WHAT CAUSED IT?

The German economy was in deep trouble even in the very early 1920’s:
- Loss of War meant huge debts to pay for cost of war. At the end of the war in 1918 Germany was only raising 18% of its expenditure through tax! The rest was borrowed! This was like using a credit card to its max!
- Treaty of Versailles increased the pressure as firstly it damaged Germany economically due to loss of land - 13% removed including 10% of agricultural land; 10% of population; 20% of coal production and as much as 50% of iron production.
- On top of that the hated bill for reparations was set at £6.6 billion per year in 1921 at a time when Germany was already suffering economically.
- As a result German chancellors began to simply print money. Some suggest this was done deliberately to prove the consequences of Versailles.
- The results was that inflation had already begun creeping up even before 1923.
- Germany also found it very difficult to export as few would now deal with it after the war.
- its once successful economy from before the war was also devastated as it had lost its older markets and its factories were set up to supply weapons.

GERMAN REACTION

Germans are deeply angry about the invasion. The Weimar government calls workers in the Ruhr out on Passive Resistance (strike) the French react badly to this move. Up to 120 strikers are killed and over 100,000 Germans made homeless.

Although the decision to announce Passive resistance was popular in Germany a crisis soon emerges over how to pay the strikers. The Weimar government decides to pay them... However, without the valuable tax from the region (Germany’s industrial heartland) this is impossible. They then take the decision. To PRINT MORE MONEY. This leads to the currency rapidly becoming WORTHLESS. It would soon cost over 1 billion marks for one loaf of bread; prices would change so fast that the price would be different from the back of a queue to the front. People lit fires with their worthless money. There were even businesses paying workers twice in one day.

RESULTS OF HYPERINFLATION

Hyperinflations had a devastating effect on Germany
- Money became so worthless that people were being paid TWICE a day.
- People's savings were made worthless- particularly the middle class. They never recovered their savings as a new currency, the Rentenmark had to be introduced.
- Pensions were fixed and therefore became worthless.
- Businesses struggled to pay workers and trade although unemployment only went up slightly to a still low 4.1%.
- People began to barter (exchange goods) rather than pay.
- Trade union power declined as workers were laid off or valued their job too much to criticise.
- There was a decline in law and order and a rise in poverty, prostitution and suicide. There was also an increase in anti-semitism as some scapegoated the Jews.
- There were a few who benefited including industrialists such as HUGO STINNES who snapped up almost 20% of German industry at this time at bargain rates and those who could pay off mortgages easily. Other businessmen bought over houses as investments. Farmers had a ready source of food so were better off.
- However, politically, People yet again lost faith in the Weimar government. It had appeared weak and inept in the crisis... in the long term it really damaged Weimar democracies reputation.

THE RUHR INVASION

Angry at the German refusal to pay, the French and Belgian army invades the Ruhr- a wealthy, industrial region of Germany full of coal mines and factories.

They began to strip the Ruhr of assets - transporting them back to France in payment of reparations. The Ruhr was especially rich in coal so this could be sent back in lieu of reparations.