The Treaty includes no provisions for the economic rehabilitation of Europe, nothing to make the defeated Central Empires into good neighbors, nothing to stabilize the new States of Europe, nothing to reclaim Russia; nor does it promote in any way a compact of economic solidarity amongst the Allies themselves; no arrangement was reached at Paris for restoring the disordered finances of France and Italy, or to adjust the systems of the Old World and the New.

John Maynard Keynes (1920)¹

On December 13, 1918, the passenger liner George Washington arrived at the French port of Brest carrying Woodrow Wilson and a delegation of Americans chosen to take part in the conference to construct a treaty that would finally end the Great War. As he stepped off the boat to the cheers of a crowd assembled to meet him, Wilson became the first president of the United States to visit Europe while serving in office. Not everyone thought it was a good idea for the President to appear at the Peace Conference in person, but Wilson was determined to attend. “The gallant men of our armed forces on land and sea have consciously fought for the ideals which they knew to be the ideals of their country,” he told Congress just before he left for France. “It is now my duty to play my full part in making good what they offered their life’s blood to obtain. I can think of no call to service which could transcend this.”² As he debarked from the George Washington, Wilson was greeted by cheers from a welcoming crowd that included Stéphen Pichon, the
French foreign minister, who thanked him for coming to France to “give us the right kind of peace.” The Americans then boarded a train for Paris, where the reception by crowds of Parisians was even more enthusiastic.

Wilson stayed in Paris long enough to meet with Premier Georges Clemenceau and discuss arrangements for the upcoming peace conference before embarking on a whirlwind tour that took him to England for a meeting with Prime Minister David Lloyd George and King George V, and brief appearances in Carlisle and Manchester. He returned briefly to Paris, then went on to Rome, where he met with Italian Prime Minister Vittorio Emanuele Orlando and King Victor Emanuel III as well as with Pope Benedict XV in Vatican City. On the way back to Paris he visited Genoa, Milan, and Turin. Everywhere he went the American president was met by crowds of friendly Europeans. By the time he arrived back in Paris on January 7 Wilson had become the man of the hour. At least for a few brief moments, his soaring rhetoric and high principles allowed people to savor the joys of victory before turning their attention back to the chaotic reality of a world that had been destroyed by the war.

The Paris Peace Conference

While the president was flitting about Europe, the diplomatic staffs of the victorious Allied Powers were organizing the greatest gathering of world leaders since the Congress of Vienna following the end of the Napoleonic wars a century earlier. The diplomats at Vienna were able to reestablish a monarchy in France, return the territories that Napoleon had occupied at various times to Prussia, Russia, and the Habsburg Empire, and lay the groundwork for a global system of political and economic arrangements that would reduce the likelihood of interstate warfare that had dominated the European continent for the two decades before 1815. The delegates arriving in Paris in January of 1919 faced a similar but far more challenging task. As British Prime Minister David Lloyd George pointed out, the diplomats meeting in Vienna in 1815 “had to settle the affairs of Europe alone. It took eleven months. But the problems at the Congress of Vienna, great as they were, sink into insignificance compared with those which we have had to attempt to settle at the Paris Conference. It is not one continent that
is engaged – every continent is engaged.” Not only was every continent engaged; they were engaged in a fervor of revolutionary activity that challenged the *antebellum status quo* with visions of a future that no one could confidently predict amid the chaos left by the most destructive war the world had ever seen.

The first problem was how to organize a conference that included delegations from more than thirty countries and by one estimate brought 10,000 interested people to Paris. It quickly became apparent to the leaders of the major powers that they needed some way of maintaining control of the Conference agenda. The solution to this problem was to agree that there would be a Supreme Council – also referred to as the Council of Ten – which would consist of the leaders from each of the four Allied Powers – Wilson, Clemenceau, Lloyd George, and Italian Prime Minister Vittorio Orlando – together with their foreign ministers and two representatives from Japan. The Supreme Council became the governing body that controlled the agenda of the Conference. At Wilson’s suggestion, the delegates agreed that Clemenceau be made President of the Supreme Council. The ten men met for the first time on January 18, and over the course of the next two months they would meet seventy-two times. When they were not discussing issues in sessions that were closed to the public, the four leaders listened to a parade of petitioners, expert advisors, and representatives of lesser powers who were concerned that their interests might be ignored, and examined reports from committees that had been set up to study various aspect of the peace process.

The first weeks of the Supreme Council were spent working out the many details of procedures for conducting discussions. To take an obvious and very touchy example of the challenges they faced, consider the problem of choosing which language should be used not only in their own conversations, but also in meetings and documents circulated for approval by all of the delegates. The four leaders shared three languages. Wilson and Lloyd George each spoke English, but neither knew either French or Italian. Clemenceau, who had lived in the United States for several years after the Civil War, could easily converse in English, but he preferred to speak French and he insisted that French be the only “official” language of the Conference. Orlando was not fluent in either English or French; he relied on Sidney Sonnino, his foreign minister, to translate for him. At one point, a discussion reached the point where Sonnino suggested that Italian should also...
be one of several languages used in the Conference, insisting that “Otherwise, it would look like Italy was being treated as an inferior by being excluded.” In that case, Lloyd George retorted, they should also include Japanese. After further thought, the four men finally agreed that French and English would both be “official languages” for all Conference matters.  

Another touchy issue was the question of whether the proceedings of the Council should be open to the public. Wilson had made a point in his public appearances of objecting to the secret treaties and agreements that were so common in the years leading up to the war, and he was a vocal champion of “open covenants openly arrived at.” He expressed a hope that the “conversations” of the Council would be carried out in an open forum. “We ought to have no formal Conferences,” he argued, “but only conversations.” The Europeans were aghast at the thought of opening their deliberations to the public. Clemenceau declared that it would be “a veritable suicide” to release even a daily summary of their discussions to the crowd of reporters covering the proceedings, and Lloyd George pointed out that open access to the deliberations would mean that the Conference might go on forever. After some further thought, the president finally agreed, much to the disgust of the American reporters in Paris, some of whom labeled him a “naive hypocrite.”

The Supreme Council succeeded in setting up the rules of protocol for the Conference meetings. They approved appointments to fifty-eight subcommittees created to study specific problems that must be addressed by the Conference and they had lengthy “conversations” about major issues. But they did not make any perceptible progress toward reaching conclusions involving these issues. Adding to the backlog of Council business were the responsibilities of the leaders back in their own countries. In mid-February Wilson left Paris to return to Washington for a month to deal with the difficulties created by the election of a Republican Congress in the 1918 elections. Lloyd George also went home for several weeks at the end of February and into early March to deal with politics on the home front. On February 19 Clemenceau survived an assassination attempt that temporarily interrupted the proceedings of the Council.

The inability of the Supreme Council to make much progress toward shaping a peace settlement led to a growing frustration among the delegates. On March 21 the Conference attendees agreed
to accept a reorganization of the Supreme Council that removed the foreign ministers and the two Japanese members. The reorganized Council – now called the Council of Four – consisted of Wilson, Clemenceau, Lloyd George, and Orlando. They effectively controlled all the business before the delegates. One indication of the extent of this monopoly of power was the fact that there were only six plenary sessions held during the six months prior to the signing of treaties at the end of June.

The Council of Four

The new Council of Four met for the first time on March 24 and they continued their schedule of meeting twice a day – often on Sunday – until the end of June. Streamlining the decision-making process at the top of the Conference hierarchy removed some obstacles to reaching conclusions and recommendations. However, it also meant that the Conference agenda and all the decisions reached at the Conference were governed by the confidence and fears of four men. Of course, they were not exactly alone in their deliberations. John Maynard Keynes, who accompanied the British delegation to the Versailles Peace Conference as a technical advisor to Lloyd George, had an opportunity to closely study the interactions of the Council as they struggled with the issues before them. He gradually became convinced that the three prime ministers and the president were shaping a Carthaginian Peace that Keynes felt would place undue burdens on the defeated Central Powers. Keynes resigned his position and returned to Britain to write a scathing attack on the treaty. *The Economic Consequences of the Peace* was an instant success, and it remains one of the more enduring criticisms of the problems posed by the treaty that formally ended the First World War.

