Debts and other legacies

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Essays & Reportage

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Greece wants war reparations and loan repayments from Germany, writes Klaus Neumann. The idea isn’t as far-fetched as it might sound.

Borrowers or pillagers? German officers at the Acropolis in May 1941, shortly after the capitulation of Greece. The person holding the baton is Field Marshall Walther von Brauchitsch, who oversaw Germany’s military campaign in the Balkans. Bundesarchiv, Bild 101I-165-0412-14A/Rauch/CC-BY-SA

It still isn’t clear whether Greece will default on its massive foreign debt, and even less certain what will happen if it does. Economists need look no further than Germany to get a glimpse of possible scenarios – not because Germany’s inflexibility could trigger Greece’s insolvency but because, having defaulted at least three times in the past hundred years, Germany has accurately been called the “biggest debt transgressor of the twentieth century.”

Even now, the public debt of Europe’s largest economy stands at around €2 trillion. While Germany’s public-debt-to-GDP ratio is less than Greece’s, it is still well above the 60 per cent stipulated in the Treaty of Maastricht as the upper limit for countries joining the eurozone. And while, debt-wise, Germany is performing well relative to
many other countries, most Germans think their country’s liabilities are far too large. But these days Germany isn’t tardy in repaying its foreign debts, and doesn’t match most people’s image of the untrustworthy debtor perennially on the verge of insolvency.

Germany’s €2 trillion liability only includes debt racked up by federal, state and local governments and recognised as liabilities by creditors and debtors alike. It doesn’t include the money that Germany purportedly owes the most unlikely of creditors, Greece. For months, as a committee of the Greek parliament has trawled through the records and calculated the interest, all sorts of figures have been put on that debt. But now it’s official, at least as far as the Greeks are concerned. Earlier this month, deputy finance minister Dimitris Mardas announced that Germany owes Greece €278.7 billion (A$385 billion) – enough to allow Greece to repay its debts to the European Union, and about five times the amount Germany contributed to the Greek bailout. The Greek government claims that the bulk of the German debt is made up of outstanding reparations for suffering and material damages inflicted on Greece during the second world war.

Angela Merkel and her government are not amused. "Frankly, I think that’s stupid,” was vice-chancellor Sigmar Gabriel’s comment last week when Greece attempted to tie a discussion about debt relief in 2015 to what happened in the early 1940s. For Gerda Hasselfeldt, leader of the Christian Social Union in the Bundestag, Greece’s calculations were a “cheap diversionary manoeuvre” and the Greeks needed reminding that “you don’t bite the hand that feeds you.” Wolfgang Schäuble, Germany’s finance minister and the Greek government’s bête noire, delivered what the genteel Frankfurter Allgemeine Zeitung called a Wutrede – an angry tirade – in which he categorically ruled out linking the Greek debt to “somehow-construed German obligations dating back to the second world war.”

At first glance, the Greek tactics seem all too transparent. Faced with the prospect of again being reprimanded for tardiness in repaying loans and having to grovel to their European partners for further extensions and “haircuts,” Alexis Tsipras and his government have gone on the offensive. They intimated that Germany might soon be swamped with Islamist refugees courtesy of Athens, they threatened to turn to Russia for financial help, and they accused Greece’s largest creditor, Germany, of having an outstanding debt dating back to its 1941–44 occupation of Greece.

The first two elements could indeed be described as “stupid” and “cheap.” The idea of issuing visas to jihadists among the asylum seekers accommodated by Greece was first mooted, in early March, by the Greek defence minister, Panos Kammenos (a member of Syriza’s coalition partner, the right-wing Independent Greeks), as retaliation for the supposed mistreatment of Greece by Germany. “If Europe leaves us in the crisis, we will flood it with migrants,” the London Telegraph reported him as saying, “and it will be even worse for Berlin if in that wave of millions of economic migrants there will be some jihadists of the Islamic State too.” Within three days, though, the Greek government backtracked, with Kammenos’s colleague Anastasia Christodouloupoulou issuing a statement assuring the European Union that Greece would abide by the rules of Europe’s asylum seeker regime.

