Collapse of the Grand Coalition

- Much economic recovery by mid 1920’s relied on loans from abroad
- As depression deepened those who had lent money wanted payment
- Depression meant growing unemployment and inc strain on benefits system
- As unemployment rose employers protested at inc costs of social security payments
- 1927 law on unemployment insurance changed – Reich institution in charge was to pay a fixed benefit to all those unemp – 1927 number of unemp 1.3m and system worked well
- Feb 1929 inc to 3.6m and had to borrow from gov to pay benefits – by 1929 it had borrowed 349m Reichsmarks putting strain on gov’s finances
- Coalition had different problems on how to solve it:
  - SPD = central and local govs and employers should inc contribution to unemp benefits fund by 4%
  - DVP = benefits cut
  - CParty = negotiated deal whereby decision would be put off until autumn of 1930
- March 1930 SPD deputies rejected CParty's compromise solution and brought down Müllers gov
- Inability to agree showed narrowing of interests of mainstream parties = led to people looking to the extreme
- Actions of SPD was political suicide.