
The great economic depression in the weimar republic, 1929–1933

Vladislav B. Sotirović

Faculty of Politics and Management, Institute of Political Sciences, Mykolas Romeris University, Vilnius, Lithuania

Email address:

vladislav@sotirovic.eu

To cite this article:

Vladislav B. Sotirović. The Great Economic Depression in the Weimar Republic, 1929–1933. *Economics*. Vol. 3, No. 1, 2014, pp. 1-8. doi: 10.11648/j.economics.20140301.11

Abstract: The article deals with the Great Economic Depression of 1929–1933. The research problem is the depression's negative consequences on the economy of the German Weimar Republic. The aim of the article is to present the main causes and consequences of the global economic and financial crises known as the Great Economic Depression and to investigate how this depression influences the economy and finance of the newly democratic post-war German state called as the Weimar Republic. The particular importance of this research subject is the fact that among all European states at the time it was exactly the Weimar Republic to be mostly affected by the global crises with terrible consequences on social and political life which finally brought Adolf Hitler and his NSDAP to the power in Germany. From the methodological point of view we used a relevant scientific literature followed by the historical sources. We found that a global Great Economic Depression had mostly negative economic, social and political influences to the German Weimar Republic which finally became on January 30th, 1933 a prison of Hitler's NSDAP party in order to seek its salvation.

Keywords: Weimar Republic, Great Economic Depression, Capitalism, Protectionism, Crises

1. Introduction

During the greatest, and at the same time, the most difficult economic crisis, in the world history from 1929 to 1933, the (German) Weimar Republic¹ was one of the most affected countries in the world. The consequences of the Great Economic Depression were the most visible and destructive exactly in the Weimar Republic, which economy became revealed during the second half of the 1920s. In 1928 the German industrial production increased up to 12% of the world one, or 26% of the American level. In 1929 Germany reached 20% of the national income and 70% of the foreign trade of the United States. It is, however, worth nothing that the German economic crisis was not only the direct consequence of the American contraction, but that Germany also sustained the international economic slump by having her own "crisis within the crisis". Nevertheless, the economic crisis of 1929–1933 was the most severe in Germany among all European countries.

Our intention in this paper is to present some of the most

important aspects of the economic crisis in the Weimar Republic during the time of the Great Economic Depression. The crucial problems to be dealt with are:

I) The roots and origins of the Great Economic Depression on two levels: global and German.

II) The problems regarding the financial crisis and its outcomes on German economy.

III) The German industrial production during the crisis.

IV) The problems concerning the German trade and trade policy.

V) The problems with regard to unemployment in Germany and the social and economic measures carried out by the German government in order to alleviate this the most difficult social problem in the Weimar Republic during the Great Economic Depression.

2. The Origins of the Great Economic Depression

Throughout the end of the 1920s and the beginning of the 1930s the world was in the worst economic depression in history. This economic crisis began with the dramatic collapse of the American stock market in October 1929 that was followed by spreading up throughout Europe until 1933.

¹ On history of the Weimar Republic see: Stephen Lee, *The Weimar Republic*; Colin Storer, *A Short History of the Weimar Republic*.

This world-wide financial collapse was the manifestation of deeper weaknesses of the world economy. Various factors contributed to recession:

- 1) Cyclical contractions in demand in much of Europe.
- 2) A general tendency for primary product prices to fall.
- 3) Financial crises in Europe and the USA.

The global sources of this economic crash and instability were:

- 1) The First World War caused a dramatic increase in productive capacity, especially outside Europe, but there was no corresponding increase in demand.
- 2) There was a world-wide imbalance between agriculture and industry.
- 3) The rewards of growth accrued disproportionately to the industrialized countries and, within these countries, to their industrial and financial sectors.
- 4) International finance was never fully recovered from the dislocation of the First World War.²
- 5) Increased production allowed food and raw material prices to decline through the 1920s, worsening the terms of trade for countries depended on the export of such commodities, and decreasing their ability to buy the industrial products of Europe and the USA.

More specified and concrete origins of the slump and economic recession in 1929 must be located in the USA. It is clear that the American economy was the storm centre of the world depression. Here national economic management was powerless to prevent the collapse of money and commodity markets together with the manufacturing production.³ The major destabilizing influence came with the collapse in American lending. This began in the summer of 1928 and it was prompted by the domestic boom and the action of the Federal Reserve to check it by raising interest rates. Both of them had the effect of attracting funds into the home market.⁴ This dramatic curtailment of lending exercised a powerful deflationary impact on the world economy. It was sufficiently widespread to undermine the fragile stability of the international economy. It also in turn reduced Europe's import demand for products outside the region.

