

2. THE RECOVERY OF GERMANY, 1924–29

LEARNING OBJECTIVES

- Understand the economic policies used to stabilise Germany's currency
- Understand the measures taken to reduce reparations payments through the Dawes Plan (1924) and the Young Plan (1929)
- Understand Stresemann's foreign policy achievements.

The period 1923–29 is sometimes called the 'Stresemann Era', named after the politician Gustav Stresemann. In 1923, the Weimar Republic was in crisis. Thanks to Stresemann's economic and diplomatic policies, Germany emerged from this crisis in a much healthier position. Stresemann believed it was vital to improve Germany's relations with other countries, so he could negotiate more realistic reparations payments. He hoped this would give Germany a chance to sort out its economic problems. Stresemann's approach relied on finding a way to co-operate with the Allies. He also worked hard to bring the more extreme sections of German society to a more moderate position. This allowed him to build a new, stronger Germany.

2.1 THE WORK OF GUSTAV STRESEMANN – AT HOME

LEARNING OBJECTIVES

- Understand how the introduction of the Rentenmark helped to end the currency crisis
- Understand the aims and outcomes of the Dawes Plan and the Young Plan
- Understand the role of US loans and the recovery of the German economy.

GUSTAV STRESEMANN AND THE GREAT COALITION GOVERNMENT 1923

In 1923, Germany was in crisis. This was due to the effects of hyperinflation and the French occupation of the Ruhr. Within the next few years, however, the Weimar Republic overcame its economic problems, social unrest and political revolutions and entered an age of stability and prosperity.

Much of the credit for this recovery must go to Gustav Stresemann. He became chancellor in 1923 and led the 'Great Coalition' government. This government helped to solve the urgent problem of hyperinflation and brought about important improvements in the state of the economy – for example, a fall in unemployment, more house building and investment in transport systems. Stresemann was chancellor for just 4 months, before becoming foreign secretary. He held this position until his death in October 1929.

SOURCE A

Gustav Stresemann (centre front) was chancellor of the Great Coalition government, 1923.



THE RENTENMARK

As a result of the 1923 hyperinflation crisis, the German mark was worthless. Stresemann needed to stabilise the value of the currency. In November 1923, he introduced a new currency as a temporary solution. This currency was

KEY TERMS

Rentenmark the temporary currency introduced in 1923 to stabilise the German currency after hyperinflation

Reichsbank the new independent German national bank; set up to help build confidence in Germany's financial system

Reichsmark the new permanent currency that replaced the temporary Rentenmark in 1924

known as the **Rentenmark** and the amount of money printed was tightly controlled.

Stresemann based the value of the Rentenmark on Germany's industrial and agricultural worth. He also promised to exchange the notes for shares in German land or industry if the currency failed. This gave the German people confidence in the new currency.

In 1924, a new independent national bank – called the **Reichsbank** – was handed control of the new currency. In the same year, the **Reichsmark** was issued to replace the Rentenmark. The Reichsmark was a new permanent currency that people in Germany and in other countries could now rely on. These measures restored faith in Germany's financial system and were vital in allowing Germany's economy to grow stronger.

SOURCE B

A pile of Rentenmark stored in the basement of the Reichsbank in 1923.

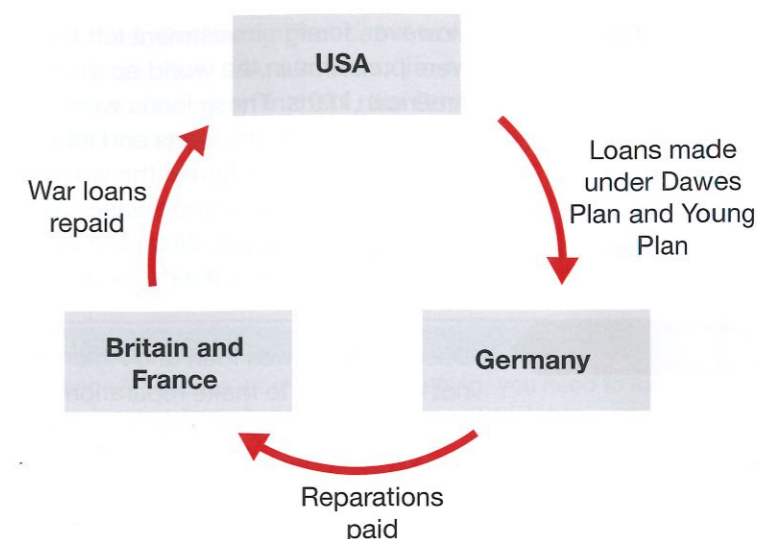


ACTIVITY

Draw a flowchart to show how Stresemann stabilised the German currency after the hyperinflation crisis.

