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Trauma as a Tool: Hyperinflation Narratives in German Fiscal Policy Debates on European Monetary Integration

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Abstract

The idea that the German public continues to suffer from the collective trauma of the experiences of hyperinflation in 1923 remains a prominent theme in Germany's public discourse. As such, it is often invoked when explaining the country's peculiar *stability culture* – its aversion to inflation and preference for stability-oriented monetary and fiscal policy. Whilst a number of studies have pointed to deliberate appeals to hyperinflation by policy-makers, this article presents the first systemic investigation into the strategic use of references to an allegedly persistent *inflation trauma* in fiscal policy debates. Specifically, it examines whether, when and how Bundestag members narratively utilised the powerful idea of trauma as a discursive tool to assert restrictive fiscal measures. Employing qualitative content analysis of the plenary speeches from 1949 to 2022, two key findings come to light: first, a conservative bias in the use of these narrative appeals can be observed, occurring mainly in speeches of the CDU/CSU and FDP; second, the trauma narrative surfaced above all during two formative periods of European monetary integration – the inception of EMU and the Eurozone crisis. These results affirm a close discursive connection between the collective memory of hyperinflation and the conservative efforts to preserve, transpose and rejuvenate German *stability culture* within the Eurozone, thereby reconciling domestic demands for monetary stability with monetary integration and its defence.

Keywords: collective memory; economic narratives; European Monetary Union; fiscal policy Germany; hyperinflation; inflation trauma; stability culture

The hyperinflation of the year 1923 ranks among the historical events particularly engrained in the German mentality [...] Today, we are sensing the danger [...] thus, we in Germany are pursuing a policy of [moderately] restrictive fiscal policy.
Christian Lindner in BMF (2023)

Introduction

In economic policy, prevalent ideas of the past matter. Shared history and collective memory constitute a 'hall of mirrors' (Eichengreen 2015), a repository for powerful lessons of 'remembering and learning' (Cassis and Schenk 2021) what to do and what to avoid. As 'the realm of choice and contingency' (Herf 1999), history can also be employed strategically to steer for a preferred route and direction. A notable example for this is the appeal to the hyperinflation of 1923 in Weimar Germany, as employed by the Bundesbank (Weidmann 2017; Nagel 2023), conservative economists (Sinn in Ferber 2020; Polleit 2020) and policy-makers (Söder 2022; Tauber 2023) when arguing for stability-oriented policy.

However, those who allude to the emblematic banknote-filled wheelbarrows not only draw on distant collective memory. Rather, they seek to make use of the powerful idea

that the German public is haunted by a persistent phobia of inflation – an *inflation trauma* anchored in 1923 (Teupe 2022; Greitens 2023). Part and parcel of this is the notion that such traumatic experience became entrenched in the German collective psyche as a firm preference for price stability forming the bedrock for a nationwide consensus on stability-oriented monetary and fiscal policy, Germany's characteristic *stability culture* (Dyson and Featherstone 2009 Howarth and Rommerskirchen 2013).

Invoking *inflation trauma* holds enormous strategic potential when connecting policy to collective memory, identity and emotion. For both monetary and fiscal policy debates in Germany, a number of studies have pointed to a deliberate instrumentalisation of hyperinflation memories (e.g., Bibow 2013, p. 614; Blyth 2013, p. 57). However, so far, the vast majority of the literature has failed to take the very idea of trauma and its authoritative political properties seriously. Whilst Mee (2019) provides the only detailed account of hyperinflation narratives within German monetary policy debates, to date no study has ventured to comprehend and reconstruct whether, when and how appeals to the notion of a traumatised German public were utilised strategically to assert stability-oriented fiscal policy.

The article at hand addresses this significant blind spot. More precisely, it exploratively examines the employment of *inflation trauma* narratives by Bundestag members arguing for restrictive fiscal measures. To do so, it employs qualitative content analyses of plenary speeches from 1949 to 2022 examining frequency, context and success of such appeals to trauma.

Thereby, this study not only adds to the academic catalogue on strategic communication of national interest (Beaudonnet et al. 2023; Bora 2023) and on affective politics and emotion in Eurozone policy (Wolf 2020; Gellwitzki and Houde 2022). It also complements the literature on Germany's relationship to (monetary) history (De Simone, Gaeta, and Sapio 2017; Arzheimer 2019) and on the role of identities, ideas, tradition and culture as a driver of change and continuity in European politics (Warlouzet 2019; Hien 2020; Hofmann and Mérand 2020; Verovšek 2024). Doing so, it provides an important case study for how emotionally charged collective memories closely linked to national identity may produce a 'constraining dissensus' (Hooghe and Marks 2009; Schoeller and Karlsson 2021) on monetary integration, which on the one hand begs appreciation amongst policy actors and on the other can be strategically leveraged, especially during times of crisis and ontological insecurity (Börzel and Risse 2020; Braun 2020).

The text is structured as follows. The article starts with a short elaboration of this study's theoretical foundations. Next, it delves deeper into the notion of *inflation trauma* and links it with the concept of *stability culture* and monetary integration. The third section briefly outlines the research design, materials and method. The fourth section presents the empirical findings before the conclusion closes with a summary and discussion.

I. Constructivism, Narratives and Political Economy

Following a constructivist ontology, policy decisions and their underlying institutional backbone are not the product of a material reality, the distribution of resources and rational preferences amongst economic actors. Rather, they mirror a social reality and the

prevalent interpretations of the material world which, in turn, rest in collectively shared and culturally entrenched norms and ideas (McNamara 1998; Blyth 2002; Abdelal, Blyth, and Parsons 2010). Building on such spadework, this study borrows from Matthijs (2016) and integrates the assumptions of the two seminal constructivist approaches of agency-focused *actor-centred constructivism* (Saurugger 2013) and structure-sensitive *discursive institutionalism* (Carstensen and Schmidt 2016).