The second economic shock came in the summer of 1929 when the USA boom petered out. A tightening in monetary policy at this time may also have contributed, though monetary factors probably played a relatively minor part in the initial breaking of the American economic boom. The American economic slump was touched off by financial crisis.

² The pre-war system of fixed exchange rates and free convertibility was replaced by a compromise - the *Gold Exchange Standard* - which never achieved the stability necessary to rebuild world trade. In regard to this problem is important to present opinion by Derek H. Aldcroft: "it would be difficult to argue that the First World War and its aftermath was the prime causal factor of the crisis than began at the end of the 1920s" (Derek H. Aldcroft, *The European Economy 1914–1990*, p. 66).

³ Carlo M. Cipolla (ed.), *The Fontana Economic History. Contemporary Economies-I*, p. 332.

⁴ The US capital issues on foreign account fell by over 50% between the first and second halves of 1928.

The Great Bull Market of 1928 gave way to a precipitous fall in stock prices in October of 1929.⁵ In conditions of monetary instability and imbalance of payments, the gold standard as a kind of fundamental law of international monetary relations was obsolete.⁶ In the other words, easiest solution for the overhaul the "Wall Street Crash" was to break the links by abandoning the gold standard. This was done by several Latin American countries and also by Australia and New Zealand late in 1929 and early in 1930. On the other hand, this action inevitably imposed a greater burden for the countries still depended on the gold standard and hence intensified the deflationary spiral either automatically or through deliberate government action. Once started, therefore, the deflationary process became cumulative and eventually it led to the general collapse of the gold standard and the adoption of restrictive policies to protect domestic economies. With regard to the problem of the origins of the depression in the United States it is important to quote the words by H. J. Braun: "it seems that not so much monetary but real factors caused it and that the failure of the international economic system contributed to it".⁷

One contributory factor as causer of the depression was the fall in prices of foodstuffs and other primary products which resulted in declining incomes and purchasing power for agricultural producers and exporters. Such price falls contributed in rising of the real incomes elsewhere.

In the ensuing scramble for liquidity, funds flowed back from Europe to America, and the shaky European prosperity collapsed. In May 1931, the *Austrian Credit-Anstalt* bank defaulted. But, when the United Kingdom left the Gold Standard, allowing sterling to depreciate in September 1931, virtually the entire world was affected. The world market for commodities followed the American crash. For instance, by 1931, the price of wheat on the Liverpool Stock Exchange was only a half in comparison to 1929. The prices of the British imports of raw material were down by two-fifths; and food import prices as a whole were to fall down as well as in the following year. The earnings of overseas suppliers were correspondingly reduced; and the markets for Europe's exports were consequently diminished. The collapse of overseas demand was transmitted into the European economy through those European countries with a large overseas export trade. The production followed the exports down. In 1932, the European manufacturing production was 28% lesser than in 1929. The industrial production fell down to 53% of its 1929-level in Germany and the United States, and world

⁵ The American downturn in economic activity was accompanied by a further reduction in foreign lending and a sharp contraction in import demand, the consequences of which were a severely reduced flow of dollars to Europe and the rest of the world.

⁶ David S. Landes, *The Unbound Prometheus. Technological Change and Industrial Development in Western Europe from 1750 to the Present*, p. 364.

⁷ Hans-Joachim Braun, *The German Economy in the Twentieth Century. The German Reich and the Federal Republic*, p. 64.

trade mark sank to 35% of its 1929-value.⁸ The level of decrease of the industrial production reached its peak in 1929. It became accompanied by the rising level of unemployment and falling prices for all goods, but particularly of primary produce.⁹ Nonetheless, the new policies of trade protection and currency manipulation turned to be the hammer for the economy. According to Lewis, “the decline of trade in manufactures was due neither to tariffs nor to the industrialisation of new countries”. In reality, the trade in manufactures was low only because the industrial countries were buying too little of primary products by paying so low price for what they bought.¹⁰

We think it would be of a great value to present here opinion by Roger Munting and B. A. Holderness that the Wall Street crash did not cause the depression in Europe, but the loss of financial confidence resulting from it and the poor monetary policies which followed, together with the collapse of American demand, made the recession more severe in Europe than in the USA having negative consequences in the rest of the world too. Thus, although the European recession did not originate in the USA, the American depression undoubtedly adversely affected the rest of the world.¹¹

3. The Crisis of Financial Policy and the Declination of Industrial Production

In the autumn of 1929 it was by no means clear that a general economic depression in almost all industrial countries was underway and that the slump would have a duration of several years. According to H. J. Braun, there were two main reasons for the deterioration of economic conditions in the Weimar Republic:

- 1) The disintegration of international economic relations, especially the decline of international trade and banking, accompanied by protectionism and competitive devaluation.
- 2) The high degree of monopolisation of the German industry.¹²

The fact was that instead of lowering prices, big corporations tended to reduce production and dismiss employees.¹³

⁸ The Times, *Atlas of World History*, chapter “The Great Depression 1929–1939”, Table: 3 “The world economy, 1929 to 1939”, p. 266; Simon Kuznets, *Modern Economic Growth: Rate, Structure and Spread*, pp. 306–309.

