THE PRESENT CONDITIONS IN GERMANY AS AN EFFECT
OF THE TREATY OF VERSAILLES

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THESIS

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This is a study of the causes of the rise of the German Third Reich, and its attitude toward the Treaty of Versailles, a treaty which, as leading statesmen agree, placed the world in a more disrupted state of affairs than it had seen on any previous date.

Wars, national and international, are the result of two things; (1) economic despair, which controls the social and political nature of individuals; (2) international greed for superiority, governed by the natural law of "survival of the fittest."

Governments, ideologies, institutionalisms, or customs, cannot easily be evaluated. Each from time to time serves its purposes under changing necessities. Nations, as individuals, are victims of circumstances.

It is often difficult to distinguish between facts and problems and propaganda. I gathered this material from a number of books, current magazines and newspapers. I have taken the three main impositions of the Versailles Treaty on Germany, namely, disarmament, economic, and territorial losses, and have attempted to show what attitude the Third Reich has taken toward these. These are motivating factors which at once took hold of a disappointed, but not subdued Germany, after 1918.
Under present world conditions it is difficult to write a dispassionate review of German developments since the Armistice of November 11, 1918. Present world peace and world prosperity hinge to a considerable degree, on the attitude of the world toward Nazi Germany. I have attempted to explain a few reasons for the present unrest in Germany. This is not an attempt to uphold or condemn any form of governments, but only a study from a different view than that which we usually get.

I do not delve into the constitution and methods of government of Nazism, except where it is necessary to clarify some other development. In summarizing Nazism I might say that in its Nationalistic Program it urged (1) the repudiation of the thesis of German war guilt, (2) the refusal to make further reparation payments, (3) a drastic revision of the Treaty of Versailles, (4) the erasure of the Polish Corridor, (5) other adjustments on the eastern frontier, (6) the union with Austria, and (7) the right for Germany to rearm.

National Socialism exalts the nation above class, creed, party and personal interests. It places even greater emphasis on the factor of race.

J. E. S.
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CHAPTER I

THE DISARMAMENT OF GERMANY BY THE

TREATY OF VERSAILLES

Any accounts of the special problems of civilization today should begin with the World War, because almost none of our national and international problems can be understood otherwise. Today the world is trembling from the explosion of peace in 1918. That explosion is echoing and re-echoing from every continent. On November 11, 1918, armed hostilities ceased. At that moment economic hostilities and intrigue began.

How can we know and understand foreign nations? At best we can never know more than a few of their representatives. In tracing the outline of the history of Germany since the end of the war, we must try to understand the German people as we understand our own nationals. We must try to see the German point of view as clearly as we see our own.¹

The vanquished are temporarily subject to the conquerors and must accept whatever terms are demanded of them. Each treaty has some specific objective in view. The German-Russian

Treaty of Brest-Litovsk, of March 3, 1918, was mainly directed at gaining more territory for Germany. The Treaty of Versailles had as its objective the disarmament of the Germans, who were second to none in their military organization and second only to England with their navy. The rapid rise of the German nation had been watched with anxiety since the turn of the century. Now, when the throne had toppled and the conquerors came in for their share, it was natural to take the maximum.

The morale of the German people and their army remained high during practically the whole war. Victory was definitely on the side of the Central Powers until the Spring of 1918. When the tide suddenly turned against them the people in general could not understand it. They had been told that it was honorable to sacrifice, and that soon they would be repaid a hundredfold. On November 7, of the same year, Germany suddenly began to crumble. The cities were seething with rebellion. The German sailors in the harbor at Kiel hoisted the communistic flag. On November 9, the Emperor, William II, abdicated and fled to Holland. The Socialist, Ebert became Chancellor. Amid all this the Armistice was declared on November 11th. Few people could comprehend the swiftness of it all. It was unstable, almost revolutionary, this form of government which was to sign the Treaty, being drawn up in
Paris, which was to make them and future generations serfs in their own homeland.

All through the war, the Allies proclaimed, as first among their aims, the destruction of German militarism. It was to be destroyed in its three essentials; (1) in its organization, (2) in its manpower, (3) and in its armament. It was necessary to wrest from Germany both the means and temptations of war; to reduce in the immediate present her military forces to the minimum compatible with the necessities of her defense and the maintenance of order. 2

This was an immense task, which Napoleon, the conqueror of Prussia, occupying its territory, had attempted without success over one hundred years earlier, but the Allies plunged into the Paris Peace Conference on January 18, 1919, determined to demilitarize and humiliate a once powerful Germany to a point where it could never take part in a bloodletting like that following 1914. The world was still distraught from the fact that over 9,000,000 soldiers had been killed and more than 20,000,000 wounded. In addition some 10,000,000 civilians were killed or lost their lives through famine, disease or other causes directly attributable

2 André Tardieu, The Truth About the Treaty, p. 125.
to the war.

The spirit which pervaded the Peace Conference was easy to understand. The mood was shown by the words of President Raymond Poincare of France as he stood up to open the Conference:

Forty-eight years ago today, on the eighteenth of January, 1871, the German Empire was created by the army of invasion in the palace at Versailles. It was consecrated by the theft of two French provinces. It was thus from the very origin, a negation of right, and by the fault of its founders, it was born in injustice. It has ended in disgrace. You are assembled in order to repair the evil that has been done and to prevent the recurrence of it. You hold in your hands the future of the world.

The world's leading statesmen were assembled in Paris in a palatial building on the Quai d'Orsay. Only Germany, Austria, Russia, Turkey, and Bulgaria were absent at their own execution.

Apparently the statesmen of the victorious powers who drafted the disarmament chapter of the treaty had two distinct purposes in view:

The first was to disarm their defeated enemy, Germany, down to a level at which she would be militarily helpless in the face of the victors. The second purpose was to use this one-sided disarmament of the once strongest military power in the world as an opportunity for bringing about a reduction of armament all around.

They thought that if the rest of the world was freed from the

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3 Headline Books, No. 15, p. 27.
4 Andre Tardieu, The Truth About the Treaty, p. 56.
menace of disproportionately powerful German armaments, they would also reduce and thereby assure a lasting peace. But the chief aim seemed to be to place Germany at the biggest possible disadvantage, militarily, to the Allies.

We later found that the failure of the Allied powers to disarm gave Germany an excuse to rearm. Each country agreed to disarm in something but not in everything. England refused to part with her navy. France refused to disarm her land forces. The disarmament of Germany placed an undoubted obligation upon the Allied countries to make large reductions in their own armaments. The Allies were not so conscientious in fulfilling their own pledges. In fact, the French desired to enhance their armaments by taking a generous share of German battleships and cruisers. The German sailors solved this by sinking the biggest part of the fleet. 5

The Versailles Treaty, in drawing up which Marshall Foch was quite influential, provided for the disarmament of Germany by limiting the size, number, and form of weapons, and making them subject to specified figures; also the existing organization of the German armed forces was to be changed, and a different one introduced.

Germany was forbidden altogether to possess any sub-

5 Benjamin H. Williams, The United States and Disarmament, p. 241.
marines, tanks, gas, naval, and military aircraft, heavy mobile land artillery, and up-to-date capital ships. She was to have no general staff. She was to have no fortifications, and to keep no armed forces, either on the left bank of the Rhine or within fifty kilometers of the right bank.

The total strength of her army was not to be more than 100,000 men, and that was to include not more than 4,000 officers; for her navy she was to be allowed 15,000 men including 1,500 officers and warrant officers. The German navy was to consist of no more than six existing battleships of old fashioned type, six light cruisers; twelve destroyers, and twelve torpedo boats. The manufacture in Germany of war materials was to be carried out in factories indicated to, and approved by, the governments of the Allied powers, who might restrict the number of factories at will. They were also forbidden to import war materials or to manufacture them for export.  

Shepard Stone gives a summary of the military provisions of the Versailles Treaty on Germany approximately as follows:

The German army was restricted to 100,000 men, including

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6 Tardieu, op. cit., pp. 559-560.
not more than 4,000 officers.

Universal conscription in Germany was abolished. Enlistment was put at twelve year terms for enlisted men and twenty-five years for officers.

Germany was forbidden to maintain or construct any fortifications in a zone thirty-odd miles wide on the right bank of the Rhine and none on the left bank. All existing fortresses within the area were ordered destroyed.

The German navy was strictly limited; navy personnel was not to exceed 15,000 men. She was forbidden to own any submarines.

Germany was forbidden to have any military or naval airforces.

Interallied commissions of control were established to supervise German disarmament.

German territory along the Rhine was to be occupied by Allied forces. (Allied forces completed evacuation of the Rhineland in 1930 and in 1936 the German army reoccupied it).

The time limits for German compliance with the Treaty were set up as follows:

I. Within two months after the coming into effect of the Treaty: --
Art. 167.—Delivery to the Allies for destruction all war materials exceeding the authorized quantities, as well as all the machinery for the manufacture of war materials with the exception of such as may be recognized as necessary for the arming and equipment of the German military forces authorized.

Art. 176.—Suppression of military schools.

Art. 180.—Disarmament of fortifications within the demilitarized zone.

Art. 198.—Demobilization of all the personnel of the air service.

Art. 202.—Surrender of all aviation material.

II. Within three months after coming into effect of the Treaty:—

Art. 263.—Reduction of the total effective force to 200,000 men.

Art. 168.—Prohibition to manufacture arms or war material of any kind elsewhere than in the factories authorized by the Allies. Suppression of all other factories and arsenals.

Art. 172.—Revelation of secret processes.

Art. 221.—Modification of German military legislation in accordance with the Treaty.

III. Before March 31, 1920, (Delayed until July 1, 1920):—
Art. 160-163. - Complete compliance in all respects of the German army with the dispositions of the Treaty (Reduction to 100,000 men).

Art. 166. - Limitation and warhousing of all munition stock.

Art. 170. - Prohibition to import and export all war materials.

Art. 171. - Prohibited to manufacture poison gases, tanks, etc.

Art. 173. - Abolition of compulsory service.

Art. 177. - Prohibition of schools and athletic associations which concern themselves with military questions, or have any connection with the Minister of War.

Art. 213. - Right of the League of Nations to exercise supervision.

Art. 42-43. - Complete demilitarization of the Rhine region.

III. Within four months after the coming into effect of Treaty:--

Art. 180. - Dismantling of the fortifications in the demilitarized zone.

7 Articles 160 to 163 of the Treaty gave arms to the Allies

7 Tardieu, op. cit., pp. 132-133.
to put an end to the cunning dispersion which, under the names of Reichswehr, Sicherheitspolizei, Einwohnerwehr, and Nothilfe, had reconstructed in Germany by beginning of the year of 1920 an army of nearly a million men. Table 1 on page 11, shows how the reduction of the German army was effected.

France was determined to control the French-German border henceforth. In explaining her demands for a demilitarized area fifty kilometers wide on the German side of the Rhine, she declared:

No attempt is made to separate the Rhenish provinces from the rest of Germany. These provinces are to be demilitarized; that is to say, the inhabitants of this territory will not be incorporated into any military organization either on a voluntary or compulsory basis, and no fortifications, depots, establishments, railway construction, or works of any kind adapted to military purposes will be permitted to exist in this area. No troops to be sent into this area for any purpose whatsoever without previous notifications to the League of Nations.

The German navy was also made temporarily obscure. On November 18th the German fleet virtually surrendered to the Allied fleets, about fifty miles east of the Firth of Forth. Nearly four hundred warships of the Allies witnessed this event, having formed two long columns six miles apart, between which the German ships moved. Naval history records no triumph as complete as this. The second naval power in the world, the proud creation of William II and modern Germany, had ceased to

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8 Ibid., p. 144.
9 Karl F. Nowak, Versailles, p. 131.
### TABLE 1

**SITUATION OF THE GERMAN ARMY**

<table>
<thead>
<tr>
<th></th>
<th>Before Armistice</th>
<th>After Armistice</th>
<th>After Project March 3</th>
<th>After Project Mar. 10</th>
<th>After Treaty</th>
<th>Reduction Effected</th>
</tr>
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<tbody>
<tr>
<td><strong>Men</strong></td>
<td>5,500,000</td>
<td>1,300,000</td>
<td>191,000</td>
<td>134,000</td>
<td>96,000</td>
<td>98</td>
</tr>
<tr>
<td><strong>Officers</strong></td>
<td>140,000</td>
<td>40,000</td>
<td>9,000</td>
<td>6,000</td>
<td>4,000</td>
<td>97</td>
</tr>
<tr>
<td><strong>Infantry Divisions</strong></td>
<td>218</td>
<td>55</td>
<td>15</td>
<td>11</td>
<td>7</td>
<td>96.7</td>
</tr>
<tr>
<td><strong>Army Headquarters Staffs</strong></td>
<td>17</td>
<td>5</td>
<td>11</td>
<td>1</td>
<td>...</td>
<td>100</td>
</tr>
<tr>
<td><strong>Division Headquarters Staffs</strong></td>
<td>71</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>97</td>
</tr>
<tr>
<td><strong>Heavy Artillery</strong></td>
<td>7,200</td>
<td>4,700</td>
<td>180</td>
<td>...</td>
<td>...</td>
<td>100</td>
</tr>
<tr>
<td><strong>Field Artillery</strong></td>
<td>9,000</td>
<td>6,500</td>
<td>600</td>
<td>432</td>
<td>299</td>
<td>96.8</td>
</tr>
</tbody>
</table>

be, its ships forced to haul down their flags in the presence of the enemy and to be interned in a British harbor. Germany's sea power was at an end, nor was it likely that it would soon be permitted to revive and again disturb the peace of the world.

*Andre Tardieu, The Truth About the Treaty, p. 142.*
Over seventy battleships had preferred abject humiliation to a test in battle. "The German Flag", Admiral Beatty informed the German Admiral Von Reuter, "is to be hauled down at sunset today, and is not to be hoisted without permission".

The German fleet was interned in Scappa Flow, Orkney Islands, Scotland, after its surrender in November, 1918. The Germans were given until June 23, 1919, to sign the Treaty. On June twenty-second, the greater part of the interned fleet was scuttled by its German crew and sent to the bottom of the bay. There was no comparison between the actual Treaty and what the Germans had expected. The sinking of the fleet was a matter of retaliation and resentment.

Germany was punished for the scuttling of her fleet in the Scappa Flow of Scotland by having to give up another 400,000 tons of her shipping marine.

This was quite a blow to a country which ranked third in the world of industry and commerce and existed chiefly on its exports. The framers of the Treaty could easily propose impositions but often failed to see the consequences. For example; the Krupp steel industries employed 80,000 workers before the war, 115,000 during the war, and 32,000 after the

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10 Charles D. Hazen, Europe Since 1815, p. 729.

11 New York Times, December 15, 1919, 2:3
the treaty went into effect. The twelve other large iron
and steel industries suffered likewise, due to the re-
modeling of the factories and limitations of arms exports.
The period around 1920 may be considered a reconstruction
period within Germany. The populace was demoralized from
the long rigors of the war. Communistic uprisings were
staged. Various political parties were struggling for
leadership. There was a very serious shortage of food, due
to the Allied blockade which was not removed from Germany for
over six months after the Armistice. Millions of soldiers
had to be demobilized. This caused much unemployment. The
great industries were closed pending reorganization. There
were uprisings on the eastern German frontiers. In general,
chaos reigned and it took much discipline to avoid the con-
sequences which had been seen in Russia in 1917, and which
were still very unsettled there.

Noske, German Minister of Defense, made the statement
that it was impossible for him to maintain order in rev-
olutionary Germany with only 100,000 men. He would refuse
to attempt it. He finally succeeded quite well.

Germany immediately and continually objected to the
impositions of the Treaty, especially to the disarmament

_12_ **Doubleday's Encyclopedia, IX.** "Krupps"
sections. They had no voice in formulating it so would have objected to it on that general principle. The republic at home, under President Ebert, was quite weak and revolutionary. The government claimed that it was powerless to suppress military operations along the new Polish border. The new Polish border interfered with the self-determination of the German people. The army staff had always been a veritable state within a state and could not be forced to demobilize by the new government, which the army was unable to understand.

Outside Germany proper she was more demilitarized than she was internally. She had withdrawn militarily from all her colonies, as well as from all foreign countries. The fortifications, military establishments, and harbor of Heligoland had to be destroyed, with the understanding that they would never be reconstructed. The Kiel canal was to be opened and made free to the commercial and war vessels of all nations at peace with Germany on terms of entire equality.  

Every opportunity to avoid disarming was closely watched by the German staff. In answer to the London Peace Conference of 1919 the German press stated:

The League of Nations and the Treaty of Versailles

Hazen, op. cit., p. 757.
are both dead. The way in which signature was forced has reduced to nothing all the hopes of a new international world order.  

When the disarmament chapters of the Peace Treaty were being drawn up, some of the Allied power experts were skeptical about the possibility of making sure that all the abolitions, limitations, and reductions could be carried out. Germany, they said, was a large country and the Germans were all united against the terms of the Treaty and they would probably try to slip out of executing them as far as possible. This could easily be seen between November 11, 1918, and January 18, 1919, when the German factories continued producing munitions and fortifying the German-Polish border. The Germans were required to turn over all existing supplies of ammunition to the victors. There were so many shells and explosives that there was no definite way to count them. The Germans had delivered the arms required by the Treaty. It was later found that much arms and munitions had been kept in secret by officials of the German army. It was in any case extremely difficult to supervise the execution of the terms under modern social and economic conditions. The Allied experts said that the war had shown that all sorts of industrial processes, and all kinds of education

and social organizations could be adapted at short notice to military purposes. How could you really distinguish any longer between military and civil activities, so as to prevent the one, and allow the other? Was it really possible to disarm any great modern nation like Germany, short of destroying the whole fabric of its normal economic life? 

To make sure that Napoleon's error would not be duplicated, it was provided that educational establishments, universities, societies of discharged soldiers, shooting or touring clubs, and, generally speaking, associations of every description, whatsoever be the age of their members, must not occupy themselves with military matters and must, in particular, neither instruct their members nor allow them to be instructed or exercised in the profession or use of arms. Nor might government officials, such as customs officers, forest guards, or the local police, be assembled for military training.

Universal compulsory military service was abolished and the German army might only be constituted and recruited by voluntary enlistment, and the period of service was made so as to act as a deterrent. Privates and non-commissioned officers had to enlist for twelve consecutive years; officers for twenty-five. Not more than five per cent of these could

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be discharged for any reason in any one year before the expiration of their terms of service. 17

In order to assist in the enforcement of the Treaty it was provided that the five powers should establish Inter-Allied Commissions of Control which were charged with the duty of seeing to its complete execution by the German authorities. The Commissions could establish their organization in the capital of Germany, and might proceed themselves, or send agents into any part of Germany, could demand whatever aid or information they wanted of the German government, which should bear all expenses connected with the delivery, the destruction, the dismantling, and the demolition provided for by the Treaty. 18

Five months after the Treaty had been signed, Winston Churchill, British Secretary of War, commended Germany for already having handed over 5,000 guns, 25,000 machine guns, 3,000 trench mortars, and 1,700 airplanes. They had still to deliver forty-two locomotives and 4,760 railway trucks. 19

The military, naval, and aeronautical Inter-Allied Commissions of Control which were set up by the Treaty to insure its observance succeeded surprisingly well. On

17 Ibid., p. 757.
18 Ibid., p. 757.
July 22, 1927, the conference of ambassadors, representing the Allied Powers, formally notified the Council of the League that the disarmament chapter of the Versailles Treaty had been carried out to their satisfaction.

Evidently what the governments were really aiming at was to make Germany helpless against their own countries, and, in other chapters of the Treaty, they showed no hesitation in interfering drastically with the ordinary German civil life where they judged that necessary for attaining their aims.

The basis of security for Europe lay in the fact that Germany would not be able to accomplish complete mobilization of all her national forces, unknown to the allies. To prepare herself for it, she would be obliged to resort not only to secret and isolated infringements of the disarmament clauses of the Treaty, but would need to infringe them in every direction and on a scale so plain that for her late conquerors not to see it they would have a will to suicide. America had difficulties raising an army of a million men, and yet we had the protection of the ocean while we prepared our artillery, aviation material, and munitions. Such a situation is impossible due to the close relationships of

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European countries.