Keynes placed much of the blame for what he predicted would be a failed postwar economy on the inability of the four men who orchestrated the Conference to look beyond their own political agendas and address the needs of a shattered world order. Clemenceau, according to Keynes, was much too preoccupied with a need “to crush the economic life of his enemy.” Lloyd George was a politician, not a diplomat, who worried about the effects of the Conference among voters back home and wanted to “do a deal and bring home something which would pass muster for a week.” President Wilson was obsessed that
he must “do nothing that was not just or right.” Keynes’ description of the deliberations of the Council provides us with a revealing glimpse into the inner workings of the governing body of the Conference. Clemenceau had a simple policy designed to “set the clock back and to undo what, since 1870, the progress of Germany had accomplished. If France could seize, even in part, what Germany was compelled to drop, the inequality of strength between the two rivals for European hegemony might be remedied for many generations.” Lloyd George, by Keynes’ measure, was a very clever man with an “unerring, almost medium-like sensibility to everyone immediately around him.” The British Prime Minister tended to act as the negotiator seeking ways to make things work. This was not an easy task. At one point Lloyd George explained to his colleagues in the House of Commons that “I am doubtful whether any body of men with a difficult task have worked under greater difficulties – stones clattering on the roof and crashing through the windows, and sometimes wild men screaming through the keyholes.” Keynes saved his most caustic evaluation for President Woodrow Wilson. The president was “like a nonconformist minister, perhaps a Presbyterian. His thought and his temperament were essentially theological not intellectual, with all the strength and the weakness of that manner of thought, feeling and expression.” When all was said and done, Keynes concluded, Wilson “stood for stubbornness and a refusal of reconciliations.”

In addition to his evaluations of the eccentricities and biases of Clemenceau, Lloyd George, and Wilson, Keynes also provided an account of the way in which items of interest were discussed:

Not infrequently Mr. Lloyd George, after delivering a speech in English, would, during the period of its interpretation into French, cross the hearthrug to the President to reinforce his case by some ad hominem argument in private conversation, or to sound the ground for a compromise – and this would sometimes be the signal for a general upheaval and disorder. The President’s advisers would press round him, a moment later the British experts would dribble across to learn the result or see that all was well, and next the French would be there, a little suspicious lest the others were arranging something behind them, until all the room were on their feet and conversation was general in both languages. My last and most vivid impression is of such a scene.
Keynes’ account of the activities of the Big Four provides a useful and sometimes entertaining window into the workings of the Council of Four. However, a century of deliberations by scholars studying the postwar world suggests that his indictment of the leaders at the Paris Peace Conference as men who failed because they lacked a concern for the global problems they were addressing seems too extreme.

The inability to resolve the issues facing the Supreme Council involved much more than personalities and shortcomings of information. Keynes’ theoretical framework was sound, however, the existing paradigms for understanding war, politics, or economics simply did not offer any obvious solutions for how to deal with the destruction of global institutional arrangements and the vacuum of power created by the simultaneous collapse of four major empires in Europe. The principles embedded in Wilson’s Fourteen Points offered an idealistic vision of what a postwar world should look like, but they did not provide a very useful road map showing how to apply these principles to the reality of a world torn apart by war.

Adding to the difficulties of decision-making was the fact that no one expected that a war which had dragged on for almost five years would end so suddenly. The requests for ceasefire arrangements with Germany, Austria-Hungary, Bulgaria, and the Ottoman Empire that stopped the fighting were unexpected and the terms negotiated were hastily put together. While the victors were still gathering in Paris to decide what to do next, the political and economic chaos in the areas controlled by the Central Powers at the end of the war continued to escalate. Shortly after he arrived in Paris, Robert Lansing, the American Secretary of State, remarked that “all the races of Central Europe and the Balkans are actually fighting or about to fight with one another. The Great War seems to have split up into a lot of little wars.”

Historians have tended to focus on the activities of the Council of Four when dealing with the deliberations over the terms for the peace treaties that were signed by the combatants at the end of June 1919. At that point Wilson, Lloyd George, and Orlando went home to urge their governments to ratify the treaties they had signed with the Central Powers. However, the activities of the Conference did not end with the signing of the treaties. The decisions reached by the Council of Four covered a vast array of issues, however, the details of exactly how these terms were to be implemented were left to the large contingent of advisors, experts, and diplomats who had come to Paris to take part in the process of shaping the terms outlined by the Council of Four.
These diplomats, and their staff, stayed in Paris for another six months working on a variety of tasks, such as drawing maps for countries that were still in the process of defining their borders or writing reports and circulating memos dealing with mandates, reparations, and a host of answers for issues yet to be determined. In the decade following the Paris Peace Conference scholars tended to stress what did not get done during the conference, rather than the things that did get done. By the time the Conference closed with the inaugural session of the League of Nations in January 1920, the foundations for a new world had been laid. In the space of a few years the world of 1914 had been replaced with a new and very different world. It was not a perfect world, but at least some of the debris left by four and a half years of war had been cleared away.

**Peace Treaties**

The most obvious task facing the victorious Allies was to draft a series of treaties with the Central Powers that would end the war. However, before they could turn their attention to the issues of dealing with the defeated powers, the four leaders had to settle some sensitive issues between their own countries. Woodrow Wilson was particularly concerned about the various secret arrangements and treaties that had been worked out among the Allies during the war. An example of just such an arrangement was the Treaty of London, secretly signed by Britain, France, and Russia in April of 1915. As an added inducement for the Italians to join the fighting, the Entente Powers promised that if they won the war, Italy would be granted control of territory along its northern boundary and the eastern coast of the Adriatic Sea. When the issue of approving the terms of the Treaty of London was presented for discussion by the Council of Four in April 1919, Wilson strongly objected to promises made in 1915 because they did not take into consideration the question of self-determination. He particularly objected to the idea that the Italians be given control of Fiume, a city which had very few Italian residents. Orlando was sufficiently miffed by the president’s objections that he left the Conference and returned to Italy. Wilson remained adamant and the Italians reluctantly abandoned their demands for gaining control of Fiume and returned to Paris after an eleven-day absence. The incident remained an unsettling
reminder that the Allies were not always on the same page when it came to the details of territorial adjustments after the war.\textsuperscript{15}

Despite their misgivings and disagreements, the four men charged with the task of overseeing the treaties had no choice but to work on drafting treaties with the new governments in Germany, the newly formed countries of Austria, Hungary, Bulgaria, and what was left of the Ottoman Empire. The treaty between Germany and the Allied countries, signed in the Palace of Mirrors at Versailles on June 28, 1919, has received the most attention from historians examining the consequences of the treaties signed in Paris. However, there were four other sets of negotiations for treaties that also had to be worked out in the suburbs of Paris:

The Treaty of Saint-Germaine-en-Laye was signed with the new state of Austria on September 10, 1919.
The Treaty of Neuilly-sur-Seine was signed with Bulgaria on November 27, 1919.
The Treaty of Trianon was signed with the new state of Hungary on June 4, 1920.
The Treaty of Sèvres was signed with the Ottoman Empire on August 10, 1920.

In a dramatic break with the conventional ways of drafting international treaties, a decision was made to not allow the defeated parties to send delegates to attend the Peace Conference until drafts of the treaties had been completed. Each country would then be presented with a set of demands that must be accepted or rejected. The decision to not let the defeated states be part of the discussion over the terms of the treaties had a significant effect on the wording of the treaties. Delegations from all four of the major powers had arrived in Paris with demands that they anticipated would be negotiated with the defeated countries. With no input from delegates from the other side of the conflict, the tendency was for the Council of Four to incorporate almost all of the initial demands brought to the Conference by each of the Allied Powers into the final document in some form or another. Harold Nicolson, one of the British delegates privy to the Council debates, remarked, “Had it been known from the outset that no negotiations would ever take place with the enemy, it is certain that many of the less reasonable clauses of the Treaty would
not have been inserted.” Common elements in all of the treaties included the question of boundaries for new nation-states, restrictions on the defeated country’s military establishment, and the payment of reparations for damages suffered by Allied countries in the war.

