

The Transformation of the German Economy:

From the Great Depression to Post- World War II

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Abstract

This research investigates how the German economy evolved from the onset of the Great Depression to the aftermath of World War II. It delves into three main economic periods, including the economic crisis post Great Depression, the period of World War II, and the economic reconstruction post-1945. Using economic data and historical scholarship, this paper analyzes changes in GDP growth, production of goods, trade, government spending, rearmament, resource allocation, and the severe difficulties Germany faced after the Great Depression and beyond.

The research results prove that out of all five economic states and models, West Germany’s economic model proved the most successful based on its longevity, sustained growth in a peacetime period, and without reliance on militarization or the territorial expansion that characterized the Nazi economic models. Germany’s economic experience confirms that economic growth and certain sets of economic statistics alone do not indicate a sustainable and successful economy. The research exhibits that the methods and conditions in which growth is achieved are equally essential to a prosperous economy.

Introduction

“On my daily walk to Alexanderplatz, I consciously noticed the long lines in front of the employment office, people queuing up early in the morning to collect their unemployment benefits. These amounted to 25 marks per week, with welfare payments of seven marks. Edith, a friend of mine who was a Girl Scout, had told me how quickly the unemployed fell into poverty and misery. Her family had experienced this firsthand. Many of my former classmates and friends still hadn't found jobs, and they received no support. Walking past the many unemployed, I gradually became more aware of our secure existence, coming as I did from a family of civil servants.”

- Entry from Dorothea Günther on life in Germany in 1932¹

In the years preceding World War II, the German economy faced severe distress, marked by massive unemployment, industrial decline, and deep financial strains following the Great Depression and Versailles reparations.

Upon taking power in 1933, the Nazi regime claimed a swift economic recovery through state intervention, lowering official unemployment figures via statistical manipulation, mandatory labor services, and off-the-books deficit spending like MEFO bills² to secretly fund rearmament. The research investigates how Germany's economy evolved across five distinct states from 1929 through post-war reconstruction, demonstrating that West Germany's peacetime model ultimately proved the most sustainable.

These economic changes raise the central research questions of the research: How did Germany’s economy change throughout the course of the aftermath of the Great Depression to the split of Germany, which economic model was best throughout this period, and is the method and means in which economic success is achieved, equally important as the actual growth or way in which a successful economy is measured, for the long-term prosperity of an economic model?

