Dear Simone Laessig, dear Dr. Smidt, dear Professor Holtfrerich, Ladies and Gentlemen:

It is a great honor for me to have been asked to deliver the laudation on the occasion of the award of the Helmut Schmidt Prize to you, Professor Holtfrerich. But, given your many credentials and accomplishments, where shall I start?

You will know from the invitation to this event that he is now a professor emeritus at the Free University in Berlin where he first started his career as an assistant professor in 1974. He obtained his Habilitation and venia legendi in 1979 which – if I may put it with a gentle touch of irony - is still the mark at many German universities that you have been ordained, that after years of hard labor you may now be promoted to Herr Professor Doktor. Accordingly, Professor Holtfrerich was quickly promoted to an associate professorship in 1980 and to a chair in 1983. In the meantime he held visiting fellowships at St. Antony’s College, Oxford, and the Woodrow Wilson Center here in Washington. He has been a member of a number of prestigious academic advisory boards, including the German Marshall Fund, the Foundation German-American Academic Relations, and the German Historical Institute here in Washington.

So, we are honoring today not only an eminent and internationally known economic historian, but also someone who has fostered trans-Atlantic relations for many years. In fact, in going through his c.v., I noticed that he has done so for well over five decades. For it was at the tender age of 17 that young Carl-Ludwig courageously crossed the Atlantic by boat to participate in a high school exchange program.
Having grown up in an agricultural region of West Germany, it was not surprising that he should not go to chaotic New York, Chicago, or Los Angeles, but to well-ordered Nebraska, the state of grain silos and Warren Buffett. He evidently integrated himself into Omaha with great ease and finished with a High School Diploma.

Upon his return home, he obtained his Abitur certificate in Greek and Latin in Coesfeld, Westphalia, a mere nine months later. It is quite common that exchange students would lose a year. He didn’t.

But rather than giving you more biographical details, let me move to the main part of my laudation, and offer you an appreciation of Professor Holtfrerich’s outstanding scholarship.

After his first book, published in 1973 and entitled a *Quantitative Economic History of Ruhr Coal Mining in the 19th Century*, which emanated from his doctoral dissertation with Prof. Richard H. Tilly as advisor, his output gathered momentum so that, apart from numerous articles, his study of the German inflation 1914-1923 was published in 1980.

I will examine the great merits of this book in more detail in a moment as well as his research on Reich chancellor Heinrich Bruening’s policies during the early 1930s.

Having become one of the most respected experts on the German inflation on account of his *Die deutsche Inflation. Ursachen und Folgen in internationaler Perspektive*, there followed his years of collaboration with Professor Gerald Feldman at Berkeley whose very weighty tome on the *Great Disorder. Politics, Economics, and Society in the German inflation, 1914-1924* some of you will know.

His other colleagues were Gerhard A. Ritter and Peter-Christian Witt, the latter in my view one of the foremost experts on German taxation whose work was sadly adversely affected by poor health and who once quoted Joseph Schumpeter’s remark about the French Revolution that in the tax question you can hear the “thunder of world history”. So, members of the One Percent in this country watch out – if I may be allowed a slightly undiplomatic remark.
But then in the later 1980s, there is Professor Holtfrerich’s astonishing burst of scholarly output, resulting, to begin with, in a book on international creditors and debtors in 1988. It examines the historical development and structure of the position of the United States among the wealthy nations of the world.

His study on economic and strategic issues in American foreign policy followed a year later and yet another book in the same year on the Central European currency system from the 1834 Zollverein up to the creation of a unified currency which closely followed the founding of the Bismarckian empire in 1871.

Add to this an edited volume on *Interactions in the World Economy* and four edited volumes on different aspects of the Germany’s great inflation – the latter anthologies collated in collaboration with Feldman, Ritter and Witt.

While problems of currency, international finance, and public debt continued to preoccupy Professor Holtfrerich up to the current year, when he published his most recent study on the causes, effects, and limits of public debt, he expanded, mainly in the 1990s, his interests into the field of business and banking history, e.g. *The Deutsche Bank 1870-1995* (co-authored with L. Gall, G. Feldman, H. James, and H.E. Bueschgen). Its five authors received the Financial Times/Booth Allen & Hamilton Global Business Book Award for the worldwide best book in business history.

However, it is time to stop enumerating the many books that he has published and to talk instead about the substance of Professor Holtfrerich’s research. Here I would like to focus on two key contributions, namely the already mentioned book of 1980 on the German inflation and, secondly, his intervention in the so-called Borchardt Debate that, I hope, will at the same time provide the bridge to his lecture on “Austerity: Views of Chancellor Bruening’s and President Hoover’s Fiscal Policies from across the Atlantic, 1930-1932.”

As to his *Die deutsche Inflation*, it is no exaggeration to say that it made a number of crucial revisions to received views on the origins of that catastrophe.
Here the author is first of all the rigorous economic historian who assesses the major problems of the time of industrial production, levels of prices and wages, the effects on living standards and civilian health, income distribution, taxation, money supply, capital movements, and – not to be forgotten – the payment of reparations.

Beyond this, there is the thorny issue of whether Germany paid any reparations at all, as some historians have argued. Here Professor Holtfrerich’s study offered fresh calculations and also dealt with the intriguing issue of American speculation in the rapidly deteriorating German mark.

As you know, if you had a dollar in the autumn of 1923, you would get an incredible 4.2 trillion marks for it, which then was worth only one new mark. The foreign mark speculators had suffered heavy losses. These eventual “gifts” for Germany had been larger than German reparation payments.