French statesmen in commenting on German militarism declared that common sense showed, and the facts were not lacking to prove, that the Treaty of Versailles could not be enforced without a military might before which Germany must yield. This peace could not live on without force. The great error was to believe that Germany was changed by democracy. This error has led us to the point where we stand today, where we have to have recourse to a military organization to maintain peace. The peace of Paris was only to be an armed peace, just as it had been from 1871 to 1914. "Such is the result of a war which did not suppress militarism because it let live the causes of militarism, which is the Bismarkian Empire".  

That was the French attitude immediately after the Peace Treaty, and has continued to be such. The French would have liked to have invaded and destroyed Germany as a nation. Only the other powers prevented her from throwing the whole German nation into an upheaval, with the possible results that Germany would have gone communistic with Russia, and, united, they could have overwhelmed all western Europe.

Germany had been quickly demilitarized.

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One French authority said: "Germany is not to be feared because she cannot make war". Even the German Field Marshal Von Hindenburg said: "It is useless to speak of the possibility of Germany to undertake a new war. . . ."

The Allied Powers attempted to defend the Treaty by saying: "To have demanded less would have been an insult to our dead and a betrayal to our living". The futility lies in the thought that this Treaty was to be a source in solving all the international problems which were likely to arise in the future. As we shall see in the next chapter, Germany remained disarmed less than fifteen years, when the World re-armament race started again.

\[22\] Tardieu, op. cit., p. 143.
\[23\] Ibid., p. 143.
\[24\] Ibid., p. 144.
CHAPTER II

THE REARMING BY GERMANY

SINCE 1933

Wars have changed Europe's maps continuously throughout history, with little or no regard for the feelings and wishes of the inhabitants involved. Each war has left fresh scars of cruelty and suffering, to add to earlier memories of hate and bitterness. That is Europe's heritage.

Back of the present turmoil in Europe stand certain facts that cannot be ignored. Some of them are as follows:

1. The keynote of the peace treaty was the settlement of the struggle between France and Germany for hegemony over the European continent.

2. The settlement was imposed by force and maintained by military power and a system of alliances.

3. It was a settlement which Germany and its allies did not accept willingly, or regard as permanent.

4. Hopes that the errors of the settlement might be corrected and its harshness mitigated by the League of Nations, disarmament conferences, or international agreements, have so far proved illusory.

5. Europe is engaged today in an armament race
by far surpassing that which preceded the World War.¹

German rearmament was seen as inevitable in 1919 in view of the German attitude toward the Treaty of Versailles, and considering the German character. Beginning with June 28, 1919, the victors were claiming their spoils. We have seen how she was disarmed to the point of helplessness. Her attitude was one of bitter hatred. "We are standing at the graveside of right," declared the Frankfurter Zeitung, "and the only doubt remaining is whether it also means the grave of the German nation. Never has a murder been committed in a more courteous or in more cynical equanimity".²

The German delegates in Paris headed by Count Brockdorff-Rantzau resigned. The Scheidemann government declared the peace unacceptable, and resigned. It was succeeded by one in which Gustav Bauer was Chancellor and Hermann Müller foreign minister. Müller and Johannes Bell, Minister for the Colonies in the new government, were finally appointed German Plenipotentiaries for the formal signature.³

Germany claimed that she surrendered on the promise of Wilson's Fourteen Points. These promises were all discarded by the makers of the Treaty. Still we cannot be too harsh

¹Walter Duranty, Europe: War or Peace, p. 6.
²F. Lee Bemis, Europe Since 1914, p. 179.
with the authors. Those who built the treaty probably did the best that anyone could do under the circumstances. "When they begin to shape the future according to the moulds of the past, they leave logic behind, human nature changes, institutions change, even war changes."

Curiously enough, there has been a change since the war in the value of a big conscript army with large reserves as against a small professional army with small reserves--and this time in favor of the small professional army. The change in value is the result of the rapid and continuing progress of mechanization. The possible result is that Germany has been unintentionally strengthened by having a professional army thrust upon her against her will, while the French military authorities have perhaps weakened France by continuing conscription.

Something the same has happened over the limitations imposed upon the German navy. The limitation of armoured ships to a maximum tonnage of ten thousand was believed to make it impossible for her to have ships of any value. The Germans succeeded, without breaking the Treaty, in producing a class of ten-thousand-ton battleships, the so-called "pocket battleships." 

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4 Lord Riddell and Others, The Treaty of Versailles and After, p. 65.
The future course of the German nation was outlined in the Versailles Treaty. Just as the Germans had a desire to impose upon the world her "Kultur", so the Versailles makers wished to make the world "Democratic". The absurd assumption that the American constitution can supply the machinery of government best fitted for the needs of all races and in all shades of development makes us take for granted that others share our passion for a government of, by, and for the people.

A Republican form of government was the only form which could have been set up which would obtain any consideration whatever from the victorious allies. The nation was torn between the Communists, the Independent Socialists, and the Majority Socialists. It was almost a bloodless revolution, and by August 21, 1919, a representative form of government was set up at Weimar.

Although the German Constitution was said to be the model for the world at that time, it may be said that the underlying principles were not seen. The Social Democratic Party which took charge of the new government immediately based its whole policy on its interpretation of the Marxian doctrine of Socialism. "According to their interpretation socialism was inevitably to replace capitalism through a process of gradual revolution."

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6 Hoover, *Germany Enters the Third Reich*, p. 3.
Fourteen political parties arose in Germany almost simultaneously and it was possible to enact legislation only by a coalition of several parties.

Two presidents, Fredrick Ebert, and Paul Von Hindenburg, served Germany over a period of fourteen years, although chancellors were changed several times. During this period of post-war unrest and distress the self-styled savior of the German nation was slowly expanding his influence. Adolph Hitler, soon after the war, helped organize in Munich the National Socialist German Workers Party. After a period of years this Party gained a few seats in the Reichstag. Their policies soon won favor at the polls. After 1930 Chancellors were changed in rapid succession because they were unable to cope with the situation in the legislature. On January 24, 1933, President Hindenburg appointed Adolf Hitler Chancellor at the head of the Reichstag.  

The Nazis were brought to power on a wave of nationalist sentiment and profound economic distress. They made lavish promises of their ability to deal with the situation, which they trace primarily not to the economic disorders of the world as a whole, but rather to the hardships inflicted on Germany by the Treaty of Versailles. They demanded first of all the right for Germany to rearm. German leaders declared:

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. . . Rearmament is desired not only for its own sake, but also as a symbol of restored German nationhood, and a throwing off once and for all the enforced repentence exacted from Germany in the Versailles Treaty.

Realizing the general hatred of their people for the Treaty, the Nazis cultivated a pride of the German racial superiority and an appeal to Germany's pride in her past and hope for her future. With the rise of Nationalism there came a strong reaction, (1) against the sense of humiliation resulting from the harsh terms of the Treaty of Versailles, (2) against the doctrines of men like Bruning and Stresemann, who had preached the acknowledge-ment of defeat and fulfillment of demands of the victors, and (3) a desire to repair German losses resulting from defeat, and to regain her proud place among the powers of the world.°

Playing upon the psychology of the German people and knowing their autocratic tendencies built upon the "iron and blood" theory of Bismark, as well as their love for uniformity, precision, and pride of leadership, the Nazis had comparatively little difficulty in capturing the German mind.

The German is peace loving, but may be driven to great

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9 Benns, op. cit., p. 433.
lengths by strong leadership coupled with desperation. So can any other people. That profound desire to be "first" is inherent. "First in war, first in peace, first in everything", with a profound objection to being oppressed by an outside or non-interested party.

Heinrich Heine once wrote:

The Germans are more revengeful than the Romance peoples; this is because they are idealists, even in hatred. We Germans hate long and hate deeply, to our last breath. . . . 10

Thus we can see how natural it has been for Germany to return to her old national pride, armaments, which had been completely destroyed in 1919.

On May 17, 1933, shortly after Hitler was appointed Chancellor, he astonished the world by his conciliatory tone. He demanded equal rights for all nations and a general disarmament. He accepted the disarmament plan drawn up by Ramsey MacDonald and even consented to the dissolution of the Reichswehr. Germany would even agree to renounce the use of the so-called "offensive" arms and would not refuse to submit it's physical training organizations to international inspection or control for the survey of all phases of disarmament. He insisted, however, on the necessity for Germany to have

10 Munroe Smith, Out of Their Own Mouths, p. 114.
equality of rights with the other nations in the matter of armaments, equality which was not merely theoretical and purely formal, but straightforward and effective, and if this was not done it would be difficult for Germany to remain in the League of Nations. Such conciliatory speeches were continued for a year.

On October 14, 1933, the world was startled by Germany's announcement of her withdrawal from the League. However, she had not been permitted to enter until 1926. The German Foreign Minister declared that the conference would not bring about general disarmament in accordance with the "contractual obligations" of the powers, and that "the satisfactory fulfillment of Germany's recognized claim to equality" was therefore impossible, since the latter constituted the condition upon which Germany had agreed to return to the conference a year earlier.

What excuses could Germany give for rearming? Many, of which some have already been stated. The authors of the Treaty of June 28, 1919, wrote:

... the Allied and Associated powers wish to make it clear that their requirements in regard to German armaments are not made solely with the object of rendering it impossible for Germany to resume her policy of military aggression. They are also the first steps towards a general reduction and limitation of armaments which they seek to bring about.

11 Henri Lichtenberger, *op. cit.*, pp. 94-95.
12 Benns, *op. cit.*, p. 344.
13 Lord Riddell and Others, *op. cit.*, p. 58.
Germany's view of the problem of armaments is that the highly armed States have not, and are not willing, to reduce their armaments, at any rate not to an appreciable extent. "She for her part believes she has a contractual right to demand such a reduction". In two years of disarmament negotiations in the League of Nations she feels she did her best to do justice to quite a number of wishes put forward by the other powers. 14

Germany, with her 96,000 soldiers and 4,000 officers, felt insecure after over a decade of world reconstruction.

A characteristic feature of European development in general, as for France and England on the one hand and Germany on the other, may be shown by a brief survey of the course taken by the idea of security:

In 1919, the Treaty of Versailles.

In 1919, the French attempt at an Anglo-French-American alliance.

In 1922 and 1923, the French attempt at an Anglo-French alliance against Germany.

In 1923, German initiative (during the occupation of the Ruhr, May 2nd) and an attempt at a Rhine Pact, providing for arbitration or settlement by mutual agreement on the lines of the Bryan treaties, abruptly rejected by Poincaré.

14 Ibid., p. 123.
In 1925, the new presentation of the German memorandum at Paris and London brought unsatisfactory results.

In 1925, Locarno, and the famous statement "war is crime".  

At the slightest disturbance, the leading nations immediately aligned themselves against Germany. Germany stood in the middle of a sea of opposition until her Rome-Berlin Pact.

There are more facts concerning Germany and Europe:

1. No other nation is so devoid of natural boundaries as Germany; open in all directions, never and nowhere protected, and she was disarmed.

2. No other nation has as many neighbors as Germany, namely sixteen; each single one of the larger ones was superior to Germany by alliances and armaments.

3. No other nation has her co-nationalists as dispersed as Germany; among sixteen neighboring and adjoining States.

4. The Treaty of Versailles has divided Europe into more so-called national states than ever existed before, (thirty instead of eighteen).

5. Not one of these new States was built on economic  

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efficiency, but on political prejudices.

6. Not one of these new States is a homogenous nation; each one is composed of various nationalities.

These facts mean that Germany had been the most insecure nation in Europe. Germany is the center of all European problems, not by choice, nor by fortune, but by geographical fate, and even more since Versailles than before. This geographic fact is the decisive political fact for Germany and all Europe.

Certain States give the impression that they are systematically trying to isolate and surround Germany, or at least to prevent her from developing freely, by means of an overwhelmingly superior coalition of highly armed States. Their constant desire seems to be to deny Germany full sovereignty...

"No nation conscious of its honor and believing in its future can sanction such a system under the label of a sacred treaty".

Immediately after Germany's announcement that she proposed to rearm, France hastened to strengthen her alliances with Great Britain, Italy and Russia. This was to be the start of the arms race. Germany arms to be on an equal with France. France continues to arm. France strengthens her alliances. The alliances increase their armaments. Therefore

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16 Ibid., pp. 88-89.

17 Lord Riddell and Others, op. cit., p. 126.
Germany, if she wants equality, must match greater odds.

Another fault found with the Treaty at this time was that after the disarmament provisions had been completely carried out, within eight years after the enforcement date of the Treaty, what then could be done in the case of German defiance and the threat to rearm only fifteen years after the Treaty had been signed?

The Hitler administration soon began developing the German military establishment at great speed. During 1933-1934, despite a world wide drop in trade of approximately 20% the Reich showed an increase of several hundred percent in the import of iron and scrap, nickel, copper and molybdenum, to supply the new demand for war materials. Germany's rearmament and its avowed purpose, the revision of the Versailles Treaty, dwarf in importance all other problems of modern Europe.

France, naturally bearing German vengeence, had kept a strong army in preparation all through the period of fifteen years. On March 16, 1935, France extended her military conscript service to two years, and by diplomacy drew a cordon around disarmed Germany consisting, besides herself, of Belgium on the west, Czechoslovakia, Yugoslavia, Rumania,

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18 Ibid., p. 58.
19 Duranty, Europe: War or Peace, pp. 10-11.
and Russia on the south-east and east, and Great Britain on
the west. Hitler then threw in his bombshell of notice of
rearmament, announced his return to the policy of conscription,
and declared his intention to build an army of fifty-three
divisions of 600,000 men; six times the Versailles Treaty
allotment. He thus succeeded in defying the outside world,
and Germany gained new confidence in itself. By its own will
it had achieved a position of equality in Europe denied it by
the Allies.\(^{21}\)

On March 16, the German press screamed, "End of Versailles,
Germany is free again".

In a proclamation to the German people Chancellor
Hitler cited the failure of the other Powers to ful-
fill their disarmament obligations as a justification
for the Reich's reintroduction of conscription. . . .
He emphasized France's action yesterday in extending
the period of conscript service to two years.\(^{22}\)

An army of 600,000 men was to be created. Germany's pre-
war army during peace times had been about 800,000 men.

The material ban was also scrapped in defiance of mil-
tary clauses in the Versailles Treaty. "The new German army
will be equipped in accordance with the latest developments
of military science." The conscription law was called a
"document of peace, but determination".\(^{23}\)

\(^{21}\)Buell, The Dangerous Year, p. 3ff.
\(^{22}\)Ibid.
\(^{23}\)Ibid.
It was known that Germany had been making military plans secretly for some time before her public announcement. Her air forces were estimated to be 40,000. This was not a violation of the Treaty, because no limit had been placed on commercial aviation, and pilots could easily learn to fly military planes.

In June, 1935, Germany and Britain suddenly announced the conclusion of an agreement recognizing Germany’s right to maintain a navy thirty-five per cent of that of the British Empire and three times as strong as that allowed the Reich under the Versailles Treaty. The British justified this agreement on pragmatic grounds. Hitler had repeatedly offered to limit his army and air force at concrete figures, but his offers had not been accepted because of the French theses of security and France’s unwillingness to sign any kind of arms accord with Germany. Britain thought that by this agreement she could prevent another Anglo-German naval rivalry. The agreement definitely prevented such a race by fixing the German fleet at a size smaller than that of either France or England.  

This agreement followed word received in London in April 1935, that Germany was assembling plans for twelve

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of the dreaded U-boats. "The building, acquiring, or possessing submarines" was explicitly forbidden in three of the most emphatic articles of the Treaty of Versailles.25 This placed Great Britain on the defensive. She seemed to feel that it was her duty to dictate what kind, how many, and what size vessels Germany was to possess.

American statesmen declared,

Germany's move, it is feared, will operate to discourage successful accomplishments at Geneva and to neutralize our repeated efforts to encourage some reduction in European armaments down toward the German level rather than increase the German armaments upward toward those of other European nations. 26

In 1936, one year after the announcement of remilitarization, the German effectives available for immediate action on the day of war were summarized as follows:

Land army of from 630,000 to 650,000 men; air force of from 80,000 to 100,000; a "replacement" army, under eight weeks training, about 50,000; the labor service army of between 200,000 and 250,000, in which the class next up for military duty serves six months; from 30,000 to 35,000 men in the navy. A total of over 1,000,000 men in conscript formations.27

The German navy is still small as the navies of the great powers go. It is supposed to be limited by a treaty signed with

26 Ibid., March 17, 1935.
27 Nation, Sept. 5, 1936, pp. 268-270.
Great Britain in 1935, to thirty-five per cent of the tonnage of the British navy. The German fleet is not strong enough to challenge Britain's supremacy on the sea or to break a blockade of the north German seaports, although with a parity in submarines Germany would probably be able to harass British shipping as she did during the world war. Most experts agree that the primary function of the German navy is to control the Baltic in the event of war with the Soviet Union.\textsuperscript{28}

The limelight has recently been thrown on Russia's naval rearmament, which includes the building of no less than 160 submarines, three new battleships, three aircraft carriers, and eight large cruisers. In addition, Britain's naval and air rearmament have been proceeding apace.

Germany attempts to justify her sea actions, "in the defense and maintenance of German sea communications, and is not directed against Britain or any other power, but to safeguard the requirements of Germany's own security".\textsuperscript{29}

A British authority says:

\begin{quote}
We cannot, then, blame Germany for what has happened; all we can do is to look at the matter realistically and see to what extent we are endangered and what we must do to avert the danger. The Existing British submarine tonnage is 72,629
\end{quote}

\textsuperscript{28} \textit{Headline Books}, No. 15, p. 45ff.
\textsuperscript{29} \textit{Nineteenth Century Advertiser}, Feb. 1939, p. 132.
while the German is 31,282, but whereas the British tonnage is made up of 69 submarines, ranging from 1,800 tons downward. Germany has seventy-one submarines built or building, none larger than 740 tons.  

The German ration has presumably not reached the thirty-five per cent of the British tonnage yet.

Germany closed the eventful year of 1938 by notifying her intention to exercise her right, in accordance with clause (f) of the Anglo-German Naval agreement of June 18, 1935, to build up to 100 per cent of the British submarine tonnage.  

Hitlers newspaper, Voellischer Beobachter, said the new 35,000 ton battleship, Bismark, with the 26,000 ton battleships Gneisnan and Scharnborst gave German sea-power a place among the great fleets of the world.

The Treaty of Versailles, articles 42 and 43, specified that Germany forever could have no fortifications or armed forces beyond a line fifty kilometers (31 miles) east of the Rhine. In 1925 the Locarno Pact reasserted this provision, and further strengthened it by incorporating it into the League pacts.

On March 7, 1936, at twelve o'clock noon, German troops marched into the thirty-one mile demilitarized zone, and on to the Rhine. The Fuhrer accused France of breaking the Locarno Pact by making an alliance with Russia against her.

Ibid., p. 133.
Ibid., p. 129.
Fort Worth Press, February 14, 1939.
News Week, March 14, 1936, p. 8.
He announced over the radio:

... to protect its borders, the German government therefore restores, as of today, full and unlimited sovereignty over the demilitarized zone.

He then suggested a "peace belt" any depth on both sides of the Rhine, which would not be fortified. France sneered and continued construction of her famous Maginot Line. 34

Germany is building the supposedly impregnable Siegfried Line, facing France and Belgium. Little information is obtainable at the present about German fortifications.