Overall, both approaches emphasise that actors' (economic) identities and consequent policy preferences are decisively conditioned by their ideas and the (institutionalised) ideational structures they are embedded in. Accordingly, policy is often a more or less direct product of cultural socialisation and prevalent cognitive patterns.

However, following *actor-centred constructivism*, policy actors are not mere victims of collective ideas forced to submissively reproduce discursive formations. Rather, especially powerful policy-makers are endowed with some degree of strategic freedom to proactively use and manipulate prevalent ideas to influence decisions according to their beliefs. Whilst the approach maintains the basic assumption that actors' preferences are embedded in incumbent ideational structures, it sheds light on the strategic potential of those very ideas being used as a tool (Saurugger 2013; cf. Blyth 2002, 2013).

In turn, *discursive institutionalism* helps to understand *how* and *why* ideas matter. Emphasising the power political actors can exert *over* and *through* ideas in political debates, this approach defines discursive exchange amongst political actors as the decisive medium of deliberation and decision-making (Schmidt 2008; Carstensen and Schmidt 2016). Moreover, highlighting the very institutional aspect of ideas structuring discourse (and thus viable policy options), it underscores that actors can only successfully steer policy by employing ideas which are collectively accepted, agreed upon and/or which correspond to adjacent beliefs, worldviews and perceptions amongst the relevant audience (Schmidt 2008; Carstensen and Schmidt 2016; cf. Matthijs 2016, p. 379).

Combining both approaches thus helps to appreciate the co-constitution of agency and structure in regard to economic ideas and their constitutive effects on policy decisions.

A potent tool strategically interlink economic ideas with proposed action are *narratives*: in general, these can be defined as 'a sense-making story [...] shared by members of a group, [that] emerges and proliferates in social interaction, and suggests actions' (Roos and Reccius 2021, p. 12). Conceptually, *narratives* are comprised of different elements such as a situational setting, the occurrence of an issue or disruption and a particular solution combining experiences, events and response strategies in a causal, normative and temporal sequence (Barbehön and Münch 2014, p. 153; Akerlof and Snower 2016, p. 58). By making sense of a given situation and constructing appropriateness of certain proposals, they can be used strategically 'to give determined meaning to past, present, and future in order to achieve political objectives' (Miskimmon, O'Loughlin, and Roselle 2013, p. 7; cf. Shiller 2017, p. 968).

In political debates, narratives occupy a dual role. On the one hand, they can act as a catalyst for change, transformation and innovation (Shiller 2017). On the other, especially well-established, culturally engrained 'sacred' (Sala 2017, p. 546) stories with recourse to collective norms and the historical self often act as stabilising force in times of change and uncertainty, giving policy-makers a way to appeal to shared notions of the past as well as the identity-forming ideas and emotional bonds inhabiting it (von Wallwitz 2021, pp.

286ff.). Thereby, *narratives* provide a powerful tool to sustain ‘autobiographical continuity, a sense of routine, familiarity, and calm’ (Subotić 2016, p. 610) in crisis and ontological or temporal disruption and thus an instrument to both respond to and invoke collective emotions (Gellwitzki and Houde 2022; Bachleitner 2023).

II. Inflation Trauma, Stability Culture and EMU

Within German and global media debates, the diagnosis of a persistent trauma the German public continues to suffer from the hyperinflation of 1923 has emerged as a journalistic staple which is especially salient since the global financial crisis (e.g., Fischer 2010; Brönstrup 2012; Buck 2018). Amongst academia and popular science, there is similar consensus that the dramatic devaluation of money, its redistributive effects, social hardship, moral erosion and ensuing political turmoil produced ‘a trauma that has burned itself into collective memory’ (Feldman 1993, p. 5; cf. Taylor 2013; von Wallwitz 2021, p. 287).

This *inflation trauma* is often directly connected to the notion of a nationwide phobia of inflation (Shiller 1997, p. 54; Lindenlaub 2010, p. 75; Ehrmann and Tzamourani 2012; Hayo and Neumeier 2016a, p. 68) as well as a widespread aversion public debt (Blyth 2013, p. 56; Taylor 2013, p. 357; Haffert 2016, p. 34). Thus, it is perceived to be a decisive historical root of the German economic identity, its *stability culture* (e.g., Hayo 1998; Howarth and Rommerskirchen 2013; Brunnermeier and James 2018). According to this notion, historical experience produced not only an uncompromising preference for stable prices, overall risk aversion in financial matters and a culture of private frugality (Günaydin and Mertens 2020; Hüther 2021). Also, monetary history and its recollection in public discourse begot a ‘mass-elite consensus’ (Haffert, Redeker, and Rommel 2021, p. 665) on the instruments to safeguard price stability, that is, stability-oriented, independent central banking and restrictive fiscal policy conditioned by stern legal constraints (Stützle 2013, pp. 122–125), which upon German insistence were successfully ‘uploaded’ (Schoeller and Heidebrecht 2023, p. 4) to the European Monetary Union (EMU).

Based on this general consensus, this study does not seek to establish whether a traumatic disposition as a collective psychological condition indeed persists. Rather, it defines *inflation trauma* as a powerful identity-forming ideational structure prevalent within discourse and widely agreed upon as a central historical reference point for the German collective ‘autobiography’ (Subotić 2016, p. 610).

Given the aforementioned widespread notion that the memory of hyperinflation continues to shape German policy, the concrete channels of influence are rarely addressed explicitly. Beyond general references to socialisation (Hayo and Neumeier 2016a; Hüther 2021), overall collective memory (e.g., Taylor 2013; von Wallwitz 2021), literature and culture (Widdig 2001) and the deliberate reconstruction by museums, policy-makers, banks, media and other ‘agents of collective memory’ (Hirsch 2015, p. 56; cf. Schieritz 2013, pp. 129–136), only few studies investigate the discursive role of collective memory in policy-making.