Beginning in 1914, this book’s most important parts are to be found in the early chapters where he discusses the ways in which the German government, unlike the British one, financed the enormous and escalating costs of the First World War.

The Hohenzollern monarchy did so not by imposing higher taxes, but by taking the easy way out:

Patriotic Germans were urged to use their savings to buy war bond certificates to be repaid after the war, together with a handsome interest payment.

It is often forgotten that, based on the expectation of a German victory, these repayments were to be financed by the imposition of harsh reparations on the defeated Allies.

So, if Germany complained about the imposition of reparations by the Allies after 1918, German reparations on the Allies would probably have been even more draconian.

But, as we all know, Germany lost the war, and the only way to get rid of the gigantic war debt was to debase the currency, turning those once attractive bond certificates into worthless scraps of paper.
To be sure, the hyperinflation of 1923 was not merely a consequence of this policy, but also of postwar wage increases for the country’s working-class given in the hope that this kind of economic appeasement would avoid further revolutionary unrest and a destabilization of the political system. Professor Holtfrerich’s book finally made a major point with regard to savings. There is the well-known argument that the hyperinflation wiped out the savings of the middle-class *rentier*, and to some extent this no doubt happened. But, according to Professor Holtfrerich, the impoverishment of the holders of large bank accounts, foreign speculators in marks among them, was no less important economically, psychologically, and politically.

I hope I have given you enough evidence to show how and why this book has become a classic and continues to be indispensable for grasping what happened in Germany both during and after World War I.

It is a truly compelling economic history of this period without which the political developments of the early Weimar Republic and its later instabilities cannot be understood.

No less important, the author is not just concerned with domestic developments, but time and again makes very illuminating comparisons with developments in Britain, France, and the United States. The book was translated not only into English, but into Italian and French as well.

Now, the study of History is mostly a contested field. There are very few issues on which historians have ever reached a permanent consensus.

To give you a very recent example: last year, a younger historian published an 800-page book that reopened an earlier debate on whether industrial cartels, i.e., horizontal agreements among independent firms over prices, production quotas etc., played a positive role in a capitalist economy. He believed so, and thus challenged what in his view had become an orthodoxy, i.e., that competition rather than collusion in cartels was essential to the proper functioning of the market place.
Since then, the two sides have been trading bitter words concerning the superior or inferior value of their respective scholarship, with no reconciliation in sight.

By comparison, the debate in which Professor Holtfrerich began to play a leading role, was mercifully much gentler in tone, but no less significant not merely for an evaluation of the Weimar economy and politics, but also for developments some forty years later in the 1970s. The controversy became known as the Borchardt Debate. For decades it has played a prominent role not only in scholarly histories of modern Germany, but in German high-school history textbooks as well. It has been compared in its significance to the contemporaneous Historikerstreit over the uniqueness of the genocidal policies of the Hitler regime.

It was unleashed by Knut Borchardt, Professor of Economic History and Economics at the University of Munich who raised the question of what choices Reich chancellor Heinrich Bruening had in the early 1930s. Contemporaries as well as postwar historians had criticized him severely for adopting and then stubbornly sticking to his austerity program that exacerbated mass unemployment and furthered the political radicalization of the voters, leading ultimately to the growth of the Nazi party and Hitler’s seizure of power in January 1933.

Professor Borchardt came along to ask whether Bruening was facing one of those infamous Zwangslagen that politicians or, for that matter all of us, dread: a situation in which there seems to be no alternative to continuing on an adopted path in the hope that it will eventually lead to a solution of the crisis. Professor Holtfrerich firmly stood up to contradict his colleague, and a lively exchange ensued.

Subsequently, the Debate evolved beyond an assessment of Bruening’s austerity program in the 1930s. Professor Borchardt extended his analysis of the state of the Weimar economy backwards into the 1920s, i.e., before Bruening assumed the chancellorship.
Here he argued that it had been the expansion of social policies by his predecessors that had overburdened the economy. When the Great Depression hit in 1929, the pre-existing public deficits left Bruening with no room for maneuver. In other words, his austerity program was forced upon him also because of what had happened in the 1920s. The origins of his policy in fact go back to the “sins” of too much welfare that had not been counterbalanced by a sufficient increase in productivity and wealth.

Unfortunately, I do not have the time to go into the details of this widening of this Debate. But the fact that it set in during the late 1970s points to an intriguing link between economic-historical research and contemporary politics. Of course, historians like to claim that they conduct their retrospective research detached and uninfluenced by the world in which they live. And yet it does not seem to be a mere coincidence that, faced with the fall-out from the Vietnam War, rising inflation, the collapse of Bretton Woods, and the oil shock, Professor Borchardt’s economist colleagues were discussing in the 1970s whether the Federal Republic and other Western societies could still afford the kind of welfare state expenditures that had been legislated during the 1950s and 1960s.

But raising the question whether historical scholarship is influenced by present-day concerns is merely meant to highlight Professor Holtfrerich’s achievements as a researcher. As I have tried to show, he has made an array of most impressive contributions to our historical understanding of the German economy and international finance. Indeed, he is an outstanding representative of a profession whose work chancellor Helmut Schmidt had in mind when he suggested the establishment of a prize to honor prominent practitioners of economic history and trans-Atlantic relations.
Even if he recently passed away at age 96, I very much hope that this prize will continue to exist in his name and be given every two years, thanks to the generosity of the ZEIT Foundation.

Dear Professor Holtfrerich, the moment has come for me to conclude by offering you my warm and sincere congratulations as the recipient of this year’s Helmut Schmidt Prize.