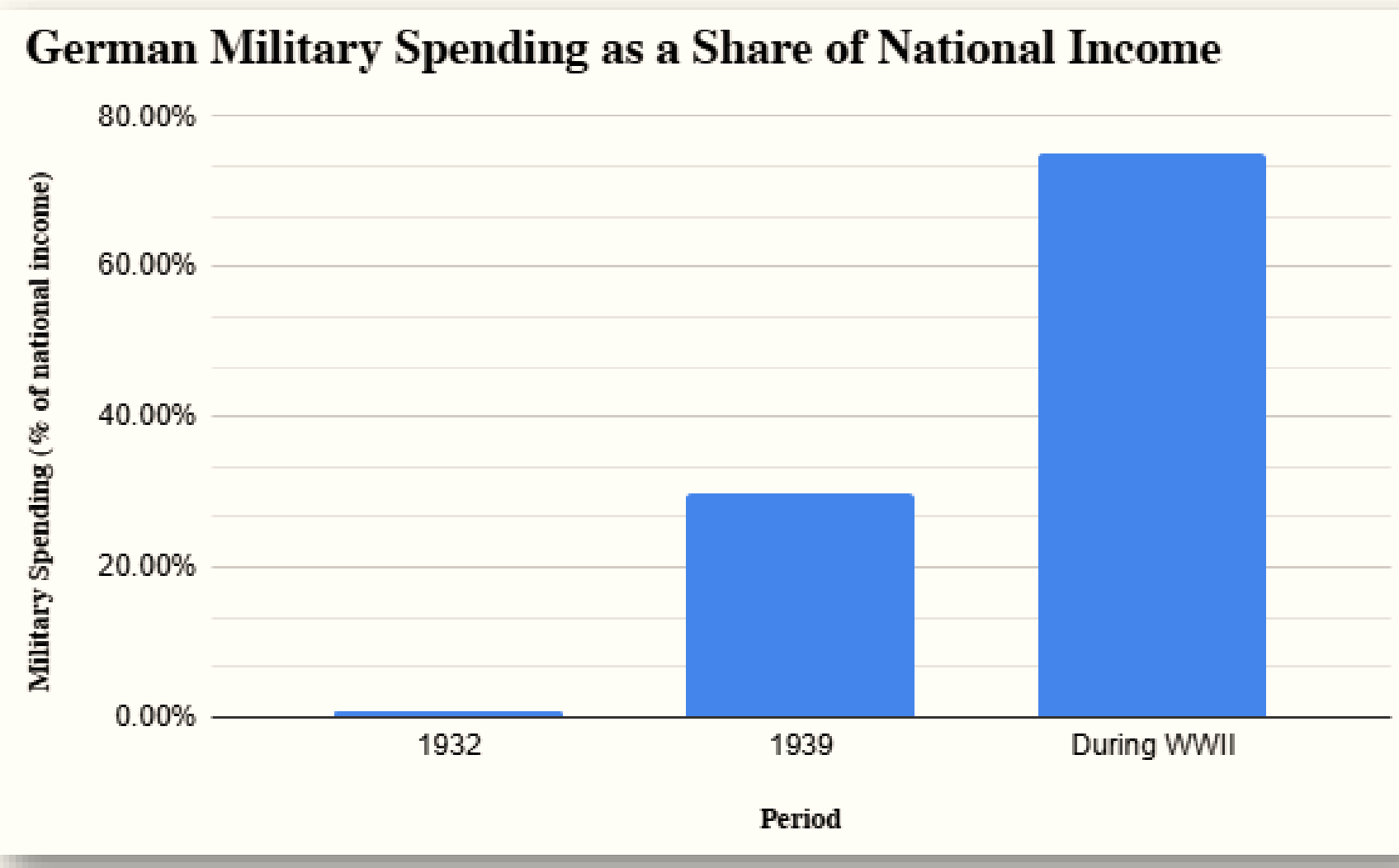
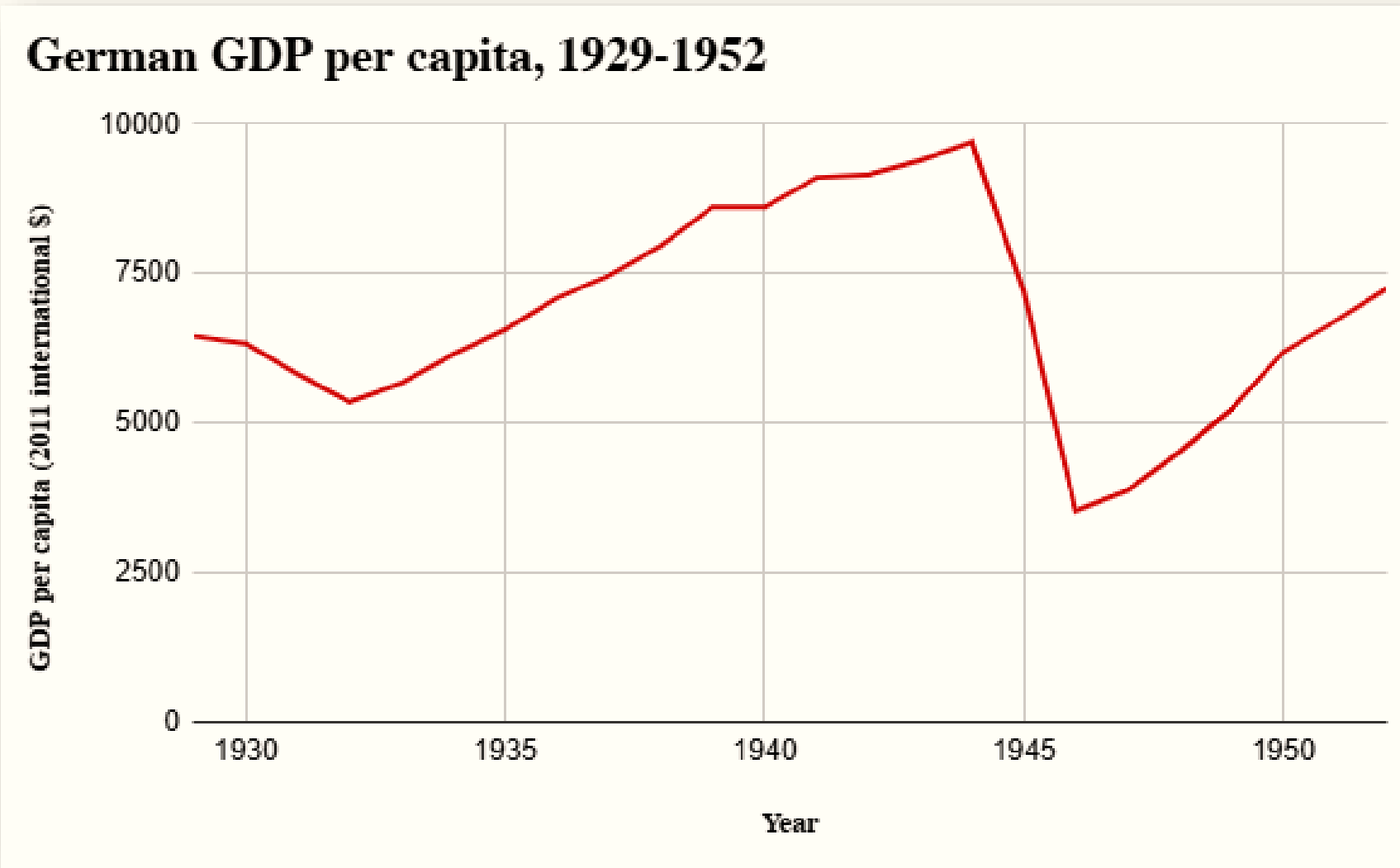
Methods