A New Map for Europe

The collapse of governments and the movement of people during the war had obliterated the territorial boundaries that had existed in 1914 for many countries in central Europe. The terms agreed upon by Germany and Russia in the Treaty of Brest-Litovsk had left a vast area of central Europe and the Balkans occupied by German and Austrian armies (see Map 6.2). The terms of the ceasefire agreement between the Germans and the Allies in 1918 made it clear that the Germans would not be allowed to retain any of the territory they had gained as a result of the Treaty of Brest-Litovsk. There was, however, no master plan for the massive reorganization of national boundaries implied by the disappearance of three European empires. Woodrow Wilson’s Fourteen Points, which the other three Allied countries had cautiously supported, provided principles of self-determination and a few broad suggestions to guide the Council of Four in their deliberations on the formation of new states in central Europe. In the absence of detailed suggestions, recognition of new governments and the establishment of new national boundaries was carried out on a very ad hoc basis. Neither Wilson nor his colleagues were familiar with the countries in central Europe, and their supporting staff proved to be of only limited help regarding the details of how the new boundary lines might be drawn.

Germany

Finding a way to create a German state that could live peacefully in a postwar Europe was the most significant hurdle to be cleared in the road to a peace settlement at the Versailles Conference. One of the stipulations of the ceasefire with Germany was the immediate evacuation of troops in Belgium and France, and any territories gained from the terms of the Treaty of Brest-Litovsk. The larger question that still needed to be decided by the Council of Four was what should be done with those territories. How could the terms of a peace settlement be
used to curtail the ability of a postwar Germany to once again emerge as the most powerful economic and political force in central Europe? Even in defeat, the German economy was one of the largest and most industrialized economies among the European states.

Clemenceau pointed out that one way to limit the recovery of the German economy was to take away areas that were a crucial part of German industry. He not only demanded that the Germans should return Alsace-Lorraine to France; he also wanted to allow France to annex the Rhineland, a region of Germany which included land on both sides of the Rhine River and was one of the most industrialized areas of Europe. Wilson and Lloyd George strongly opposed such a drastic step. Both agreed that Alsace-Lorraine must be returned to France. However, the majority of people living in the Rhineland were German, not French. Transferring control of the Rhineland to France in 1919 would create a new confrontation between France and Germany similar to that posed by the German annexation of Alsace-Lorraine in 1871. Clemenceau eventually agreed to a situation where the Rhineland would become a demilitarized zone which would be occupied by French, British, and American troops for the next fifteen years. An Inter-Allied Rhineland High Commission was established to administer the region with its headquarters in Koblenz. The French were also given control of the Saar coal mines for fifteen years. Not surprisingly, the Germans strongly objected to all of these proposals.

The other territorial issue involving Germany was the question of what to do with the territories that had been occupied by German troops in eastern Europe. There was agreement that the land taken from Russia under the terms of the Treaty of Brest-Litovsk would be used to support the creation of a new state of Poland, which would also be given access to the Baltic Sea by making the city of Danzig a free city. Finally, it was decided that Germany must cede the Grand Duchy of Posen, a rich agricultural region of East Prussia, to Poland. The loss of Posen was a particularly hard blow to the Germans. Ludendorff’s success in forcing Russia to sign the Treaty of Brest-Litovsk had opened up the possibility of a substantial increase in the agricultural capability of the German economy through the acquisition of new land in central Europe. Now those gains were lost amid the collapse of the German forces on the Western Front.

Map 8.1 summarizes the territorial losses to Germany as a result of the Versailles Treaty. In all, Germany lost control of more than
25,000 square miles of land and about six million people. The loss of agricultural land to the new Polish state meant that Germany would be more dependent than ever on imports of food after the war – a point that was not lost on those who were considering the possibility of a future conflict with Germany. As Albrecht Ritschl notes, “the thrust of Germany’s imperialist drive turned away from maritime rivalry with Britain and towards territorial expansion in eastern Europe, with many of the Malthusian and Darwinist forebodings of what was to come in World War II.”

Two other minor territorial adjustments were that the Germans had to cede the Danish-speaking area of northern Schleswig back to Denmark and give Eupen-Malmédy, a small, predominantly German-speaking region, to Belgium.

Germany also lost control of its colonial empire. Though they were late entrants in the European race for colonies in the nineteenth century, by 1914 the Germans had accumulated a significant colonial empire in Africa and some islands in the Pacific. Under the Treaty of
Versailles, responsibility for the governance of German colonies was transferred to other countries. To avoid the appearance that they were simply supporting the imperialist aims of the European colonial powers, (which, of course was exactly what they were doing,) the Council of Four set up a system of colonial “mandates” that was instituted on the principle that “the well-being and development of such peoples form a sacred trust of civilization.” The new colonial masters were required to make annual reports to a Permanent Mandates Commission that was established under the auspices of the League of Nations to act as an oversight body on the governance of the former German colonies. The African colonies went primarily to the British, French, and Belgians. Japan gained control of Germany’s colonial islands north of the equator, which included the Marshall Islands, the Carolines, and the Marianas. Portugal, New Zealand, and Australia also received mandates for German colonies in the Pacific.

The mandates system was far from perfect; however, it reflected a changing view of colonial empires that would emerge after the war. While it facilitated the transfer of German colonies to new colonial masters, the mandate system did little to change the existing colonial systems. The British, French, and Japanese colonial holdings all expanded during the two decades following the end of the Great War.  

The Habsburg Empire

By the end of the war the economic and political situation in the Habsburg Empire and the other Balkan states approached complete anarchy. In March of 1917, the Austrian Emperor Charles I, who inherited the throne after the death of Emperor Franz Joseph in 1916, had secretly approached the French government to arrange for a cease-fire with the Allies. The talks fell apart because the French insisted on including Italy in the discussion. As the economic situation in Austria-Hungary continued to deteriorate, the military situation reached a crisis when, with the help of the British, the Italians launched a major attack against the Austrian lines in October 1918. With no prospect of military support from the Germans, who were facing a crisis of their own on the Western Front, and with growing pressures on the home front to dissolve the Dual Monarchy, the Austrian army simply collapsed.

Emperor Charles resorted to some drastic measures to save his empire. On October 16, 1918, he issued a proclamation declaring that he would approve the separation of the Dual Monarchy into two
states. In what became known as the “Manifesto to the Peoples,” the Emperor stated that: “Austria must, in accordance with the will of its people, become a federal state, in which every nationality shall form its own national territory in its own settlement zone.” Far from encouraging his subjects to help him reorganize his empire, the proclamation touched off a furious scramble on the part of nationalist groups to eliminate the monarchy and establish independent national states. Desperate to save his throne, Charles issued a second proclamation on November 11 approving “the decision taken by German Austria to form a separate State” and offering to “relinquish every participation in the administration of the State, and release the members of the Austrian Government from their offices.” The following day the Republic of German-Austria was proclaimed, followed by the proclamation of a Hungarian Democratic Republic on November 16, 1918. Interestingly, Charles never did say he was prepared to abdicate his throne. He regarded his proclamation as an offer to step aside while his subjects reorganized the empire so that he could resume his reign when things settled down. When that did not materialize, he moved first to Switzerland, and eventually to the Portuguese colony of Madeira, where he died in 1922 from a bout of pneumonia at the age of thirty-four.

The collapse of the Dual Monarchy and the confusion created by four years of furious fighting opened the door for additional drastic changes. Even before the war ended, political committees began lobbying for recognition as independent states. In July of 1917, a group calling themselves the “Yugoslav Committee,” which had been formed in London to create a national state that would include the Slavic provinces in the south of the Austrian Empire, met with the Serbian government in exile on the island of Corfu to discuss the creation of a country that would be called the “Kingdom of Serbs, Croats, and Slovenes.” The result of this meeting was the Corfu Declaration, which advocated the formation of a constitutional monarchy headed by the Serbian Prince Regent Aleksandar Karadjordjevic of Serbia. The Declaration was signed by Premier Nikola Pasic of the Serbian government in exile and by delegates of the Yugoslav Committee. At the end of October 1918, the committee formally announced the establishment of the Kingdom of Serbs, Croats, and Slovenes.

