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### **The Weimar Government: Reparations and the Depression**

Use evidence and full explanations to respond to the following questions under the two headings. There is a rubric created for each response.

#### German Reparations

1. Describe the amount of reparations demanded by the Allies, how much of the reparations the Germans actually paid, who the reparations were paid to and how much each nation received, and what form the reparations payments were paid in.
  
2. Explain whether the German claim that their economy could not handle the burden of reparation payments was accurate or not? Use evidence from Chart 4E to help you answer the question.
  
3. Describe the chief differences between the Dawes and Young Plan, and decide which one treated Germany more leniently. To do this you must develop criteria for what lenient plans would look like, and explain why one of the plans was more lenient than the other.

#### The Effect of the Great Depression on Weimar Germany

1. To what extent did the worldwide economic depression negatively impact Weimar Germany. Think about how you must answer a "To What Extent Question." Use evidence from the various charts to support your answers. No word limit is required but you must fully explain your answer.

Skill	Self-Evaluation (4 – 1)	Teacher Evaluation (4 – 1)
Written		
S-E, S-P		
PS		



## The reparations issue 1919-32

Any discussion of reparations and American loans is usually conducted in a swirl of  
 -----..fi.-gur\_: \_\_\_e\_s\_an---,daates with students often being none the wiser on the crucial issues:

- How much did the Allies demand?
- How much did Germany actually pay?
- What form did reparations take?

### How much did the Allies demand?

You may come across a bewildering variety of figures on the amount of reparations. This may be because they are in different currencies, but the calculations themselves were also very complex and differed over time.

Versailles 1919

- At Versailles the principle of compensation was established but no actual sum was fixed.

1921

The sum to be paid was initially fixed at 226,000 million gold marks, payable over 42 years.

- In April 1921, the total was reduced to 152,000 million marks, or £6,600 million. This was arranged as 50,000 million marks (plus 6 per cent interest) to be paid over 50 years, followed by a second-phase payment of 82,000 million marks, or 82 milliard. (One milliard equals 1,000 million.)
- The annual payments were estimated to be about 7 per cent of Germany's national income.

1924 and 1929

- Reparations were reorganised by the Dawes and Young plans (see Chart 4D).

1931-2

In 1931 payments were suspended for one year as part of a general MORATORIUM on debts. The next year, at the Lausanne Conference, agreement was reached on a final payment of 3,000 million marks, to be paid in a one-off payment in 1935. This was never paid.

### lit 40 The Dawes Plan (1924) and the Young Plan (1929)

ASPECT	DAWES PLAN, 1924	YOUNG PLAN, 1929
Overall amount of reparations	The sum of 132,000 million marks fixed in 1921 was confirmed	The total sum to be paid was reduced to 37,000 million marks
Schedule	Over five years annual payments would rise from 1,000 million marks to 2,500 million, then at varying levels according to economic performance	Annual payments, lower than under the Dawes Plan; to be paid over 58 years
Conditions	Allies maintained control of the railways, the Reichsbank and customs duties. Sanctions for non-payment must be agreed by all Allies, not France alone, as in 1923	Allied supervision discontinued
Other points	Seen as a temporary arrangement. Germany given 800 million mark loan to help stabilise the currency	Intended as final settlement. Germany participated in these reparations negotiations for the first time
Impact	Helped economic recovery; led to reparations being paid as scheduled	Allied troops were withdrawn in June 1930. Major internal opposition; referendum campaign

