agreements Act).
[631]Irwin, "From Smoot-Hawley," 341.

international economic picture did play a role, showing some signs that the US state was beginning to think outside of a purely domestic framework.[632]

Reflecting his proclivity to craft a specific historical narrative, Hull attributed the passage of the RTAA to the legacy of the 1930 tariff. He recalled in his 1948 memoirs that "in both House and Senate we were aided by the severe reaction of public opinion against the Smoot-Hawley Act."[633] This thesis is not supported by the historical evidence, however. As Irwin points out, the "notion that the passage of the RTAA constituted a repudiation of Smoot-Hawley by Congress persists to this day." However, "the passage of the RTAA did not reflect a change in the underlying tariff preferences of individual politicians, just a change in the partisan composition of Congress, namely, the Democratic majority."[634] Indeed, the vote was intensely partisan, with 96 percent of House Democrats approving and 98 percent of Republicans voting against. The Senate divide was slightly less extreme, but still stark, with 93 percent of Democrats in favor and 85 percent of Republicans opposed.[635] Moreover, almost no House members who voted on both Smoot-Hawley and the RTAA changed their votes, suggesting that little "learning" took place.

Although he was later remembered as a pioneer of free trade internationalism, Hull's first struggles on the way to making his views popular across much of the political spectrum were largely internal institutional fights. Many in the administration viewed tariff liberalization as directly in contrast with other New Deal priorities, especially efforts to counteract deflationary pressures and boost agricultural prices. As Hull himself wrote, "The greatest threat to the trade agreements program came not from foreign countries, not from the Republicans, not from certain manufacturers or growers, but from within the Roosevelt administration itself, in the person of George N. Peck, former chief of the AAA [Agricultural Adjustment Act]."[636] Fortunately for both contemporary and future free traders, Hull was adept at negotiating the innerworkings of the Roosevelt administration, asserting trade powers for himself while others focused on economic recovery and later world war. Although he often lacked influence on strategic and military issues, under Hull "the centre for trade policymaking was the State Department"[637] and State quickly "began to see itself as playing a leading role in the establishment, for the first time, of an international economic order based on Hull's vision."[638]

He also developed a cadre of younger State employees who would help enact his vision later in the 20th century. Indeed, under "Hull's leadership, the State Department became the main proponent of this new liberal economic vision, a vision designed and developed by such Hull appointees as Leo Pasvolsky, Harry Hawkins and Herbert Feis, who carried out his mission."[639] They also assisted his effort to shape historical memory. For example, one mid-ranking official argued that "the great Depression of the 1930s, the rise of Hitler, and eventually World War II, was basically the outgrowth of extremely unwise

[632] Irwin, "From Smoot-Hawley," 326.
[633] Hull, *The Memoirs of Cordell Hull*, 1:357.
[634] Irwin, "From Smoot-Hawley," 340.
[635] Irwin, "From Smoot-Hawley," 340.
[636] Hull, *The Memoirs of Cordell Hull*, 1:370.
[637] Francine McKenzie, "Where Was Trade at Bretton Woods?," in *Global Perspectives on the Bretton Woods Conference and the Post-War World Order*, ed. Giles Scott-Smith and J. Simon Rofe (Cham: Palgrave Macmillan, 2017), 265.
[638] Woolner, "The Man Who Wasn't There," 252.
[639] Woolner, 248.

economic policies" and also thought that "economic well-being was an essential ingredient of postwar peace."[640] This directly supported Hull's message that "freer commerce made for peace and unfair trade made for war."[641] Here, we see the institutional mechanism for a contest of memory. Although there was no consensus that Smoot-Hawley caused the Depression and WWII, Hull had adeptly used the narrative to increase his power, then used that power to further promulgate his reading of history.

Although Roosevelt was inconsistent regarding his views about the role of free trade in promoting peace—and the relationship between domestic and international economic policy—occasionally his thinking shows the clear marks of Hull's thinking. As he stated in a 1936 speech, in the field of "economic barriers, the American policy may be, I hope, of some assistance in discouraging the economic source of war and therefore a contribution toward the peace of the world." US trade policy, he claimed, is not just about "finding outlets for the products of American fields and American factories but are also pointing the way to the elimination of embargoes, quotas and other devices which place such pressure on Nations not possessing great natural resources that to them the price of peace seems less terrible than the price of war." While clearly drawing the link Hull would make famous, he was far more humble than his Secretary of State, saying that "we do not maintain that a more liberal international trade will stop war; but we fear that without a more liberal international trade, war is a natural sequence."[642]

Although Congress might not have known the impact when they approved the RTAA, the results were impressive: "In the first three years of the program, reciprocal trade agreements were signed with 22 countries, with an increase in exports to those countries of 61%, as opposed to an increase of 38% for other countries during the same period."[643] As agreements proliferated and the State Department won many institutional struggles within the Roosevelt administration, Hull's influence and credibility. the credibility of Hull's program gained momentum, with the result that the Act was renewed in 1937, 1940, 1943, and 1945."[644] In defense of it during renewal debates, Congress often cited the *institutional and procedural benefits* of the RTAA, rather than the *exact tariff rates*. For example, many Senate records from the 1940s recall the Smoot-Hawley process with horror, citing the unseemly influence campaigns as a key reason for delegating tariff authority to the US president.[645] During one renewal debate in 1943, Senator Clark of Missouri lambasted the "horse-trading" though which industries lobbied for protection, with several other senators criticizing the "logrolling" that accompanied the bill's crafting.[646]

At this time, Hull's argument that protectionism causes conflicts started to show some mild traction in Congressional debates. Much of this was the result of a concerted publicity effort, including multiple radio addresses and speeches to universities and trade

[640] Quoted in McKenzie, "Where Was Trade at Bretton Woods?," 265.
[641] Woolner, "The Man Who Wasn't There," 249–50.
[642] Franklin D. Roosevelt, "Address at Chautauqua, N.Y.," *The American Presidency Project*, August 14, 1936, https://www.presidency.ucsb.edu/documents/address-chautauqua-ny.
[643] Dam, "Cordell Hull," 252.
[644] Dam, "Cordell Hull," 252.
[645] Edward Knudsen, "Smoot-Hawley, McKinley, or a Brave New Trading World? Historical Analogy and the Future of U.S. Trade Policy under Trump," *Transatlantic Perspectives* (American-German Institute, December 23, 2024), https://americangerman.institute/publication/smoot-hawley-mckinley-or-a-brave-new-trading-world/.
[646] U.S. Congress, *Congressional Record*, 78th Cong., 1st sess., vol. 89, Senate section (May 28, 1943), https://www.congress.gov/bound-congressional-record/1943/05/28/senate-section.

associations.[647] For example, before the 1945 renewal vote, a Democratic Congressman stated that a failure to approve the RTAA would result in the restoration of Smoot-Hawley, that "we all know what happened under the Smoot-Hawley bill with its policy of extreme nationalism," and that "extreme nationalism is the evidence of a nation on the journey to war."[648] His three-part argument broadly mirrored Hull's thinking. Still, this narrative had a strong partisan bent and was still associated closely with Hull himself. As one *New York Times* piece that Senator Walter George had inserted into the Congressional record states, "There is an influential Republican group which has never accepted the theory of the Hull agreements and hopes to return after the war, to that economic nationalism, best expressed in the Smoot-Hawley tariff law, which many charge with large responsibility in bringing on the present conflict between the have and have not nations."[649] Indeed, one Republican Congressmen lamented in 1945 that "even now, as the war ends in Europe and courts are organized to try and convict the war criminals who brought it about, there again comes the allegation that the Hawley-Smoot tariff law caused the war."[650]

To the extent that a narrow set of politicians did equate trade with peace, they almost always asserted that it *did so through the intervening mechanism* of greater employment, rather than that *trade itself* promoted peace. While this link in the causal chain would later be dropped after the neoliberal turn (see chapter 9), it was a clever way of reconciling liberal trade policy with the pro-worker ethos of the New Deal. As Francine McKenzie argues, during WWII "international trade was identified as a way to alleviate poverty and combat want, conditions widely believed to have contributed to the deterioration of international relations that had resulted in war."[651] Hull was a rare exception, often directly stating that trade resulted in peace. However, even he observed that lower unemployment in Italy and Germany would have reduced support for fascism[652]—a belief of his that actually is corroborated by econometric research and the historical record (see chapter 3).

Again, we see that the "conversion" narrative around 1934 and the RTAA has little evidence to support it. The chief backer of the bill had been a devotee for decades, while Congressional approval hinged on broader political swings and the partisan composition of the House, not personal ideological shifts among policymakers. Moreover, Republican resistance remained stiff. Senator Arthur Vandenberg of Michigan stated in 1934 that the RTAA is "fascist" because it allowed the president to tax imports without congressional authorization.[653] The Republican platform of 1936 demanded outright repeal, condemning the Act as "destructive" for flooding American markets with foreign goods and "dangerous" for operating through secret executive negotiations exempt from legislative accountability or input.[654] Much as in 1936, the 1940 GOP election platform strongly criticized the RTAA,

[647] See Christopher Newport University Library, "Primary Sources: The 1940s: Hull, Cordell," *LibGuides*, n.d., accessed March 6, 2026, https://cnu.libguides.com/ps1940s/cordellhull.
[648] U.S. Congress, *Congressional Record*, 79th Cong., 1st sess., vol. 91, House section (June 1, 1945).
[649] U.S. Congress, *Congressional Record*, 78th Cong., 1st sess., vol. 89, pt. 4 (May 24, 1943): 4780, https://www.congress.gov/78/crecb/1943/05/24/GPO-CRECB-1943-pt4-7-1.pdf.
[650] U.S. Congress, *Congressional Record*, 79th Cong., 1st sess., vol. 91, House section (May 25, 1945).
[651] McKenzie, "Where Was Trade." 263.
[652] Zeiler, *Capitalist Peace*, 33.
[653] Irwin, "From Smoot-Hawley," 345.
[654] Irwin, 345.

advocating "a foreign trade policy which will end one-man tariff making."[655] The document went on to "condemn the manner in which the so-called reciprocal trade agreements of the New Deal have been put into effect without adequate hearings, with undue haste, without proper consideration of our domestic producers, and without Congressional approval."

7.5) Postwar preservation of the RTAA

The final "turning point" that proponents of the Smoot-Hawley conversion myth focus on is the immediate postwar period. In many ways, the preservation of the RTAA and absence of a strong protectionist resurgence after 1945 is remarkable. For over a decade, Republicans had treated the RTAA not merely as bad policy but as a constitutional affront. Before the 1944 election, the official Republican position on trade softened somewhat, with their platform arguing that "a great extension of world trade will be necessary to repair the wastes of war and build an enduring peace" and promised to "join with others in leadership in every co-operative effort to remove unnecessary and destructive barriers to international trade."[656] However, their platform again rejected RTAA's logic, stating that "the domestic market is America's greatest market and that tariffs which protect it against foreign competition should be modified only by reciprocal bilateral trade agreements approved by Congress."[657] As late as the 1945 renewal vote, 81 percent of House Republicans voted against it.[658] Clearly, then, there was no mass ideological conversion—even after experiencing both Depression and war.

Rather, the shift was primarily due to shifting economic interests. Indeed, when the GOP won control of Congress in the 1946 midterm elections—its first congressional majority since 1930—it not only failed to dismantle the RTAA but allowed the Geneva negotiations that produced the General Agreement on Tariffs and Trade to proceed without serious interference. Indeed, the evidence points not toward ideological conversion but toward something considerably more mundane: a new configuration of economic interests and new incentives reinforced by the specific institutional constraints of the RTAA. In particular, the dominant economic position that the US found itself in after WWII was largely responsible for Republicans' about-face. As Irwin observes, "World War II so damaged European and Asian economies that foreign competition was no longer a concern for American producers, many of whom now wanted access to foreign markets to expand their sales."[659] Export-oriented interests now included both capital *and* labor, making liberal trade much more politically attractive across the political spectrum.

Furthermore, it was the RTAA's institutional design, not merely historical learning, that caused change.[660] The delegation of tariff-making authority to the executive shifted the political

[655] "Republican Party Platform of 1940," June 24, 1940, The American Presidency Project, https://www.presidency.ucsb.edu/documents/republican-party-platform-1940.
[656] "Republican Party Platform of 1944," June 26, 1944, The American Presidency Project, https://www.presidency.ucsb.edu/documents/republican-party-platform-1944.
[657] "Republican Party Platform of 1944," June 26, 1944, The American Presidency Project, https://www.presidency.ucsb.edu/documents/republican-party-platform-1944.
[658] Irwin, "From Smoot-Hawley," 345.
[659] Douglas A. Irwin, "U.S. Trade Policy in Historical Perspective," NBER Working Paper no. 26256 (September 2019): 18–19, https://doi.org/10.3386/w26256.
[660] For the classic institutional take, see Michael A. Bailey, Judith Goldstein, and Barry R. Weingast, "The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade," *World Politics* 49, no. 3 (April 1997): 309–338, https://doi.org/10.1353/wp.1997.0007.

default: the status quo was now lower tariffs, and reversing it required overcoming both the inertia of existing treaty commitments and the reputational cost of being seen to raise barriers. Indeed, what the RTAA mechanism achieved was not primarily to cut tariffs but to formally bind them at their de facto lower levels, raising the institutional and political cost of any subsequent congressional attempt to reverse the drift. For Republicans contemplating restoration of pre-war protection levels, this created a formidable obstacle: such a move would require a visible, affirmative legislative act against a background of public opinion that consistently showed majority support for lower tariffs in the context of reciprocal agreements.[661]

Still, interests were the dominant factor.[662] The surface appearance of bipartisan consensus around trade liberalization concealed a more conditional set of political calculations: not ideological conversion, but interest-group arithmetic operating within a new institutional framework. Republicans did not kill the RTAA in 1946 for the same structural reason that Democrats had not simply repealed Smoot-Hawley in 1933: the political and economic conditions that had produced the offending policy no longer existed, and the conditions that would make reversal rational had not yet arrived. What the post-Smoot-Hawley "redemption" narrative reads as ideological conversion, rather reflects changing material circumstances and the mutually-reinforcing relationship between historical memory and economic interests. However, the institutional arrangement granted by the RTAA did allow advocates of this narrative to gain both political and rhetorical power. With this they helped shape a historical narrative that would prove influential even decades later.

[661] Irwin, "From Smoot-Hawley," 348.
[662] Michael J. Hiscox, "The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalization," *International Organization* 53, no. 4 (Autumn 1999): 669–698, https://doi.org/10.1162/002081899551039.

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"To articulate the past historically does not mean to recognize it 'the way it really was.' It means to seize hold of a memory as it flashes up at a moment of danger."
-Walter Benjamin, "Theses on the Philosophy of History"

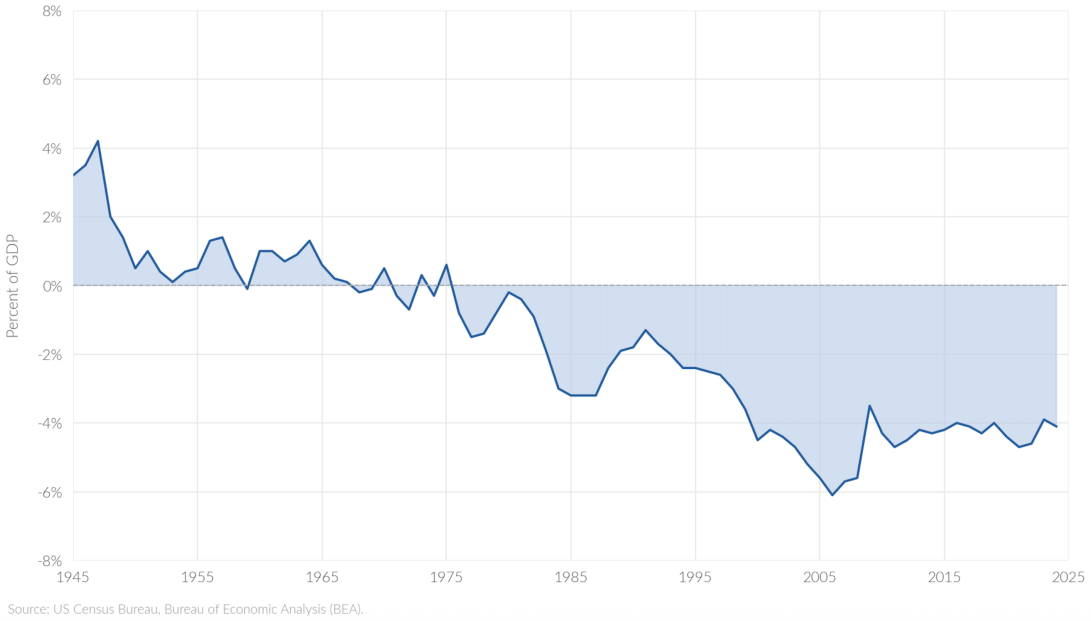
Chapter 8: The Rise and Fall of Smoot-Hawley Hegemony

8.1) The shifting significance of Smoot-Hawley

If the fifteen years between the signing of the Smoot-Hawley tariff and the end of WWII did not see a consensus emerge around the meaning of the 1930 Act or the follies of protectionism in general, when and why did this hegemonic reading of interwar history emerge? What role did it play in the post-Cold War era of globalization? And as it breaks down amid our current "end of the end of history" moment, will another historical narrative emerge to replace it? Or will the past events that we use to inform and justify current policy decisions remain as fractured and conflicted as the current political landscape?

To answer these questions, this chapter examines US trade policy, and the use of historical memory in relevant debates, from 1946 to the present. It focuses on six key episodes during this 80-year time span: the immediate post-WWII years, the Kennedy Round negotiations of the General Agreement on Tariffs and Trade (GATT) in 1964–1967; the "Nixon Shock" and collapse of Bretton Woods in the early 1970s; the trade disputes with Japan leading in the 1980s; the post-Cold War "peak Globalization" period between the signing of the North American Free Trade Agreement (NAFTA) and China's 2001 accession to the WTO; and the post-2008 breakdown of the free trade consensus, culminating with the 2016 election of Donald Trump and the ongoing struggle. Specifically, it focuses on how narratives surrounding Smoot-Hawley have been used during each and the way in which those retellings of history have

Figure 8.1: US Goods Trade Balance, % of GDP



themselves been transformed over time—at the same time as they have been wielded to alter the course of US trade policy.

Although this story centers around changing narratives of the past and shifting historical memories, it is fundamentally a matter of both ideological convictions *and* material circumstances and interests. That is, the ways in which interwar economic history has been used in the post war period cannot be separated from the United States' relationship with the global economy—specifically its balance of trade and the effect on trade-exposed domestic producers and workers. Although international economists frequently tout the aggregate benefits of low tariffs, political economists are often keen to observe that the concentrated nature of the negative effects can produce a greater political impact than the diffuse benefits of cheaper imports.[663] For several decades after WWII, mitigating the consequences of competitive foreign products was not yet a concern for the US. As figure 8.1 demonstrates, the US was in a position of economic dominance in the late 1940s and early 1950s, boasting nearly half of world GDP as well as a sizeable trade surplus. This created a broad-based coalition in which both labor and capital benefitted from free trade, as the US could export industrial goods to the war-ravaged economies of Europe and Asia.

As the trade balance shrank in the 1960s, the consensus largely remained, although enthusiasm for liberalization faded. Beginning in the 1970s, organized labor largely defected from the free trade consensus, with Nixon's unilateralist policies (discussed in chapter 5) disrupting the landscape. In the 1980s, opposition from labor further increased, but Cold War logics and the Reagan administration's anti-union stance ensured that free trade broadly persisted. This decade saw the peak of Smoot-Hawley invocations, achieving a narrative hegemony that masked shifting material realities. In the 1990s and early 2000s, the fall of the USSR appeared to have ushered in a convincing victory for global capital, even as the foreign prerogatives of the Cold War undermined the necessity of maintaining free trade. This allowed fringes on the right and left of the political spectrum to begin undermining the consensus, although presidential primary challengers in both the Democratic and Republican Party failed to gain sufficient traction (a fact that was also shaped by the heightened security atmosphere of the global war on terror, or GWOT).

Only in the mid-2010s, after the 2008 Global Financial Crisis discredited neoliberal capitalism and knock-on effects of deindustrialization continued to take their toll on the US population[664], did credible challengers free trade emerge in both major parties. In the GOP, Donald Trump's 2016 victory ushered in a new era for trade and the Democratic Party, with Bernie Sanders' close calls in both 2016 and 2020 fresh on the leadership's mind, did not mount a substantial challenge. As of 2026, both Democrats and Republicans are struggling to craft a new consensus, one that is sure to have different policy implications that the pro-liberalization Smoot-Hawley reference of the late 20th Century. As the US abandoned its role of liberal hegemon, however, the mantle of defending global trade fell largely to other countries and multilateral organizations—they would also take up the task of preserving the 1930 tariff's memory.

[663] Gene M. Grossman and Elhanan Helpman, "Protection for Sale," *American Economic Review* 84, no. 4 (September 1994): 833–50.
[664] Justin R. Pierce and Peter K. Schott, "Trade Liberalization and Mortality: Evidence from US Counties," *American Economic Review: Insights* 2, no. 1 (March 2020): 47–64, https://doi.org/10.1257/aeri.20180396.

The use of Smoot-Hawley in the US Senate and House of Representatives is closely interlinked with these economic and political shifts. In the immediate postwar period (8.2), with memories of the 1930s fresh in many policymakers' minds, there was a wide range of nuanced perspectives on the tariff. Smoot-Hawley was criticized on substantive *and* procedural grounds and debates centered around the actual tariff levels relative to 1930. Debates contesting the causality of the tariff leading to the Depression were common ("contest of memory") and it was largely a partisan cudgel, as Democrats were keen to use Republicans' support of the tariff against them for political purposes.

After WWII, many Republicans even defended their support of the tariff, suggesting that a hegemonic memory of 1930 was a long way off at the time. After the publication of Cordell Hull's memoirs in 1948 (which references Smoot-Hawley negatively dozens of times), the emergence of the Cold War and the rise of a bipartisan foreign policy consensus, and the US' clearly dominant economic position, an increasingly solidified memory of the 1930 tariff began to emerge. Many retellings closely resembled Hull's belief that protectionism causes war and liberalization results in peace. Dozens of direct references to the former Secretary of State suggest that it was his own words that helped influence elite opinion—a trend that only increased as he was further mythologized after his death in 1955. With most of the space for a contest of memory closed advocates of protectionism began to resort to a contest of analogy, arguing that the present situation was unlike the interwar period. A clear frustration with perceived overuse of Smoot-Hawley is also apparent in the debates.

By the 1960s (8.3), the partisan divide had almost fully disappeared and almost every debate over GATT rounds or the 1962 Trade Expansion Act featured extensive uses of Smoot-Hawley, with any hesitance toward embracing these measures painted as a "return" to the 1930s. Retellings of history grew increasingly ideological, with representatives stating confidently that it led directly to the Depression and even the outbreak of WWII. Procedural critiques about logrolling gave way to simplistic critiques of tariff levels or even a general "philosophy" of protectionism and failure to liberalize was portrayed as equivalent to active increases of trade barriers that were akin to "going back" to Smoot-Hawley. The language of "lessons" also became dominant during this period, suggesting that both a hegemonic outcome of the contest of memory and the contest analogy had emerged. As the Nixon shock of 1971 reshaped the global trade landscape, free traders resorted to Smoot-Hawley references to swim upstream against the current of shifting material interests. Defenders of free trade employed even more overstated readings of the 1930s. Trade skeptics were forced onto the backfoot by this historical hegemony, typically prefacing contest of analogy statements with critiques of Smoot-Hawley. The linked material reality with these criticisms, pointing out that the US no longer benefitted unequivocally from free trade and that the historical comparisons were therefore invalid.