In Germany, the Nazi government, faced with the desire for an unprecedented expansion of armaments since abrogation of the disarmament clause of the Versailles Treaty, has had the virtual control of all private manufacture. Although private factories have been continued and expanded, Krupp and other great armament-makers in Germany are now as closely regulated as if the country were engaged in warfare, and their profits are limited. 35

Germany is building a very broad and very systematic network of highways over the empire in order to get ammunition and provisions to her armies in case of war. Highways are much more difficult to destroy than railroads, and also more efficient; although her State owned railroads are the most efficient in the world. Germany's ability to hold up so long during the world war was largely due to the fact that she

34 Current History, Feb. 1937, pp. 54-57.
occupied a central position and could work on inside lines, being able to send troops from one front to another in comparatively short time. Today life in Germany is regimented along military lines, so that it is scarcely too much to say that the nation is in a continuous state of mobilization. 36

In 1937 the German air force was already considered the best in the world. There were about 45,000 men in this branch of Germany's military organization. She was supposed to have had, at this time, between 6,000 and 8,000 planes, with her factories turning out 400 new ones each month. 37

Germany has always been a leader in military weapons and methods. Stalemated on land, checked on the sea, she turned to a third dimension and forged the most terrible weapon the world has ever faced. The actual facts of the German aerial triumph could by the end of 1938 be presented quite accurately, as follows:

At the time of the Czechoslovakian crisis of 1938, Hitler had 12,000 military planes, today (March 1939) his fleet is between 16,000 and 18,000 planes. Of these 60 per cent are fighting planes; forty per cent are for observation, transport, communication and training—the normal proportion—the normal in any air force. 38

The relative strength of the world's air powers in 1939 is given on page 40. At the present time Germany is building one thousand new planes a month, and is increasing the production as new factories arise. Numbers, no matter from what sources,

36 Headline Books, No. 15, p. 47.
37 Ibid., p. 45ff.
38 Readers Digest, March 1939, p. 6.
Table 2

RELATIVE STRENGTH OF THE AIR POWERS

<table>
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<td>2</td>
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<td>Quality</td>
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<td>6</td>
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<td>(Jan. 1939)</td>
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<td>6</td>
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<td>3</td>
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* S. Paul Johnston, in Aviation, made up his own ratings of the relative strength of the air powers. Here it is qualified by Mr. Johnston's warning that the Russian figures are merely a guess. The principal objections raised by qualified experts is that the Russian and French ratings are too high. They do not believe that even counting the obsolete planes, of which France has too many, does she rate better than one to Germany's ten, and they seriously question morale in the French factories.*

*Reader's Digest, March 1939, p. 8.*
do not tell the whole story. General Wiellemín, head of the French Air Force, after a recent visit to Germany said, "Germany is turning out the most powerful war planes in the world, with speed and raiding and bomb-carrying capacity in excess of anything hitherto known".39

Her plants are scattered, hidden, and camouflaged so that the windows will not even reflect moonlight. Quarters, hospitals, and wireless stations in connection, are underground. Everything is in readiness, even to the three sharpened pencils and blank paper on the desks.

Germany has the planes. She also has the men to keep them in the air. She entered 1939 with an airforce personnel of 206,000, compared with Britain's 87,950 and France's 64,650. For a reserve of pilot material the National Socialist Flying Corps gives free training to every German youth who shows aptitude. In its ranks today are 65,000 young men between the ages of 18 and 20. Below that age there are 100,000 members of the Hitler youth who are definitely earmarked for aviation training.40

nightmare to Britons and Frenchmen is the vision of thousands of Nazi bombers thundering over London and Paris in wave after wave, blasting their populations to smithereens.

39 Ibid., p. 7.
40 Ibid., p. 9.
In September 1938, in the face of this horror, the fate of Czechoslovakia hardly seemed worth bothering about. Air Marshall, Hermann Wilhelm Goring says, "the armament fever has gripped most countries of the world. Thus, further expansion of the German air forces is necessary, the German Air Force is the terror of our opponents and it will remain so." 41

On March 1, 1939, the Field Marshall declared his determination to "maintain Germany's leading position among the world's military and aviation forces." He also declared that a "fully developed defense zone" thirty seven miles deep had been created behind the Reich's western fortifications during the September 1938 Czechoslovakian crisis. 42

At the present time Germany may be said to be military from the cradle to the grave. German boys and girls enter the Hitler youth movement at the age of ten. They learn to hike and swim. They learn that Hitler saved Germany, and to love their Fatherland above everything. "Deutschland Uber Alles." They must live and die for their homeland. The government succors the child, gives him work and protection when he grows up and provides assistance when he gets old. In exchange for

41 *Time*, March 13, 1939, p. 22.
42 *Denton Record-Chronicle*, March 1, 1939.
this he must hold the German eagle high enough and keep him strong enough that these promises and guarantees might be effected.

Just as the children are trained for the army, so also the rest of German life is directed towards the goal of building up the Reich's military strength. Hitler promised that he would make Germany a great military nation again and he has. The military clauses of the Versailles Treaty have been torn to shreds. Today the German army and air force are the most powerful weapons of destruction ever forged by human hands.

It is in some cases difficult to get accurate information about the present German army. Germany guards her military secrets zealously. But we have some reliable estimates of the strength of Germany's forces in terms of money, men, and weapons. Experts tell us that she is spending the staggering sum of four billion dollars a year to make herself a nation in arms. The same experts tell us that Germany's military strength is as follows; men in active service, 800,000; first line reserves, 500,000 to 600,000; semi-military trained men in the ranks of the Elite Guard and Storm Troopers, 900,000; old fighters of the World War, about 4,000,000; total number of men with some military
training over 6,000,000.

Germany is also well equipped for war. It is estimated that in the event of war, she could put 1,500,000 well equipped men in the field immediately, and another 900,000 within three months. Germany's army grew more slowly than expected due to the fact that she lacked trained officers when she entered her rearmament program in 1935. She had been allowed only 4,000 officers by the Treaty, for an enlistment of twenty-five years. Germany was said to have fulfilled the disarmament demands of the Treaty quite satisfactorily.

A United Press correspondent of the Berlin staff declared on January 24, 1939, on the sixth anniversary of Nazi Germany, "the Reich leaders claim they could send a fleet of more than forty submarines into the North Sea, cloud Europe's skies with 10,000 war-planes, and put 2,000,000 trained soldiers into the trenches." The estimated standing army on that date was 1,000,000 men.

German remilitarization seems to be complete. The power of Germany finds its fullest expression in her military organization.

Armaments, like the rise of dictators, are a reflection

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44 The Fort Worth Press, No. 6, p. 31.
of bad economic and political conditions. Because the League of Nations failed to provide means of solving economic problems or revising unjust treaties, nations have more and more lost faith in peace machinery. A nation which is unable or unwilling to look to arbitration for a remedy of its problems of raw materials and markets, builds up an army in order to secure what it needs by force. Germany feels that all arbitration has been at her expense over a period of fifteen years because of her weakness.\textsuperscript{45}

In his world-wide speech of February 1, 1939, Adolf Hitler declared that "the wealth of the world must be divided by equity or by force".

\textsuperscript{45} \textit{Headline Books}, No. 6, p. 31.
CHAPTER III

THE ECONOMIC IMPOSITIONS UPON GERMANY

BY THE TREATY OF VERSAILLES

The subject of reparations and indemnities caused more trouble, time, contention, and hard feeling at the Peace Conference than any other point of the Treaty of Versailles.¹

The committee on reparations chose three sub-commissions to determine: (1) Germany's capacity to pay, (2) the scope for which Germany was responsible for the war, its destructions and expenses, and (3) how the sanctions were to be enforced when at last the amount had been agreed upon. The real question was "how much at her utmost capacity can Germany be made to pay? "²

Certainly the Treaty of Versailles was a harsh treaty. To a considerable extent it was the product of intense hatred of Germany which filled the hearts and minds of the people throughout the world after the war. For four years the people of the earth had read about the gray ranks of the German armies, rolling like waves across France and Belgium, and the tramp of German boots. They had read about the horrors and tragedies of the ships going down at sea torpedoed by the terrible German

² Ibid., p. 261.
submarines. So it was natural to believe the stories that the Germans were fiends created by allied propagandists. It was inevitable that, when the allies had won, Germany should be made to pay. Along with many just provisions of the Treaty there were certain to be some new injustices created. The economic injustices, which later effected the whole world, were possibly the greatest of all.

The reparation clauses demanded of Germany to sign a blank check to cover all the injuries she had done to civilians and to civilian property. Except for the inclusion of the questionable item of the cost of military pensions, this was a reiteration of the pre-armistice agreement. Without the military pensions the blank check covered a sum of $15,000,000,000 to $20,000,000,000, and if military pensions be included doubled this, and it could be increased if the Allies thought that Germany could pay more. Military pensions were the retribution which Germany was to pay France for her aid to soldiers and the families of soldiers who had to fight the Germans, and also in partial payment for economic losses by these citizens during German occupation. In most cases there were no assurances of reciprocal treatment of the German citizen's trade, and shipping. These matters were left
for the different Powers to decide for themselves. This rather unusual but necessary provision left the matter wholly in the hands of the Allied Powers. Germany had no voice in the renewal of her commercial treaties with these Powers. 3

By the Treaty Germany accepted the sole responsibility of herself and her associates for the loss and damage to the Allied governments and peoples caused by the war. This meant that she had to pay in goods, money, materials and in labor for the desolation and destruction which she was accused of having caused. She must help restore the ravaged lands to their former condition, rebuild the demolished villages and cities, restore the loot which she had carried off to Germany, replace tool for tool, factory for factory, ship for ship, and in general, work and pay for the rehabilitation of the countries she had overrun and devastated. Whether it was a German shell or a French shell which destroyed an object, the Germans were held responsible because they "were responsible for the war."

Germany was to pay twenty billion gold marks to the Reparation Commission by May 1, 1921 (about $5,000,000). The balance was the outrageous figure of 132,000,000,000 gold marks added to the amounts loaned to Belgium by the

3 Ibid., pp. 302-304.
Allied and Associated Powers during the war, and the twenty billion due on May 1, 1921, was not included in this because the reparations were to begin with this date, and had been assessed as a lump payment from Germany. Germany also agreed to the direct application of her economic resources to reparation. That is, she agreed to deliver good built or rebuilt ships; coal; dyestuff and chemical products; livestock; and other things to her enemies. All these commodities were to be credited to her account. She handed over all her merchant ships of 1600 tons and upward, half of her ships of a tonnage between 1000 and 1600 tons, a quarter of her tonnage of steam trawlers, and a quarter of her tonnage of other fishing boats; and in addition she was to build ships for the Allies over a period of five years, to the amount of 200,000 tons a year. All this was in retribution of her "merry years of submarine piracy."

Loot which the Germans had taken from France after the Franco-Prussian War of 1871 was also demanded. This included manuscripts, printed books, maps, trophies of art, diplomatic papers, and French flags. Even gifts which had been made to Germany by other countries were ordered returned.

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4 Charles D. Hazen, *Europe Since 1815*, p. 958.
The Treaty gave France the right to seize German property in case the German government did not fulfill its obligations. The French later took advantage of this clause and invaded the Ruhr section of Germany.

Germany's losses of raw materials were far greater and more serious than her losses of population or territory. With the loss of Alsace-Lorraine went iron, petroleum, and potash; with the Saar Basin went coal; with the removal of Luxemburg from the German industrial system went still more iron; with the lost regions in Upper Silesia, next to the Ruhr the most important industrial district in pre-war Germany, went coal, zinc, and lead together with many foundries and mills. Altogether Germany was compelled to surrender approximately 65 per cent of her iron ore reserves, 45 per cent of her former coal wealth, 72 per cent of her zinc ore, 57 per cent of her lead ore, from 12 to 15 per cent of her principal agricultural products, and about 10 per cent of her manufacturing establishments.

Over seas Germany lost an area of about one million square miles with a population of more than 12,000,000 natives. With this went about 25 per cent of her pre-war

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rubber supply, besides valuable oils, fruits, and fibers.

Her merchant marine before the war totaled nearly 5,500,000 tons. It was reduced to 400,000 tons by the Treaty. Her special privileges, capitulations, and concessions in China, Siam, Morocco, Liberia, and Egypt were destroyed. She forfeited many of her pre-war commercial treaties with the Allies, and was for a short time forbidden to discriminate against the commerce of the Allies, and had to grant without reciprocity most-favored-nation treatment to the Allies for a period of five years. 7

Every means were used which the three sub-committees could devise to bring the maximum results from the German nation. There was to be no satisfying restitution. Destruction is so much easier than creation. So large a part of the accumulated possessions of the world, the laboriously built-up wealth of machinery, of public utilities, of ships and railroads and charities and institutions of learning and resources of every kind had been destroyed in the war that the whole of Germany did not possess and could not restore one twentieth part of what had perished. Even if the loss had been charged up as a money debt against her and her children for generations to come and creditors seized all the

7 B. Lee Benna, Europe Since 1914, pp. 189-190.
profits from their toils, the loss could never be made up. If interest had been charged on the total debt, Germany would have been unable to pay anything on the principal. Germany must be held a land of serfs forever, but held under only by military force. In this way she would breed hatred and finally universal destruction.

The leaders at the Peace Conference did understand Germany but they were driven by their peoples to exact the maximum. President Wilson wished to effect his famous fourteen points which contained the idea of making a treaty which would not impose territorial losses nor indemnities. He was hardly given consideration. England, and especially France, had been put to considerable discomfort and they had no intention of being a party to a just treaty, disregarding what the consequences were to be in later years. There were only three encouraging impulses in each rejoicing heart: peace was to last forever; Germany must be the scapegoat who must suffer all; and everyone was to receive back all that he had lost. "Only by degrees did the stunning truth reach out to the mind of the common man, that Germany could not pay". 8

The exact amount of the indemnity was not named in the Treaty, because the reparations sub-committee were given two

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years to study Germany's capacity. That commission fixed Germany's reparation bill provisionally at $33,000,000,000, with the understanding that this amount could be raised if at any time it appeared that she could pay more.

The Germans objected to this report on two counts: first, that the amount was too large, and second, that it was unfair to ask them to accept any increase which the Commission might see fit to impose upon them in the future. Due to armed allied threat the German government signed and agreed to attend the London Conference later, which also could not reach an agreement because of the unwillingness of the Germans to do business in such an uncertain way.

Germany was disarmed and she could not defend herself against the new imposition; she turned to her one other weapon, economic war. At a large gathering of German financiers an industrial spokesman arose and declared:

It is only industry that still has weapons, it is only industry that still battles. Germany is compelled to fight her battles with proletarian weapons, strikes, passive resistance, and so forth. This is a sign that Germany is in danger of becoming a nation of proletarians... The path before us is long and thorny. Dark days are before us.

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9Current History, September 1924, p. 998.
Dr. Schacht, the eminent German financier, in writing of the post-war condition in Germany, declares that with the conclusion of the armistice began the imposition of new and extraordinary economic changes on a country already weakened by the war beyond all bearable limits; and the economic blockade was still maintained. Money was prevented from leaving the country. The people were warned that no war loans would be cancelled and that savings and bank balances would not be confiscated.

The situation of the German population at this time is shown by the fact that in February 1919 the weekly rations of potatoes had been reduced to five pounds per head.

It will always be a blot on the record of our opponents that not only full payment in gold or foreign securities was demanded for the most essential foodstuffs, but the quality of what was delivered was unspeakably bad and dangerous to health. 10

The Germany of yesterday, armed, arrogant, imperialistic, is gone; gone I believe, never to return. The Germany of today is broken, faced with bankruptcy, if work is not found for her vast industrial population, she may, and very probably will, drift quickly into revolution.

The author goes on to say that the industrial life of Germany was at a standstill. The German workmen were walking the


streets. Such men made good material for the Spartacist movement.

The embargo was not lifted from Germany for seven months after the armistice. During this time she was returning everything of value which she had confiscated during the war, such as cattle and other food supplies. Germany lay beaten, bankrupt, and her fluid capital dried up. Her commercial system was smashed, and her efforts at foreign trade recovery was handicapped by a well-nigh universal hatred and disgust, which penalized her by discriminatory legislation against, or popular aversion to, her wares. Hermatically sealed Germany could support 20,000,000 people. Deprived of her late world economic position, and dependent upon her trade with neighbors, Germany could support perhaps 40,000,000. But since there were nearly 70,000,000, what was to become of the extra 30,000,000?

"Germany lost control of her transportation system, taxation, exports and imports, navy, air service and merchant marine. She was reduced to economic impotence". 12 All economic provisions of the Versailles Treaty, with re-

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12 D. L. Dumond, Roosevelt to Roosevelt, pp. 237-238.
gard to commercial intercourse and trade, were designed systematically to destroy her economic strength.

The annihilation of the German arms and munition industry dealt a severe blow to German trade and thereby the balance of payments. The restrictions on the manufacture of aircraft crippled an exporting industry which had rich profits and prospects. Limiting the sovereignty of Germany in handling her customs tariffs and curtailing her independence in respect of the conclusion of commercial treaties affected her commercial business. The most-favored-nation treatment in favor of the Allies and associated states affected import, export, and transit trade. Customs were removed between Alsace-Lorraine and Germany. Also between the Saar and Polish German regions were accorded these privileges against Germany. 13

Germany's capacity to pay was based largely on her pre-war imports and exports. Fifty years earlier Germany had imposed an indemnity of $1,000,000,000 on France. This was considered to have been terribly excessive for any conqueror to demand of the vanquished. On April 28, 1921, the Allied Reparations Commission demanded $33,000,000,000 from the Germans, to be paid over a period of thirty years plus five

13 Schacht, op. cit., pp. 43-45.
per cent interest, yet few could understand why the Germans made such great overtures and objections to the Treaty.

This was finally proved to be impossible and it was revised. She was still to pay the $33,000,000,000, but only had to pay annually $500,000,000, plus twenty-six per cent of the value of German exports. Thus her annual payments were estimated to be approximately three-quarters of a billion dollars. This was still to be increased if German trade increased. This would naturally have two results; it was hoped that it might increase her trade and commerce, but it also served as a check on German payments, even if she could have paid off more rapidly she would not, because of the fear of an increased indemnity.

Difficulties arose between France and Germany over the first payment of May 1, 1921. $5,000,000,000 was due. Germany handed over $1,500,000,000 in gold. She claimed that the value of the balance had been left in armaments and machinery when she retreated from French territory. This amount was later accepted and it was also applied as part of the $33,000,000,000 indemnity, but the Belgium indebtedness, with its five per cent interest, remained a separate item.

By November 1, 1921, Germany was instructed to deliver three series of bonds which together would represent the
capital sum of the total obligations, approximately $32,000,000,000. These were called A B C bonds. The first two bearing a higher rate of interest than the last.

The system used for collecting the debts from Germany appears somewhat foolish now. The first installment of $5,000,000,000, which covered a period of approximately two years from the signing of the Treaty of Versailles, was to be paid principally in ships, machinery, coal, chemicals, dye-stuffs, construction material, and German labor. German ships were already a drug on the market. English and American ships were rotting in their docks. Germany was to exploit her coal resources and furnish France with all her coal, while British coal had no German nor French markets.

Allied industrialists would not accept German machinery because it would give Germany a monopoly on later replacements. Dyestuffs and chemicals were not welcome anywhere because other countries had learned to rely on themselves and did not wish to destroy these new industries, and become subject to foreign supplies. German labor, although freely proffered, was refused by France and Belgium, because they wanted this work to be done by their own unemployed. There was only one ultimate result, that the German government was unable to

meet the reparations in the form demanded. About 15,000,000 German workmen reconciled themselves to twelve-hour work days in order to be able to swamp the world with German goods and be able to pay the 6,000,000,000 gold marks annually. The greatest obstacle to this was that Germany could not get the required raw materials. She was out of gold and had no credit.

Germany had to transfer large blocks of securities in her leading corporations. The payment of interest and dividend charges to foreign holders of basic securities made the depreciation of the Reichsmark certain. In November 1918, there were several million gold marks due to neutral countries from Germany. If the exact obligations had been immediately worked out clearly within her power to pay, and the blockade lifted, and Germany had been supplied with raw materials essential to her rehabilitation, these neutral creditors would have accepted some sort of paper obligations from Germany in payment of amounts due them. Instead of this everybody wanted gold, because no one knew how strong Germany really was economically. These creditors sold Reichmarks as rapidly as the market would absorb them. The value of the mark depreciated, for considerable percentage of stocks and bonds of German corporations, as well as state and municipal securities were owned by non-Germans.

Germany was forced to make payments in gold beyond either her capacity to pay in goods or the world’s capacity to absorb her products. The ultimate outcome was the surrender of a great many of the country assets to foreign capitalists, the corresponding dwindling of Germany’s domestic power of taxation and the complete cessation of indemnity payments.  

Germany needed to trade at once. That was her livelihood, so German goods began to appear in competition to Allied goods. The Allied industrialists made complaints. Until the first half of 1921, England, France, and Belgium levied a fifty per cent duty on all German goods coming into these countries. A twenty-five per cent German tariff in gold was collected on the eastern frontier of the Rhineland on westbound merchandise, while on eastbound merchandise the duty was twenty-five per cent payable in paper money.