### How much did Germany actually pay?

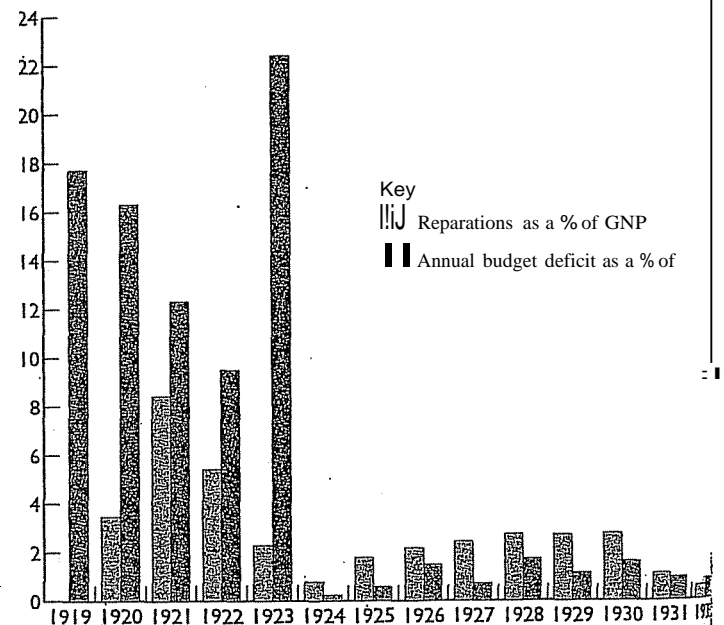
Overall, it has been estimated that Germany paid one-eighth of the original sum. Following the Dawes Plan Germany actually received more in loans than it paid in reparations. This appears generous, but remember that whereas reparations were permanent losses to Germany, American loans to Germany

Je repaid. Between 1924 and 1950, Germany received 155 long-term )tailing \$1,450 million (\$1,295 million from the USA), plus short-term )tailing \$1,560 million. All payments were suspended in 1952.

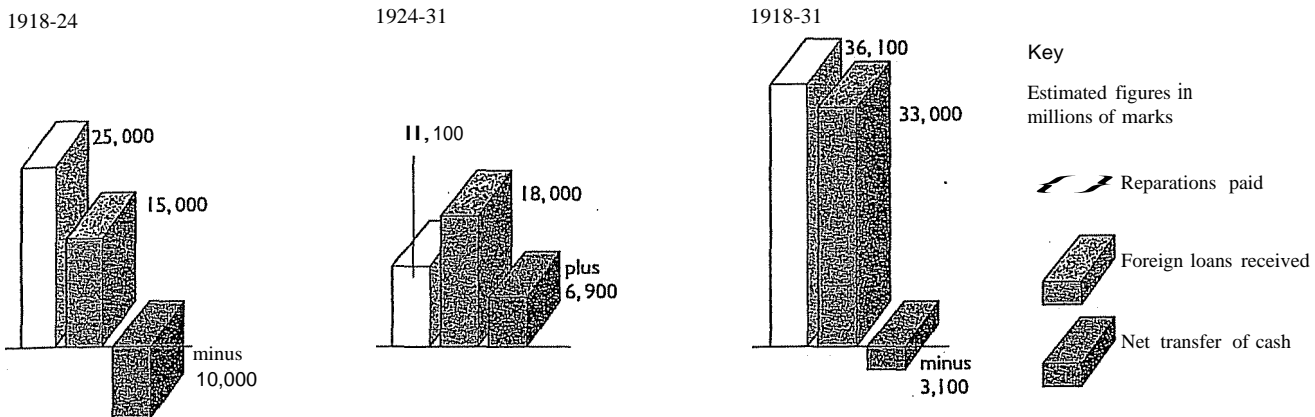
### Germany's reparations payments, 1925-32

Plan	Requirement (bn marks)	Actual payment (bn marks)	Payment as% of National Income
Dawes	1.00	1.06	1.8
Dawes	1.22	1.19	2.0
Dawes	1.50	1.58	2.3
Dawes	2.50	2.00	2.8
Dawes	1.94	2.34	3.2
Young	1.70	I.YI	2.6
Young	1.69	0.99	1.8
Young	1.73	0.16	0.4

SOURCE 3.16 The burden of reparations and annual budget deficits as a percentage of GNP (Gross National Product)



### II 4F The balance of reparation payments and loans 1918-31



### What form did reparations take?

Reparations took the form of payments in kind, for example coal and manufactured products, and money in the form of gold, but not paper money. The German government bought the materials from German manufacturers and gave them to nine foreign governments, primarily France (about 50 per cent of the total), Britain (20 per cent), Italy (10 per cent) and Belgium (8 per cent). As payments were not in paper money, inflation did not reduce the real burden.

The Allied governments received the products and money and kept some for their own use (including paying compensation to those harmed during the war, for example via war pensions), but also paid back some of their loans to the USA.

American loans came direct from the government and from private investors. They were lent to both the German federal government and state governments to finance various pending programmes, such as municipal housing. Loans also went to private firms to help their expansion. American firms invested directly, with 79 firms, such as General Electric (GE) and General Motors, establishing factories. In return for this outlay, Americans received interest payments on their loans, or dividends from their investments.

