+The History of the Twentieth Century
Episode 261
“The Great Crash III”
Transcript

[music: Fanfare]

By 1931, the German republic was in a precarious condition. Two of the three largest political parties in the Reichstag, the NSDAP, the Nazis, and the KPD, the Communists, were extremist parties that refused to compromise with or support any of the more centrist parties. Germany was being led by a minority cabinet that governed not through a majority in the parliament but through the support of President Hindenburg, who used a constitutionally dubious system of rule by decree.

Now this rickety arrangement would have to endure the challenge of the Great Depression.

Welcome to *The History of the Twentieth Century.*

[music: Opening Theme]

Episode 261. The Great Crash, part three.

We’re keeping our focus on Germany today, as we conclude this series on the Great Crash. Let’s begin with a quick recap. Three weeks ago, we saw the 1929 stock market crash in the United States. That was The Great Crash, part one. That happened as the result of a stock bubble, and in isolation, it would have been a serious, but not catastrophic, economic development.

But it did not happen in isolation.

At first, the reaction in Germany, as in Europe generally, was a heaping portion of *Schadenfreude.* Why not? The Germans invented it. For those of you who don’t know, *Schadenfreude* is that feeling of pleasure or satisfaction you get from someone else’s misfortune. After seven years trumpeting their own economic success while dismissing Europe as a post-war wasteland where the currency was fit only for lighting cigars and the inhabitants’ principal occupation was trying to weasel out of paying their debts, the arrogant Americans had finally gotten their comeuppance.

Apart from the emotional satisfaction, the crash initially benefitted Europeans by forcing the US Federal Reserve to lower its interest rates dramatically. Because of the gold standard, and because Britain and Germany, Europe's two biggest economies, were short on gold reserves, Europeans had to keep their own interest rates above US levels to prevent a gold drain, which had led to higher unemployment and an economic slowdown in Europe. The new, lower interest rates were a welcome economic relief.

But the benefits of the crash proved ephemeral; soon the bad news started to come in. As the US economy slowed, so did America's appetite for imports. The UK and Germany needed to beef up their gold reserves; the easiest way to do that was to run trade surpluses with the gold-rich United States. Now the Americans were buying less. The Smoot-Hawley Tariff Act made matters worse. America's trading partners retaliated with tariff increases of their own. This was not just tit-for-tat retribution against Senator Smoot and Representative Hawley. It was about protecting their trade surpluses, which were key to rebuilding their gold reserves and paying their foreign debts. You know, those debts the Americans kept insisting they pay?

Then the second blow fell: the US banking crisis. That was The Great Crash, part two, which we looked at two weeks ago. In the aftermath of that crisis, the Americans were no longer offering the Germans quick and easy credit; indeed they were calling back the credit they had already offered. A substantial chunk of the money American banks had lent to Germany was in the form of short-term loans. A common practice at the time was to offer a loan with the borrower liable only for interest payments until the end of the loan, at which time the whole of the principal would be due, what is known as a balloon payment. German borrowers took that deal without worrying much about how to make that balloon payment. When it came due, they expected to be able to roll it over into a new loan. That was how it was typically done, back when American banks were flush with cash. But American banks were no longer flush with cash. Their depositors were lining up at the doors to close their accounts, so the banks needed that loan money back *tout de suite*.

By 1930, the US economy was leading the world into deflation. Deflation means the value of money is increasing, which causes all manner of troubles. Deflation discourages consumption and investment, it encourages hoarding of money, and it puts debtors in a bind, since their loans come due in money that is more valuable than it was when they borrowed it.

The root of the deflation problem was the gold standard. The world economy had boomed between 1870 and 1914 and it was conventional wisdom that the gold standard deserved much of the credit. So why did the gold standard fail the world in the 1920s? The real question is, why did the world economy succeed despite strict adherence to the gold standard back in the days of the Belle Époque? Modern economic theory tells us that the supply of money needs to grow at the same rate as the economy. The Belle Époque period saw rapid economic growth, but it also saw substantial increases in the world's gold supply. Large amounts of new gold were extracted in California, Alaska, the Yukon, and South Africa, and it seems the supply of gold kept pace with the economy, barring the occasional panic.

I mentioned this once before, and a listener wrote in to draw my attention to another factor: in the last decade of the 19th century, a process called gold cyanidation became practical. This is a chemical technique that uses cyanide to extract gold from low-grade ores, making gold mines more productive and further increases the world gold supply.

