CONCLUSION

During the 1950s and 60s, Keynesian historians dominated the study of the interwar German economy. One of their central claims was that expansionary fiscal and monetary policies would have alleviated mass unemployment in the late Weimar Republic. More recently, the erosion of confidence in Keynesian remedies for contemporary ills has led many to doubt that conclusion. A number of new interpretations of the German economy have held that labor market rigidities were sufficient to have thwarted any simple expansionary policy.[1]

Labor markets--and the nature and extent of their "supply-side" rigidities--are thus at the heart of recent controversies about the workings of the Weimar and Nazi economies. And more is at stake than just another case in the ongoing debate between Keynesians and their critics. The Nazi seizure of power was surely influenced by the failures of Germany's labor markets, a fact which increases the incentive to understand those markets and their workings.

This thesis has attempted to broaden and deepen our knowledge of Germany's interwar labor markets by focusing on unemployment and its causes. Chapter 1 provided necessary

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[1] See above all Borchardt (1979) for a critique of the Keynesian interpretation, and Maier (1985) for a spirited defense of the same.

background information on the magnitude and nature of German joblessness. During the depression typical unemployment spell lengths were much longer in Germany than in the U.K. (Table 1.3). But both countries seem to have had bifurcated labor markets, with considerable amounts of both short and long term unemployment. And age and gender patterns of unemployment incidence were remarkably similar in the two economies.

Chapter 2 investigated one of the most prominent explanations of Germany's persistent unemployment. Professor Knut Borchardt of Munich has recently revived the contention that real wages were too high in the late Weimar Republic, and Chapter 2 lends provisional support to his claim. As in Great Britain, real wages moved countercyclically during the interwar years. If they were in fact determined by political forces, wage movements can be credited with a large part of the rise and eventual fall of German unemployment.

The final chapter turned to another potential cause of unemployment. Like interwar Britain, Weimar Germany had a well developed system of unemployment insurance. Conservatives in both countries asserted that generous benefits were actually causing unemployment by means of their effects on workers' job search behavior. Chapter 3 established a correlation between German benefit levels and unemployment rates, but has cast doubt on the ability of

search theory to account for it. Here, too, the similarity between this result and those of recent research on Great Britain is striking.[2]

Taken together, the essays of this thesis highlight the similarities between the German and British labor markets in the interwar period. In both countries, unemployment spells were short by modern standards, and in both high rates of unemployment were correlated with high real wages and generous unemployment insurance benefits. These correlations do not, however, prove the importance of supply-side rigidities in the German labor market. Neither for Germany nor for Britain can one make a strong case that the correlation between UI benefits and unemployment was due to the influence of benefits on workers' search behavior. Nor, as the second chapter has pointed out, does the correlation between joblessness and high wages prove that expansionary policies would have failed.

The inconclusive results suggest the need for further research. Two as yet unanswered questions emerge directly from Chapters 2 and 3. First, how were real wages actually determined? Were they truly set by non-market forces? If so, the Keynesian emphasis on expansionary demand management would seem crucially flawed. Second, was the search mechanism the only means of transmitting effects from the UI system to unemployment? And is there any evidence in

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[2] See Benjamin and Kochin (1979) and Hatton (1985).

Reichstag and regulatory records that levels of unemployment drove decisions about benefit levels?

Beyond these particular questions lies an array of broader issues. One of the more interesting projects still to be completed is the integration of what we know of the economic and political aspects of Germany's interwar unemployment. While largely economic in character, this thesis will hopefully be of use in such an endeavor.

APPENDIX A

Data Series Definitions

NOTE: All of the series used in the tables or regression analyses are listed here in alphabetical order. When a series is constructed out of a number of other series, those series are also listed and defined.

Benefits. The data on benefits for families of size two and four come from various issues of the **Reichsarbeitsblatt**. I consider only the benefits paid by UI proper, not the sometimes lower amounts paid by the Reich's emergency relief program (Krisenfuersorge). For those quarters when benefits were tied to earnings in the three months prior to unemployment, I used an average of the current and preceding quarter' average gross industrial wage. For those quarters when benefits were tied to earnings in the sixth months prior to unemployment, I used a three-quarter average of gross industrial earnings. When benefits were tied to geographic location and city size, I assumed that the typical beneficiary resided in the middle of Germany in a large city (Wirtschaftsgebiet Mitte, Ortsklasse A). Beneficiaries in this category fell roughly in the middle of the benefit distribution. When the benefit schedule changed during a quarter, I used a weighted average of the relevant amounts, with weights reflecting the amount of time each schedule was in effect.

Bwcov. The replacement rate for a family of two (b/wnet(2)) times the coverage rate, the share of all registered job seekers receiving UI or emergency relief.

B/wex(2). The log of the ratio of weekly UI benefits for a family of two to the expected average weekly net earnings of a worker in industry. See Benefits and Expected Net Earnings.

B/wnet(2). The ratio of weekly UI benefits for a family of two to the average weekly net earnings of a worker in industry. See Benefits, Gross Earnings, and Tax Rates.