These countries raised their tariffs hoping that it would force a reluctant Germany to pay. Economically this was to have one of two results; either that German exporters would add this amount to their price, which would mean that the consumer would eventually pay it, or that German trade would eventually go to the wall. The later was the result, even though Allied bankers made haste to have this unreasonable

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tariff removed.

Germany's greatest difficulty was to obtain foreign trade. The principal amount payable by Germany within thirty years, with compound interest, would mean the doubling of the capital amount. "The yearly payments by Germany would amount to 260,000,000,000 marks, equal to the total value of all German property, State and private, before the war". 18

This amount was to be paid in foreign exchange on the face value of the dollar. Before the Treaty the mark was down to four per cent of its face value, and Germany was unable, even before demands of payments were made of her, to buy foreign exchange. The power of any one nation to pay in foreign exchange depends on its ability to export in excess of imports and cost of living, and on the possibility of liquidating claims which the nations holds in foreign countries or on goods and chattels foreigners will buy. After the Treaty, Germany had no claims, such as businesses, credits, houses, land (including colonies), or foreign securities. All had been taken from her without compensation. All the gold in the Reichsbank, about $250,000,000, was already earmarked for reparation account. Foreign credit and foreign exchange was therefore limited and commercial bills were almost non-existent. Her form of

government was very unstable. Her treasury certificates fell due every three months.

Before and during the war the German people had been taxed far less than any other people. Now the most grievous taxes were placed upon the country.

The Allied Conference which met in Paris on June 24, 1921, to agree on the previously expired German indemnity, concluded that Germany should pay to the Allies within a period of forty-two years the sum of 226,000,000,000 gold marks. She must also pay for forty-two years an annual tax of twelve per cent upon the total of her exports. Besides this Germany was to revise her internal fiscal system, to balance her budget, to curtail the issue of paper money, to increase the taxes generally, to raise the imposts upon alcohol and tobacco and to increase her railroad fares and postal rates. In the event that Germany should not fulfill these conditions, the Allies had the right to seize the German customs, to impose taxes on the Rhineland, to exercise financial control over Germany, and to impose military penalties. 19

This extended the Versailles limit of thirty years, twelve years, but during these twelve extra years, Germany was to continue paying twelve per cent of her commerce; another means

19 Current History, February 1921, p. 418 ff.
of avoiding German competition in their own markets. This the German people, press, and government immediately and strongly refused, but as in every other case they could only acquiesce. Every new adjustment merely added coals to the German hate, and strengthened the desire to "evade and avoid". The German "lump-sum" offers were constantly rejected by the Allied Commissions. Probably more would have been received in the long-run, but some of the Allied governments feared that German economic development would not be subjected as they would like to have it be.

Another thing which caused France and England to insist so strongly for Germany to pay, was that they were to pay their debts to the United States as Germany paid to them. Actually, the United States was the greatest loser from German non-payment.

The power to tax is the power to destroy. The twelve percent export tax tended to destroy Germany's initiative and ambition to pay the annual installments of the cash indemnity with promptness. The sliding scale tax which increased with her exports made it certain that Germany would not pay more on her installments than what the bond called for, even to get the cash discount.  

\[20\] The Outlook, Vol. 127, p. 249.
We have seen how Germany was stripped of approximately one-third of her coal producing area, and nearly all her iron ore. The Allies imposed on the remaining two-thirds of her coal the delivery to France, Belgium, and Italy, of 40,000,000 tons annually. The avowed purpose seemed to be to cripple Germany as a manufacturing nation. The difficulty lies here in the fact that one or the other could not work. If Germany was to be excluded from foreign markets by a shortage of coal and raw materials, she could not pay enormous amounts in foreign exchange.

Eight million men were placed on the post-war unemployment list, after various attempts at employment failed, due to the lack of markets and raw materials. The German flag was wiped off the seas, and the domestic interchange of goods was seriously hampered. Even the rivers and canals, the backbone of Germany, were under Allied Commission Control.

The Treaty had promised Germany a certain amount of raw materials and foodstuffs. This had to be gotten by credit, which was very slowly forthcoming. These credits proved, as years and developments passed, to be only revolving credits, from the United States to Germany, to France and back to the United States.

Some of the Allied countries tried to make it appear
that they were trying to encourage German foreign trade, while at the same time they were raising tariff barriers against, and discriminating against German goods. Since Germany possessed no considerable quantity of available gold or of salable foreign securities, even to meet the first year's installments, and due to the preposterous size and duration of payments, it would have been better to base her ability to pay on her export market. All computations were based on pre-war figures of export, making allowances for the post-war circumstances. The body of the peace terms and the post-war policies of the Allies were intricately designed to extirpate as far as possible German trading facilities in foreign countries, and by various prohibitions and discriminations to stop their re-establishment. Any German goods which competed in a foreign market was discriminated against. 21

After 1921, everyone thought that the reparation schedule had been set up and Germany was arranging herself to make her anticipated payments, instead the value of gold marks began to depreciate rapidly. The Reichsbank rehabilitated the value of the mark from time to time. In the course of July, 1923, the dollar rose from 160,000 to 1,100,000 marks, from this stage began the so-called repudiation of the mark. Money was

no more acceptable. Everyone was trying to turn his money into goods or invest in foreign securities.\textsuperscript{22}

Because demands and economic restrictions on Germany were based on pre-war productiveness and ingenuity, none seemed to realize that Germany was practically bankrupt after the first payment in 1921. France invaded the Ruhr and robbed the chief banks and took valuable German property. This was more disastrous than ever to German finances, and proved to be burdensome to the Allies. It then began to be clear that the ability of Germany to pay reparations depended on her internal prosperity, which was controlled by her export trade. If she was to pay anything in the future her finances must be established on a firmer basis, and the value of her currency restored.\textsuperscript{23}

The continuation of inflation soon threatened to bring all business to a standstill. None could in the circumstances venture to make any forward contract in terms of money, or even promise to deliver goods at a fixed price in a week's or day's time. "The official index recorded a figure of 16,620,000,000,000 as compared to 100 in 1913." The German economic system was threatened with utter collapse. The passive resistance in the Ruhr had to be abandoned. A new currency, the Rentenmark,

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\item[\textsuperscript{22}] Schacht, op. cit., p. 75ff.
\item[\textsuperscript{23}] Cole and Cole, op. cit., p. 266.
\item[\textsuperscript{24}] Ibid., p. 265.
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based nominally on the value of the landed property, was introduced to replace the valueless mark currency. Germany reconciled herself and agreed to any price of peace with which she could hope even temporarily to meet. Under these conditions the Allies came to terms with Germany. After an international expert committee, under the direction of Charles Dawes, had reported upon Germany's ability to pay, again, it became possible to secure the general acceptance of the Dawes Plan (1924), under which the Allied claims to reparations were considerably scaled down, and a new loan, to be raised by the Allies, was conceded to Germany as a means of re-establishing her financial position. Under this plan the temporary Rentenmark was displaced by a new unit of currency, the Reichsmark, based upon gold and possessing the same gold value as the pre-war mark. Prices in terms of the new currency were sharply brought down to somewhere near the pre-war level, and by a method of severe deflation some sort of an equilibrium was restored to the German economic system. 25

From 1924 onward, Germany entered definitely on a new phase of her post-war history. Under the governments of Stresemann (August 1923), Marx (November 1924), Luther (January 1925), and Marx (May 1926), the policies of fulfillment under the conditions laid down by the Dawes Plan were systematically

25 Ibid., pp. 265-266.
pursued and Germany prospered economically. Foreign investors, especially in the United States, regained faith in German securities. German investors stopped their foreign investments.

German financial strength grew with astounding rapidity until 1930. No one realized that a great depression was immediately ahead. Foreign loans flowed freely into Germany after the Dawes Plan of 1924. When the depression struck, and all world trade began its rapid decline, Germany was among the first to feel it:

Germany suffered from being too efficient a producer; for her calculations of efficiency left out of account that flaw in the world economic system which prevents it from finding an assured market for all the goods that it is equipped to produce.  

Foreign capitalists began to withdraw short-term credits. The collapse of the Credit Anstalt in Austria in 1931, had serious repercussions upon the position of German banks. Another difficulty affecting German finances was that, "In 1930, out of fear of an Austro-German economic alliance, the Bank of France manipulated the crash of credit throughout central Europe".

The Reichbank attempted to take care of the losses of other banks and large rationalized industries. The banking

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27 Life, March 27, 1939, p. 11.
system was about to go under again when the German government came to their assistance and had to practically take over the control and supply by its own limited funds, enough to enable them to carry on. Drastic limitations were imposed on the withdrawal of funds, especially for foreign payments. The German banking system after 1931 became virtually a part of the State machinery of the Reich.

The Young Plan of 1929, had been intended to modify the claims of the Allies for reparations, and to involve a definite advance on terms embodied in the Dawes Plan of 1924. It was less successful. It did not include the Dawes provision of scaling down payments in correspondence to any serious fall in the level of world prices. It soon became impossible for Germany to make any payments on her reparations and also to make payments on her commercial borrowings. The old triangle of borrowing from the United States and paying reparations to the Allies, which in turn might or might not pay their own war debts to the United States, might as well come to an end.

These conditions had at least one good result; they compelled the Allies, years after they ought to have done so, at last to face realistically the reparations question, and to recognize that all hope of collecting any substantial sum in reparations from Germany, had totally disappeared.

29 Ibid., p. 227.
In 1931, President Hoover declared a one year moratorium on foreign debts. In 1932 the Lusanne settlement was different than it could have been at any other earlier date. It provided for acceptance of a smaller sum in final payment of all reparation claims. Great Britain abandoned her endeavor to collect from Germany enough to meet the installments due on Allied debts to the United States. The aggregate installments due from Germany under the Young Plan amounted to a capital sum of approximately 25,000 million dollars. The Lusanne payments, even if they were exacted in full, could not amount to more than 2,000 million dollars, while there was to be a complete moratorium on all payments for four years. "It was generally considered at that time that this would be the end of German reparaions".

The question arises: did Germany intentionally allow her currency to go to pieces? Did she spend too much money on her internal improvements, such as shipyards, the rationalization of industries, and so on, in order to be more able to pay her obligations, or only to be more able to compete in world markets once more? Did she think that by allowing the state to go bankrupt as quickly as possible and ruining the majority of her citizens, she would cause all indemnities to vanish into

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30 Ibid., p. 277ff.
thin air as a dream? In any case we remember that Germany had no incentive to pay. I believe that enough has been shown in this chapter for us to see that Germany could not pay under the various circumstances, although she might have wished to.

German industry was built between 1924 and 1929 to utmost efficiency by foreign loans. Up until the Young Plan of 1929, Germany had borrowed two dollars for every dollar she had paid on reparation account.

This was allowed in the hope that it would indirectly increase her capacity to pay.

The Treaty makers at Versailles were afraid that the greater thrift, industry, efficiency, and self-denial required for payment of indemnities, would mean a greater, stronger Germany, when the burden passed. They were somewhat afraid that they might push the thing so far that they would build up a gigantic machine in Germany; "a Frankenstein that would ultimately overwhelm them, but they were willing to take the chance".

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31 Annals of the American Academy of Political and Social Science, Vol. 144, p. 3. (Note: This brief survey has been given of German economic developments from 1921 to 1932, only to help the reader understand conditions preceding the Third Reich.)

32 House and Seymour, op. cit., p. 463.
CHAPTER IV

ECONOMIC POLICIES UNDER THE THIRD REICH

Economic conflicts and divergence of economic interest are perhaps the most serious and most permanent of all the dangers which are likely to threaten the peace of the world. No machinery for settlement of international disputes can be relied upon to maintain peace if the economic policies of the world develop as to create not only deep divergencies of economic interest between different masses of the world's population, but a sense of intolerable injury and injustice. No task is more urgent or more vital than that of securing agreement on certain principles of policy which are necessary to the interests of future peace. And there is perhaps no question which in comparison with its intrinsic importance, has had so little careful and collective deliberation.

International cooperation, while political in its agents and methods, is largely economic in its motives and results.

German reparation payments, after the Dawes Plan were paid on schedule by Germany for four years. Stipulations were revised by the Young Plan of 1929. This new plan provided that Germany pay annuities averaging $512,500,000, over a period of thirty-seven years, and for the first twenty-one years they were to average $391,250,000. Reduced payment in kind was continued. To facilitate the handling of international debts, a bank for international settlements of debts and reparations was established at Basel, Switzerland.

\footnote{William E. Rappard, \textit{Uniting Europe}, p. 57.}
The success of the Young Plan was short-lived. In the German parliamentary elections of September 1930, its unpopularity was revealed by the spectacular gains made by the National Socialist and the Communists; both were opposed to the payments of reparations. Foreign investors became alarmed at the increases of these two parties of extremists, and began to make extensive withdrawals of their money. As Germany succumbed to the economic plight which was gripping the world, production and foreign trade dwindled, unemployment increased, and business failures became more numerous. Emergency decrees, issued between July, 1930, and July, 1931, provided for reduced taxes and rigid governmental economy, but failed to deflect the current of economic depression.

At this same time the Bank of France manipulated the crash of credit throughout central Europe, in order to keep Germany and Austria from forming a customs union, or Anschluss. 2

The disturbing effects of Austrian financial difficulties, and adverse trade balance, and unsound financial structure, continued monetary withdrawals by foreign investors, a growing budgetary deficit, and the shrinkage of business precipitated a serious crisis. A panic swept Germany in 1931, and its

2Life, March 27, 1939, p. 11.
whole economic structure seemed on the verge of collapse. Seeing its effect on the world at large, President Hoover proposed a one-year moratorium of all payments on intergovernmental debts, both of principal and interest. This was powerless to arrest the German decline. Finally the great powers, fearful of German drift toward a chaos, made one more attempt at an amicable settlement at an International Peace Conference at Lausanne in June 1932. At this assembly the European nations consented to an almost complete cancellation of reparation payments.

In 1932, President Paul Von Hindenburg, was re-elected for a seven year term. Chancellor, Henrich Bruning, dissatisfied with the President's policies, resigned a few weeks later. It was thought that the resignation of the moderate ministry of Bruning would raise Adolf Hitler and his militant National Socialists to power. The Nazis advocated a program neither communistic nor democratic. Hitler's program, a strange conglomerate of contradictory promises, was calculated to attract various elements. Industrialists and large landowners were won by his condemnation of communism and socialism. The middle classes were attracted by his opposition to big business as represented by large department and chain stores. Proletarians were fascinated by his denunciation of Jewish

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3 F. C. Palm and F. E. Graham, Europe Since Napoleon, pp. 691-694.
capitalism, and his promises of social and economic improvement for the masses. Some of all parties fell for his promise to free the Fatherland from the Treaty of Versailles.

In their international position, Nazis urged (1) the repudiation of the thesis of German war guilt, (2) the refusal to make further reparation payments, (3) drastic revision of the Treaty of Versailles, (4) the erasure of the Polish Corridor, (5) other adjustments on the eastern frontier, (6) the return of German colonies, (7) the long-desired union with Austria, and (8) the right of Germany to rearm.

By the Fall of 1932, the German people made desperate by their economic plight, seemed to have lost faith in democracy. In the meantime, Franz Von Papen had been appointed Chancellor. Being a "blue-blood" Junker, he did all he could to prevent the rise of Hitler and attempted to re-establish the economic and political situation in Germany, but conditions steadily became worse, and the 5,000,000 unemployed were not taken care of.

Von Papen made great and bold advances during his six months in office, only to be succeeded by the former Minister of War, Kurt Von Schleicher. He, like Von Papen, relied on militarism and dictatorial policies in order to preserve the state from the rising tide of radicalism. After approximately three months of mounting opposition, the Schleicher government was forced to resign, on January 28, 1933.
Two days later Hitler was appointed Chancellor. He appeared to be the only one who could maintain a coalition of parties strong enough to insure stability. He relied on the aid of conservative elements until his party became strong enough to stand alone.

Within two weeks the Reichstag and the Prussian Diet were dismissed. New elections on March 5, gave the Nazis decisive victories. On March 24, the Reichstag conferred on Hitler dictatorial powers for four years, during which time the Weimar Constitution and Parliamentary government were suspended.

Hitler proceeded to nationalize the economic and cultural life of Germany. From top to bottom the economic structure was reorganized, with Nazi adherents in control of agricultural organizations, trade unions, chambers of commerce, labor banks, and consumer's cooperatives, with their vast network of factories and chain stores.\(^4\)

In March 1933, the German parliament voted to make Adolf Hitler supreme and sole dictator of the German nation. This parliament had been elected under the provisions of the Weimar constitution, declared to be the most democratic document in the world. From that day to this Hitler has been virtually the government of Germany.\(^5\)


\(^5\)Headline Books, Vol. 11, p. 22.
His first task was to solve the unemployment problem. In 1932, Germany had 6,000,000 unemployed. In 1936, there were 1,500,000 unemployed. During the first two years the methods used to stimulate re-employment were highly artificial.

Many young people were taken from their regular work and sent to the country as land-helpers. Their places were then given to the unemployed. In other cases workers were simply placed in factories regardless of need, and employers were forced to pay them wages. Others were added to military forces and labor camps.

Since then the decrease in unemployment has been due to a real increase in production. The government has made large expenditures for public works, and above all, increased production in armaments.

Hitler has tried and discarded several economic experts. His first choice was a retired army captain, by name of Wagner; he was later placed in a concentration camp. Following Wagner, Wilhelm Keppler had decisive influence. When Keppler fell, a new and ambitious economist, Albert Pietsch, President of the Munich Chamber of Commerce, advanced. He had been in the past an economic advisor to Hess, Hitler's deputy. Then Dr. Hjalmar Schacht became Germany's leading economist.

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6Ibid., p. 23.
Schacht is claimed, beyond doubt, to be one of the ablest financial experts alive. He seized on the idea that the position of a big debtor was better than that of a creditor. He made Germany "the most successful fraudulent bankrupt in the history of the world."\(^7\)

This happened because he continued to pay for imports by getting his creditors to foot the bill. Since German firms owe money to other nations, he promulgated partial moratorium after moratorium; and at the same time he threatened to cease payment altogether unless he got more business. "Buy from us, and then we can pay our debts. If you don't buy, we cannot pay."\(^8\) This was one of his policies.

It is important to know that although tremendous gains were being made in the production of materials which people cannot eat or wear or use for purposes except war, the production of consumer goods increased only about two per cent between 1933 and 1936. But the amounts and varieties available were considerably more.

The increased payrolls also brought increased taxation. Taxes on the German's income during the first four years of Hitler's rule, increased from 17.6 per cent to 25 per cent.

The German worker is deprived of the right to strike or

\(^7\) John Gunther, *Inside Europe*, pp. 92-93.

\(^8\) Ibid., pp. 92-93.
organize. Statistics show that while the number of workers and the total amount of their incomes has increased, the individual income has decreased. Employees are not only earning less but are working longer hours. Hours have increased 54 per cent and income has risen only 34 per cent. Inspections of 16,572 enterprises revealed that only two per cent worked less than forty hours a week, twelve per cent worked from forty to forty-seven hours, fifty-nine per cent worked forty-eight hours, and twenty-seven per cent worked over forty-eight hours per week.

However, as long as a worker feels reasonably secure in his job and receives help from relief agencies, it is doubtful whether any serious opposition to the government will develop among the workers.

The farmers are better off than any other group under the Nazi economy. Their net income is constantly increasing. A system of price control protects agricultural prices and government aid has reduced the farmers' debt and interest payments. This is particularly easy because Germany does not sell farm goods abroad. Consequently it can increase prices at home without fear of losing foreign markets.

Owners prefer dictatorship to socialism or communism, although they are subject to control, instead of being the con-

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10 Ibid., p. 31.
trolling factors in the operation of the government. The owner of property is still allowed to make his profit, and with the rise of production these profits have increased. Factories have been running at top speed, and industry has profited from this larger turnover since wages are fixed. Profits are not excessive because prices are fixed also. Moreover, taxes have been increased, and all the profits over six per cent must be converted into government bonds.

The government has also taken charge of interest rates. Many debt obligations have been reduced from seven per cent to four per cent. The government has felt free to draw upon private capital, requiring its investment in new plants needed for the rearmament program.\textsuperscript{11}

The German shopkeepers appear to be the ones to profit least from the Nazi regime. These men are caught between rising wholesale prices charged by the factory owners and the farmer for his product, and the control of retail prices in the interest of the consumer which almost eliminates the margin of profit to which they might feel entitled.