But the balance between production of new gold and economic growth was upset by the 1920s. New technologies like radio and electronics, automobiles and internal combustion, electrification and mass production, were rapidly increasing economic output, while the supply of gold lagged behind. That means the price of gold will rise, relative to the price of everything else. And if your currency is pegged to gold, that means the value of your currency will rise, too. That's called deflation.

And finally, last time, we got caught up on the political situation in Germany. Hindenburg is now President. The respite that the 1924 Dawes Plan gave to Germany went away at the same time easy American credit did. Now the German government has to come up with a policy to address the credit crunch, the balance of payments problem, and the higher level of reparations payments required by the Young Plan, the successor to the Dawes Plan.

Since Germany couldn't borrow the money, that left two options. One would have been devaluation of the mark, which would make German exports cheaper and therefore more attractive while also making it easier for the German government to meet its domestic obligations, such as pension and unemployment benefits to those Germans losing their jobs in the economic crunch.

In hindsight, and given what's about to happen in Germany, this option looks better than ever. It's what the SPD, Germany's largest political party, wanted to do. But Germany had been though a painful and destabilizing hyperinflation just seven years ago, and that was still fresh in everyone's mind. Germany had worked its way, slowly and painfully, back onto the gold standard and then, like the UK, fought valiantly to stay there. Devaluation was akin not only to giving up on the gold standard but also declaring that all that earlier sacrifice had been pointless.

So they went with austerity instead, and Heinrich Brüning became known as the "Hunger Chancellor."

That's where our narrative stood as of last week's episode. But before we get to Germany, we need to take note of what's going on in neighboring Austria. Austria is a nation we haven't looked at since episode 178, when it emerged from the rubble of the Austro-Hungarian Empire. I direct your attention to Vienna, the city that is now home to half the population of Austria, a nation about one-tenth the size of Germany. In 1931, Vienna is an imperial capital that no longer rules an empire. And I particularly direct your attention to Austria's largest bank, based in

Vienna. Its name translates into English as something like “The Austrian Credit Institute.” It’s usually known as Credit Anstalt.

Credit Anstalt was founded in the 19th century by a member of the famed Rothschild family. This Jewish German family got into the banking business in Frankfurt in the 18th century and sent its sons to found new banks in Europe’s leading capitals: London, Paris, Vienna, and Naples. By the 19th century, the family was collectively extremely wealthy, holders of the largest private fortune in the world. Austrian and British members of the family were ennobled in their respective homelands, and their heirs continue to play an important role in international finance in our time. In Europe, the name Rothschild became a synonym for wealth and power, and a major source of anti-Semitic conspiracy theories about Jewish people controlling the banking business and operating cabals that secretly controlled national governments, theories that were very much alive in 1930, and, sad to say, are very much alive in our own time.

As I say, Credit Anstalt was in 1930, the largest bank in Austria. It held about half of the nation’s bank deposits. And it was struggling to stay afloat. A year earlier, in 1929, Credit Anstalt had been pressured by the Austrian National Bank into merging with Bodencreditanstalt, Austria’s number two bank, which had been failing. The merger went through, but afterward, the directors of Credit Anstalt, who included representatives of the Bank of England and New York’s Guaranty Trust Company, discovered that Bodencreditanstalt had been even deeper underwater than anyone realized. Then came the American banking crisis. The Austrian National Bank began secretly funneling money into Credit Anstalt to keep it open, but the losses were so deep even the National Bank was strained.

Meanwhile, with both the German and Austrian economies suffering from the worldwide economic slowdown, the governments of the two nations in March 1931 proposed a customs union, creating a free-trade zone between Germany and Austria which, it was hoped, would help offset the decline in exports afflicting both nations.

As soon as the customs-union proposal was announced, Allied nations, particularly France and Czechoslovakia, denounced the plan. In the 19th century, a customs union among the German states proved to be the first step toward German unification. To the Allies, this customs union looked like a sneaky, back-door way of achieving *Anschluss*, the unification of Austria and Germany.

Anschluss was a popular idea among Austrians and Germans alike in 1931. About 80% of the populations of both countries supported the concept. In the new world of national self-determination, uniting all German-speaking people under one flag was asking for no more than what the Poles or the South Slavs had asked for and been given at the Paris Peace Conference. But the peace treaties that Austria and Germany had each signed with the Allies both explicitly forbade *Anschluss* without prior approval by the League of Nations. Were Austria and Germany now trying to unite by stealth?