Another state to emerge from the chaos surrounding the fall of the Dual Monarchy was Czechoslovakia, which laid claim to the northern Austrian provinces of Bohemia, Moravia, and Slovakia (see
The Czechoslovak National Council had been founded in Paris in 1916. The Czech leaders – Thomas Masaryk, Edvard Beneš, and Slovak Stefanik – successfully lobbied the Entente leaders for recognition of their cause, and by the summer of 1918 Italy, France, and the United States had all supported their efforts to form an independent state. On October 14, 1918, the council announced the formation of a provisional government that was quickly recognized by the rest of the Allied governments. Both the Yugoslavs and the Czechs were rewarded with an invitation to send delegations to Paris and plead their case for recognition as nations at the Paris Peace Conference.  

All this happened before the peacemakers had arrived in Paris to consider the question of what to do with the situation in southeastern Europe. The Allies were now faced with the need to negotiate separate treaties with the newly formed independent states of German-Austria and Hungary, and simultaneously establish borders for the new states of Czechoslovakia and Yugoslavia. Wilson’s Fourteen Points had stated that “the peoples of Austria-Hungary, whose place among the nations we wish to see safeguarded and assured, should be accorded the freest opportunity to autonomous development.” However, the two states created in the wake of Emperor Charles’ declarations were hardly what Wilson had in mind. They appeared to be mirror images of provinces in the old Habsburg Dual Monarchy with the Emperor being replaced by slightly more representative forms of government. The Council of Four viewed these “republics” as part of the Central Powers’ coalition that had brought on the war, and they worried that recognizing these states with the borders they claimed would potentially increase Germany’s influence in central Europe after the war. Consequently, neither state was allowed to send delegates to the Paris Peace Conference.

On September 10, 1919, the Republic of Austria signed the Treaty of Saint Germain-en-Laye, formally ending its hostilities with the Allied powers. The Austrians lost significant territory to the new states of Czechoslovakia and Poland to the north, and to newly created Yugoslavia to the south. They also ceded a small area to Italy as a result of the Treaty of London. The Austrians were also prohibited from forming any future annexation with Germany. Map 8.2 shows the new boundaries of states formed from the Habsburg Empire and territories taken from Romania and Serbia after the war, together with the adjustments to the Bulgarian border between Greece and Turkey. The dotted areas represent areas taken from the Habsburg Empire and Romania.
Resolving the territorial issues for the Hungarian Democratic Republic took a bit more time. The Treaty of Trianon, which was not signed until June 4, 1920, stipulated that the Hungarians must cede land to Romania, Yugoslavia, Czechoslovakia, and Poland. These territorial rearrangements left the new republics of Austria and Hungary with less than one quarter of the total population and territory of the former Habsburg Empire in 1914. The boundaries of the new states posed some challenges to the application of the principle of self-determination. The populations of both Czechoslovakia and Yugoslavia included a wide variety of ethnic groups. However, in both countries there were ethnic groups that were large enough to effectively dominate the political system. Although the constitutions of both countries provided guarantees for all ethnic minorities, the smaller ethnic groups were hard-pressed to protect their rights. In Czechoslovakia 65 percent
of the population were either Czech or Slovak; in Yugoslavia 83 percent were either Serbo-Croats or Slovenes. In both countries, a significant fraction of the population were Germans who strongly objected to the rearrangement of borders. Map 8.2 shows the boundaries of states formed from the Habsburg Empire.

The new states that were formed out of the Habsburg Empire had a profound effect on Bulgaria, which had entered the war as an ally of the German Empire in 1915, hoping to capitalize on the success of the German armies in eastern Europe. At the end of 1917 it looked like a rather good gamble. Bulgarian and German troops had forced Romania out of the war and the Bulgarians were promised territorial rewards by the Treaty of Bucharest in May of 1918. The collapse of the Austrian armies on the Italian front and the final breakthrough of the combined Allied forces along the Macedonian front at the end of 1918 reversed the territorial gains from the Balkan victories in the east. The Bulgarians were forced to sign a ceasefire on September 24, 1918. The Treaty of Neuilly-sur-Seine between the Allied Powers and Bulgaria closely followed the terms contained in the Treaty of Versailles. The Bulgarian gamble on war, which had looked so promising in 1917, ended in disaster. They not only had to give up the territory gained from the Treaty of Bucharest; they also lost access to the Aegean Sea by returning eastern Thrace, which they had occupied after the offensives of 1917, to the Greeks. The final irony is that Romania, which had been thoroughly defeated and forced out of the war by German and Bulgarian forces in 1916, reentered the war on the side of the Allies in 1918 and wound up being the biggest winner in the series of conflicts for land in the Balkans that began with the Balkan wars of 1912–13. By 1923 Romania had doubled its area and population (see Map 8.2).

The Polish Question

The area between Germany and Russia that had once been the Kingdom of Poland was another area with major boundary issues. At the end of the Napoleonic wars Poland had been partitioned among Prussia, Austria, and Russia. By 1914 the populations in each of these three regions had come to reflect the differing social, political, and economic conditions of their governing state. The Great War offered the Poles an opportunity to create an independent Polish state; however,
for many Poles it was also a civil war. More than 3.5 million Polish soldiers fought in the war for either the Central Powers or the Entente, and the Poles themselves were deeply divided over the postwar settlement. None of the four major powers had strong interests in Poland itself; the objective of the Council of Four was to create a viable buffer state between postwar Germany and Bolshevik Russia. Woodrow Wilson argued in his Fourteen Points speech that:

An independent Polish state should be erected which should include the territories inhabited by indisputably Polish populations, which should be assured a free and secure access to the sea, and whose political and economic independence and territorial integrity should be guaranteed by international covenant.

This was easier said than done. Identifying the “indisputably Polish populations” was a major challenge because at least one third of the Polish population was not Polish.22 The task was made even more complicated by the fact that Bolshevik Russia had not been invited to the Peace Conference and therefore did not participate in the conversations. While the Council of Four could deal with the borderlands of western Poland that had been part of Germany and Austria, they were not in a position to unilaterally determine the eastern border between Poland and Bolshevik Russia. The Russians had a strong interest in keeping “Russian Poland” as part of Vladimir Lenin’s vision of an expanding Bolshevik revolution. Lenin was prepared to use force, if necessary, to attain that goal. Though the Big Four feared the expansion of communism to the west, they realized that they were not in a position to challenge that threat in 1919. They reluctantly decided to leave the Polish question up to the Poles and the Russians. Anticipating a need to negotiate with the Bolsheviks about the eastern borders of Poland, the British Foreign Secretary Lord George Curzon had put forward a proposal that imagined a north–south line that divided Poland into two spheres. To the west of Curzon’s line were the German and Austrian areas of Poland which had a large Polish population; to the east was Russian Poland which had a large population of non-Polish minorities (see Map 8.3). Curzon’s line was never formally adopted as the eastern border of Poland; however, it became the basis of negotiations which the Council of Four used to construct their proposal of a Polish state that eventually was put in the Versailles Treaty.
The peace treaty did not end the conflict over Poland’s borders. Because the Poles were not happy with the boundaries set out in the treaty, they fought a series of conflicts over the next three years, culminating with a bloody war against Bolshevik Russia which started in February 1919 and finally ended with the signing of the Treaty of Riga in March 1921. Under the terms of the treaty, the final border between Poland and the Soviet state was moved about 160 miles east of the Curzon Line, a concession that gave Poland an additional 52,000 square miles of land and increased the Polish population by several million. The treaty was a compromise that was not very popular on either side.

