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## Why has Germany taken so long to pay off its WWI debt?

By Olivia Lang  
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**Germany is finally paying off World War I reparations, with the last 70 million euro (£60m) payment drawing the debt to a close.**

Interest on loans taken out to pay the debt will be settled on Sunday, the 20th anniversary of German reunification.

It is about time, some would say.

More than nine decades after the war, Germany - now a leading European Union state and the largest economy in Europe - has long cast off its post-WWI image of a defeated, beleaguered Weimar Republic.

So why has it taken so long for it to shed its age-old debt?

The European nation was not expecting to lose the war, let alone anticipate being burdened with payments that would reach into the next century.

But, in 1919, the victors of the war wrote Germany's guilt into the Versailles Treaty at the infamous Hall of Mirrors, and collectively decided that it should pay a high price for that guilt.

About 269bn gold marks, to be exact - the equivalent of around 100,000 tonnes of gold.

### **'Bitter resentment'**

The treaty took complex negotiation and was undoubtedly controversial; economist John Maynard Keynes was one of its most vocal critics, arguing that it would not be effective in achieving its goals.

The allies - mainly driven by France - wanted to ensure Germany would not be capable of war for many years.

But the plan backfired, with modern-day historians claiming that Versailles was a key factor in the lead-up to World War II.

There was bitter resentment in Germany over the sum, and also over article 231, the so-called "guilt clause", which ruled that Germany was responsible for the conflict.

"The sum was met with disbelief in Germany," says Felix Schulz, a lecturer in European History at Newcastle University.

He says Germany tried to push back the payments, and very little was paid back in the 1920s - not only because Germany was struggling financially, but because Germany didn't accept them.

"It's linked to this idea that it is always seen as unfair... In reality I'm sure they could have [paid earlier] if the Weimar Republic was to live on a shoestring, but it would have led to more radical parties earlier on."



Faced with hyperinflation and soaring unemployment, people sought refuge in a movement that promoted national pride, and signed up to Hitler's Nazi party - which used the reparations as a propaganda tool.

"These reparations were as important politically as economically," says Mark Harrison, an economics professor at University of Warwick.

"It was what it [the reparations] stood for. The Germans hated it," he says.

"They could have [paid] more than they said they would."

### 'Overturning the treaty'

After Versailles, there emerged some recognition of the financial strain on war-torn Germany, and allied nations attempted to minimise the pain.

The 1924 Dawes Plan and the 1929 Young Plan reduced the debt to 112bn gold marks, and granted Germany loans to meet its payments.

But then disaster struck, and the Wall Street Crash of 1929 threw nations across the world into disarray.

The ensuing financial crisis meant that not only Germany, but many nations, could not keep up with their war debts; as a result, US President Herbert Hoover introduced a one-year moratorium.

A year later, the 1932 Lausanne conference tried to write off almost all of Germany's war debt, but the proposal failed to pass US Congress.

When Hitler came into power, the system of payments had collapsed and time had run out.

Lausanne, says Mr Schulz, therefore became irrelevant.

Although the country had only paid about one eighth of what it owed, Hitler refused to pay any more.

As Prof Harrison says: "Hitler was committed to not just not paying, but to overturning the whole treaty."

At this point, Mr Schulz says: "The economic reality is not as important as the economic perception... The economic perception that the allies are bleeding Germany is far more important."

### 'Two countries'

When Germany became two countries - East and West - it threw up new questions about which state inherited the debt.

"When one state succeeds another, there is always a question of whether it takes on its assets and liabilities," says Prof Harrison.

"It's unlikely that either of the German states believed they had obligations".

A new agreement in 1953 - the London Treaty - agreed to suspend many payments until Germany was unified.

By the time country was reunified, in 1990, the world had changed dramatically since the days of Versailles, and policymakers decided to write off most of the original sum.

Mr Schulz says it was, essentially, a return to the conditions in the 1932 Lausanne agreement, and a reduced amount of payments was reactivated.

"There was no real need to go back to the punitive state of the 1920s, so you return to something which is much more modest."

### 'Lessons learned'

With time, historians say there was recognition that Versailles did not achieve what it set out to, and that saddling a country with war debts was not a solution.

The approach was different by the time WWII ended. Germany was made to financially compensate other nations, but there was more of an emphasis on rebuilding Europe.

"After WWII they decided to hang the leaders but not to punish the nation," says Prof Harrison.

"But in WWI it was the other way around."

As Martin Farr, a senior lecturer in British history at Newcastle University, says: "The lesson was learned eventually."

Unfortunately, he says, "it required another 20 or so million people to be killed first".

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