By the late 1970s (8.4), the US trade balance consistently slipped into the negative and the 50th anniversary of Smoot-Hawley approached. By this point, personal memory had almost fully faded to collective memory and distorted and politicized uses of memory further increased. Defensive memory battles to displace hegemony were increasingly sidelined, and the 1930-40s war of maneuver and 1950s-70s war of position shifted to an "underground war" by the 1980s. Importantly, it was in this decade that references to Smoot-Hawley reached their

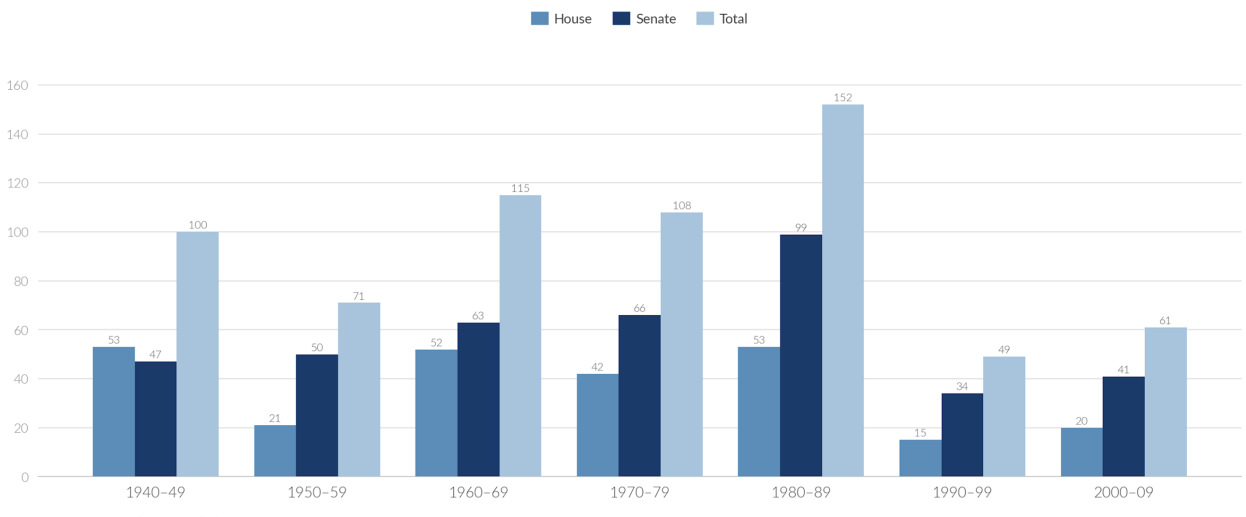
peak (see figure 8.2). This further suggests that simple "learning" narratives are insufficient, as those closest to the event deployed its memory *less* than those a half-century later. This reflects the politicization and popularization of hegemonic memories that is discussed in chapter 2. In addition to shifting memory dynamics, persistent deficits—and the related widespread deindustrialization—demanded ever-stronger rhetorical efforts to preserve a liberal trading approach. Although previous presidents had cited Smoot-Hawley in smaller speeches, Ronald Reagan made it a centerpiece of a national address in 1984. By this time, hegemony was likely near its peak, at least within the United States.

After the end of the Cold War (8.5), Smoot-Hawley was further employed not just to defend against protectionism, but also as a sword to cut down trade barriers. By this point, it was not only failures to renew trade promotion authority or a lack of progress on GATT negotiations that could be painted as a "return" to Smoot-Hawley—failures to sign large plurilateral agreements like NAFTA or approve of global multilateral organizations like the WTO were akin to the 1930 tariff. Hull's narrativel also shifted slightly: instead of trade as a tool for peace *through the channel* of *employment* increases, *trade itself* was perceived as the mechanism for promoting geopolitical tranquility. At the same time, material consequences of relatively open trade and perceived overuse of references to the interwar period began to undermine the hegemony of the narrative on both fringes of the political spectrum. Party elites used it to maintain control, but their grip was slowly fading, especially after 2008. Over the next decade, international uses of the memory increased, notably under Pascal Lamy at the WTO. Lamy would attribute the tariff to helping preserve a relatively open system after the GFC, showing how historical memory can prolong policies after the material sell-by date.

At the same time, Smoot-Hawley faded at home, failing to help win approval for Transatlantic Trade and Investment Partnership (TTIP) or the Transpacific Partnership (TPP), despite President Obama's invocation of the tariff. By the late 2010s, die-hard supporters of trade in the media and think tank world still used the analogy to critique increasingly protectionist currents, but the memory had lost its power—demonstrating that while memory can be powerful for shifting policy, it cannot prolong a status quo after the material basis for

Figure 8.2: Smoot-Hawley References: House & Senate Floor

Distinct Congressional Record entries per decade, 1940–2009



Source: Congress.gov; author's own calculations

its support has almost entirely evaporated. As of the 2020s, Smoot-Hawley references remained popular in increasingly isolated free trading circles, but the commanding heights of both parties were engaged in a frantic search for a new "usable past" to justify and guide their respective pivots to economic nationalism.

8.2) Building consensus, 1946–1959

Picking up on chapter 7's argument that there was no immediate "learning" process after Smoot-Hawley, we see that the postwar legislative record reconfirms this interpretation. The Republican Congress of 1948 extended presidential negotiating authority for a single year—suggesting that enthusiasm for the program remained limited, particularly among the GOP.[665] However, material interests and the early Cold War context gave Republicans a reason to swallow their reservations. Given the emerging consensus that a project of rebuilding European and Japanese economies through trade served the strategic objective of denying communism the fertile ground of economic desperation, opposition to free trade was limited by foreign policy prerogatives.[666] This force in fact pressured both parties toward a free trade direction until at least the end of the Cold War—and in many cases beyond. This is less suggestive of ideological conversion than of foreign policy pressure overriding domestic economic preferences—something we will return to in the conclusion.

Furthermore, the bipartisan convergence that defines postwar trade politics cannot be understood apart from the material conditions that made it possible. By 1947, the United States had led the first GATT round at Geneva, cutting its own duties by an average of 35 percent and anchoring a multilateral framework that would govern world trade for the next half-century.[667] Average American tariffs had already fallen from nearly 60 percent in 1932 to approximately 25 percent by the late 1940s. A substantial trade surplus—underwritten by the dominance of US manufacturing in war-depleted world markets—gave broad support to the new trading order.[668]

Although no reading of Smoot-Hawley was yet hegemonic, we see the Republican party bending to Hullian orthodoxy. Speaking in the first session of the 80th Congress, a Republican senator conceded that "we, as a party, have much to answer for as far as the development of unfortunate international economic conditions are concerned as a result of some of the features of the Smoot-Hawley tariff."[669] This formulation acknowledged partisan culpability while carefully limiting it to the tariff's "features" rather than its existence as such. A colleague went further, casting himself as one of the few Republicans who had

[665] Douglas A. Irwin, "From Smoot-Hawley to Reciprocal Trade Agreements: Changing the Course of U.S. Trade Policy in the 1930s," in *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century*, ed. Michael D. Bordo, Claudia Goldin, and Eugene N. White (Chicago: University of Chicago Press, 1998), 347, https://www.nber.org/books-and-chapters/defining-moment-great-depression-and-american-economy-twentieth-century/smoot-hawley-reciprocal-trade-agreements-changing-course-us-trade-policy-1930s.
[666] Douglas A. Irwin, "U.S. Trade Policy in Historical Perspective," NBER Working Paper no. 26256 (Cambridge, MA: National Bureau of Economic Research, September 2019), 16, https://doi.org/10.3386/w26256.
[667] Douglas A. Irwin, "The GATT in Historical Perspective," *American Economic Review* 85, no. 2 (May 1995): 323–28, esp. 325. The Geneva Round of 1947 produced the most significant tariff reductions of the early GATT era; by Irwin's account the United States led by cutting its own duties by 35 percent on average.
[668] Irwin, "U.S. Trade Policy." Irwin calculates the average tariff on dutiable imports falling from approximately 59 percent in 1932 to 25 percent by the late 1940s and roughly 12 percent by the mid-1950s. The persistent US trade surplus of this period is documented in his three-era framework at pp. 4–5.
[669] U.S. Congress, Senate, *Congressional Record*, 80th Cong., 1st sess., vol. 93, pt. 1 (January 27, 1947), 609.

resisted what he described as "the theory of protection gone mad."[670] In this context, Republican disavowal of Smoot-Hawley was less an intellectual conversion than a strategic political calculation and a foreign policy necessity.

As the Republicans ceded rhetorical ground, the Democrats advanced. In 1949, Representative Boggs of Louisiana attributed the claim that the tariff had "contributed directly to the economic collapse here and abroad, and sowed the seeds for the rise of Hitlerism and World War II" to "many historians."[671] The rhetorical move—laundering political conviction as scholarly consensus—would become characteristic of congressional discourse on the subject.

Still, the "contest of memory" around the tariff was not yet fully settled. In September 1950, a senator made the chronological objection that would become the standard weapon of this contest, observing simply that "the Smoot-Hawley tariff bill was enacted in 1930, and the depression started in 1929." [672] He then even highlighted the memory battles currently being waged, pointing out that the idea had been "so thoroughly sold by special writers throughout the country that those phrases are mouthed without people thinking what they are saying." [673] The objection was reiterated almost verbatim in February 1953, with the sarcastic comment that the tariff "was not passed until 1930, and the depression came along in 1929—that was just a small discrepancy in time."[674] The fact that these arguments were made, even as they failed to consolidate, illuminates the limits of a contest of memory after a dominant reading of the past has already emerged.

The perception that free trade among geopolitical allies would help promote an anti-communist bloc strengthened as the Cold War intensified. For example, one Republican connected trade with geopolitics by saying that "economic isolationism will jeopardize peace in the world today just as much as will political isolationism."[675] The result was building hegemony, both around Smoot-Hawley's meaning and trade policy more generally. As Irwin writes, by "the early 1950s, the partisan division over trade policy had largely evaporated" as a "Democratic Congress in 1951 extended RTAA authority for two years."[676]

Still, Republicans were not as enthusiastic as Democrats. The Eisenhower administration's early equivocations on trade policy generated especially vivid congressional rhetoric. For example, one member in 1953 denounced the administration for "crawling back into the shell of Smoot-Hawley nationalism."[677] The language of resurrection and repetition—the tariff brought "from its tomb" and "through the back door"—constructed Smoot-Hawley through the recurrence fears identified in chapter 2. Giving in to lingering trade skepticism "Republican Congress in 1953 extended negotiating authority, but just for a single year in exchange for President Eisenhower's pledge not to pursue further trade agreement," even as "virtually all polls during the late 1940s and early 1950s show a clear majority in favor of lower tariffs in the context of reciprocal trade agreements."[678]

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[670] U.S. Congress, Senate, *Congressional Record*, 79th Cong., 2nd sess., vol. 92, pt. 2 (March 21, 1946), 1510.
[671] Representative Hale Boggs of Louisiana, remarks in the House, February 9, 1949, 81st Cong., 1st sess., *Congressional Record* 95, pt. 1.
[672] U.S. Congress, Senate, *Congressional Record*, 81st Cong., 2nd sess., vol. 96, pt. 11 (September 21, 1950).
[673] U.S. Congress, Senate, *Congressional Record*, 81st Cong., 2nd sess., vol. 96, pt. 11 (September 21, 1950).
[674] U.S. Congress, Senate, *Congressional Record*, 83rd Cong., 1st sess., vol. 99, pt. 1 (February 10, 1953).
[675] U.S. Congress, Senate, *Congressional Record*, 81st Cong., 2nd sess., vol. 96, pt. 7 (June 23, 1950).
[676] Irwin, "From Smoot-Hawley," 348.
[677] U.S. Congress, House, *Congressional Record*, 83rd Cong., 1st sess., vol. 99, pt. 5 (June 15, 1953).
[678] Irwin, "From Smoot-Hawley," 348.

The growing Hull mythology—which accelerated after his death in 1955—is visible throughout the decade and intensifies toward its close. In Hull's 1948 memoirs, which totaled over 1800 pages across two volumes, he repeatedly pushed his opinions on trade, citing Smoot-Hawley 26 times in order to do so.[679] They were reviewed extensively in prominent journals like *Foreign Affairs*, the *American Historical Review*, and *American Political Science Review*.[680] Adding to the later widespread reception, they were also published abroad, notably in London with Hodder and Stoughton.[681]The memoirs sold for the substantial sum of $10.50 (over $140 in today's money[682]) but were serialized in the *New York Times*, adding substantially to their readership beyond elite circles.[683] The *Times* blurb introducing their serialization was fawning, stating that despite his modest background, Hull would "stand out" because his "heroic" efforts to promote a "liberal trade policy" helped change "American Diplomacy from an isolationist to an internationalist front."[684]

Hull's origins certainly were modest—the opening chapter is titled "Cabin in the Hills," a reference to his rural Tennessee upbringing. However, his retelling of history belies a far less humble outlook. In the section telling of his struggle against interwar protectionism, Hull claims that "my battle against Smoot-Hawley was almost an individual effort."[685] This statement is hard to square with the infamous letter from 1000 economists decrying the tariff, as well as the widespread opposition in the free-trading press. Generally, he describes his doomed struggle against it in an economic version of a "lost cause" narrative.[686]

By chapter 26, titled "Tearing Down Tariff Walls," Hull recounts his time in the Roosevelt administration, saying that the struggle for trade agreements was "the most successful and important" of his career.[687] He later recapitulates arguments with the "Old Guard" in the GOP and concludes the final interwar chapter with an extended quote from his own speech in Chicago in 1939. Recounting the address, Hull inserts:

> "If there is anything certain in this world…it is that, after present hostilities come to an end, there will be an even more desperate need than there was in recent years for vigorous action designed to restore and promote healthy and mutually beneficial trade among nations…That precious opportunity will be lost if we, who have in the recent past taken a position of world leadership in this vital work, should now reverse our own policy and *turn our face straight back toward suicidal economic nationalism, with its Hawley-Smoot embargoes*."[688] (emphasis added)

With these narratives increasingly popular—and popularized—by both the media and his trained cadres in the State Department—explicit references to Hull grew more popular in

[679] Cordell Hull, *The Memoirs of Cordell Hull*, 2 vols. (New York: Macmillan Company, 1948).
[680] Robert Gale Woolbert, review of *The Memoirs of Cordell Hull*, by Cordell Hull, *Foreign Affairs* 27, no. 1 (October 1948), https://www.foreignaffairs.com/reviews/capsule-review/1948-10-01/memoirs-cordell-hull; Clarence A. Berdahl, review of *The Memoirs of Cordell Hull*, by Cordell Hull, *American Political Science Review* 42, no. 5 (October 1948): 995–98, https://doi.org/10.2307/1950148; Quincy Wright, review of *The Memoirs of Cordell Hull*, by Cordell Hull, *American Historical Review* 54, no. 3 (April 1949): 637–40, https://doi.org/10.1086/ahr/54.3.637.
[681] Hull, *The Memoirs of Cordell Hull*.
[682] Federal Reserve Bank of Minneapolis, "Inflation Calculator," accessed April 5, 2026, https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator.
[683] Although sales figures are unavailable, it was on the NYT bestseller. Hawes Publications, "New York Times Best Seller List," August 8, 1948, non-fiction list, 2, https://www.hawes.com/1948/1948-08-08.pdf.
[684] "Memoirs of Cordell Hull; His 12 Years in Office Marked by Amity with Roosevelt," *New York Times*, January 26, 1948, 1. https://timesmachine.nytimes.com/timesmachine/1948/01/26/86893295.pdf?pdf_redirect=true&ip=0.
[685] Hull, *The Memoirs of Cordell Hull*, 1:132.
[686] Hull, *The Memoirs of Cordell Hull*, 1:154.
[687] Hull, *The Memoirs of Cordell Hull*, 1:352.
[688] Hull, *The Memoirs of Cordell Hull*, 1:747.

the 1950s. By 1958, senators were describing their participation in the "initial effort to substitute for the trade-throttling Hawley-Smoot Tariff Act the program of mutually beneficial reciprocal foreign trade which is associated with the name of Cordell Hull."[689] The language of "lessons" could now start to become more akin to an identity, as there was an official governmental body imbued with the historical memory of Smoot-Hawley.

As the decade closed, the contest of memory had effectively been decided, and its displacement into the contest of analogy was already beginning. This closely parallels the definitive end of a "war of maneuver" and the shift to a "war of position." For example, one House member in March 1958 who was questioning liberalization still felt compelled to say that he knew of "no one who advocates a return to high inflexible tariffs, tariffs of the old Smoot-Hawley vintage."[690]

8.3) Kennedy-Era Trade Debates and the Rising Tide of Hegemony, 1960–1969

The passage of the Trade Expansion Act (TEA) of 1962, creation of the United States Trade Representative in 1963, and the Kennedy Round of GATT negotiations (1964–1967) represented a new peak of the postwar trade liberalization project. The TEA created the Special Trade Representative (STR, later the US Trade Representative or USTR) and represented a further step toward executive power.[691] Kennedy described this as "the most important international piece of legislation affecting economics since the passage of the Marshall Plan." He argued that its purpose was the construction of a "vital expanding economy in the free world" as a counter to communist expansion with direct negotiations with the European Economic Community (EEC).[692] The creation of a dedicated White House trade negotiating office institutionalized the separation of tariff-setting from congressional logrolling that the RTAA had begun in 1934 and that Smoot-Hawley memory helped justify. Furthermore, the institutional power of the STR allowed specific narratives to further proliferate, as the office itself used its press apparatus to advance a Hullian narrative about Smoot-Hawley.[693]

Average US tariffs had fallen from 60 percent under Smoot-Hawley to approximately 12 percent, and the United States was still running a trade surplus. These favorable material conditions meant that support for trade liberalization did not yet require advocates to swim against the current of popular economic interests, with organized labor still broadly supportive of the Kennedy Round.[694] The Smoot-Hawley memory was being deployed from a position of material strength, allowing to build its narrative power as well.

In the 1960s, the Smoot-Hawley Tariff also began to resemble a ghost story that older members told to younger ones. For example, a senator declared that "those of us who lived

[689] U.S. Congress, Senate, *Congressional Record*, 85th Cong., 2nd sess., vol. 104, pt. 11 (July 16–17, 1958).
[690] U.S. Congress, House, *Congressional Record*, 85th Cong., 2nd sess., vol. 104, pt. 4 (March 19, 1958).
[691] Thomas W. Zeiler, "Competition, 1959–1963," in *Capitalist Peace: A History of American Free-Trade Internationalism* (New York: Oxford University Press, 2022), 147–49, https://doi.org/10.1093/oso/9780197621363.003.0008.
[692] John F. Kennedy, "Remarks Upon Signing the Trade Expansion Act," October 11, 1962, The American Presidency Project, ed. Gerhard Peters and John T. Woolley, https://www.presidency.ucsb.edu/documents/remarks-upon-signing-the-trade-expansion-act.
[693] See Office of the United States Trade Representative, "Search," accessed April 7, 2026, https://ustr.gov/search?q=smoot.
[694] Irwin, "The GATT in Historical Perspective," 325–26. Irwin notes that average US tariffs had fallen to approximately 12 percent by the mid-1950s and that the Kennedy Round subsequently achieved cuts averaging roughly 35 percent on manufactured goods, bringing rates to the low single digits for many categories.

through the Depression know how Smoot-Hawley became part of a worldwide spiral of retaliatory and defensive trade and exchange restrictions," after "the largest trading nation in the world" having "made the disastrous mistake" of tightening import restrictions, forcing smaller economies to follow.[695] Senator Paul Douglas reminded his colleagues that "the Hawley-Smoot Tariff Act is still the law of the land," and that still fewer knew "how it was written" by "a small group of industrialists from Pennsylvania who came to Washington and went into executive session with the Republican Members of the House."[696] This was linked to an explanation for Congress' delegation of powers, revealing how the legislature's lack of democratic and constitutional authority was being justified with vocabulary of policy "learning."

In July 1964, a senator defending certain industrial protection measures felt obliged to note that he was "not...a Smoot-Hawley tariff man," but still complained that when "one attempts to place any protection in the law for American business or economic groups, he is charged with advocating a high tariff."[697] He recognized that any failure to liberalize was being constructed as equivalent to active imposition of barriers, and the Smoot-Hawley analogy is a key portion of that argument. Also revealing is the need for self-censorship that some legislators felt. Earlier in the decade, a senator expressed anxiety that merely drawing attention to the growing trade deficit—not advocating any policy, simply naming an economic condition—risked arousing "a new wave of isolationism or protectionism" that might "bring forth a new Smoot-Hawley tariff."[698]

The Kennedy Round debates of November 1967 further displayed the centrality of the Smoot-Hawley memory. "Those of us who remember the creeping protectionism of the early part of this century, culminating in the Smoot-Hawley Tariff Act of 1930," declared a senator, "know something about bad experience…the lessons of that experience are worth remembering today."[699] Ultimately, the Kennedy Round was highly successful, cutting tariffs on industrial products by roughly 35%, although progress on agriculture was less forthcoming. By 1969, the Red Scare merged with the tariff scare, as a senator warned that returning to policies "reminiscent of the Smoot-Hawley high tariff legislation folly that ushered in the Great Depression" would constitute "a greater benefit to Communist powers" than any direct action.[700]

8.4) The Nixon Shock, deindustrialization, and attempts at reversing hegemony, 1970–1979

The Nixon administration's nationalist foreign economic policies and rising discontent with free trade provided more opportunities to deploy and develop the Smoot-Hawley memory, as 1970s debates occurred against the backdrop of a weakening US position in the global economy. As figure 8.1 shows, the US trade balance was roughly even in the

[695] U.S. Congress, Senate, *Congressional Record*, 87th Cong., 2nd sess., vol. 108, pt. 16 (October 4, 1962).
[696] U.S. Congress, Senate, *Congressional Record*, 88th Cong., 1st sess., vol. 109, pt. 1 (January 28, 1963).
[697] U.S. Congress, Senate, *Congressional Record*, 88th Cong., 2nd sess., vol. 110, pt. 13 (July 28, 1964).
[698] U.S. Congress, Senate, *Congressional Record*, 86th Cong., 2nd sess., vol. 106, pt. 11 (June 27, 1960).
[699] U.S. Congress, Senate, *Congressional Record*, 90th Cong., 1st sess., vol. 113, pt. 23 (November 8, 1967).
[700] U.S. Congress, Senate, *Congressional Record*, 91st Cong., 1st sess., vol. 115, pt. 13 (June 26, 1969).

late 1960s and early 1970s, a large decline from the massive surplus it enjoyed at the midcentury mark. This shifting material reality conditioned the contestations of historical narrative as the memory of Smoot-Hawley calcified as it faded further from personal into collective memory. At this time, organized labor began to demand more protection, with the AFL-CIO switching its position to oppose trade liberalization.[701] The Trade Bill of 1970—which would have included import quotas to protect industry—was one response. Predictably, it was described as "the most controversial piece of trade legislation considered by the Congress since the enactment of the Smoot-Hawley tariff."[702]

Indeed, analogical contestation, rather than disputes over the 1930 tariff's actual impact, would be the dominant theme in this decade. Later in the 1970s, one senator took issue with the reference's overuse, complaining that "all the free traders want to holler 'Smoot-Hawley.'" [703] There was an economic basis for his opposition to the historical comparison: after WWII, he argued, American technological and productive dominance had meant that the United States could "compete with them anywhere else in the world."[704] In his reading, the economic recovery of Japan and West Germany changed the material conditions of Smoot-Hawley's applicability, making any comparison to 1930 or even 1945 irrelevant. Similarly, a House member directly contested the claim that proposed bill was comparable to Smoot-Hawley, insisting the comparison "requires quite a leap of the imagination" and presenting comparative trade statistics while also adding the caveat that "the appeal made here is not to repudiate the men who wisely opposed the Smoot-Hawley Tariff."[705] Even in dissent, then, he was forced to concede the point that the 1930 Tariff was as terrible as their critics alleged. Ultimately, the efforts of these representative and the unions failed and the bill did not pass.