Map 8.3 The new map of eastern Europe, 1922
For the Poles this added a large territory that included several substantial minority populations who were not eager to be included in Poland; for the Russians it ended Vladimir Lenin’s dream of forcefully imposing the Bolshevik revolution on the borderlands to the west of Russia. The Allied Powers, who were not involved in the negotiations, grudgingly accepted the outcome. Germans were infuriated by the creation of what become known as the “Polish Corridor,” a thin strip of land which separated East Prussia from the rest of Germany (see Map 8.2). Yet when all was said and done, the First World War ended more favorably for Poland than anyone could have imagined in 1914. The Treaty of Versailles had created a new Polish state that incorporated all three of the partitions of the Kingdom of Poland made a century earlier and gave the Poles access to the Baltic Sea. That said, this came at a horrifically high price in terms of the wars of revolution, and the ire of virtually all Poland’s postwar neighbors. Subsequent events would show that Poland’s struggle for stability in the postwar world had only just begun.

Russia and the Baltic States

While the Allied leaders were wrestling with the problems of how to construct boundaries for Poland and the new states from the defunct Austrian Empire, the Russian Revolution of October 1917 had expanded into the largest civil war in modern times. Vladimir Lenin had managed to extricate Russia from the European war by signing the Treaty of Brest-Litovsk, but the Bolsheviks still faced enemies from within the former Russian Empire. Over the next five years 800,000 men died in the battles to control Russia, and another 500,000 would die in the border disputes between newly formed countries in central Europe.

In his eagerness to get Russia out of the war with Germany, Lenin had agreed to cede the four Baltic states of Lithuania, Latvia, Estonia, and Finland to Germany under the terms of the Treaty of Brest-Litovsk. At the peak of German military successes on the Eastern Front, Erich Ludendorff had dreamed that these states, together with Poland, Belorussia, and Ukraine, could form the basis of an expanded German Empire in eastern Europe. Those dreams collapsed with the failure of the German offensives in the west and the armistice agreement signed with the Allies in the fall of 1918.
The Treaty of Versailles officially nullified any German territorial gains from the Treaty of Brest-Litovsk and required that German troops be immediately withdrawn from those regions. This demand was complicated in the case of the Baltic states by Allied concerns that Lenin and the Bolsheviks would try to take advantage of the absence of both German and Allied troops to reclaim those states for the new Soviet state. In an effort to thwart any such actions, the Allies included a provision in the armistice that German troops stationed in Lithuania should be left there to prevent the Russians from entering the country. The German troops did not cooperate with this request. For them the war was over. They withdrew and carefully avoided the advancing Russian troops.

Amid all this confusion, the Baltic states, which were now proclaiming their independence from Bolshevik Russia, faced a major threat from Lenin, who still had thoughts of incorporating the entire Baltic region back into the Soviet state. They also had to settle disputes among themselves and with the newly created state of Poland regarding boundaries they shared. The result was a chaotic period when Bolshevik Russia, Poland, and all four of the Baltic countries had to fight to support their claim of independence and establish new national boundaries. Eventually the Bolsheviks, who were still struggling to consolidate their hold on the new government in Moscow, abandoned their efforts to keep these areas in the new Soviet state and agreed to recognize the independent status of the Baltic states. By the end of 1920 all the newly independent Baltic states had signed treaties with Bolshevik Russia establishing their statehood.25

There remained the question of what would happen with the southwest region of the Russian Empire, a large area which had shared borders with Russian Poland and Romania, and stretched all the way east to the Crimean Peninsula. The region had been occupied by German troops under the terms of the Treaty of Brest Litovsk in 1918 (see Map 6.2). As the German troops headed home in 1919, the province of Ukraine became a bitter battlefield for the contesting armies of the Russian Revolution, and for Ukrainian and Polish groups. Historian Liubov Zhvanko summarizes the situation as one where Ukraine “became an arena of a civil war, an armed confrontation with the Bolsheviks, White and Polish armies, and the expeditionary corps of the Entente.”26 By the end of 1922 it was clear that the Bolsheviks had finally managed to militarily subdue their opponents and the issue
now was whether either Belorussia or Ukraine would gain its independence as a result of the world war.

**The Soviet Union of Socialist Republics**

Lenin could now turn his attention back to his goal of exporting the Soviet system of socialism to the rest of the world. His immediate strategy was to try to establish “Soviet Republics” in the states adjacent to Russia and then incorporate these states into a larger entity that would eventually become a “Union” of Soviet Socialist Republics. Although the strategy did not succeed in Poland or the Baltic states, where independence movements eventually were able to establish their own system of governments, the Bolsheviks were more successful in gaining control of the governments of the Soviet Republics of Belorussia and Ukraine. On December 29, 1922 a conference of delegations from the Russian Soviet Federative Socialist Republic and the Transcaucasian, Ukrainian, and Byelorussian Soviet Socialist Republics signed a treaty in Moscow creating the Union of Soviet Socialist Republics. Map 8.3 shows the ten independent states formed from the reorganization of territories that were once part of the German, the Austria-Hungarian, and the Russian empires.

**The Ottoman Empire**

Nowhere was the “chaos of victory” more evident than in the settlements which emerged from the efforts of the Paris Peace Conference to deal with the disruptions in the Middle East. The Ottoman Empire posed a very different set of challenges for the Allies than those posed by the eastern European territories. Woodrow Wilson had proposed that “the Turkish portion of the present Ottoman Empire should be assured a secure sovereignty, but the other nationalities which are now under Turkish rule should be assured an undoubted security of life and an absolutely unmolested opportunity of autonomous development.” Once again, the rhetoric of Wilsonian democracy clashed with the reality of a region that was still dominated by colonial empires. The secret agreement negotiated by Mark Sykes and François Georges Picot and accepted by Russia in March of 1916 proposed a comprehensive plan to divide the Turkish holdings in the Middle East between the three powers (see Map 4.3). Though the Russians were no longer part of
that arrangement, Britain and France clearly hoped that the Sykes–Picot Agreement would form the basis for a postwar settlement in the Middle East. As part of the Treaty of Brest-Litovsk the Russians had ceded their claims to Ottoman territories to the Germans; however, that agreement had been negated by the terms of the Treaty of Versailles. Although they were no longer included in the negotiations between the Allies and the Turks, the Russians still had an interest in the disposition of Ottoman territories after the war. A glance at Map 8.3 suggests that the Allied efforts to use the Sykes–Picot Agreement as a blueprint for the settlement of territories in the Middle East succeeded, but the process by which these partitions were completed was a very winding road.

The ceasefire with the Ottoman Empire was negotiated by the British at the end of October 1918 without any significant consultation with the French or other Allies. Clemenceau was extremely annoyed at this omission, but Lloyd George pointed out that his country had committed more than half a million men to the campaigns in Mesopotamia, and it was only fitting that his government be in charge of the negotiations for a ceasefire. The British demanded that the Ottoman Turks relinquish all claims to their territorial possessions in the Middle East and that constraints be placed on the Ottoman government in Istanbul. Anxious to keep the Americans on the sidelines, the French agreed to this arrangement, which would let Britain have colonial mandates for Transjordan and Iraq while France would take charge of mandates for Syria and Lebanon (see Map 8.4).

There were, however, significant issues that went beyond these territorial divisions on the Arabian Peninsula. Among the most perplexing was the Balfour Declaration of 1917, which called for “the establishment in Palestine of a national home for the Jewish people,” an action that did not sit well with the Arab allies who had fought with British forces in Palestine. Immediately after the war the British and French set aside territory for a joint “Occupied Enemy Territory Administration” in Palestine, and in June 1922 the British obtained a mandate from the League of Nations to govern Palestine. There was an obvious problem reconciling how the British would manage to keep their commitment to make a home for the Jews in Palestine and at the same time keep the promises made to Emir Faisal that the Arabs in that region would have their independence from the Ottomans after the war. The British tried as best they could to simply ignore the contradictions in their wartime agreements. Asked about the reaction of Arabs to his
proposal for a Palestinian mandate, Arthur Balfour replied that he hoped “they will not begrudge that small notch, for it is no more geographically, whatever it may be historically – that small notch in what are now Arab territories being given to the people who for all these hundreds of years have been separated from it.” There were some in the British foreign office who took a more realistic outlook on the creation of a Zionist state in the Middle East. George Curzon told Balfour that “Personally, I am so convinced that Palestine will be a ranking thorn in the flesh of whoever is charged with its mandate that I would withdraw from this responsibility while we can.” The Arabs, of course, did “begrudge the small notch” and the story of Arab/Israeli conflict that arose from the creation of Palestine is one of the more lasting tragedies from the legacy of the First World War.

