

Money and the Downfall of a Democracy
Economic Crises and the Weimar Republic

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Part 2: Primary Documents with Headnotes

Food Shortages of the 1920s

Despite the end of World War One, the German economy did not recover overnight. Instead, food shortages and government controls continued to the interwar era, greatly affecting the German population. In the following photograph taken around 1920, the whole family is shown sharing a single sausage.



Source: http://germanhistorydocs.ghi-dc.org/sub_image.cfm?image_id=4092

Prices in Germany after the Hyperinflation

The hyperinflation in Weimar Germany had an immediate effect on the prices of everyday goods. In the following text written in 1923 by Berlin journalist Friedrich Kroner and published by the Berliner Illustrierte Zeitung newspaper, the cost of living had increased significantly for the German public. In this excerpt, the “mark” refers to the German currency, and “groats” refer to grains.

Rice, 80,000 marks a pound yesterday, costs 160,000 marks today, and tomorrow perhaps twice as much; the day after, the man behind the counter will shrug his shoulders, “No more rice.”

Well then, noodles! “No more noodles.” Barley, groats, beans, lentils—always the same, buy, buy, buy. The piece of paper, the spanking brand-new bank note, still moist from the printers, paid out today as a weekly wage, shrinks in value on the way to the grocer’s shop. The zeros, the multiplying zeros! “Well, zero, zero ain’t nothing.”

They rise with the dollar, hate, desperation, and need—daily emotions like daily rates of exchange. The rising dollar brings mockery and laughter: “Cheaper butter! Instead of 1,600,000 marks, just 1,400,000 marks.” This is no joke; this is reality written seriously with a pencil, hung in the shop window; and seriously read.

Source: http://germanhistorydocs.ghi-dc.org/sub_document.cfm?document_id=3841

Unemployment in the Aftermath of the Great Depression

In her autobiography published in 1964, Jewish artist Lea Grundig recalls the Great Depression's effect on Germany during the later years of the 1920s.

“The unemployed had to do a lot to get their benefits. They stood in endless lines in every kind of weather at the unemployment office on Materni Street, between Stern Square and Post Square. There we stood and waited until it was our turn.

The misery of years of unemployment had coloured everyone the same shade of grey. Work qualifications, special abilities, skills and knowledge based on experience – these were all as outmoded as vanished snow. The radiance and colour of particular occupations were lost in the grey of welfare misery. Endless conversations, discussions, resigned grumbling and cursing, simple, childish hopeful chatter, political arguments – all this was woven into the never-ending talk of those standing in line.

Unemployment became a tragedy for many. Not only because of the poverty that mutely sat at their table at all times. Not working, doing nothing, producing nothing– work that not only provided food, but also, despite all the harassment and drudgery, was satisfying, developed skills, and stimulated thinking; work, a human need – it was not available; and wherever it was lacking, decay, malaise, and despair set in.

Source:

<https://alphahistory.com/weimarrepublic/lea-grundig-recalls-the-great-depression-in-germany-1964/>

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Money used as Wallpaper

Taken in 1923, this photograph depicts the paper money in Weimar Germany being used as wallpaper, due to the rapid devaluation of money.



Professur für Bild 103-00104
Foto: Pahl, Georg | 1923

Source: http://germanhistorydocs.ghi-dc.org/sub_image.cfm?image_id=4161

World War One Veterans Begging on the Streets

Wounded veterans of World War One returning home found it hard to find work to sustain themselves after returning home, and the hyperinflation made their lives even harder. In the photograph below, taken in 1923, shows one decorated (honored for his service, identified by his medals) veteran begging on the streets of Berlin.



Bundesarchiv, Bild 146-1972-062-01
Foto: o. Ang. | 1923

Source: http://germanhistorydocs.ghi-dc.org/sub_image.cfm?image_id=4096

Unequal Effect of Hyperinflation

The hyperinflation did not affect all members of German society alike. Those who had most of their property in cash suffered more, while those with more non-monetary property (estates, for example) were in comparison not hurt as much. As those with more estates and similar forms of property were usually the rich, the class divide became even wider due to the hyperinflation. One German expressed his frustration at the situation as such:

Of course all the little people who had small savings were wiped out. But the big factories and banking houses and multi-millionaires didn't seem to be affected at all. They went right on piling up their millions. Those big holdings were protected somehow from loss. But the mass of the people were completely broke. And we asked ourselves, "How can that happen? How is it that the government can't control an inflation which wipes out the life savings of the mass of people but the big capitalists can come through the whole thing unscathed?" We who lived through it never got an answer that meant anything. But after that, even those people who used to save didn't trust money anymore, or the government. We decided to have a high-ho time whenever we had any spare money, which wasn't often.