⁹ Roger Munting, B. A. Holderness, *Crisis, Recovery and War. An Economic History of Continental Europe 1918–1945*, p. 15.

¹⁰ W. Arthur Lewis, *Economic Survey, 1919–1939*, p. 155.

¹¹ Roger Munting, B. A. Holderness, *Crisis, Recovery and War. An Economic History of Continental Europe 1918–1945*, p. 17.

¹² Hans-Joachim Braun, *The German Economy in the Twentieth Century. The German Reich and the Federal Republic*, p. 66.

¹³ In the depression year of 1932 industrial production in Germany was approximately 30% below in comparison with its the pre-war level. From 1929 to 1932 consumer goods productions declined by 18%, producer goods production by as much as 52% (G. Hardach, “Zur politischen Oekonomie”, Reinhard Kühnl, Gerd Hardach (eds.) *Die Zerstörung der Weimarer Republik*, pp. 26–30).

There was a sharp cyclical recession in Germany in the first quarter of 1931, but the second quarter already showed signs of economic recovery. The ensuing collapse of the German capital market in the summer of 1931 turned a “normal” temporary crisis into a crisis of the whole economic and consequently of the political system of the republic. Now, in order to prevent a total collapse of the economy, the German banks provided further loans. Obviously, the German banking crisis was triggered off by events in Austria. On May 11th, 1931 the “*Österreichische Creditanstalt*”, which was the largest Austrian commercial bank, published its own reports which showed huge losses. Subsequently, this financial crash was followed by other Austrian banks. However, it is important to observe that French creditors did nothing to support the Austrian banks.¹⁴ The collapse of the Austrian banks aroused concern about the German banks because they too were lacking in financial liquidity. The German banks also had a large amount of the foreign debt, approximately 40% of the American. In the second part of May 1931 Reich-Mark (RM) 288 million of short-term loans were withdrawn from the German banks.¹⁵ During the coming six weeks the “*Reichbank*” lost almost 2 billion RM in gold and the foreign exchange. The German private financial institutions had huge losses as well, especially it was the case with the leading Berlin “*Grossbanken*”, which accounted over the half of the nation’s foreign banking debits.¹⁶ The German deposits rushed to withdraw their money, and once again it was the “*Grossbanken*” of Berlin that became in the hardest position – it reimbursed 2 billion RM in June and July.¹⁷ The economic and financial situation was drastically worsened when two large German companies, the department store chain “*Karstadt*” and the large insurance company “*Nordstern*”, became financially crashed. The foreign credits, again, were withdrawn. The “*Reichbank*” had to increase its discount rate from 5 to 7%, but in fact this financial measure did not help very much because in the same time the “*Nordwolle*” concern had lost RM 200 million in some speculative dealings. Nevertheless, two big German banks, the “*Danat Bank*” and the “*Dresdner Bank*” were directly and heavily involved in financing “*Nordwolle*”’s undertakings. Further withdrawals of deposits caused the “*Reichbank*”’s gold and foreign currency reserves to dwindle again. A consecutive rises of the discount rate reached in July the level of 15% and later on even 20%. On May 13th, 1931 the “*Danat Bank*” was closed. According to James, at the root of the problem was a crisis of confidence, especially foreign confidence, which could not be overcome by the German banks or the “*Reichbank*”.¹⁸

¹⁴ Harold James, “The causes of the German banking crisis of 1931”, pp. 68–87.

¹⁵ Friedrich-Wilhelm Henning, “Die Liquidität der Banken in der Weimarer Republik”, pp. 43–92.

¹⁶ David S. Landes, *The Unbound Prometheus*, p. 375.

¹⁷ C. W. Guillebaud, *The Economic Recovery of Germany: 1933–1938*, p. 20.

¹⁸ James H., *The German Slump. Politics and Economics 1924–1936*, p. 291.