During last week’s visit to Moscow, Tsipras threatened to defy warnings not to break ranks with his EU partners. “Greece is a sovereign country,” he told journalists, “with an unquestionable right to implement a multi-dimensional foreign policy and exploit its geopolitical role.” But in the end he fell short of declaring that Greece would breach Europe’s economic sanctions against Russia. He no doubt knew that this act of defiance might cost him dearly but pay no dividends: Russian president Vladimir Putin might have offered Tsipras moral support but he didn’t commit Russia to helping Greece with its economic woes. (As this article is published, however, unconfirmed reports say that Russia will pay Greece €5 billion as an advance on the transit fees for a yet-to-be-built gas pipeline.)

The third claim – that Greece is owed money by Germany – is not as fanciful as it might appear. Nor is it something dreamt up recently by Greece’s leftist government to hold one of its creditors at bay, although reiterating the claim does come in handy at this point in time.

A Conservative foreign minister (and later Greece’s prime minister), Antonis Samaras, raised the issue of German reparations as far back as 1990. His New Democracy government asked for a total of US$7.4 billion at
the time, a request widely reported in the German media. Germans may not have taken much notice of demands made by Samaras and others in the early 1990s, or of an official claim lodged by the Greek ambassador in 1995, but they certainly took note in 2000. In July of that year a Greek bailiff tried to impound a prime German asset in Athens – the building that houses the Goethe Institute – to facilitate the payment of reparations ordered by the Greek courts; the Greek justice minister intervened and the process was stopped. Over at least the past fifteen years, successive German governments have kept the issue alive, commenting in great detail on Greek demands for reparations when asked to do so by members of the German Bundestag.

Which brings us to Dimitris Mardas’s €278.7 billion, a figure that includes €10.3 billion to cover funds Germany forced the Greek central bank to lend it during the second world war. There is no disagreement about the fact that between 1942 and 1944 Germany “borrowed” a large amount of money from Greece. Nor is anyone disputing that, in early 1945, German officials calculated the overall liabilities resulting from these “loans” at RM476 million (the Reichsmark being the German currency at the time). And recent German and Greek calculations to establish current liabilities aren’t that far apart either: according to Der Spiegel, the research service of the Bundestag estimated the current value of the loans to be US$8.25 billion.

The origins of these liabilities are complicated and their exact nature is complex. And the recent discussion has not been helped by the fact that Greek and German government representatives and the media – with very few exceptions – have claimed that the RM476 million was the amount of a one-off payment made by the Greek central bank to Germany in 1942. In a book published in 2006, historians Hagen Fleischer and Despina Konstantinakou explained that the Germans forced the Greek central bank to make monthly payments to Germany. It had long been common practice for occupiers to charge the costs of military occupation during times of war to the occupied country; in fact, according to the 1907 Hague Convention Respecting the Laws and Customs of War on Land, this practice was perfectly legal. But the monthly Greek payments were to cover more than just the regular costs of occupation; they were also used, for instance, to pay for the expenses of Rommel’s campaign in North Africa.

When wartime German officials calculated Germany’s liabilities, they took into account the total amount of the monthly payments, the costs incurred by Germany as an occupier in Greece, and German repayments. As surprising as it may seem, Germany did actually try to repay some of the money it owed to Greece during the war; according to Fleischer and Konstantinakou, the last repayment was made on 6 October 1944, more than a month after Germany began withdrawing its troops from Greece and just over a week before the liberation of Athens.

Although the transfers seem to have been well-documented, the German and Greek governments disagree over their nature. Was the RM476 million liability identified by German financial experts in 1945 a loan, as the Greeks claim? More accurately, was it the amount that remained outstanding at the end of the war after the costs of German occupation and repayments had been deducted from the money transferred by the Greek central bank, as suggested by Fleischer and Konstantinakou? Or was it merely part and parcel of the pillage that accompanied Nazi Germany’s rule in countries it occupied during the war? (To complicate matters further: was some of it, as the historian Götz Aly claimed a couple of months ago, money owed not to Greece but to Serbia, Bulgaria and other countries that were forced by Germany to supply goods to Greece to offset the German liability?)