For the realm of monetary policy, various authors mention strategic efforts of the Bundesbank ‘to reinsert memories of the hyperinflation of the 1920s into Germany’s postwar political mythology’ (Johnson 1998, p. 199) and ‘to remind the German public continually of the cautionary lessons of the great inflation’ (Marsh 1993, p. 18; cf. Hayo 1998; James 2005, pp. 377ff.; Löffler 2010; Tognato 2012, Chapter 3; Bibow 2013,

p. 614; Neyer and Stempel 2023). Yet most of them only loosely bring up such strategic practice without closer assessment or methodological expertise. The only exemption that examines the strategic use of historical narratives in detail is Mee's (2019) research on the genesis of central bank independence in West-Germany. His study covering debates from the post-war period until the late 1970s shows that the Bundesbank and its predecessor used references to hyperinflation to establish and defend their institutional prerogative and assert a stern focus on price stability.

For the realm of fiscal policy, historians led by Borchardt (1982, 1985) have early on emphasised the impact of (perceived) inflationary fears amongst the German public on Chancellor Heinrich Brüning when opting for and legitimising fiscal austerity during the early 1930s (Schulz 1985). Furthermore, Howarth and Rommerskirchen (2013, 2017) point to the strategic adoption of the term *stability culture* being 'hijacked' (2013, p. 751) by the CDU/CSU and FDP during the onset of Eurozone to press for monetary and fiscal constraints and 'manipulated' (Howarth and Rommerskirchen 2013, p. 766, 2017, p. 385) during the Eurozone crisis to defend them. Whilst these authors and others (e.g., Bibow 2013, p. 614; Blyth 2013, p. 57; Schmidt 2014, p. 193) do mention discursive references to hyperinflation, neither approach the political instrumentalisation of historical memory and its strategic employment systematically.

Overall, however, no conclusive analysis has been undertaken that specifically focusses on the political use of *inflation trauma* employed to assert stability-oriented restrictive fiscal policy.

III. Research Design

To answer the research interest, this study employs qualitative content analyses of all Bundestag plenary debates from 1949 to 2022. Parliamentary speeches were chosen for three theoretical and methodical reasons: first, in a representative democracy, parliaments act as an auspicious mirror for the analysis of political attitudes and arguments as they—per definition—strive to represent major factions amongst society. Second, parliaments constitute an arena of mutual exchange and communication. Therefore, the analysis of plenary debates enables an investigation of the reactions, contestation and, thus, the success of claims made by policy-makers. And third, as the Bundestag publishes all debates online, its speeches offer a convenient opportunity for longitudinal investigations without being reliant on media corpora or secondary literature.

The content analysis followed a multi-step process: first, parliamentary speeches were examined for references to the 1923 hyperinflation. To do so, all speeches including either 'inflation' or other pertinent keywords¹ were collected and then manually checked for direct or indirect references (e.g., alluding to overall German monetary history). Second, this preselection was examined for explicit appeals to the emotional trauma experienced by the German population due to hyperinflation. Given that the notion of *inflation trauma* constitutes an elusive phenomenon empirically (Teupe 2022), a distinctive operationalisation is needed. As this study aims to take the very idea of trauma seriously,

¹Other keywords used: 'monetary/currency devaluation' (*Geldentwertung, Währungsverfall*), 'monetary/currency stability' (*Geldwerstabilität, Währungsstabilität*), 'currency reform' (*Währungsreform, Währungsschnitt*), 'twenties' (*Zwanziger*), '20s' (*20iger*) and '1923'.

it ignores all speeches that merely refer to the hyperinflation as a historical event, invoke an abstract memory or refer to public knowledge deduced from such. Rather, it concentrates on speeches which either address the very term ‘trauma’ verbatim or emphasise a persistent emotional effect caused by hyperinflation. Following relevant medical definitions of trauma and *post-traumatic stress order* as well as the sociological literature on collective trauma, these include lasting anxiety, panic when confronted with inflation, distress, symptoms of shock, the need for (ontological) security as well as consequent coping mechanisms and strategies of avoidance, especially a consequential longing for price stability (e.g., Alexander 2012, pp. 1–3; Hirschberger 2018, p. 1441; APA 2013, cf. von Kruedener 1989). Third, all speeches mentioning *inflation trauma* were then examined for the *fiscal inflation trauma* (FIT) narrative, that is, the discursive conflation between the appeal to trauma and stability-oriented restrictive fiscal policy. As an archetypical example, the study consulted the following narrative pattern: *the German public is suffering from an inflation trauma; therefore, one has to restrict fiscal policy and thereby prevent a repetition of history*. Doing so, it followed an interpretative, social-constructivist approach. Thus, relevant speeches were not limited to those containing the aforementioned pattern as an explicit sequence, but also included those incorporating its components within a broader semantic structure spanning multiple sentences or paragraphs.. Fourth, the temporal occurrence and actor-specific usage of FIT was compared quantitatively. Fifth, a qualitative study ensued reconstructing the concrete employment of FIT within the larger social context and gauging its success, that is, whether it was contested and the respective policy objectives were achieved.

