GERMANY'S WORLD WAR 1 DEBT & OTHER CONCESSIONS

SO CRUSHING IT TOOK 92 YEARS TO PAY IT OFF

THE REAL REASON FOR WW2?

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GERMANY'S PRICE OF DEFEAT

TERMS AGREED TO WHEN HUNS QUIT FIGHT FOR WORLD SUPREMACY

PRESIDENT TELLS CONGRESS WHAT ARMISTICE MEANS

GEN. FOCH ISSUES ORDERS TO CEASE HOSTILITIES; TROOPS TO HOLD PRESENT POSITIONS

THE HISTORY CHANNEL

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At the end of World War I, Germans could hardly recognize their country. Up to 3 million Germans, including 15 percent of its men, had been killed. Germany had been forced to become a republic instead of a monarchy, and its citizens were humiliated by their nation's bitter loss.

Even more humiliating were the terms of Germany's surrender. World War I's victors blamed Germany for beginning the war, committing horrific atrocities, and upending European peace with secretive treaties. But most embarrassing of all was the punitive peace treaty Germany had been forced to sign.

The Treaty of Versailles didn't just blame Germany for the war—it demanded financial restitution for the whole thing, to the tune of 132 billion gold marks, or about $269 billion today.

How—and when—could Germany possibly pay its debt?

Germans take war machines apart outside Berlin under the terms of the Treaty of Versailles Germany. This tank is a British tank, captured and put into service by the Germans during World War I.

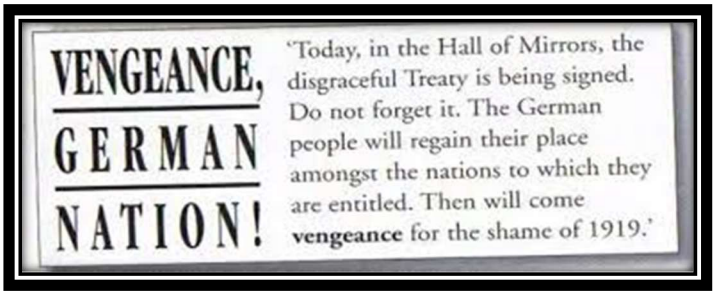
Germany's WW1 Battle Flag

PART TWO

GERMANY'S FINANCIAL REPARATIONS, THE TREATY OF VERSAILLES AND HITLER'S COMPLETE DISREGARD FOR THE TREATY

Nobody could have dreamed that it would take 92 years. That's how long Germany took to repay World War I reparations, thanks to a financial collapse, another world war, and an ongoing debate about how, and even whether, Germany should pay up on its debts.

Allied victors took a punitive approach to Germany at the end of World War I. Intense negotiation resulted in the Treaty of Versailles' "war guilt clause," *which identified Germany as the sole responsible party for the war and forced it to pay reparations.*



Germany had suspended the gold standard and financed the war by borrowing. Reparations further strained the economic system, and the Weimar Republic printed money as the mark's value tumbled. Hyperinflation soon rocked Germany. *By November 1923, 42 billion marks were worth the equivalent of one American cent.*

During a period of hyperinflation in 1920s Germany, 100,000 marks were the equivalent of one U.S. dollar.

Finally, the world mobilized in an attempt to ensure reparations would be paid. In 1924, the Dawes Plan reduced Germany's war debt and forced it to adopt a new currency. Reparations continued to be paid through a strange round-robin: *The U.S. lent Germany money to pay reparations*, and the countries that collected reparations payments used that money to pay off United States debts. The plan was heralded as a victory—Charles Dawes, a banker who later became vice president under Calvin Coolidge *won a Nobel Prize for his role in the negotiations.*

But the Weimar Republic still struggled to pay its debts, so another plan was hashed out in 1928.

The Young Plan involved a reduction of Germany's war debt to just 121 billion gold marks. But the dawn of the Great Depression ensured its failure and Germany's economy began disintegrating again.

In an attempt to thwart disaster, President Herbert Hoover put a year-long moratorium on reparation payments in 1931.

The next year, Allied delegates attempted to write off all of Germany's reparations debt at the Lausanne Conference*, but the U.S. Congress refused to sign on to the resolution*. Germany was still on the hook for its war debt.

Soon after, *Adolf Hitler* was elected. *He canceled all payments in 1933.*

"Hitler was committed to not just not paying, but to overturning the whole treaty," **historian Felix Schulz told the BBC's Olivia Lang. His refusal was seen as an act of patriotism and courage in a nation that saw the reparations as a form of humiliation.** ***Germany made no payments during Hitler's rule.***

New inductees of the Wehrmacht took oath on August 25, 1936. The growth of Hitler's armies violated the Treaty of Versailles.