US LOANS AND GERMAN ECONOMIC RECOVERY

Stresemann believed that Germany's economy could not recover until the issue of reparations had been solved. He argued that Germany should accept the Treaty of Versailles to improve foreign relations with Britain and France. This was a very unpopular view as most Germans hated the treaty. However, Stresemann also believed it would be possible to negotiate better terms for Germany. The USA, France and Britain had a lot to gain from allowing the German economy to recover. The USA had lent millions of dollars to France and Britain as war loans during the First World War. If the German economy improved, Germany would be able to make its reparations payments; this in turn would provide Britain and France with the money they needed to repay the USA. The Allies would also benefit if Germany was able to become a strong trading partner again.



► Figure 2.1 Loans and repayments between Germany and the Allies

THE DAWES PLAN 1924

Stresemann was right to believe there was a chance to negotiate better terms for reparations payments. In 1923, the USA sent Charles Dawes to Germany to help resolve its economic problems. Dawes advised Stresemann on the establishment of the Reichsbank. France and Britain accepted that Germany wanted to renegotiate the reparations payments and, in 1924, the Dawes Plan was agreed between Germany and the Allies. The key points of the Dawes Plan were as follows.

SOURCE C

Charles Dawes.



- The USA loaned Germany 800 million gold marks; this gave a massive boost to German industry.
- Reparations payments were lowered to 1,000 million marks for the first 5 years, to make them more affordable. After this time, the payments would be increased to 2,500 million marks.
- The Allies agreed to review the payment rate over time, to take account of Germany's economic situation and ability to pay.
- The French agreed to **withdraw** troops from the Ruhr. They also agreed that any missed payments in the future would be dealt with by the Allies together.
- The Allies were given some control of the Reichsbank and the railways in Germany.

Some Germans criticised the government for agreeing to the terms of the Dawes Plan. They felt that Germany was accepting the blame for starting the war by agreeing to continue with reparations payments. However, the Dawes Plan helped to restore Germany's economy and led to further loans from the USA. Over the next 6 years, Germany received more than 25 billion marks in loans. This money allowed German industry to recover.

THE EXTENT OF ECONOMIC RECOVERY

Germany's economy recovered significantly after 1924. The stability in Germany's currency meant that there was more investment in Germany from other countries, especially the USA. Much of that investment was in boosting industry and building factories. The Dawes Plan helped boost industrial output which doubled in the years 1923–29. Wages rose, the cost of living went down and the standard of living improved. Confidence in the economy was restored and the government was able to build new roads, schools and public buildings. The improvements in the economy meant that by 1927 new laws could be introduced to allow people to claim unemployment benefit and 'labour exchanges' were set up to help people still unemployed to find work.

However, foreign investment left the German economy open to risks if there were problems in the world economy. The recovery was based largely on American loans. These loans were invested in projects that would create wealth and allow the loans and interest to be paid off. What would happen if there was a downturn in the world economy? By 1927 there were signs that the German economy was slowing down and the farming industry was beginning to struggle. When the Wall Street Crash came in 1929, the Germans found out how weak their economy still was.

THE YOUNG PLAN 1929

Despite the Dawes Plan and American loans, the German government still did not find it easy to make reparations payments.

- The total reparations bill was reduced to around \$8 billion.
- The payments were to be made over 59 years, at a rate of \$473 million per year.
- Germany was only obliged to pay a third of the annual sum each year. It should pay the rest if it could afford to do so.

EXTEND YOUR KNOWLEDGE

THE MENIN GATE

The Menin Gate is one of four memorials to the missing in Belgian Flanders. It bears the names of 54,000 missing soldiers whose remains were never found. The site of the Menin Gate was chosen because hundreds of thousands of men passed that point on their way to the trenches. It commemorates dead soldiers from the UK, Australia, Canada, South Africa and India, who died in the Ypres Salient area. Since 1928, the Last Post has been played at the Menin Gate every evening at 8 p.m. – except during the German occupation of Ypres in the Second World War (1940–44).