Following this, Nixon's August 1971 decision to close the gold window and impose a 10 percent import surcharge marked the strongest US assault yet on the Bretton Woods system of global economic governance .[706] The foundations of the free trade consensus had been eroding for several years: the US trade surplus had disappeared by 1971, and the following year the country recorded its first merchandise trade deficit in the modern era.[707] The Burke-Hartke Bill of 1971—which proposed broad import quotas and restrictions on capital outflows, and which gave congress more oversight—provided another occasion for the most sustained deployment of Smoot-Hawley memory.

Predictably, the defenders of the liberal trading order reached immediately for the standard vocabulary when Burke-Hartke appeared, with dozens of references in the Congressional Record. Seeking to combat these, January 1971 a senator who supported the trade bill insisted that those who accused its advocates of seeking "to turn the clock back to the days of Smoot-Hawley" were ignoring "all the many changes which have occurred in

[701] Judith Goldstein, "The Political Economy of Trade: Institutions of Protection," *American Political Science Review* 80, no. 1 (March 1986): 161–184.
[702] U.S. Congress, Senate, *Congressional Record*, 91st Cong., 2nd sess., vol. 116, pt. 27 (October 12, 1970).
[703] U.S. Congress, Senate, *Congressional Record*, 91st Cong., 2nd sess., vol. 116, pt. 31 (December 17, 1970).
[704] Ibid.
[705] U.S. Congress, House, *Congressional Record*, 91st Cong., 2nd sess., vol. 116, pt. 25 (September 23, 1970).
[706] Thomas W. Zeiler, "Shock, 1971–1979," in *Capitalist Peace: A History of American Free-Trade Internationalism* (New York: Oxford University Press, 2022), 176–80, https://doi.org/10.1093/oso/9780197621363.003.0010.
[707] Irwin, "U.S. Trade Policy," 20–21. The first US merchandise trade deficit in the modern era was recorded in 1971; by 1972 the deficit had widened to $6.4 billion. Irwin situates this shift as the turning point that began eroding the material basis for the postwar free-trade consensus.

world trade since the 1930's."[708] In March 1972, another commented on the memory discourse, pointing out that "the specter of Smoot-Hawley is trotted out—and then ignored—to frighten the uninformed."[709]

Despite the fraying consensus, the response of free trade defenders to mounting pressure was to *intensify,* rather than moderate, causal claims about Smoot-Hawley. By 1973, free traders were still insisting that "Smoot-Hawley was a significant factor in the breakdown of the world economy in the 1930s that lead to World War II."[710] In 1974, were an extremely strong version of this causal claim, with a senator arguing that "historians declare that America's Smoot-Hawley tariff in the '30s...helped produce Hitler."[711] The progressive escalation of the causal claim over three decades—from "contributing factor" to "sowed the seeds" of WWII to "helped produce Hitler"—is striking. Those closest to the event, with the freshest memories and the most direct stakes in its assessment, had deployed the *most cautious* versions of the narrative. By contrast, those farther away both in terms of chronology and the material circumstances of the global economy, deployed the most extreme.[712]

As a whole, Congress was generally supportive of free trade, and these critiques pale in comparison to the conventional pro-trade invocations of Smoot-Hawley. While they did not stop the much of the liberalizing agenda, the trade legislation of the 1970s did reveal a further securitization of foreign economic policy and concern for the protection of domestic industry. The Trade Act of 1974—signed by President Ford in January—represented a third substantial revision of the US trade legislative framework since the RTAA of 1934 and the TEA of 1962.[713] It meant that the power of the USTR shifted further. In the office's own retelling, "Section 141 of the Trade Act of 1974 provided a legislative charter for STR as part of the Executive Office of the President."[714] Fast Track authority (or the president's ability to directly negotiate deals, then present them for an up/down vote) was exchanged for greater trade adjustment insurance and antidumping reform. These concessions were extracted by protectionist interests as the price of continued support for an eroding free-trade coalition.[715]

Aside from Fast Track, arguably most significant institutionally was Section 301, which for the first time gave the STR statutory authority to initiate retaliatory action against foreign governments whose trade practices restricted American exports.[716] Further removing tariff injury determinations from direct congressional control helped complete the executive institutional framework, incorporating negotiation, fast-track ratification, independent injury adjudication away from Congress, a move that the Smoot-Hawley lesson had been invoked to justify since 1934.[717] To justify this, the old procedural critique of the 1930 tariff reemerged. By 1977, a senator warned that detailed tariff debates would reproduce "the kind of chaos of

[708] U.S. Congress, Senate, *Congressional Record*, 92nd Cong., 1st sess., vol. 117, pt. 1 (January 25, 1971).
[709] U.S. Congress, House, *Congressional Record*, 92nd Cong., 2nd sess., vol. 118, pt. 8 (March 28, 1972).
[710] U.S. Congress, Senate, *Congressional Record*, 93rd Cong., 1st sess., vol. 119, pt. 10 (April 18, 1973).
[711] U.S. Congress, Senate, *Congressional Record*, 93rd Cong., 2nd sess., vol. 120, pt. 9 (April 22, 1974), Senate.
[712] Irwin, "U.S. Trade Policy," 14.
[713] Zeiler, "Shock, 1971–1979," 192–93.
[714] Office of the United States Trade Representative, "History of the United States Trade Representative," https://ustr.gov/about-us/history.
[715] Zeiler, "Shock, 1971–1979," 193.
[716] Zeiler, "Shock, 1971–1979," 193. Section 301 became a recurring instrument of unilateral trade pressure in subsequent decades, invoked most aggressively against Japan in the 1980s and against China from the 2000s onward.
[717] Zeiler, "Shock, 1971–1979," 193.

the Smoot-Hawley tariff era, when we used to write tariff policy on the floor of Congress,"[718] In one light, then, the Trade Act of 1974 represented a further the political embedding of this "lesson" in the architecture of trade policymaking.[719] Further "fast track" renewal debates (it was not granted indefinitely) would continue to provide opportunities for invocations of Smoot-Hawley to reappear.

Persistent trade deficits, deindustrialization, and the progressive defection of organized labor from the free-trade coalition meant that the USTR's mandate to liberalize was increasingly difficult to sustain.[720] The Tokyo Round, concluded in April 1979 under USTR Robert Strauss, produced modest tariff reductions on goods already at low levels. This reflected the headwinds of stagflation, oil shock, and the broader political exhaustion of the bipartisan trade consensus amid trade deficits.[721] At the same time as trade increasingly began to be perceived as potentially harmful, though, the increasing interdependence of the global economy and rise of intra-firm trade made direct assaults on liberal trade more difficult, something Helen Milner claims helped to prevent a full-scale embrace of protectionism.[722]

8.5) "Ghost of Smoot-Hawley": Reagan's Trade Battle with Japan and the First Institutional Challenge, 1980–1989

Ronald Reagan entered the White House in January 1981 with what Zeiler identifies as the decade's defining paradox. This consisted of an ideological commitment to free markets and anti-communist capitalist peace combined with the electoral imperatives of a mounting trade deficit, deindustrializing manufacturing regions, and a dollar made acutely uncompetitive by tight Federal Reserve policy (which tends to increase the value of the US dollar) and low-inflation policies by key trading partners (see section 2). The political attention about the trade deficit was overwhelmingly centered on Japan, notably auto imports, consumer electronics, and steel.[723]

As the trade deficit grew, some pro-labor politicians in Congress increasingly highlighted this as a problem. However, they were met with both free-trading colleagues and a Reagan administration that characterized any such action as a "return" to 1930. Although Reagan's administrations implemented voluntary export restraints on Japanese autos, escape-clause tariffs on motorcycles, and a patchwork of steel import restrictions that Zeiler characterizes as "the golden era of fair-trade law enforcement,"[724] he still was vocally supportive of free trade. Repeated and increasingly contorted and deliberate (mis)uses of the Smoot-Hawley narrative were one of the principal rhetorical instruments through which that position was enforced against congressional challenge.

Correspondingly, the 1980s saw the highest absolute number of Smoot-Hawley references in the postwar Congressional Record. As early as April 1980, before the Reagan

[718] U.S. Congress, Senate, *Congressional Record*, 95th Cong., 1st sess., vol. 123, pt. 22 (September 9, 1977).
[719] Zeiler, "Shock, 1971–1979," 193–99.
[720] Irwin, "U.S. Trade Policy," 20–22.
[721] Zeiler, "Shock, 1971–1979," 196–99.
[722] Helen V. Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton, NJ: Princeton University Press, 1988).
[723] Thomas W. Zeiler, "Victory, 1980–1990," in *Capitalist Peace: A History of American Free-Trade Internationalism* (New York: Oxford University Press, 2022), 202–6, https://doi.org/10.1093/oso/9780197621363.003.0011.
[724] Thomas W. Zeiler, "Victory," 205.

administration had taken office, a House member revealed how the Act was perceived at the time. Bashing potential restrictions on steel and auto imports, he called it "the most important economic vote cast in this Chamber since the passage of the Smoot-Hawley tariff in 1930 condemned us to suffer years of world-wide depression."[725] By December 1981, with steel negotiations with Europe stalled and auto unemployment climbing, the analogy also acquired a pejorative quality for international counterparts, with another claiming that "I sometimes think the children of Smoot moved to Europe where their descendants make steel…if that particular gospel does not stop us, the ghost of Smoot-Hawley does—through fear."[726] The "ghost" here is invoked to prevent any policy response to import-induced industrial dislocation by associating it with an alleged cause of the Great Depression.

Debates around the Fair Practices in Automotive Products Act of (1981, H.R. 5133) also reveal a fixation with Smoot-Hawley. The bill required the manufacture of a fixed percentage of cars sold in the United States and was largely aimed at rising Japanese imports. Debated in December 1982 as unemployment hit ten percent and the Big Three faced their worst year since the 1930s,[727] Smoot-Hawley played a central role. The Reagan administration opposed the bill as "economic nationalism," and administration allies deployed the analogy on an extremely literal level. On December 15, as one member moved to formally rename the legislation "the Smoot-Hawley Tariff Act of 1982" on the grounds that "in 1982 we will have adopted a modern-era Smoot-Hawley Tariff Act, 52 years after the original."[728] A Republican then expressed his partisan wish that the bill would "do for the Democratic Party what the adoption of the Smoot-Hawley Tariff Act did for the Republican Party in 1930."[729]

The narrative had migrated far enough from its interwar origins that Republicans could now wield it against Democrats—a direct reversal of the dynamics of the 1930s and 1940s. This confirms that its hegemonic authority had detached from any particular party and instead supported a broader goal of liberalization that was supported by the center of each party and much of the executive branch. Still, some pro-labor Democratic supporters offered a doomed contest of analogy, claiming that "contrary to the scarce tactics, this bill in no way takes on the dimensions of a Smoot-Hawley Tariff Act."[730] This reveals an implicit admission that Smoot-Hawley was a disaster, disputing only its applicability in the present situation. The bill passed the House but died in the Senate.

On May 9, 1983, another piece of legislation, the domestic content bill, moved toward a second House passage.[731] Perceiving an imminent vote in the upper chamber, Senator John Heinz of Pennsylvania[732] entered a commissioned study by Bedell Associates (a reputable

[725] U.S. Congress, House, *Congressional Record*, 96th Cong., 2nd sess., vol. 126, pt. 6 (April 16, 1980).
[726] U.S. Congress, House, *Congressional Record*, 97th Cong., 1st sess., vol. 127, pt. 23 (December 10, 1981).
[727] Tim Sablik, "Recession of 1981–82," Federal Reserve History, November 22, 2013, https://www.federalreservehistory.org/essays/recession-of-1981-82; Zeiler, "Victory, 1980–1990," 204–5.
[728] U.S. Congress, House, *Congressional Record*, 97th Cong., 2nd sess., vol. 128, pt. 23 (December 15, 1982); pt. 22 (December 9, 1982); Zeiler, "Victory, 1980–1990," 204–5.
[729] U.S. Congress, House, *Congressional Record*, 97th Cong., 2nd sess., vol. 128, pt. 22 (December 9, 1982).
[730] U.S. Congress, House, *Congressional Record*, 97th Cong., 2nd sess., vol. 128, pt. 22 (December 10, 1982).
[731] "Content Bill On Autos Advances," *New York Times*, May 20, 1983, https://www.nytimes.com/1983/05/20/business/content-bill-on-autos-advances.html.
[732] As an heir to the condiment fortune, Heinz's pro-business instincts led him to the Republican Party. However, representing a steel-producing state and generally existing on the moderate side of GOP. He died in 1991 in a plane crash, after which his widow, Teresa, married Senate colleague John Kerry.

firm that produced many other commissioned research reports to the legislature). The product from Don Bedell was a remarkable intervention into the memory battles of the time. Although it would be invoked constantly by trade skeptics for decades, it ultimately found little traction. This supports the notion that ideological and material interests are at least as important as intellectual authority in how history is wielded politically. Under the heading "The Myth of Smoot-Hawley," The Bedell Study used detailed tariff-schedule analysis and the fact that the 1930 Act had been enacted eight months after the October 1929 crash to dispute its relevance to the Great Depression. It argued that tariff increases affected less than one percent of world trade by value and that the commodity-market deflation devastating agricultural prices in 1929–33 bore no causal relationship to tariff policy.[733]

Heinz framed the study not as a defense of protectionism but as an exercise in historical truth and honest debate. He said its most useful function was to "help us all clean up our rhetoric and reflect a more sophisticated—and accurate—view of economic history."[734] A physical manifestation of the contest of memory was now formally in the Congressional Record as a commissioned economic document entered by a respected senator. The study would be reprinted at least three more times over the following seventeen years—each time at moments of heightened debate over trade. Trade skeptics would offer it as a slam dunk case, but references to the "mythical" version still proved largely immovable. Indeed, in the House in June 1983, the debate continued with the claim that "not every protectionist measure is another Smoot-Hawley."[735] However, another argued that "opponents of this legislation have likened the content bill to the Smoot-Hawley Tariff Act of 1930 which precipitated worldwide economic disaster".[736]

Ultimately, Reagan did sign a version of the Trade and Tariff Act of 1984 in October.[737] At the same time, one Republican characterized the Democrats' trade agenda as "the Smoot-Hawley tariffs, the symbol of post-World War I economic folly," now reborn as "today's Mondale quotas."[738] The Plaza Accord of September 1985 addressed currency imbalances through coordinated G7 currency intervention, directly targeting the competitiveness gap driving some of the deficit. Reagan also established a task force to identify unfair Japanese and European practices, a measure that reflected the twin pressures of a widening deficit and a congressional majority increasingly sympathetic to protectionist legislation.[739] The consensus invocations deployed the fullest version of the historical script: "America today faces the same choice our country faced in 1929 when President Hoover abandoned the tax-cutting policies of Calvin Coolidge that had brought six years of strong

[733] John Heinz, "The Myth of Smoot-Hawley," *Congressional Record*, 98th Cong., 1st sess., vol. 129, pt. 9 (May 9, 1983): 11538–41 (printing a study commissioned from Don Bedell Associates); U.S. Congress, House, *Congressional Record*, 98th Cong., 1st sess., vol. 129, pt. 12 (June 13, 1983).
[734] Heinz, "Myth."
[735] U.S. Congress, House, *Congressional Record*, 98th Cong., 1st sess., vol. 129, pt. 12 (June 13, 1983).
[736] U.S. Congress, House, *Congressional Record*, 98th Cong., 1st sess., vol. 129, pt. 12 (June 13, 1983).
[737] Trade and Tariff Act of 1984, Pub. L. No. 98-573, 98 Stat. 2948 (October 30, 1984), https://www.congress.gov/bill/98th-congress/house-bill/3398.
[738] U.S. Congress, House, *Congressional Record*, 98th Cong., 2nd sess., vol. 130, pt. 19 (September 26, 1984); Zeiler, "Victory, 1980–1990," 208–11.
[739] Zeiler, 208.

economic growth, and instead indorsed the Smoot-Hawley Act, plunging the world into the Great Depression."[740]

One senator who opposed the bill nonetheless rejected the analogy's silencing function as early as July. "In the face of such a deficit, we do not run for cover just because someone utters the word 'Smoot-Hawley,'" he declared.[741] Another tried to emphasize the importance of material gains over "history" lessons, saying that "you raise the ghost of Smoot-Hawley, but what about the skeletons of closed shops and lost jobs? What is your alternative?"[742]

1986 would also see Reagan's famous speech on tariffs, where he defiantly countered such rhetoric. Reflecting the free-trade consensus, he said "We learned that lesson half a century ago when we tried to balance the trade deficit by erecting a tariff wall around the United States. The Smoot-Hawley tariff ignited an international trade war and helped sink our country into the Great Depression."[743] In 1987, he explicitly invoked memory and emotion, saying that "For those of us who lived through the Great Depression, the memory of the suffering it caused is deep and searing. And today many economic analysts and historians argue that high tariff legislation passed back in that period called the Smoot-Hawley tariff greatly deepened the depression and prevented economic recovery."[744]

The late 1980s contained of the most famous pop culture references to the Smoot-Hawley tariff. In an iconic scene from the 1986 film *Ferris Buehler's Day Off*, a high school economics teacher (played by Ben Stein) lectures checked-out students about interwar trade history. As they drift to sleep, he pleads "anyone, anyone" to answer whether the 1930 Act raised or lowered tariffs. When he is forced to answer his own question, he again queries the students, who grow increasingly incredulous with boredom. Asking, "did it work?" he again fills in the blank: "no, it did not work, and the United States sank further into the Great Depression."[745] Free traders continue to use it to bolster their case, such as Washington's prestigious pro-globalization Peterson Institute for International Economics tweeting out the scene in late 2024.[746]

It is also significant for another reason, as Ben Stein (the son of economist Herbert Stein) was an economics commentator in addition to his career as an actor and game show host. He famously ad-libbed the scene, revealing how top-of-mind the reference was to political pundits at the time. Furthermore, after the 2008 Global Financial Crisis, Stein penned a piece for the *New York Times* in which he reflected on the scene and his role in economics discourse at the time. He is far more measured about cause and effect when writing under his own name, stating that we still "do not know at all what effects Smoot-Hawley, as compared with the collapsing world economy, had on trade." He reflected the

[740] U.S. Congress, Senate, *Congressional Record*, vol. 131, pt. 16 (July 30, 1985); U.S. Congress, House, *Congressional Record*, vol. 131, pt. 19 (October 2–3, 8, 10, 1985); Zeiler, "Victory, 1980–1990," 213–15.
[741] U.S. Congress, Senate, *Congressional Record*, 99th Cong., 1st sess., vol. 131, pt. 16 (July 30, 1985).
[742] U.S. Congress, House, *Congressional Record*, 99th Cong., 1st sess., vol. 131, pt. 20 (October 10, 1985).
[743] Ronald Reagan, "Radio Address to the Nation on Free and Fair Trade," September 13, 1986, Ronald Reagan Presidential Library and Museum, https://www.reaganlibrary.gov/archives/speech/radio-address-nation-free-and-fair-trade-1.
[744] Ronald Reagan, "Radio Address to the Nation on Free and Fair Trade," April 25, 1987, Ronald Reagan Presidential Library and Museum, https://www.reaganlibrary.gov/archives/speech/radio-address-nation-free-and-fair-trade-4.
[745] Film Studies Fundamentals, "Bored Kids in the Classroom 'Anyone? Anyone?': Ferris Bueller's Day Off (1986)," YouTube, October 12, 2017, video, 1:10, https://www.youtube.com/watch?v=Yk3-Vb7CH-o
[746] Peterson Institute for International Economics (@PIIE), "In 1930, the House of Reps to alleviate effects of the...anyone? Anyone? Great Depression, passed a tariff bill? Hawley-Smoot Tariff Act ...," X, November 27, 2024, https://x.com/PIIE/status/1861777530732130382.

latest econometric work of the late 2000s, honestly stating that "the effect of Smoot-Hawley was probably very small, or so most mainstream economists believe." This differs dramatically from the more causal message implied in the scene.

Stein's 2009 op-ed, seemingly about a trivial topic, is actually one of the clearest indicators of direct intent in popularizing the Smoot-Hawley tariff through a deliberate "memory battle" that is available. After summarizing the 1930 tariff and how it actually *did not* have much of an economic effect, his piece points out that, "a number of well-known people, especially my former colleagues at The *Wall Street Journal* editorial page, the late Robert Bartley (a genuinely great guy) and Jude Wanniski, began in the mid-1970s to popularize the notion that Smoot-Hawley and not monetary policy mistakes was the real cause of the Great Depression." He calls this a "form of intellectual entrepreneurship, in which people carve out an appealing idea and then try to make capital of it." He effectively supports this "noble lie," stating that "while it is a mistaken notion, it still has some beneficial effects" due to its "usefulness in cautioning us against adopting protectionism on a large scale as a way out of our current economic troubles."[747] This is a remarkable admission, and one that we will see further echoes of from some extremely prominent economists in the subsequent chapter.

On a more substantive level, Smoot-Hawley also emerged in debates about the Gephardt amendment of 1987. This targeted Japan's "excessive" bilateral surplus with automatic retaliatory tariffs.[748] Continuing a predictable pattern, one free trader claimed that "this amendment is the most protectionist piece of legislation the United States has seen since Smoot-Hawley."[749] Newt Gingrich added the monetarist-adjacent claim that "the first great drop in the stock market in 1929 came the week the House passed the Smoot-Hawley tariff for the first time."[750] On April 28–29, the characterizations escalated: the amendment was "economic fascism" that should be "buried alongside the Smoot and Hawley Act," and one member offered a compressed version: "If you liked Smoot-Hawley, you are going to love Gephardt."[751]

Additionally, one member read passages from the original Smoot-Hawley Act into the record and then observed that "there is not a Member in this body who would be able to tell you whether it is in the bill or not in the bill."[752] Still, amendment supporters continued to invoke their cherished 1983 study, with one member noting that "the historical references to Smoot-Hawley are absolutely inaccurate" Representative John Dingell arguing that "We are not talking about Smoot-Hawley and protectionism. We are talking about fair treatment for American workers."[753] By November, the volume of Smoot-Hawley invocation had attracted meta-commentary, with one member complaining that "It is too bad that we have been debating such a serious issue with labels, trying to raise up the specter of Smoot-Hawley 50

[747] Ben Stein, "The Smoot-Hawley Act Is More Than a Laugh Line," *New York Times*, May 9, 2009, https://www.nytimes.com/2009/05/10/business/10every.html.
[748] "Gephardt Amendment on Trade," Richard A. Gephardt Collection: Follow the Timeline, Missouri Historical Society, 1987, https://gephardt.mohistory.org/timeline/detail95.php.
[749] U.S. Congress, House, *Congressional Record*, 100th Cong., 1st sess., vol. 133, pt. 8 (April 27–29, 1987); Zeiler, "Victory, 1980–1990," 215–18; Irwin, "U.S. Trade Policy," 17–18.
[750] House, *Congressional Record*, 100th Cong. 1st sess., vol. 133, pt. 8 (April 29, 1987).
[751] U.S. Congress, House, *Congressional Record*, 100th Cong., 1st sess., vol. 133, pt. 8 (April 29, 1987).
[752] U.S. Congress, House; Zeiler, "Victory, 1980–1990," 215–18; Irwin, "U.S. Trade Policy."
[753] Rep. John D. Dingell, remarks in the House, Congressional Record, 100th Cong., 1st sess., vol. 133, pt. 8 (April 29, 1987): 10509.

years ago."[754] Here we see that the hegemonic history demanded that proponents of the legislation argue on its terrain. Indeed, they were often thrown off guard, forced to ignore the fact that they may have been pursuing sound policy, and instead compelled to say that they were not repeating the specific crime of 1930. This defensive posture would prove politically ineffective. When the Omnibus Trade and Competitiveness Act returned for final consideration in 1988 the Gephardt amendment had been stripped out.[755]

8.6) Trading at the end of history

After the fall of the Soviet Union in 1991, the post-Cold War decade opened with seemingly unbridled enthusiasm about free trade in the "end of history" era.[756] While this ultimately allowed for the fraying of the Cold War free-trade consensus, Smoot-Hawley's rhetorical uses also saw some of their most substantive victories. Indeed, it was deployed across three of the largest legislative victories in the postwar history of American trade liberalization: NAFTA (1993), the Uruguay Round/WTO implementing legislation (1994), and the permanent normalization of China's trading status (2000). Simultaneously, however, perceived overuse and the declining benefits of trade to the US working class resulted in it facing the most explicitly documented contest of memory yet mounted in the Congressional Record and the political sphere more broadly.