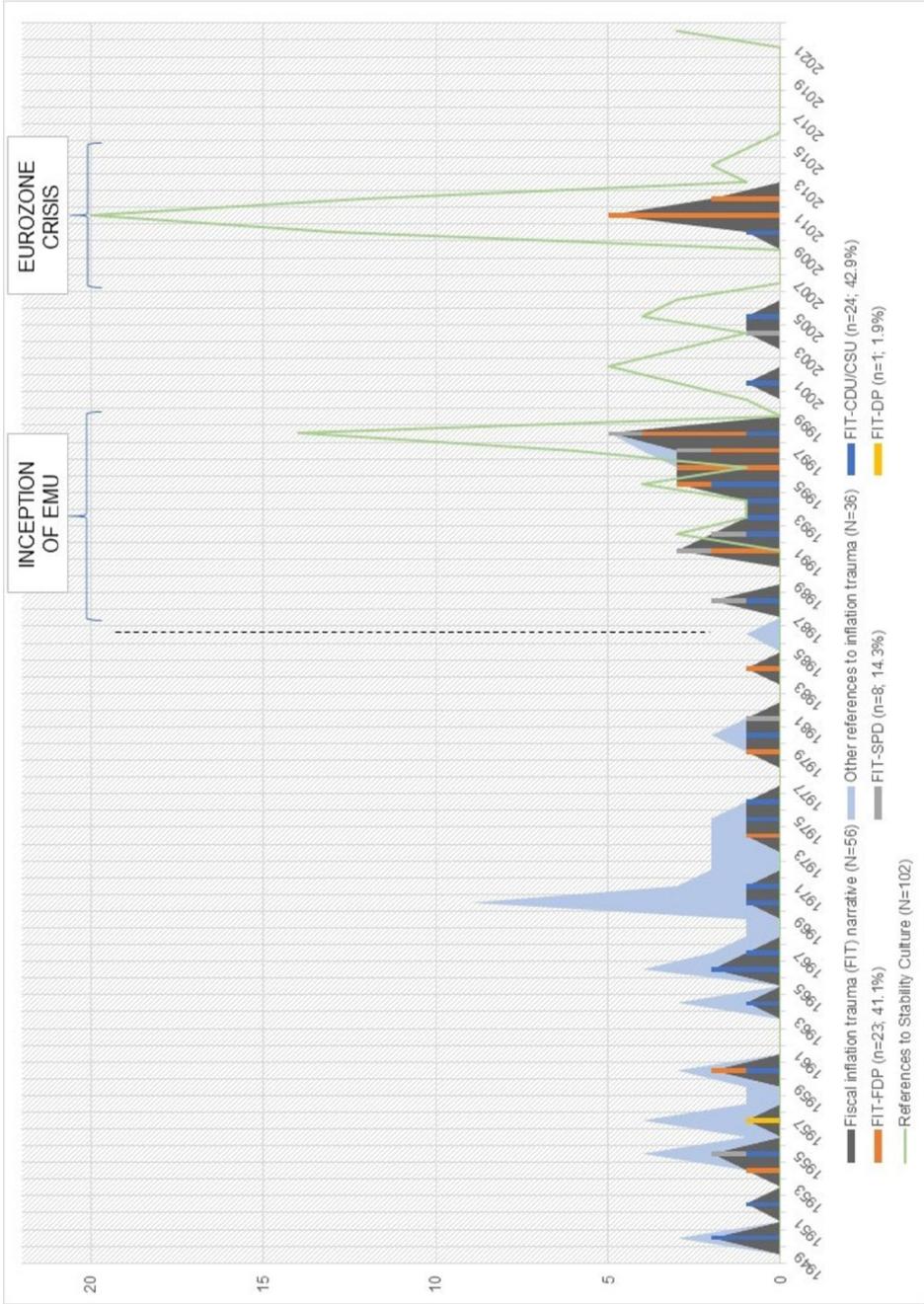
IV. Trauma Narratives in German Fiscal Policy Debates

Within Bundestag’s plenary sessions, a total of 92 speeches refer to a persistent *inflation trauma* of the German population. In temporal comparison, such references were a constant factor but occurred especially frequently in the early 1970s, mid 1980s to late 1990s and the early 2010s (see Figure 1). Of these speeches, only 60% employed FIT. This finding alone – considering the close connection between the collective memory of Weimar and fiscal discipline – is striking. Moreover, a temporal comparison reveals a peculiar historical occurrence: While FIT occurred time and time again from the 1950s onwards, its frequency notably increased during the 1990s and from that point on conspicuously dominated all references to *inflation trauma*. This temporal concentration is also mirrored by its use as the vast majority of speeches employing FIT (83.9%) were made by the economically conservative CDU/CSU and FPD (see Figure 1).

Given such salient temporal and conservative bias, a qualitative examination is due. Delving deeper into their content and context, within the first 22 speeches employing FIT, no distinct connection or recurring affiliation to specific policy debates can be detected, which would warrant a closer examination.² This notably changes from late the 1980s onwards as two distinct phases emerge strikingly characterised by FIT: the inception of EMU and the Eurozone crisis.

²For all speeches, see Appendix A.

Figure 1: Temporal Distribution of the Fiscal Inflation Trauma Narrative in the Bundestag, 1949–2022, $N = 56$. [Colour figure can be viewed at wileyonlinelibrary.com]



Inflation Trauma and the Inception of EMU

With one exception, from 1988 until the early 2000s, a total of 23 references to a persistent *inflation trauma* appeared exclusively in the major debates on the onset of EMU. In this context, FIT was used primarily by members of the governing parties CDU/CSU and FDP but also the social democrat SPD as a powerful, historically and emotionally charged argument to introduce and uphold fiscal constraints – specifically the harmonisation of national fiscal policy before the Maastricht Treaty, its convergence criteria and the Stability and Growth Pact (SGP) – as a safeguard for price stability, aligning with and supporting the *leitmotif* to export German *stability culture* to EMU (see Figure 1).

Overall, both ruling parties – spearheaded by prominent cabinet members such as chancellor Helmut Kohl (CDU) and finance minister Theo Waigel (CSU) – employed the particular narrative pattern that because the German people were traumatised by the experience of hyperinflation, thus preferred stable prices and objected to a currency reform, this begged a *Stabilitätsversprechen*, that is, the pledge that the succeeding currency would be ‘as safe’,³ ‘as stable’⁴ and ‘of the same quality’⁵ as the former.⁶ To fulfil this pledge for a currency union with different cultural dispositions towards monetary matters, fiscal discipline needed to be anchored legally.