Source:

<https://www.facinghistory.org/weimar-republic-fragility-democracy/economics/personal-accounts-inflation-years-economics-1919-1924-inflation>

The Dawes Report

After the stabilization of the German economy, an international committee was set up in 1924 to create a new plan for collection war reparations from Germany. Led by American banker and diplomat Charles G. Dawes, the committee assessed the German economy and issued the "Dawes Report" to the Allied Reparations Commission. The following text an excerpt from the report. In the passage, rentenmark refers to the German transitional currency, and the Reichsbank refers to the German national bank.

Germany therefore is well equipped with the resources she possesses and the means of exploiting them on a large scale. When the present credit shortage has been overcome she will be able to resume a favored position of activity in a world where normal conditions of exchange gradually are being restored. Without undue optimism it may be anticipated that Germany's production will enable her to satisfy her own requirements and to raise the amounts contemplated in this plan for reparation obligations. The restoration of her financial situation and her currency, as well as the world's return to a sound economic position, seem to us the essential but adequate conditions for obtaining this result.

We propose to deal in the first place with the currency problem. The present financial and currency position of Germany is stated in Part II. It will be seen that by means of the rentenmark stability has been attained for a few months, but on a basis which in the absence of other measures can only be temporary. The committee proposes the establishment of a new bank of issue in Germany or, alternatively, a reorganization of the Reichsbank as an essential agency for creating in Germany a unified and stable currency. Such a currency, the committee believes, is necessary for the rehabilitation of Germany's finances, balancing of her budget and restoration of her foreign credit.

Source: http://germanhistorydocs.ghi-dc.org/sub_document.cfm?document_id=4417

Unemployment Figures of the Weimar Republic

The following numbers trace the unemployment numbers in interwar Germany. 1924 saw the stabilization of German economy, while the Great Depression began in 1929.

Unemployment in Germany, 1924-1932

1924	1928	1930	July 31, 1932	October 31, 1932
978,000	1,368,000	3,076,000	5,392,000	5,109,000

Sources: <http://weimarandnazigermany.co.uk/unemployment-weimar-germany/#.XEY8lFz0lPY>

With data from *Statistisches Jahrbuch (Statistical Yearbook)*, 1933.

Price Fluctuation during the Depression

In contrast to the earlier hyperinflation, the Great Depression caused deflation, meaning that prices lowered as the currency increased in its value. This phenomenon can be seen in the following table. However, it should be noted, that while prices lowered, the purchasing power of the German population did not increase. As unemployment surged, people could not find jobs to pay for everyday items.

*In the following graph, the numbers are calculated based on the statistics from 1928, with 100 as the base number of that year. 102, for example, means that that statistic is 102% of the same statistic from 1928. A consumer good that costs 100 marks in 1928, for example, would cost 98 marks in 1929, and only 67 marks in 1934.

Price/wages	1929	1930	1931	1932	1933	1934
Capital goods	102	101	96	86	83	83
Consumer goods	98	91	80	67	64	67
Cost of living	102	98	90	80	78	67
Real wages	101	97	93	87	91	95

Source: http://germanhistorydocs.ghi-dc.org/sub_document.cfm?document_id=4423

Report of the Meeting between Adolf Hitler and Franz von Papen

On January 4, 1933, a meeting took place between Adolf Hitler and Franz von Papen, the conservative former chancellor of Germany. Hoping to benefit from Hitler's popularity, von Papen proposed a political alliance that he believed surely would be under his control. Von Papen assumed he could keep the upper hand in this relationship, as Hitler lacked political experience. The meeting took place in the estate of banker Kurt Baron von Schröder in the city of Cologne in western Germany, and the following testimony is excerpted from von Schröder's post-World War Two memoir.

On 4 January 1933 Hitler [and other leaders of the Nazi Party] arrived at my house in Cologne. Hitler, von Papen and I went into my study where a two-hour discussion took place. Hess, Himmler and Keppler did not take part but were in the adjoining room. [. . .] The negotiations took place exclusively between Hitler and Papen. [. . .] Papen went on to say that he thought it best to form a government in which the conservative and nationalist elements that had supported him were represented together with the Nazis. He suggested that this new government should, if possible, be led by Hitler and himself together. Then Hitler made a long speech in which he said that, if he were to be elected Chancellor, Papen's followers could participate in his (Hitler's) Government as Ministers if they were willing to support his policy which was planning many alterations in the existing state of affairs. He outlined these alterations, including the removal of all Social Democrats, Communists and Jews from leading positions in Germany and the restoration of order in public life. Von Papen and Hitler reached agreement in principle whereby many of the disagreements between them could be removed and cooperation might be possible. It was agreed that further details could be worked out later either in Berlin or some other suitable place.

Source: http://germanhistorydocs.ghi-dc.org/sub_document.cfm?document_id=3941