The 1990 textile debates served as prologue. In the Senate, a July 1990 exchange produced a precise chronological challenge, saying that "they all raise the specter of Smoot-Hawley...They do not tell you that Smoot-Hawley passed in 1930, 8 months after the crash in 1929. They do not tell you that Smoot-Hawley only represented 1.5 percent of U.S. trade."[757] In the House in September, a representative was even more condemning, saying that "Smoot-Hawley should be laid to rest along with Adam Smith as ancient history. No more threatening than ghosts called up to scare little children at Halloween."[758] Barney Frank offered an ironic response, saying "Mr. Speaker, I am in favor of this bill, but I do want to concede that the opponents have persuaded me of one thing. If Smoot-Hawley comes up, I am voting against it. He went on to make a unique proposal, remarking that "we are lacking one thing around here, bad history police…this is not Smoot-Hawley, this is not 1929."[759]

The NAFTA ratification battle of 1993 proved to a particularly consequential event, for both US trade policy and the use of Smoot-Hawley. Bedell's "Myth of Smoot-Hawley" was reprinted for the second time in the Congressional Record with direct references to the late Senator Heinz. It was emphasized that "it was the restrictive policy of the Federal Reserve, not Smoot-Hawley, that caused the Depression." In February 1992, the challenge acquired an accusatory edge: "The denigration of Smoot-Hawley is a bum rap. Smoot-

[754] U.S. Congress, House, *Congressional Record*, 100th Cong., 1st sess., vol. 133, pt. 22 (November 10, 1987).
[755] Earl L. Grinols, "Procedural Protectionism: The American Trade Bill and the New Interventionist Mode," Weltwirtschaftliches Archiv 125, no. 3 (1989): 501–21, https://www.jstor.org/stable/40439743, p. 503
[756] Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press, 1992); Thomas L. Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (New York: Farrar, Straus and Giroux, 1999).
[757] U.S. Congress, Senate, *Congressional Record*, 101st Cong., 2nd sess., vol. 136, pt. 12 (July 12, 1990); U.S. Congress, House, *Congressional Record*, 101st Cong., 2nd sess., vol. 136, pt. 17 (September 18, 1990); Thomas W. Zeiler, "Globalization," in *Capitalist Peace: A History of American Free-Trade Internationalism* (New York: Oxford University Press, 2022), 220–35, https://doi.org/10.1093/oso/9780197621363.003.0012.
[758] U.S. Congress, House, *Congressional Record*, 101st Cong., 2nd sess., vol. 136, pt. 17 (September 18, 1990).
[759] U.S. Congress, House, *Congressional Record*, 101st Cong., 2nd sess., vol. 136, pt. 17 (September 18, 1990).

Hawley was passed in June 1930, 8 months after—not before—the crash in October 1929. It did not cause any crash… it is nonsense to suggest that Smoot-Hawley started the crash and started the Depression."[760] By June 1993, one senator complained of the "veritable drumbeat...That is all they talk about time and time again,"[761] noting that two-thirds of imports under the actual 1930 schedules entered duty-free and that multiple European nations had raised tariffs before the American act passed. Still, this did little to dissuade proponents of the trade agreement, with the line that "In 1930, in the notorious Smoot-Hawley tariff bill, Congress chose fear, and made the Great Depression much, much worse"[762] proving representative of dozens of other similar quotations that vastly outnumbered the trade- and myth-skeptic ones.

In a famous 1993 debate about the North American Free Trade Agreement (NAFTA) on CNN, Vice President Al Gore stymied populist challenger Ross Perot by simply holding up a framed photo of the men and comparing their policies to Perot's. [763] Former World Trade Organization (WTO) Secretary-General Pascal Lamy was similarly fond of deploying the image during arguments—imbuing the decidedly-bland photograph with a remarkable degree of persuasive heft.[764] Gore's patronizing history lesson went down as a defining moment of globalization's triumph at the "end of history."[765] His invocation of Smoot-Hawley may have been particularly memorable (owing also to the advent of cable news) but, as we have seen, both Gore's boss and previous occupants of the White House often used similar references.[766]

Congresspeople would reference this event directly, saying that "some viewers may have viewed as a stunt Vice-President Gore's handing Ross Perot a picture of Senator Smoot, and Representative Hawley the other night on Larry King…for if we have learned anything in the nearly 60 years since the disaster of Smoot-Hawley, it is that all nations are winners when barriers to commerce are lowered."[767] Echoing this sentiment, on November 17, one congressman read a 1930 Senate speech in support of the Tariff Act and then revealed its source: "The statement I just read was not made today against NAFTA. It was made on June 13, 1930, by Senator James Watson of Indiana in supporting the Smoot-Hawley tariff bill."[768] NAFTA passed 234–200 in the House and 61–38 in the Senate.

The period from the Uruguay Round/WTO ratification debate of 1994 and the fracture that came with the anti-WTO "Battle of Seattle" in 1999 revealed substantial challenges to the Smoot-Hawley narrative. In July 1994, Representative Dreier deployed a remarkably simple Smoot-Hawley-to-Hitler causal chain, saying that "if he looks at the rise of Adolf Hitler I believe that it came about in large part due to protectionist policies led by the United

[760] U.S. Congress, Senate, *Congressional Record*, 102nd Cong., 1st sess., vol. 137, pt. 9 (May 23, 1991); vol. 138, pt. 3 (February 27, 1992); vol. 139, pt. 10 (June 30, 1993); vol. 139, pt. 19 (November 5, 1993); Zeiler, "Globalization," 228–32.
[761] U.S. Congress, Senate, *Congressional Record*, 103rd Cong., 1st sess., vol. 139, pt. 10 (June 30, 1993).
[762] U.S. Congress, Senate, *Congressional Record*, 103rd Cong., 1st sess., vol. 139, pt. 19 (November 5, 1993).
[763] CNN, "Ross Perot battles Al Gore in 1993 NAFTA debate," YouTube, October 4, 2024, video, 42:04, https://www.youtube.com/watch?v=0fi8OOAKuGQ.
[764] Pascal Lamy, interview by author, Zoom, March 2022.
[765] It formed the introduction of Douglas Irwin's *Peddling Protectionism*. Douglas A. Irwin, "Introduction," in *Peddling Protectionism: Smoot-Hawley and the Great Depression* (Princeton, NJ: Princeton University Press, 2011), 1–9, https://doi.org/10.23943/princeton/9780691150321.001.0001.
[766] William J. Clinton, "Statement by the Press Secretary on Support From Economists for Prompt Ratification of the GATT Agreement," The American Presidency Project, August 4, 1994, https://www.presidency.ucsb.edu/documents/statement-the-press-secretary-support-from-economists-for-prompt-ratification-the-gatt.
[767] U.S. Congress, House, *Congressional Record*, 103rd Cong., 1st sess., vol. 139, pt. 20 (November 10, 1993); Zeiler, "Globalization," 232–33.
[768] U.S. Congress, House, *Congressional Record*, 103rd Cong., 1st sess., vol. 139, pt. 21 (November 17, 1993).

States, tragically, which in 1930 implemented the Smoot-Hawley Tariff Act which almost universally has been proclaimed a failure, being in large part responsible for extending and exacerbating the Great Depression."[769] By September 1994, a senator framed the stakes in familiar terms, claiming that "if we fail we can expect a new round of trade wars that could lead to repeat of the Smoot-Hawley induced worldwide depression of the 1930s."[770]

At the time of the November vote, the *Washington Post* ran a half-page advertisement reproducing photographs of Smoot and Hawley—the same condensation of historical argument into image that Gore had deployed on Larry King. The WTO implementing legislation passed 288–146 in the House and 76–24 in the Senate.[771] However, this watershed moment concealed a tension that would prove decisive five years later. The Battle of Seattle—the collapse of the WTO Ministerial Conference in November 1999 amid massive street protests and developing-nation walkouts—marked the moment when the liberal trade consensus that the Smoot-Hawley narrative had helped to sustain began to lose some of its dominance.

Running alongside the NAFTA and WTO victories, the annual China most-favored-nation renewal debates of the 1990s produced another key use of the Smoot-Hawley analogy. Because the base tariff rates for non-MFN countries were technically still set by the Tariff Act of 1930—the Smoot-Hawley schedules remained the active legal default—Senator Moynihan could note in July 1990 that "the tariff schedules now in effect are those of the Smoot-Hawley Tariff of 1930, the highest tariff schedule in our history."[772] The historical horror story was simultaneously the standing legal baseline, annually overridden by deliberate legislative choice. A July 1991 Senate exchange made the practical stakes concrete, pointing out that revoking China's MFN status would cause tariffs on clothing and footwear to rise by 72 percent, or the levels established in the Smoot-Hawley Act. In October 1992, Moynihan used the rhetorical loadedness of the actually-existing legal baseline as a political tool, maintaining that MFN "just means they are not getting Smoot-Hawley."[773] Every annual renewal could therefore be reframed away from the policy merits and toward a symbolic one about not repeating the catastrophe of 1930.

The pattern continued through the mid-1990s, with annual House invocations in 1995 and 1996 repeating the same formula. Outside the halls of Congress, Vice President Gore's May 1997 address—notably given at the Microsoft CEO Summit in Seattle—framed the benefits of the "New Economy" in the vocabulary of familiar historical lessons. Gore claimed that "history teaches us that isolation…is not the way economies grow. We've tried this approach and it's been a dismal failure. And if you don't believe me, I have two words for you: Smoot-Hawley."[774] He advocated further globalization and technological development

[769] U.S. Congress, House, *Congressional Record*, 103rd Cong., 2nd sess., vol. 140, pt. 12 (July 20, 1994); pt. 21 (November 29, 1994); U.S. Congress, Senate, *Congressional Record*, 103rd Cong., 2nd sess., vol. 140, pt. 19 (September 30, 1994);); Zeiler, "Globalization," 236–42.
[770] U.S. Congress, House, *Congressional Record*, 103rd Cong., 2nd sess., vol. 140, pt. 21 (November 29, 1994).
[771] "Senate Passes Gatt, 76-24," Taxnotes, December 1, 1994, https://www.taxnotes.com/research/federal/legislative-documents/congressional-record/senate-passes-gatt-76-24/13wm9.
[772] U.S. Congress, Senate, *Congressional Record*, vol. 136, pt. 12 (July 11, 1990); vol. 137, pt. 13 (July 23, 1991); vol. 138, pt. 22 (October 5, 1992); U.S. Congress, House, *Congressional Record*, vol. 141, no. 118 (July 20, 1995); vol. 142, no. 97 (June 27, 1996); Zeiler, "Globalization," 242–48.
[773] Senator Daniel Patrick Moynihan, remarks in the Senate, Congressional Record, 102nd Cong., 2nd sess., vol. 138, pt. 22 (October 5, 1992).
[774] Al Gore, "Speech by Vice President Gore: Microsoft CEO Summit" (speech, Microsoft CEO Summit, Seattle, WA, May 8, 1997), Clinton White House Archives, https://clintonwhitehouse3.archives.gov/WH/EOP/OVP/speeches/microsof.html.

using the same examples from the past, exemplifying how thoroughly the narrative had been absorbed into the end-of-history optimism of the Clinton administration.

The permanent normal trade relations vote for China, the last major trade legislation of the Clinton years, produced the most sustained week of Smoot-Hawley references in any single congressional event since the Gephardt amendment fights. The PNTR grant was the legislative prerequisite for China's WTO accession, which was completed in December 2001.[775] Its proponents deployed the Smoot-Hawley narrative with increased vigor, repeatedly and directly linking the tariff with World War II and Hitler. This is an even greater historical causal leap than saying it caused the Depression, but was remarkably common. For example, in the Senate on May 10, this formulation was used repeatedly, with one senator saying "if you would make a short list of five events that led to the Second World War, and the horror associated with that war, the Smoot-Hawley tariff of 1930 would be one of them."[776] In the House on May 16–17, a Republican declared that "I am embarrassed to say, [Smoot-Hawley] was a Republican initiative but...it led to the Great Depression, and I believe and most economists agree that those protectionist policies strengthened the hand of Adolph Hitler."[777]

The maximalist Smoot-Hawley-Depression-Hitler-WWII argument was also notable for what it lacked. Indeed, earlier claims that tariffs led to war has stated they could do through the mechanism of unemployment. In a telling sign that the New Deal era was dead, this crucial step was missing from causal chain invoked by most politicians in the 1990s and 2000s On September 7, as the Senate moved toward its final vote, the contest of memory produced a doomed rebuttal, with a member saying "we were tired of hearing about Smoot-Hawley, and that the hobgoblins were coming...it is time we jailed that buzzard, Smoot-Hawley."[778] The same speech again reprinted the Heinz/Bedell "Myth of Smoot-Hawley" for the third time in the Congressional Record.[779]

George W. Bush entered office in January 2001 as what Zeiler calls a "doctrinaire free trader," and USTR Robert Zoellick's 2001 testimony and speeches offered the executive branch's most comprehensive deployment of the Hull narrative since Hull himself.[780] Before the Finance Committee in January 2001, Zoellick framed trade promotion authority as direct institutional heir of the lesson drawn in 1934. He argued that "the disastrous experience of setting protectionist tariffs for over 20,000 individual items in the Smoot-Hawley bill of 1930 led Congress four years later to try a different approach: a partnership with the Executive to negotiate lower barriers to trade around the world."[781] At the Heritage Foundation in June

[775] U.S. Department of State, "Fact Sheet on China, WTO, and PNTR," May 24, 2000, https://1997-2001.state.gov/regions/eap/fs-china_pntr-wto_000524.html.
[776] U.S. Congress, Senate, *Congressional Record*, vol. 146, no. 57 (May 10, 2000); U.S. Congress, House, *Congressional Record*, vol. 146, nos. 60–61 (May 16–17, 2000); Thomas W. Zeiler, "Crisis, 2001–2021," in *Capitalist Peace: A History of American Free-Trade Internationalism* (New York: Oxford University Press, 2022), 249–52, https://doi.org/10.1093/oso/9780197621363.003.0013; Irwin, "U.S. Trade Policy," 17–19.
[777] U.S. Congress, House, *Congressional Record*, 106th Cong., 2nd sess., vol. 146, no. 61 (May 17, 2000).
[778] Senator Ernest F. Hollings of South Carolina, remarks in the Senate, *Congressional Record*, 106th Cong., 2nd sess., vol. 146, no. 103 (September 7, 2000): S8153–57 (reprinting Heinz, "The Myth of Smoot-Hawley"). Senator John Heinz, 'The Myth of Smoot-Hawley,' here reprinted for the third time in the Congressional Record.
[779] Hollings, *Congressional Record*, September 7, 2000, S8153–57 (reprinting Heinz, "The Myth of Smoot-Hawley" for the third time).
[780] Zeiler, "Crisis, 2001–2021," 249–54.
[781] Robert B. Zoellick, testimony before the Senate Finance Committee, January 30, 2001; Robert B. Zoellick, remarks at the Heritage Foundation, Washington, DC, June 29, 2001; Robert B. Zoellick, remarks before the Council on Foreign Relations, Washington, DC, October 30, 2001; U.S. Congress, Senate, *Congressional Record*, vol. 148, no. 35 (March 22, 2002); Zeiler, "Crisis, 2001–2021," 249–54.

2001, he offered a geopolitical version, saying that the Smoot-Hawley bill "raised tariffs to their highest level in U.S. history, intensified the Depression," and "allowed tyrants to exploit the misery that followed."[782] Speaking with the Council on Foreign Relations in October of that year, Zoellick provided a more institutional argument. Hull's RTAA of 1934, he argued, was "the forerunner of later grants of 'fast track' trade negotiating authority" and "the trade negotiating bills of today still include some of the original authorizing language that Hull drafted in 1934." Zoellick would later admit that he knew the history was not always perfectly accurate, but found it political useful and would later coach WTO Secretary General Pascal Lamy on how to employ the analogy for free trade ends himself.[783]

The September 11 attacks gave the argument new geopolitical urgency—Bush linked trade promotion authority explicitly to the war on terror. However, on the fast-track floor debate of March 2002, a senator raised concerns about distributional effects and named the hegemony's silencing function. Lamenting that "in this town there are only two recognized views of trade…you are either kind of a nut who wants to build walls around America and bring Smoot-Hawley back, or you have a broad vision and you are a great statesman."[784]

The Hitler analogy would also reappear, even as dissent grew. During the Chile FTA debate of July 2003, one representative claimed that "Adolph Hitler was emboldened by the fact that the United States Congress had passed a Smoot-Hawley Tariff Act, and we stuck our heads in the sand and did not engage in Western Europe, and that played a role in bringing him into power."[785] USTR Susan Schwab, speaking in June 2007, offered the decade's most unqualified official version of the script: "You want a guarantee when it comes to trade? Embrace isolationism and protectionism. I guarantee economic disaster. We saw this in 1930 with Smoot-Hawley."[786]

However, fractures were visible. The Doha Development Round, launched in November 2001 with the explicit ambition of completing liberalization, had stalled by 2003 over agriculture and developing-nation demands and was effectively suspended by 2006. The post-NAFTA collapse of Democratic support for trade agreements, as the party repositioned from its export-oriented southern base to its union-dominated northern constituencies, meant that the bipartisan coalition sustaining sixty years of liberalization was crumbling.

[782] Zoellick, remarks at the Heritage Foundation, Washington, DC, June 29, 2001.
[783] Robert B. Zoellick, interview by author, Washington, DC, 2024.
[784] U.S. Congress, Senate, *Congressional Record*, 107th Cong., 2nd sess., vol. 148, no. 35 (March 22, 2002).
[785] U.S. Congress, House, *Congressional Record*, vol. 149, no. 111 (July 24, 2003); Susan C. Schwab, remarks to "Women in International Trade," June 4, 2007; Zeiler, "Crisis, 2001–2021," 254–65; Irwin, "U.S. Trade Policy," 17–18.
[786] Schwab, remarks to "Women in International Trade," June 4, 2007.

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"The Day of Judgement had come; thousand-year-old truths had been declared errors."
-Vasily Grossman, *Life and Fate*

Chapter 9: Crises and contestations of global economic memories, 2008-2026

9.1) The delayed death of neoliberalism?

In the previous eight chapters of this dissertation, parallel accounts of the long legacies of the Weimar Hyperinflation and Smoot-Hawley Tariff have mostly been told in isolation. From the perspective of standard disciplinary approaches of International Political Economy—in which "money" and "trade" are typically viewed as distinct subfields—this is not unusual. Adopting the vantage point of memory studies, with the two cases presented alongside each other, also has certain analytical benefits. It allows us to observe commonalities and differences between how memory operates distinct realms of economic history, specifically trade versus monetary history. The theoretical implications of the distinctions between the memory politics of 1923 and 1930 are indeed analytically rich. These both warrant deeper analysis, which is provided in the subsequent chapter.

Although the separate treatment is logical for both practical and intellectual reasons, any honest account of real-world political economy would insist that trade and monetary policy cannot be discussed in isolation. This is especially true when the two countries in question are as deeply integrated as the US and Germany have been for over a century. Indeed, the two original crises were linked from the start. US entry into WWI tipped the scales toward Germany's defeat, which was followed by reparations and hyperinflation. US loans permitted Weimar's financial recovery after 1923. Most dramatically, the collapse of the US economy and subsequent protectionism—notably the Smoot-Hawley tariff—caused dollar shortages that plunged Germany into an even greater Great Depression than the US experienced. After the WWII, the reconstruction of the global trading system would have been hard to imagine without a functioning West German economy under the DM. As we have seen, Frankfurt's monetary policy would eventually help undo the Bretton Woods economic order. The subsequent era of multilateral trade agreements and unrestricted capital flows amid freely floating currencies and widespread central bank independence reflected the logic of both historical narratives taken to their extremes.

Clearly, then, the memories of 1923 and 1930 do not form two isolated politicized versions of the past. Rather, they are intertwined threads in the ideological and rhetorical tapestry of the neoliberal economic order—or the idea that economic affairs should be removed from the realm of democratic political contestation.[787] This is true on both the material and ideational level. An open trading system and stable currencies were necessary to sustain the high levels of economic integration that (re)emerged at the end of the 20th and beginning of the 21st centuries. As the political backlash to trade shocks and monetary and fiscal austerity grew in the 2000s, these two narratives—both of which are fundamentally

[787] Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, MA: Harvard University Press, 2018).

cautionary tales about the perils of democratic control of economic policy—were useful tools for fending off "populist" contestations of the existing order after 2008.