But Germany wasn't destined to win the war, and the Third Reich ended with Hitler's suicide in April 1945 and Germany's official surrender a few days later. By then, the country was in chaos. Millions of people had been displaced. Over 5.5 million German combatants, and up to 8.8 million German civilians, were dead. Most of Germany's institutions had crumbled, and its populace was on the brink of starvation.

The Allies exacted reparations for World War II, too. They weren't paid in actual money, but through industrial dismantling, the removal of intellectual property, and forced labor for millions of German POWs. After the surrender, Germany was divided into four occupation zones, and in 1949 the country was split in two. Economic recovery, much less reparations payments, seemed unlikely.

By then, West Germany owed 30 billion Deutschmarks to 70 different countries, according to *Deutsche Welle*'s Andreas Becker, and was in desperate need of cash. But an unexpected ray of hope broke through when West Germany's president, Konrad Adenauer, struck a deal with a variety of Western nations in 1953. The London Debt Conference canceled half of Germany's debt and extended payment deadlines. And because West Germany was required to pay only when it had a trade surplus, the agreement gave breathing room for economic expansion.

Soon, West Germany, bolstered by Marshall Plan aid and relieved of most of its reparations burden, was Europe's fastest-growing economy. This "economic miracle" helped stabilize the economy, and the new plan used the potential of reparations payments to encourage countries to trade with West Germany.

Still, it took decades for Germany to pay off the rest of its reparations debt. At the London Conference, West Germany argued it shouldn't be responsible for all of the debt the old Germany had incurred during World War I, and the parties agreed that part of its back interest wouldn't become due until Germany reunified. Once that happened, Germany slowly chipped away at the last bit of debt.

It made its last debt payment on October 3, 2010—the 20th anniversary of German reunification.

PART THREE

THE TREATY OF VERSAILLES PUNISHED GERMANY WITH THESE PROVISIONS/RESTRICTIONS

Some disarmed the German military, while others stripped the defeated nation of territory, population, and economic resources, and forced it to admit responsibility for the war and agree to pay reparations.

HAND OVER TERRITORIES AND COLONIES

Articles 45-40 compelled Germany to turn over its coal mines in the Saar Basin to France, although they technically were under the control of the League of Nations.

"After 15 years, there was supposed to be a plebiscite and residents could choose whether to be German or French," explains Karl Qualls, a professor of history at Dickinson College in Carlisle, Pennsylvania. When the election finally was held in 1935, 90 percent of them voted to be part of Germany.

Article 51 took the territory of Alsace-Lorraine, which Germany had seized during 1871, and gave it back to France.

Articles 42-44 and Article 180 forced the Germans to dismantle their fortifications along the Rhine River. Demilitarization of the Rhineland "was a big initiative of France," says Qualls. "They were trying to prevent Germany from being an aggressive power again, and also weakening them by allowing for an invasion by France as well."

Article 80 required Germany to respect the independence of Austria.

Articles 81-86 compelled Germany to renounce territorial claims and recognize the independence of Czechoslovakia, a new nation formed from several provinces of former German ally Austria-Hungary, whose western portion had a sizable minority of ethnic Germans

Article 119 stripped Germany of its colonies in China and Africa, which Qualls explains was a particularly humbling provision. Before the war, "if you were going to be a European power, you had to have colonial possessions," he says.

LIMITS ON ARMS, FORCES AND EQUIPMENT

Articles 159-163 reduced the size of the German army, which had reached 1.9 million troops during World War I, to just 100,000, and mandated that the force "shall be devoted exclusively to the maintenance of order within the territory and the control of the frontiers." It even specified strict limits on the number of infantry, artillery, and engineers, and limited the officer corps to 4,000. The German military was just neutered, basically," Qualls says.

Articles 164-172 disarmed the German military, limiting the number of weapons and even how much ammunition it could possess. Smaller artillery pieces, for example, were allotted 1,500 rounds, while bigger guns got just 500 shells. Germany could only manufacture new war materials in a few factories approved by the Allies. The Germans had to turn over vast amounts of equipment, from tanks and machine guns to telephones.

Articles 181-197 reduced Germany's naval forces to a skeleton force that included just six battleships, six light cruisers, 12 destroyers, and 12 torpedo boats, and *eliminated the submarine fleet that had terrorized ships in the Atlantic.*

Articles 198-202 prohibited Germany from having an air force, except for up to 100 seaplanes to work in minesweeping operations. Zeppelins, which had been used to bomb the UK during the war, were banned as well.

WAR CRIMES TRIALS

Articles 227-230 authorized the Allies to conduct war crimes trials. Article 227 called for a five-judge tribunal to put the abdicated Kaiser Wilhelm II on trial "or a supreme offense against international morality and the sanctity of treaties."

That never actually happened, because the Netherlands, where Wilhelm had sought asylum declined to extradite him, and he eventually died there in 1941.

