
BROOKLYN DAILY EAGLE

LATE NEWS

WALL ST. IN PANIC AS STOCKS CRASH

Attempt Made to Kill Italy's Crown Prince

Hollywood Fire Destroys Films Worth Millions

High Duty Group Gave $700,000 to Coolidge Drive

Impact of the Wall Street Crash on Germany

The Wall Street crash of 1929, also known as Black Tuesday, was a catastrophic event in the history of the global economy. The Great Depression was brought about by the collapse US stock market, which had far-reaching effects that reverberated around the global economy. Germany, which had only recently started to recover from the destruction of World War I, was one of the nations that was most severely affected by the crash. The consequences of the Wall Street crash had a substantial and multifaceted effect on Germany. It had a variety of effects on the German economy, politics, and society. I'll look at the effects of the Wall Street catastrophe on Germany's economy in this article.

> "The epic boom ended in a cataclysmic bust"

Context in Germany in the 1920s: 'During the hyperinflation, German stocks were often extremely cheap. In November 1922, for example, the capitalisation of Daimler Motor Works was equivalent to the value of 327 of its cars.' Market volatility was extremely high, with 'share prices often changing by 30 or even 50 percent per month in real terms'. After the Mark's stabilisation in late 1923, stock prices first fell. In the summer of 1924, however, a long bull run began. Following this from October 1926 onwards, the Reichsbank began to believe that funds were being diverted from "productive uses" to the stock market. This is partly to blame for the later impacts of the depression on the German economy.

Prior to the Wall Street crash, Germany was already experiencing economic difficulties. The country was still struggling to pay off the massive war reparations imposed by the Treaty of Versailles. The German government was printing money to finance these payments, leading to hyperinflation and a devaluing of the currency. However, the German economy had started to stabilise in the late 1920s, and many believed that the worst was over. Although, this did included reliance on German loans of about $200 million, largely in Wall Street Bonds.

The Wall Street crash changed all of that. The United States was one of Germany's biggest trading partners, and the collapse of the American economy led to a sharp decline in German exports. This caused a contraction of the German economy and a rise in structural unemployment. Statistics from 1933 show less than 50% of 16-30 year olds were unemployed. Many businesses went bankrupt, and the value of the German currency plummeted even further; factories closed and unemployment reached 6 million by January 1933. The impact of the Wall Street crash on Germany's banking system was particularly severe. Many German banks had invested heavily in the American stock market, and when it crashed, they were left with huge losses. This led to a wave of bank failures and a loss of confidence in the banking system. People rushed to withdraw their savings, leading to a run on the banks. The German government was forced to step in and provide emergency funding to prevent a complete collapse of the banking system. The German government's response to the Wall Street crash was to implement austerity measures (cutting non-essential programs) in an attempt to balance the budget and restore confidence in the economy. This involved cutting public spending and raising taxes, which further worsened the economic situation. The government also tried to stimulate the economy through public works projects, but these efforts were insufficient to make up for the loss of export revenue and people soon lost trust in Chancellor Brüning, who ended up undermining democracy by governing by decree (reaching 66 decrees in 1932).

The economic impact of the Wall Street crash on Germany had a profound effect on the country's politics. The economic hardship and unemployment created by the crash fuelled the rise of extremist political movements, particularly the Nazi Party. In the 1930 election this manifested as the Nazi Party won 107 seats and the communists won 77. Adolf Hitler capitalised on the discontent caused by the economic crisis, promising to restore prosperity and national pride. These promises appealed to everyone, from factory workers that couldn't find work and dealt with low benefits and high food prices, to farmers who had high debts and falling goods, each of which wanted an authoritarian leader to establish stability. Moreover, Hitler secured investments from large businessmen who struggled due to the lack of consumption in the economy. For instance, the United Steel Works 'had a strong Nazi group among its top executives, centred about Fritz Thyssen, from its inception'. Due to German industry being extremely conservative, the growing strength of the Social Democrats and Communists was alarming. By 1931, Hitler was reassessing his party's past radical economic program in order to obtain the support of industry, which was increasingly looking for ways to work with the rising tide of nazism. A number of meetings between top Nazis and industrialists in 1932 strengthened this alliance. Therefore, the economic situation enabled such a form of fascism to gain leverage.

Overall, the impact of the Wall Street crash on Germany was significant and far-reaching. It led to a contraction of the German economy, a rise in unemployment, and a loss of confidence in the banking system. The German government's response, which involved austerity measures and public works projects, was insufficient to address the economic crisis. The crash also had political implications, fuelling the rise of extremist political movements and contributing to the rise of the Nazi Party. The effects of the Wall Street crash on Germany serve as a cautionary example of the interconnectedness of the global economy and the international consequences of economic instability

Why Communism is Destined to Fail

Communism is destined to fail in a real world. This statement has been proven by the cost of countless oppressed souls. But why do communism idealist always end up in the mud? We would need to look at the origin theory, examples of countries practicing it to figure out what leads to their inevitable failure.