If it was an ordinary loan, then it would need to be repaid. The Federal Republic of Germany is the legal heir of the Third Reich, and as such is obliged – in principle, at least – to honour commitments made between 1933 and 1945. The German government, however, has argued that the 1942–44 transactions did not involve two sovereign nations. Rather, Greece was occupied by Germany, the Greek central bank had no choice but to comply with Germany’s request, and Greece could not be considered a sovereign actor. Therefore, according to the official German interpretation, the Greek demand for the payment of the equivalent of RM476 million is a demand for reparations rather than one for the repayment of a loan.

While in the eyes of the German government the wartime transfers were not loans, they were treated as such at the time, and – at the time – constituted part of Germany’s overall foreign debt. Similar “loans” were provided by other countries occupied by Nazi Germany. In fact, the amount extracted from Greece was comparatively small. The overall liabilities incurred in this way by Germany from France, Denmark and Belgium totalled RM14 billion,
almost thirty times the sum provided by Greece. The German central bank did not envisage repaying these loans, but it knew that they had to be extinguished eventually; thus, in 1944, it drew up plans for a peace conference following the Endsiege, or ultimate victory. At this conference, the creditor nations would be presented with invoices detailing the costs Germany had incurred during the war; these costs would then be used to offset the loans.

If the funds requisitioned from Greece and other countries had been ordinary loans that needed to be repaid with interest, they would have added to Germany’s already substantial foreign debt. That debt was largely a result of the first world war and the reparations demanded by its victors. And so, when the second world war ended with Germany’s capitulation, the country was faced with a mountain of current and future liabilities: debts incurred by Weimar Germany before 1933, debts incurred during the war through payments extracted from the central banks of occupied nations, costs generated by the Allied occupation of Germany, possible reparations related to the second world war, and the enormous costs of rebuilding a Germany whose infrastructure had been almost totally destroyed.

After the first world war, confronted with Germany’s inability to meet its obligations under the Treaty of Versailles, France and Belgium occupied the Ruhr Valley, Germany’s industrial heartland, in order to extract reparations directly. French plans to do so again after 1945 were vetoed by the United States and Britain. But the victors of the second world war targeted industrial machinery, locomotives that had survived the Allied bombing campaign and other assets, and shipped them home. They also confiscated patents and other German intellectual property in an operation that amounted, according to an American official quoted in a contemporary Harper’s Magazine article, to “the first orderly exploitation of an entire country’s brainpower.” With the beginning of the cold war, however, deindustrialising West Germany and crippling its economy by forced repayment of debts was no longer in the interests of the Western Allies. Instead, they wanted an economically robust Germany that could serve as an eastern bulwark against communism.

With some minor exceptions, the Nazi government had defaulted on Germany’s external debt. The situation did not substantially change at the end of the war, if only because Germany had been carved up and its constituent parts were either occupied or had been incorporated into neighbouring countries, and it was thus not in a position to service any debts. But in 1951, the newly established Federal Republic of Germany agreed in principle that it was liable for debts incurred by the German Reich before the second world war. It did so with a proviso: in a letter to the Allied High Commissioner, German chancellor Konrad Adenauer noted that he expected a repayment plan would “take into account the general economic position of the Federal Republic, notably the increase of its burdens and the reduction of its economic wealth” and would not “dislocate the German economy through undesirable effects on the internal financial situation nor unduly drain existing or potential German foreign-exchange resources.” The Adenauer government also conceded that it would eventually need to reimburse the United States, Great Britain and France for the expenditure incurred in propping up West Germany after 1945.

What motivated the West German government to agree to resume repaying debts incurred by a very different Germany, most of them not serviced for almost twenty years? Adenauer’s letter provides a clue: the settlement plan had “the objective of normalising the economic and financial relations of the Federal Republic with other countries.” Germany (and German banks and companies) needed to borrow large amounts of money to rebuild a country ravaged by war. Having defaulted on its foreign debts, Germany was in the unenviable position of not being trusted to repay a loan. To win back the confidence of foreign banks and governments, it needed to demonstrate that it was willing to honour its financial obligations, even if these had been incurred by the Weimar Republic or Nazi Germany. West Germany, which by 1951 had its own constitution and an elected government but was still under Allied occupation, was also anxious to normalise its political relations with other countries. By showing that it was trustworthy in its business dealings it wanted to suggest that it could also be a reliable political partner.