# How was Germany affected by the slump?

SOURCE 6.1 Key indicators of the state of the German economy, 1928-33

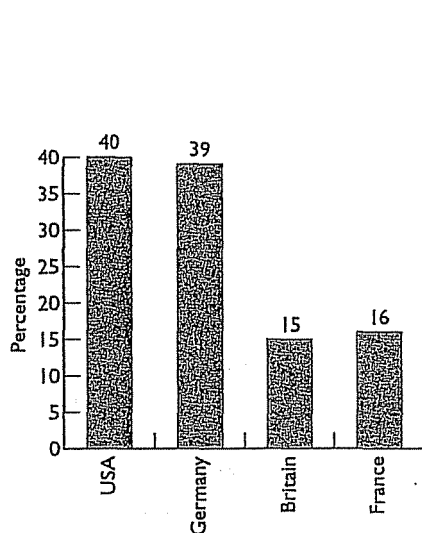
Aspect	1927	1928	1929	1930	1931	1932	1933
Industrial production (1913 = 100)	110	113	114	99	82	66	74
Exports (bn RM)		12.3	13.5	12.0	9.6	5.7	4.9
Imports (bn RM)		14.0	13.5	10.4	6.7	4.7	4.2
Unemployment (m)		1.4	1.8	3.1	4.5	5.6	4.8
Wages (nominal) 1913 = 100	145	164	169	155	137	113	115
Agricultural prices 1913 = 100	138	132	126	107	89	77	84
Industrial prices 1913 = 100		159	157	154	142	118	111
Government income bn RM*		9.0*				6.6*	6.8*

\* Income cross-section year, i.e. 1928 figure covers 1928-9, etc.

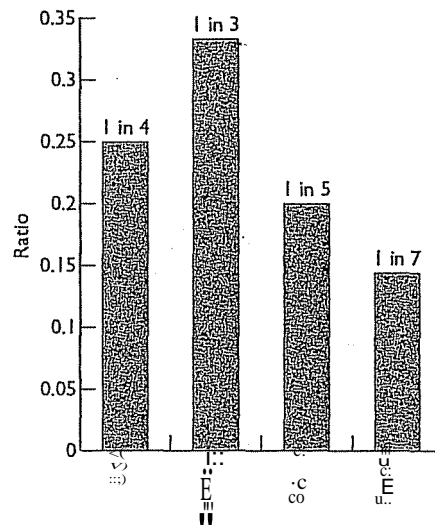
SOURCE 6.2 Government expenditure: per capita state expenditure (at all levels, i.e. federal, states, local) at 1900 prices (M) (i.e. so fluctuations in prices are taken into account)

Items	1913	1925	1929	1932
Economy, e.g. transport	17	16	22	18
Welfare services	20	65	102	106
Public housing	0.4	10	13	4
Education	17	20	28	24
Interest payments on National Debt	6	1	4	7

SOURCE 6.3 International comparisons



Drop in national income in 1932 compared to 1929 (%)