SOURCE D

The Menin Gate.



At the same, the French agreed to leave the Rhineland by June 1930 – 5 years ahead of the previously agreed date of 1935. The reduction in annual payments allowed the government to reduce taxes and released funds that were used to boost the German industry and create jobs for workers.

Many people in Germany opposed the Young Plan. Some nationalist groups were angry that Germany would continue to pay reparations. They felt that the timescale for the payments was far too long and would limit Germany's progress as a nation. Alfred Hugenberg, a media businessman, organised a petition against the plan and managed to get 4 million signatures. However, when a **referendum** was held in December 1929 – allowing people to vote to accept or reject the plan – only 14 per cent voted against it.

There was also some British opposition to the Young Plan. Two **memorials** to Britons killed in the war (at Thiepval and the Menin Gate) had only recently been completed and feelings against the Germans were still strong.

In the end, the Young Plan came to nothing. In 1929, the Wall Street Crash occurred in the USA; after this, the Americans could not afford to loan any money to Germany. In 1931, the German economy also crashed and the Allies agreed to suspend reparations payments. When Hitler came to power in 1933, he had no intention of paying reparations.

EXAM-STYLE QUESTION

A01

A02

Explain **two** effects on Germany of Stresemann's work to reorganise reparations payments.

(8 marks)

HINT

When you explain an effect on something, you need to include information about how the situation changed.

ACTIVITY

- 1 Copy and complete the table below to compare the terms of the Dawes Plan and the Young Plan.
- 2 Which plan treated Germany more fairly?

	▼ DAWES PLAN 1924	▼ YOUNG PLAN 1929
Amount of reparations		
Timetable for payments		
Terms and conditions		
Effect on Germany		

2.2 STRESEMANN'S SUCCESSES ABROAD

LEARNING OBJECTIVES

- Understand the role of Stresemann in developing relations with other countries
- Understand the challenges and successes of Stresemann's work as foreign secretary
- Understand the criticism that some Germans made about foreign relations at this time.

KEY TERM

diplomacy the use of negotiations and agreements to reach decisions and resolve differences between countries

Stresemann was determined to strengthen Germany's power and wealth. However, he realised that Germany could not challenge the Treaty of Versailles or fight the Allies on military terms. He therefore used **diplomacy** to improve Germany's position. For example, he improved Germany's relationship with other countries, including Britain and France, by ending passive resistance in the Ruhr in 1923. (See page 16 for more information about passive resistance.)

SOURCE E

From a letter written by Stresemann in 1925.

In my opinion there are three great tasks that confront German foreign policy in the immediate future:

- 1 The solution of the reparations problems in a way that is tolerable for Germany.
- 2 The protection of those ten to twelve million Germans who now live under foreign control in foreign lands.
- 3 The readjustment of our eastern frontiers; the recovery of Danzig, the Polish Corridor, and a correction of the frontier in the Upper Silesia.

THE LOCARNO PACT 1925

SOURCE F

Stresemann signing the Locarno Pact. This agreement was negotiated in Locarno, Switzerland and signed in London in 1925.



EXTEND YOUR KNOWLEDGE

GUSTAV STRESEMANN

Gustav Stresemann was the son of a restaurant owner. He was a lonely boy who loved to study. At university, he wrote a paper on the bottled beer trade, but his career was to be in politics. In 1907, aged 29, Stresemann became the youngest member of the Reichstag. He suffered from poor health and was rejected when he attempted to join the German army during the First World War. His health began to decline in 1927 and he was advised to stop work. However, he insisted on continuing as foreign secretary, and held that office until he died of a stroke in October 1929.

In 1925, Germany signed the Locarno Pact. This was a collection of seven treaties involving Germany, France, Belgium, Italy, Britain, Czechoslovakia and Poland.

- Germany agreed to accept its new western borders, and all the countries involved in the Locarno Pact agreed to avoid military force except in self-defence. This provided important reassurance for France and Germany in particular: they shared a long border and the French had invaded the Ruhr in 1923.
- Germany agreed that Alsace-Lorraine would be French. In return, the French agreed not to occupy the Ruhr again.
- All parties agreed that Germany's eastern borders could be settled by 'peaceful means'. Germany, Poland and Czechoslovakia agreed to settle all disputes peacefully through the League of Nations.