For Germany to start repaying its prewar debt and postwar liabilities, the Western Allies recognised, its creditors needed to make concessions. In 1952, delegations from Germany and twenty-two Western countries (including Greece) met in London to discuss ways of reducing German liabilities. These included debts incurred by the Weimar Republic, by municipal authorities and other public borrowers, and by German-owned companies and
other private entities. The outcome of these negotiations was the 1953 Agreement on German External Debts, often referred to as the London Debt Agreement.

Deferred liabilities: Hermann Josef Abs signing the 1953 London Debt Agreement on behalf of the Federal Republic of Germany. Wikimedia Commons (CC BY-SA)

The text of this agreement (including its numerous appendices) runs over hundreds of pages, prescribing individual solutions for different types of debt. In essence, it reduced Germany’s overall pre- and postwar debts by more than 50 per cent, extended the deadlines for repayment, and linked the amounts to be repaid in any given year to Germany’s capacity to repay (which was tied, in turn, to Germany’s ability to produce a positive trade balance). Liabilities incurred through Germany’s policies or actions in occupied Europe between 1939 and 1945 could be deferred until the “final settlement of the problem of reparation,” which was understood to mean the conclusion of a peace treaty between Germany and the Allies. That last point meant that Germany was not required to pay reparations for the time being.

The 1953 agreement was a coup for the Adenauer government. Two years before the Western Allies formally ended the country’s military occupation, the Federal Republic of Germany was effectively given the status of a sovereign nation. At the same time, the agreement allowed the West German economy to grow unencumbered by crippling debt repayments. The country’s Wirtschaftswunder (economic miracle) would have been unthinkable without it. And the payment of reparations was left to the Bonn government’s discretion; in this way, the agreement effectively ruled out – for the time being – any claims by countries or individuals who had suffered at the hands of Nazi Germany. It didn’t extinguish these claims, however; it merely provided Germany with the opportunity to get back on its feet before having to pay reparations.

The Federal Republic saw itself as the rightful successor of prewar Germany. It even accepted responsibility for debts incurred by Prussia (the largest state within Weimar Germany), which had ceased to exist in 1945, and most of whose former territory was now part of the German Democratic Republic, Poland and the Soviet Union. At the same time, the Adenauer government was allowed to dodge the issue of how to redress wrongs committed
in the name of Nazi Germany. In 1953, the prospect of a “final settlement of the problem of reparations” – which was premised on the reunification of the two German states and on a reconciliation of viewpoints between the former and now bitterly divided Allies – seemed remote; successful claims for reparations therefore appeared unlikely in the near future.

The man credited with achieving what was, for West Germany, a very favourable outcome was Hermann Josef Abs, the chief German negotiator at the talks leading to the 1953 agreement. He had never been a member of the Nazi party but had arguably been responsible for some of the very wrongs whose redress he had now helped to indefinitely postpone. As a member of the board of directors of Deutsche Bank, the largest German financial institution, and of some forty other banks and corporations, Abs was one of the most influential bankers in Nazi Germany. The companies in which Abs was prominently involved included IG Farben, then the world’s largest chemical manufacturer, which profited directly from slave labour sourced from Auschwitz. He was also implicated in “aryanisations,” the de facto expropriation of Jewish-owned companies. After the war, the Allies detained Abs for a few months but then classified him as entlastet (“exonerated”). He resumed his role as a banker, and in the 1950s and 1960s was one of the most powerful men, and certainly the most powerful banker, in West Germany.

Abs was an adviser to German chancellor Adenauer, and had enormous influence on the Bonn government’s policies. In one important respect, however, the views of Abs and Adenauer diverged. In 1951, as Timothy Guinnane, Professor of Economic History at Yale University, explains, Adenauer agreed to Israel’s demand for a reparation payment of a total of US$1.5 billion to Israel and to the World Jewish Congress, “much to the disgust of Abs” and Adenauer’s finance minister. According to Guinnane, Adenauer’s concession undermined Abs’s strategy at the London negotiations. Abs had tried “to present Germany’s ability to transfer payments as the binding constraint, effectively forcing the various creditors to compete against each other for every Mark of payment”; the creditors assembled in London regarded Adenauer’s willingness to pay reparations to Israel “as evidence of bad faith, a greater ability to pay, or both.” Notwithstanding the reparations paid to Israel and to Jewish survivors of the Holocaust, though, the German government insisted that under the 1953 London Debt Agreement it was not obliged to pay reparations to anybody, and German courts consistently upheld this interpretation when it was challenged by former forced labourers.