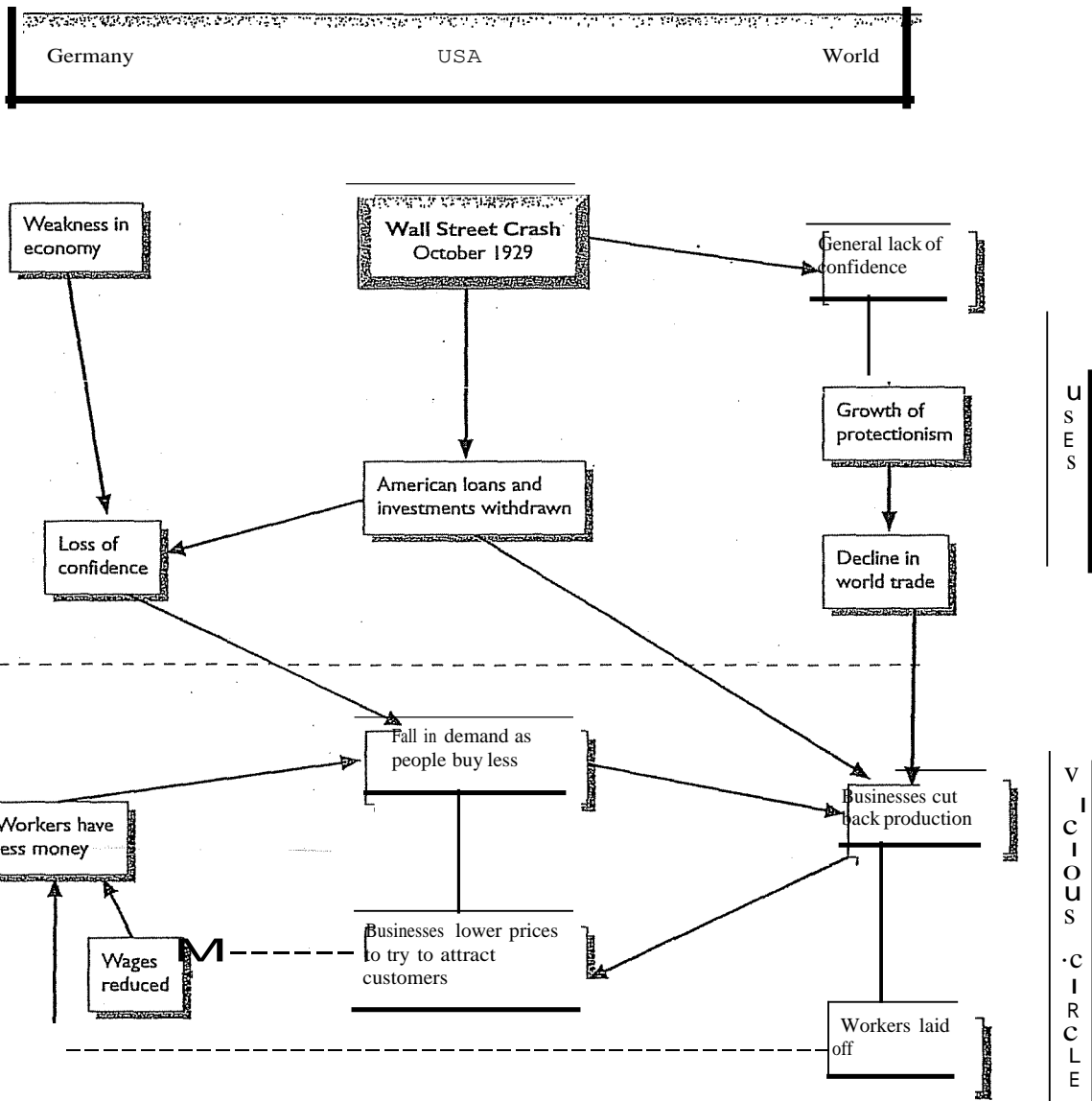
Ratio of unemployed in 1933

The effects of the slump were widespread. Many farmers had already been hit by high interest rates and falling agricultural prices. Their position worsened and by 1932 18,000 farmers had gone bankrupt. Industry equally suffered from the depression with 50,000 businesses going bankrupt between 1930 and 1932. The crisis had worsened in 1931 when five major banks closed down.

Just as significant was the fact that by 1932 over 6 million people were unemployed. For most, it was a disaster. Not only did they lose the income that they relied on, but they also felt unwanted and rejected, which had a deep psychological effect on many. In addition, millions of other people were affected by the job losses. Members of workers' families were hard hit, and traders suffered because of reduced demand for their goods. Even those who managed to keep their jobs had their wages reduced or lived in fear of losing their jobs.

## 11 6A How the slump became a vicious circle

The depression in Germany after 1929 is often blamed on external events, chiefly the Wall Street Crash. However, as this chart shows, the internal situation in Germany played a major part in the crisis.



