

Calling Germany

Treaty of Versailles, which had required Germany to pay 132 billion gold marks (\$33 billion), contributed to a plunge in the German currency and hyperinflation and brought economic misery to German households.

The US intervened to end the crisis and repackage the reparations. It drew up a new reparations plan that staggered the payments and lent Germany 800 million marks. This stabilised the currency but led to the US indirectly funding reparations to Europe. Released from its financial burden, the German economy then resurged strongly.

However, after the Wall Street Crash of 1929, the US demanded full repayment of its loans to Germany. Ritschl showed that austerity policies imposed on Germany pushed it into the Great Depression and sovereign debt default. The German government cut state spending, wages and unemployment pay. Unemployment rose to 6 million. Ultimately this severe depression paved the way for the rise of the Nazis.

Although debt relief under the Marshall Plan was only intended to be provisional until the reunification of Germany, the debt relief was not in fact cancelled when unification occurred in 1990. According to estimates, World War II debts nearly equalled its gross domestic product (total amount of economic output) for 1938, the last pre-war year.

In a telling comparison Ritschl showed that the debts racked up by the struggling Eurozone economies Portugal, Italy, Ireland, Greece and Spain were equal in size to current gross domestic product. In other words, debt cancellation for the Eurozone would be equivalent to the debts that were cancelled by the Allies after World War II.

What happened?

Media attention

research took on heightened relevancy and received widespread public interest following the onset of the Eurozone financial crisis. He received particular attention from journalists in Germany, who were interested in findings relevant to his stance on financial bailouts for debt-laden Eurozone countries such as Greece.

An interview on Deutschlandradio Kultur (German radio) in 2011 examined the risks to society and economy of imposing similar

destabilisation in Greece was a major debt where creditors have to bear some of the losses by writing off the debts and the sooner the better.

An interview a few days later on *Spiegel Online*, the largest German-speaking news website, with another journalist who had heard the radio broadcast, focused on observation that Germany had been the largest debt defaulter of the 20th century. This triggered a series of articles in Greek news media and a feature on the popular BBC World slot *Business Daily*.

Ritschl reiterated

Professor Albrecht Ritschl, born in Munich/Germany in 1959, is Professor of Economic History at the London School of Economics. He was previously Professor of Economics at Humboldt University of Berlin, at the University of Zurich, as well as Associate Professor of Economics at Universitat Pompeu Fabra. He has held visiting fellowships at Princeton University and at the University of Pennsylvania. He is a Fellow at the Centre for Economic Policy Research (CEPR), the Centre for Economic Performance (CEP), as well as at CESifo. He is also a member of the Scientific Advisory Board to the German Ministry of Economics. He holds both a doctoral and a habilitation degree from the University of Munich. He has published extensively on German economic history in the 20th century, with a focus on the Great Depression and the 1930s. He received wide press coverage for his warnings against an overly strict approach towards the Greek debt problem. Currently he is speaker of an expert commission researching the history of the German Ministry of Economics and its predecessors since 1919.

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