The Armenians

As they came up with ideas for boundaries of countries in the postwar Middle East, the peacemakers also had to wrestle with the issue
of how they could protect the rights of oppressed minorities. Among the
many groups of ethnic minorities who suffered during the war, none
was more oppressed than the Armenian population in the northeastern
corner of the Ottoman Empire. There had been a series of incidents
involving the systematic killing of Armenians by Turkish military forces
following the second Russo-Turkish War that ended in 1878.

The rise to power of the “Young Turks” in 1908 led to increased
efforts to wipe out the Armenian population. When the Ottomans
entered the First World War on the side of the Central Powers the efforts
to exterminate or deport the Armenian population became even more
pronounced. On the night of April 24, 1915, the Turkish government
ordered the arrest of more than two hundred prominent intellectuals
and Armenian leaders in Istanbul. These people, according to an officer
in the Ottoman War Office, were accused of being “in league with the
enemy. They will launch an uprising in Istanbul, kill off the Ittihadist
leaders and will succeed in opening up the straits of the Dardanelles.”

Most of the men were subsequently murdered. That incident marked
the beginning of an explicit policy of genocide carried out by the
Young Turks’ government against the Armenians. They made no effort
to hide their murderous activity. A telegram from Ambassador Henry
Morgenthau to the US State Department on July 16, 1915 warned that
“deportation of and excesses against peaceful Armenians is increasing
and from harrowing reports of eyewitnesses it appears that a campaign
of race extermination is in progress under a pretext of reprisal against
rebellion.” He went on to say that “I believe nothing short of actual
force which obviously [the] United States [is] not in a position to exert
would adequately meet the situation.”

Morgenthau was not the only person to comment on these
events. By the end of the war the horrors associated with the murder
of so many innocent people had received attention throughout the
Western world. The total number of deaths from the Armenian mas-
sacre remains open to speculation. Not all of the incidents of genocide
were reported, and those that were reported often noted that the inci-
dent involved “mass killings” where the number of Armenians killed
could not be accurately determined. The lowest estimate is 300,000
total deaths; Michael Reynolds cites a figure of “664,000 or about
45 percent of prewar Anatolia’s 1.5 million Armenians.” Most obser-
vers believe the total death toll was well over a million people killed
and may have been as high as 1.8 million.
When a delegation from the Armenian Revolutionary Federation arrived at the Paris Peace Conference, they asked that a region regarded as “Historical Armenia” in northeast Turkey be included in a new Democratic Republic of Armenia. They found a very sympathetic audience for their request in the Supreme Council. Woodrow Wilson was so moved by their situation that he proposed that, consistent with the argument that former Ottoman Territories be put under mandates of the League of Nations, the United States would accept responsibility for Armenia (see Map 8.4). Wilson’s idea was endorsed by his colleagues on the Supreme Council, and the extended boundaries for Armenia were included in the Treaty of Sèvres. However, since the United States Senate rejected the treaty, Wilson’s extended boundaries for Armenia were never implemented.  

So the Armenians were left to fend for themselves in their fight to resist the subsequent depredations of Turkish and Bolshevik ambitions. The ink was hardly dry on the Treaty of Sèvres before the Turks attacked the Republic of Armenia and reclaimed all the land promised by Wilson. The Armenians also had to deal with the Russians. In December 1920 a Soviet party took over the Armenian Republic and signed an agreement with the Russian SFSR establishing borders between the two countries that ultimately led to the Treaty of Kars on October 13, 1921. Armenia eventually became part of the Union of Soviet Socialist Republics when that nation was formed in 1921.

The tangled story of the efforts to create an independent Armenian state underscores one of the basic problems facing the decision-makers at the Paris Peace Conference in dealing with the arrangements for land in eastern Europe and the Middle East. Though they could make decisions regarding the territorial boundaries of new states, they had no means of guaranteeing that the provisions of the treaties would in fact be enforced. The Armenian situation was one of the most obvious examples of this dilemma. Because the Allies could not back up their rhetoric with military support, the Armenians not only suffered terrible losses associated with the Armenian massacre perpetrated by the Turks, they also failed to gain the independence promised by the Paris Peace Conference. As historian John Cooper put it: “The fault lay in others, not in Woodrow Wilson; the obstacles to effective action both during and after the Great War were embedded in a political and strategic situation that worked inexorably against Armenia. That is one definition of tragedy.”
The Turkish Fight for Independence

The Turkish treatment of the Armenians shaped a very negative view of the leaders of the Ottoman Empire among the men on the Council of Four. The Treaty of Sèvres is generally regarded as the harshest treatment imposed upon any of the Central Power governments. The peacemakers in Paris were reluctant to establish an independent state from the remnants of the Ottoman Empire. Consequently, the existing regime of the Sultan in Istanbul was allowed to remain nominally in charge of the area traditionally known as Anatolia, which was all that remained of the old Ottoman Empire (see Map 8.5). However, the Ottoman government’s powers were drastically curtailed. Allied troops occupied Istanbul in March of 1920. They dissolved the Ottoman Parliament and appointed a “Finance Commission” comprising representatives from France, Britain, and Italy, and a Turkish representative (who acted in a consultative capacity) to exercise de facto control over the Ottoman budget. The Allies also took control of the war office and the mail and telegraph services. They still lacked any consistent policy with regard to the establishment of an autonomous Turkish nation. The Treaty of Sèvres had set in motion plans to partition Anatolia into regions, each of which would be under the control of one of the Allied Powers. However, diplomatic edicts issued by the Council of Four in Paris did not consider the military capabilities that would be necessary to accomplish what the peacemakers had in mind. At the time of the ceasefire with the Ottoman Empire, the only Allied
country with a significant military presence in the Middle East was Britain, which by the time of the armistice had committed more than a million men to its Middle Eastern war effort. However, within six months that number had fallen to just over 300,000, and demands for demobilization meant that the number of British troops in the Middle East would continue to decline.

Though they welcomed the idea of expanding their Middle Eastern empires, neither the British nor the French were interested in committing large numbers of troops to maintain peace in Anatolia on a permanent basis. Their primary concern at this point was to simply establish order in their mandates for Syria, Transjordan, and Iraq. The two countries which had the greatest interest in annexing part of Anatolia were the Armenian Democratic Republic and Greece. The Armenians hoped to gain the territory promised them by Woodrow Wilson’s proposal to grant them land in northeastern Anatolia. The Greeks hoped to capitalize on the situation by expanding their boundaries east of Thrace to include a significant part of western Anatolia and the last remnants of Ottoman territory in Europe – including Istanbul. The Greek expectations were based on promises of territorial expansion made by Lloyd George to entice Greece to join the Allied forces fighting in Macedonia in 1917. The Italians also expressed a strong interest in annexing territory in western Anatolia as a result of the promises from the Entente Powers to lure them into the war in 1915 (See Map 8.5). With encouragement from the Allied command, the Greeks landed troops near Smyrna (Izmir) on the western coast of Anatolia in May of 1919. From there they advanced westward until they occupied the western third of Anatolia by the end of that year. Except for the British and French forces occupying the region around Istanbul, and some French troops in the south, there were no other significant concentrations of Allied troops in Anatolia.

While the Allies worked on trying to divide Anatolia into several distinct regions, the Turks were becoming increasingly restive and demanding their independence. Taking advantage of the absence of Allied troops in central Anatolia, they formed the Turkish National Movement and issued a decree stating that since the Sultan was a prisoner of the Allies, his decrees no longer reflected the will of the Turkish people. By February of 1920 the makings of a new Turkish state had emerged in Ankara that was strong enough to challenge the Allied control of Anatolia. Under the leadership of Mustafa Kemal “Ataturk,”
who had led the Ottoman forces at Gallipoli and the Dardanelles, the Turks were prepared to fight for their independence.