For two reasons, the London Debt Agreement has loomed large in discussions about Greece’s current liabilities and its claims for reparations owed by Germany. First, commentators have frequently invoked the 1953 agreement to suggest that Greece, too, ought to be cut more slack by its creditors, and more specifically, that the kind of generosity extended by Greece and others to Germany in 1953 should now be extended by Germany to Greece.

The parallels between Germany’s situation in the early 1950s and Greece’s malaise in the past five years are suggestive. As early as three years ago, Alexis Tsipras told members of the European parliament that the London Debt Agreement should be the blueprint for a similar deal with Greece. Earlier this year, Giannis Milos, a Marxist economist at the National Technical University in Athens and an influential adviser to Tsipras’s Syriza, told Der Spiegel that “Greece, too, agreed to allow Germany to catch its breath” in 1953 “and thus make it possible to build a strong economy.”

The second reason for the London Debt Agreement’s prominence is the Greek government’s claim that Germany was permitted to defer paying reparations only until the Federal Republic, the German Democratic Republic, France, Britain, the Soviet Union and the United States concluded the Treaty on the Final Settlement with respect to Germany, the so-called Two Plus Four Agreement, in 1990.

The Greek government has argued that the Two Plus Four Agreement was the equivalent of a peace treaty (the “final settlement” mentioned in Article 5 of the 1953 London Debt Agreement), and that therefore countries and individuals should have been able to lodge claims for reparations as soon as it took effect. But reparations are not mentioned in the Two Plus Four Agreement. According to the German side, that is because it was assumed in 1990 that reparations were no longer payable. In a statement published in 2006 and reiterated last year, the German government claimed that the 1990 treaty contained the final settlement of any legal issues arising from the war, and that the parties to that treaty did not expect that there would be further settlements, including an agreement concerning reparations.
This may be so, say the Greeks, but we didn’t sign the Two Plus Four Agreement. That might be so, counter the Germans, but as a member of the Organization for Security and Co-operation in Europe you signed the 1990 Charter of Paris for a New Europe, which endorsed the provisions of the Two Plus Four Agreement. No, the Greek side counters, the Paris Charter only says that the signatories “note with great satisfaction the Treaty on the Final Settlement with respect to Germany signed in Moscow on 12 September 1990,” not that the Charter’s signatories explicitly signed off on the terms of that Treaty. To complicate the argument further, the Two Plus Four Agreement doesn’t resemble other peace treaties (such as the 1947 Paris peace treaties between the Allied powers and Italy, Romania, Finland, Hungary and Bulgaria); rather, it is an agreement in lieu of a peace treaty.

Two lessons can be drawn here. First, the dispute over whether or not the reunified Germany incurred obligations towards Greece and the Greek victims of Nazi Germany will not be decided simply by recourse to international law; rather, if there is to be a solution, it will have to be a political solution – just as Adenauer decided in 1951 that it made political sense to pay reparations to Israel. And second, if the German and Greek governments want a political solution, they need to properly talk to each. To quote a 1972 ruling concerning disputed reparations Greece demanded of Germany in relation to the first world war: “[The negotiations] shall be meaningful and not merely consist of a formal process of negotiations. Meaningful negotiations cannot be conducted if either party insists upon its own position without contemplating any modification of it.”

Let’s leave aside for the moment the issue of the RM476 million loan, and focus instead on the arguments for and against reparations. In order to understand the debate about reparations after the second world war, we need to turn once more to what happened after the first world war.