These challenges, and the use of Weimar and Smoot-Hawley narratives to counteract them, reached a fever pitch in the aftermath of the 2008 Global Financial Crisis. In May of that year, USTR Susan Schwab refused to adjust to the unfolding economic collapse, stating that "the pro-trade agenda being pursued by the Bush Administration today, really date back to the post-Smoot-Hawley era when Democrats like FDR and Cordell Hull led us into a new age of trade liberalization."[788] International elites such as WTO Secretary General Pascal Lamy repeatedly invoked a "mythical" retelling of 1930 tariff to quash any nascent attempts at embracing increased protectionism as a response to what was widely described as the worst downturn since the Great Depression.[789]

On the monetary side, European Central Bank President Jean-Claude Trichet was similarly eager to embrace historical narratives. Shortly after the GFC, he claimed that current ECB policy stemmed from "German monetary history in the first half of the 20th century, in particular the German hyperinflation of the early 1920s, which has left deep scars in the collective memory of both Germany and Europe."[790] In Germany itself, then-Finance Minister Wolfgang Schäuble directly referenced the hyperinflation to ward off demands for greater stimulus, citing "aversion to deficits and inflationary fears, which have their roots in German history in the past century."[791]

Both narratives were, fundamentally, rhetorical tools to preserve the broad outlines of the pre-crisis policy status quo. This famous "non-death of neoliberalism"—which Colin Crouch identified as the counterintuitive fact that it, despite the severity of the economic crisis, "neoliberliasm emerg[ed] from the crisis more politically powerful than ever"[792]—was not preordained. At the peak of the crisis between 2007 and 2009, Barack Obama was frequently compared to Franklin Delano Roosevelt.[793] As architect of the sweeping New Deal, itself a response to the previous catastrophic economic downturn, FDR served as a tempting (if ultimately disappointing) analogy for those hoping Obama would be similarly transformative by focusing on domestic welfare instead of promoting further globalization and market expansion.[794] In the EU, the crisis spawned hopes and predictions that a fiscal union and "social" Europe were imminent.[795]

Ultimately, progressive hopes that the crisis would trigger a leftward move across the major North Atlantic economies were almost universally dashed. Broadly speaking, the

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[788] Susan C. Schwab, "The U.S. Trade Agenda," remarks at the Peterson Institute for International Economics, Washington, DC, May 6, 2008, Office of the United States Trade Representative, https://ustr.gov/archive/assets/Document_Library/Transcripts/2008/May/asset_upload_file460_14891.pdf.
[789] Gabriel Siles-Brügge, "Explaining the Resilience of Free Trade: The Smoot-Hawley Myth and the Crisis," *Review of International Political Economy* 21, no. 3 (2014): 535–574, https://doi.org/10.1080/09692290.2013.830979.
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[791] Wolfgang Schäuble, "Maligned Germany Is Right to Cut Spending," *Financial Times*, June 23, 2010, https://www.ft.com/content/216daeba-7f0c-11df-84a3-00144feabdc0.
[792] Colin Crouch, *The Strange Non-Death of Neoliberalism* (Cambridge, UK: Polity Press, 2011), viii.
[793] Peter Beinart, "The New New Deal," *Time*, November 24, 2008, https://content.time.com/time/covers/0,16641,20081124,00.html.
[794] Michael Grunwald, *The New New Deal: The Hidden Story of Change in the Obama Era* (New York: Simon & Schuster, 2012).
[795] "Intolerable Choices for the Eurozone," *Financial Times*, May 31, 2011, https://www.ft.com/content/1a61825a-8bb7-11e0-a725-00144feab49a; Jürgen Habermas, Peter Bofinger, and Julian Nida-Rümelin, "Only Deeper European Unification Can Save the Eurozone," *The Guardian*, August 9, 2012, https://www.theguardian.com/commentisfree/2012/aug/09/deeper-european-unification-save-eurozone; Filipa Figueira and Raphael Espinoza, "Bargaining the Euro: Making an EU Fiscal Union Politically Acceptable," *European Review* 31, no. 3 (2023): 252–272, https://doi.org/10.1017/S1062798723000030.

emphasis on the primacy of international flows of goods and capital over domestic social policy and the prevalence of monetary and fiscal "discipline" persisted. As with previous crises in the late 20th century, the twin memories of Smoot-Hawley and the 1923 hyperinflation were key rhetorical devices in these political struggles at a moment of crisis. Rather than advance a new order or institutions, however, they were largely defensive tools to prevent dramatic change. Although this worked in the short term, the preservation of old economic structures amid new political demands and methods placed a strain on both the system and the historical narratives used to bolster and preserve it.

Faced with the expanding crisis on both sides of the Atlantic, the previously-hegemonic systems began to unravel by the late 2010s. Smoot-Hawley and Weimar were still mobilized, but appeared increasingly out of touch with reality. Recalling the link between ideology and material conditions that Gramsci describes, this reveals an important point: dominant narratives can perpetuate economic structures past their material usefulness, but cannot do so indefinitely. Eventually, the failure of a system to provide its promised benefits will also undermine the narratives used to support it, especially when combined with active contestation from those who believe that the old structures no longer (or never have) served their interests. Hegemony is indeed "born on the factory floor."[796] This means that the "workers" of that factory may accede to a system that does not necessarily serve their material interests. When that factory closes, however, once-hegemonic narratives begin to lose their appeal. Replacing the old systems and narratives with something new is a far more daunting task that undoing the old one, however. This is the world we find ourselves in today.

This chapter, then, concludes the empirical story of both historical narratives, showing how they were employed in the "decade of financial crises" that Adam Tooze identifies in *Crashed*.[797] Then, it shows their last-gasp use amid the "neoliberal order" breakdown of the late 2010s and early 2020s.[798] Taking us to the present, it then links back to the contestations and invocations of historical memory that featured at the start of sections 2 and 3. Although the narrative collapse has occurred unevenly, it is still unresolved and we now lack any comparable replacement. New political actors are currently seeking to implant new hegemonic memories, but have been mostly unsuccessful so far. This breakdown of the old historical reference points without anything new having taken their place reflects dynamics of the much remarked-upon "interregnum" in political economy that we now face in the mid-2020s.[799]

9.2) The protectionist crisis that wasn't

As the US financial system teetered on the brink of collapse in 2008 and 2009, comparisons to the Great Depression were inescapable. US Federal Reserve Chairman Ben

[796] Antonio Gramsci, "Americanism and Fordism," in *Selections from the Prison Notebooks of Antonio Gramsci*, ed. and trans. Quintin Hoare and Geoffrey Nowell Smith (New York: International Publishers, 1971), 285.
[797] Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York: Viking, 2018).
[798] BungaCast, "From the Vault #44: Neoliberal Order Breakdown Syndrome (N.O.B.S.)," December 28, 2023, https://bungacast.com/2023/12/28/from-the-vault-44-neoliberal-order-breakdown-syndrome-n-o-b-s/.
[799] Francesco Laruffa and Dieter Plehwe, "After Neoliberalism? Interregnum, Polycrisis and the Principle of Expansive Democratisation," *Global Society* (April 2026): 1–27, https://doi.org/10.1080/13600826.2026.2647237; Chris Ó Rálaigh, "Interrogating the Interregnum," *European Journal of Social Theory* 29, no. 2 (May 2026): 207–25, https://doi.org/10.1177/13684310251367363.

Bernanke was frequently lauded for his crisis-fighting abilities, which many observers linked to having studied the monetary policies of the 1930s as an academic economist.[800] Economists like Paul Krugman and Barry Eichengreen drew similar parallels.[801] The US did, of course, in some ways "learn" from the 1930s. Monetary policy was less rigid and there was a greater fiscal response through both the 2008 Troubled Asset Relief Program (TARP) and American Recovery and Reinvestment Act (ARRA) of 2009. Left critics of the bailouts and stimulus would later argue these pieces of legislation were skewed toward the wealthy and insufficient to restimulate the economy.[802] Obama-era caution aside, it does indeed seem there was some degree of "learning" that improved the policy response that kept the GFC at "only" the level of Great Recession, rather than Great Depression.[803]

If the fiscal and monetary authorities in the US were self-consciously reflecting the 1930s as a way to prevent the specter of global depression from returning, elites in the field of global trade found themselves continuously arguing with the ghosts of Smoot and Hawley. As a candidate for president in 2008, Barack Obama had shown some sensitivity about the social and economic effects of deindustrialization. This was largely understandable for a midwestern politician running in the progressive lane of the Democratic primary, the US party historically most tied to organized labor. Although he had a law degree from Harvard and resided in Chicago, one of Obama's political strengths was his ability to compete outside of urban centers.[804] This was especially important given the Democrats fraying base in the trade unions.[805]

Indeed, by the time the campaign was heating up in 2007, union membership had declined from 34% of the private-sector male workforce in 1973 to a mere 8% 34 years later.[806] Total manufacturing job losses in the US since just 2000 had reached 3.4 million by that same year. Scholars debate the extent to which this can be blamed on trade, but reputable accounts such as those by David Autor and coauthors estimate the scale of employment decline caused by Chinese imports alone at between 1.5 and 2 million.[807] Others attribute close to one million lost jobs to NAFTA.[808] Critics of this narrative frequently cite the fact that productivity increases were also a factor and that the total drop in unemployment pales in comparison to the massive US labor market.[809] In any case, the narrative of trade-induced

[800] Tooze, *Crashed*, 53; Ben S. Bernanke, "Macroeconomics of the Great Depression: A Comparative Approach," *Journal of Money, Credit and Banking* 27, no. 1 (1995): 1–28, https://fraser.stlouisfed.org/files/docs/meltzer/bermac95.pdf.
[801] Barry Eichengreen and Kevin H. O'Rourke, "A Tale of Two Depressions Redux," VoxEU, March 6, 2012, https://cepr.org/voxeu/columns/tale-two-depressions-redux; Paul Krugman, "The Great Recession Versus the Great Depression," *New York Times*, March 20, 2009.
[802] For the left, see: Leo Panitch and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire* (London: Verso, 2012). For left-liberal, see: Joseph E. Stiglitz, *Freefall: America, Free Markets, and the Sinking of the World Economy* (New York: W. W. Norton, 2010)
[803] Ben S. Bernanke, Timothy F. Geithner, and Henry M. Paulson Jr., *Firefighting: The Financial Crisis and Its Lessons* (New York: Penguin Books, 2019).
[804] Stephen Braun, "The South in Obama's Backyard," *Los Angeles Times*, August 2, 2008, https://www.latimes.com/archives/la-xpm-2008-aug-02-na-obamaillinois2-story.html.
[805] Lainey Newman and Theda Skocpol, *Rust Belt Union Blues: Why Working-Class Voters Are Turning Away from the Democratic Party* (New York: Columbia University Press, 2023).
[806] Bruce Western and Jake Rosenfeld, "Unions, Norms, and the Rise in U.S. Wage Inequality," *American Sociological Review* 76, no. 4 (2011): 513–537, https://www.asanet.org/wp-content/uploads/savvy/images/journals/docs/pdf/asr/WesternandRosenfeld.pdf.
[807] David H. Autor, David Dorn, and Gordon H. Hanson, "How the China Trade Shock Impacted U.S. Manufacturing Workers and Labor Markets," Washington Center for Equitable Growth, May 13, 2025, https://www.hks.harvard.edu/publications/how-china-trade-shock-impacted-us-manufacturing-workers-and-labor-markets-and.
[808] Robert E. Scott, "NAFTA-Related Job Losses Have Piled Up Since 1993," Economic Snapshot, Economic Policy Institute, December 16, 2003, https://www.epi.org/publication/webfeatures_snapshots_archive_12102003/.
[809] Michael J. Hicks and Srikant Devaraj, *The Myth and the Reality of Manufacturing in America* (Muncie, IN: Center for Business and Economic Research, Ball State University, 2015).

industrial job losses took on an extremely significant political meaning that outstripped the aggregate economic effects. This is likely related to the centrality of a masculinized factory worker in postwar American culture, the regionally-concentrated nature of job losses, and the common portrayals of industrialization in popular films and music.[810]

In his campaign, Obama struck a difficult balancing act on trade, saying he would renegotiate NAFTA but not proposing dramatic or specific shifts in the agreement or specifying how they would help US workers.[811] While he spoke in a slightly populist register during his stump speeches and in debates, Obama adjusted his rhetoric to elite audiences, supporting globalization and describing himself as a "strong free trader," but still stressing the social consequences of economic disruption.[812] The primary risk of this, however, was the political backlash, not the dislocation itself. Speaking at Brookings, he stressed that widespread job loss "will end up manifesting itself in the sort of nativist sentiment, protectionism, and anti-immigration sentiment that we are seeing here in Washington." Even in front of some audiences hard-hit by trade, Obama hardly espoused protectionist rhetoric, arguing in Flint, Michigan that is it "impossible to turn back the tide of globalization," even as he promised greater infrastructure and educational investment so that "America can compete and succeed in the 21st century."[813]

Despite Obama's relatively moderate rhetoric, while campaigning for the general election, Republican candidate John McCain sought to tarnish his opponent with the "protectionist" label and paint himself as the inheritor of his predecessors' liberalizing legacies. Speaking in Dearborn, Michigan in late 2007, the Arizona senator described himself as a "student of history" and cited the Smoot-Hawley tariff as evidence for his claim that "every time the United States has become protectionist and listened to the siren song that you're hearing partially on this stage tonight, we've paid a very heavy price."[814] A few months later, he cautioned another economically depressed rust belt city—this time Youngstown, Ohio—to resist the "siren song" of trade barriers and reject a return to the protectionist past.[815] He would go on use the Smoot-Hawley metaphor many more times on the campaign trail, reflecting this long history of supporting trade agreements as a US senator from Arizona.[816] In the presidential debates as well, McCain likened Obama's policies to Hoover's support of Smoot-Hawley.[817]

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[810] Bruce Springsteen songs like Youngstown are almost certainly the most prominent example. It is also worth recalling that the documentarian Michael Moore got his start with the 1989 film Roger & Me, which documents closing GM plants in Flint, Michigan. While not directly about deindustrialization, iconic television shows like The Wire and The Sopranos take place against the backdrop of a post-industrial urban landscape and the economic consequences of this shift.

[811] Brian Montopoli, "Obama's Balancing Act on Free Trade," CBS News, June 20, 2008, https://www.cbsnews.com/news/obamas-balancing-act-on-free-trade-20-06-2008/.

[812] "Barack Obama at the Launch of the Brookings Institute's Hamilton Project," YouTube, December 1, 2009, video, 19:20, https://www.youtube.com/watch?v=P-5Y74FrDCc.

[813] Barack Obama, "Obama Delivers Remarks at Campaign Event in Flint, Mich.," *Washington Post*," June 18, 2008, https://www.washingtonpost.com/wp-dyn/content/article/2008/06/18/AR2008061802510.html.

[814] John McCain, remarks in Dearborn, MI, October 9, 2007, McCain Institute, https://www.mccaininstitute.org/ja/resources/mccain-on-the-issue/9-october-2007-dearborn-michigan/.

[815] David Jackson, "McCain Denounces 'Siren Song' of Protectionism," *ABC News*, April 22, 2008, https://abcnews.go.com/Politics/story?id=4705243&page=1.

[816] Daniel Griswold, "Expanding Trade Is a Key to Winning Presidency," *Cato Institute*, July 30, 2008, https://www.cato.org/commentary/expanding-trade-key-winning-presidency.

[817] "Presidential Debate at Belmont University in Nashville, Tennessee," *NBC News*, transcript, October 7, 2008, https://www.nbcnews.com/id/wbna27073997; "Presidential Debate at Hofstra University in Hempstead, New York," *The American Presidency Project*, October 15, 2008, https://www.presidency.ucsb.edu/documents/presidential-debate-hofstra-university-hempstead-new-york.

Some free trading economists echoed McCain, calling Obama's trade policies "reactionary, populist, xenophobic and just plain silly."[818]

Obama's decisive victory over McCain could suggest that the political power of Smoot-Hawley references was already greatly weakened by 2008. This may have been partially true among the United States electorate, but it still held sway in the halls of power. For example, a proposed cap-and-trade bill was bashed as "our generation's Smoot-Hawley Act"[819] and health care reform was compared "with the Smoot-Hawley tariff as among the worst bills Congress has ever seriously contemplated."[820] This largely reflects the hypothesis that Weimar tended to be a more "popular" reference than Smoot-Hawley, which operated more on the elite level. This relates to the difference in emotional resonance of each: free trade might be a "tradition" and avoiding protectionism may serve as a "lesson," but these do not reach the intensity of the "trauma" of hyperinflation (see table 2.1). It is also notable that Smoot-Hawley had partially drifted from a specific critique of protectionism (or slowed liberalization) to a general synonym for bad legislation. Among democratically-elected US politicians at least, Smoot-Hawley was still a scare tactic, but one that had lost some degree of specificity.

The opposite was true abroad. Indeed, the increasing, and highly consequential, *international* uses of Smoot-Hawley references would prove to be the most striking developments of the post-2008 "memory battles" that were waged to shape global commerce. Highlighting this dynamic, only eleven days after Obama's electoral triumph, G20 leaders gathered in Washington and released a declaration explicitly foreswearing protectionism as a response to the crisis, clearly indicating that they would avoid a "protectionist free-for-all, as in the 1930s."[821] Gathering in London in April 2009 (a clear callback to the failed 1933 conference in the same city), the historical reference was also explicit, with the group saying they "will not repeat the historic mistakes of protectionism of previous eras."[822]

Certain elite London audiences might already have grown accustomed to such rhetoric. For example, Deputy US Trade Representative John K. Veroneau told Chatham House members a year earlier that "History has shown that protectionism does not protect….in 1930, the U.S. Congress passed the Smoot-Hawley Tariff Act…nations responded with their own protectionist measures, [and] a severe economic downturn quickly turned into a global depression." He struck a note of optimism, however, saying that "I am confident, that the economies of the world today will avoid the mistakes of last century."[823] This was by now standard fare for the office, with USTR Susan Schwab having used the same reference earlier that year.[824] Obama's first Trade Representative Ron Kirk would also

[818] Anne Sibert and Willem Buiter, "The Dangerous Protectionism of Barack Obama," *VoxEU*, February 26, 2008, https://cepr.org/voxeu/columns/dangerous-protectionism-barack-obama.
[819] U.S. Congress, House, *Congressional Record*, 111th Cong., 1st sess., vol. 155, no. 98 (June 26, 2009).
[820] U.S. Congress, House, *Congressional Record*, 111th Cong., 1st sess., vol. 155, no. 162 (November 3, 2009).
[821] G20, "Declaration of the Summit on Financial Markets and the World Economy," Washington, DC, November 15, 2008, https://www.g20.utoronto.ca/2008/2008declaration1115.html; Tooze, *Crashed*, 298.
[822] G20, "The Global Plan for Recovery and Reform," London, April 2, 2009, https://www.g20.utoronto.ca/2009/2009communique0402.html.
[823] John K. Veroneau, "Remarks of Ambassador John K. Veroneau," remarks at the Chatham House Annual Members' Conference 2008, London, November 13, 2008, https://ustr.gov/archive/assets/Document_Library/Transcripts/2008/November/asset_upload_file548_15229.pdf.
[824] Schwab, "The U.S. Trade Agenda."

go on to warn that "During the Great Depression, knee-jerk protectionism sank the world into deeper suffering and forestalled economic recovery" in late 2009.[825]

These references may have been predictable coming from those with the job of negotiating new trade deals. What was more surprising, however, was the spread of Smoot-Hawley references to the heights of multilateral trade institutions. As Gabriel Siles-Brügge documents extensively, WTO Secretary General Pascal Lamy invoked the 1930 tariff repeatedly. Importantly, however, he never once mentioned it in between taking office in Geneva in 2005 and 2007. In 2008, however, the French Socialist referenced the Depression (therefore implicitly Smoot-Hawley) eight times to ward off any increases in trade barriers. He would do so over ten more times before leaving the WTO. Reflecting on his success in 2011, Lamy claimed that "the difficult lessons of the great depression have been learnt and that the EU has not engaged in wholesale tit-for-tat protectionism."[826] The lower levels of the WTO soon employed the narrative extensively as well, including both its council and trade policy review team. As Siles-Brügge argues, "policy-makers and leading economists constructed an ideational imperative for continued openness by drawing on a questionable reading of economic history—the Smoot-Hawley myth—and by continually stressing protectionism's role as one of the causes of the Great Depression, making non-liberal responses to the current crisis largely ruled out."[827]

This did prevent a slide into protectionism, but it was not necessarily useful for pushing liberalization even further. indeed, the global trading order was no longer in its peak globalization era, even before 2008. Already under strain after the Doha negotiations, which had started in 2001, it showed little progress by 2007. Despite lack of enthusiasm for further liberalization, the scale and severity of protectionist measures enacted after 2008 were minimal. Therefore, it is unclear that 2008 was in any way a decisive crisis for international trade. Either the system was already in crisis by 2007 due to stalling multilateral negotiations, or there was no GFC-induced protectionist spiral to worry about. Regardless, the actual empirical evidence of global trade barriers reveals very little change as a result of the financial calamity that was engulfing the world.[828]

This is precisely where memory, and its effect in conjuring a "crisis," comes into play. The IPE literature on the social construction of crises tends to focus on the political ruptures, rather than continuities.[829] Turning back to chapter 2, we can recall that Hay describes crises as "constructed in and through narrative."[830] By identifying crisis as "a moment and process of transformation,"[831] however, we ignore the role that a *specter of crisis* can play in *preventing* transformation. That is precisely what took place with Smoot-Hawley's use after 2008, as its invocation redefined the nature of the crisis at hand in order to

[825] Ron Kirk, "Remarks by Ambassador Ron Kirk at University of Maryland Law School," Baltimore, MD, October 3, 2009, Office of the United States Trade Representative, https://ustr.gov/about-us/policy-offices/press-office/speeches/transcripts/2009/october/remarks-ambassador-ron-kirk-university-maryl.
[826] Quoted in Gabriel Siles-Brügge, "Explaining the Resilience of Free Trade: The Smoot–Hawley Myth and the Crisis," *Review of International Political Economy* 21, no. 3 (2014): 557.
[827] Siles-Brügge, 536–537.
[828] Siles-Brügge.
[829] Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge, UK: Cambridge University Press, 2002), 254.
[830] Colin Hay, "Narrating Crisis: The Discursive Construction of the 'Winter of Discontent,'" *Sociology* 30, no. 2 (1996): 253–77, https://doi.org/10.1177/0038038297025002005.
[831] Hay, 255.

produce continuity, rather than dramatic change.[832] Amin Samman refers to this as the "black mirror" of the 1930s, which was "the key reference point" of the financial press after 2008.[833]

Samman's analysis of publications like *Forbes*, the *Financial Times*, the *Wall Street Journal*, and the *Economist* uncovers many of the same narratives and causal arguments that the previous two chapters identified. He points out several of the more banal attributions of protectionism to economic downturn, but also identifies the more exaggerated argument that Smoot-Hawley led to Hitler and WWII.[834] Samman also clearly identifies the political implications of such invocations, pointing out that "with lessons of both trade and war, we see the same basic process at work: by inserting the Great Depression into a chain of causal relations and then transposing this chain into the present, cause and effect become scrambled, allowing the latter to negate the former via an injunction to avoid a repeat of the past—'never again!'"[835] Put more simply, the financial press was saying: if you don't like totalitarianism, you had better avoid tariffs.

This line of thinking was largely echoed in the US Senate, as the Obama years produced two distinct waves of Smoot-Hawley invocations, each triggered by a specific legislative flashpoint. The first came in early 2009, when the American Recovery and Reinvestment Act's "Buy American" steel provisions alarmed free-traders. John McCain took to the Senate floor on consecutive days to warn that "nearly 80 years ago, two men—Mr. Smoot and Mr. Hawley—led an effort to enact protectionist legislation in hopes of curing the woes of the American worker" and that the Buy American clause carried the same disastrous echoes. Chuck Grassley drew the parallel with equal force, arguing that "those protectionist barriers that were put up in 1930 or 1931 made the Great Depression worse—so let's not repeat that mistake."[836] Many speeches would make a similar argument against protectionism around this time.

The second wave arrived in autumn 2011, when the Senate took up the Currency Exchange Rate Oversight Reform Act targeting China's undervalued renminbi. Here the rhetorical situation was more complicated, because senators in favor of the measure had to argue simultaneously that China's behavior was unacceptable and that their legislative response was nothing like Smoot-Hawley. Those opposed had a simpler rhetorical task, with one senator criticizing by saying "the last thing we need to do at this point in world history, at this point with the global economy as it is today, is repeat the same mistakes that happened back in the 1930s with Smoot-Hawley. That is exactly the path we are going down. It is as if we don't learn from history."[837] By contrast, Chuck Schumer toed a fine line in his support of the measure, arguing along the contours of a contest of analogy. He pointed out that "when Smoot-Hawley was enacted by Congress, in those days the United States had a trade

[832] Philip Mirowski, *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown* (London: Verso, 2013).
[833] Amin Samman, "The 1930s as Black Mirror: Visions of Historical Repetition in the Global Financial Press, 2007–2009," Journal of Cultural Economy 5, no. 2 (2012): 213, https://doi.org/10.1080/17530350.2012.660792.
[834] Samman, 220.
[835] Samman, 221.
[836] John McCain, "American Recovery and Reinvestment Act of 2009," U.S. Congress, Senate, *Congressional Record*, 111th Cong., 1st sess., vol. 155, no. 22 (February 4, 2009); Chuck Grassley, "American Recovery and Reinvestment Act of 2009," U.S. Congress, Senate, *Congressional Record*, 111th Cong., 1st sess., vol. 155, no. 21 (February 3, 2009).
[837] "Currency Exchange Rate Oversight Reform Act," U.S. Congress, Senate, *Congressional Record*, 112th Cong., 1st sess., vol. 157, no. 146 (October 3, 2011).

surplus," whereas America now ran chronic deficits, making defensive action fundamentally different from 1930-style aggression.[838]

As president, Obama, who had been one of the more trade-skeptical presidents on the campaign trail, soon pivoted to a more liberalizing approach. After some debate, Trade promotion Authority was renewed for the final time in 2015 (it was last renewed in 2002 and failed in 2021). While in office, Obama had grown increasingly enthusiastic about TTIP and TPP, but was ultimately unable to harness this authority to pursue these deals. He did, however, sign agreements with Colombia and South Korea and did not dramatically renegotiate NAFTA. Obama himself referred to trade history only obliquely, warning that the US should not "retreat into old, closed-off economies" while arguing generically that "while some communities have suffered from foreign competition…trade has helped our economy much more than it has hurt."[839] His next USTR, Mike Froman, was more blunt. Froman observed in Geneva in 2013 that "This was the worst economic crisis since the 1930's, but unlike that crisis, this time—while no country has been perfect—we avoided a descent into spirals of protectionism."[840] He would also make a similar argument to domestic audiences, including the right-wing Cato institute.[841]

At the WTO, Lamy's successor Roberto Azevêdo looked back at the previous 5 years in a 2014 speech. He sought to "Contrast the financial crisis that we are still living with today to the crisis of the interwar years [when] governments responded by throwing up trade barriers, such as the Smoot-Hawley Tariff Act, which pushed the world into a spiral of protectionism." After 2008, however, the "mistake was not repeated" and the "restraint and caution" prevailed, a response he attributed to the institution that employed him.[842] Clearly, then, Lamy was not an exception. The memory of US protectionism had fully become part of the international vocabulary in support of free trade.

