

The extent on which stability and prosperity in essay



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Until this day, many historians have argued and questioned whether Germany during the years 1925-1929, were in reality going through a period of stability and prosperity, and who or what caused this great revival?

Undoubtedly, there are many different motives which arguably were all significant in the revitalization of the German economy, but how influential were the foreign loans in the development of the other factors, and the stability of the German Economy To examine closely the extend of which stability and Prosperity were dependent on foreign loans, we must see what effects the loans had on the economy and politics. Firstly, foreign loans were mainly from the US, given to Germany as aid from hyperinflation and the Treaty of Versailles's reparations.

The end of 1923 saw Germany suffering from an insolvent economy, high unemployment and mass poverty. The International community was sympathetic to Germany's predicament and under the direction of Stresemann, Germany appealed to foreign powers to help resolve their financial difficulties. The chief contributor to Germany's complications was the United States; in total they gave an estimated \$1, 293 million, 90% of the \$1, 430 million received. These loans came straight from American investors and businesses and went into all aspect of German society - some went into public services, and private businesses like General Motors and General Electric. One such loan that came from the USA was the Dawes Plans.

This was headed by Charles Dawes, who established a committee who assessed Germany's financial needs, and composed a structure of loans whose purpose and function would be to ease Germany's financial burden

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but also provide them with a steady stream of interest and dividends. This committee published a report in April 1924: ' It recommended, among other things, the restoration of full economic and fiscal sovereignty to Germany'. The sum of 132, 000 million marks was fixed in 1921, and over 5 years annual payments would rise to 1, 000 million to 250, 000 million marks. The loan to be given to Germany was finalised at 800 million gold marks. The system of repayment was proposed at £50 million per annum for the first 5 years, then subsequent to that £125 million annually.

Stresemann believed that the introduction of the Dawes Plan on Germany would pave the way for a: ' period of quiet and peaceful development'. This infusion of monetary aid would have undoubtedly provided some form of stability in Germany. The money was used to build swimming pools, housing etc, provided an influx of employment for the Germany people that since the end of the war had seen only a gradual decline into poverty, large amounts were invested into the welfare of the country and thus the increase in employment opportunities acted as a catalyst for growth in other areas. The German industry was given a chance to re-build itself after the war – as a result production increased and thus the country had the ability to export and generate revenue.

In addition, reparations were paid when they could be paid, if Germany fell short one month because the they did not produce enough money in the economy, then they could repay more back another month. Wages had increased by a third from 1914 to 1925 because of a sudden influx of money, and during the next 4 years they had reached an all time high, even higher than in 1936 before the start of the Second World War. Due to this increase, <https://assignbuster.com/the-extent-on-which-stability-and-prosperity-in-essay/>

the amount of strikes had decreased from 4755 in 1922 to only 351 in 1926. Cartels were formed where companies merged together to have a larger share of the market and other smaller companies brought out to reduce the competition. The welfare state showed stability and the economy must have been well off to be able to give relief to the poor, this created an “feel good factor” and meant that less people got involved in politics.

There were fewer industrial despites between workers and employers, which help the economy, generate more money. Another loan which was given to Germany by the US was called the Young Plan. This loan was chaired by Owen D. Young; the head of American General Electric Company, and also a member of the Dawes committee.

Like the Dawes committee it was concluded that Germany should be given greater flexibility in her re-payments of the reparations, in order to do this; considerable sums needed to be invested into the German economy. The sums that Germany would pay to the allied forces grew from 1700 million marks to 2400 million marks and would then continue to be re-paid at a reducing rate until the sum had been paid in full. Similar to the Dawes Plan, the Young Plan provided Germany with a certain degree of stability. The facility to re-organise finances provided the Germany economy with the continual capability to expand, develop and improve.

Henceforth, employment rose and wages accordingly. Economic conditions in before 1924 were horrific in comparison to the affluence being experienced as a result of loans initiated by Young and Dawes. Many people argue that foreign loans also helped stability in the Government. By 1925,

unemployment was less than 5% of the labour workforce, wages were rising consistently and economy overall was growing. People started to realise that the Weimar Government was doing the nation good and less people got involved in extreme right and left wing parties.

Although support for anti-Republican parties such as the KDP and DNVP increased in the first election in May 1924, the pro-Weimar parties went on to achieve moderate success for the rest of the decade. On the other hand, there were arguably other factors which helped stabilise the German economy and Government, but more importantly, were they dependent on the foreign loans? For example, the Welfare state showed that the German economy must had been well off if they were to pay millions of unemployed people, but how much money was used from the foreign loans to pay for this. Nevertheless, the Weimar " Welfare State" was set up only because of the degree of economic stability that existed in these years. One other major factor which caused a great deal of stabilisation within Germany was the role of Gustav Stresemann.

During the Period Gustav Stresemann was the foreign minister (appointed in 1923, after being Chancellor until having lost the Reichstag's confidence by November 1923), and a good foreign minister was essential in bringing economic stability (and to a certain degree political stability) to the Weimar republic. By being able to revise the Treaty of Versailles (by expelling reparations), Stresemann would be able to reduce the public hatred towards the republic for its acceptance of the Versailles Treaty, this revision would also help the Republic by giving it the chance to become stable, help re-build the country, and bring success and power to Germany. One of Stresemann's <https://assignbuster.com/the-extent-on-which-stability-and-prosperity-in-essay/>

first contributions to foreign Minister was to end Passive Resistance. One of Germany's main problems in 1923 was paying the unemployed German workers as well as reparations, when their economy was suffering because of the method of " passive resistance". When Stresemann ended passive resistance, the workers were able to go back to work again and generate money for the economy. The German Government did no longer need to print money to pay for the unemployed workers which was causing huge inflation and showing that the economy was in desperate need for help.

A new currency was set up after hyperinflation by Schachts, called the Rentenmark, which helped stabilises the economy short term. Debatably, if it was not for Stresemann and his success as foreign Minister, then maybe the foreign loans such as the Dawes plan and The success of Germany industry can be attributed in part to the financial backing of the loans from abroad; however the introduction of the Cartel system also played a key role. This system was based upon the principal that a central retailing organisation is established allowing each associate within the organisation to produce a certain quantity of goods. Within Germany prices were fixed at a single level in order to establish a competent market for products, but also to establish a productive and coherent consumer interest. As a result of this system; production increased in Germany by 2% between 1928 - 1929. It was through this method that Germany came to flourish and make the transition from volatility to stability.

Although I have wrote about Germany being stable and prosperous within the years 1935-29, many historians have argued that in fact the economy was not stable, and foreign loans " masked" the real position of vulnerability <https://assignbuster.com/the-extent-on-which-stability-and-prosperity-in-essay/>

and susceptibility. For example, Coalition Governments makes it unstable and shows no two parties can agree on domestic and foreign policies. In addition, there were 7 Governments within 1924-30, so no long term decision could have been made because they were only in power for less than a year, and the moderate political groups did not commit in a parliamentary democratic Government e. g.

the Centre party slightly right wing or the SPD were fighting for working class revolution but were in a parliamentary democracy. Furthermore economically, the revival was built on unstable foundations and created a false image of prosperity. They were much too dependent on foreign loans, which showed in 1929 when America called for their loan back due to the Wall Street Crash, and there were still some fields in recession such as agriculture or the balance of trade. Stresemann quoted " dancing on volcano" and Puekett quoted " Deceptive stability", both agreeing that Germany from the outside looked stable and prosperous, but under really was in apprehension.