Volume 4. Forging an Empire: Bismarckian Germany, 1866-1890
Nominal Wages, Cost of Living, and Real Wages in Industry, Trade, and Transportation (1871-1913)

The real impact of wage fluctuations can only be appreciated when "nominal" (i.e., actual) wages *and* changes in the cost of living are taken into account. For example, if a worker's nominal wages rise during a given period but the cost of living rises even more, then his or her "real wages" have declined. This table shows how these factors interrelate. A period of relative economic stagnation occurred after 1873; here, we can see its effects in the years 1875-1880: although the cost of living index declined somewhat in this half-decade, indicating a period of price deflation, nominal wages declined even more. Hence, German workers' average real wages declined from 578 to 524 marks, and the *index* of real wages (taking 1895 prices as 100) fell from 87 to 79. That index rose quickly during the "mini-boom" of the last half of the 1880s, and then more slowly during the "mini-bust" of the early 1890s. These increases may have been small, but except for the half-decade from 1875 to 1880 they were never negative. Hence, historians have revised previous assessments that spoke of a "Great Depression" during these years.

The period 1873-1896 was both preceded and followed by boom years, leading many contemporary Germans to perceive these intervening years as a time of uncommon hardship. Note the dramatic increases in both nominal and real wages in the period 1895 to 1913, during which time the index of real wages rose 25%, from 100 in 1895 to 125 in 1913. These statistics nevertheless obscure important variations in the earning potential of workers in different economic sectors and regions of the country. They also obscure the ever-present danger of calamity if unemployment, injury, sickness, or the death of the primary breadwinner caused a loss of earnings.

The Average Annual Wages of Employees in Industry, Trade, and Transportation[1]

	1. Nominal average annual wages		2. Cost of living index[2]	3. Real average annual wages	
Year	Marks	1895 = 100	1895 = 100	in 1895 prices	1895 = 100
1871	493	74	105.8	466	70
1875	651	98	112.7	578	87
1880	545	82	104.0	524	79
1885	581	87	98.6	589	89
1890	650	98	102.2	636	96
1895	665	100	100.0	665	100
1900	784	118	106.4	737	111
1905	849	128	112.4	755	114

| 1910 | 979 | 147 | 124.2 | 789 | 119 |
| 1913 | 1,083 | 163 | 129.8 | 834 | 125 |

[1] Not considered in the table: farm workers, those employed in cottage industry and domestic service, civil servants, and workers and salaried employees whose annual income was high enough that their employers were not required to pay contributions into the mandatory accident insurance fund established by the Accident Insurance Law of 1884 (and its supplements). In most industries, this income limit was 3,000 until 1913. For further restrictions on the group of employees recorded before 1886, see Hohorst et al., pp. 107-08.

[2] In calculating the cost of living, Desai assumes a broader basis than other scholars by including clothing, fuel, and lighting.