As they also looked back on the peak crisis years, several economic historians proved to be strangely comfortable with these questionable uses of history from key policymakers. For example, Barry Eichengreen, one of the most respected sources on the history of the Great Depression—and also a scholar who has rigorously demonstrated that Smoot-Hawley had a relatively limited economic impact compared to monetary policy[843]—effectively endorsed a "noble lie" theory about its rhetorical use. In his 2014 book *Hall of Mirrors: The Great Depression, The Great Recession, and the Uses and Misuse of History,* Eichengreen repeats the extensive empirical findings that demonstrate the 1930 tariff did little to worsen the Depression. His next paragraph then pivots abruptly and is worth quoting at length:

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[838] Chuck Schumer, "China Currency Legislation," U.S. Congress, Senate, *Congressional Record*, 112th Cong., 1st sess., vol. 157, no. 151 (October 11, 2011).
[839] "Obama Says Protectionism No Answer to Inequalities of Globalization," Reuters, October 6, 2016, https://www.reuters.com/article/us-usa-obama-economist-idUSKCN1260WJ/; Paul Blake, "Obama Defends Capitalism and International Free Trade in 'Economist' Essay," ABC News, October 6, 2016, https://abcnews.com/Business/obama-defends-capitalism-international-free-trade-economist-essay/story?id=42614080.
[840] Michael Froman, "Keynote Remarks by U.S. Trade Representative Michael Froman at the World Trade Organization Public Forum on Innovation and the Global Trading System," remarks delivered in Geneva, October 1, 2013, Office of the United States Trade Representative, https://ustr.gov/about-us/policy-offices/press-office/speeches/transcripts/2013/october/froman-wto-innovation-global-trade
[841] Michael Froman, "Remarks by Ambassador Michael Froman at the Cato Institute Forum," remarks delivered at the Cato Institute Forum, Washington, DC, June 30, 2016, Office of the United States Trade Representative, https://ustr.gov/about-us/policy-offices/press-office/speechestranscripts/2016/june/Remarks-Ambassador-Froman-Cato-Institute-Forum.
[842] Roberto Azevêdo, "The WTO Needs America, and America Needs the WTO" (speech, US Chamber of Commerce, Washington, DC, March 10, 2014), World Trade Organization, https://www.wto.org/english/news_e/spra_e/spra9_e.htm.
[843] Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939* (New York: Oxford University Press, 1992).

"The textbook assertion that Smoot-Hawley worsened the Depression in the United States is *bad history in the service of good policy*. Although there is no evidence that the tariff had a significant negative impact on the American economy, its *ritual invocation helped policy makers resist the protectionist temptation* in 2009. That in turn made it easier to mount an internationally coordinated response."[844] (emphasis added).

Douglas Irwin, a Cornell economic historian and enthusiastic free trader who is nevertheless measured about Smoot-Hawley's economic effects, has struck a similar tone. Although he spends much of the 2011 book *Peddling Protectionism: Smoot-Hawley and the Great Depression* arguing that monetary policy was the true culprit of the 1930s downturn, Irwin agrees with Eichengreen about the desirability of deploying Smoot-Hawley rhetorically anyway. In the final page of the book, he contradicts much of his previous argument, saying that "the stigma of Smoot-Hawley is well-deserved…it should always be remembered as a warning about the adverse consequences of poorly considered trade policies."[845]

These statements represent only a tiny fraction of the prominent economists who mobilized Smoot-Hawley around and after the GFC, but both of these cases are particularly notable due to Eichengreen and Irwin's work econometrically overturning the exact narrative they later endorsed for political reasons. Indeed, they co-authored a paper in 2010 that made the case that the gold standard was also likely the culprit for countries' decision to pursue protectionism post-1929.[846] While their endorsement of historical misrepresentation is puzzling, their effort was almost certainly well-meaning—free trade, in their view, is a global public good. However, the next several years would serve as a warning about the risks of tolerating "bad history," even if done in the name of "good policy." Indeed, these renowned scholars should have been aware of the fact that political actors did not have to be "good" to employ "bad history"—this could also be done to support policies that both economists would almost certainly consider "bad."

The increasing divergence between material demands of the US electorate and the existing policy and rhetorical structures of the global trading system would illustrate this risk.[847] As we have seen in chapter 6, the first Trump administration made fitful attempts to find a new historical narrative to justify its trade policies. These became increasingly credible as perceptions that trade was undermining American wellbeing became more mainstream in the 2010s. For example, left populist and trade-skeptic Bernie Sanders' close challenge to Hillary Clinton in the 2016 Democratic Primary caused her to renege on some previous pledges to support multilateral trade agreements. Sanders' overperformance against Clinton in key Rust Belt states and the success of Trump's anti-trade message in the GOP primary

[844] Barry Eichengreen, *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses—and Misuses—of History* (New York: Oxford University Press, 2015), 122.
[845] Douglas A. Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression* (Princeton, NJ: Princeton University Press, 2011), 221.
[846] Barry Eichengreen and Douglas A. Irwin, "The Slide to Protectionism in the Great Depression: Who Succumbed and Why?," *Journal of Economic History* 70, no. 4 (2010): 871–97, https://doi.org/10.1017/S0022050710000756.
[847] David H. Autor, David Dorn, Gordon Hanson, and Kaveh Majlesi, "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure," *American Economic Review* 110, no. 10 (2020): 3139–3183; Cameron Ballard-Rosa, Judith Goldstein, and Nita Rudra, "Trade as Villain: The Fading American Dream and Declining Support for Globalization," *Journal of Politics* 86, no. 1 (2024): 274–290.

suggested that narrative underpinnings of the free trade consensus have finally begun to shift irrevocably.[848]

Although he was often fickle on policy questions, one of Trump's strongly-held political beliefs had long been raising customs duties on foreign products (he had previously advocated protection against Japanese imports during the 1980s). This attitude figured prominently in his 2016 campaign.[849] Trump would later go on to win the 2016 general election, notching key wins in the deindustrialized Midwestern states that had once formed the heart of the Democratic coalition. Scholars would later identify that his "over-performance (and Clinton's underperformance), particularly in the Industrial Midwest, was key to Trump's unanticipated victory."[850] In retrospect, Trump's 2016 campaign and first term in the White House might seem relatively quaint in comparison to the radical upheaval of his second term, but both were widely seen by the liberal establishment as an apocalyptic assault on rules, traditions, and norms. Trump provoked a similar reaction across all almost areas of governance, but one of the policy areas that drew the most concern was foreign economic relations—notably tariffs.

As president, one of his first major actions was to import steel and aluminum tariffs in 2018, promoting an outcry from allies abroad and free-trade proponents at home. [851] Aside from complaints about the future economic and political impact, opponents of the new levies repeatedly cited the Smoot-Hawley tariff. Prominent news outlets including the *New York Times*, *Foreign Policy*, the *Economist*, *Bloomberg*, the *Guardian*, *Al Jazeera*, the *BBC*, *der Spiegel* and many more all published pieces comparing these relatively targeted sectoral tariffs to the sweeping 1930 Act.[852] Policy analysts and think tanks made similar claims, suggesting that the "lessons" of the interwar era must not be forgotten.[853] Notably, Trump's protectionism even prompted a Smoot-Hawley reference from the Federation of German Industries (BDI), which warned against "protectionism spiral…similar to the one during the Great Depression of the 1930s."[854]

Revealing that the GOP's historic commitment to free trade and the "lessons" of Smoot-Hawley was still partially intact during Trump's first term, Republicans repeatedly invoked the 1930 tariff in ways both defensive and critical of their president. For example, Commerce Secretary Wilbur Ross, facing questioning from a Republican Senator in his confirmation hearings, felt the need to express both his historical literacy and free trade credentials. Ross stated that "I'm keenly aware of Smoot-Hawley and the effect that it had on trade in general and our trade in particular, and if there is nothing else, we can learn from

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[848] Eric Oliver and Wendy M. Rahn, "Rise of the *Trumpenvolk*: Populism in the 2016 Election," *The Annals of the American Academy of Political and Social Science* 667, no. 1 (2016): 189–206.
[849] Jim Tankersley and Mark Landler, "Trump's Love for Tariffs Began in Japan's '80s Boom," *New York Times*, May 15, 2019, https://www.nytimes.com/2019/05/15/us/politics/china-trade-donald-trump.html.
[850] Shannon M. Monnat and David L. Brown, "More than a Rural Revolt: Landscapes of Despair and the 2016 Presidential Election," *Journal of Rural Studies* 55 (2017): 227–36, https://doi.org/10.1016/j.jrurstud.2017.08.010.
[851] Dominic Rushe, "Donald Trump Signs Order for Metals Tariff Plan, Prompting Fears of Trade War," *The Guardian*, March 8, 2018, https://www.theguardian.com/us-news/2018/mar/08/donald-trump-metal-tariffs-trade-war.
[852] For example, see: James B. Stewart, "What History Has to Say about the 'Winners' in Trade Wars," *New York Times*, March 8, 2018, https://www.nytimes.com/2018/03/08/business/tariff-trump-trade-wars.html; "A History of the Trump Slump," The Economist, March 2, 2018, https://www.economist.com/buttonwoods-notebook/2018/03/02/a-history-of-the-trump-slump.
[853] For other examples, see: Chad P. Bown and Eva Zhang, "Trump's 2019 Protection Could Push China Back to Smoot-Hawley Tariff Levels," Trade and Investment Policy Watch, May 14, 2019, https://www.piie.com/blogs/trade-and-investment-policy-watch/2019/trumps-2019-protection-could-push-china-back-smoot.
[854] BDI, "Protectionism and Nationalism on the Rise," 2019, https://web.archive.org/web/20200802003205/https://english.bdi.eu/article/news/protectionism-and-nationalism-on-the-rise/.

history that kind of approach didn't work very well, and it very likely wouldn't work very well now."[855] In Congress, after Trump announced his steel and aluminum tariffs on March 7th, 2018, Republican Mark Sanford of South Carolina observed that the "Smoot-Hawley tariffs were equally disastrous in not producing what they were supposedly designed to do…they didn't protect jobs, didn't protect industry, and, in fact, world trade declined by about two-thirds during that time period," with another member of his party echoing the same message that day.[856] Senator Chuck Grassley, expressing support for the WTO, would also cite Smoot-Hawley on two different occasions.[857] Ultimately, the metals tariffs were implemented and NAFTA was renegotiated, but more drastic actions like WTO withdrawal were avoided.[858]

Trump's efforts at correcting trade imbalances through tariffs were predictably unsuccessful. As many economists were keen to point out, macroeconomic factors (such as an undervalued euro and low investment in Germany, high savings rates in China, and expansionary fiscal policy in the US) were far more important drivers of the current account balance than any individual customs rates.[859] Still, his disregard for Smoot-Hawley scaremongering and willingness to defy some elements of trade orthodoxy did have lasting effects, even after his defeat in the 2020 election. Indeed, Joe Biden, who prevailed in the 2020 election on a message of "returning to normalcy,"[860] kept the steel aluminum tariffs in place and maintained a hawkish stance toward China. Although some aspects of Biden's foreign economic policy did indeed resemble Trump's, his administration would wage a relatively novel memory campaign, diverging from the pre-Trump consensus in both historical references and concrete actions.

9.3) Conjuring Weimar, conquering inflation

As Adam Tooze deftly points out in *Crashed*, the GFC was far from an "American" story. Although the crisis emerged in the US housing sector, the capital flows that facilitated excessive lending were largely the product of international imbalances. Contrary to popular perceptions, and European governments; denunciation of "America's laissez-faire ideology" as the root of the crisis, much of the excess capital came from that very model of frugality and moderation—Germany.[861] Due to the undervalued "German" euro, tight fiscal policy, and punitive labor market reforms, the unified Federal Republic had reemerged as *Exportweltmeister* during the 2000s. Germany's current account surplus reflected both export

[855] U.S. Senate, Committee on Commerce, Science, and Transportation, *Nomination of Wilbur L. Ross, Jr., to Be Secretary of the Department of Commerce*, 115th Cong., 1st sess., January 18, 2017, S. Hrg. 115-33.
[856] U.S. Congress, House, *Congressional Record*, 115th Cong., 2nd sess., vol. 164, no. 40 (March 7, 2018), H1145; H1447.
[857] U.S. Senate, Committee on Finance, *Approaching 25: The Road Ahead for the World Trade Organization*, 116th Cong., 1st sess., March 12, 2019, S. Hrg. 116-285; U.S. Senate, Committee on Finance, *WTO Reform: Making Global Rules Work for Global Challenges*, 116th Cong., 2nd sess., July 29, 2020, S. Hrg. 116-516.
[858] Trump did, however, block appointments to the WTO's appellate body. Chad P. Bown and Soumaya Keynes, "Why Did Trump End the WTO's Appellate Body? Tariffs.," *Trade and Investment Policy Watch*, Peterson Institute for International Economics, March 4, 2020, https://www.piie.com/blogs/trade-and-investment-policy-watch/2020/why-did-trump-end-wtos-appellate-body-tariffs.
[859] Brad W. Setser, "Trump's Tax Success Is at the Expense of His Trade Agenda," *Council on Foreign Relations*, February 15, 2018, https://www.cfr.org/articles/trumps-tax-success-expense-his-trade-agenda; Maurice Obstfeld, "The U.S. Trade Deficit: Myths and Realities" (conference draft, March 13, 2025), Brookings Institution, https://www.brookings.edu/wp-content/uploads/2025/03/3_Obstfeld.pdf.
[860] Ezra Klein, "Joe Biden's Promise: a Return to Normalcy," Vox, May 20, 2019, https://www.vox.com/policy-and-politics/2019/5/20/18631452/joe-biden-2020-presidential-announcement-speech.
[861] Tooze, *Crashed*, 89.

competitiveness and low domestic investment (current account balance can be defined either as exports minus imports or savings minus investment). This arithmetic identity had international implications. As Tooze writes, "rather than funding investment at home, Germany's savings would out of necessity flow into investments abroad. This was the financial counterpart to Germany's chronic current account surplus, a key complaint of Trump's and a symptom as much of repressed domestic consumption and investment as it was of export success."[862] Tooze is referring to the very austerian policies that we saw bolstered by the repeated invocation of the 1923 hyperinflation that we saw in section 2.

Indeed, European banks, which had purchased large quantities of American mortgage-backed securities and had borrowed heavily in short-term dollar markets, were heavily exposed to the contagion. The immediate German response—the rescue of Hypo Real Estate bank in October 2008—illustrated that German financial institutions were heavily implicated in the pre-crisis credit boom. The coalition government of Angela Merkel enacted a significant fiscal stimulus package in 2008–2009, broadly comparable to those of other affected economies.[863] However, they soon foreswore any additional stimulus, defining the crisis as one of sovereign debt, not global imbalances and a lack of domestic consumption. At the G20 in London in 2009, Merkel was resistant about providing additional liquidity but notably did praise the agreement via a reference to US interwar intransigence, remarking that the negotiations resulted in a "very, very good, almost historic compromise…this time the world does not react as in the thirties."[864]

German success relied on higher inflationary performance of its neighbors, which under the fixed exchange rate of the euro made German exports highly competitive. As Bibow writes, "Countries keen to join the German-style 'stability union' jointly engaged in unconditional austerity and continued to disinflate toward the German stability benchmark,' however, an "important fallacy of composition was overlooked: the German model gets undermined when exported. West Germany's success with the German model in former times rested on other countries behaving differently".[865] By 2009, the fallacy of composition that Bibow had identified in theoretical terms was starting to be demonstrated in practice.[866] Germany's export-led model had depended on European neighbors absorbing German exports and financing them through borrowing.

When the crisis ended the credit expansion in the periphery and forced a sudden correction, the demand that had sustained German export growth disappeared. Germany entered a sharp recession in 2009, its worst since reunification.[867] The consequences were even more dire in the poorer southern economies. This was mostly not because of profligate government spending or inflationary excess, but because stretching the German-specific model of *Stabilitätskultur* across heterogenous bloc of countries provoked instability. The very existence of this culture, though, would later provide a political resource for Germany in

[862] Tooze, 325.
[863] Tooze, 323-24.
[864] Tooze, 305.
[865] Jörg Bibow, "How Germany's Anti-Keynesianism Has Brought Europe to Its Knees," *International Review of Applied Economics* 32, no. 5 (2018): 11, https://doi.org/10.1080/02692171.2017.1369938.
[866] Jörg Bibow, "Making EMU Work: Some Lessons from the 1990s," Working Paper no. 326 (Annandale-on-Hudson, NY: Levy Economics Institute of Bard College, 2001), https://www.econstor.eu/bitstream/10419/31571/1/503897590.pdf.
[867] Deutsche Bundesbank, "The Economic Scene in Germany in Summer 2009," Monthly Report, August 2009, https://www.bundesbank.de/resource/blob/707062/9623d6e0493ea75a1454a7579c692edd/mL/2009-08-overview-data.pdf.

the coming negotiations.[868] Somewhat perversely, these negotiations were only necessary due to the crisis that has resulted from overextending that same model of *Stabilitätskultur* two decades earlier.

As the crisis deepened and European sovereign debt began to come under pressure (largely due to the need to bail out oversized European banks),[869] German policymakers and political commentators increasingly reached for the historical vocabulary of Weimar to justify their actions and beliefs. The fear that expansionary monetary policy would lead to hyperinflation—a fear that bore little relationship to the actual economic conditions of 2009–2010—appeared persistently in the German debate. As early as 2008, for example, *Spiegel* published a photo essay on the effects of the hyperinflation.[870] Several other publications invoked the same history as the ECB undertook expansionary monetary policy to curb deflation and avoid debt crises.

On the European monetary front, Bundesbank opposition to ECB bond purchasing programs was fierce, but mostly performative. For example, Axel Weber resigned from the Bank in February 2011, citing the QE policies. He was replaced by Jens Weidmann, on whose appointment *FAZ* reported by saying that "Germans, as burnt children of hyperinflations, have thoroughly internalized that an independent institution, pledged solely to the value of money, will permit less inflation than one that is dependent on the government."[871] After the November 2011 G20 meeting in Cannes, *FAZ* again reported on Weidmann's opposition (which was supported by Merkel), by referencing the hyperinflation. "The Germans are driven by the fear of inflation more than others," they said, "the Bundesbank's reserves—whether gold, foreign exchange, or special drawing rights—are therefore of the highest psychological significance…whoever crosses this line risks protests in the donor countries that will equal those in the debtor states."[872] Here we can see the pro-business German media mobilizing the memory for explicitly political purposes—invoking the language of a "trauma" almost none of its readers lived through.

Both of these articles were curated in the *AaP* and support David Marsh's earlier observation that "Germans lead the world in preaching and practicing the doctrine of sound money" due to "the [hyperinflation] tale that was handed down to subsequent generations as a particularly outlandish form of twentieth century folklore."[873] It also clearly echoes the first Bundesbank president Wilhelm Vocke, who claimed that "every inflation starts in public finances as public expenditures get inflated."[874] Jens Weidmann would go on to consistently invoked the specter of 1923 to argue against any accommodation of government financing needs through the money supply.[875] In 2012, the Bundesbank published a page on "lessons from history" about the hyperinflation in both German and English, revealing its goal of

[868] David Howarth and Charlotte Rommerskirchen, "A Panacea for All Times? The German Stability Culture as Strategic Political Resource," West European Politics 36, no. 4 (2013): 750–70, https://doi.org/10.1080/01402382.2013.783355.
[869] Mark Blyth, *Austerity: The History of a Dangerous Idea* (New York: Oxford University Press, 2013).
[870] "Hyperinflation 1923," photo essay, *Der Spiegel*, 2008, https://www.spiegel.de/fotostrecke/hyperinflation-1923-fotostrecke-106446.html.
[871] "Die Deutschen als gebrannte Kinder von Hyperinflationen," *Frankfurter Allgemeine Zeitung* (Frankfurt am Main), February 17, 2011, AaP Nr. 9 / 23 Feb. 2011.
[872] Holger Steltzner, article in *Frankfurter Allgemeine Zeitung* (Frankfurt am Main), November 7, 2011, AaP Nr. 47 / 9 Nov. 2011.
[873] David Marsh, *The Bundesbank: The Bank That Rules Europe* (London: William Heinemann, 1992), 28–29.
[874] Quoted in Jörg Bibow, "At the Crossroads: The Euro and Its Central Bank Guardian (and Saviour?)," *Cambridge Journal of Economics* 37, no. 3 (2013): 616, https://doi.org/10.1093/cje/bet004.
[875] "Saving the Euro: Germany's Central Bank Against the World," *Spiegel International*, November 15, 2011, https://www.spiegel.de/international/europe/saving-the-euro-germany-s-central-bank-against-the-world-a-797666.html.

affecting foreign publics as well.[876] Throughout these actions, we see a clear and ongoing politicized use of the memory of 1923.