In particular, the CDU/CSU and FDP members repeatedly emphasised that Germans who ‘endured fatal two hyperinflations’⁷ and their ‘dramatic consequences’,⁸ who ‘twice [...] lost their earnings and savings’⁹ and who experienced ‘a deep rift in the social structure’¹⁰ had a special relationship to money. Marked by these incisive experiences, they would place ‘great emphasis’,¹¹ ‘high value’¹² and ‘extraordinary importance on monetary stability’¹³ and thus ‘avoid inflation like the plague’.¹⁴ Given such ‘remarkable sensitivity’¹⁵ – unlike other EMU members with ‘very different traditions and very different attitudes to money’¹⁶ – giving up the ‘success story’¹⁷ of D-Mark would pose ‘an especially difficult psychological situation’.¹⁸ Consequently, people’s ‘concerns’,¹⁹ ‘fears’²⁰ and ‘wariness’²¹ begged tending and ‘questions that [...] especially those who have already had to go through one or even two currency reforms are asking’²² needed to be answered adequately. Hence,

³Helmut Kohl (CDU), 02.12.1992, 10826

⁴Kohl, 11.11.1993, 16279; Theo Waigel (CSU), 07.12.1995, 6731

⁵Kohl, 27.05.1994, 20123

⁶For original quotes, see Appendix A.

⁷Otto Graf Lambsdorff (FDP), 13.12.1991, 5811

⁸Edmund Stoiber (CSU), 02.04.1998, 20801

⁹Kohl, 02.12.1992, 10826; cf. Günter Rexrodt (FDP), 15.05.1997, 15721; Wolfgang Gerhardt (FDP), 02.04.1998, 20786

¹⁰Kohl, 27.05.1994, 20122

¹¹Hans-Dietrich Genscher (FDP), 23.04.1998, 21043

¹²Kohl, 27.05.1994, 20122; Kohl, 02.12.1992, 10826

¹³Wolfgang Weng (FDP), 26.11.1996, 12592

¹⁴Lambsdorff, 13.12.1991, 5812

¹⁵Hausmann, 05.12.1991, 5453

¹⁶Weng, 26.11.1996, 12592; cf. Kohl, 08.11.1995, 5765

¹⁷Kohl, 11.11.1993, 16279; Waigel (CSU), 07.12.1995, 6730; Carl-Ludwig Thiele (FDP), 23.04.1998, 21078

¹⁸Kohl, 11.11.1993, 16279

¹⁹Kohl, 02.12.1992, 10826; Waigel, 07.12.1995, 6730; Genscher, 23.04.1998, 2104; Thiele, 23.04.1998, 21077

²⁰Lambsdorff, 13.12.1991, 5811; Gerhardt, 08.02.1996, 7503; Rexrodt, 15.05.1997, 15721; Gerhardt, 10.09.1997, 16981;

²¹Thiele, 23.04.1998, 21077

²²Stoiber, 02.04.1998, 20801

²²Waigel, 07.12.1995, 6730

Germany was obliged not only to ‘demand attention’²³ and ‘promote understanding amongst our friends’²⁴ regarding such ‘completely different relationship’²⁵ but to guarantee that EMU would become a ‘stability community’.²⁶ Thus, fiscal constraints as ‘a secure foundation of stability’²⁷ would be necessary; that is, all members of the currency area needed to commit to ‘strict (stability) criteria’,²⁸ ‘strict stability policy’²⁹ and a ‘stability pact’³⁰ and thereby ‘adopt the German economic, monetary and stability order’.³¹

Interestingly, though heavily criticised in France (Löffler 2010), there was hardly any domestic contestation to this narrative. Rather, the opposition-leading SPD adopted the same rhetoric. Specifically, SPD members agreed that only in Germany ‘because of our historical experiences with unchecked inflation there has always been a consensus on stabilisation policy’.³² To pay respect to this disposition and consequent ‘concerns’³³ and ‘fears’³⁴ of yet another currency reform, fiscal safeguards for price stability would be needed, ensuring that the D-Mark would not ‘be sacrificed on the altar of Europe’.³⁵ Hence, only those ‘who have shown that they have a similar vision of a stable currency’³⁶ should be able to join EMU. Likewise, the Greens, despite criticising the ‘excessive stability requirements’³⁷ of the government, also explained public fears of giving up the D-Mark with ‘the experience of two currency reforms and absolute monetary devaluation’³⁸. Moreover, the general call to anchor fiscal discipline in EMU’s institutional architecture was neither challenged in the Bundestag nor in the larger public debate within Germany (cf. Heipertz and Verdun 2004).

Proceeding from this vantage point and locating the use of FIT in a broader social context reveals its strategic character responding to public sentiment, underlying cultural tenets, corresponding economic ideas as well as policy preferences amongst the general population, political and economic elites.

As an important starting point to assess such strategic calculus, one has to note the German government, though reluctant at first, strongly supported the overall objective to pursue monetary integration (Dyson and Featherstone 2009). The domestic public, political elites and business community, however, did not share the same enthusiasm and thus confronted decision-makers with a ‘constraining dissensus’ (Schoeller and Karlsson 2021, p. 199). In this context, the use of FIT by members of the cabinet and government parties can be interpreted as discursive tool to garner support for monetary integration conditioned by fiscal constraints.