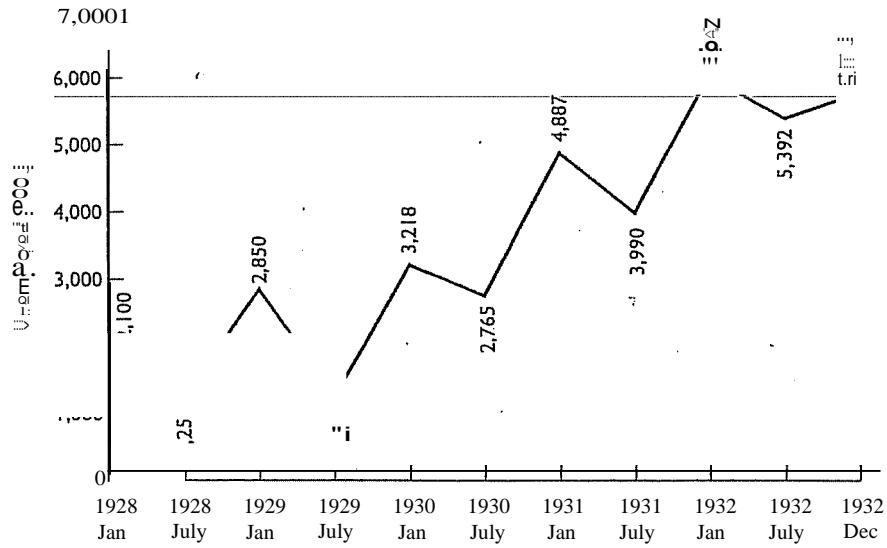
### Offstage: the Government

No government was prepared to intervene in a major way to reflate the economy.  
Muller's coalition government 1928-30 could not agree on cuts.  
Bruning's government 1930-2 tried to use the slump for its own political and foreign policy purposes.

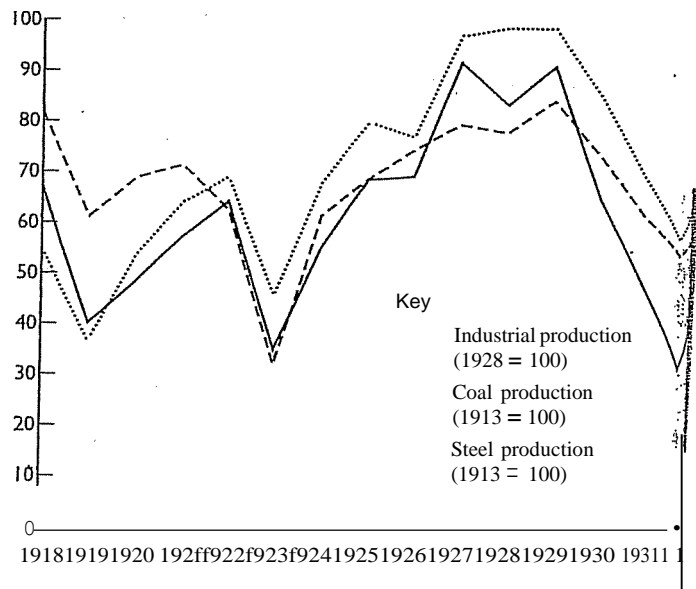
### The component parts of the economic crisis

- a) Agriculture: many farmers, hit by high interest rates, were going bankrupt by 1927; they were then hit by falling prices.
- b) Industry suffered a trade recession from 1929 on.
- b) Finance was hit by a banking collapse in the summer of 1931 when five major banks went bankrupt.

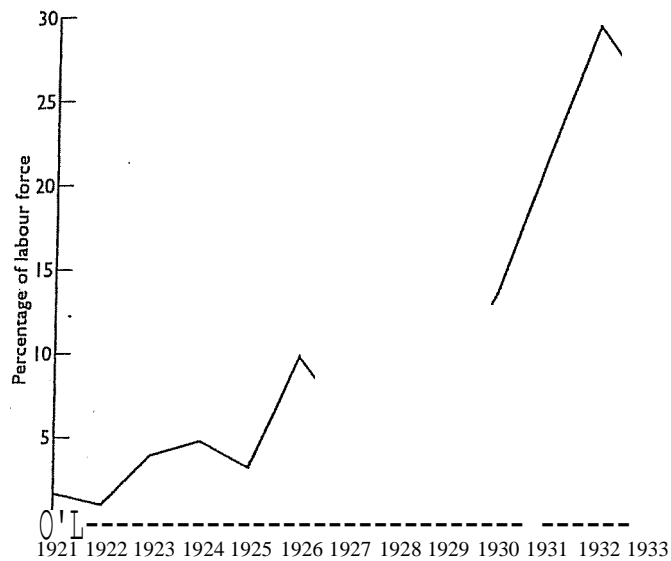
**SOURCE 6.4** Unemployment 1928-32



**SOURCE 3.17** Industrial production



**SOURCE 3.18** Unemployment 1921-33



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