Although the Bundesbank would define itself in opposition to the ECB, the rhetoric from the other Frankfurt's Eurotower was not so dissimilar to that at the Bundesbank. Even before Weber resigned, then-ECB president Jean-Claude Trichet spoke at the University of Munich in 2009, echoing the German narrative almost verbatim. He said:

"We are all aware that assigning an independent central bank to the pursuit of price stability was both a historical necessity and a key ingredient in economic success. It is also well-known that the *solid tradition of the Deutsche Bundesbank sprung out of the painful experiences of the more distant German monetary history* in the first half of the 20th century, in particular the German hyperinflation of the early 1920s, which has *left deep scars in the collective memory of both Germany and Europe*. In a sense, the German experience between the two world wars demonstrates how painful deviations from price stability can be—both in economic and in political terms. Firm lessons were learned from history in Germany, in particular in the period of the great inflation of the seventies…*these lessons of history were shared all over Europe*."[877] (emphasis added)

Here we can see Lyon-born Trichet fully embracing the Frankfurt narrative of monetary history. Down to the specific details of the causal chain (hyperinflation→ lesson to pursue independence→ low inflation success → example for EMU), the ECB chief recited a version of the past that could have come from even the most dogmatic Bundesbank official. His successor Mario Draghi, another "southerner" who would be maligned in the German press for causing inflation, echoed this rhetoric. Speaking with the *Der Spiegel* in 2012, the magazine asked what he would do to curb inflation, stating that their "fear stems from historical experience" and that "Germans have learnt that, if central banks flood the markets with money, this always leads to inflation." Draghi responded with empathy, saying that "we have to take these fears very seriously." [878]

Still, he creatively defended his expansionary monetary policy, while also pandering to German anxieties. "Correlation is not so simple," he said, because in "some cases, such as in the Weimar Republic, printing money caused inflation. But in other cases, proactive central bank action did not."[879] Echoing the German "trauma" discourse, Draghi explained his own family's personal loss of wealth due to inflation in Italy. Speaking with the populist daily *Bild* Draghi was even more obsequious toward German anxieties. In 2012, he told the paper that "Germans had terrible experiences with inflation in the twentieth century" and stressed that "inflation can downright destroy the society of a country."[880]

The crisis reached its nadir in the summer of 2012, when yield spreads on Spanish and Italian government bonds threatened to breach levels that would render the two eurozone members' debt unsustainable. Draghi responded with what became the most consequential phrase in the history of the ECB. At a London investment conference on July 26, 2012, he

[876] Deutsche Bundesbank, "Inflation – Lehren aus der Geschichte," October 15, 2012, https://www.bundesbank.de/de/aufgaben/themen/inflation-lehren-aus-der-geschichte-614516.
[877] Jean-Claude Trichet, "The ECB's Enhanced Credit Support," keynote address, University of Munich, Munich, July 13, 2009, European Central Bank, https://www.ecb.europa.eu/press/key/date/2009/html/sp090713.en.html.
[878] Mario Draghi, interview by *Der Spiegel*, European Central Bank, October 29, 2012, https://www.ecb.europa.eu/press/inter/date/2012/html/sp121029.en.html.
[879] Mario Draghi, interview by *Der Spiegel*, 2012.
[880] Quoted in Simon Mee, *Central Bank Independence and the Legacy of the German Past* (Cambridge: Cambridge University Press, 2019), 315–16.

declared that the ECB would do "whatever it takes" to preserve the euro. The subsequent announcement of the Outright Monetary Transactions program—a commitment to purchase unlimited quantities of sovereign bonds of member states in difficulty—immediately calmed the markets, eventually stabilizing the crisis without a single actual purchase under the program. As we will see, this caused significant backlash against Draghi, especially in Germany, but it did indeed save the euro.

References to the hyperinflation in German media only became more common as Draghi's ECB continued its expansionary and unorthodox monetary policy. *Der Spiegel*, which has already published a special report on the German hyperinflation in 2009 that argued it is "no coincidence" that Hitler[881] began his rise to power in the same year as the hyperinflation was again a key example. In 2013, they released another article on the same topic, again linking Hitler and the "trauma" of the hyperinflation.[882] The center-left *Süddeutsche Zeitung* also repeatedly published articles emphasizing fiscal restraint.[883] At a similar point along the ideological spectrum, *Die Zeit* wrote in 2013 that "the deep-seated German fear of inflation has its origins in the hyperinflation of 1923" when "images of people taking their money to the bakery in wheelbarrows to buy bread burned themselves into the collective memory".[884] These efforts got traction in the international press as well—almost certainly one of the political goals of such narratives.[885]

Political manifestos from the Eurocrisis years also invoke the inflation repeatedly. Shortly after Draghi's famous speech, the economically liberal FDP's 2013 election manifesto proclaimed that "the hyperinflation of the 1920s and the monetary devaluation of the immediate post-war period is branded deeply into our collective memory."[886] Using the politically-loaded term *Staatsräson* (which Merkel first used in 2008 to describe Germany's commitment to Israel[887]), the party argued that stable prices were the "constitutional reason of state" for Germany. Over the course of the crisis, the transformation of the Green Party's use of history is extremely telling. In 2009, they explicitly invoked the Great Depression and New Deal as a model for recovering from the crisis.[888] By contrast, in 2021, they argued that "our goal is to strengthen the ECB in its independence…we want the euro to develop into a credible international leading currency, so that Europe builds its sovereignty."[889]

Polling data provides another lens through which to examine public perceptions of inflation and the role of ideology versus material circumstances. A survey called "The Fears of the Germans" has been conducted each year by insurer R+V. From 1993 until 2025 (the

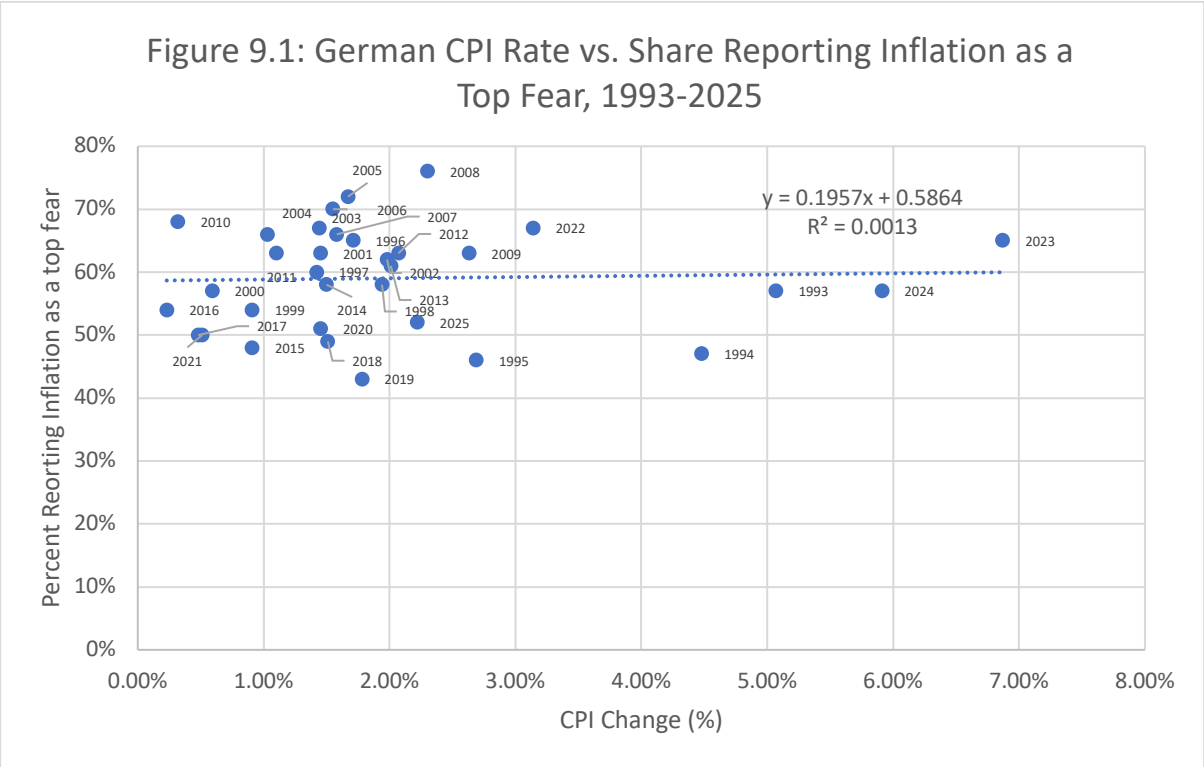
[881] Alexander Jung, "Millions, Billions, Trillions: Germany in the Era of Hyperinflation," *Der Spiegel International*, August 14, 2009, https://www.spiegel.de/international/germany/millions-billions-trillions-germany-in-the-era-of-hyperinflation-a-641758.html.
[882] "90 Jahre Hyper-Inflation: Geburt eines nationalen Traumas," *Der Spiegel*, November 13, 2013, https://www.spiegel.de/wirtschaft/soziales/90-jahre-hyper-inflation-a-933396.html.
[883] Markus K. Brunnermeier, Harold James, and Jean-Pierre Landau, *The Euro and the Battle of Ideas* (Princeton, NJ: Princeton University Press, 2016).
[884] Malte Buhse, "Euro-Krise: Wo bleibt sie denn, die Inflation?," *Die Zeit*, June 26, 2013, https://www.zeit.de/wirtschaft/2013-06/inflation-angst-krise-deutschland/seite-2.
[885] Stephen Brown, "If Germans Are Stubborn on Euro, Blame Weimar," *Reuters*, November 10, 2011, https://www.reuters.com/article/markets/us/if-germans-are-stubborn-on-euro-blame-weimar-idUSL5E7MA17O/.
[886] Freie Demokratische Partei, *Bürgerprogramm 2013: Programm der Freien Demokratischen Partei zur Bundestagswahl 2013* (Berlin: Freie Demokratische Partei, 2013).
[887] Angela Merkel, "Rede von Bundeskanzlerin Dr. Angela Merkel vor der Knesset am 18. März 2008 in Jerusalem," speech, Jerusalem, March 18, 2008, Bulletin 26-1 (Berlin: Presse- und Informationsamt der Bundesregierung, 2008), https://www.bundesregierung.de/breg-de/service/newsletter-und-abos/bulletin/rede-von-bundeskanzlerin-dr-angela-merkel-796170
[888] Bündnis 90/Die Grünen, *Aus der Krise hilft nur Grün: Bundestagswahlprogramm 2009* (Berlin: Bündnis 90/Die Grünen, 2009).
[889] Bündnis 90/Die Grünen, *Deutschland. Alles ist drin. Bundestagswahlprogramm 2021* (Berlin: Bündnis 90/Die Grünen, 2021).

years for which data is available), it finds a consistently high inflation-phobia among the German populace.[890] In 25 out of 33 years of data, inflation ranks as their top concern (this seems to be a German peculiarity, as similar surveys American citizens show no similar fear of inflation).[891] Moreover, when compared with actual inflation from a year earlier—since people should theoretically respond to inflation they have experienced[892]—there is no positive relationship between actual inflation (CPI) and reported fear of inflation (see figure 9.1). This casts doubt on arguments that savings-intensive German citizens merely oppose inflation on rational grounds—there is clearly something else influencing their disproportionate fear of price increases. Based on the concerted efforts of media and political elites to highlight the link between inflation and political destabilization, it is likely that historical memory is an important factor in this puzzle.

As the data reveal, there is no detectable linear relationship between prior-year German CPI and the share of Germans naming inflation a top fear in this 33-year sample. With such a limited time series, the findings are not statistically significant, but this does suggest little correlation between actual inflation and fear of it—corroborating the case that inflation could be driven largely by media narratives and political discourse. To pick some specific years, in 2008 inflation was only slightly above the 2% target (2.30%), yet 76% of the population reported it as a top fear. In the years after the euro was introduced, inflation fears were also elevated, despite below-target price increases. These were all time periods when there was an *elevated discourse*, rather than just an elevated inflation rate. Indeed, the post-GFC inflation rate was extremely low by historical standards in Europe.[893]

As a whole, the consistent elevation of inflationary fears is remarkable and corroborates longstanding observations about Germany, such as Susan Strange's 1984 observation that "'The German tribal memory heightens political awareness of the long-run penalties attached to inflation and, therefore, substantially assists inflation resisting policies."[894] Although R+V and inflation data are not intended to demonstrate causality, they do lend some support to Strange's argument. Full data is included in the appendix.

[890] R+V Versicherung, "Die Ängste der Deutschen im Langzeitvergleich," *R+V Newsroom*, https://www.ruv.de/newsroom/themenspezial-die-aengste-der-deutschen/langzeitvergleich.
[891] *The Voice of Wilkinson*, "The Chapman University Survey on American Fears," category archive, accessed April 23, 2026, https://blogs.chapman.edu/wilkinson/category/fear-index/.
[892] Kenneth Scheve, "Public Inflation Aversion and the Political Economy of Macroeconomic Policymaking," *International Organization* 58, no. 1 (2004): 1–34, https://doi.org/10.1017/S0020818304581018.
[893] Gerrit Koester et al., "Understanding Low Inflation in the Euro Area from 2013 to 2019: Cyclical and Structural Drivers," ECB Occasional Paper Series No. 280 (Frankfurt am Main: European Central Bank, September 2021), 5, https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op280~697ef44c1e.en.pdf.
[894] Susan Strange and David Calleo, "Money and World Politics," in *Paths to International Political Economy*, ed. Susan Strange (London: George Allen & Unwin, 1984), 111.



Source: R+V; Destatis; own calculations.

At the peak of the Eurocrisis, many critical scholars like Jörg Bibow had already pointed out the curious use of history in order to defend conservative economic policies. In 2012, he wrote that the "Great Depression seems to have been deleted from the collective German memory" and that "German policymakers are notorious for seeing inflation risks everywhere."[895] He later observed that "Germany has misunderstood its own economic history, learning the wrong lessons from it, and has misconstrued the true sources of its postwar success, developing an economic policy philosophy ill-suited for Europe as a whole" and continued to argue that "historic reality starkly conflicts with the popular and official German historical narrative."[896] Although this was a useful corrective to the historical narratives identified above, it did little to uncover the politics behind the ways in which Germany has "misunderstood" its history.

More recent works have sought to dig more into the nature of these contested historical "lessons." In addition to Simon Mee's excellent 2018 *Central Bank Independence and the Legacy of the German Past* (which is cited extensively in the previous chapters), two important academic papers were published in the aftermath of the Eurocrises. First, Lukas Haffert and colleagues published "Misremembering Weimar: Hyperinflation, the Great Depression, and German collective economic memory" in 2021 in *Economics and Politics*.[897] The paper asks "why hyperinflation seems to overshadow the Great Depression in German

[895] Jörg Bibow, "The Euro and Its Guardian of Stability: Fiction and Reality of the 10th Anniversary Blast," in *Monetary Policy and Central Banking: New Directions in Post-Keynesian Theory*, ed. Louis-Philippe Rochon and Salewa "Winnie" Olawoye (Cheltenham, UK: Edward Elgar, 2012), 199–200.
[896] Bibow, "How Germany's Anti-Keynesianism," 1–2.
[897] Lukas Haffert, Yvonne Kuhn, and Erik Gahner Larsen, "Misremembering Weimar: Hyperinflation, the Great Depression, and German Collective Economic Memory," *Economics & Politics* 33, no. 3 (2021): 664–84, https://doi.org/10.1111/ecpo.12182.

collective economic memory."[898] Using original survey data, the authors demonstrate that Germans conflate the two into a single crisis, with more educated and politically-aware respondents actually *more likely* to make this mistake. They draw a clear link with ECB policy, pointing out that "if references to Weimar suggest to Germans that inflation and unemployment are two sides of the same crisis-coin, Weimar references can be used to argue that anti-inflationary policies are good for growth while loose monetary policies endanger much more than just monetary stability."[899] While this paper provides an important snapshot of the present, it ultimately does not ask where the collective memory they identify comes from. They conclude on the note that their "results thus call for greater attention to the mechanisms through which the memory of historical events is being transmitted"—precisely what thesis has attempted to do.

Teupe and Barkhausen's 2023 "The German inflation trauma: Weimar's policy lessons between persistence and reconstruction"[900] is another effort to take up that mantle. Their paper largely corroborates the findings in chapters 3-5. "German inflation trauma" they argue, "has not had a stable meaning; it is a malleable trauma rather than a persistent trait of German society."[901] They accept the language of "trauma" as a discursive, rather than objective object, but point out that "inflation did not necessarily impose itself on people and it did not necessarily affect everyone in the same way" and that the inflation aversion of Germans directly after the hyperinflation has often been overstated.[902] They find little agreement on the political meaning of the hyperinflation in the 1950 and 1960s, but identify a growing consensus in the 1970s and full "discursive alignment" by the 1980s.

These references became less common until debates around the euro picked up in the late 1990s, and also spiked after the GFC. The connection to crisis is key, they argue, as "memories of hyperinflation were generally only connected to specific monetary policy proposals at times of institutional reform and crisis policy."[903] They close on a note that echoes the political argument of this thesis, stating that the current "dominant political reading of the Weimar hyperinflation emerged as a product of an uncontested discursive alignment pursued by conservative party members from the 1980s onwards who pushed for a restrictive policy and called on the Weimar memory to aid their cause."[904] This is the exact discursive political alignment we saw at the start of chapter 3, the 100th anniversary of the hyperinflation and the publication date of this important paper.

9.4) The post-2020 search for new hegemonic memories

If 2008 demonstrated yet again that the combination of economic interconnectedness and political parochialism could produce worldwide financial crisis, 2020 would reveal the fact that such intangible and invisible capitals flows are highly vulnerable to disruptions in

[898] Haffert, Kuhn, and Larsen, 664.
[899] Haffert, Kuhn, and Larsen, 683.
[900] Sebastian Teupe and David Barkhausen, "The German Inflation Trauma: Weimar's Policy Lessons Between Persistence and Reconstruction," *Working Papers of the Priority Programme 1859 "Experience and Expectation. Historical Foundations of Economic Behaviour"* 40 (Berlin: Humboldt University Berlin, April 2023), https://doi.org/10.18452/26377.
[901] Teupe and Barkhausen, 1.
[902] Teupe and Barkhausen, 6.
[903] Teupe and Barkhausen, 10.
[904] Teupe and Barkhausen, 15-16.

the "real" economy. The extent to which the COVID-19 pandemic reshaped the international political economy is the subject of much debate and is largely beyond the scope of this thesis. However, it clearly reinforced existing trends in some ways, while prompting new thinking and novel policymaking in others.

The trend in US trade policy was already one of an accelerating break with the past. With the pandemic spreading toward the end of Trump's first term, the sudden shortages of key foreign-made medical supplies seemed to validate a globalization-skeptical worldview and bolstered the demand for industrial policy.[905] Perhaps most significantly, disruptions in the semiconductor supply chain—which had already emerged as an issue of concern in the years prior—would prompt export controls and greater investment in domestic and allied economies.[906] Even as Trump advocated "decoupling" and others demanded "reshoring," Smoot-Hawley criticisms were few and far between.[907] Compared to other protectionist moments—including those earlier in Trump's first term—this reference was conspicuously absent. Had the entrenched hegemony of this memory been suddenly overrun by dramatic shifts in the balance of forces? Or would its ramparts emerge stronger from this attempted rhetorical offensive, as it had so many times in the past? The cross-class and geographically-distributed impacts of these most recent global economic developments—as opposed to the relatively concentrated effects of previous trade shocks—would offer a clue.

Biden's approach to the world, which he described as a "foreign policy for the middle class," was certainly more progressive and cooperative than Trump's. However, it did share important similarities, such as a nostalgia for midcentury industrialism, a belief in American primacy, and a willingness to employ nationalist economic policies in support of these goals. Key examples included the Inflation Reduction Act of green industrial policy and CHIPS Act to spur semiconductor manufacturing. In a memorable (and perhaps overstated) critique, Adam Tooze described "Bidennomics" as "MAGA for thinking people."[908] Even allowing for a degree of polemicism and irony, there is a hint of truth to the statement, especially at the narrative level.

Realizing that its departure from pre-Trump Democratic trade orthodoxy would require a corresponding new historical justification, the Biden team reached for a "lost cause" story of an alternative global trading system that never came to pass. As part of its "worker-centered trade policy," the administration—and particularly United States Trade Representative (USTR) Katherine Tai—sought to use the failed International Trade Organization and the related 1948 Havana Charter as a historical reference point.[909] Although the Charter did not pass, the labor and environmental protections included in the ill-

[905] Chad P. Bown, "How COVID-19 Medical Supply Shortages Led to Extraordinary Trade and Industrial Policy," PIIE Working Paper 21-11 (Washington, DC: Peterson Institute for International Economics, July 2021), https://www.piie.com/publications/working-papers/2021/how-covid-19-medical-supply-shortages-led-extraordinary-trade-and.
[906] Lukasz Bednarski, Samuel Roscoe, Constantin Blome, and Martin C. Schleper, "Geopolitical Disruptions in Global Supply Chains: A State-of-the-Art Literature Review," *Production Planning & Control* 36, no. 4 (2025): 536–62, https://doi.org/10.1080/09537287.2023.2286283.
[907] Niv Elis, "Trump Says 'Decoupling' from China on the Table," The Hill, June 18, 2020, https://thehill.com/policy/finance/503458-trump-says-decoupling-from-china-on-the-table/. The congressional record features no references to Smoot-Hawley from the start of COVID-19 until Biden's inauguration.
[908] Adam Tooze, "Facing War in the Middle East and Ukraine, the US Looks Feeble. But Is It Just an Act?," *The Guardian*, October 10, 2024, https://www.theguardian.com/commentisfree/2024/oct/10/war-middle-east-ukraine-us-feeble-biden-trump.
[909] United States Trade Representative, "ICYMI: Ambassador Katherine Tai Joins Bloomberg's Odd Lots to Discuss the New Era of Globalization," September 9, 2024, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/september/icymi-ambassador-katherine-tai-joins-bloombergs-odd-lots-discuss-new-era-globalization.

fated ITO could serve as a model for a renewed, "race-to-the-top" multilateralism, they argued.[910] Tai's Special Advisor, Elizabeth Baltzan, made extensive efforts to popularize this narrative, writing multiple pieces and speaking widely across both Washington and international fora.[911] These efforts attracted significant attention, and even some derision from DC's devotees of free trade.[912] Ultimately, Tai and her team seem to have failed to create a new hegemonic narrative, especially considering the 2024 loss to Trump. However, the concerted effort to popularize a new history for political purposes reveals the close interlinkages between hegemonic economic memories and dominant policy regimes.