With encouragement and shipments of arms from Lenin and the Bolsheviks, Ataturk organized an army to push the Allies out of Turkey. The Turkish War of Independence involved more than three years of fighting between Turkish and Allied forces. Map 8.5 shows the disposition of forces in Anatolia in 1921. Ataturk had checked the encroachment on territory by the Armenians in the north and negotiated with the French for a ceasefire in the south. Turkish forces were able to stop the westward advance of the Greeks in the Battle of Sakarya and launch a vigorous counterattack that eventually recaptured the town of Smyrna in August 1921. The Greco-Turkish War cost the Greeks more casualties than they suffered in the Great War. Michael Clodfelter puts the toll for Greece at 105,000 men including 35,000 missing in action or taken prisoner. Turkish casualties were 13,000 killed and 35,000 wounded. He notes that there were also thousands of civilian deaths.36

The defeat of the Greek expeditionary force ended the fighting in Anatolia. All of the belligerents gathered for a conference in Lausanne, Switzerland in November 1922 to establish a new set of boundaries for the territories of the former Ottoman Empire that would replace the arrangements stipulated in the Treaty of Sèvres two years earlier. The Treaty of Lausanne, which was the result of eight months of negotiation, established an independent Turkish state and formally dissolved the Ottoman Empire. It also finalized the border arrangements for mandates and states shown in Map 8.4. Great Britain, France, Italy, Greece, and Romania all signed and eventually ratified the treaty. The Soviet Socialist Federal Republic had earlier recognized the new Turkish state with the Treaty of Moscow in March of 1921.

The task of drawing a new map of Europe and the Middle East was finally finished. It remained to be seen how long the new boundaries would last.

**Gold, Guilt, and Reparations**

By the end of the nineteenth century, the western European economies had fashioned a global system of multilateral trade that allowed all the countries to import and export a wide range of consumer commodities, food, and the raw materials that fueled the growth
of their domestic economies. One of the institutional arrangements that facilitated this trade was the emergence of the *Gold Standard*, which established a fixed price of gold to serve as an international currency. As cliometrician Barry Eichengreen explains, “For more than a quarter of a century before World War I, the gold standard provided the framework for domestic and international monetary relations. Currencies were convertible into gold on demand and linked internationally at fixed rates of exchange. Gold shipments were the ultimate means of balance-of-payments settlement.”

### The Gold Standard

The conventional wisdom of the time was that the gold standard depended on the presence of central banks – and in particular the Bank of England – to manage the clearing of international payments efficiently so that exchange rates did not fluctuate over time. Immediately after the war, bankers and policymakers of the period firmly believed that for the gold standard to work, in the postwar era, the Bank of England must return to a monetary policy of supporting a price of gold pegged at the level that had persisted before the war. Eichengreen takes issue with the argument that it was the policies of the central banks that were the pillar of stability on which the gold standard rested before the war. The stability of the prewar gold standard, he argues,

was instead the result of two very different factors: credibility and cooperation. Credibility is the confidence invested by the public and the government’s commitment to a policy. The credibility of the gold standard derived from the priority attached by governments to the maintenance of balance of payments equilibrium … Ultimately, however, the credibility of the prewar gold standard rested on international cooperation. When stabilizing speculation and domestic intervention proved incapable of accommodating a disturbance, the system was stabilized through cooperation among governments and central banks.

The outbreak of the war in 1914 caused all the major countries to abandon the gold standard, (with the notable exception of the United States, which was still in the process of organizing the Federal Reserve System and did not yet have an operational central bank to manage the
operation of a gold standard). “The argument, in a nutshell,” claims Eichengreen, “is that credibility and cooperation were central to the smooth operation of the classical gold standard. The scope for both declined abruptly with the intervention of the war. The instability of the interwar gold standard reflected the loss of confidence and the constant fear of unstable markets.”

In a world fearful of the unknown, the ties that bound the system of global payments were torn apart.

Reparation Payments

Adding to the difficulties of collapsing global financial markets immediately after the war was the imposition by the Allies of reparations payments which were levied against all the Central Powers in varying amounts. The reparation payments were a curious blend of morality and economics. The morality involved placing the blame for the war on Germany and its allies and insisting that the Central Powers were therefore morally obligated to “pay for the war.” The economic challenge was to construct a reasonable estimate of the value that should be placed on that obligation.

The morality issue was settled in favor of the Allied Powers by Article 231 of the Versailles Treaty – widely known as the “War Guilt Clause” – which stated that:

The Allied and Associated Governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies.

Forcing the Germans to assume the blame imposed a humiliation on the enemy; asking them to pay for all the damages associated with the war was rubbing salt in the wounds. Article 232 of the treaty recognized that the resources of Germany were not adequate “to make complete reparation for all such loss and damage.” In spite of this obvious reality, the treaty insisted that the Germans “will make compensation for all damage done to the civilian population of the Allied and Associated Powers and to their property during the period of the belligerency,” as well as any damage from “aggression by land, by sea and from the air,” and in general “all damage as defined in Annex I hereto.”
The Council of Four realized that they needed additional time and some assistance from their staff and colleagues to construct a detailed plan for reparations. They therefore appointed an Inter-Allied Reparation Commission that would determine “The amount of the above damage for which compensation is to be made by Germany.” The commission would report its findings “to the German Government on or before May 1, 1921, as representing the extent of that Government’s obligations.” The next fifteen articles of the treaty explained in great detail the variety of ways that Germany could meet its obligations to the Allied governments, and the possible penalties that could be imposed if the Germans failed to meet these demands in a timely fashion. This could be in the form of monetary payments or a variety of in-kind payments such as shipments of coal, timber, chemical dyes, pharmaceuticals, livestock, agricultural machines, construction materials, and factory machinery. An estimate of damages constructed by the U.S. Army Corps of Engineers presented to the Council of Four in May of 1919 valued the damages at between 60 and 100 billion marks, with a comment that 60 billion was the most one might reasonably expect the Germans to be able to pay.42

On May 5, 1921, the Reparation Commission announced that it had arrived at a figure of 132 billion gold marks as the total amount due from Germany. This was a compromise figure reached by members of the commission, which at one point had flirted with the possibility that the indemnity should be set as high as 225 billion gold marks. The commission identified three classes of bonds: 12 billion gold marks of “A” bonds to cover damages in France and Belgium during the war; 38 billion gold marks of “B” bonds to cover loans between Allied countries during the war; and 82 billion gold marks of “C” bonds to serve as a contingency that could cover the possibility of additional payments if the German economy recovered.

Realizing that the Germans would be unable to pay such a huge sum immediately, the commission established a schedule of payments that required the Germans to begin payments immediately on the 50 billion gold marks of “A” and “B” bonds, with the remaining balance of 82 billion gold marks of “C” bonds deferred depending on the recovery of German economy. There was some confusion whether the “C bonds” would ever be repaid. The Germans were assured it was extremely unlikely that these bonds would ever have to be paid; however, the possibility that they might be invoked at some later date left a cloud of uncertainty over the creditworthiness of future German
bonds. One interpretation of the commission’s decision to include the “C” bond payments in the calculation for the total amount due is that this allowed politicians in the Allied countries to impress their constituents with the magnitude of the German reparations even though they had no intention of ever collecting the 82 million gold marks. What all of this meant in 1921 was that, after making allowance for the payments made between 1919 and 1921, the Germans still owed about 41 billion gold marks.43

The reparation clause and its impact have been debated at length by twentieth-century historians. A review of this literature sheds light on several questions about the impact of reparations on Germany and on the global economy.44 The question that immediately arose in 1921 was whether the schedule announced by the commission was a figure that the Germans could reasonably be expected to pay. Initial reaction from the Germans was that it was much too high, and this view found considerable sympathy from observers in the Allied countries at the time. However, a closer look at the situation suggests that, while the figure of 132 gold marks may have been an unacceptable challenge for the Germans to meet in 1921, the 41 billion gold marks payment should not have been that daunting. Writing in 1919, Keynes suggested that the Allies should cancel all their wartime debts with each other and impose a reparations burden of 40 billion gold marks ($10 billion).45 Many contemporary observers noted that the indemnity imposed by the victorious Prussians on France after the Franco-Prussian War was of the same order of magnitude relative to the French ability to pay in 1871. France repaid that burden in two years. Niall Ferguson insists that it cannot “credibly be maintained that the reparations total set in 1921 constituted an intolerable burden,” and Albrecht Ritschl agrees, noting that “A burden this size was by no means impossible to bear.”46