The League of Nations brought the question of whether the proposed customs union violated the treaties before the Permanent Court of International Justice at The Hague. In September, the Court handed down its decision. By eight votes to seven, the Court ruled that yes, it was a violation.

But the French were unwilling to wait even that long. France had the largest gold reserve in Europe, and the Banque de France held substantial reserves of other nations' currencies, which gave France a great deal of economic clout over her European neighbors, even the UK. The French expressed their displeasure with Austria by withdrawing funds from Austrian banks and selling Austrian schillings. The schilling, by the way, was the new Austrian currency, introduced in 1925 to replace the krone, the old imperial currency. This currency conversion was also a treaty requirement imposed on Austria by the Allies.

This French economic attack was the last push that sent Credit Anstalt over the edge. On Friday, May 8, 1931, the bank informed the Austrian government that it was underwater. The following Monday, the Austrian government announced a rescue plan for the bank, under which it would loan the bank $15 million. This was a lot of money for the Austrian government, but for Credit Anstalt, it was too little, too late.

The collapse of Credit Anstalt shocked the European banking world. It wasn't just that the bank was big; it was an old and established institution with a sterling reputation. In the week following the announcement of the rescue plan, runs developed, not only on Credit Anstalt, but on all Austrian banks. About $50 million was withdrawn in a week, amounting to about 10% of all Austrian bank deposits. The Austrian National Bank lost 40% of its gold reserve.

The banking panic quickly spread to Germany. It wasn't that German banks were taking many losses in Austria; the problem was psychological. Investors and depositors simply assumed that if German-speaking Austria was in trouble, Germany would soon follow. So investors began to pull out of Germany. The Reichsbank lost half of its already slender gold reserves in three weeks.

At the same time, the economic situation in Austria went from bad to worse. When it seemed that the Austrian government itself might collapse, the French swooped in with phase two of their plan, offering a rescue package of emergency loans, but there was a catch: Austria would have to abandon the customs union with Germany. The Austrians had little choice and likely would have agreed, except that the Bank of England, on learning of the situation in Vienna and resenting the French attempt to leverage their gold reserves into political control over smaller countries, offered its own loan to Austria, this one with no strings attached.

Meanwhile, rumors began to fly that claimed Germany would be unable to make its reparations payments. This created anxiety in the United States, which was seeing a crisis in its own banking industry. If the German financial situation was truly that critical, then those US banks that had loaned billions of dollars to Germany might go down along with the Germans, subjecting the US economy to another round of bank closings and further aggravating the economic crisis in America.

On June 5, Thomas Lamont of J.P. Morgan & Co. telephoned President Hoover to discuss the banking crisis in central Europe and the danger it presented to US banks. Lamont had a suggestion, one he prefaced with the prediction that the President would likely want to throw it out the window as soon as he heard it, but begged Hoover to give it serious consideration. It was this: that the United States call for a one-year moratorium on all reparations and debt payments in Europe. No European nation could make such a proposal in the current climate, he argued. Any leader who did, be they in Berlin or Paris or London, would immediately spark rumors that their own country was close to default. Only America, a country which itself had no significant foreign debt, could make such a proposal without triggering another round of panic.

Hoover countered by pointing out that none of these countries were very popular right now with the American public. Americans saw the Germans and the French and the British up to their old games of jockeying for power and prestige in the new post-war Europe, yet crying poor as orphans whenever the subject of their own debts came up. The French in particular were stockpiling gold, building new armaments, and generally bullying their European neighbors. Why should US taxpayers do them any favors?

Lamont genteelly pointed out that the economic woes of the past two years had called Hoover's leadership into question and that the 1932 Presidential election was just around the corner. Voters would remember Hoover stepping forward with a plan to end the banking crisis in Europe at this critical moment. Also, Lamont assured the President that if he chose to run with this plan, no one else would claim credit for it. It would be Hoover's plan, and his alone.

Within minutes after the call was over, Hoover summoned his Treasury Secretary, Andrew Mellon, and his Secretary of State, the 63-year-old Henry Stimson. We've met Andrew Mellon before, but this is our first encounter with Henry Stimson and it's likely not going to be our last, so allow me to pause the narrative for a moment to introduce him.

