

# Book Review: 1931: Debt, Crisis, and the Rise of Hitler by Tobias Straumann

*In 1931: Debt, Crisis, and the Rise of Hitler, Tobias Straumann details how the German financial disaster of this momentous year not only devastated the country's domestic economy but also sent shockwaves through the international financial system and paved the way for the ascent of Adolf Hitler. In this excellent book, Straumann narrates the German story of 1931 with clarity and authority, writes [Max Harris](#).*

**1931: Debt, Crisis, and the Rise of Hitler.** Tobias Straumann. Oxford: Oxford University Press, 2019.

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1931 was an inflection point in history, a year in which so much of such consequence happened that, nearly a century later, one still strains to make sense of it all. On 19 September 1931, Japan invaded Manchuria, an act of aggression that the League of Nations opposed to no avail, thereby demonstrating how little collective security meant. That very same day, thousands of miles away in London, the British government decided to go off the gold standard. After months of expending enormous sums to stem the flight from the pound, the British concluded that the battle could not be won. With this surrender, any remaining hopes for an international economy pivoting on the classical verities of gold and free trade vanished; economic nationalism became the order of the day.

One reason speculators found sterling so ripe for prey was that London had substantial sums invested in Germany that it could not repatriate. The funds were held up because Germany had experienced its own financial crisis that summer, and the German government had instituted a prohibition on capital withdrawals to staunch the outflow of funds. Indeed, it was the German catastrophe in July 1931 that was perhaps the most consequential event of that horrible year. As Tobias Straumann argues in his excellent new book, [1931: Debt, Crisis, and the Rise of Hitler](#), the disaster in Germany not only ravaged the domestic economy but also sent shockwaves through the international financial system and paved the way for Adolf Hitler's ascent.

The standard description of the German crisis begins with the collapse of the Austrian banking system in May 1931. The troubles in Austria then infected Germany and brought down its financial system in the middle of July. However, Straumann makes clear that Germany was headed toward a crossroads well before then. The crisis was a function of finance and politics, domestic and international. 'The fundamental cause of the German crisis', Straumann writes, 'was the inability of the parties to resolve the demands of international agreements with those of domestic political realities'. The international agreements were the reparation obligations from the First World War. Though international conferences had progressively reduced the reparations bill during the 1920s, the latest iteration, the Young Plan (adopted in 1930), had not created a sustainable payment schedule. The requisite payments were simply too great for Germany to pay, perhaps not during an economic boom but certainly in the midst of a downturn when relief spending was high and tax receipts low. Investors understood this basic reality and were therefore increasingly wary of holding money in Germany; throughout 1930 and 1931, Germany faced continuing shortfalls in government financing as a result.

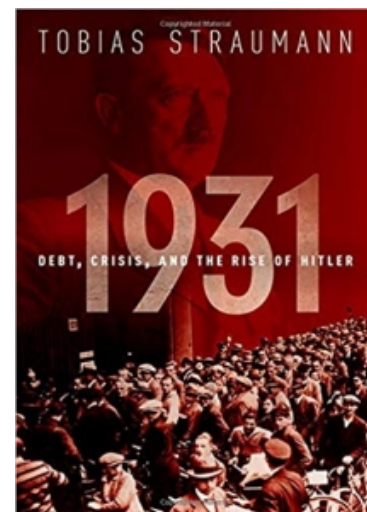




Image Credit: Cropped image of 'Depression Bread Line' sculpture by George Segal, FDR Memorial Site, Washington, DC ([Tony Fischer CC BY 2.0](#))

The German government, led by Chancellor Heinrich Brüning, implemented successive and unpopular austerity measures as it tried to gain control over domestic finances, partly to gather the funds to pay reparations and partly to demonstrate the impossibility of continuing to pay reparations. But the efforts were in vain. Money kept leaving Germany. International efforts to rescue Germany were half-hearted or too late. In late June, President Herbert Hoover announced a one-year moratorium on intergovernmental debts as a last-ditch attempt to calm the situation, but the clumsy rollout and the prolonged haggling over details with the French robbed the move of much of its potential efficacy. In the middle of July, the crisis peaked and German banks were on the brink of collapse. Seeing no other option, the government declared a bank holiday and implemented capital controls, helping to put an end to the domestic emergency but spreading havoc internationally. The world of finance reacted in horror and raced to move funds invested around the globe to safety. Britain was the first target, and in just two weeks, it lost almost one-fifth of its gold and foreign exchange reserves; the United States soon thereafter experienced an enormous outflow of gold and tightening of financial conditions. The world depression entered its most vicious phase: it was now Great.

Between 1929 and 1932, real GDP in Germany plummeted by a quarter, and the unemployment rate surpassed 20 per cent. In this mass deprivation, Hitler found opportunity. The Nazis did not want a solution to the depression or a rapprochement with the world: their path to power was hitched to a trail of despair. Already in the autumn of 1930, the Nazis had exploited discontent with the economic situation and reparation payments to catapult to become the second largest party in the Reichstag. The crisis and its aftermath further aided their cause. The trajectory was not linear; in November 1932, the Nazis actually suffered a setback in the national elections. 'At this point', Straumann concludes, 'a Nazi dictatorship was still not inevitable, but neither was it accidental that Hitler would become Chancellor soon thereafter'. The depression provided fertile ground for the Nazis to assume control, though other factors—including the belief among establishment conservatives that they could control Hitler—were important in leading President Paul von Hindenburg to offer the Chancellorship to Hitler in January 1933. For a book that has 'the Rise of Hitler' in its subtitle, it is somewhat surprising and disappointing that only a few pages are devoted to the events after July 1931, and the book would benefit from further discussion of the political impacts of the crisis.

‘The German crisis is instructive’, Straumann writes, ‘not because it shows that politicians sometimes fail to act courageously. That is to be expected. Most of us like to play it safe. Rather, it teaches us a timeless lesson about the importance of getting international agreements right.’ The nexus of reparations and war debts set up by post-war policymakers was simply not flexible enough to respond to reality. Hemmed in by domestic political constraints and a perpetual tendency to believe an improvement in Germany’s economy was just around the corner, the victorious powers were not bold enough to lead opinion toward a more tenable solution. We cannot assume that in times of crisis authorities will be able to make the hard decisions. The most important work does not happen during the crisis but before it: setting in place arrangements that both minimise the likelihood of an emergency and minimise the fallout should one occur. In this light, all one can say is how distressing it is to witness the [purposeful dismantling](#) today of international agreements and institutions painstakingly built to this end.

Near the end of the book, Straumann reminds us of Arnold Toynbee’s characterisation of 1931 as the ‘annus terribilis’, a time ‘when men and women all over the world were seriously contemplating and frankly discussing the possibility that the Western system of society might break down and cease to work’. Straumann narrates the German story during this year with clarity and authority, leading the reader through the twists and turns, the few moments of optimism and the many days of anguish, all toward a conclusion that we already know, yet hope against hope that somehow, in a flash of inspiration, the countries were able to avoid. They did not. In the end, after further economic deprivation, war and genocide, the Western system survived, but just barely and at unimaginable loss. Today, Toynbee’s reflections hit uncomfortably close to home. One wonders with trepidation how historians will view 2016.

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## About the author

**Max Harris** – *Harvard University*

Max Harris holds a doctorate in economics from Harvard University and is currently writing a book on international monetary cooperation in the 1930s.