That war had been extremely costly for all participants, but particularly for the nations on whose territories it was fought. Germany was one of them, because Tsarist Russia had invaded East Prussia in the early stages of the war. But the destruction wrought by Russia in Germany’s eastern provinces paled in comparison with the impact of the fighting in France and Belgium. It was understandable that Germany, when it concluded a peace treaty with Bolshevik Russia in 1918, and the Allies, when they negotiated with Germany at Versailles, demanded reparations. For France, in particular, substantial reparations were an obvious outcome of the peace negotiations because, after the 1870–71 Franco–Prussian war, it had been made to pay Germany a total of F5 billion over five years as well as cede Alsace and Lorraine.

After the Franco–Prussian war, though, the French were able to pay the money demanded by Germany ahead of schedule. There was no way Germany could have similarly discharged its financial obligations to France and its allies after the first world war. In fact, the reparations demanded of Weimar Germany were so substantial that Germany was rarely able to raise the full amount of the required instalments. In order to pay the Allies, it borrowed money, only to be unable to repay the debts it thus incurred.

Largely for these reasons, the overall economic benefits of the reparations regime to the victors of the first world war were far smaller than expected. For the losers, though, and for Germany in particular, the economic and political effects were huge. According to many contemporary observers and to some historians, the unforgiving terms of the Treaty of Versailles resulted in the rise of political extremism in Germany, eventually led to Hitler becoming chancellor, and in the final analysis brought about the second world war.

Some of the victors of the second world war – particularly the United States and Britain – wanted to heed what they considered to be the lessons of Versailles: namely, that excessive demands for reparations were counterproductive. They belatedly recognised the validity of an argument made by a Treasury official and member of the British delegation at the Versailles negotiations, John Maynard Keynes, whose 1919 book The Economic Consequences of the Peace had predicted the economic malaise that followed the imposition of substantial reparations. (France, the Soviet Union and Poland, on the other hand, each of which had suffered greater losses in the second world war, were inclined to replicate Versailles rather than forgo the spoils of war.)

In the event, the negotiators in London endorsed what Keynes had written in 1919:

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The policy of reducing Germany to servitude for a generation, of degrading the lives of millions of
human beings, and of depriving a whole nation of happiness should be abhorrent and detestable… even if it enriched ourselves… [N]ations are not authorised, by religion or by natural morals, to visit on the children of their enemies the misdoings of parents or rulers.

But this did not mean that Germany and its allies were not required to pay reparations after the second world war. The Allies confiscated patents and trademarks and dismantled entire factories. The French seized the coal-rich Saar region, and continued to commandeer its coal production even after the region was reunited with West Germany in 1957. Elsewhere in West Germany, the Germans were forced to sell coal and timber to the Western Allies at below world market prices. In the Soviet zone, which became the German Democratic Republic in 1949, the enforced “export” of German raw materials, products and machinery significantly weakened the economy well beyond the occupation period. But while the four Allied powers helped themselves liberally to reparations from Germany (arguably in contravention of international law, because no peace treaty provided for such reparations), other countries, including Greece, went largely empty-handed.

Although Germany may not have been required to pay reparations that had been negotiated as part of a peace treaty, its allies were. Italy, Romania, Bulgaria, Hungary and Finland had to make payments to several other countries, including Greece, which was entitled to a combined total of US$150 million from Italy and Bulgaria.

While West Germany was not obliged to pay reparations as a result of Article 5 of the London Debt Agreement, it was under considerable political pressure to reach bilateral agreements with nations whose citizens had suffered at the hands of Nazi Germany. Thus, on 18 March 1960, the Federal Republic of Germany and the Kingdom of Greece signed a treaty that provided for the payment of DM115 million (the Deutsche Mark being Germany’s pre-euro currency) to Greece that the Greek government was to use – at its discretion – for the benefit of Greeks who had been persecuted by Nazi Germany on account of their race, religion or political views, or of their descendants. According to the treaty, the payment amounted to a final settlement. At the time, the Federal Republic concluded similar treaties with eleven other Western countries.

If Germany and Greece had already agreed on a final settlement in 1960, why then did the Greek government insist on further reparations after 1990? I’d suggest three key reasons. For one, the 1960 treaty was about the suffering of individual Greek citizens. It did not cover material losses. Thus the Greek government could argue that Greece and West Germany had not negotiated reparations in the broader sense of that term.