²³Kohl, 02.12.1992, 10826

²⁴Kohl, 08.11.1995, 5765

²⁵Kohl, 08.11.1995, 5765

²⁶Lambsdorff, 13.12.1991, 5811; Haussmann, 05.12.1991, 5453; Kohl, 11.11.1993, 16279; Thiele, 23.04.1998, 21078; vgl. Gerhardt, 10.09.1997, 16981

²⁷Kohl, 02.12.1992, 10826

²⁸Lambsdorff, 13.12.1991, 5812; Waigel, 07.12.1995, 6731

²⁹Kohl, 02.12.1992, 10826

³⁰Haussmann, 05.12.1991, 5453; Waigel, 07.12.1995, 6730; Stoiber, 02.04.1998, 20800

³¹Waigel, 07.12.1995, 6731

³²Norbert Wiczorek (SPD), 13.12.1991, 5821

³³Heidemarie Wiczorek-Zeul (SPD), 08.10.1992, 9329

³⁴Ingrid Matthäus-Maier (SPD), 15.05.1997, 15722

³⁵Jörg-Otto Spiller (SPD), 02.04.1998, 20796

³⁶Spiller, 02.04.1998, 20796

³⁷Kristin Heyne (B90/Die Grünen), 15.05.1997, 15708

³⁸Heyne, 15.05.1997, 15708

More precisely, the narrative, first of all, overtly responded to public scepticism towards the euro. For German post-war society and its ‘deeply troubled sense of collective identity’ (Scharpf 2018, p. 35), the stable D-Mark had emerged as a central pillar of its *stability culture*, presented ‘an escape from past traumas’ (Marsh 1993, p. 29) and acted as ‘substitute for the flag and other national symbols’ (Issing 2008, p. 23; cf. Habermas 1991, p. 84). Hence, the prospect of a third currency reform within one century constituted a veritable ontological crisis for German collective identity and as such was opposed by the electorate (Merlingen 2001; Howarth and Rommerskirchen 2013, pp. 759–760; Roth, Jonung, and Nowak-Lehmann 2016, p. 947). In this context, the insistence on fiscal discipline, especially the introduction of the SGP by Finance Minister Waigel, can be interpreted as a deliberate counter manoeuvre against a potential instrumentalisation of public fears (Heipertz and Verdun 2004).

Second, FIT addressed the equally critical segments amongst German political, financial and academic elites who were similarly wary of giving up monetary sovereignty, feared ensuing inflation, the expansion of fiscal liability and risks to the social market economy (Dyson 2002; Kaltenthaler 2002, pp. 80–82; Dyson and Featherstone 2009). Particularly, EMU faced notable headwinds from the Bundesbank and Ministry of Finance who were committed to shape the Eurozone along the lines of ordoliberalism and *stability culture* (Hall 2012, p. 356; Bulmer 2014, p. 1247; Schoeller and Karlsson 2021, pp. 194–196). Furthermore, vigorous protest amongst ordoliberal scholars culminated in two manifestos and a constitutional complaint against monetary unification (Dyson 2002, p. 194; Howarth and Rommerskirchen 2013, p. 760).

And thirdly, FIT answered to concerns of the business community who feared a common currency would ‘import inflation’ (Kaltenthaler 2002, p. 75) and hence undermine the domestic export-oriented growth model based on competitive wage moderation and stable prices (Hall 2012, p. 356; Scharpf 2018; Schoeller and Karlsson 2021, pp. 196–197).

In this context, invoking *inflation trauma* provided a normatively anchored and emotionally charged appeal to German identity validating public fears and concerns with reference to collective memory. Moreover, it provided an authoritative historical argument that legitimised stability-oriented fiscal rules as remedy interlinking present collective emotion with past trauma as well as cultural tenets, political and economic preferences. Thus, there is good reason to assert that especially the conservative parties deliberately employed FIT to reconcile monetary integration with domestic demands to safeguard the heritage of the D-Mark. In sum, given the limited contestation, the rhetoric adoption of FIT by the opposition and the successful implementation of fiscal rules via the Maastricht Criteria and SGP, FIT can be deemed successful.

Following the inception of EMU, FIT largely vanished from parliament and was only briefly invoked by CDU/CSU and SPD members in the debates on the non-abidance and consequent reform of the SGP. For instance, in 2001, CDU finance committee member Diethard Schütze invoked the ‘dire experiences’³⁹ with inflation, when arguing against the ‘catastrophic economic and financial policy’⁴⁰ of the SPD-led government. However, these isolated appeals neither resonated within the larger public debate nor fiscal policy decisions and were quickly abandoned. This may be due to several factors: first, the

³⁹Diethard Schütze (CDU), 12.10.2001, 18915

⁴⁰Schütze, 12.10.2001, 18915

reform debate – though controversially discussed amongst economic elites and charged with moral and identitarian arguments by the CDU/CSU and Bundesbank (Howarth and Rommerskirchen 2013, p. 762) – at large focused on technical specificities and was successfully depicted by the SPD-led government as a matter of economic rationality (Belafi, Maruhn, and Schmid 2005). And second, whilst the overall economic weakness and label of ‘[t]he sick man of the euro’ (The Economist 1999) left an indeed left an imprint on German self-perception, the SGP reform was not perceived as a critical juncture for the common currency and thus did not echo as a crisis of collective identity. Hence, the debate did not provide the necessary political context to construct a viable nexus between *inflation trauma* and the call for fiscal discipline.

Inflation Trauma and the Eurozone Crisis

During the 2010s, FIT prominently resurfaced during the Eurozone crisis. Like in the 1990s, both the governing CDU/CSU and FDP ubiquitously appealed to *stability culture* (see Figure 1; Howarth and Rommerskirchen 2013). And again, the German government invoked memories of hyperinflation to underpin such discourse (e.g., Schäuble 2010; Westerwelle 2011). Meanwhile, in parliament, FIT featured less frequently and was employed mainly by the FDP. However, it was prominent in the major debates of that period and closely aligned with the repeated emphasis on defending and maintaining a historically rooted culture of stability through fiscal discipline. Particularly, former economic minister and then FDP chairman Rainer Brüderle repeatedly conjured the notion of *inflation trauma* to argue against fiscal expansion and mutual debt warning this would endanger price stability and jeopardise the accomplishments of monetary integration.