The methods in which the research was completed were the following:

- **Historical Synthesis:** Evaluated primary sources, archival memos, and secondary literature to trace changes in the German economy throughout five distinct phases ranging from the aftermath of the Great Depression to post- 1945 split Germany.
- **Economic Data Analysis:** Examined and compared historical statistics and datasets on GDP growth, industrial output, military spending, trade balances, and employment rates.
- **Engaged in Historical Debate:** Evaluated arguments from key historians on this subject on the effect of the Nazi economy and the post-war economic recovery of Germany.

Results

- Germany underwent five major economic transformations throughout the years of 1929 to post-1945 (not accounting for German reunification and the modern German economy)
- Of these five phases, the economic model of the West German economy was the most “successful” in the long term compared to its post-Depression and Nazi predecessors as well as its East German counterpart.
- The means in which economic success is achieved are equally important as actual data, both in ethical and long-term prosperity terms.



Discussion

The research results directly connect to the hypothesis by acting as warrants and evidence as to how the hypothesis is indeed a historical interpretation of the German economic models. Additionally, throughout the course of the research completed, many claims agreed with key historians in this field of study. Furthermore, sections of my research essentially synthesized key claims regarding the German economy made by historians such as Adam Tooze³, Albrecht Ritschl⁴, and Richard Overy⁵.

Conclusion

The research concludes at the results of Germany undergoing five major economic transformations, West Germany’s model being the best one of those five, and methods in which economic recovery or success is achieved matter equally as results.

The comparison of five economic states also reveals that economic success cannot solely be derived from economic growth, rather the conditions in which it is achieved and whether it is sustainable for the future. Economic growth and conditions are equally important. Moreover, Germany’s experience before, throughout, and after WWII, shows us how economic policies that are designed for short-term recovery can produce different long-term outcomes that are dependent on whether the economic policy in itself is suitable for sustainability or depends on temporary and exploitative measures.

Additional research that can be completed on this is how it compares to modern economies and to the modern German economy.

References

¹Günther, D. (n.d.) ‘Berufseinstieg während der Weltwirtschaftskrise 1932’, *LeMO Zeitzeugen*, Deutsches Historisches Museum.

² Sanz Bas, J. (2011) ‘An Austrian Analysis of the Nazi Economic Recovery (1933–1939)’, *Procesos de Mercado*, 8(1), pp. 291–314.

³Tooze, A. (2006) *The Wages of Destruction: The Making and Breaking of the Nazi Economy*. London: Allen Lane

⁴ Ritschl, A. (2002) *Deutschlands Krise und Konjunktur 1924–1934*. Berlin: Akademie Verlag.

⁵ Overy, R. J. (1987) *The Origins of the Second World War*. Longman.

⁶ Graph 1: Bolt, J. and van Zanden, J. L. (2024) *Maddison Project Database*

⁷ Graph 2: Harrison, M. (1988) ‘Resource Mobilization for World War II: The U.S.A., U.K., U.S.S.R., and Germany, 1938–1945’, *The Economic History Review*, 41(2), pp. 171–192.