Communism is generally referred as Karl Marx's Marxian communism, first proposed in The German Ideology (written 1845-1846) where he laid down the criticism of capitalism and the foundation of communism. Karl Marx was born in Germany to middle-class parents of Jewish descent, he was highly achieving and studied philosophy in the University of Berlin, but was unable to become a teacher because of his Jewish ancestry and his political views. He then turned to journalism, when he concluded the injustice he experienced was because of a failure in the system and corruption in the society. A complete rebuild must be done to overcome such flaws in the German society, moreover the world, he insisted.

The definition of communism according to Marx is that it's a classless society, there is no ruling class and the general public should be the ones deciding the economies future. While capitalism on the other hand is a flaw economy in which the ruling class-bourgeoisie owns the means of production. Forcing the working class- proletariat to loss their independence and become only as factor of production, as machines. Marx believes that this kind of oppression will eventually lead to a revolution of the working class, overthrowing the ruling class to create a classless communism society. What interesting here is Marx did not suggest that there need to be a dominant government centrally planning everything for the economy which all communist parties seem to insist. Nevertheless, politicians saw the idea as revolutionary and more importantly, can centralise immense power on themselves.

A few countries start practicing it and the most famous one is the USSR. Today, the Soviet Union is still widely considered as the first example of communism in action . Under Joseph Stalin from 1927 to 1953 and Nitkata Khrushchev from 1953 to 1964, the soviet communist party took full control of the economy, including agriculture, banking all kinds of industrial production. At first, things looked great for the USSR, they are very clear at their goal of rapid industrialisation by central planning. During 1950 to 1965, their GDP grew at a faster rate than most first world countries at the time. However, as we all know things went down hill fast. During the Cold War, the USSR's 'Five Years Plans' overemphasised on industrial and and military production, leading to underproduction of consumer goods. As there are not enough supply of goods for consumers to buy, weak consumer spending dragged down the rate of economic growth. This kind of underproduction by the government also leads to people producing privately and illegally, forming black markets which doesn't contribute to a country's economy. After decades of shortage, common poverty and oppression, the Soviet people demanded reforms to the society. Eventually leading to the collapsed of the USSR in 1991. China is another great example of countries failing under communism. But what differs it from the Soviet Union is it experienced drastic changes after giving up on it, at least economically. In 1949, Mao Ze dong's communist party gained complete control over China after years of civil war. They joined the USSR as the world's second major communist state. In hopes of sparking an industrial revolution, Mao's 'Great Leap Forward' plan in 1958 directed the whole population to produce overwhelming quantities of steel. What seems to be great for the economy leaded to over 15 million peoples death because of the unreasonable working goals and conditions. In 1966, Mao launched the Chinese Cultural revolution, intended to eliminate any old traditional values that he deemed to have drag the growth of the country. The 'revolution', which effectively is a purge resulted in the deaths of another 400k people by 1976. After Mao's death, his successor Deng Xiao Pin realised that the idea of complete communism is not working. Therefore introducing a series of successful market reforms, like starting to open international trading and opening private ownerships for business, the economy started to shift to a more free market approach.

Today, the Chinese government practices an economy based on a principle named 'New era socialism with Chinese characteristics'. It may sounds complicated but it's basically capitalism with the main difference being most government-own companies have a huge share in their market and large government fundings. Communism is more of a political propaganda to unite the nation rather than the iron code it once was.

The two biggest communism superpowers couldn't escape their downfalls. So what actually happened in their downturn? The first reason is obvious, extreme low incentives to work. In the two countries, the government own all f the production of goods and services while getting all profits gained from them, then it acts as a resources allocator and allocates equal portions to the people. Meaning that if a worker works 10 hours a day, he will get the same amount of revenue than a worker who works only 5 hours a day. This leaves no incentives to work and to increase productivity because the profit will never increases anyway. The situation could be demonstrated by the Laffer Curve which illustrate once the tax rate reaches a optimum level, keep increasing it will just end up lowering the tax revenue, eventually the tax revenue will become zero when tax rate reaches 100%. This is because when all the profits workers earned is taxed by the government they will just give up and don't work. The 100% tax rate could apply to the situation with all the crops farmer farmed are taken away and according to the Laffer curve, they will have no incentives to work.

Another key factor is suggested by an Australian economists, Ludwig Von Mises. He argued that the abolishment of the free market leaves no market prices for officials to guide them in planning for production. As all factors of production are owned by the government, no one can exchange them freely hence there is no market price developed for these goods. Resources are scared. Especially with demands from a whole country. Governments need to know what to produce and the exact cost of production to be efficient. As there is no market prices for goods, communist government do not know the need of the people reflected by market price and the opportunity cost of productions hence they could not produce effectively to meet demand and increase productivity. Let's take the Soviet Union as an example. The government do not have enough information on the three basic economic problems, what to produce, how to produce and for whom to produce since they don't have the relative cost to each production. This ultimately leads to underproduction of highly demanded consumer goods and in China's case, overproduction of steel which cause negative externality with its harm to countless workers and environment because of its poor and not sustainable production method. To put it in one sentence, without the free market there will be no market price therefore leading to lack of information on how to produce efficiently, hence central planning governments must fail over a long enough period of time.