More precisely, Brüderle in the course of six speeches emphasised that as ‘every German family’⁴¹ knew and experienced hyperinflation, a phobia of inflation would be ‘engrained in the German genetic code’.⁴² Thus, price stability would present a collectively shared ‘deep-seated concern of the people’.⁴³ To emphasise this claim, Brüderle augmented the notion of *inflation trauma* proposed in the 1990s with reference to National Socialism. Specifically, he underscored that hyperinflation produced the ‘history lesson [that] when money turns bad, everything else follows’,⁴⁴ thereby ostentatiously linking monetary devaluation to ‘the fatal aberrations’⁴⁵ and ‘the most miserable time in German history’.⁴⁶

To respond to this danger and protect ‘[German] stability culture’,⁴⁷ its ‘stability tradition’⁴⁸ and ‘spirit of monetary stability’⁴⁹ whilst honouring the *Stabilitätsversprechen* given during the 1990s,⁵⁰ Brüderle stressed the need to establish ‘a new stability culture’⁵¹ by re-anchoring, rejuvenating and tightening the Maastricht rulebook. Particularly, he

⁴¹Brüderle (FDP), 10.06.2011, 13216; 08.09.2011, 14561

⁴²10.06.2011, 13216; 26.05.2011, 12613; 23.11.2011, 16926

⁴³26.05.2011, 12613; cf. 23.11.2011, 16926

⁴⁴29.09.2011, 15211

⁴⁵29.09.2011, 15211

⁴⁶19.07.2012, 22811; 12.09.2012, 22999

⁴⁷10.06.2011, 13216; 12.09.2012, 22999; 29.09.2011, 15211

⁴⁸23.11.2011, 16926

⁴⁹19.07.2012, 22811

⁵⁰10.06.2011, 13216; 23.11.2011, 16926; 19.07.2012, 22811; 12.09.2012, 22999

⁵¹10.06.2011, 13216; 08.09.2011, 14560

admonished the German government to prevent that the European rescue fund would become a ‘Neo-Keynesian softener’⁵². Furthermore, any proposals of ‘firing up the printing press’⁵³ with a banking licence for the EFSF, increasing debt with the help of Euro-Bonds and other expansionary measures ‘breaking the stability rules’⁵⁴ as well as any moves towards a ‘debt union’⁵⁵ begged vigorous resistance. Moreover, to ensure that Europe ‘can develop properly’⁵⁶ with the help of the German ‘dowry’⁵⁷ of stability, he argued, the crisis called for tighter fiscal rules, a ‘stability pact II’⁵⁸ and ‘national debt brakes’⁵⁹ thereby preserving stable prices and answering to the *inflation trauma* of the public.

Again, a closer look into the context of the Eurozone crisis reveals the particular strategic nature in Brüderle’s use of FIT.

Gauging the FDP’s own motivation, one can certainly attest a general interest to prevent any unravelling of the monetary union whilst upholding the principles and ideas of *stability culture*. Following this agenda, invoking *inflation trauma* served as a purposeful tool to garner support for a crisis response guided by stability-oriented fiscal constraints.

First of all, during the crisis, the German population shared notable concern over its imminent consequences: as numerous surveys indicate, Germans strongly associated the crisis with looming inflation, feared for the stability of the euro, rising debt levels and—following the substantial bail-outs of banks during the financial crisis—strongly rejected financing another crisis response with tax money (e.g., ARD 2010, 2011; Statista 2011, 2012a; Bechtel, Hainmueller, and Margalit 2014). Combined with a resurfacing D-Mark nostalgia (e.g., Roth 2010; Kuhn 2011) and vivid collective remembrance of hyperinflation within mass media (e.g., Fischer 2010; Brönstrup 2012), the Eurozone crisis and the potentially impending breakup of the common currency again produced a watershed for German collective identity, that is, the historical continuity of *stability culture* in EMU, and thus an opportunity to answer to public anxiety with the help of history.

Second, FIT responded to ideas, preferences and discourse amongst the like-minded political elite, foremost the government leading CDU/CSU: both parties, given their fiscally conservative ordoliberal ideological profile, not only sought to reconcile the continuance of European monetary integration with the maintenance of price stability, fiscal restraint and the strong objection to transfers and joint liability (Bulmer 2014; Matthijs 2016; Howarth and Schild 2021). Moreover, both parties ascribed to a moral-identarian diagnosis that the crisis stemmed from fiscal prodigality (De Grauwe 2011; Matthijs and McNamara 2015) and thus, along the EU Commission and ECB, demanded a re-anchoring of *stability culture* (cf. Praet 2012; Rehn 2012).

And third, these sentiments closely aligned with those of German business elites who sought to defend the export-led growth model. By ‘radicalizing its long-standing reliance on exports and competitiveness’ (Baccaro and Höpner 2022, p. 239), the German economy had thrived in the first two decades of EMU. In light of the crisis and the potential

⁵²26.05.2011, 12613

⁵³23.11.2011, 16925

⁵⁴08.09.2011, 14561

⁵⁵19.07.2012, 22811

⁵⁶26.05.2011, 12613; 10.06.2011, 13216

⁵⁷10.06.2011, 13216; 08.09.2011, 14561; 29.09.2011, 15211; 19.07.2012, 22811

⁵⁸10.06.2011, 13216; 29.09.2011, 15211

⁵⁹10.06.2011, 13216; 29.09.2011, 15211

threats of fiscal redistribution, external revaluation and Eurozone inflation (Hall 2012; Bonatti and Fracasso 2013; Johnston and Regan 2016, pp. 320–321; Schoeller and Heidebrecht 2023, pp. 17–18), major industry associations, foremost the BDI, continuously pleaded to defend the Euro's stability and warned of a 'debt union' (Keitel et al. 2011; cf. BDI 2010, 2012). These calls were prominently echoed by the federal government which stressed that exports crucially depended on stable prices, which, in turn, hinged on fiscal restraint (e.g., Merkel 2010; Westerwelle 2010).