From 1929 the ratio between the banks' own funds and the capital from outside deteriorated to 1:10 for all private banks and to 1:15 for the "Big Banks" of Berlin. By the end of 1930 about half of the RM 26 to RM 27 billion in German commercial debts was short-term in nature, and foreign funds had come to account for some 40% to 50% of deposits in the "Big Banks" of Berlin. Of the total German commercial debt, about half was owed by industry, one-third by the banks, and about one-fifth each by the Reich, the states and the municipalities. The German foreign assets amounted to RM 9 to 10 billion, of which 5 to 6 billion were on a short-term basis.¹⁹

A trend of increasing of the prices was one of the heaviest outcomes of the economic depression in the Weimar Republic. The main reasons for increasing of the prices were: 1) the great inflation, and 2) the reduced German agricultural and industrial production. The prices of consumer goods, dropped as: from an index of 100 in 1928 to 98 in 1929, 91 in 1930, 80 in 1931 and 67 in 1932; one-third lower than it was the pre-crisis level. During the same period of time, the wages were severely depressed, partly because contractual rates were lowered by the state emergency decrees and partly because the employers became engaged in wage undercutting. The fall of wages, which achieved the "adjustment" in the wage costs for which employers had repeatedly been calling, was so enormous that despite the simultaneous falls in prices, real wages also dropped substantially - to 87% of the 1928-level.²⁰

A contracting market of depressed economies produced falling demand and the prices, bankruptcy and inevitable unemployment for the German industry. For the export-oriented German industrial companies it was a major problem to find foreign markets after 1930. Even before 1930 Ruhr steel companies were over-producing their cartel quota. After 1930 the market difficulties became more generalised. The German large scale industry, depended on the cartels, far more extensively than the other producers, became more inclined to respond to this problem by restricting production by at the same time keeping the prices rather than to reduce them down (the same practice was done in the USA as well during the Great Economic Depression).

The German industrial production fell by almost half between 1929 and 1932; national income declined from 75.4 billion RM in 1928 to 45.2 billion RM in 1933. According to the report which was made by the "Organisation for European Economic Co-operation", industrial production in the Weimar Republic during the period from 1929 to 1932 declined for 40.8% and GDP for 15.7% in the same period of time.²¹ In Germany

particularly declined production of the coal, the shipbuilding industries, the steel and the iron. In the Weimar Republic "rationalisation" often meant that the industry ownership was concentrated in a few companies likewise the production became concentrated in the most productive pits and fields. Increased mechanisation of a coal cutting, enabled production per one worker to be doubled between 1924 and 1931. By 1929, 91% of the coal in Germany was cut mechanically.²² The *Index of industrial production* in Germany for 1932 in comparison with 1928 (index 100) was: capital goods 45.7% and consumer 78.1%.²³ According to H. J. Braun and D. S. Landes, during the world economic crisis, the industrial production in Germany declined by 42% and in 1932 amounted to only 73% of the 1913-figure.²⁴ According to D. J. K. Peukert, in 1930 German industrial production fell to 91% of its 1913-level, "and it collapsed even more dramatically over the next two years".²⁵ According to D. S. Landes, *Index of industrial production* in the Weimar Republic during the Great Economic Depression was (1928=100): 1929=101, 1932=59, 1933=66 and 1934=83. According to the same author, GDP in 1928 was 91 billion RM, in 1929 was 89, in 1932 was 72, in 1933 was 75 and in 1934 was 84 billion RM.²⁶ It is important to note that this industrial stagnation was paralleled by agricultural depression, a world-wide phenomenon that had devastating effects on the East Elbian farming, which suffered from structural weaknesses, as well as in many regions of small and medium-sized peasant holdings.

4. German Trade during the Great Economic Depression

The pattern of trade for the Weimar Republic, before the Great Economic Depression, was comparable with that of the Second German Reich (1871–1918) before 1914. However, from 1930 the real crisis of the German external trade was one of the outcomes of the Great Economic Depression. In contrast to the mid-1920s, the German export during the depression could not compensate for the lower demand at home. Still, even in the crisis Germany's foreign trade balance was favourable, with a surplus of RM 1,560 million in 1930, RM 2,780 million in 1931 and RM 1,050 million in 1932.²⁷ Nevertheless, the most important

²² In Belgium the figure was 89% , in France 72%, in Poland 31%, and in Great Britain only 28% (R. Munting, B. A. Holderness, *Crisis, Recovery and War. An Economic History of Continental Europe 1918–1945*, p. 82).

²³ The index of industrial production in (Nazi) Germany in 1938 was: capital goods 135.9% and consumer 107.8% (for both examples the source is R. Munting, B. A. Holderness, *Crisis, Recovery and War. An Economic History of Continental Europe 1918–1945*, p. 147).

²⁴ Hans-Joachim Braun, *The German Economy in the Twentieth Century*, p. 49; David S. Landes, *The Unbound Prometheus*, Table 25, p. 391.

²⁵ Detlev J. K. Peukert, *The Weimar Republic. The Crisis of Classical Modernity*, p. 121.

²⁶ David S. Landes, *The Unbound Prometheus*, p. 411, Table 31, (source: Burton H. Klein, *Germany's Economic Preparations for War*, p. 10).

²⁷ H. J. Joachim Braun, *The German Economy in the Twentieth Century*, p. 66.