Henry Stimson was born in New York City, the son of a surgeon. He attended Phillips Academy in Andover, Massachusetts, Yale College, where he was a member of Skull and Bones, and Harvard Law School. He was a successful lawyer on Wall Street, a protégé of Elihu Root, and a Republican who had already served in the Roosevelt, Taft, and Coolidge Administrations. When he took over as Secretary of State in 1929, he was apprised of the State Department's Cipher Bureau, the so-called Black Chamber. You may recall I mentioned how the US government used decoded intercepts of Japanese diplomatic communications to its advantage at the Washington Naval Conference, episode 224. When Stimson was informed of the project, he was horrified and ordered it shut down immediately with the famous declaration, "Gentlemen do not read each other's mail."

At that Presidential meeting, Andrew Mellon expressed unease with the idea of a debt holiday, but Stimson enthusiastically endorsed it, and so Hoover decided to press ahead. But other world leaders were not just sitting around waiting for Herbert Hoover to act. Just a few hours earlier that very same day, the German chancellor, Heinrich Brüning, had announced another round of austerity: more cuts in salaries and in unemployment assistance, and new tax increases. The German people were already sick of austerity and Brüning knew it, so he tried to soften the bad news with a pledge: that this new round of austerity would be the last. Germany had tightened its belt as much as it could. The reparations payments being demanded of Germany had been agreed to at a time when the German economy was much stronger than it was today, he noted, and something would have to be done about that before the German people could be asked to sacrifice further.

This pledge was intended for domestic consumption. The next day, Saturday, June 6, Brüning traveled to England for talks with British Prime Minister Ramsay MacDonald at Chequers. Chequers, by the way, was a country estate in Kent that had been donated to the nation in 1917 for use by the serving prime minister. The thought behind this gift was that past prime ministers had been country gentlemen who had come with their own estates at which they could host foreign dignitaries, but times had changed, as the accession of David Lloyd George, the orphaned son of a Welsh schoolteacher, had demonstrated. If, in the twentieth century, prime ministers no longer came with their own estates, then the nation would have to keep one handy for times of need.

Now, fourteen years later, Ramsay MacDonald, born the illegitimate son of a Scottish housemaid, was putting the property to its intended use by hosting a weekend meeting with the German chancellor. Brüning described to MacDonald Germany's desperate position. Unemployment had reached 30%, and malnutrition was a growing public health problem. The German *Reichswehr,* the military, was permitted under the Treaty of Versailles to take on six thousand new recruits per year. In the past year, it had attracted eighty thousand applicants, and half of them had to be turned away because of poor nutrition. The Communists and the Nazis were getting more strident and more violent, and their appeal was growing among the increasingly disaffected German public.

The meeting was interrupted by a telegram from the British ambassador in Washington, where Secretary of State Stimson had just heard the news of Brüning's Friday declaration, throwing into doubt Germany's commitment to the Young Plan, and Stimson was quite upset. He felt that any hint Germany might unilaterally suspend reparations payments would fatally undermine the pending Hoover proposal for a debt moratorium before Hoover had a chance to make it public. The PM and the British officials at the Chequers meeting were themselves surprised; they hadn't heard about the Chancellor's pledge until the telegram from Washington arrived. The Germans hadn't mentioned it; the Chancellor had offered the pledge to soothe German domestic political opinion. The Americans and now the British begged the Germans to take no further action until Hoover had the opportunity to announce his proposal.

The US State Department worked overtime over the next two weeks in 100-degree weather in Washington, at a time before offices were air conditioned, to piece together Hoover's plan, in consultation with the British government, the City, and Wall Street. Hoover invited key Senators and Representatives to the White House to brief them on the forthcoming proposal. At one point, Hoover got cold feet and almost pulled the plug on his own project, but Secretary of State Stimson convinced him to stay the course. During these two weeks, the President traveled to Marion, Ohio, to dedicate the Harding Memorial, episode 229, but kept in close contact with the State Department.

Two days later, Hoover received a telegram from German President Hindenburg, begging for America to come to Germany's aid. The German banking crisis was growing ever worse. Half of the Reichsbank's remaining gold reserves had flown out the door in just these past two weeks. The run on banks spread from Germany and Austria to Hungary, then Romania and Poland, then to Spain. Bolivia and Peru defaulted on their own debt payments; it appeared that Argentina, Chile, and Brazil might soon follow.

Time was running out, but there remained the problem of what to do about the French. Stimson and Ramsay MacDonald agreed the French would not take kindly to the Hoover plan, so they dithered on how to present it to them. In the end, procrastination ran headlong into the urgency of the moment, and the Hoover plan was made public without the French being consulted. They found out about it from the newspapers.