In this context, supporting the call for fiscal discipline with recourse to *inflation trauma*—again—not only provided resonance and validation for public concerns and fears but a powerful legitimisation for stability-oriented fiscal policy, supplying an antidote for identitarian insecurity whilst safeguarding monetary stability. Again, there is good reason to assess the FDP's reference to trauma as successful. Despite being widely contested by media and economists abroad (e.g., The Economist 2012; Blyth 2013), the appeal to trauma was hardly challenged by the domestic opposition or German media. Moreover, there was vigorous backing for a tightening of fiscal rules amongst the German public (Statista 2012b; 2012c; Hayo and Neumeier 2016b). And most importantly, under the aegis of the German government and its strong foothold within the Bundestag, the European member states agreed on a tightening of fiscal rules via the SGP and the Fiscal Compact whilst forgoing the introduction of a banking licence for the EFSF/ESM and Euro-Bonds.

Beyond, Brüderle reiterated his warning of 'the most miserable time in German history'⁶⁰ and the consequent insistence to assert 'a high sensitivity for monetary stability'⁶¹ when arguing against monetary financing in light of the ECB's OMT program. This time, however, the appeal to *inflation trauma* remained an isolated instance. Again, one can discern some degree of strategic calculus in Brüderle's speech aiming to prevent further unconventional monetary given the widespread scepticism amongst the national debate mirrored by critical media commentary, political and business elites towards sovereign bond purchases on part of the ECB (e.g., Gauweiler 2012; Sinn 2012; Weidmann in Sauga, Mascolo, and Seith 2012). However, in light of the bank's independence, any insistence on FIT had to be deemed unsuccessful from scratch. Rather, the speech can also be understood as an ex-post legitimisation not to attack the bank's decision, thereby respecting its legal and more importantly culturally-engrained autonomy.

Conclusion

The notion of a persistent *inflation trauma* is ubiquitous within the German public debate. Given the vivid remembrance of 1923 and its significance to Germany's economic identity and culture, appeals to trauma bear substantial strategic potential for lawmakers to assert policy.

So far, however, the majority of the literature failed to take these political properties seriously and ignored whether, when and how the notion of a traumatised public was wielded as a discursive tool. The study at hand closes this blind spot for the realm of fiscal policy. In particular, it examined the use and success of the *fiscal inflation trauma* (FIT)

⁶⁰12.09.2012, 22999

⁶¹12.09.2012, 22999

narrative interlinking the appeal to trauma with the demand for stability-oriented fiscal policy.

This analysis produces two key findings: first, fiscally conservative policy-makers from the ranks of the CDU/CSU and FDP dominated the use of FIT; second, the narrative prominently surfaced during two formative periods of European monetary integration – the inception of EMU on the one hand, the Eurozone crisis on the other. Both marked periods of ontological and temporal insecurity for German *stability culture*. Both times, conservative policy-makers successfully drew on the powerful idea of a nationwide *inflation trauma* to introduce and uphold tight fiscal rules. Thereby, they activated a key chapter in the German collective ‘autobiography’ (Subotić 2016, p. 610) to both respond to and invoke collective emotions, reconciling cultural tenets, adjacent ordoliberal ideas and business interests with the overall object of monetary integration and its defence in times of crisis and transformation.

The conspicuous strategic character of FIT as a conservative narrative tool within both contexts is also mirrored by its absence in other economic policy debates. Particularly, FIT was (largely) absent in the debates on the German non-abidance and consequent reform of the SGP, the decision on the constitutional debt brake in 2009, the ECB’s OMT program and the temporary suspension of the SGP during the Covid-19 pandemic, given that neither presented favourable conditions for such appeals. From 2002 to 2005, both parties were in the parliamentary opposition and thus not in a powerful position to assert policy whilst, overall, the SGP reform was not perceived as a major identitarian threat by the general public. In 2009, as the global financial crisis did pose a potentially existential danger to the German economy and beyond, there was no need to employ FIT as the novel debt rules were supported by large majority of parliament and hardly politicised publicly. In 2012, contesting OMT in parliament promised little success given the limited leverage of the Bundestag on monetary policy on the one hand, the (perceived) culturally engrained public support for the ECB on the other. And in 2020, whilst the situation again posed a major economic threat, the exceptional suspension of the SGP was supported by both CDU/CSU and FDP and did not cause notable protest amongst political factions, interest groups or the public at large. Thus, neither situation begged reassurance through history or promised much success doing so.

Given these results, this article confirms the close link between the collective memory of hyperinflation and the conservative demand to preserve, transpose and rejuvenate German *stability culture* in EMU. In particular, it showcases the strategic properties of the German *inflation trauma* as a party and context specific communications tool ‘implanted’ (Hudson 2011) or ‘chosen’ (Volkan 2001) as a ‘usable past’ (Brooks in Olick 2007).

All in all, this study complements the literature empirically and theoretically. Overall, it helps to appreciate the role of identity-forming, emotionally laden and culturally entrenched historical memory and its strategic use in national debates on European integration (Hofmann and Mérand 2020; Gellwitzki and Houde 2022; Verovšek 2024). Specifically, it contributes to the understanding of how ideational structures relating to painful episodes in history may not necessarily catalyse integration as an escape from past trauma (Rumelili 2018) but constrain a common path forward. By examining how Bundestag members strategically addressed and responded to sentiments at odds with specific paths of integration – that is, an alternative interpretation of fiscal rules perceived as a threat to

the stability of the euro and thus German historical identity – this study provides in-depth insights on the ‘discursive double game’ (Crespy and Schmidt 2014) played by German conservative policy-makers ‘speaking to the people’ (Schmidt 2014; cf. Hertner and Miskimmon 2015) whilst steering for preferred supranational policy. Thereby, it provides an important case study for targeted communication as reputational and regulatory strategy in light of the policy constraints posed by collective history, memory, identity, and culture (cf. Müller and Braun 2021; Migliorati 2022).

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Data Availability Statement

All research data used in this article are available in Appendix A.

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Appendix A

To download the research data, please use this link: <https://we.tl/t-Jetk5j7FFi>.

The data can be viewed using the free MAXQDA project viewer, to be downloaded here: <https://www.maxqda.com/products/maxqda-reader>.

Alternatively, any other program to read SQLite data can be used.