¹⁹ Karl Hardach, *The Political Economy of Germany in the Twentieth Century*, p. 41.

²⁰ Detlev J. Peukert, *The Weimar Republic. The Crisis of Classical Modernity*, p. 257.

²¹ Organisation for European Economic Co-operation, *Industrial statistics, 1900–1959*, p. 9.

point was that this was not sufficient to compensate for the gold and foreign currency losses by credit withdrawals and capital flight. A bright spot was, for instance, the German trade with the Soviet Union (the so-called “*Russengeschaeft*”) which increased continuously.²⁸ The most significant reason for this was the fact that the Soviet Union was not affected by the Great Economic Depression and actually successfully continued with the process of great industrialisation. In 1932 German capital goods exports to the USSR amounted to 26% of her total exports. The German government decided to reduce the German imports in order to improve her payments to abroad. However, foreign trade problems and difficulties became very severe and dangerous after the mid-1931. Protectionist measures by most Germany’s trading partners negatively influenced the German export of the final products.²⁹ According to Dietmar Petzina, Anselm Faust and Werner Abelshauser, if the 1913 year has index 100, export to import was: in 1929-105.8; in 1930-115.4; in 1931-128.8; in 1932-147.5; in 1933-152.6; and in 1934-144.8. The situation regarding a raw material to raw material was as the following: in 1928-112.9; in 1929-109.2; in 1930-116.1; in 1931-126.7; in 1932-125.1; in 1933-120.3; and in 1934-112.6. Regarding final products to final products the situation was: in 1929-99.4; in 1930-98.4; in 1931-93.1; in 1932- 100.6; in 1933-109.1; and in 1934-111.9.³⁰

The terms of trade changed in favour of industrial goods and at the expense of primary goods. For Germany they decreased by 20% between 1890 and 1913, and increased by 7% from 1910/1913 to 1924/1930, and more than 30% during the 1930s.³¹ From 1931 onwards import prices fell below their pre-war level whereas export prices remained above that level for another two years. It is important to notice that the export prices in 1933 reached their highest point at more than 50% above the 1913 level. With regard to import, the raw material played the most important role. Although their import share fell from 43.1% in 1910/1913 to 38.8% in 1924/1929 it later rose up to 39.9% in 1930/1934. The import of foodstuffs rose until 1924/1928, but then fell in the late 1920s and early 1930s while the import of the final products rose up constantly during the period of the Weimar Republic.³²

Germany had introduced exchange control in 1931 and Berlin introduced measures to settle import and export, as far as possible on a bilateral basis. In some cases, Germany was able to manipulate trade to her advantage and accumulate trade deficits with primary product exports. The

Weimar Republic established new bilateral trading arrangements with many countries in both Europe and outside. However, the German most important economic (export-import) sphere of influence was in the South-Eastern Europe: Yugoslavia, Romania, Hungary and Bulgaria. Germany had a surplus on the trade with the rest of Europe and a deficit with the rest of the world, but especially with the USA.³³ Germany gained particularly from her trade with the UK. The German industrial export was funding the import of the raw material and some of the foodstuffs. From 1931 Germany made preferential trade treaties with Romania and Hungary which allowed these two agricultural exporters an access to a major European national market at a time of severe price depression as an outcome of the economic crisis. For instance, Hungary signed a new treaty in 1934 which guaranteed a quota of food exports to the German market. According to D. E. Kaiser, the figures regarding the German share of the trade in the Eastern and the South-Eastern Europe were as the following: in 1928 with Czechoslovakia export 22.1%, import 24.9%; Hungary 11.8% export and 19.5% import; Romania export 18.4%, import 23.7%; Yugoslavia 12.1% export, 13. 6% import, Poland (including Danzig) export 34.2%, import 26.9%, and Austria 18.5% export and 19.9% import. The figures concerning the German trade with the same countries in 1933 were: Czechoslovakia export 17.7%, import 19.9%; Hungary export 11.2%, import 19.7%; Romania export 10.6%, import 18.6%; Yugoslavia export 13.9%, import 13.2%; Poland (with Danzig) export 17.5%, import 17.6%; and finally Austria 15.1% export and 18.8% import.³⁴

Germany was able to make a marginal transfer of trade to the economics of the South-Eastern Europe, but this was trade diversion rather than creation. By 1936 Czechoslovakia, Hungary, Yugoslavia, Bulgaria, Austria, Romania, Poland and the Baltic states (Estonia, Latvia and Lithuania) together provided nearly 13.8% of the German import against 5.9% in 1928. During the same period, a total German import had fallen to 41% of their 1928-level. Generally, Germany was the largest market for the Netherlands (24% of export in 1928), Austria, Czechoslovakia (over 20%), Poland (40%) and the agrarian countries of the South-Eastern Europe. Anyway, Germany without the overseas colonies was forced to extend her influence in Europe.³⁵

5. The Economic Downturn and the Problem of Unemployment

The mass unemployment in the Weimar Germany in the early 1930s was one of the greatest and most difficult outcomes of the economic downturn and declination of the

²⁸ Hans-Juergen Perrey, *Der russlandausschuss der deutschen Wirtschaft*, pp. 128–202.