In 1934, Dr. Schacht created the "New Plan". Twenty-five boards were established, one for each of the chief imports; and only consignments of imports for which the boards have issued permits are allowed to enter. The granting of

\textsuperscript{11}Ibid., pp. 31-32.
the import not only depends on the importance of the consignment itself but also on the available supply of foreign exchange. In spite of these rigid restrictions Germany did not have a favorable balance of trade until the later months of 1935.

In June 1935, the Export Subsidy Plan Law was passed. This gave the Chamber of Economics the power to impose a levy on business firms and associations. The proceeds were to be used to finance exports and put German exporters in a more favorable position in the international market.

The government program for cutting down imports provides for the production of various substitutes such as synthetic rubber, gasoline, artificial fibers, etc., and also for giving aid to the domestic developments of various branches of industry, such as the production of wool, flax, lead, zinc, and other raw materials. It guarantees prices, in the case of wool for instance, to encourage sheep breeding; freedom from taxes on investments, with the object of developing new branches of production. It also regulates the compulsory admixture of raw materials. There is also a complicated system of clearing agreements with various countries, and much encouragement is given to the promotion of foreign trade on a "barter basis".  

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12 Florinsky, Fascism and National Socialism, pp. 206-11.
A statement was issued on January 17, 1932, from German official sources asserting that Germany had paid reparations of 53.9 billion marks ($12,828,200,000), whereas the allied governments credit her with only 20.2 billion ($4,807,000,000).

Table 3 shows recent ordinary budgets, in millions of gold marks.

**TABLE 3**

<table>
<thead>
<tr>
<th></th>
<th>Receipts</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930-31</td>
<td>10,585.4</td>
<td>11,877.2</td>
</tr>
<tr>
<td>1931-32</td>
<td>8,567.6</td>
<td>10,042.0</td>
</tr>
<tr>
<td>1932-33</td>
<td>6,327.1</td>
<td>7,944.7</td>
</tr>
<tr>
<td>1933-34</td>
<td>6,028.0</td>
<td>6,270.0</td>
</tr>
<tr>
<td>1934-35</td>
<td>7,806.5</td>
<td>8,220.9</td>
</tr>
</tbody>
</table>

The Reichsmark was equal at old par to 22.8 cents; at new par to 40.33 cents; average exchange in 1933, 30.52 cents in 1934, 39.38 cents and it stood September 20, 1935, at 40.212 cents. Officially the Reichsmark is stable at its old par value. In practice the Reich has six kinds of marks that cannot be converted into gold, "old deposit", "credit blocked", "note blocked", "securities blocked", "registered", and "blocked", or "scrip".

There is much discussion as to what Hitler is responsible for in Germany. German accounting and budgets have been kept

*World Almanac, 1936, p. 653.*
somewhat in secret since 1936, and only estimates can be found. Politically and economically, Hitler might be considered to be a savior of the German nation.

Germany starved and shivered in rags. In 1932 Adolf Hitler took power. To the amazement of the political clairvoyants in every country, the zealot obtained and kept the German peoples support. . . .

In two short years he gave the Lost Teutons a goal. He breathed into them a martial spirit. Once more their eyes shone with pride. 13

Hitler's Rhineland move marked the end of the third post-war five year period.

From 1920 to 1925, France dominated the continent. She ground Germany down by occupying the Ruhr. It was the period of reparations.

From 1925 to 1930, Gustav Stresemann, Aristide Briand, both of whom died broken hearted, and the great liberal conservative, Sir Austin Chamberlin, strove to insure the world's peace through a series of peaceful treaties. This was a period of conciliation.

From 1930 to 1935, Europe witnessed the period of reviving hatreds. Paris started the ball rolling in 1930, out of fear of an Austro-German economic union, and manipulated the credit crash throughout central Europe.

13 News Week, March 14, 1936, p. 9.
Germany, being a great importer of raw materials and exporter of finished or semi-finished products, is concerned with quotas and foreign exchange controls. These controls began to appear when governments were unable to find the foreign exchange to meet their payments abroad. Germany had been able to keep up payments as long as foreign nations were willing to continue loans, but when loans stopped, it became impossible to meet interest charges and payments for goods purchased abroad. As a result quotas of foreign exchange were assigned to individual importers, thus controlling the purchases which could be made abroad and reducing imports to a minimum. This difficulty was increased by Germany's desire to secure foreign raw materials for the production of armaments. The government intervened to fix rigid controls under which both the quantity and the source of all imports was regulated. This system of government control has been indentified with the doctrine of economic nationalism.

Economic nationalism has been defined as "the doctrine that it is the duty of the sovereign authority to aim solely at the welfare of its own adherents in disregard of the welfare of the rest of the world."[14]

At present there seem to be opposing factions in the world's economic struggle. The demand for change comes

chiefly from three nations—Italy, Japan and Germany—called the "have-nots". These nations are not satisfied with the state of things as they are. They say that the only way to win respect for their demands in the present world is by the use of force. And they are therefore building up strong military forces to back up their demands.

Because these dissatisfied nations are arming and demanding a change, other democratic nations which desire peace because they are satisfied have become fearful.

"The step most frequently suggested to meet the economic problems of the "have-nots" states is the granting of access to raw materials on equal terms to all nations". But we find that this is impossible because even territorial transfers could not solve all the problems for raw materials, for all nations. It might be better to allow all nations to become strong enough economically to compete in all the world markets, thus international markets might become more stable.

The economic war between democracies and totalitarian states has become hot. The democracies, or "haves", are wealthy and are in a position to discriminate against "have-nots". Tariff barriers have been raised, trade pacts and agreements have been signed, "favored nation" policies have been arranged, discriminatory practices used, unorthodox methods of trade have become orthodox, the "haves" are

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attempting to encircle the "have-nots" to avoid expansion, and at the same time are using methods to suppress economic growth. Will this economic war and political prejudice cause a physical war?

Germany is a country without land enough for its population. Attempts by other countries to repress a great people dependent on expansion must lead first to misery and discontent and at length to some kind of explosion."

Agriculturally, Germany is not especially favored by nature. The percentage of really good land is less than that of Great Britain and much less than that of France.

The German populace must work and earn their living or they will starve and die. Before they will die, they will fight. That is what ails Germany. There are many factors in Germany normally making for conservatism and stability. But Germany is not normal. So long as half the populace is menaced by poverty the most unambitious, meek-spirited people on earth will make trouble, and the Germans certainly are not known for lack either of aggressiveness or self-esteem.

"If central Europe could be set to functioning, it's organizing ability and genius for distribution would stimulate an increase in all of our activities."\(^\text{18}\)

\(^{16}\) Witt Bowder, and Others, *An Economic History of Europe Since 1780*, p. 852.


On the surface Germany's economic situation in 1937, after four years of Nazi rule, appeared encouraging. Production was sharing more fully in the increase than in the past. Exports, stimulated by international recovery, showed marked expansion and brought better prices on the world markets. Government finances appeared outwardly in order. The Four-Year Plan for development of substitute raw materials, inaugurated in 1936, under the leadership of General Goering, had proved fairly successful, and German industry had begun to produce synthetic wool and rubber, although the costs of these products remained inordinately high.

The increasing divorce of German economy from the rest of the world has severely strained not only the country's resources but its powers of endurance. Many observers believe that there are only two ways out of this economic isolation: either an "explosion", involving territorial expansion by force; or re-integration of Germany in world economy. The later would mean a fundamental change in the German economic system; abandonment of her program of self-sufficiency, which the Reich regards as a principle safeguard in time of war; and political concessions by the democracies regarding Germany's expansionist aims in eastern Europe.

The German program of "Self-sufficiency" does not mean, as is often thought, that Germany wishes to isolate herself

from the rest of the world. For Germany realizes that her industrial progress is dependent on foreign trade. In the lowest year of the depression more than 36 per cent of Germany's total industrial production was exported. About 15 per cent of the entire population depended on this export trade. The Minister of Economics speaking of self-sufficiency says, "in the long run this would mean the return to primitive conditions of by-gone ages. This cannot be the aim of Germany or any other country whose interests lie in world trade."\textsuperscript{20} Germany's program of self-sufficiency is destined to operate at its maximum during a protracted war. Germany has not forgotten the bitter lesson of the Allied blockade, which proved probably the most effective method of breaking down the resistance of the Central Powers.

Through all her financial and economic difficulties Germany has steadily clung to a determination to maintain the mark at gold parity. The government has not yielded to pressure from exporters for devaluation. It is argued that a debtor nation becomes the loser by devaluing her currency, especially if she is an importing nation. It would stimulate higher prices, wages and cost of living at home, as well as lower receipts from exports.

"Scrip" and "blocked-marks" have been sold, and issued to creditors. The mark itself has no gold backing to speak of

\textsuperscript{20} Florinsky, \textit{op. cit.}, p. 195.
yet it maintains its official parity in terms of foreign exchange. At the same time currencies of nations such as Great Britain and the United States are subject to considerable fluctuations. The reasons for this are that the circulation of Reichsbank notes and other media of exchange has remained practically stable. Also, Germany curtailed her foreign debt through the operation of transfer moratoria and "stand-still" agreements. The German government has taken drastic measures to prevent the export of paper marks, punishable by fines and imprisonment.

German investors profited by some 1,900,000,000 marks by the devaluation of the pound sterling and the dollar.\(^21\)

We must remember that the surge of prosperity since 1935 is not due to normal progress. It is based on production materials and not so much on consumers goods.

Nothing but a totalitarian state or corporate state, can juggle finances as they are being handled in Germany. The one great consolation of always being poor is that one has nothing to lose.

Dr. Schacht remarked that, "economic policy is not a science but an art." He went on to say that while the technique of every art can and must be learned, the creative power is something one must be born with. Thus far Germany has been

blessed with men who have a deep insight into the intricate mechanics of economic forces.\footnote{22}

The Nazis believe that the economic structure of society must be reorganized to prevent the conflict between the interests of individuals and those of the community. The interests of the community must always be supreme. To insure this the leadership of all economic organizations, enterprises and industries must be in the hands of individuals who will place the interests of the State first. The directors of a corporation must not place the interests of their stockholders primarily, but those of the whole community. If lowered prices are preferable to higher prices, even though less profitable to the individual enterprises, the directors are to favor lower prices. But if it appears in the public interest to maintain a price level and to refrain from competitive price cutting, then this is the policy to follow.\footnote{23}

It is very difficult to judge the soundness of German economy. Budgets are no longer published, gold inflow and outflow are no longer registered, government statements of debt are incomplete. The American Exchange and Security Commission complained, after a visit to Germany, that the Reich debt reports were incorrect, and that it was impossible to obtain any information about their debt. It is estimated

\footnote{22} Ibid., p. 219. 
\footnote{23} Hoover, Germany Enters the Third Reich, p. 187.
to be between 1,000 and 2,000 million Reichsmark.

The government has various means to meet its financial obligations. First, it resorts to direct borrowing. By this method the Reich has doubled its debt in 1938, which it had inherited in 1933. Second, it uses taxation; the sum thus obtained has doubled since 1933, although the national income has increased only fifty per cent by 1938. In addition, extra marks can be squeezed out in many minor ways, such as an emigration tax on Jews, the impounding of foreign securities, and the limitation of dividends. The later in reality amounts to a forced loan. All dividends exceeding eight per cent, and usually six per cent, must be handed over to the State, which issues in return an equivalent in tax-credit certificates. This in reality amounts to a forced loan, since they are non-interest bearing and are only valid after 1946, and some only after 1951.

This causes some difficulty in industry, for it removes the capital for renovating its plant for expansion.

Deterioration in quality is intensified by the severe rationing to private industry of raw materials. This rationing is particularly strict in metals. Germany is rich in coal and lignite, and is becoming self-sufficient in zinc, aluminum, and metallic magnesium. The shortage is particularly marked in iron ore and copper, superferous pyrites, mercury, lead, manganese, tin, and tungsten. She is therefore obliged to import three-fourths of her iron ore and copper, and one-half
of the lead she requires. Reenforced concrete is taking the place of steel frames, and rubber and plastics are taking the place of metals in machinery. Aluminum is increasingly replacing tin; zinc is replacing brass and bronze, and copper replacing to a lesser extent, lead. Synthetic resin is used to save lubricants. New alloys are constantly coming on the market; such as new metal for machine bearings, elektron for aircraft and incendiary bombs. Cellulose textiles are favored over wool and cotton, although as yet of an inferior quality.

"For Germany's economic life the power of resistance is her extraordinary capacity for organization, combined with that for invention, so to say, on command." 25

Various estimates have been made of the economic effects upon Germany due to the recent territorial expansion policies of the Third Reich.

Austria's natural resources can supply Greater Germany with some high grade iron ore, not nearly as much as it needs, and some lumber. Austria had an unfavorable industrial trade balance amounting to approximately $46,000,000. She also imports $60,000,000 worth more foodstuff than she exports. With the mark worth about two schillings in world trade, Austria

wiped out more than a quarter of Germany's painfully achieved favorable trade balance, besides having to find a market for Austria's exports.

In 1927 Czechoslovakia showed a favorable trade balance of about $1,750,000. She imports each year approximately $17,500,000 worth of foodstuffs and $87,500,000 worth of raw materials, and about $122,000,000 worth of manufactured goods. She exports about twenty-four per cent of her products to Germany and imports about twenty-two per cent of her products from Germany. Germany again has the problem of creating foreign markets. It greatly increases her industrial output but intensifies her competition with the outside world for the markets and raw materials the region requires.  

The Balkans now offer Germany its best opportunity to practice its ideas of regional economy. Before the world war Germany did a large business with the Balkans, and by 1929 she had regained most of it. The depression hit this area with especial severity, and in 1932, because of the scarcity of Balkan, not German, foreign exchange, clearing agreements were entered into which were to become the machinery for the Nazi drive for control. By these agreements importers in each country pay for goods in their own currency, the money being deposited in a clearing account in the central bank of the country. Exporters in the country are paid out of this

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26 Nation, April 16, 1938, p. 439.
account. Accounts stay in the country, and an excess of exports to Germany, for example, piles up a balance which can only be collected when imports are taken from Germany and payment is made into the clearing account. 27

What really is happening to German business is a gradual and deliberate fusion between private enterprise and state bureaucracy. The whole form of business, its accent, its risks, have changed. Their banks have no independence. They can back no new enterprise, float no share issue, without the permission of the Four-Year Plan Commission and the Reichsbank. They are a part of the State machine for sucking up credit to finance the government's spending.

While private property still exists in Germany, the right of ownership is a contingent one. Private property can be, and is, expropriated with or without compensation, with the sole justification that it is in the interest of the State. 28

The Foreign Policy Association in its report of March, 1937, said that the economic conditions in the Third Reich were far from sound and that severe stress and strain created by progressive isolation might easily lead to disaster. "Formidable obstacles face the resumption of complete economic and financial collaboration between Germany and other countries." 29

Professor Thomas says, Germany's transition from a liberal and capitalistic

27 Ibid., p. 439.
28 The Reader's Digest, April 1939, p. 52.
29 New York Times, March 22, 1937, p. 8
to a national community economy is final and complete, because following the victory of National Socialist ideology a relapse into the more comfortable position of open national economy is excluded. 30

The basis of planned economy in Germany as well as in Russia, is complete control of exports and imports. Not one carload, nor parcel, crosses the border in either direction without the special permit of the government, which we have previously mentioned. No German is supposed to sell anything abroad without a special permit. He cannot buy or sell when he sees a bargain in the international market.

In 1934 the Reichsbank created a system of apportioning devisen. This system was to give preference to imports of armament materials. Non-vital imports, such as the requirements of the civilian population, were denied devisen.

In regulating the imports of raw materials the government also designates the factories which are to use them, what they are to be made into, and so on.

Since exports must at any cost be maintained in order to create the means of payment for necessary imports, exports must be subsidized; and since the greater part of German imports is derived from countries with exchange restrictions similar to Germany's, exports must be direct to these countries, regardless of whether the individual transaction is profitable. By a system of ingenious devices, the price level of German

30 Ibid., p. 8:5.
exports is kept apart from the domestic price level. Exports are subsidized by premiums charged to imports. Restrictions to imports apply particularly to manufactured goods, while import foodstuffs and raw materials are favored. 31

The decisive feature of the capitalistic system is the price created by the market. . . . Capital is no longer invested because it promises a high profit, but because the investment has to put out goods ordered by the government and placed by it in the category of the necessary or desirable. Individual incomes are no longer the outcome and reward of free economic activity; they are fixed at what the government considers an adequate return from individual services rendered the community. 32

Since markets and prices no longer function, the government has to pass on capital investments.

A scale of urgency has been set up: (1) armaments; (2) food supply; (3) domestic raw materials production; (4) promotion of exports; (5) housing.

Complete control of production and consumption require complete control of money and credit. The Reichsbank is virtually the supreme central agency on which the execution of the whole plan depends. Without the consent and the interference of the Reichsbank no major business transaction may be negotiated and concluded. Internationally the Reichsbank has been considered separate from the State until in early 1939, when the internationally trusted financial wizard,

31 Foreign Affairs, January 1939, p. 597.
32 Ibid., p. 598.
Dr. Schacht, was replaced as Minister of Economics by Mr. Funk. This is considered the final step in bringing the bank under complete control of the State, and its dizzy speed. 33

With capitalism gone, capitalistic methods of dealing with labor are also gone. Strikes and lockouts are no longer permitted, attempts at strikes are treated as high treason. The trade unions have been dissolved, and thereby the instruments of collective bargaining. Wages have been stabilized at the level of 1933, and are being kept there in spite of the rapidly rising cost of living, and the substantial shortage of skilled labor.

In all fairness it must be said that this system increases the security of the individual worker almost as much as it restricts his liberties. No worker can be arbitrarily dismissed by his boss. 34

It cannot be rightfully said that the Hitler regime is solely responsible for this unanimous state control. It was the democratic republican government in Germany that was already in control of the banks, the railroads, the power sources, the urban transit systems, the municipal gas and water, vast housing developments, and large part of heavy industries. Only a handful of German individualists were still independent of the government in 1932. 35 Hitler had only to reap where his foes had sown.

By "overdoing" its armament and building program, the Nazi government is defeating some of the major objectives of its own economic program, as the experience of the sixth year has clearly shown. The building boom, stimulated up to ninety per cent by

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33 Ibid., pp. 602-604.
34 Foreign Affairs, July 1937, p. 606.
government contracts, has withdrawn some 800,000 farm workers from German agriculture. The acute shortage of labor is responsible for the decline in the production of butter and stock raising. To meet this emergency, the Reich had to permit the importation of about 100,000 foreign workers from Italy, Hungary, Holland and other countries, and a portion of their wages had to be paid in foreign exchange.

Public orders have jammed German industries so that they have, in spite of a large deficit, been unable during the past year to offer strong competition in foreign markets.36

The German people are heavily taxed, but apparently they would rather be taxed and have something left than to have no income whatever. The State-Owned Reichs-Kredit-Gesellschaft estimated that the toll of the Nazi State in 1938 was 35,800,000,000 marks out of a national income of 76,000,000,000. This made the share absorbed by the state 47.6 per cent. These figures do not include the Jewish confiscations, which amounted to 1,000,000,000 marks.37

On January 30, 1939, Hitler demanded bigger markets for Germany. "Export or die," was his keyword.

Germany is preparing an export offensive on an unprecedented scale. The Reichsbank, free from the rigid controls of Dr. Schacht, is supporting the drive with the full cooperation

36 Business Week, February 4, 1939, p. 43.
37 Ibid., p. 43.
of the Ministry of Economics, both of which are now directed by Mr. Funk, the super-salesman who has successfully made recent barter deals with the Balkan nations.

Barter seems to be the basis for the new drive, plus the extensive use of subsidized exports wherever that is necessary to assure Germany the business.

Germany raised her industrial production from 39.8 billion marks in 1933, to between 85 and 90 billion marks in 1938, which exceeds the production volume of 1928 by some twenty per cent. Between 1932 and 1938 her production index rose one hundred and thirty-five per cent, and her share in world industrial production rose from 8.4 per cent in 1932 to thirteen per cent in 1938, making her the second biggest industrial center in the world, which is crowding the United States. For comparison, the industrial production index of the United States rose only thirty-six per cent, that of Great Britain approximately twenty-five per cent. Germany's national income increased eighty per cent during this period.