B/wnet(4). The ratio of weekly UI benefits for a family of four to the average weekly net earnings of a worker in industry. See Benefits, Gross Earnings, and Tax Rates, German.

CPI. The consumer price index as given by Bry, pp. 422-426, converted so that it equals 100 in 1926.I

Covrat. The share of registered job seekers receiving either UI or emergency benefits.

Deltalf. The year to year change in the total civilian labor force. See Total Labor Force.

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<u>Delto</u>. The quarter to quarter change in the log of an index of industrial output. Delto = log(industrial output)t - log (industrial output)t-1. See Industrial Output Index.

<u>Dependents per beneficiary</u>. The Statistisches Jahrbuch and the Reichsarbeitsblatt give data on the total number of dependents for whom dependent supplements were paid.

<u>Dtreno</u>. The deviation of the log of the industrial output index from its estimated trend. The trend is taken as the fitted values from the following regression: log(industrial output index) = a + b(time) + e.

<u>Dtreny</u>. The deviation of the log of NNP at factor cost from its estimated trend. The trend is taken as the fitted values from the regression: log(NNP) = a + b(time) + e.

<u>Employment Turnover</u>. The data on Krupp are from the Krupp Archiv, WA 41/6-3. Those for the Friedrich-Willhelms and August Thyssen Huetten are from the Thyssen Archiv, A8205-A8226; FWH 1.50.00. The Bayer data are from Stolle (1980).

<u>Expected Net Earnings</u>. These were assumed equal to the fitted values of the following regression on data from 1926.I to 1938.IV: log(net earnings)t = .14 + 1.20(log net

earnings)t-1 - .23(log (1.19) (8.45) (-1.63) net

earnings)t-2 + Seasonals, R2 = .942, D.W. = 2.21 Fallse.

A 0-1 dummy variable equal to 1 during the fourth quarter

and equal to zero elsewhere.

Femshare. The female share of the labor force. Based

on the census of June, 1933, and extrapolated with the aid

of health insurance statistics.

Gross Earnings. Hoffmann provides data on average

annual gross earnings in "Industrie und Handwerk" for the

years 1924 through 1938 (p. 471, column 16). This series

was broken down into a quarterly series of average gross

weekly earnings as follows: a) 1925.I--1928.IV. A monthly

index of average hourly contracted rates in industry

published in the Vierteljahrsheft zur Statistik des

Deutschen Reichs (1931, #2, p. 109) was aggregated into a

quarterly series. The percentage deviation of each

quarterly entry in this hourly rate index from the annual

average was used to determine the appropriate deviation of

quarterly entries in the earnings series from the annual

average, itself set equal to Hoffmann's annual average

divided by 52 weeks. b) 1929.I--1933.IV. Here the

interpolation was carried out with the help of both the

hourly rate index described above and a rough index hours

worked (see Hours Index below). The percentage deviation of

the product of the hours and rate indices from their annual average was used to determine the appropriate deviation of quarterly entries in the earnings series from the annual average. c) 1934.I--1938.IV. Wirtschaft und Statistik (1938, #4, p. 159 and subsequent issues) published an index of average gross weekly earnings for the months of March, June, September, and December. Again, the percentage deviations of the entries in this series from their annual average were used to construct a quarterly series of average gross weekly earnings from Hoffman's annual data.

Hours Index. For the period 1928.III--1935.III, the Konjunktur-Statistisches Handbuch 1936 (p. 17, p. 25) provides monthly data on total hours worked in industry as a share of hours possible and on total workers employed as a share of employment capacity. If one divides the first by the second, one gets (# of hours worked/# of workers)*(workers possible/hours poss.). If the second term was roughly constant over the period, the whole expression can be regarded as an index of monthly hours per worker.

IH. Hours worked in industry. From Loelhoeffel, p. 135, column 4. Excludes construction.

Industrial Output Index. The index of industrial output comes from the Wochenbericht des Instituts fur

Konjunkturforschung, 8. Jahrgang, #24, June 19, 1934, p. 96,
and the "C" supplements to later numbers. It was built up
from 69 individual series, and was thought by its
constructors to cover roughly two thirds of net production.
I use the version in its non-seasonally adjusted form.

Industry-Specific Output Prices. The price deflators
used in Chapter 2, Tables Two and Eight are mainly wholesale
prices from the Konjunktur-Statistisches Handbuch 1936, pp.
99-107, or from the statistical supplements to the IfK
Wochenberichten. Some of the price series are more narrowly
based than the wage and output series to which they were
applied: for mining, coal prices were used, for wood, an
index of the wood cost component of consturction projects.
For textiles and food, relevant series from the CPI were
used, since there appears to be no appropriate wholesale
price series for these goods. For "steel and machines," the
price index for "gewerbliche Betriebseinrichtungen"
(commercial equipment) was used. Finally, for "iron and
non-ferrous metals," I used an index based in large part on
the costs of inputs and half-finished goods.

Inflow Rates. Log(inflow into registered unemployment
per quarter/employment). Calculated for all workers, for
men and women separately, and for workers in non-
agricultural occupational groupings from data in the monthly