²⁹ Verena Schroeter, *Die deutsche Industrie auf dem Weltmarkt 1929 bis 1932*, pp. 54–59.

³⁰ Dietmar Petzina, Werner Abelshauser, Anselm Faust, *Sozialgeschichtliches Arbeitsbuch*, p. 77.

³¹ Hoffmann, W.G., F. Grumbach, H. Hesse, *Das Wachstum der deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts*, Berlin–Heidelberg–New York, 1965, pp. 548–549.

³² Hans - Joachim Braun, *The German Economy in the Twentieth Century*, p. 58.

³³ Roger Munting, B.A. Holderness, *Crisis, Recovery and War*, p. 36–40.

³⁴ D. E. Kaiser, *Economic Diplomacy and the Origins of the Second World War*, pp. 325–326.

³⁵ Roger Munting, B. A. Holderness, *Crisis, Recovery and War*, p. 33.

agricultural and industrial production. The main problem in agricultural sphere of economy became severe unemployment similar to the case of the German industry. In 1929 unemployment figures had amounted to 1.9 million, but they quickly rose to 5.6 million as a yearly average in 1932 and reached their maximum in the period from January to March 1933 with 6 million registered as unemployed. However, the actual figure was much higher than the official one because many people who had given up hope of finding job or were longer eligible for unemployment benefits were not registered as unemployed.³⁶ In reality, it is very difficult to assess the real number of unregistered unemployed people, but the figure probably amounted from 1.7 to 1.8 million at the end of July 1932. In addition, the “short-time” work was another problem as, for instance, in February 1933 24.1% of those employed were on the short-time. Mainly because of the vast reserve army of the unemployed people the wages were reduced from 1930 onwards. The reduced wages became the direct aftermath of the mass unemployment in the Weimar Republic. Between 1929 and 1932 real wages were reduced by 16%. According to F. Blaich, the civil servants did not have to fear unemployment, but their salaries were particularly affected by the crisis and government policy, failing by 25% to 28% in real terms during the depression years.³⁷

According to Karl Hardach, in 1932 the German unemployment was 30.8%. This figure compared to 7% of the unemployment in 1928 (the last of the so-called “golden years”) is surely quite unfavourable.³⁸ According to R. Muntling and B. A. Holderness, the unemployment mounted to over 30% of the labour force in 1932, an annual average figure of 5.6 million. The unemployment was most severe in the major industrial regions of the Ruhr and Silesia, but was lesser locally concentrated than in Great Britain, for instance.³⁹

The huge unemployment figure in Germany gave rise to various job creation plans, some of them sensible, other less so. To the latter category belonged, for instance, a programme worked out by the *Reich association for the reform of male clothing*, founded in Munich in 1931, which was of the opinion that the economic recovery could be positively affected by producing of the large quantities of the men’s clothing.⁴⁰ During the years 1931–1932 the Brüning, Papen and Schleicher governments set up various employment programmes in order to save the German economy and social peace. During the Brüning government the unemployment rose up from 2.3 to 6 million.

Nevertheless, his export-based policy of promoting employment had failed for two basic reasons: 1) the other countries responded to the crisis with protectionist measures: 2) the world market prices had fallen faster than those of the German export commodities. In addition, the Brüning domestic market policy for promoting employment, for which the preparations had been started in the second half of 1931, had equally little success. The planned emergency work projects, for example the land improvement, settlements, etc., did, however, provide a counterbalance to certain very unpopular economic measures, particularly the drastic reduction in unemployment benefits, and were supposed to show the government’s good intentions from the social point of view. The employment of the jobless masses rather than a stimulation of the economy was the goal of the RM 135 million program decided on in May 1932, for which the government had succeeded in gathering of the tight-fisted “*Reichsbank*” to provide credits.