To overcome the financial stringency, for a time, the government departments were forced to issue acknowledgement vouchers, or simple I.O.U's. The regime has just launched its new "Financial Plan", which is remarkable for its novelty and its boldness. It creates a supplementary currency in the shape of tax pre-payment certificates which mobilize future

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Ibid., p. 43.
tax revenues for the current expenditures and are made legal
tender in both public and private economy for all payments
due for deliveries and services except wages and salaries.

Industry is ordered to "rationalize" itself in order to
overcome diminishing returns.

The National Socialist regime declares its economy to
be "crisis-proof." A spokesman declared, "we have the best
army in the world—we must create the best economy in the
world."

By the end of 1938 the German industrial machine was
clogged with state contracts. That year's outlay exceeded by
two-fifths the total investments in 1928, peak year in the
last boom. Some economists of the old school object to this
and even the regimented German financial press cautiously
points out the danger of this growing disproportion between
artificially expanded buying power and inadequate supplies of
consumer's goods.

In his speech on November 29, 1938, Dr. Schacht upheld
the Nazi trade policy, but admitted that Germany would gladly
abandon methods compelled by necessity. He declared that the
German economic system rested on three principles:

The first was credit expansion; meaning debt making by
the State; not to finance consumption through arbitrary

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scattering of money by the State, which has produced the mistakes in the economic policies of the United States and France and show how close together lie crisis of deflation and crisis of inflation.

The second principle was,

. . . the new plan of controlled bilateral barter which is the night mare of all mere most-favored nation clause fanatics, who in the fullness of their riches cannot understand that a poor nation still has courage to live according to its own laws, rather than suffer according to the recipe of the well-to-do.

The third principle was the debt transfer moratorium.

As soon as our creditors are ready to remove jointly the consequences of the war tributes the door will be opened through which we shall be able to participate in multilateral international trade and the free transfer of payments.41

The Czechoslovakian expansion of Germany was explained by some observers to have been due to the desperate internal condition of Nazi Germany. Germany's gold reserve had dropped to 16,000,000 when she seized Czechoslovakia's $92,500,000 worth of gold. Her financial juggling have sent the Reichbank's Rudolf Brinkmann to a sanatorium. By every capitalist rule, Germany was bankrupt, on the verge of inflation. Hoping that the democracies still would not fight for eastern Europe, Hitler was inspired to try another grab.42

It may be said, on the basis of several arguments, that

41 Ibid., November 30, 1938, p. 16.
42 Life, March 27, 1939, p. 11.
war is impossible for Germany. One may argue that Germany does not have enough money to make war. But poverty has never prevented conflict. It may make a war hard to carry on, but a desperate country, already poverty stricken, has less to lose by war than the rich countries which oppose it. The economic crisis in Italy did not prevent Mussolini's attack on Abyssinia, but spurred it.

One may say that Germany does not have enough raw materials to make war. The answer is that she probably has as good equipment of war materials today as in 1914, when, despite blockade, she managed to hold her line against the world for four years.

One might say that the opposition to Hitler within the Reich is too strong; that the workers would not mobilize but would shoot in the wrong direction instead. But the lesson of the totalitarian state is that each year it stays in power the strength of opposition lessens. "Good propaganda can make anything popular - even death."43

43 John Gunther. *Inside Europe*, pp. 81-82.
CHAPTER V

GERMAN TERRITORIAL LOSSES AFTER
THE WORLD WAR

The year 1919, constituted the last act in the drama of Germany's colonial history. Before the close of 1915 the Allies had occupied most of her oversea territory by right of might, and the Treaty of Versailles completed her dispossession with the justification that to "the victors belong the spoils." The net oversea loss amounted to some 1,027,000 square miles of territory, 14,000,000 population and 505,000,000 M. invested capital. In Europe she lost 25,000 square miles and 6,000,000 inhabitants.

Before becoming too deeply involved in the discussion of Germany's territorial losses after the World War, it is proper to give a short history of German colonial expansion.

German explorers were among the first to do scientific study in Africa. Bismark, the Iron Chancellor of Germany, was at the height of his power between 1870 and 1880, and was interested strictly in the creation of a strong Germany proper. He often said, "I am not a colony man." But Germany began to grow so rapidly after this period, due to the industrial revolution, that Bismark was finally persuaded to

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1 Mary E. Townsend, The Rise and Fall of the German Colonial Empire, p. 356.
2 F. C. Palm and F. E. Graham, Europe Since Napoleon, p. 601.
look abroad. A new economic situation had arisen. The increase of Germany's overseas trade justified the demand for the development of sea power. The steady outflow of German capital for investments abroad made her economic interests world-wide. The increasing dependence on the import of raw materials, and upon foreign markets for the disposal of her surplus manufactured products rendered irresistible, or even justified the cry for a favorable colonial policy.

England and France had already picked the choice plums from the African tree. In spite of this, in the course of two years (1884-1886), German efforts were rewarded. She leaped into the position of the third European power in Africa.

At first the German Government was little interested, but backed her merchants in their aspirations for developing new sources of raw materials and building new trade territories. Bismark said in 1885, "my aim is the governing merchant and not the governing official in those regions." This method of control soon proved to be ineffective and a failure and led the government to take everything over officially.

She established a protectorate over German South-West Africa, with an area of 332,450 square miles. A second colony was established by the annexation of Togoland and the
Cameroons. Most important of all, from the viewpoint of strategy, manpower and raw materials, was the province later known as German East Africa, with an area of 384,180 square miles, and a population of 7,645,770.

Simultaneous with these German annexations in Africa occurred the establishment of German possessions in the Pacific. The northern coast of New Guinea, and the group of islands known collectively as the Bismark Archipelago, were acquired in 1884.

"Germany's colonies were no man's land before she occupied them; not one was the result of conquest in the way that most colonial empires were founded."\(^4\)

The Treaty of Versailles, the longest document of its kind in history, comprising a book of three hundred pages, and consisting of fifteen parts, devoted part two, to the rearranging of Germany's boundaries in Europe, and part four to the disposition of her empire abroad. It left Germany standing alone, the only great power without a colony. When she finally signed the Treaty she renounced "all rights and titles to her overseas possessions, all special rights and privileges in China, Siam, Morocco, Liberia, and Egypt." At one stroke the German colonial empire was entirely swept away.


\(^4\) W. H. Dawson in Introduction to Heinrich Schnee, *German Colonization Past and Future*, p. 23.
Various Allied forces were already occupying the German colonies by 1918. They had struck at them at the beginning of the war. Inside of a year France, England and Belgium had conquered all the German territories except German East Africa, which held out for the full length of the war; New Zealand and Australia quickly took all the German Islands in the Pacific below the equator; Japan captured the territories north of the equator. This left Germany at home, blockaded, to fight alone.

"The powers whose troops occupied those colonies in the course of the war had already divided them amongst themselves." 5

Point five, of Wilson's Fourteen Points, guaranteeing Germany her territorial rights, was immediately rejected at the Peace Conference. Since 1919 the Allies have partitioned these lands among themselves, and hold them today as Mandates under the League of Nations. Great Britain administers most of German East Africa, now the Tanganyika Territory, one-sixth of Kamerun, one-third of Togoland, and the phosphate island of Maura in the South Seas; Australia is the mandatory for the Bismark Archipelago and Kaiser Wilhelmsland in the South Seas; New Zealand for German Samoa; and the British Union of South Africa for the neighboring territory of German South-West Africa; France holds two-thirds of Togoland, and five-sixths of Kamerun and Belgium has a small part of German

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5 Schnee, op. cit., p. 4.
East Africa known as Ruanda Urundi; while Japan, having restored Kiaochow to China, retains the Marshall Islands.

Although Germany's late colonial empire appears large when broken up into so many pieces, it actually amounted to only 1,027,000 square miles. This is small compared to the size and position of the mother country. Before the war Germany had the largest home population and the smallest ratio to it of overseas empire. The peace settlement still further increased the difference between her and the other colonial powers. Belgium has a population of seven and a quarter millions and an empire of nearly a million square miles. Portugal has a population of six million and an empire of equal extent. France has a population of thirty-nine millions and an empire of nearly five million square miles. Great Britain, with forty-four million inhabitants at home, has an empire of thirteen million six hundred and sixteen thousand square miles; while Germany, the third greatest industrial power, now stands outside the ranks of colonial nations.7

With the loss of territory and populations abroad there went a loss of 505,000,000 M. invested capital. All railways, mines, submarine cables, and all German movable and immovable

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7 Schnee, op. cit., p. 2.
property was to pass without indemnification to the new governments exercising authority over them; they might also reserve and liquidate all property rights and interests belonging to German nationalists in the ceded areas.\footnote{Townsend, op. cit., p. 380.}

The undisguised annexationist aims of the victors were quite obvious. It had been agreed to discuss the League of Nations first at the Peace Conference and the colonial question last. But this order was exactly reversed, for, as Lloyd George remarked: "They all wanted to know what they were going to get."

The German colonies were divided into classes A, B, and C. "Class A" mandates were those sufficiently well developed so that their existence as independent nations can be provisionally recognized, subject to the rendering of assistance and advise of the mandatory until such a time as they are able to stand alone, however Germany had no "Class A" colonies. The "Class B" mandates, described as "other peoples," especially those of Central Africa, are subject to the mandatory administering them. Comprising these are Togoland, Kamerun, and German East Africa. The "Class C" mandates, cleverly and inclusively classified as territories,

\[\ldots\] which owing to their small size, or their remoteness from the centers of civilization, or their geographical contiguity to the territory of the mandatory as integral portions of its territory, subject
to the safeguards above mentioned in the interests of the indigenous population . . .

consisted of German South-West Africa and certain of the Pacific Islands.

Germany was greatly wrought up when she heard the planned dispositions of her colonial empire. Mass meetings were held throughout the country. The German National Assembly was besieged by petitions. One of these contained almost four million signatures. One petition was addressed to the American people. An open letter was sent to President Wilson by the Colonial Society. They had submitted their armistice to President Wilson on the strength of his "Fourteen Points," now they constantly stressed point number five of the "Fourteen Points" in regard to "no annexations." The German National Assembly voted the colonial settlement as "unertraglich, unerfullbar, and unannehmbar," (unbearable, unrealizable, and unacceptable). Count Brockdoff-Rantzau said, "They can apply force to us, but they cannot compel us to recognize force as law."

The Germans proposed that a special committee handle the matter which would at least hear Germany's side, inasmuch as Point Five provided for an "absolutely impartial adjustment"; and that Germany be allowed to administer her former colonies according to the principle of the League of Nations, possibly as a mandatory of the latter, if a League could be formed which

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Ibid., pp. 364-385.
she could enter at once as a member state, and enjoy equal privileges with other members. The Allies rejected all the German proposals.

Laborious attempts have been made to justify the appropriation of the German colonies by the plea that Germany had shown herself unfit to colonize and unworthy of possessing colonies.

It is known that every major power which helped make the Versailles Treaty, except the United States, demanded direct annexation of the areas which were to be shared.

Dr. Soehne declares that the first deception was practiced upon the German people by deluding them with the promise of peace based upon Wilson's Fourteen Points. Instead of this, the German colonies were arbitrarily confiscated in anticipation, if not in fact by secret treaties, while the war was still in progress.

Secondly, the native populations of the German colonies were deceived. The Allies had talked loud about "self-determination." In reality the partition took place without the wishes of the natives being considered seriously at all.

Finally, the world was deceived. Every possible attempt was made to create the impression that the decision respecting the fate of the colonies was arrived at only in accordance with ethical principles. The world was told that the object in view
was to secure for the native populations better conditions than had been theirs under the German rule. "The final act was cloaked with moral professions." 10

The first twenty years of German colonization was a heavy liability on the budget. We must remember that Germany had no experience whatsoever in colonial management, and that the government took charge only after the colonial companies failed to function. The new territories were all raw, undeveloped, often uncivilized areas. The natives first had to be accustomed to a new from of government, medical research scientists had to be sent in to establish a health service, schools and means of transportation, such as roads and railroads had to be built, agricultural facilities had to be organized and developed before any returns could be realized. After the almost disastrous years of 1904-1906, Germany began a new era of scientific colonization.

It was declared at the Peace Conference that Germany did not need these colonies because they had been liabilities before the war, and that Germany was now in no position to have such added expenses. Statistics show that they were rapidly increasing in value as they were being developed. We have found since that any country might be wealthy and at the same time not be able to meet her expenses. The total amount of German colonial trade rose in value from 71,212,000 M. in 1904,
to 263,400,000 M. in 1913.

The exports from Germany to the colonies slightly exceeded the imports from the colonies to the Fatherland. With trade and economic development, general business interests increased so that by 1914 four hundred companies and firms were active in the overseas territories. The total output of capital invested was estimated at 505,000,000 M. German and 88,900,000 M. foreign.\footnote{Townsend, op. cit., p. 263.}

\begin{table}
\centering
\begin{tabular}{|l|c|c|c|}
\hline
\textbf{Year} & \textbf{Total Expense} & \textbf{Own Revenue} & \textbf{Deficit} \\
\hline
1908 & 155,530,000 & 24,110,000 & 131,420,000 M. \\
1909 & 68,110,000 & 42,530,000 & 25,580,000 \\
1910 & 82,450,000 & 48,720,000 & 33,730,000 \\
1911 & 96,690,000 & 53,180,000 & 43,510,000 \\
1912 & 87,630,000 & 64,520,000 & 23,110,000 \\
1913 & 105,810,000 & 67,970,000 & 37,840,000 \\
\hline
\end{tabular}
\caption{Cost of Colonies (in marks)*}
\end{table}

These figures show the approximate monetary value that the German colonies were to the Fatherland during their period of most rapid growth. They also give some idea of the expense incurred by the German government. Tables 5 and 6 give a complete summary of the economic status of the German pre-war colonies.

Out of the 12,500,000 persons who were under the German flag in Africa before the humiliating treaty, forty-two per

\footnote{Ibid., p. 264.}
#### TABLE 5

**ECONOMIC STATUS, GERMAN COLONIES, 1913-1914**

**THE AFRICAN COLONIES** *

<table>
<thead>
<tr>
<th></th>
<th>German East Africa</th>
<th>South West Africa</th>
<th>Kamerun</th>
<th>Togoland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area</strong></td>
<td>393,500</td>
<td>322,000</td>
<td>197,498</td>
<td>34,600</td>
</tr>
<tr>
<td><strong>Native Population</strong></td>
<td>7,645,770</td>
<td>80,556</td>
<td>3,326,132</td>
<td>1,631,978</td>
</tr>
<tr>
<td><strong>Whites</strong></td>
<td>5,336</td>
<td>14,830</td>
<td>1,871</td>
<td>368</td>
</tr>
<tr>
<td><strong>Chief Products</strong></td>
<td>Coffee</td>
<td>Live-stock</td>
<td>Rubber</td>
<td>Palm-oils</td>
</tr>
<tr>
<td><strong>Minerals</strong></td>
<td>Gold</td>
<td>Diamonds</td>
<td>Copper</td>
<td></td>
</tr>
<tr>
<td><strong>Chief Ports</strong></td>
<td>Dar-es Salaam</td>
<td>Swakopmund</td>
<td>Victoria</td>
<td>Anseho</td>
</tr>
<tr>
<td></td>
<td>Tanga</td>
<td>Luderitz bucht</td>
<td>Douala</td>
<td>Lome</td>
</tr>
<tr>
<td><strong>Railways Miles</strong></td>
<td>771</td>
<td>1,122</td>
<td>193</td>
<td>203</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>31,418,000</td>
<td>39,000,000</td>
<td>23,336,000</td>
<td>9,958,000 M.</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>50,309,000</td>
<td>32,500,000</td>
<td>34,241,000</td>
<td>11,427,000 M.</td>
</tr>
<tr>
<td><strong>Revenue and Expenditure</strong></td>
<td>54,760,000</td>
<td>54,140,000</td>
<td>15,340,000</td>
<td>3,380,000 M.</td>
</tr>
<tr>
<td><strong>Deficit Subsidy</strong></td>
<td>40,940,000</td>
<td>38,520,000</td>
<td>6,940,000</td>
<td>... ...</td>
</tr>
</tbody>
</table>

*Mary Townsend, *Rise and Fall of Germany's Colonial Empire*, p. 226.*
TABLE 6

ECONOMIC STATUS, GERMAN COLONIES, 1913-1914
THE PACIFIC COLONIES *

<table>
<thead>
<tr>
<th></th>
<th>New Guinea and Bismark Archipelgo</th>
<th>Samoa</th>
<th>Caroline, Pelew, Marianne Marshall Islands</th>
<th>Kiap-Chow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>90,000</td>
<td>10,000</td>
<td>5,160</td>
<td>220</td>
</tr>
<tr>
<td>Native Population</td>
<td>719,000</td>
<td>35,000</td>
<td>15,000</td>
<td>192,000</td>
</tr>
<tr>
<td>Whites</td>
<td>968</td>
<td>557</td>
<td>459</td>
<td>4,470</td>
</tr>
<tr>
<td>Chief Products</td>
<td>Copra, Cotton, Rubber</td>
<td>Copra, Cocoa, Phosphate</td>
<td>Coal, Silk</td>
<td></td>
</tr>
<tr>
<td>Minerals</td>
<td>Mother-of-Pearl</td>
<td>Phosphate</td>
<td>Coal</td>
<td></td>
</tr>
<tr>
<td>Chief Ports</td>
<td>Herbertshohe</td>
<td>Apia</td>
<td>Jaluit</td>
<td>Tsing-Tau</td>
</tr>
<tr>
<td>Railways</td>
<td></td>
<td></td>
<td></td>
<td>272</td>
</tr>
<tr>
<td>Exports</td>
<td>5,100,000</td>
<td>5,100,000</td>
<td>6,900,000</td>
<td>79,640,000 M</td>
</tr>
<tr>
<td>Imports</td>
<td>5,871,000</td>
<td>4,900,000</td>
<td>3,400,000</td>
<td>6,062,700 M</td>
</tr>
<tr>
<td>Revenue and Expenditure</td>
<td>1,650,000</td>
<td>1,130,000</td>
<td>Included New Guinea</td>
<td>26,470,000 M</td>
</tr>
<tr>
<td>Deficit Subsidy</td>
<td>1,650,000</td>
<td>160,000</td>
<td>Included in Few G.</td>
<td>10,340,000 M</td>
</tr>
</tbody>
</table>

* Mary Townsend, Rise and Fall of Germany's Colonial Empire p. 226.
cent have been transferred to the guardianship of the British Empire, thirty-three per cent to that of France, and twenty-five per cent to Belgium. ¹²

The underlying system of Mandates was trusteeship; that is, the state which held the mandates was obliged to develop and administer them as wards of the League. The open door policy was to be maintained, and the powers were expected to promote the welfare of the mandates and to present an annual report to the League. ¹³

Schnee, the former German Colonial Minister, refutes the idea that the colonies are in a more progressive state under the mandate system than they were under German rule.

Much difficulty arose at the Conference, over disposition of the various German concessions. The situation became acute when the Italians and their delegation withdrew from the Conference, and the Japanese threatened to do likewise unless their demands were granted.

In 1917, the Allies had promised Japan the German holdings in Shantung and all of the German Islands north of the equator. Since China also participated in the war she demanded that Shantung be returned directly to her and not to Japan.

To avoid more dissention the Japanese claims to German concessions were accepted. The Japanese government, however,

¹² Marriott, op. cit., p. 557.
¹³ C. D. Hazen, Europe Since 1815, p. 594.
promised to return the Shantung district to China, retaining only the economic privileges which the Germans had held, and the right to maintain a settlement at Tsing-Tau. In 1922, the Japanese fulfilled their pledge.

Other difficulties arose, as to the distribution of the colonies, especially from Austria, New Zealand, and South Africa, but they were in no position to show too much resistance.

W. H. Dawson, in writing the introduction to Dr. Schnee's book states that:

The hollowness and insincerity of the plea that Germany had proved her incapacity and unfitness to bear the responsibility of governing native populations, are proved by the fact that never before had such incapacity and unfitness been suggested, for testimonies, official and private were all the other way; insomuch that at the outbreak of the war our government was negotiating treaties under which further territories, even British, would have passed under German rule. . . .