Stresemann said the Locarno Pact was a victory, because it made peace in Europe more likely. He said that Germany was now being treated as an equal to the other European powers, rather than being ordered about by them. Despite these arguments, some nationalist parties and groups in Germany were very resentful. They were unhappy that Stresemann was accepting the terms of the Treaty of Versailles, particularly in relation to Germany's borders.

However, the Locarno Pact did lead to a significant improvement in relations between Germany and other countries. Stresemann was awarded the Nobel Peace Prize in 1926 and the period 1925–29 is sometimes called 'the Locarno Honeymoon'.

SOURCE G

Gustav Stresemann talking after the signing of the Locarno Pact in 1925.

The great majority of the German people stands firm for such a peace as this. Relying on this will to peace, we set our signature to this treaty. It is to introduce a new era of cooperation among the nations. It is to close the seven years that followed the War, by a time of real peace, upheld by the will of responsible and far-seeing statesmen, who have shown us the way to such development, and will be supported by their peoples, who know that only in this fashion can prosperity increase. May later generations have cause to bless this day as the beginning of a new era.

ACTIVITY

Read Source G. What can you learn about the Locarno Pact from this source?

SOURCE H

Public protest in Berlin in 1925. This protest was organised by nationalists against the signing of the Locarno treaty.



ACTIVITY

Match up the following statements to make pairs.

▼ STRESEMANN'S STRATEGY	▼ DRAWBACKS
Use diplomacy to improve relations	Germany was getting stronger but was not strong enough to have any genuine power compared with the Allies
Reorganise reparations payments	The nationalists saw building relationships with former enemies as weakness
Build a stronger Germany	Nationalists wanted Germany to refuse to pay altogether
Increase loyalty to the new Weimar Republic	Germany was vulnerable as it relied on loans from the USA
Build an economic recovery	Support for the regime was still limited

SOURCE I

A German cartoon from 1926, showing the 'mask of peace' worn by the French during the Locarno treaties.



LEAGUE OF NATIONS 1926

The League of Nations was formed at the end of the First World War. This was a new international organisation, which allowed powerful countries to discuss ways of solving the world's problems without using military force. No one wanted a repeat of the horrors of the First World War. The idea for the League of Nations came from the US president, Woodrow Wilson. However, the USA chose not to become involved in European politics after the war had ended, and did not join the league. Germany, like the other defeated nations in the war, was not invited to become a member.

In September 1926, Stresemann persuaded the other great powers to allow Germany to join the League of Nations. This was partly a result of the signing of the Locarno Pact. Germany was given a place on the League of Nations Council – this was significant because the members of this council made the most important decisions.

This was a positive step for moderate political parties who supported Stresemann's **diplomatic** policies and his attempts to improve relations with the other great powers. It also increased many Germans' confidence in the Weimar regime: they could see that their country was once more accepted into the 'international family'. However, some Germans saw the League of Nations as a symbol of the hated Treaty of Versailles. They wanted Germany to have nothing to do with it.

ACTIVITY

Look at Source I.

- 1 What do you think the cartoonist was trying to say?
- 2 Do you think the following people would have agreed with the cartoonist?
 - a Stresemann
 - b a worker in the Ruhr
 - c a soldier who fought in the First World War.

KELLOGG-BRIAND PACT 1928

In August 1928, 62 countries including Germany, the USA and France signed the Kellogg–Briand Pact. The aim of this pact was to prevent a future war, by getting countries to promise not to use military force to settle disagreements. The pact was named after the US secretary of state and the French foreign minister who wrote the agreement. The USA was not in the League of Nations and it saw this pact as a way for it to be involved in building peace with other countries.

SOURCE J

US President Calvin Coolidge signs the Kellogg-Briand Pact in his office. Secretary of State Frank B. Kellogg is seated to the left of the President. The man sitting on Coolidge's right is Charles Dawes.



This pact showed a clear improvement in Germany's relations with other countries.