A long-standing plan of a plant-based “*Werksgemeinschaft*” – a trade union of free works community on the basis of individual or factory contracts – became a sort of way out. However, under the conditions of mass unemployment, which was running at an average of 23.4% already in 1930 (36.2% and 46.8% in 1931 and 1932 respectively), the offer of a “*Werksgemeinschaft*” took on the form of hardly disguised blackmail. The Papen government continued the RM 135 million employment scheme begun under Brüning one and, having in mind that a budget deficit was unavoidable, added RM 220 million for immediate job creating purposes. According to H. J. Braun, in September 1932 Franz von Papen increased the funds available for a public works programme by another RM 167 million to a total of RM 302.⁴¹ The main task of Papen’s government’s policy was to reduce the number of 1.75 million unemployed men by the end of 1933. The policy was based on indirect job creating measures, what meant that the entrepreneurs would receive tax incentives to employ workers and to expand production. However, for the reason of an unstable political situation, a ponderous bureaucracy, and the limited size of the programme, the effects of Papen’s government’s efforts were rather small. His successor from December 1932, Schleicher, put more emphasis on public works in order to reduce the unemployment. Schleicher’s government continued with Papen’s employment efforts and supplemented them by a new RM 500 million programme for emergency measures, of which RM 100 million were earmarked for the armament contracts. In order to employ as many people as possible, machinery had to be used sparingly and the maximum working time per week was fixed at 40 hours.⁴² Nevertheless, these measures were insufficient to produce

³⁶ See: Peter D. Stachura (ed.), *Unemployment and the great depression in Weimar Germany*.

³⁷ F. Blaich, *Der Schwarze Freitag. Inflation und Weltwirtschaftskrise*, pp. 68–71.

³⁸ Karl Hardach, *The Political Economy of Germany in the Twentieth Century*, p. 40.

³⁹ Roger Muntling, B. A. Holderness, *Crisis, Recovery and War*, pp. 136–137.

⁴⁰ Willi A. Boelcke, *Die deutsche Wirtschaft 1930–1945. Interna des Reichswirtschaftsministeriums*, p. 13.

⁴¹ Hans-Joachim Braun, *The German Economy in the Twentieth Century*, p. 72.

⁴² Karl Hardach, *The Political Economy of Germany in the Twentieth Century*, p. 48.

an immediate or “magic” cure for the economic depression but the fact was that at the time of A. Hitler’s appointing as the chancellor of the Republic on January 30th, 1933 there were already glimmerings of economic recovery as the unemployment was falling down in general point of view (the 1933-average was 4.8 million or 26.4%).

6. Conclusion

In the whole complex of causes of the world-wide Great Economic Depression in 1929–1934, the most important were: 1) the mistaken equation of the post-war backlog demand with a long-term demand; 2) the overestimation of the market’s ability to absorb the products of the new industries; 3) the creation of over capacities resulting from these miscalculations; 4) vast speculative dealings in securities; 5) long term investment of funds from short-term credits; 6) the international money transfers with no counterblow of goods and services; and finally 6) disrupted international trade relations through restrictive measures on the part of individual states.

The Great Economic Depression and its outcomes were strongest in the Weimar Republic because of several reasons, but the most direct and important was that the German post-war economy was not sufficiently recovered from the First World War’s struggles and its consequences.⁴³ As additional economic problem in which was Germany as a loser of the Great War were the war’s reparations, particularly to be paid to France. During the depression years every country held the so-called policy of protectionism which made the German export very difficult and particularly to the western partners. These reasons influenced negatively the German production especially in the area of industry, but in the agriculture as well as. The most difficult and also politically serious outcome of the economic slump in Germany was the mass unemployment. Actually, the unemployment in Germany took the highest level all over the world during the time of depression, but the government’s attempts and measures to solve or alleviate this problem were unsuccessful. The offer by A. Hitler (1889–1945) and his NSDAP to try to resolve the German economic problems became accepted and he became appointed as a chancellor of the Weimar Republic on January 30th, 1933. However, together with economic recovery of Germany under his dictatorship, it was and a road to the Second World War in which Hitler wanted to “expand his country’s boundaries, most particularly southward and eastward”.⁴⁴

⁴³ On the Weimar Republic’s economy see more deeper analysis in: Theo Balderson, *Economics and Politics in the Weimar Republic*; Anthony McElligott (ed.), *The Short Oxford History of Germany. Weimar Germany*, “The Weimar Economy”, pp. 102–126.

⁴⁴ Paul Robert Magocsi, *Historical Atlas of Central Europe*, p. 177. However, during the WWII the Nazi Germany economy became apocalyptic (Timothy Snyder, *Bloodlands. Europe Between Hitler and Stalin*).

