
A Look at the Economic Impact of the 1929-1933 Stock Market Crash

The end of the Republic 1929-33

Perhaps the greatest catalyst for the collapse of the Republic lies in the Wall Street Crash, or more correctly its aftermath.

The grounds of the German recovery were overly dependent on loans from

America under the Dawes and then Young plans. However, with the Wall Street Crash of 1929 America was forced to recall her debts, this directly led to the deterioration of Germany's economy and in turn party relations in the Reichstag, this is a catastrophic event when a country is ruled by coalitions. Following this Heinrich Brüning was appointed as Chancellor in March 1930, it was the deterioration of the coalition system that led to Hindenburg allowing Brüning to rule by presidential decree should he require it, this was known as Article 48. This meant that the Reichstag had to merely tolerate his decrees and not support them. Yet in 1930, after the Reichstag refused Brüning's emergency measures to compensate for the failing economy, which included cutting government spending, on things such as wages and welfare payments. This led to an increase on imported goods especially food to help German farmers and the buying up of company shares by the government to support deflation. Brüning, returned the measures under Article 48 and dissolved the Reichstag and called an election, as he believed that it would return a majority for him. This was his first mistake, as it resulted in the Nazi party becoming the second largest party in the Reichstag. Meaning that Brüning could now only rule by decree, providing that the Social Democrats did not move against him. And Brüning knew that they would not as they were fearful of a Nazi take-over.

Brüning remained in power until 1932 and by 1933 Hitler was Chancellor, yet in the 8 months between their reigns there was still to be 2 other Chancellors, von Papen and Schleicher. The extraordinary thing is, is that both supported Hitler's appointment and pushed Hindenburg into it, against his better judgement. It was von Papen's belief that he could control Hitler like a puppet. This is an ideal political position, as the idea is that you retain power and use somebody else as your public face, so if things go badly your own career and reputation remain intact. This Puppet scenario seemed to be working when Hitler named his cabinet in 1933, as there were only 2 other Nazis within the cabinet, and with the majority of the others being made up of conservatives who were led by von Papen the arrangement seemed ideal for all concerned. From the exterior it must have appeared that everything was going according to plan, and it

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was, Hitler's plan. After the failed Munich Putsch Hitler resolved to take power legally and to achieve this he realised that the military and internal security forces needed to be controlled. This was achieved by the appointment of his 2 Nazi ministers to the positions of minister for the military and internal security, usually mundane positions in peace time however essential for a coup d'état. With the ability to rule by presidential decree and the ability to prevent military involvement, Hitler's consolidation was merely a formality.

Since the release of his memoirs, it has been seen that Brüning was attempting to enforce an image on the world that Germany was incapable of repaying the reparations in the hope of having them abolished altogether. This was an idea shared by many industrialists who supported this action and helped it to fulfilment. The German industrialists were in fact about the only people to benefit in Germany from the slump as their massive debts were reduced to almost nothing. Although this is also true for their capital, Germany and her people still required many of their products. And once the slump was over they would have made enormous profit. It is true that Germany's production was almost halved, but this is not unduly caused by a reduction in exports. The massive unemployment, 6 million by the time Brüning left his position, gave the industrialists the opportunity to lower wages even further and to break organised labour groups and to greatly weaken the Left. They were also able to lower wages even further as if the employee didn't agree there were plenty willing to do the job. What may be the most surprising is the ease at which Hitler was able to convince the German people to embrace a totalitarian state. However this is a lot simpler to understand when you realise that by 1932 the majority of the electoral were voting for anti-democratic parties such as the Communists and the National Socialist German Workers Party. When taking into account the German distrust of the Left with its links to the Republic and Treaty of Versailles it's not surprising that the Nazis won out. And one Nazi leader who stated Nazism is the opposite to everything that now exists summed up a reason why they won when everyone else appeared to be losing!

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