

A How was Germany affected by the slump?

FOCUS ROUTE

- 1 Explain briefly what happened to each economic indicator in Source 6.1.
- 2 What does Source 6.2 reveal about the government's response to the slump?
- 3 Look at Source 6.3. How was Germany affected compared to other countries?
- 4 List the effects of the slump on the German economy.

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

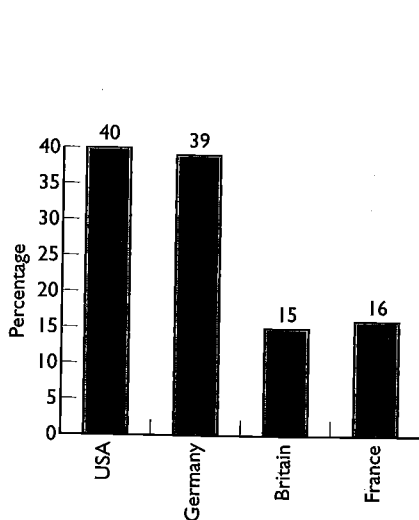
Aspect	1927	1928	1929	1930	1931	1932	1933
Industrial production (1913 = 100)	110	113	114	99	82	66	74
Exports (bn RM)		12.3	13.5	12.0	9.6	5.7	4.9
Imports (bn RM)		14.0	13.5	10.4	6.7	4.7	4.2
Unemployment (m)		1.4	1.8	3.1	4.5	5.6	4.8
Wages (nominal) 1913 = 100	145	164	169	155	137	113	115
Agricultural prices 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 crosses year, i.e. 1928 figure covers 1928–9, etc.

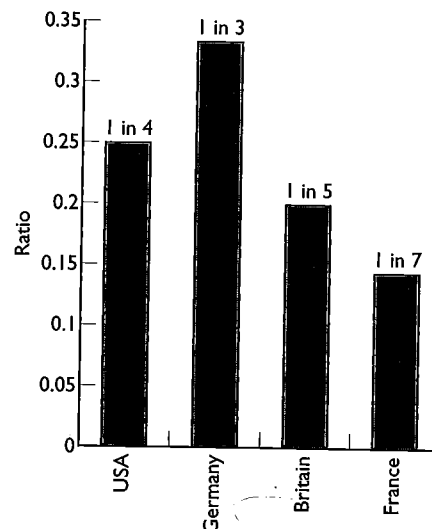
SOURCE 6.2 Government expenditure: per capita state expenditure (at all levels, i.e. federal, states, local) at 1900 prices (M) (i.e. so fluctuations in prices are taken into account)

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 (%)



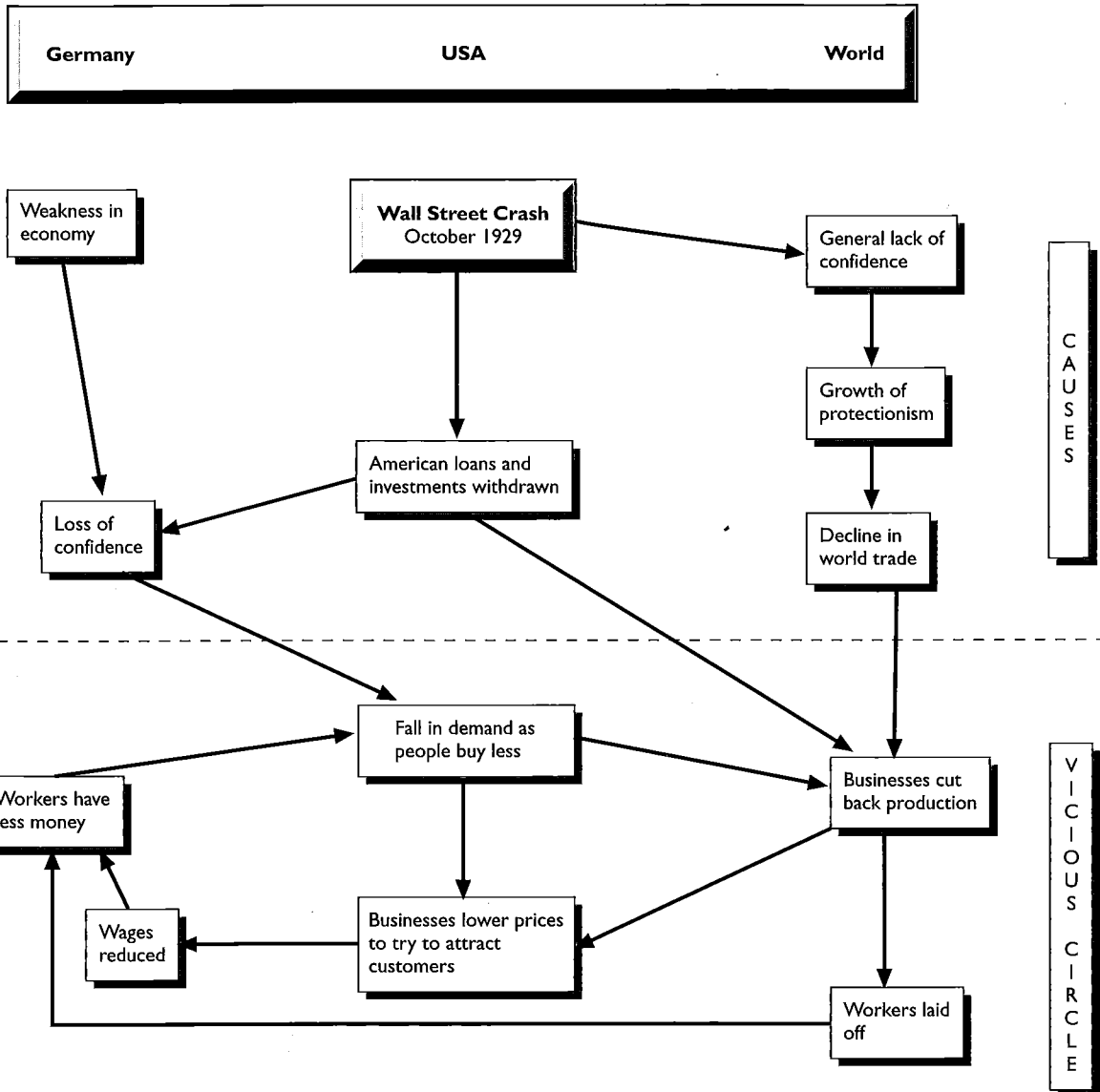
Ratio of unemployed in 1933

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.

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.



GERMANY

CAUSES

VICIOUS CIRCLE

Offstage: the Government
 No government was prepared to intervene in a major way to reflate the economy. Müller's coalition government 1928-30 could not agree on cuts. Brüning'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 banks went bankrupt.