The Allies did put 17 other Germans on trial on allegations ranging from looting to sinking a hospital ship, according to the *International Encyclopedia for the First World War*. Some were acquitted, while others were found guilty but generally received light sentences.

$33 BILLION IN REPARATION

Article 231 commonly called the war guilt clause, required Germany to accept responsibility for causing "all the loss and damage" inflicted on the Allies. That provision became the basis for the Allies' demand that Germany pay reparations, which were set by a series of conferences in 1920 at $33 billion (about $423 billion in 2019 dollars).

"I believe that the campaign for securing out of Germany the general costs of the war was one of the most serious acts of political unwisdom for which our statesmen have ever been responsible," economist John Maynard Keynes wrote in 1920.

Germany was already in deep financial trouble, due to the former imperial regime's trick of printing a lot of currency and borrowing heavily to cover its military expenditures. The new German government, struggling under the weight of debt and budget deficits, defaulted on the payments in gold-backed marks that it was obligated to make.

France then tried to put on the pressure by occupying the Ruhr, an industrial region in western Germany. That only exacerbated Germany's economic chaos and contributed to the hyperinflation that made the nation's currency virtually worthless in 1923.

General Paul von Hindenburg, Kaiser Wilhelm & General Erich von Ludendorff at German headquarters during WWI. Time Life Pictures/German Official Photo/War Dept./National Archives/The LIFE Picture Collection/Getty Images

GERMAN HUMILIATION, DEBT & WORLD WAR II

Eventually, the United States came up with the idea of lending money to Germany to pay the reparations. In the end, though, the Allies got very little money from Germany, and the reparations were canceled at the Lausanne Conference in 1932.

"The reparations and dismantling of the German military were humiliating for many Germans, primarily because the German military and press had been lying to the public about the war," Quall says.

Anger over the imagined betrayal, in turn, helped fuel the rise of populism and nationalism that eventually led to the rise of Hitler, who proceeded to violate the treaty by rearming Germany. Hitler subsequently defied other provisions as well, including re-militarizing the Rhineland and joining into a union with Austria.

After bullying the British and French into abandoning yet another provision of the Versailles treaty by giving in to his territorial demands upon Czechoslovakia in 1938, the Nazi leader was sufficiently emboldened to invade Poland and start World War II in 1939.

PART 4

HOW THE TREATY AND GUILT LED TO WORLD WAR II

From the moment the leaders of the victorious Allied nations arrived in France for the peace conference in early 1919, the post-war reality began to diverge sharply from Wilson's idealistic vision.

When Germany signed the armistice ending hostilities in the First World War on November 11, 1918, its leaders believed they were accepting a "peace without victory," as outlined by U.S. President Woodrow Wilson in his famous Fourteen Points. But from the moment the leaders of the victorious Allied nations arrived in France for the peace conference in early 1919, the post-war reality began to diverge sharply from Wilson's idealistic vision.

Five long months later, on June 28—exactly five years after the assassination of Archduke Franz Ferdinand and his wife in Sarajevo—the leaders of the Allied and associated powers, as well as representatives from Germany, gathered in the Hall of Mirrors at the Palace of Versailles to sign the final treaty. By placing the burden of war guilt entirely on Germany, imposing harsh reparations payments, and creating an increasingly unstable collection of smaller nations in Europe, the treaty would ultimately fail to resolve the underlying issues that caused the war to break out in 1914, and help pave the way for another massive global conflict 20 years later.

THE PARIS PEACE CONFERENCE

NONE OF THE DEFEATED NATIONS WERE INVITED TO PARTICIPATE AND THE SMALLER ALLIED COUNTRIES HAD LITTLE TO SAY.

Formal peace negotiations opened in Paris on January 18, 1919, the anniversary of the coronation of German Emperor Wilhelm I at the end of the Franco-Prussian War in 1871.

World War I had brought up painful memories of that conflict—which ended in German unification and its seizure of the provinces of Alsace and Lorraine from France—*and now France intended to make Germany pay*.

The "Big Four" leaders of the victorious Allied nations (Woodrow Wilson of the United States, David Lloyd George of Great Britain, Georges Clemenceau of France, and, to a lesser extent, Vittorio Orlando of Italy) dominated the peace negotiations. None of the defeated nations were invited to weigh in, and even the smaller Allied powers had little say. Though the Versailles Treaty, signed with Germany in June 1919, was the most famous outcome of the Paris Peace Conference, the Allies also had separate treaties with Austria, Bulgaria, Hungary, and Turkey, and the formal peacemaking process wasn't concluded until the signing of the Treaty of Lausanne in July 1923

Government Officials Drafting the Terms of the Treaty of Versailles.