As we saw in chapter 6, the shift between Trump's first and second term also saw a change in historical perspective. Beginning with a mid-century nostalgia for the likes of General George Patton and other pop-culture touchstones from the same period,[913] Trump began to dabble with the figure of William McKinley later in the term (a reference seemingly encouraged by trade-skeptic advisor Peter Navarro in 2018).[914] In the 2024 campaign, however, this took on a new intensity. In addition to future Commerce Secretary Howard Lutnick's enthusiastic invocation at Madison Square Garden,[915] Trump himself brought up McKinley multiple times on the campaign trail. Demonstrating the weakening of the Smoot-Hawley narrative among even elite circles, Trump invoked his new message to the New York Economic Club. Stating to the assembled grandees that high tariffs are "best for our citizenship and our civilization" and that McKinley's presidency was "when we had our greatest wealth" Trump showed a clear disregard for previous orthodoxy.[916] This history laden speech in support of tariffs must have come as somewhat of a surprise compared to the usual discussions at the Club.[917] Economists predictably critiqued the speech, although some more opportunistic businessmen applauded the proposed policies.[918]

In office, the drama of the 2025 "Liberation Day"[919] tariffs reflected this narrative disruption. Given the rapidly-changing nature of trade policies, the exact details of any recent policy are less important than the broader historical contestations underway. Previously, we saw that almost all pre-Trump US Trade Representatives were keen to invoke Smoot-Hawley. Trump's first pick, Robert Lighthizer, was a notable exception. Not only did he not mention this in office, his 2023 book *No Trade is Free* explicitly criticizes the overuse of the

[910] Beth Baltzan, "It's Time to Rethink How We Regulate Global Trade," Open Society Foundations, November 11, 2020, https://www.opensocietyfoundations.org/voices/its-time-to-rethink-how-we-regulate-global-trade.
[911] Beth Baltzan, "The Old-School Answer to Global Trade," Washington Monthly, April 7, 2019, https://washingtonmonthly.com/2019/04/07/the-old-school-answer-to-global-trade/; Friends of Multilateralism Group, "FMG Dialogue with USTR Senior Advisor Elizabeth Baltzan," February 27, 2022, https://fmg-geneva.org/fmg-dialogue-with-ustr-senior-advisor-elizabeth-baltzan/.
[912] Author interviews with former policymakers, Washington, DC, Autumn 2024.
[913] Chris Cillizza, "What Donald Trump's 'Donna Reed' Nostalgia Reveals about Him," CNN, May 5 2020, https://edition.cnn.com/2020/05/05/politics/donna-reed-donald-trump.
[914] Daniel Immerwahr, "Why Donald Trump Is Obsessed with a President from the Gilded Age," *The New Yorker*, June 23, 2025, https://www.newyorker.com/magazine/2025/06/23/why-donald-trump-is-obsessed-with-william-mckinley.
[915] Howard W. Lutnick, "Howard Lutnick Speaks at President Donald Trump's MSG Rally," YouTube, October 27, 2024, video, 20:34, https://www.youtube.com/watch?v=x1b4UZn1GAk.
[916] The Economic Club of New York, "Donald J. Trump, 45th President of the United States," September 5, 2024, https://www.econclubny.org/documents/10184/109144/20240905_Trump_Transcript.pdf.
[917] See: Economic Club of New York, "Recent Speakers," accessed April 25, 2026, https://www.econclubny.org/recent-speakers.
[918] Jonathan Weisman, "Trump Praises Tariffs, and William McKinley, to Power Brokers," *New York Times*, September 5, 2024, https://www.nytimes.com/2024/09/05/us/politics/trump-tariffs-william-mckinley.html.
[919] The White House, "My fellow Americans, This Is Liberation Day. April 2, 2025…" President Donald J. Trump, video, April 3, 2025, The White House, https://www.whitehouse.gov/videos/my-fellow-americans-this-is-liberation-day-april-2-2025-president-donald-j-trump-%F0%9F%87%BA%F0%9F%87%B8%F0%9F%A6%85/

1930 tariff for political purposes.[920] Trump's most recent appointment to USTR has similarly sought to dislodge Smoot-Hawley through both the contest of analogy and contest of memory, demonstrating its weakening grip on the discourse. In January 2026, Jamieson Greer gave a remarkable speech at Davos about US trade history. He broadly defended the protectionist tradition of Hamilton and McKinley, but also homed in specifically on Smoot-Hawley:

"Although [Smoot-Hawley] is the bane of many high school economics teachers (those of you who have seen the movie "Ferris Bueller's Day Off" will know what I mean), most economists—including Barry Eichengreen and Paul Krugman—have actually shown that the tariffs did little to worsen the crisis, and may have even had a slight expansionary effect. Which makes sense, as America had been maintaining high tariffs for much of the previous century. Smoot-Hawley simply raised the average tariff rate from 40 percent to 46 percent. Tariffs are not a magic wand, and did not help prevent or reverse the Great Depression—but they did not make the crisis noticeably worse. That is why President Franklin Delano Roosevelt did not fundamentally change the tariff landscape when he implemented his transformational New Deal program–despite shaking most other pillars of American society."[921]

This statement is remarkable for many reasons. First, we see that the USTR is willing to take on the once-dominant narrative directly in a contest of memory, stressing the limited effects of the tariff and downplaying FDR's response. Second, he acknowledges the dominance of Smoot-Hawley as a reference point, recognizing the link between memory and policy. Most importantly, the speech reveals Greer attempting to define a new tradition for the US, emphasizing the continuity of tariffs throughout American history, rather than focusing on the supposed post-1930 juncture. In this telling, Trump is reclaiming tradition, rather than disrupting it. Overall, the creation of a new hegemonic narrative is still ongoing, but clearly the process is underway across the political spectrum to dislodge the old hegemonic memory in international trade and replace it with one of their choosing. Importantly, both Trump and Biden's new historical reference points are positive examples of what to do, rather than a cautionary tale of what to avoid.

Interestingly, Smoot-Hawley still maintains some grip on the international level, as current WTO Secretary-General Ngozi Okonjo-Iweala critiqued Trump's tariffs in January 2025 with a familiar reference, saying she has already "seen this movie…in the 1930s with the Smoot-Hawley Act. It made it worse."[922] She made similar remarks later that year, stating that "the passage of the Smoot-Hawley Tariff Act implemented rates of nearly 60 percent and is now credited with significantly worsening the lasting effects of the Great Depression."[923] Dr. Okonjo-Iweala is one of the vanishingly few women who appear in these memory contests and the gender dynamics—including both the power structures themselves and the

[920] Robert E. Lighthizer, *No Trade Is Free: Changing Course, Taking on China, and Helping America's Workers* (New York: Broadside Books, 2023).
[921] Office of the United States Trade Representative, "Hamilton Today: Trade and U.S. Economic Strategy," 2026, https://ustr.gov/about/policy-offices/press-office/speeches-and-remarks/2026/hamilton-today-trade-and-us-economic-strategy.
[922] Emma Farge, "Trade Wars Sparked by Tariffs Would Be 'Catastrophic' for Global Growth, WTO Chief Says," *Reuters*, January 23, 2025, https://www.reuters.com/markets/trade-wars-would-be-catastrophic-global-growth-wto-chief-says-2025-01-23/.
[923] Matt Luo and Daksha Pillai, "World Trade Organization Director General Ngozi Okonjo-Iweala Speaks on Trade Reform at World Leaders Forum," *Columbia Spectator*, September 26, 2025, https://www.columbiaspectator.com/news/2025/09/25/world-trade-organization-director-general-ngozi-okonjo-iweala-speaks-on-trade-reform-at-world-leaders-f.

rhetoric we see (protectionism is often framed as a "temptation" or "siren song")—warrant further research.

Given the male-dominated world of global economic policymaking, it is perhaps remarkable that the narrative convergence of Smoot-Hawley and Weimar can be seen in the singular figure of another female elite international technocrat: Christine Lagarde. Prior to heading the ECB, Lagarde served as the Managing Director of the International Monetary Fund (IMF) from 2011-2019. In her early years as IMF chief, she also espoused the Smoot-Hawley narrative, telling the US State Department in 2011 that "if the international community does not work together, the risk from an economic point of view is that of retraction, rising protectionism, isolation. This is exactly the description of what happened in the Thirties and what followed is not something we are looking forward to."[924]

Recall from the beginning of chapter 3 that Lagarde would appear alongside German Finance Minister Christian Lindner twelve years later, then espousing Germany's own one-sided narrative of the 1923 hyperinflation. Here we see the same individual—arguably the most prominent economic policy elite of this century—delivering public addresses in two national capitals as the head of two different international financial institutions, each time invoking the hegemonic interwar economic memory from the country in which spoke. There is perhaps no better representation of both the narrative internationalization and the implied policy implications of these two portrays of the past.

In the Eurozone, whose currency Lagarde still oversees as ECB chief, the state of memory politics is somewhat different from the narrative contestation over trade history in the US. Even if a similar hegemonic breakdown is taking place, there are no credible challengers akin to the ITO or McKinley. This does not mean there have been *no* important policy developments, however. After the COVID-19 shock produced a continent-wide crisis that was harder to ascribe to moral failure than the Eurozone crises, the EU eventually passed the "NextGenEU" plan of jointly-issued debt in July 2020.[925] Valued at less than a billion euros, and consisting of both grants and loans, the plan was far from the "Eurobonds" dream of 2010s-era progressives. However, Germany's acceptance of the plan was remarkable. So too was tolerance of a temporary suspension of fiscal rules (although Germany benefitted from this as well).[926]

This potential paradigm shift was short lived, however. Despite European progressives' attempt to achieve a "Hamiltonian moment" (itself an effort at memory politics, invoking the analogy of the US' federal fiscal unification in the 1790s under Treasury Secretary Alexander Hamilton[927]), little further movement toward a more social or solidaristic Europe would appear in the coming years. Frankfurt's memorial landscape traces this slow disillusionment. Recalling *Time*'s 1978 prediction that Germany might erect a monument to its currency (see chapter 6), the city would prove the magazine prescient in

[924] Valentina Pop, "IMF Chief Warns of New Great Depression," EUobserver, December 16, 2011, https://euobserver.com/54325/imf-chief-warns-of-new-great-depression/.
[925] European Commission, "NextGenerationEU," accessed April 23, 2026, https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/nextgenerationeu_en.
[926] László Andor, "Europe's Budget Revolution – From Covid-19 Recession to Progressive Reconstruction," *The Progressive Post*, Foundation for European Progressive Studies, December 1, 2020, https://feps-europe.eu/europes-budget-revolution-from-covid-19-recession-to-progressive-reconstruction/.
[927] Christakis Georgiou, "Europe's 'Hamiltonian Moment'? On the Political Uses and Explanatory Usefulness of a Recurrent Historical Comparison," *Economy and Society* 51, no. 1 (2022): 138–159, https://doi.org/10.1080/03085147.2021.1968676.

2001. That year, the massive yellow and blue starred "Euro Sculpture," was installed with much fanfare on Willy-Brandt Platz, adjacent to the ECB's then-office on Central Frankfurt's Kaiserstraße. In a stark representation of declining enthusiasm for the currency project, by 2022 the sculpture was proving too expensive and there were plans to auction it off.[928] After years of discussion about who would bear financial the burden of upkeep, a group of donors would ultimately to rescue the distressed currency through a joint funding program agreed upon in 2025.[929]

Currently, little coherent challenge appears to be on offer in Europe, even if there have been some fledgling attempts.[930] Although a zombified 1923 is still lurking, it seems to lack the rhetorical punch it once did. Indeed, Germany finally agreed to alter its notorious debt brake in 2025, but mostly in the service of rearmament.[931] In this case the interwar justification was not economic, but rather military. Faced with the Russian threat, Europe had to learn the "lessons of Munich" and not allow a dictator's aggression to go unchallenged, as Chamberlain did with Hitler in 1938.[932]

As things stand, both Europe and the United States are plagued by stagnant economies, extreme inequality, political polarization, increasing militarization, and resurgent far-right movements. If this is the outcome of having "learned" from interwar history, one has to wonder how much our takeaways from the 1920s and 1930s have truly helped us. This fundamental question recalls the Anton Chigurh character (played by Javier Bardem) in the 2007 film *No Country for Old Men*. As he is about to kill a bounty hunter who had unsuccessfully pursued him by following a strict set of rules, Chigurh famously asks: "if the rule you followed brought you to this, of what use was the rule?"

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"Memory was transmitted not only through the stories but through the ways of walking, sitting, talking, laughing, eating, hailing someone, grabbing hold of objects. It passed body to body, over the years."
-Annie Ernaux*, The Years*

Chapter 10) Hegemony, History, and Hitler: Conclusions on memory and interwar economics

In Alfred Hitchcock's 1958 film *Vertigo*, San Francisco policeman Scottie Ferguson (played by James Stewart) is afflicted by a crippling fear of heights. After suffering from the trauma of seeing a colleague fall off a rooftop, Ferguson tries desperately to overcome his acrophobia. These efforts amount to little; even standing on a step stool is sufficient to trigger his incapacitating fears. Later, he begins a romance with a woman who is also psychologically tormented. After admiring the Muir Woods together, they visit a Spanish Mission, but she abruptly runs to the top of a bell tower. Paralyzed by vertigo, he is unable to follow. The woman seemingly jumps to her death. Ferguson is initially devastated by his failure to save her. However, he later finds out that it was another woman who was thrown from the tower and that his lover is still alive. Determined once and for all to cure himself of his fear of heights, Ferguson returns to the bell tower—this time with his real partner in tow. He climbs to the top, ridding himself of the acrophobia that had haunted him for so long. Suddenly, though, a nun appears. Startled, his lover falls and dies. Scottie looks on in despair, having finally conquered his worst fears, but knowing that he lost everything in the process.

Are we experiencing our own form of economic "vertigo" today? That is, could North Atlantic countries' insistence on curing themselves of the inflationary and protectionist tendencies of the interwar period actually result in the same fate that they desperately sought to avoid? To be sure, our economies do show more signs of life than a person thrown from a 40-foot church steeple.[933] However, some notable parallels warrant discussion. A key element in the narrative salience of the 1923 Weimar hyperinflation and 1930 Smoot-Hawley tariff is that we know what followed them: the rise of fascism, the most destructive war in human history, and the division of the world into rival nuclear-armed blocs for the next half-century. As we have seen in both cases, the existence of a causal relationship between these economic events and the rise of fascism and war is hotly debated even today, with the weight of historical and econometric evidence (see chapters 3 and 6) leaning away from implying a direct link.

Regardless, simple chronology can often be invoked to conjure what might be called a "folk causality." Event A took place before event B, so should we not assume that A caused B? There are understandable reasons for this. If you forgot your coffee on the way to work, only to be fired later that day, you might be forgiven for thinking there was somehow a link between the break in routine and the subsequent termination of employment. Perhaps the lack of caffeine boost really did worsen your performance, and you were sacked as a result. However, it is probably more likely that you were going to be fired regardless and the coffee

[933] Toucan Valley Publications, "Mission San Juan Bautista," *Social Studies Fact Cards: California Missions*, accessed April 25, 2026, https://factcards.califa.org/mis/sanjuanbautista.html.

had little causal impact. Still, there is a good chance that you would swear to never forget your coffee again, lest history repeat itself and you find yourself out of work once more. In a *Vertigo*-style scenario, you might show up so overcaffeinated to your next job that jitteriness hinders your performance and you find yourself on the dole all over again.

US and German dedication to avoiding the mistakes of the interwar period should be seen in an analogous way. Importantly, both cases reveal a looming fear of repetition. This is a product of both 1923 and 1930 serving as *negative* examples. Both Weimar and Smoot-Hawley were used to advance a new postwar order of independent central banks and liberalized trade that requires little democratic input. Once these norms solidified into the post-1970s "neoliberal" order, 1923 and 1930 became primarily defensive tools for preserving and prolonging those systems.

What do the findings from this study of historical memory and interwar economic events imply theoretically? Furthermore, which conclusions, insights, and themes can we draw from the century of memory formation and contestation we have seen? In the twisting and turning narrative of this thesis, I argue that six main themes emerge, covering both empirical, theoretical, and political realms.

First, I argue that the most important man in this narrative was someone who was not actually directly involved in either event: Adolf Hitler. In many ways, the postwar West was defined by the "Age of Hitler," an era in which collective morality centered around the German dictator as the key *negative* example from history.[934] As we see in both of the cases, the Weimar hyperinflation and Smoot-Hawley alike were often depicted as having led to the rise of Hitler. Thus, avoiding inflation and protectionism was not just an economic or political necessity, but a moral one as well. With Hitler serving as a negative reference point, it is therefore no coincidence that both 1923 and 1930 were invoked as *things not to do again*. This meant that invocations of Smoot-Hawley and the Weimar hyperinflation mostly had the rhetorical function of preventing policy alternatives. Whereas a positive historical example like the New Deal can be used to inspire creative and forward-looking policymaking, these other interwar memories implied the opposite. There simply was no alternative to trade liberalization and low inflation. History—and Hitler in particular—made this clear. However, to apply the *Vertigo* analogy, we can see that these policies have actually not been very effective at stopping the rise of populist conservatism. Indeed, both trade shocks[935] and austerity[936] have been shown to increase the vote share of the radical right. Hitler might not be back, but the density of "Hitler particles" is almost certainly increasing.[937]

Although the crumbling causal story may now appear misguided, it took time and political contestation to establish the once-dominant view that protectionism and inflation would result in the resurgence of depression, dictatorship and war. This leads to the second main point—that the openness of past moments of memory contestation was often far greater than we can imagine today. In both cases, we have seen that there was no fixed meaning of

[934] Alec Ryrie, *The Age of Hitler and How We Will Survive It* (London: Reaktion Books, 2025).
[935] David Autor, David Dorn, Gordon Hanson, and Kaveh Majlesi, "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure," *American Economic Review* 110, no. 10 (2020): 3139–3183, https://doi.org/10.1257/aer.20170011.
[936] Ricardo Duque Gabriel, Mathias Klein, and Ana Sofia Pessoa, "The Political Costs of Austerity," Review of Economics and Statistics 108, no. 1 (2026): 145–161, https://doi.org/10.1162/rest_a_01373.
[937] Leon Trotsky, "Hitler's National Socialism," *The Yale Review* 23, no. 2 (Winter 1934), https://yalereview.org/article/trotsky-hitlers-national-socialism.

the event in the years immediately after it. Rather, reflecting the contest of memory and the hardening of personal recollections into collective memory, two highly simplified and politicized versions of the past became embedded. At the same time, alternatives were suppressed or largely forgotten. The work of future contestation is not just about waging the contests of memory and analogy over previously-hegemonic histories, it also hinges on actors' ability to unearth and embed new ones. The dynamics identified in each of these two cases can offer a roadmap for this.

Third is the specific interplay between the classic "3 Is" of the social sciences: ideas, interests, and institutions. In the cases of Weimar and Smoot-Hawley, politicized memories were used to establish new institutions like the Bundesbank and RTAA, typically with the encouragement of those who benefitted materially from the policies they supported. In turn, these institutions helped propagate the constructed memories, an effort that was taken up by those whose interests or ideologies aligned. When these solidified into hegemonic memories and policy regimes, the use of history was deployed to block alternatives. The national hegemony of memory in these two powerful states also begets a fourth "I," internationalization, as Germany and the US used their cultural and economic influence to embed the "lessons" of their histories into the ECB and WTO. Only when the eroding material basis of support after the 2008 GFC critically undermined the old order could serious contestation take place once again. Currently, without a sufficient coalition of interests to establish new regimes and memories, we now find ourselves experiencing a fifth "I": interregnum.

Fourth, we can observe the distinct ways that historical memory operates in the realm of international trade and monetary policy, as opposed to wars, genocides, or other violent traumas. Rather than binding ethnic, national, or religious groups through a narrative of shared triumph or shared injury, invoking economic history elevates one class over another. As the hegemony-forming process progresses through the typology of memory described in chapter 2, a simple lesson can result in a tradition which can become an identity. At this point, the economic subject of the historical narrative is no longer just the protagonist, they can become synonymous with the nation. To defy this, then, is not to fall outside the policy mainstream—it is an affront to that nation itself.

Fifth, the cases suggest important ways in which the memory dynamics of trade and monetary policy differ from each other. Because currency is felt by every citizen, dramatic monetary events naturally have a more popular salience. We can see this distinction in the fact that 1923 is far more present in museums and other popular histories than Smoot-Hawley, which is typically confined to elite debate and news outlets.[938] The images that each event has produced also differ substantially in terms of emotional resonance, as the photographs of wheelbarrows full of money are far more memorable than the bland portrait of Smoot and Hawley stood next to each other. On a physical level, too, many banknotes from the hyperinflation have been preserved and can be passed down in a way that has no analogue on the trade side. These are only preliminary conclusions, however. Expressing these theses with more confidence would require examining a broader range of cases.

[938] In the most famous popular cultural depiction of Smoot-Hawley, *Ferris Buehler's Day Off*, the schoolchildren are famously asleep as they are taught about it.

Finally, the two cases reveal the primacy of geopolitics over economics. Although both the monetary/fiscal regime in Europe and the global trading order showed signs of tension before 2008, they broadly survived the crisis, even if these ideologies now seem like "zombies."[939] Only when security threats reemerged—Russia in the European case and China in the US case—did elites decisively sour on austerity and free trade, instead pursuing debt-financed rearmament and aggressive economic statecraft, respectively. This implies both a durability and fragility for historical economic memories. On the one hand, they showed themselves to be effective at warding off challenges wrought by the most severe financial crisis in decades. On the other, they were only useful in a specific global security order that is now rapidly crumbling.

This leads to a final and more overarching question: that of what China's impact on the memory politics of economic history will be. China's near-total absence so far could appear to be a glaring omission. Indeed, for a thesis with the aspiration of discussing the *international* implications of economic collective memory it may seem unduly parochial to have focused mainly on Germany's role in the Eurozone and the United States' trade policy. From an economic perspective, though, I have argued that focusing on the late-20th century hegemonic economic historical reference points in the United States and Germany is justifiable. Especially due to their impact on the WTO and ECB, these two countries were simply too large to ignore, while China played a much smaller role until only recently.

That is no longer the case today, as China's economic and geopolitical rise is simply too large to ignore. Remarkably, this may not necessitate a wholly new set of economic memories. For example, President Xi Jinping has echoed Smoot-Hawley rhetoric on multiple occasions, arguing that protectionists would be "left behind and assigned to the dustbin of history" in a 2018 speech at the Boao Forum for Asia in Hainan.[940] Similarly, he spoke at the BRICS Summit in 2025, claiming that "economic globalization is an irresistible trend of history."[941] Again invoking history later that year at the Asia-Pacific Economic Cooperation CEO Summit, Xi observed "he who knows the past understands the present" and stated that ever since "the great victory of the World Anti-Fascist War 80 years ago, the international system with the United Nations at its core has been put in place gradually, and multilateral systems in economic, trade, financial and other areas have been established."[942] This narrative—including the triumph of WWII leading to the current multilateral system—could have been uttered by nearly any US statesman from 1945 to 2016.

While Xi alluded to interwar protectionism only indirectly, other major figures from the Chinese Communist Party (CCP) have been far more explicit. For example, China's ambassador to the US, Xie Feng spoke to a group of US business leaders in 2025, stating that "I believe many of you are familiar with how the trade war in the 1930s accelerated the Great Depression. If all countries resort to a beggar-thy-neighbor approach and weaponize their

[939] John Quiggin, *Zombie Economics: How Dead Ideas Still Walk among Us* (Princeton, NJ: Princeton University Press, 2010).
[940] Lily Kuo, "Xi Jinping Warns against 'Arrogance' amid Threat of Trade War with US," The Guardian, April 10, 2018, https://www.theguardian.com/world/2018/apr/10/xi-jinping-warns-against-arrogance-amid-threat-of-trade-war-with-us.
[941] Xi Jinping, "Forging Ahead in Solidarity and Cooperation" (statement at the Virtual BRICS Summit, Beijing, September 8, 2025), published as "Full Text of Xi's Statement at Virtual BRICS Summit," *China Daily*, September 8, 2025, https://www.chinadaily.com.cn/.
[942] Xi Jinping, "Putting the Asia Pacific at the Forefront of the Joint Endeavor for World Development and Prosperity" (written address at the APEC CEO Summit, Gyeongju, October 31, 2025), published as "Full Text of Chinese President Xi Jinping's Written Speech at APEC CEO Summit," State Council of the People's Republic of China, October 31, 2025, https://english.www.gov.cn/news/202510/31/content_WS6904a6cac6d00ca5f9a0737c.html.

market, industrial capacity, technology and even visa policy, the world would regress to a jungle where might is right and rules and commitments are no longer kept."[943] Clearly, this was a reference to Trump's tariffs, invoking the old hegemonic trade memories of the US in order to warn it against adopting a new policy agenda. Similarly, English-language Chinese news outlets have invoked 1930, saying that Smoot-Hawley was a "warning from a century of trade protectionism that, in the name of protecting the domestic economy, the US may overlook the effects of international chain reactions, potentially incurring costs far greater than anticipated."[944]

Of course, China is likely to bring its own national memories to the international stage—especially if we do indeed experience a "Chinese Century"[945] in the coming decades. Most frequently discussed is the notion of a "Century of Humiliation" from the end of the First Opium War in 1842 up until the 1945 victory in WWII and establishment of the People's Republic in 1949.[946] In this telling, atoning for this historical injustice—and preventing it from occurring again—is a key motivation behind China's determined economic, technological, and geopolitical ascent. More specifically, economic historians like Isabella Weber have described the way in which the experience of currency and inflation during the Chinese Civil War shaped the CCP's policy decisions around the 1980s market reforms.[947]

The exact direction these memories will take is as uncertain as the future of global politics itself. However, we can be sure that the rest of the century will continue to see politicized uses of economic memories, with contests of memory and analogy employed to determine which become hegemonic and which are forgotten. Historians, political economists, and political actors seeking to establish a new economic system should work to derive their own lessons from the struggles over the "lessons of history" that we have seen in this thesis—as well as others around the globe. Exploring these cases further and applying the theoretical framework more broadly can ideally enrich both memory studies and political economy, as well as our understanding of how contests over the meaning of economic history can shape our present and future.

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