

History, Weimar and Nazi Germany

Lesson 7

Worksheet:

How did Germany recover its economy, 1924-29?

Mr McNally



Gustav Stresemann

Gustav Stresemann became **chancellor** and **foreign secretary** of Germany in 1923. In November 1923, he resigned the chancellorship but he remained foreign secretary until 1929. He is remembered as the man who helped restore Germany's economy and international relations after the First World War.

He was awarded the Nobel Peace Prize for his efforts in 1926 and his financial and **diplomatic skill** helped restore confidence amongst the German people in the **Weimar Republic**.



The Rentenmark

Due to the impact of **hyperinflation**, **Stresemann** decided to set up a new state-controlled bank called the **Rentenbank**. It created a new **currency** called the **Rentenmark** which had a controlled amount of printed notes. These were also closely tied to the price of gold which added value to the currency.

In 1924, a new national bank was created called the **Reichsbank**. This took over the Rentenmark and renamed it to the Reichsmark. Furthermore, the value of the Reichsmark was linked to the German gold reserves which added a greater value to the currency. Once again, the supply of notes was strictly limited to prevent hyperinflation from reoccurring.



The Dawes Plan, 1924

Stresemann knew that Germany needed financial support to help improve their struggling economy. He negotiated with American banker, **Charles Dawes**, to set up a plan so they could pay the **reparation** payments. Under the Dawes Plan, America provided Germany with \$25 billion worth of loans to the **German industry** to kickstart the economy. Reparation payments were also temporarily reduced to £50 million a year to ease the burden on Germany.

The hope was that the German industry could improve, **employing** more people and providing more tax to the economy. This would ease the hardship on Germany and allow them to repay the reparations. As a result of this, **industrial output** doubled between 1924-28 and employment, taxation and trade all increased. The French also left the **Ruhr** as the US loan increased their confidence that the reparation payments would be made.

Despite this success, the extreme parties hated the commitment to the **Treaty of Versailles** and the fact Germany was financially **dependent** on America



The Young Plan, 1929

In 1929, **Stresemann** once again negotiated the terms of the **reparations**. This time he managed to successfully lower the settlement figure of the reparations. The **Young Plan** agreed to reduce the amount of reparations Germany had to pay from £6.6 billion to £2 billion. It also granted Germany an extra 59 years to pay the Allies.

On one hand, this was a major boost to the German economy as it allowed the **Weimar Republic** to lower the tax rate, which increased public spending. This increase the quality of life for people in Germany. The increased public spending also created more jobs which reduced **unemployment**.

Yet the extremist parties saw this as a **betrayal** of the German people. They believed that the Young Plan passed on the German debt to the next generation of Germans. In addition, they strongly opposed the idea of committing to paying reparations.



Glossary

Economy - The state of a country's finances.

Chancellor - The person in charge of the day-to-day running in Germany. Usually the person in charge of the biggest political party in the Reichstag.

Currency - The type of money used in a country. For example, the currency of the UK is the pound (£).

Reparations - The money Germany had to pay the Allies for the damages caused in WW1.

Industrial output- The value of goods/resources sold by Germany.



Comprehension Questions

1. How did the Rentenmark improve the German economy?
2. How did the Dawes Plan improve the German economy?
3. What impact did the Young Plan have on the reparation payments?
4. Why did some people oppose the Young and Dawes Plan?
5. Challenge question: Explain how Stresemann's economic policies increased confidence in the Weimar Republic.

P - One challenge the Weimar Republic faced in 1923 was ...

E - This was when ...

E - This was a major challenge to the Republic because ...

L - Therefore, ... was a challenge to the Weimar Republic in 1923.