THE TREATY WAS LENGTHY AND ULTIMATELY DID NOT SATISFY ANY COUNTRY

The Versailles Treaty forced Germany to give up territory to Belgium, Czechoslovakia, and Poland, return Alsace and Lorraine to France, and cede all of its overseas colonies in China, the Pacific, and Africa to the Allied nations.

In addition, it had to drastically reduce its armed forces and accept the demilitarization and Allied occupation of the region around the Rhine River. Most importantly, Article 231 of the treaty placed all blame for inciting the war squarely on Germany and forced it to pay several billion in reparations to the Allied nations.

The treaty was a lengthy and confusing document that satisfied no one. "It is an attempt to remake Europe," says Michael Neiberg, professor of history at U.S. Army War College and author of *The Treaty of Versailles: A Concise History* (2017). "I'm not one of those people who believes the treaty made the Second World War inevitable, but I think you could argue that it made Europe a less stable place."

In Wilson's vision of the post-war world, all nations (not just the losers) would reduce their armed forces, preserve the freedom of the seas, and join an international peacekeeping organization called the League of Nations. But his fellow Allied leaders rejected much of his plan as naive and too idealistic. The French, in particular, wanted Germany to pay a heavy price for the war, including loss of territory, disarmament, and payment of reparations, while the British saw Wilson's plan as a threat to their supremacy in Europe.

Black Thursday brings the roaring twenties to a screaming halt, ushering in a worldwide economic depression.

IN ADDITION TO AFFECTING GERMANY, THE TREATY MAY HAVE CAUSED THE GREAT DEPRESSION

Many people, even at the time, agreed with the British economist John Maynard Keynes that Germany could not possibly pay so much in reparations without severe risks to the entire European economy. In his later memoir*, U.S. President Herbert Hoover went so far as to blame reparations for causing the Great Depression*.

But though most Germans were furious about the Treaty of Versailles, calling it a Diktat (dictated peace) and condemning the German representatives who signed it as "November criminals" who had stabbed them in the back, in hindsight it seems clear that the treaty turned out to be far more lenient than its authors might have intended. *"Germany ended up not paying anywhere near what the treaty said Germany should pay,"* Neiberg says, adding that hardly anyone had expected Germany to be able to pay the entire amount.

And despite the loss of German territory, "there were plenty of people who understood as early as 1919 that the map gave Germany some advantages," Neiberg points out. "It put small states on Germany's borders, in eastern and central Europe.

It eliminated Russia as a direct enemy of Germany, at least in the 1920s, and it removed Russia as an ally of France. So while the treaty looked harsh to some people, it opened up opportunities for others."

The war guilt clause was more problematic. "You have to go back to 1914 when most Germans believed they had entered the war because Russia had mobilized its army," explains Neiberg. "To most Germans in 1919, and not just those on the right, blaming Germany specifically for the war made no sense. Especially when they did not put a war guilt clause on Austria-Hungary, which you could reasonably argue were the people that started this."

The first informal meeting of the League of Nations in Geneva.

NEW EUROPEAN BORDERS, THE LEAGUE OF NATIONS AND GERMANY'S REPARATIONS

Taken as a whole, the treaties concluded after World War I redrew the borders of Europe, carving up the former Austro-Hungarian Empire into states like Yugoslavia, Poland, and Czechoslovakia. As Neiberg puts it: "Whereas in 1914, you had a small number of great powers, after 1919 you have a larger number of smaller powers. That meant that the balance of power was less stable."

The Versailles Treaty also included a covenant for the League of Nations; the international organization that Woodrow Wilson had envisioned would preserve peace among the nations of Europe and the world. *However, the U.S. Senate ultimately refused to ratify the Versailles Treaty due to its opposition to the League, which left the organization seriously weakened without U.S. participation or military backing.*

Meanwhile, Germany's economic woes, exacerbated by the burden of reparations and general European inflation, destabilized the Weimar Republic, the government established at the end of the war. Due to lasting resentment of the Versailles Treaty, the National Socialist (Nazi) Party and other radical right-wing parties were able to gain support in the 1920s and early '30s by promising to overturn its harsh provisions and make Germany into a major European power once again.

THE TREATY MADE WORLD WAR II POSSIBLE, NOT INEVITABLE

In 1945, when the leaders of the United States, Great Britain, and the Soviet Union met at Potsdam, they blamed the failures of the Versailles Treaty for making another great conflict necessary and vowed to right the wrongs of their peacekeeping predecessors.

But Neiberg, like many historians, takes a more nuanced view, pointing to events other than the treaty—including the United States not joining the League of Nations and the rise of the Stalinist regime in the Soviet Union—as necessary elements in understanding the path to the Second World War.

"In my personal view as a historian, you need to be careful directly connecting events that happened 20 years apart," he says. "A different treaty produces a different outcome, yes. But you shouldn't draw inevitability. It's part of the recipe, but it's not the only ingredient."