[music: Handy, "St. Louis Blues"]

Hoover announced the plan at an unusual Saturday press conference at the White House, and it went like this: The United States would be willing to forego one year's worth of principal and interest payments from the Allied nations—that comes to about $250 million—on condition that the Allies forego one year's worth of German reparations payments, amounting to about $380 million.

The announcement was a shocker, not least because of who proposed it. Herbert Hoover, the man who until now had responded to every crisis with modest technocratic fixes that made your eyes glaze over while also warning that doing anything bigger or more dramatic would be dangerous, had finally decided to go big. Over the next 24 hours, the White House received telegrams praising the plan from the prime ministers of the UK, Italy, and Japan.

Then the French weighed in. Prime Minister Pierre Laval was incensed. France had the largest army in the world and the second-largest gold reserves after America's, and she was being treated like an unwanted stepchild. It was fine for the Americans to forgive debts owed to them, but how could they offer a suspension of German debt to France without even consulting the French government? And if the French agreed to the plan, what guarantee could President Hoover offer that after the moratorium was over, the Germans would resume payment? Foreign minister Aristide Briand summoned the US ambassador to accuse America and the UK of conspiring to protect their own financial sectors by hanging France out to dry.

As it happened, Treasury Secretary Mellon was in France at that moment, on his way to a planned summer vacation on the Riviera. He was redirected to the US embassy in Paris, where he spent two weeks in negotiations with the French government to work out a compromise. Meanwhile, the German Reichsbank was going broke. A consortium of foreign banks gave it a bridge loan of $100 million to see the it through during the negotiations; the money disappeared in two weeks.

It was just at this time that transatlantic telephone calls had become available. The 76-year old Mellon spent his days arguing with the intractable French and his evenings on the telephone listening to President Hoover gripe about how intractable the French were being and demanding that Mellon get tough with them. No doubt Mellon spent a good bit of this time dreaming about the Côte d'Azur, and perhaps of sitting on the beach with French fashion designer Coco Chanel. In 1923, Coco Chanel had returned to Paris after a summer vacation on the Riviera with a deep tan, and such was her fashion influence that suddenly sunbathing was all the rage. Beach tans would continue to be fashionable for the rest of the twentieth century. I bet Andrew Mellon wishes he were on the beach.

On Monday July 7, after nearly three weeks of testy negotiations, Laval and Mellon arrived at a face-saving compromise. The French would forgive a portion of Germany's reparations payment. Germany would still pay the balance, but France would immediately loan those funds back to Germany. Prime Minister Laval told Andrew Mellon now he was free to go on to the Riviera and resume his interrupted vacation.

It was enough to salve the wound to French pride, but they were already too late. Just a day after the agreement was reached, July 8, Danatbank, Germany's third largest bank and Hjalmar Schacht's former employer, notified the Reichsbank that its liabilities had exceeded its assets. It was underwater.

Hjalmar Schacht, you'll recall, was the banker who had rescued Germany from the hyperinflation of eight years ago. He had been chief of the Reichsbank, until he quit in protest over the Young Plan. The new chief was Hans Luther, whom we have met before, when he was chancellor for a while in 1925. Now he was head of the Reichsbank. That day, he put a call through to Montagu Norman at the Bank of England to tell him that the collapse of Danatbank was threatening to bring down the Reichsbank with it. The Reichsbank's reserves were so low, that if it used what was left to bail out Danatbank, it would no longer be able to convert marks into gold, effectively taking Germany off the gold standard and triggering a run on the mark. On the other hand, if the Reichsbank refused to bail out Danatbank, that would trigger runs on other banks across Germany. Support the mark, or support the German banking system; the

Reichsbank could no longer do both. It would have to choose. The only other option would be for the Reichsbank to borrow enough money to see it through the crisis.

The entire German economy was collapsing. Germany's GDP was about $13 billion dollars per year, but that figure was shrinking due to the economic contraction. Its reparations debt was $9 billion. Germany's other foreign debt was $6 billion, most of it in short-term loans to American banks that those banks were now trying to reclaim. And the Reichsbank was down to $250 million in gold reserves. Luther met with Norman and with representatives of the Netherlands Bank, who told him that a) the only central bank in Europe that had enough gold to bail out the Reichsbank was the Banque de France, b) that the French had already demonstrated a willingness, indeed, an eagerness, to attach onerous political demands to their bailout packages, and c) the French were already in a foul mood, so it was anyone's guess what they would demand in return for their help.