- Germany had been excluded from the negotiations that led to the Treaty of Versailles. Now, however, Germany was included among the main powers once again.
- It was clear that the Weimar Republic was now a respected, stable state. It had recovered from its troubled beginning.
- This pact gave the German public more confidence that the moderate political parties could be trusted to make Germany strong again.

Of course, there were still many people in Germany who did not approve, because the Kellogg–Briand Pact did nothing to end the hated Treaty of Versailles.

SOURCE K

An account of Stresemann's achievements, published in a German newspaper after his death in October 1929.

To serve Germany he set out a path of understanding. He refused to try to get back land that had gone forever. He offered our former enemies friendship. Being a practical man he saw that any other path would have left Germany without any hope of recovery.

EXTRACT A

From a history textbook for schools, published in 2015.

As the economy improved, so social conditions stabilised and political violence died down. Between 1924 and 1929, no major political figures were assassinated. The Weimar government had been in power for long enough for many people to accept that it was now the political system in Germany – as long as things continued to improve. Support for extremist parties (both left wing and right wing) reduced... Coalition governments were still the norm, although they changed less often: between 1924 and 1929, there were just six different coalitions. Stresemann's influence was vital to this. However, none of the weaknesses of the constitution had been resolved. And in 1929, Stresemann died.

ACTIVITY

Study Source K and Extract A.

- 1 How far do you agree with what the German newspaper said in Source K?
- 2 What impression does Extract A give of Stresemann's impact on politics in Germany?
- 3 Hold a class debate about whether you agree with this statement: 'Gustav Stresemann solved the problems of the Weimar Republic'. One half of the class should agree with the statement and the other half should disagree with it.
- 4 Copy and complete the table below to show how Stresemann's foreign policy helped Germany.

▼ EVENT	▼ IMPACT ON GERMANY
Signing the Locarno Pact	
Joining the League of Nations	
Signing the Kellogg–Briand Pact	

EXAM-STYLE QUESTION

A01

A02

SKILLS

PROBLEM SOLVING, REASONING,
DECISION MAKING, ADAPTIVE
LEARNING, INNOVATION

'The foreign policy of Stresemann was the main reason why Germany recovered in the 1920s.'

How far do you agree? Explain your answer.

You may use the following in your answer:

- the foreign policy of Stresemann
- the Dawes Plan 1924.

You **must** also use information of your own.

(16 marks)

HINT

Remember to think about all the reasons why Germany recovered from the problems it faced in the early 1920s. Then explain why at least three of them brought about recovery.

RECAP

RECALL QUIZ

- 1 What name was given to the 1923 government led by Stresemann?
- 2 For how many months did Stresemann hold the position of chancellor?
- 3 What was the name of the new German currency introduced in November 1923?
- 4 What was the Reichsbank?
- 5 Under the terms of the Dawes Plan, how much money was lent to Germany by the USA?
- 6 Which period is sometimes known as the 'Locarno Honeymoon'?
- 7 What was the League of Nations?
- 8 Who was Briand?
- 9 In 1928, how many countries signed the Kellogg–Briand Pact?
- 10 In which year did Stresemann die?

CHECKPOINT

STRENGTHEN

- S1** Describe the measures taken by Stresemann to stabilise the German currency.
- S2** Summarise the terms of the Locarno Treaty.
- S3** List three points included in the Kellogg–Briand Pact.

CHALLENGE

- C1** Why did Stresemann argue that Germany needed to accept the Treaty of Versailles?
- C2** Explain the key differences between the Dawes Plan and the Young Plan.
- C3** What do you think people meant when they described the years 1925–29 as the 'Locarno Honeymoon'?

SUMMARY

- The period 1923–29 is sometimes called the 'Stresemann Era' because Stresemann played such an important part in German politics at this time.
- Stresemann's economic and diplomatic policies meant that Germany recovered to a large extent from the crisis of 1923.
- Stresemann focused on improving Germany's relations with other countries.
- Stresemann believed that Germany needed to restore good relations with other countries before it could address its economic problems.
- Stresemann took a more moderate approach to German politics. He aimed to reduce the threat of political extremism and build a new, stronger Germany.
- Public confidence in the moderate political parties increased. The German public began to believe that these parties could rebuild Germany's future.
- There were still hardliners in Germany who did not want the Weimar democracy to succeed. They believed that Stresemann's approach involved unacceptable compromises, such as accepting the Treaty of Versailles.