References

- [1] Anthony McElligott (ed.), *The Short Oxford History of Germany. Weimar Germany*, Oxford: Oxford University Press, 2009.
- [2] Burton H. Klein, *Germany’s Economic Preparations for War*, Cambridge, 1959.
- [3] C. W. Guillebaud, *The Economic Recovery of Germany: 1933–1938*, New York: The Macmillan Company, 1938.
- [4] Carlo M. Cipolla (ed.), *The Fontana Economic History. Contemporary Economies-1*, 1976.
- [5] Colin Storer, *A Short History of the Weimar Republic*, I.B. Tauris Short Histories, London–New York: I.B. Tauris & Co Ltd, 2013.
- [6] D. E. Kaiser, *Economic Diplomacy and the Origins of the Second World War*, Princeton, 1980.
- [7] David S. Landes, *The Unbound Prometheus. Technological Change and Industrial Development in Western Europe from 1750 to the Present*, Cambridge–New York–Port Chester–Melbourne–Sydney, 1991.
- [8] Derek H. Aldcroft, *The European Economy 1914–1990*, London–New York, 1993.
- [9] Detlev J. Peukert, *The Weimar Republic. The Crisis of Classical Modernity*, New York, 1992.
- [10] Dietmar Petzina, Werner Abelshauser, Anselm Faust, *Sozialgeschichtliches Arbeitsbuch*, Vol. 3, “Materialien zur Statistik des Deutschen Reiches”, Beck–Munich, 1978.
- [11] Edward Dimendberg, Martin Jay, Anton Kaes (eds.), *The Weimar Republic Sourcebook*, Berkeley–Los Angeles–London, 1994.
- [12] F. Blaich, *Der Schwarze Freitag. Inflation und Weltwirtschaftskrise*, München, 1985.
- [13] Frank B. Tipton, Robert Aldrich, *An Economic and Social History of Europe, 1890–1939*, Hong Kong, 1991.
- [14] Friedrich-Wilhelm Henning, “Die Liquidität der Banken in der Weimarer Republik”, Harald Winkel (ed.), *Währungs- und Finanzpolitik der Zwischenkriegszeit*, Berlin 1973, pp. 43–92.
- [15] G. Hardach, “Zur politischen Ökonomie”, Reinhard Kühnl, Gerd Hardach (eds.) *Die Zerstörung der Weimarer Republik*.
- [16] Hans-Joachim Braun, *The German Economy in the Twentieth Century. The German Reich and the Federal Republic*, London–New York, 1990.
- [17] Hans-Juergen Perrey, *Der russlandausschuss der deutschen Wirtschaft. Die deutsch-sowjetischen Wirtschaftsbeziehungen der Zwischenkriegszeit*, Oldenbourg–Munich 1985.
- [18] Harold James, “The causes of the German banking crisis of 1931”, *Economic History Review*, second ser., Vol. 37, 1984, pp. 68–87.
- [19] Hoffmann, W.G., F. Grumbach, H. Hesse, *Das Wachstum der deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts*, Berlin–Heidelberg–New York, 1965.

- [20] James H., *The German Slump. Politics and Economics 1924–1936*, Oxford: Oxford University Press 1986.
- [21] Jürgen Baron von Krüedener (ed.), *Economic Crisis and Political Collapse. The Weimar Republic 1924–1933*, New York–Oxford–Munich 1990.
- [22] Karl Hardach, *The Political Economy of Germany in the Twentieth Century*, Berkeley–Los Angeles–London, 1980.
- [23] Organisation for European Economic Co-operation, *Industrial statistics, 1900–1959*, 1960.
- [24] Paul Robert Magocsi, *Historical Atlas of Central Europe. Revised and Expanded Edition*, Seattle: University of Washington Press, 2002.
- [25] Peter D. Stachura (ed.), *Unemployment and the great depression in Weimar Germany*, London, 1986.
- [26] Richard Bessel, *Germany after the First World War*, Oxford, 1994.
- [27] Roger Munting, B. A. Holderness, *Crisis, Recovery and War. An Economic History of Continental Europe, 1918–1945*, New York–London–Toronto–Sydney–Tokyo–Singapore, 1991.
- [28] Simon Kuznets, *Modern Economic Growth: Rate, Structure and Spread*, New Haven: Yale University Press, 1966.
- [29] Stephen Lee, *The Weimar Republic, Questions and Analysis in History*, London–New York: Routledge, 2013.
- [30] The Times, *Atlas of World History*, Third edition, 1992.
- [31] Theo Balderson, *Economics and Politics in the Weimar Republic*, New Studies in Economic and Social History, Cambridge: Cambridge University Press, 2002.
- [32] Timothy Snyder, *Bloodlands. Europe Between Hitler and Stalin*, New York: Basic Books, 2010.
- [33] Verena Schroeter, *Die deutsche Industrie auf dem Weltmarkt 1929 bis 1932. Aussenwirtschaftliche Strategien unter dem Druck der Weltwirtschaftskrise*, Lang–Frankfurt/Mein–Berne 1984.
- [34] W. Arthur Lewis, *Economic Survey, 1919–1939*, London, 1949.
- [35] Willi A. Boelcke, *Die deutsche Wirtschaft 1930–1945. Interna des Reichswirtschaftsministeriums*, Düsseldorf, 1983.