For myself, jealous for a good English name, I shall never cease to regard the territorial gains as sordid and ill-gotten, and their seizure as the most ungenerous act ever perpetrated in the name of the British Crown, Government, and People. 14

Whether it was the most ungenerous act is not certain when one considers the history of England or France, but surely the German colonies were not parcelled out as a matter of "morality" or as a "sacred trust to civilization."

14 Schnee, op. cit., p. 23.
Those who suppose that Germany will settle down to the loss of her colonies are deceiving themselves and others. Why should the colonial stipulations of the Versailles Treaty be more binding upon Germany than the territorial provisions of the Treaty of Frankfort were held, with English approval, to be in the case of France? Dr. Schnee declares that:

It is not enough that the retention of Germany's colonies will inevitably bring about another war, but by their action in this matter the Allied nations have given to the evil principles of conquest and revenge a sanction more formal, deliberate, and definite than ever before and one which would justify future victors in war in proceeding to any extremes of annexation and oppression. . . .

... the peace of Versailles is not a peace of reconciliation and security but one of unexampled aggravation and a sure prelude of future armed strife.

The deprivations of territory imposed upon her were to have weakened her beyond hope of recovery. What the peace makers really did was to steel her spirit and inflame her nationalist fires. It is the spirit of a nation that counts first, last, and all the time. The economic handicaps were cruel and childish. They were to have disabled her as an industrial rival, but are having the effect of stimulating her exertions, enterprise, ingenuity, inventiveness, and resource in every direction, with results that are slowly forcing themselves on every mind. "Germany is to be feared more as a bound country than as a free country."

15 Dr. Heinrich Schnee, German Colonization Past and Future, Introduction by W. H. Dawson, p. 27.
16 Ibid., p. 38.
The territorial problems loomed high in 1919. Practically all state borders had been burned away by the heat of four years of battle. These problems rose in a large measure from the fact that a war begun for extinction of one small state, Serbia, had resulted, not in that extinction, but in the destruction of three great empires. Russia, Austria-Hungary, and Turkey, and the defeat of a fourth, Germany, and the overthrowing of twenty-two monarchs. Serbia emerged from the wreckage covered with glory, stronger than ever in national integrity, and destined to a great enlargement of its territory. "It is doubtful if the world contains a more ironical page."17

Besides losing all her colonies Germany was greatly contracted on the continent. The Armistice of November 11, 1918, arranged for the occupation by the Allied troops of all the territory west of the Rhine. This was to be the greatest symbol of Allied victory, to set foot on German territory. It was also to make it impossible for Germany to renew her resistance even if she objected to the peace terms imposed on her.

The Allies were to occupy the three main bridge-heads across the Rhine. Thus the Rhine no longer remained the German line of defense. The Allies could then march into the heart of Germany, with no single fortress or natural obstacle

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17 Hazen, op. cit., p. 732.
to oppose them. The British forces took Colonge. The Americans held Coblenz, and the French took Mainz.

The Peace Treaty, in its final form of June 28, 1919, turned the temporary occupation of these lands into a more extended one. For fifteen years at least, the Allies were to hold the western bank of the Rhine. The returning of these regions to Germany was conditional on her fulfilling every requirement of the Treaty. If she failed in this, as she must in some details, the occupation might be extended indefinitely.

Alsace-Lorraine, a territory of 14,521 square km.* with 1,634,260 Germans was ceded to France without a plebiscite.

Eupen and Malmedy, a territory of 3,993 square km. with 49,494 Germans, fell to Belgium, also without an election. A subsequently ordered referendum was prevented. This small area on the German-Belgium border was not given a plebiscite. The inhabitants were allowed to register their protests against their allocation to Belgium.

On September 20, 1920, the Council of the League at Paris recognized the transfer of these districts to Belgium.

North Schleswig, a territory of 3,993 square km. with 40,172 Germans, was united with Denmark. On the occasion of the plebiscite the election districts had been defined so unfavorably that parts of compact German settlements had to be

*Note: A square kilometer is equal to .3861 square miles.
given up.

Memel, a region of 2,567 square km. with 71,781 Germans was taken from Germany without a plebiscite. In 1923, it was placed under the authority of Lithuania with limited rights of self-government.

The Vistula, or Polish Corridor, a territory of 23,000 square km. and 1,077,300 Germans was annexed to Poland without a plebiscite. The Corridor consists of a large part of the former province of West Prussia, the northern part of Posen and a part of East Prussia. Five German villages along the Vistula located on the right bank of the river and remaining in German hands according to the Treaty were awarded to Poland by a diplomatic conference after the successful election in East Prussia. East Prussia is completely excluded from access to the Vistula.

Danzig, the old German Hanseatic City, with surrounding territory of 2,000 square miles was made "a free state." Danzig's freedom was restricted politically and economically in favor of Poland.

The province of Posen, a region of about 20,000 km., fell to Poland without plebiscite, this area was thickly settled by Poles, but a fair referendum might have had different results, as well as upheld the policy of the League allowing the people involved the right to their own political choice.

Eastern Upper Silesia, an area of 3,270 square km. and
890,000 inhabitants, who were about sixty per cent German, was annexed to Poland in spite of the plebiscite of March 20, 1921. There had been much clamoring between the Germans and Poles in this area. The plebiscite had to be postponed for one week from the date originally set.

The little land of Hultschin, a region of 316 square miles and 48,466 inhabitants, who are ninety per cent Germans, was given to Czechoslovakia without a plebiscite. Luxembourg was forced to withdraw from the German customs union.

In Teschen the plebiscite was abandoned owing to the troubled state of the district. At the Spa Conference of July 1920, the representatives of Poland and Czechoslovakia signed a declaration requesting the Supreme Council to delimit the frontier between their States.

Since the war the Germans have been partitioned among fifteen states; fourteen lands wedge into the German population area; twenty-five neighboring peoples live in direct contact with the German people. The result is that German youth is being brought up according to fifteen different ideologies, that the boundaries of numerous countries separate Germans from Germans.

These facts have contributed to the German policy of "Selbststimmungsgrecht", (self-determination), and their duty not

to confine their thinking and dealing merely to the political area of Germany, but to learn and think in terms of their folk policy.

The manner in which Germany's boundaries were fixed, except in outright annexation by other countries, were usually after a plebiscite had been taken. To show further how these various plebiscites were taken, Schleswig was divided into two zones, and plebiscites were taken in each, conducted not by German authority, but by authority of an International Commission. The Northern zone voted as a unit and voted, as we have seen, to join Denmark. The Southern zone voted by communes and the Five Great Powers drew the line between Schleswig and Germany, a line which took into consideration both geographic and economic conditions. In all plebiscites women, as well as men, had the rights to vote.

Germany's eastern frontier was seriously weakened, after a plebiscite most of industrial Upper Silesia was lost to Poland, and a part of it went to Czechoslovakia. The plebiscites in Allenstein and Marienwerder, in East Prussia, voted to remain with the Fatherland. 19

By the Treaty, Germany lost about six million of her population, but in the main they were conquered by force over a period of nearly one hundred and fifty years. The liberation

19 Palm and Graham, op. cit., p. 579.
of the Poles, Danes, French, and others from German rule was considered a triumph "of the powerful and unconquerable spirit of nationality." In this triumph it apparently was forgotten that by uniting other nationalities it had taken almost four million Germans from the Fatherland. The French had forgotten the words of the deputies of Alsace-Lorraine uttered in the assembly at Bordeaux on February 17, 1871. "Peace concluded at the price of a cession of territory can be nothing but a costly truce, and not a final peace."^20

The Treaty of Versailles gave France the Sarre territory for a period of fifteen years, at the expense of Germany. The tracing of the Sarre frontiers was largely determined by the location of the coal mines, and the country inhabited by the miners and industrial workers. It comprised an area of 1,912 square km. and supports a population of 823,000 people, which means an average of 431 per square km.; the most closely populated area in Europe, as well as its richest coal area.

A Governing Commission of five members appointed by the League of Nations was to "sit in" the territory. For five years Sarre customs were open to both Germany and France. After fifteen years a plebiscite was to be held, (January 13, 1935). At that time the people could retain their own status quo, unite with France, or unite with Germany. If they joined

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Germany the German Government was to purchase the mines from France payable in gold. Germany was to buy her own mines.\footnote{Michael T. Florinsky, \textit{The Saar Struggle}, pp. 1-15.}

Clemenceau continually demanded annexation of the Saare Basin and the Rhineland to France. He accused Wilson of being pro-German. Tardieu complained of Lloyd George: "On every question - disarmament, occupation, reparations, Danzig, Upper Silesia - he proposed inadmissible concessions." Besides placing the Saare under France and the League of Nations, Germany was to withdraw all officials from the left bank of the Rhine, and to have no fortifications on the left bank nor within thirty miles of the right bank.\footnote{Raymond Sontag, \textit{European Diplomatic History, 1871-1923}, p. 279.}

Germany was to recognize the independence of Austria, and to renounce all hope of an Austro-German union without the previous consent of the Council of the League of Nations. The Treaties of Brest-Litovsk and Bucharest were both nullified, and Germany agreed to recognize all treaties entered into between the Allies and the former Russian provinces which had since become independent.

Although Germany's loss of population and territory was considerable in Europe, her loss of raw materials and mineral resources was worse, involving sixty-five per cent of her iron, forty-five per cent of her coal, seventy-two per cent of her
zinc, fifty-seven per cent of her lead. From twelve to fifteen per cent of her agricultural products and ten per cent of her manufactures were also lost as a result of the territorial stripping. 23

H. Lord, a Polish speaker at the American Peace Conference on December 17, 1920, said that taking territory from Germany was "very serious business." He also said that the trouble is that the Germans cannot bear the thought of renouncing anything that once belonged to them. "I fear that it will be a very long time before they come to regard their new frontiers as definitive, and that means a permanent danger to the peace of Europe." 24

Thus Germany's cherished borders were trimmed on all sides by the Treaty which was intended to rearrange all peoples so that never another war would be necessary. Borders for which she had schemed and fought for over one hundred years were contracted on her to the point of destruction. It was a treaty which destroyed the last vestage of Germany's modern colonial empire, won, organized, developed, and lost within the span of a single generation.

Today, in Munich, may be seen a tablet simply inscribed "The Colonies", set in the wall of the Hall of Generals, along with many others to commemorate German colonies lost after the

23 Palm and Graham, op. cit., p. 601.
war. A huge funeral evergreen wreath conspicuously decorates it. 25

This is the nation's desire: to keep the memory of her lost colonies fresh in the minds of the present generation and those to come.

CHAPTER VI

TERRITORIAL DEVELOPMENTS OF THE
THIRD REICH

There are some who urge that the whole world situation is such as to compel a complete supervision of the distribution of raw materials and the necessities of life among the different nations. The ordinary forces of the market are not thought to be adequate. Allocations should be based on fundamental needs rather than on present ability to pay.  

We should not be too harsh with German developments; after all we have had a hand in the results produced. It was the Russian upheaval which unsettled the political thinking of what we call the continent; American business practices helped bring European industry to the verge of collapse, and beyond that, to the threshold of change. Had it not been for the pressure of these two gigantic forces, the present situation in so far as Germany and her neighbors are concerned, might now be entirely different. 

We have already considered the economic development of the Third Reich, but in considering the foundations of economic life we must investigate the relation of population

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and territory, and the relation of population density and dis-
trubution. The soil cannot feed an indefinite number of per-
sons. This, we must consider one of the main reasons for Nazi
aggression since 1935. As soon as the limit of its homeland
is reached a people must win more territory, for economic r
reasons, if it does not wish to lower its standard of living.

The peoples of the earth are, from the point of view of
the size of their territories, very unequally situated. Some
countries rule over such large areas that they are unable,
alone, to get the full benefit out of them. Others suffer
from the lack of sufficient territory. Territory and popula-
tion do not remain in the same lasting relationship. Unless
a country has definite boundaries to its political areas, they
are constantly changing.

Since the beginning of the fifteenth century territory
of the German nation has been continually growing smaller in
size. The Reich of Bismark's time was 70,000 square kilo-
meters larger than the Reich of 1919. The boundaries after the
Thirty Years War extended far beyond those of the Second Reich,
and the Reich of the middle ages was about six times as large
as it is today. The German youth of today consider themselves
to have an honorable and noble heritage which must not be de-
stroyed by the world harmful Treaty of Versailles. The in-
crease of population was exactly the reverse of the decrease
of land area. Under Charlemagne the population of Germany
was three million. In 1914 it was sixty-seven millions.

The political area of the German Reich was further reduced by the Treaty. Beside losing territory after the World War the increased need for territory was strengthened by the return of Germans from surrounding countries where they were victims of harsh discrimination. Immediately after the war, over a million and a half Germans were added to the decreased territory of the Reich. Table Number 7 shows the number of people and whence they came. 3

TABLE 7

GERMAN INCREASE AFTER WAR

<table>
<thead>
<tr>
<th>People</th>
<th>Country Whence They Came</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,000</td>
<td>from Lithuania and Esthonia.</td>
</tr>
<tr>
<td>15,000</td>
<td>from Memel.</td>
</tr>
<tr>
<td>40,000</td>
<td>from Russia.</td>
</tr>
<tr>
<td>900,000</td>
<td>from Posen.</td>
</tr>
<tr>
<td>100,000</td>
<td>from Upper Silesia.</td>
</tr>
<tr>
<td>125,000</td>
<td>from Alsace-Lorraine.</td>
</tr>
<tr>
<td>54,000</td>
<td>from France</td>
</tr>
<tr>
<td>2,000</td>
<td>from Eupen-Malmedy.</td>
</tr>
<tr>
<td>3,000</td>
<td>from Belgium.</td>
</tr>
<tr>
<td>2,000</td>
<td>from North Schleswig.</td>
</tr>
<tr>
<td>13,000</td>
<td>from German Colonies.</td>
</tr>
</tbody>
</table>

The expression "folk without space" is more applicable to Germany than to any other people in Europe since the war. That is shown by a comparison of population density of the larger states of the world.

The German Reich had a territory of 470,715 square kilo-

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meters and a population of 67.7 million at the end of 1936. This gives an average population density of 144 persons per square kilometer. The territory of the Reich amounts to three per cent of the earth's surface; the population in 1936 was 3.3 per cent of the total population of the earth. The population density of Europe with fifty persons per square kilometer is about one third of Germany.

Among the European States only Belgium (266), Holland (232), and Great Britain (190), have a greater population density than Germany, after which comes Italy (137), and Czechoslovakia (105). All other European States have less than 100 inhabitants per square kilometer. 4

The three states which are more thickly populated possess enormous colonial empires. The following table compares the area of the colonial possessions of the various states with that of the mother country.

<table>
<thead>
<tr>
<th>Country</th>
<th>Comparative area</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>150 times mother country</td>
</tr>
<tr>
<td>Holland</td>
<td>60 times mother country</td>
</tr>
<tr>
<td>Belgium</td>
<td>80 times mother country</td>
</tr>
<tr>
<td>Portugal</td>
<td>23 times mother country</td>
</tr>
<tr>
<td>France</td>
<td>22 times mother country</td>
</tr>
</tbody>
</table>

The wealth of colonies in terms of foodstuffs and raw materials reduces the significance of population density in the

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4 Ibid., pp. 202-203.

homeland. Such an adjustment is not possible for the German Reich since, among the greater European powers, it is the only one to be deprived of colonies.

The correct picture can only be seen when both the homeland and the colonies are considered. Considering colonial possessions of individual countries, Germany is most thickly populated by far with 143.6 persons per square kilometer. Poland is second with 82.7, Japan with 62, China with 46.2, Holland with 33.3, Spain with 29.6, Great Britain with 15.3, Italy with 15.2, the United States with 14, Belgium with 8.5, France with 8.5, Russia with 7.8, and Portugal with 6.9.

In the translation from a Nazi textbook we find:

Our claim for a corresponding share of earthly possessions, of raw materials, and foodstuffs is based on the past and present achievements of our peoples in all spheres of life. . . .

For this reason the solution of the colonial question remains the basic condition for an enduring world peace and for the happy working together of all peoples.

Germany has a National Agency for Territorial Research which investigates and prepares measures for bringing about a better distribution of settlements. The most important plans after 1933 were those dealing with the depopulation of the metropolitan cities, the homesteading program in East Prussia, industrial planning and rationalization, and in

5Ibid., p. 206.
general, the fostering of an economic structure capable of
withstanding crises.

Thus, within a few pages, we have seen part of the diffe
dicult position in which Germany finds herself, due to
the fates of geography, as well as the aggressiveness of
her people.

Germany, being a "have-not" nation, is confronted by
the many problems which arise due to the lack of raw mate-
rials. The present shortage of foodstuffs and raw materials,
and of foreign exchange with which to purchase these from a-
road, has given an ever greater prominence to the views of
Dr. Schacht and his colleagues, who have always urged the
economic rather than the political value to Germany of her
former Colonial Empire.

Colonies are valuable presumably as a source of raw
materials and as a market for manufactured goods. Although
before the war German colonies were considered a liability
rather than an asset, it may be assumed that Germany today
would monopolize the production of her colonial possessions
more than she did before she lost them.

The table on the following page shows the production
in 1934 of the chief raw materials in the ex-German colonies
together with the total German imports of those articles
during the same year.
## TABLE 9
PRODUCTION IN EX-GERMAN COLONIES IN 1934 *

<table>
<thead>
<tr>
<th>MATERIALS</th>
<th>German Net Imports, 1934 (Tons)</th>
<th>Total Production of Ex-Colonies, 1934 (Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil products(colonial)</td>
<td>719,000</td>
<td>619,859</td>
</tr>
<tr>
<td>Fruits of all sorts</td>
<td>582,918</td>
<td></td>
</tr>
<tr>
<td>Bananas</td>
<td>96,149</td>
<td>26,429</td>
</tr>
<tr>
<td>Raw Coffee</td>
<td>150,741</td>
<td>15,859</td>
</tr>
<tr>
<td>Flax of all kinds</td>
<td>115,199</td>
<td></td>
</tr>
<tr>
<td>Sisal</td>
<td>37,971</td>
<td>75,210</td>
</tr>
<tr>
<td>Skins</td>
<td>157,119</td>
<td>5,608</td>
</tr>
<tr>
<td>Wool and other animal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>hair</td>
<td>164,762</td>
<td>992</td>
</tr>
<tr>
<td>Cotton</td>
<td>327,412</td>
<td>7,345</td>
</tr>
<tr>
<td>Rubber</td>
<td>60,282</td>
<td>2,071</td>
</tr>
<tr>
<td>Phosphate</td>
<td>830,535</td>
<td>98,429</td>
</tr>
<tr>
<td>Tanning Bark</td>
<td>169,647</td>
<td>2,151</td>
</tr>
<tr>
<td>Tropical Lumber</td>
<td>248,000</td>
<td>54,533</td>
</tr>
<tr>
<td>Cereals</td>
<td>388,528</td>
<td>16,035</td>
</tr>
<tr>
<td>Gold(oz)</td>
<td>...;...</td>
<td>322,608</td>
</tr>
<tr>
<td>Diamonds(carats)</td>
<td>...;...</td>
<td>258,967</td>
</tr>
</tbody>
</table>

It might be argued that this list includes very little of the most necessary materials, iron, oil, cotton, etc. It might, however, be argued that even the possession of some ten or fifteen per cent of these materials would release foreign exchange which could be used for other purposes. 6

In Hitler's autobiography, "Mein Kampf", he freely speaks of the repudiation of the Versailles Treaty and the enlargement of the Third Reich. Although he came into power in early 1933, he did not attempt to enforce his policy of expansion for

6 "Germanicus", Germany: the Last Four Years, p. 71.

over two years.

The reincorporation of the Saar area with Germany in 1935 was certain. The Saar, a small area of 1,912 square kilometers and 823,000 people, on the German-French border, had been taken from Germany by the Versailles Treaty. These people were predominately German. A census of 1910 showed that only 0.05 per cent gave French as their native tongue. It was the first and only state in Europe to be governed by the League of Nations. The Treaty declared that a plebiscite would be held January 13, 1935, under the direction of the Allies. This plebiscite, as had been anticipated, resulted in an immense majority for the return to Germany. Ninety per cent of the people objected to the control of France.

