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GERMAN
BUSINESS CYCLES
1924-1933

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(Resolution of October 25, 1926, revised February 6, 1933)

**GERMAN
BUSINESS CYCLES
1924 - 1933**

CARL T. SCHMIDT

RESEARCH ASSOCIATE, NATIONAL BUREAU
OF ECONOMIC RESEARCH, 1931-1932

NATIONAL BUREAU OF ECONOMIC RESEARCH

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PREFACE

INSIGHT into the dynamics of economic activities may be sharpened by analysis of fluctuations in an economy so 'disturbed', so subject to influence by 'non-business' factors, as that of Germany in recent years. The present study undertakes an analysis of cyclical fluctuations in German economy during the period 1924-33. It seeks to describe their course, to point out peculiarities in it, to emphasize the nature and the relationships of the more significant contributing factors.

The study indicates that German economy in the years 1924-33 was subject to powerful influences arising out of structural changes in the working population, in the technique of industrial production, in business organization and in the financing process. Enmeshed with such fundamental modifications was a rhythm of cyclical fluctuations. The conclusions make no pretension of offering a general explanation of the 'business cycle'. Analysis limited to one country over a period of relatively few years can, it is believed, add little to the present theories relating to the *recurrence* of cycles in a money economy. Therefore, the attempt here is to sketch the con-

tours of the rhythm of a particular economy over a limited period, to direct attention to *unique* aspects of its cyclical behavior, and to offer some explanation. It is hoped that thus a contribution to the understanding of the nature of business cycles may be made. Examination of the many-faceted cycles of history may lead ultimately to more universal generalizations.

A viewpoint expressed by Wesley C. Mitchell has provided the approach: "In our effort to give an intelligible account of business cycles, reasoning must be our chief concern, but it should be reasoning which deals and squares with observations, and the observations should have as wide a sweep as we can get from statistics, and as much subtlety as we can get from personal experience."¹

The aim, then, is analytic description, based upon statistical and historical sources. Description is in terms of cyclical changes apparent in major aspects of German economy. So far as they are available, time series representative of industrial and agricultural production, commodity and security prices, credit and capital, employment and business enterprise, domestic and foreign trade, provide the framework for the analysis and discussion of such changes. Historical materials of various sorts—business journals, official reports and monographs—supplement the statistical data.

¹ *Business Cycles: The Problem and Its Setting* (National Bureau of Economic Research, 1927), p. 470.

Presentation is according to the following plan: A brief introductory chapter is intended to afford some understanding of the major developments in German economy from 1919 to 1923. It indicates the general nature of structural changes wrought by the World War, the Treaty of Versailles and the currency inflation. The second chapter describes concisely the course of cyclical fluctuations in Germany during the years 1924-33. Discussion of fluctuations in the elements noted above is based upon changes apparent in time series and in business reviews, and follows the sequence of cyclical phases: depression, recovery, prosperity and recession. This chapter also emphasizes the nature of certain significant aspects of German economy in the post-inflation period, notably capital and credit, agricultural and industrial production, prices, employment, foreign trade. Chapter III, embodying the main contributions of the study, presents the results of statistical analysis of representative time series relating to the post-inflation period. The analysis is based upon a technique developed by the National Bureau of Economic Research. The series are examined with a view to determining whether they show cyclical fluctuations, and, if they do, to indicate the duration, timing and amplitude, and the correspondence with concurrent fluctuations in other series. In order to illumine similarities and differences in pre-War and post-inflation cycles, series relating to cyclical movements occurring before the War, par-
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ticularly in the period 1900-14, are analyzed. The cycles in these two periods are also compared in respect of their international relationships. The study ends with a review of its major findings and a consideration of certain of their implications.

The investigation was begun in 1930, when I was a traveling fellow of the University of California, and continued and substantially completed in 1931 and 1932, during which time I was research associate at the National Bureau of Economic Research. I am very grateful to these institutions for their generous assistance. From the Directors and research staff of the National Bureau I have had much help. Especially valuable suggestions for improvement were made by Professors Wesley C. Mitchell, Edwin F. Gay, Frederick C. Mills and Harry Jerome, Colonel Malcolm C. Rorty, Drs. Simon Kuznets, Eugen Altschul and A. G. Silverman, and Mr. Charles A. Bliss. Miss Martha Anderson edited the manuscript with much care. The charts were made by Miss Dorothy Achilles. During the progress of the study I have been greatly helped by Mr. Erich A. Otto, who had a large share in the task of computation and who also contributed various suggestions. Professor Ernst Wagemann and the staffs of the Statistisches Reichsamt and German Institut für Konjunkturforschung were of much assistance in enabling me to gather materials. Professors N. J. Silberling and Robert A. Brady of the University of California offered constructive criticisms during the early course of the

study. Drs. Gerhard Colm and Hans Neisser read the final manuscript and suggested various changes. Valued help has been given by my wife at all stages of the work. To all who have assisted me I offer my sincere thanks.

C. T. S.

*Washington, D. C.,
December 26, 1933*

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