Second, the German government had left it to the Greeks to distribute the DM115 million. As a result, many individual victims or their surviving relatives didn’t actually receive any financial assistance from the Greek state, which used the money as it saw fit (presumably including for purposes not envisaged by the treaty).

Third, and most importantly, the payment negotiated in 1960 was never considered sufficient in view of the deprivations suffered by Greece. The German occupation had terrible consequences for many individuals, particularly Jews. Approximately 60,000 Greek Jews (between 80 and 90 per cent of Greece’s Jewish population) were murdered in the Holocaust. They included the vast majority of Jews living in Salonika (Thessaloniki), the second-largest Greek city and home to the largest community of Sephardic Jews in Europe.

Greeks also suffered because the occupation by Italy, Bulgaria and Germany, and their economic strangulation of the country in conjunction with a British blockade, precipitated what in Greece is referred to as megálos limós, the “great famine.” Estimates about the number of people who perished vary; most historians now agree that the death toll was in the order of 250,000.

Besides, much like the inhabitants of other countries occupied by Germany during the second world war, Greeks fell victim to brutal reprisals against the civilian population. The most infamous case concerns the village of Distomo near Delphi, where in 1944 an SS unit massacred 214 men, women and children in response to an attack on that unit by partisans. It is this massacre, above all, that is evoked to support claims for German reparations. In 1997, relatives of the victims took the German government to court, claiming that they were owed reparations. In 1997, a local court ruled that their claims were valid and ordered €28 million damages in favour of the plaintiffs. This ruling was appealed by Germany but eventually upheld by Greece’s highest court, the Areopagus. It was in response to this ruling that a Greek bailiff entered the Goethe Institute in 2000 to seize
German property.

As the German government didn’t recognise the authority of the Greek courts, the plaintiffs also pursued legal action in Germany, which they lost. In June 2003, the Bundesgerichtshof, the German federal court, ruled that the claim was invalid, citing, among other things, the 1960 treaty between Greece and West Germany. A few months earlier, the European Court of Human Rights had declared an application filed against Germany and Greece inadmissible. The Bundesverfassungsgericht, the German high court, also declined to get involved. And in 2012 the International Court of Justice ruled in a related case that civil courts in Italy (and Greece) had been wrong in assuming that they could order Germany to pay reparations for gross violations of international human rights law.

The Greek claim for reparations is thus underwritten by several injustices: the fact that Germany, unlike some of its wartime allies, was not required to pay reparations to Greece after the war; the fact that the Allied powers successfully demanded German reparations for themselves while allowing Germany to effectively postpone “a final settlement of the problem of reparations” for decades; the fact that when reparations were paid they did not benefit individuals who had experienced suffering; and the fact that individuals who were the victims of a German war crime were never granted satisfaction, although Greek courts upheld the validity of their claims.

When members of Die Linke, the successor to the East German communist party, raised the issue of reparations in the Bundestag in 1995, the government of Helmut Kohl responded that reparations were no longer relevant “fifty years after the end of the war and after decades of peaceful and productive relations based on trust between the Federal Republic and the international community.” Last year, responding to another query by Die Linke MPs, the government of Angela Merkel was more specific:

Almost sixty-nine years after the end of the war and after decades of peaceful and productive relations based on trust between the Federal Republic and the international community, including the NATO ally and EU partner Greece, the question of reparations is no longer legitimate. Since the end of the second world war, Germany has provided substantial reparations which the states concerned were expected, in line with international law, to use for the compensation of their citizens.

The government also drew attention to the fact that Germany had paid reparations that amounted to several times the US$20 billion envisaged at the conference of Yalta, and concluded: “Besides, reparations more than sixty-five years after the end of hostilities would be unprecedented.”

That is probably true for hostilities that are dealt with in a peace treaty. It is certainly not true for reparations provided to victims of persecution. In Spain, for example, the 2007 Law of Historical Memory provided for the payment of compensation to Republican victims and their heirs – sixty-eight years after the end of the Spanish civil war. And Germany continues to pay compensation to victims of the Holocaust; two years ago, for example, the German government agreed with the Jewish Claims Conference to pay €772 million over four years for the home care of some 56,000 Holocaust survivors.