Another problem discussed at some length in the literature is whether the Germans deliberately encouraged the hyperinflation of 1919–24 in an effort to evade paying the reparations. While the intricacies of economic policy make it difficult to reach a definitive answer with regard to their motives, most observers agree that the Germans deliberately pursued a monetary and fiscal policy that fed the inflationary pressures following the war, and they were happy enough to see inflation diminish the real value of the remaining debt. “German leaders,” according to Sally Marks, “clearly recognized the political implications of the reparations issue and, from beginning to end, devoted their inexhaustible energies to avoiding or reducing payments.”47 The result of
all this is that the Germans eventually wound up paying only about 20 billion marks by the time the remaining debt was repudiated by Adolf Hitler in 1933. Finally, it is clear that the political implications that accompanied the imposition of reparations were more important than the economic consequences in terms of the relationships between countries in the international marketplace. Marks’ summary of the situation captures the tone of a revised view of the Treaty of Versailles among many scholars looking back on the Treaty of Versailles from the twenty-first century:

Germany saw no reason to pay and from start to finish deemed reparations a gratuitous insult. Whether it was wise to seek reparations from Germany is arguable, although the consequences of not seeking them would have been far-reaching, as the failure to obtain them proved in time to be. Certainly it was unwise to inflict the insult without rigorous enforcement. In the last analysis, however, despite the fact that reparations claims were intended to transfer real economic wealth from Germany to the battered victors and despite the financial complexity of the problem, the reparations question was a political issue; a struggle for dominance of the European continent and to maintain or reverse the military outcome of 1918.48

Unfortunately, this was not 1815. Metternich and his colleagues in Vienna were able to construct something resembling the status quo ante bellum world before Napoleon. The diplomats at the Paris Peace Conference knew that they could not go back to the world of 1914, and they had little or no experience to draw upon as they tried to create new states or estimate the cost of reparations. In the space of a few weeks at the end of 1918, the imperial governments of the German, Habsburg, and Ottoman empires had all been swept away, creating a political vacuum that stretched across a vast area of Europe and the Middle East. The result was a pervasive sense of fear and uncertainty which undercut the confidence of those charged with the responsibility of establishing institutional arrangements in the world the peacemakers were trying to create. This uncertainty produced a crippling level of caution in decision-making. In the fall of 1918, Woodrow Wilson refused to negotiate with the Kaiser and his generals over the question of a ceasefire. When the Germans responded by forming a more representative government they discovered that
Wilson did not have any confidence that a more “democratic” government would work in the Germany of 1918. It soon became apparent that the president’s fears about the stability of new governments being formed in Germany and eastern Europe were shared by his colleagues on the Council of Four. None of the new governments formed by the Treaty of Versailles had any experience in the formation and operation of what western Europeans thought of as a “democratic” system of government. The peacemakers were caught up in a Catch-22. They wanted democratic governments to be formed after the war, but they did not really believe that those democratic governments would work in the context of the institutional structure left by the sudden destruction of former imperial empires. Experience confirmed that their fears were well-founded. Among the new European governments formed in the wake of the First World War only one – Czechoslovakia – retained a semblance of democracy in the two decades following the Peace Conference of 1920.

**An Incomplete Victory?**

Our narrative of the First World War has focused on ways in which the interaction of confidence, fear, and a propensity to gamble can help explain many of the decisions made on the battlefields and in the councils on war between 1914 and the end of 1918. All the belligerents were following military and economic strategies that would protect them against losing the war, and they were willing to undertake considerable risks to avoid such a calamity. The promise of victory was strong enough to fashion a sense of solidarity among the high commands of both the victorious Allies and the defeated Central Powers. However, once the fighting stopped, there was no comparable strategy on either side with regard to a strategy that might produce a lasting peace. The European leaders were far more concerned with making sure that the peace would protect their interests at home than they were in promoting international cooperation. For Clemenceau, a peace settlement meant “turning the clock back to 1870” when Germany was not yet the dominant power in Europe and Alsace-Lorraine was a department in France. For Lloyd George, it meant protecting the freedom of the seas that was the lifeblood of the British Empire and finding a way to make Germany a peaceful partner rather than a threat to the rest of
Europe. For Italy, Orlando wanted to make sure that his country got the rewards promised when it joined the Entente. For Woodrow Wilson it was the creation of a League of Nations that would oversee a “peace without victory.”

Was the Treaty of Versailles responsible for the failure of the peace? John Maynard Keynes’ indictment of the treaty’s economic and political shortcomings remains an insightful analysis of what happened over the next two decades. But we should remember that Keynes’ critique was that of an economist focusing on the economic consequences that would play a major role in causing the Great Depression and the Second World War. Historians reviewing the failure of the treaty after a century of thought have suggested that the catastrophes that followed the end of the war involved more than the economics of a treaty. They emphasize that, despite its shortcomings, the treaty actually accomplished a great deal given the circumstances in 1919. In the introduction to their 1998 volume reassessing the treaty after seventy-five years the editors suggest that:

Whatever its shortcomings, the treaty lent itself to future revision and eventually led to an era of temporary stability between 1924 and 1931. By 1932 the reparations dispute was largely resolved, the Rhineland occupation had come to an end, and Britain and the United States had signaled their readiness to enter into negotiations for a new settlement of the Polish Corridor. By contemporary standards, in short, the treaty did not prove an inflexible instrument.49

The Great War ended because one side could no longer carry on the fight. Once the Siegfried–Hindenburg Line was broken in the summer of 1918, the Germans realized that they could not withstand the weight of the Allied attacks that would follow. Rather than fight to the last man, they elected to ask for a ceasefire. Surprised by the suddenness of the German offer, the Allied generals and statesmen reined in their armies and hurried to put together a set of terms that would stop the fighting. Not everyone thought this was a good idea, and a case can be made that they were right. As David Stevenson points out, Germany’s economy was exhausted, but its economic infrastructure was not destroyed. Amid the chaos of victory was the bitter truth that Britain, France, and Italy were as exhausted as were the Germans.
Summing up the effects of the world war on an imaginary country, Niall Ferguson presents a description of a country which lost 22 per cent of its national territory; incurred debts equivalent to 136 per cent of gross national product, a fifth of it owed to foreign powers; saw inflation and then unemployment rise to levels not seen for more than a century; and experienced an equally unprecedented wave of labour unrest. Imagine a country whose newly democratic political system produced a system of coalition government in which party deals behind closed doors, rather than elections, determined who governed the country.\textsuperscript{50}

That country, notes Ferguson, was not Germany, it was Great Britain in the years immediately following the war. France and Italy were even more ravaged by the effects of the war, and the rest of Europe was totally disorganized. Once the guns were finally silenced, the European powers were hardly in a position to restrain a postwar German economic recovery as they struggled to rebuild their own economies, and they showed little interest in expending efforts to see that the terms of the treaty they had written were enforced.

The Allies won the war, but accepting a hastily constructed armistice left them with an incomplete victory. This was not so much due to a lack of will as it was a reflection of just how high the price of victory had been. Amid the chaos of victory, the peacemakers in Paris did their best to fashion a lasting peace. As Margaret MacMillan summed things up at the end of her study of the peace conference, If they could have done better, they certainly could have done much worse. They tried, even cynical old Clemenceau, to build a better order. They could not foresee the future and they certainly could not control it. That was up to their successors. When war came in 1939, it was a result of twenty years of decisions taken or not taken, not of arrangements made in 1919.\textsuperscript{51}

Ferdinand Foch’s prediction that the Treaty of Versailles was only a prolonged armistice turned out to be prescient indeed.