Luther, having no choice, traveled to Paris and asked the French for help. As the British and Dutch had predicted, French assistance came with a list of demands: Germany would abandon its program of building pocket battleships. (These were ships that were nominally cruisers, small enough to be permissible under the Treaty of Versailles, but were heavily enough armed to amount to mini-battleships, or pocket battleships, as people said at the time.) Germany would abandon the customs union with Austria. Germany would raise interest rates substantially. And, Germany would prove its willingness to coexist peacefully with its European neighbors by banning public demonstrations by the Nazi Party.

It was too much for the Germans to accept. German newspapers called it blackmail. Rumor had it that President Hindenburg planned to resign in protest if the deal was accepted. The German Cabinet debated the proposal all night and then rejected it.

There was only one other country in a financial position to bail out the Reichsbank: the United States. The US ambassador in Berlin sent a frantic cable to the State Department, warning that America needed to step in, or else Germany would go into default and billions of dollars in US loans to Germany would disappear, with catastrophic consequences for America's banks, which were already in trouble.

The following Monday, July 13, Danatbank failed to open. By the end of the day, Germans were lining up to withdraw their money from virtually every bank in the country, and banks were limiting withdrawals to 10% of the account balance. That evening, President Hindenburg ordered all banks in the nation closed for the next two days, meant as a cooling-off period, though most banks in Germany kept their doors shut for weeks. As the German economy came to a screeching halt, the Reichsbank was forced to raise interest rates to 15% to keep money in the country. An emergency decree banned the movement of money out of Germany and required all Germans holding foreign currency to convert it to marks. Payments on all foreign debt were suspended. Riots broke out in cities across Germany, while Germans traveling abroad became stranded when no bank or hotel would accept their money.

Effectively, though not officially, Germany had left the gold standard and fallen into its second economic catastrophe in eight years. This time, the disaster was not restricted to Germany. Banks in Eastern Europe tumbled like dominoes, in Austria, in Hungary, in Danzig and Poland and Latvia, and Czechoslovakia and Yugoslavia. And the shock waves traveled around the world.

In New York, the Dow, which had peaked at 381 in 1929, before the crash, was still around 150 when Danatbank went under. By 1932, it would bottom out at 41. RCA, the hottest stock of the Roaring Twenties, peaked at $101 per share in 1929. In 1932, it was selling for $2 per share. Collectively, corporate America had earned $10 billion in profits in 1929. In 1932, it lost $3 billion. In London, even the venerable Bank of England was scrambling to protect its own dwindling gold reserves, while Westminster marveled at the sight of a socialist prime minister, Ramsay MacDonald, cutting wages and unemployment benefits and imposing austerity in the UK.

British historian Arnold Toynbee compared the collapse of Credit Anstalt in 1931 Vienna to the assassination of Archduke Ferdinand in 1914 Sarajevo, in that they were both seemingly small events in one isolated corner of Europe that would have catastrophic global ramifications. American economist J. Bradford DeLong points to this moment in history as the time when the world's overlapping economic crises consolidated into the economic disaster we call "The Great Depression."

But I'm going to give the last word to friend-of-the-podcast John Maynard Keynes. Interviewed by the *Saturday Evening Post* in 1932, he was asked if anything like this collapse had ever happened before. He replied, "Yes. It was called the Dark Ages, and it lasted four hundred years."

In coming episodes, we will explore the political consequences of the collapse in several of the Great Powers, for they were many. This will include the US, the UK, Germany, and Japan, but we'll have to stop here for today. I thank you for listening, and I'd especially like to thank Matan and George for their kind donations, and thank you to Harry for becoming a patron of the podcast. Donors and patrons like Matan and George and Harry help cover the costs of making this show, which in turn keeps the podcast available free for everyone, so my thanks to them and to all of you who have pitched in and helped out. If you'd like to become a patron or make a donation, just visit the website, historyofthetwentiethcentury.com and click on the PayPal or Patreon buttons.

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And it's that time of year again. The holidays are almost upon us, so allow me to remind you that donations and patronages to *The History of the Twentieth Century* make the perfect holiday gift—for me. No need to spend your valuable time shopping, no worries over whether it's the right size or the right color, no supply chain issues, and you can feel absolutely confident that it will never be returned. Another giving option is a rating—that's where you click on the stars—or a review—when you write actual words—at the iTunes store, which is still where your rating and review carry the most weight, or wherever podcasts are available for download. And thanks again to everyone who has already supported the podcast, by any or all of these means. You help keep me going, and help other listeners find the podcast, listeners who hopefully will enjoy it as much as you do.