Arguably, the Merkel government’s claim is also not true for reparations as a result of wars. For years, descendants of the Herero in Namibia, against whom Germany waged a genocidal war between 1904 and 1908, have sought reparations from Germany. While Germany has so far refused to pay monetary reparations, in 2004 a German government minister travelled to Namibia to issue an official apology. This apology, which was accompanied by a foreign aid package, could be interpreted as a means of symbolic reparations. And in recent years there have been calls in Germany itself for reparations from Poland for the expulsion of ethnic Germans in the aftermath of the second world war (while there are Polish demands for German reparations).

The Merkel government’s claim that Germany has paid reparations well in excess of what was envisaged towards the end of the war is true. And for good reason: as the German historian Constantin Goschler pointed out in an interview last month, the material and physical damages for which Germany was responsible “exceed
anything imaginable."

Obviously, the German government does not want to create a precedent. Giving in to the demands of the Herero – or of the descendants of massacred Greek villagers, for that matter – would invite others to file claims against Germany, the overall amount of which might make the €278.7 billion look like pocket money. But the argument that claims for reparations have a use-by date is purely legalistic. It does not take into account the longevity of some injustices, which endure either because they are remembered or because their consequences continue to be felt. And anyway, what would such a use-by date be? Ten years? Twenty? Or perhaps forty-four – which would mean that the Two Plus Four Agreement came just one year late?

So far, the Merkel government is holding out – and probably bracing itself for another attempt at seizing German properties in Greece. But its position is not uncontroversial, even in Germany. Individual Germans have already paid what they consider to be their share. For example, in March two German tourists handed €875 to the mayor of the Greek town of Nafplio, where they had spent their holidays. And it’s not only Die Linke that is siding with Greece. Prominent members of the Greens are also demanding that the government show some flexibility. Gesine Schwan, a prominent Social Democrat who was twice her party’s candidate for the position of federal president, recently called for a political solution and said that it is important to make concessions to Nazi Germany’s Greek victims and their relatives, and to recognise “that we have committed gross injustices in Greece.” She also indirectly responded to the government’s claim that the crimes in question happened too long ago when pointing out that “the victims and their descendants have a longer memory than the perpetrators and their descendants.”

A political solution might be similar to that used to mend the relationship between Germany and the Czech Republic. In that case, a generously endowed future fund pays for projects that benefit survivors of German persecution. As part of a political solution, the German government might also want to pay back the money “borrowed” from Greece in the 1940s. For the Germans, €10.3 billion is a significant but easily manageable amount of money; for the Greeks, it would be a very substantial payment.

Would the latter gesture confuse the issue of the Greek bailout with that of reparations owed for wartime atrocities? It might, but why should that be a problem? After all, the relevant histories are entangled. And for many German speakers, the two issues are intimately connected, for the term Schuld has at least two meanings: “wrong,” and the guilt associated with that wrong, on the one hand, and “debt,” on the other.

The Greek government is already drawing a connection between wrongs and debts, of course, by demanding that Greece be afforded a solution similar to the London Debt Agreement, and insisting that Germany pay the reparations which, according to that same agreement, they once did not have to pay. It may be more productive for Greece to focus attention not so much on what happened in the early 1950s as on what happened in the 1920s and early 1930s, when attempts to make Germany pay its debts repeatedly failed, illustrating the German proverb, “Einem nackten Mann kann man nicht in die Tasche greifen” (you can’t empty a naked man’s pockets).

While Germans need to understand why Greek memories of the German occupation are still raw, Greeks need to understand the German obsession with saving rather than spending money. As I argued in an earlier article for Inside Story, Germans are haunted by the memory of hyperinflation in the early 1920s, which wiped out ordinary people’s savings. The crisis of the 1920s was a direct consequence of the government’s attempts to balance its attempt to engineer an economic recovery and the demands to meet its obligations under the Versailles treaty. Perhaps Greeks’ empathy with Germany’s position after the first world war could prompt Germans to keep their own experience of trying to repay massive debts in the 1920s and early 1930s in mind when trying to enforce austerity measures and repayment plans.