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Germany makes its final First World War reparations payment

By Kathryn Hadley | Posted 29th September 2010, 17:25
Economic History First World War Germany

On Sunday, October 3rd, Germany will make its final reparations payment for the First World War, 92 years after the country's defeat. October 3rd is also the twentieth anniversary of German reunification and Germany will pay the last annual instalment to reimburse the outstanding interest that it accrued on its foreign debt from 1945 to 1952.

Under the terms of the 1919 Treaty of Versailles, Germany was required to pay 269 billion gold marks, around 96,000 tons of gold, as reparations to France, Britain and the United States. In 1924 and 1930, the country sold a series of foreign bonds to private and institutional investors in countries across the world, including the United States, to raise the necessary funds.

In 1924, however, the Dawes Plan modified Germany's reparation payments. The 1929 Young Plan further reduced the initial sum to 112 billion gold marks payable over a period of 59 years. Germany suspended its annual payments, in 1931, due to the global financial crisis. When Hitler came to power two years later, he refused to resume the payments.

In 1953, at an international conference in London, West Germany agreed to repay the interest on the bonds that it has issued in the aftermath of the First World War. It was also agreed that Germany was allowed to wait until the unification of the German Democratic Republic and the Federal Republic of Germany before paying some 125 million Euros in outstanding interest on its foreign debt. On October 3rd 1990, the country began to pay off this interest in a series of annual instalments. The last instalment is due on October 3rd, 2010.

Professor Gerd Krumeich, a German historian who has specialised in the First World War, told *Der Spiegel*:

It's a historical curiosity that the Versailles Treaty should continue to have a financial impact to this day [...]. The central factor behind Hitler's seizure of power was his promise 'I'll win this war in the end, I will undo this

injustice and tear up this treaty and restore Germany to its old greatness'. There was tremendous frustration in Germany in the 1920s -- this conflict that cost 2 million lives and left 4 or 5 million wounded is supposed to have been in vain, and it was all our fault? The reparations payments compounded everything. Not only was Germany given the moral blame, it was also supposed to pay an outlandish sum that most people had never even heard of.

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