By midsummer, 1936, Hitler had held three plebiscites. One asked vindication of his departure from the League of Nations, and he received a 92.3 per cent vote of confidence. The second sought acceptance of his combination of Chancellorship and the Presidency after the death of Hindenburg; the affirmative vote was 38,362,760 out of 43,529,710 ballots cast. The third followed the Rhineland crisis of March 1936. Out of forty-five and one-half million registered voters, forty-five million took part in the vote and close to forty-four and a half million voted for Hitler, although the votes were said to have been influenced in many cases by Nazi officials.

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8 John Gunther, Inside Europe, p. 16.
Germany withdrew from the League of Nations during October 1933. It was claimed that she withdrew because the disarmament conference could come to no agreement, but it was generally felt that Germany sought an excuse to rearm. This step obviously involved risks since it constituted a direct violation of the Treaty of Versailles. Hitler, therefore, waited until the thorny question of the Saar was regulated. On March 1, 1935, the Saar administration had been officially restored to German governing authorities. Hitler waited until March 16, then officially broke the first major shackle of the Treaty. At this time he disclosed the re-establishment of compulsory military service for all men from eighteen to forty-five years of age and fixed the strength of the army he considered necessary to assure security of the Reich. He realized that first of all a strong army was necessary for the annexation of German territory.

By sending German troops into, and reoccupying, the Rhineland in March, 1936, Germany gained no new territory but did gain complete autonomy over that section of the German border. This strip of thirty miles on the right bank of the Rhine, unfortified and inadequately policed, made Germany feel insecure against a more heavily armed and fortified France.

Although Germany tried to justify the movement of troops into forbidden territory by accusing France of signing a pact with Russia, thus nullifying the Locarno Treaty, she gained
the unanimous distrust of all her neighbors, again. She was immediately considered a lawbreaker and aggressor because she had done on her own territory what she had been told not to do.

The redemption of the Saar and the remilitarizing of the Rhineland were mere episodes compared to the next bit of expansion. In a long speech before the Reichstage on May 21, 1935, Hitler solemnly proclaimed his absolute disavowal of any imperialistic designs. He said that Germany had no ambitions for conquest, she desired no expansion at the expense of any other nation, and she repudiated any idea of "Germanism".

Considerable bickering had been going on in Austria for some time between the pro-Nazi element and the anti-Nazi peoples. Pan-Germanism had grown, and so had the realization that although Britain, France and Italy eagerly hoped Austria would remain independent they would be powerless to act in a showdown. 9

Nazi propaganda has had more influence in expanding the German territory in Europe than Nazi guns, although her guns are used to back up her propaganda. For some time National Socialist ideas had been prevalent in Austria and it caused much embarrassment to the government. The Austrian government took drastic steps in 1934 and declared the Nazi party illegal. Its uniforms and insignia were forbidden. The assassination of Chancellor Dollfuss in 1934, was considered due to a Nazi attempt to

seize the state. Before that the Nazis, using tactics already made familiar by the extreme left, had carried the fight to the streets, and supported it by violence, by murders, and bombings. Chancellor Schuschnigg says that this party "economically, and as regards its leaders, relied on forces not domiciled in Austria." In the course of time a decisive influence was gained by an evergrowing number of political immigrants, most of whom consisted of people who had previously lost their nationality.

In 1936 Hitler and Schuschnigg came to an agreement. Germany was not to support Austrian Nazis and Austrians agreed not to persecute the National Socialists. Apparently the German part of the agreement was not kept. National Socialists cells existed from one end of Austria to the other, organized under the same pattern as first established by the communists, and contact with Germany was never stopped. The peasants were advised in secret letters that the day was coming when their pigs would be worth twice as much under a greater Germany. The Nazis continually carried on a latent, smouldering civil war. Hitler was convinced that this internal activity would eventually deliver Austria into his hands without any movement from Germany whatever. 10

Plots were discovered which were to cause such internal

10 Kurt Schuschnigg, My Austria, p. XIV.
disturbance in Austria that German intervention and ultimate control would be necessary. Most of these never materialized.

The German army officials were reluctant to apply force to Austria because of some agreements between General Blomberg of Germany and General Jansa of Austria. This brought about the purge of the German army staff. On February 12, 1938, Schuschnigg was summoned by Hitler to Berchtesgaden. He was told to go back home and reorganize the cabinet and place pro-Nazis in all important cabinet positions. This Schuschnigg attempted to do. Also, on March 9, he called for a nationwide plebiscite to be held three days later. Instead, on that day German troops had occupied Austria, the cross-roads of European nationalities, and proceeded to incorporate it into the Greater Reich.

The Austrian Chancellor realized that the plebiscite would be his last chance, and Hitler also realized that it might be fatal to his plans. Schuschnigg wished to give all his people the right to poll their choice of independence. He pleaded: "All of you, whatever your occupation and whatever the class to which you belong, men and women of free Austria, you are called on to profess your faith before the world."\(^{11}\)

The day previous to the announced plebiscite Hitler sent an ultimatum backed by the threat of force to Austria. Chancellor Schuschnigg yielded and resigned under dramatic circumstances. His voice suddenly interrupted a program over

\(^{11}\) New York Times, March 10, 1938.
the radio, declaring he had yielded only to force to avoid bloodshed and under the threat of invasion that was to start at the very moment he spoke. He had resigned his office.

Immediately thousands of Nazis swarmed into the streets of Vienna to take over control unopposed. An hour afterward Dr. Seyss-Inquart, pro-Nazi Interior Minister in the Schuschnigg cabinet, addressed the nation over the radio, calling on everyone to maintain order and declaring that there was no question of resistance if the German army should march in. He then immediately sent a plea to Germany for troops. His first plea to the new government was for law and order.

To this end it urgently requests the German government to support it in this undertaking and assist it in the prevention of bloodshed. I therefore appeal to the German government for the earliest possible dispatch of troops. 

Immediately 65,000 German troops poured into Austria on foot, in machines, and by innumerable airplanes.

Hitler immediately followed his troops into his "Homeland." In Linz he made a speech from the balcony of the city hall in which he proclaimed the unity of Germany and Austria and also warned the world that any effort to part the two peoples would be in vain. In greeting Hitler at Linz, Dr. Seyss-Inquart, the new Austrian Chancellor, proclaimed the annulment of the peace treaty of St. German, which stipulated that the Austrian republic was to remain independent and forbade union with

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12 Ibid., March 12, 1938.
Germany except with the consent of the League of Nations. 13

Thus again the Treaty of Versailles received a death blow from the aggressiveness of the Third Reich. This is the first time that Austria had completely fallen under Germany's dominance. German troops immediately blocked all the borders and began the regimentation of Austria on the Prussian style. Heinrich Himmler, Chief of the Gestapel (secret police) proceeded to organize the Austrian police and squelch all opposition. The Third Reich had made its first big move toward expansion on March 12, 1938, by annexing Austria with its area of 32,000 square miles and a population of 6,700,000 with little opposition and no bloodshed. Austria, by the plebiscite of April 10, 1938, approved anshluss more than Germany. She voted 99.75 per cent for Hitler. The German vote pulled the average down to 99.08 per cent. All were forced to vote except prisoners and Jews.

Austrians and Germans have the same racial origins and the same language. That was one reason why no suicidal Austrian patriots fired a shot heard around the world on the German divisions marching into Austria.

The rest of Europe appeared preoccupied and refused to fulfill their pledge to Austria's protection. "To save his country from this fate, Schuschnigg resigned after telephone calls to London, Paris and Rome indicated that nobody was

13 Ibid., March 13, 1938.
14 Dallas News, April 11, 1938.
prepared to send help."

The threat of the swastika lay heavy over Czechoslovakia long before Austria had resigned itself to the Greater German control. After a decade of uninterrupted calm development, she faced serious troubles in the early thirties. There was a sudden and powerful rise of a disguised Nazi party under a thirty-five year old Bohemian sub-Hitler, Konrad Henlein. In the 1935 elections this party, representing the bulk of Czechoslovakia’s minority of 3,300,000 Germans polled 1,247,000 votes and became overnight the second largest party in the country. This party gradually grew stronger and became a threat, more so after Austria’s capitulation. Austria had been somewhat friendly to Czechoslovakia, but now Germany was on three sides of her. President Benes proceeded to strengthen his alliances with Russia, France, and the Little Entente.

In Czechoslovakia the Germans and Hungarians minorities had their own schools, political parties, newspapers, cultural and sport organizations, but the widespread unemployment in the Sudeten area, caused in part by the world depression, helped Konrad Henlein’s cause.

The Henleinist movement was given considerable impetus on February 22, 1938, when the German Fuhrer defiantly announced that Germany intended to "protect" all persons of

15 Schuschnigg, (Introduction by Dorothy Thompson), p. XX.
German blood, regardless of their nationality, wherever they might be. It was given still stronger impetus by Germany's annexation of Austria in March 1938. By the spring of 1938 the Sudeten areas of Czechoslovakia were almost in revolt against the central government. Riots marred the peace of the nation. But the Czech government acted firmly, and apparently without fear of Germany across the border.

The border with Germany, established at the end of the World War, was mountainous, forming a natural frontier. In these mountains Czechoslovakia had established her line of defense. If she gave up these border regions where most of the Sudeten Germans lived, she would lose all her natural boundaries and fortifications, and would thereby become an easy target from German invasion.

Hitler made a speech in September, threatening that if there was not an early settlement of the Sudeten question Germany would take matters into her own hands. The Sudetens almost immediately began to riot and revolt against the Czechoslovakian government. The Czech government proclaimed martial law and took other measures to suppress the uprisings. Tension rose in Germany and in all Europe. It appeared that England, France and Russia would fight in order to stop the German invader. France and Russia both had treaties with Czechoslovakia guaranteeing her autonomy. But they were all unprepared to declare war, since they were not quite sure if
Hitler meant war or was merely bluffing.

The Prime Minister of Great Britain, Neville Chamberlin, flew to Berchtesgaden, Germany, Hitler's mountain retreat, and discussed the situation with the German leader. Russia completely withdrew any advice which she might have. The British and French gave in to Germany's demands and favored the first partitioning of the world war republic. This appeared to be the only way to keep the peace of Europe.

A last minute hitch occurred when Hitler increased his demands. The German army was ready to march. Another European war seemed imminent on September 30, 1938, when Chamberlin of Britain, Daladier of France, and Mussolini of Italy, met with Hitler in Munich, Germany, at Hitler's request, and gave Germany what she wanted in the way of territory from Czecho-Slovakia. 17

At this first partitioning of Czechoslovakia, Germany took 10,810 square miles with 3,615,833 persons. Poland took 275 square miles with 237,000 persons. Hungary got 4,593 square miles and 1,035,277 persons.

Czechoslovakia never fully recovered from this blow. President Benes resigned and went to England for a short time until he accepted a lectureship with the University of Chicago. On March 15, 1938, the time had apparently come for another

17 Headline Books, No. 15, pp. 56-64.
German expansion. The end of twenty years of Czech indepen-
dence came at the same time, within six months after the
Sudeten area had been annexed by the Greater Germany. This
swift, bloodless seizure of Czechoslovakia followed months
of preparation and boring from within.

After the Munich accord of September 29, 1938, Ernst
Kundt, Czecho-Slovak deputy under Konrad Henlein, was left
in Czechoslovakia to lead the Nazi campaign for more terri-
tory. His first movements were mild and his speech was re-
strained. He received a large sum to distribute to needy
Germans in Czechoslovakia. Soon Jewish films were barred,
and press censorship, already rigid under the Czechs, became
Nazi like in its prohibition of any publications unfriendly
or unfavorable to Germany. "Mein Kampf" appeared in Czech
bookshops, and the free entry of all German publications was
permitted.

By the middle of February, Kundt became outspoken. He
declared:

The position of Germans in Czechoslovakia
is unbearable. Certain Czech circles have learned
nothing from the events of 1938. Germans in Czecho-
Slovakia are the concern of the German Reich. 19

At this time an internal struggle began in the Czecho-
Slovakian state between the central government in Prague and

the autonomous State of Slovakia. Threatened by German demands Slovakia and Carpatho-Ukraine were given full independence by the central government. This move caused Czechoslovakia the loss of two-thirds of its territory and over one-half of its population since the Munich agreement of September 29th.

By March 14th, the Prague government was ready to fall to pieces. The new Czech President, Emil Hacha, yielded to Hitler's summons to come to Berlin and talk things over for an amicable settlement. Hitler presented four demands:

(1) No opposition to the Slovakian independence;
(2) A customs and currency union between Germany and the Czech districts of Bohemia and Moravia;
(3) Complete disarmament of Czecho-Slovak military forces;
(4) Adoption of Germany's Nurnberg anti-Jewish laws.

At 4:15 o'clock the next morning all radio broadcasting stations began to broadcast from the Czecho-Slovak Defense Ministry declaring that Czechoslovakia had fallen under the protection of the German Reich. Orders were broadcast every five minutes:

German army, infantry, and aircraft are beginning occupation of the republic's territory at 6 A. M. Their advance must not be resisted. All commands have to obey the order. The units will be disarmed. Military and civil airplanes must remain in airports. None must take to the air.

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20 Ibid.
21 Ibid., March 15, 1939.
Bohemia and Moravia had been annexed by Germany. The German Iron Chancellor, Bismark, had been wary of Bohemia. He declared many times that Bohemia was the key to central Europe. Germany now had virtual control over all Czechoslovakia with its 9,688,770 Czechs and Slovaks, 3,231,688 Germans, 691,923 Magyars, 549,169 Ruthenians, 186,642 Jews and 81,737 Poles. Approximately twenty-two per cent of the total population are German. These are mostly in scattered sections but became strong through unity and guidance of the Fatherland.

Hitler followed his army into the former Czech capital. In the decree which he delivered he made clear to the Slavic peoples that there would be two peoples in the protectorates, a preferred class, the Germans, who will have all the rights and privileges of citizens of Germany, and a class of non-Germans who will be subjects of the protectorate. They learned that their army, foreign policy, railways and other communications, post office, telephone and telegraph services will be controlled by their powerful protector. "The Protectorate of Bohemia and Moravia is Autonomous and administers its own affairs." 22

Within one week after Czechoslovakia had capitulated to German demands Lithuania surrendered the Memel Territory to Hitler's rapidly expanding Reich, bowing to threats which semi-officials sources said were directed against independence of

22Denton Record Chronicle, March 16, 1939.
of the entire Baltic Republic.

Germany asked for the return of Memel, an area of 1,099 square miles and 150,000 inhabitants taken from Germany by the Versailles Treaty and originally seized by Lithuania in 1923 in order to provide herself with an outlet to the Baltic sea. The Lithuanian parliament agreed to surrender Memel after the cabinet had given up to German demands. Germany assured Lithuania a free port at Memel. 23

Hitler boarded the battleship Deutschland and with an imposing naval array he cruised into the harbor of Memel. He spent two hours in Memel where he made the puzzling statement, "We Germans have no intention of doing harm to the rest of the world. The damage which that other world did to Germany, however, had to be repaired again." 24

In the brief span of four years Germany has steadily destroyed the territorial clauses of the Versailles Treaty. She has increased her territory by 77,000 square miles and her population by 20,000,000. After the final absorption of Czecho-Slovakia, France and Britain hastily made agreements and pacts with other European powers to stop further expansion of the Third Reich. The rapidity with which Hitler moved in the case of Memel astonished even the governmental bureaus which usually have the task of preparing the public mind for coming events.

24 Ibid., March 24, 1939.
In its recent program of expansion Germany has used tactics never before used on such a large scale. Even though opposition has often been strong both in Germany and the territory to be annexed, yet no blood has been shed in battle. There are five chief methods used by Germany in her recent territorial acquisitions.

(1) Propaganda inside the territory to be annexed prepares the people for revolt.

(2) Movements are timed when the world is least prepared to expect them.

(3) German troops are suddenly massed on the border.

(4) An ultimatum is sent to the government, demanding protection for German citizens or asking for a plebiscite.

(5) The existing government suddenly capitulates under pressure, and pro-Nazi leaders invite German armed power, which is already on the march.

A country that will risk its existence in order to gain more territory is undoubtedly in economic distress for lack of necessary raw materials. In the case of Germany's expansion it appears that at first the democracies' conscience hurt for robbing her territory in 1919. It now appears that everyone is afraid of a country which may become strong enough to offer competition to the world's great powers. War is a poor remedy to solve problems.
CONCLUSION

Immediately after the close of the World War Germany had a very unstable form of government. Even the most tried and stable form probably could not have stood the revolutionary strain. This government was forced, under the threat of invasion, to sign a treaty which was to be hated from the very moment that it was enacted. The Treaty of Versailles was created in order to humiliate a proud, arrogant nation. No other great nation had grown so rapidly in the period of forty years prior to 1917.

Besides attempting to show the attitude of the German people in general toward the Treaty, the author has attempted to show the impossibility of the complete fulfillment of the Versailles Treaty by Germany. Germany had disarmed to a minimum compatible with the necessities of her defense and the maintainance of order. It was understood that this reduction was to be followed by similar reductions by the Allied Powers. These other Powers were never able to reach any agreement. Thus, from the very beginning, Germany became distrustful. The re-armament of the German Nation during the past five years had been a foreseen, even anticipated result. It has been temporarily beneficial to the country. Among other things, it has helped
eliminate unemployment. It has unified the State under the closest military control, which is another way of making a strong nation.

The Allied nations, with their misunderstandings, jealousies, and lack of agreement, were too preoccupied to have a thorough understanding of the German people and the probable future consequences which a dictated, all embodying treaty would be likely to have on a hundred million people with practically the same ideologies. Exorbitant sums were demanded, which, under the best national and international economic conditions, could not possibly be paid within three generations. The Allies demanded payment in both money and goods. Germany had no money, and for fear of hurting their own markets, the Allies refused German goods. When the gold reserve was depleted, and trade was still not forthcoming, Germany was forced into bankruptcy. The Dawes and Young Plans came to temporary rescue with American capital, in return for bonds of private German securities. Thus, much of Germany’s industry was turned into the hands of foreign investors. The ultimate effect was that by 1933 the German national government had to pay the financial obligations of many private industries. Thus many industries became government controlled. The world has had its share in making Germany a nationalistic state.

During the decade from 1920 to 1930, Germany had borrowed more money than she had paid. She was under obligation to consult
the League of Nations on important matters. The League accomplished things too slowly for the desperate nation, and each time that she was about to complete a successful move, she was blocked by some stronger power. In 1931, it was suddenly rumored that Germany and Austria were considering a customs union. A crash of credit which shook every nation in Central Europe promptly followed. It has been intimated that this was brought on by the Bank of France. All tentative loan negotiations were stopped. Immediately after Germany and Austria renounced their intention of the customs union, France and the League of Nations, influenced by France, made the needed loans to Austria and went into consultation with Germany concerning short time loans, which she was seeking to extend. France was still not ready to acknowledge Germany's forced incapability to pay the enormous reparations. This attitude finally gave rise to the Lausanne negotiations of 1932. By that time it was too late to halt the rise of the National Socialists, who had become strong on the crumbling economic condition of Germany. France had the implacable desire to hold Germany in bondage under the pretext of assuring European security. In order for England to maintain her form of capitalistic government in Europe she

1 News Week, March 14, 1936, p. 7.
Kurt Schuschnigg, My Austria, p. 154.
has felt that it was her duty to help hold all forms of potential competition in suppression.

Germany was in a predicament by 1933, which could only be solved by a unified people, determined and with the same ideological goal. The government must be able to act quickly and decisively in emergencies. All opposition must be crushed in order to avoid uncertainty and delay. The State has kept from economic collapse solely due to the fact that governmental control was centralized. This meant that the government must have autocratic powers.

The German economic system is at the present time on the verge of collapse. Every country in the world recognizes this fact. Yet, economic sanctions and restrictions are placed against her which can have only one result, some kind of catastrophe which will be certain to affect the world adversely. We must find some means for the distribution of goods or have our civilization destroyed by a world war such as has never before occurred. Policies of encirclement may postpone war until the pressure for expansion, trade, and commerce become so great that the encircled country explodes.

Germany has no possessions outside of the State proper. No country can ever completely reconcile herself to relinquish its claim to something it once possessed. Considering the areas controlled and the number of people in this area, German soil
must support more people than any other nation in the world. She is the only great power without any claims outside of her borders. There are too many Germans in Europe to be absorbed by another country. Germany will probably always be a nation, and she will cause trouble as long as outside attempts are made to confine, control, or suppress her activities.
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