Next week is a bye week for the podcast, but I hope you'll join me in two weeks' time, on *The History of the Twentieth Century,* as we turn our attention east for the first of four episodes focused on circumstances in Asia. This will take us through the end of the year and into 2022. I have to confess that I'm leading us away from Germany just at the moment when big things are about to happen because Christmas is coming up. I know not all of my listeners celebrate Christmas, and not all who do celebrate it on the same day as I do, but I just didn't feel like December was the right month to talk about the rise of you-know-who, so we'll save him for the new year. Admittedly, events in Asia aren't that much cheerier, but here we are.

Speaking of Christmas, it's been my custom for the past few years to do a special Christmas episode. This is meant as my Christmas gift to all of you, my listeners. Last year's Christmas episode was about astronomy and the discovery by astronomers in the 1920s of the true scale of the Universe, which has to count as one of the most important scientific discoveries of all time.

This year's Christmas episode will return to the topic of astronomy for another discovery that was perhaps less significant in the grand scheme of things, but attracted a lot of public attention. I refer to the 1930 discovery of the ninth planet, Pluto, by American astronomer Clyde Tombaugh at the Lowell Observatory in Flagstaff, Arizona. Well, it was the ninth planet for a while. What is a planet, anyway? We'll get into it on Christmas.

Meanwhile, I hope you'll join me in two weeks' time, here on *The History of the Twentieth Century,* as we begin our Asian tour in China, with The Long March. That's in two weeks' time, here, on *The History of the Twentieth Century*.

Oh, and one more thing. Speaking of the political consequences of the Great Depression, in October 1931, three months after the German collapse, Germany's leading right-wing anti-democratic nationalist groups gathered in the resort town of Bad Harzburg to declare a united front and present themselves as the leading opposition to the Brüning government. Bad Harzburg, in the Harz Mountains in the Free State of Brunswick, was selected as the site of this gathering because a coalition of right-wing parties governed Brunswick, a coalition that included the NSDAP, or Nazi Party, and Brunswick was therefore one of the few places in Germany were public displays of monarchist and National Socialist regalia were permitted. The town of Bad Harzburg was decorated with the red, white, and black of the old Imperial German flag and the streets of the town thronged with Nazi SA members in their distinctive brown shirts.

There was Rüdiger von der Goltz, the former general who had once been dictator of Finland, episode 181. There was former general Walther von Lüttwitz, the man who had defied civilian authority and engineered a coup against the fledgling Republic, episode 213. There were two of the deposed Kaiser's sons, Eitel Friedrich and August Wilhelm. There were representatives of the right-wing veterans' group, *der Stahlhelm*, the right-wing Agricultural League, which represented Prussian landowners, and the Pan-German League. There was media magnate Alfred Hugenberg and his German National People's Party.

And there was Hermann Göring, the Great War flying ace who had joined the Nazi Party, episode 214, and now held one of its seats in the Reichstag. There was also SA leader Ernst Röhm, Heinrich Himmler, leader of the SS, the elite division of the SA tasked with security for the Party Leader, and the Party Leader himself, Adolf Hitler.

And there was Hjalmar Schacht, the former head of the Reichsbank and the man who had saved the German economy in 1923. His reputation previously had been as a non-political financial expert. Now he threw that reputation behind the right-wing coalition, castigating Chancellor Brüning and his economic policies.

But the star of the show was Hitler, and he drew crowds whenever he spoke. No longer did Adolf Hitler need the prestige that came from sharing the speakers' rostrum with the likes of Alfred Hugenberg or Admiral Tirpitz. Now it was the other political leaders who jockeyed among themselves to share the spotlight with Adolf Hitler.

He would not let any of them share it. The National Socialists were now the most prominent right-wing party in Germany, and Hitler was determined that his party would be part of no governing coalition, unless the NSDAP were the leading party and he himself was appointed chancellor, a deal that so far no other political party had been willing to agree to. So far.

Beyond that, President Hindenburg's term would be ending in just a few months. The old soldier, now 84 years old, would surely not run for another seven-year term, making it likely that the next President of Germany would be the leader of the right-wing opposition. Adolf Hitler was determined that would be him.

[music: Closing Theme]