

Matthias Erzberger on the Dangers of Bolshevism (July 8, 1919)

Abstract

Matthias Erzberger (1875–1921) rose from a modest, Catholic background to become one of the most prominent and important politicians during the First World War and the early years of the Weimar Republic. That he did so without having a noble pedigree, background of military service, or a university degree made his rise all the more remarkable.

First elected as a member of the Catholic Center Party (Zentrum) to the Reichstag in 1903, under the old Imperial government, Erzberger harnessed his trademark capacity for hard work to master that legislative body's procedural practices in minute detail. He initially supported Germany's aggressive pursuit of military victory in the First World War, but his position had evolved by 1917 into one of advocating for an immediate, negotiated peace. Erzberger later led the four-person German delegation that signed the Armistice on November 11, 1918, a necessary and thankless task that made him a target of relentless right-wing attacks. Less than three years later, on August 26, 1921, a far-right hit squad assassinated Matthias Erzberger during one of his morning walks.

Upon appointment as Minister of Finance in late June 1919, Erzberger undertook a massive overhaul of Germany's tax system in order to make it more equitable as well as more efficient. Fair tax policies, he believed, would foster greater social equality while still providing the necessary incentives for individual initiative and avoiding the economic turmoil that most Germans associated with communism. Erzberger advocated taxing income from capital investments at a higher rate than that from labor, since he viewed the latter as a far more productive contribution to the economy. He also wanted to narrow the wealth gap in Germany, which the war had only exacerbated, he regularly targeted war profiteers, in particular, in his speeches and his policy proposals.

Erzberger's comments here on "The Danger of Bolshevism" come from a much longer speech that he gave to the National Assembly on July 8, 1919, in which he laid out his initial vision for systemic tax reform. Erzberger framed his proposed reforms as a way to inoculate hard-pressed average Germans against the siren call of Bolshevism by giving them the social equality that they demanded within a new and more fairly taxed capitalist order.

He opened this passage, however, with a blistering attack on the DNVP politician and former wartime Finance Minister, Karl Helfferich, whom Erzberger held responsible for having enabled the war profiteering and burgeoning inequities in the first place. Helfferich was also a leading propagator of the false claim that Germany's defeat had stemmed from acts of domestic treason rather than from Allied military and economic superiority. Erzberger briefly alluded to this false claim—what later became known as the "stab-in-the-back myth"—in his criticism of Helfferich, which only hinted at the bitter animosity between the two men. Helfferich proceeded over the next several years to issue scathing broadsides against Erzberger and other supporters of the Republic, creating a poisoned political climate in which targeted assassinations, including that of Erzberger himself in 1921, became increasingly common.

After pointedly blaming Helfferich for the widespread feelings of economic resentment in Germany, Erzberger then warned in this passage that such resentment, if left unaddressed, would accentuate Bolshevism's "destructive" appeal. To counteract that appeal, he proposed building a new order based on social justice, elements of which the Republic had already ushered in, unnoticed, in the form of

increasing wages for workers and a decline in the value of capital investments. Erzberger concluded this passage by arguing that the people still wanted their fair share of the war profits and that well-designed financial reforms would meet these justified demands.

Source

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The then Vice-Chancellor and most frivolous of all finance ministers, Minister of State Helfferich, has recently spoken of the internal forces of disruption that caused the catastrophe of the moral and national collapse. He neglected to mention the disastrous economic policy of the government at the time, which did so much damage to the German people's moral will to win and of which he himself was the main promoter. We are now at the end of the war and, we hope, at the beginning of the reconstruction of the nation. If we take stock internally, we have, on the one hand, ethical and physical devastation and destruction of human life and human strength, of physical and moral values, immiseration and impoverishment of the middle and lower classes, on whom the hardships of the war have weighed most heavily, and huge profits, consolidation of capital, wealth, luxury, well-being and undiminished assets of the greater part of the hitherto ruling classes on the other. Rich and poor are abysmally divided and united only by the common bond of the most naked self-indulgence and unbridled hedonism. The insane, all-destroying and negating theory of Bolshevism rises threateningly from the collapse of the previous state and economic order as the most extreme reaction of the masses' wounded sense of justice. The cure for this Asian disease is the sacred order based on social justice, which takes into account the well-founded wishes of the people and fulfills the dictates of the hour through wise leadership. The increased call for socialization is only the echo of the hyper-capitalist war economy.

However, a great deal of socialization has already been carried out unnoticed in the few months of the young German Republic. The rise in wages and the decline in the value of money are the greatest socialization known to the world. The capitalist who before the war drew 6000 marks a year from 100,000 marks in assets and today has the same pension is now worse off than the telegraph worker who before the war had an income of 1500 marks and now draws 7800 marks in wages. The fall in the return on capital and the rise in wages are natural consequences of unbearable war measures. The war industry governed everything and tried to put it at the service of the fatherland: the workforce, the free will of the individual, freedom of movement, the expression of opinion, only one thing remained free and found unrestricted support: war capitalism. The military had only one imperious call: "We need war equipment, whatever the cost." Economic considerations played no role, prices rose, and huge profits were amassed. All this was dressed up in the words "national duty". With the end of the war came the setback. Crests and troughs alternate in the fortunes of nations. So it was natural that at the end of the war the broad masses of the people not only called for the confiscation of the war profits, but also wanted their share of the spoils of war. A well-thought-out, sharply conceived reform of the Reich's finances would make the call for socialization heard: Inheritance tax and a large property levy are the first introductory steps; others will follow.

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