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## *Conference Report*

# **The Dawes Plan and the Rescue of the Global Economy**

**Organizer:** Roman Köster / Jan-Ottmar Hesse, Historische Kommission bei der Bayerischen Akademie der Wissenschaften; Deutsches Historisches Institut London

**Date, Venue:** 26.09.2024 – 28.09.2024, London

**Report by:** Nicole Degner, Universität Bayreuth

How did the Dawes Plan contribute to the stabilization of the interwar economy? This question stood at the core of a conference that Roman Köster and Jan-Ottmar Hesse organised at the German Historical Institute in London, the city in which the Dawes Plan was signed 100 years ago. The conference emerged from the most recent editorial project of the Historical Commission at the Bavarian Academy of Science. Under the headline of “Germany’s Entanglement with the World Economy” the Commission will soon launch a larger digital edition of sources spanning from the Napoleonic Wars to the current Deglobalization.<sup>[1]</sup>

In contrast to older literature, which predominantly described the Dawes Plan by its aim to restructure the German reparation payment, the conference examined the broader context of the debt restructuring and the plan’s role in stabilizing the global economy, as emphasized in more recent literature. In particular, the conference focused on three main aspects: It explored connections of the Dawes Plan to other stabilization efforts, particularly the Austrian stabilization of 1922, shed more light on the role of the United Kingdom (UK) in the negotiations, highlighting British interests and implications for British politicians and industry, and discussed the Dawes Plan’s link to trade policy and internationalization of European business. Overall, the conference offered an ideal environment for facilitating engagement between established and emerging scholars.

In his keynote lecture, ALBRECHT RITSCHL (London) covered the broader historical context of the Dawes Plan and its impact on Germany and the global economy. He highlighted how Germany became a major capital importer but faced a halt in capital inflows by 1928, leading to economic crises and the subsequent Young Plan. Furthermore, Ritschl discussed the international debates, especially between the UK and France, and the impact on the stability of France and Germany. He outlined the short-term successes and long-term failures of the Dawes Plan, including Germany’s eventual default, depleted gold reserves, and the ineffectiveness of later interventions. Ritschl concluded that while the Dawes Plan temporarily resolved the reparations conflict, it set the stage for economic instability and debt default.

ROMAN KÖSTER’s (Munich) presentation focused on the aspect of monetary stabilization. The inflationary dynamic in Europe had both “positive” effects (e.g., internal debt discharge) and “negative” consequences (e.g., delaying necessary stabilization measures). Köster explained that currency stabilization was crucial for Europe’s economic reconstruction but often challenged national sovereignty, as seen in the stabilization of Austria in 1922. He noted that successful stabilization relied on a “charismatic” monetary policy, where authority and trust played

key roles, often favouring authoritarian regimes. He also discussed the fragility of these efforts, emphasizing that by the late 1920s extensive state and private debt, as well as policies like France's gold conversion strategy, posed significant challenges. Köster concluded that currency stabilization in practice was far more complex than theory suggested, requiring both technical expertise and a perception of charismatic leadership.

The first section was dedicated to England's role in the Dawes Plan negotiations and economic stabilization. It started off with a presentation by PATRICIA CLAVIN (Oxford), highlighting the role of multilateralism and internationalism. Informed by theories of international political economics, the works by Harry Hinsley and John Ruggie's notion of "embedded liberalism", Clavin discussed the different levels of stabilization politics. In contrast to the Austrian stabilization, the Dawes Plan was negotiated outside the League of Nations. Since international crises progress at different speeds, responses from national governments were complicated. Clavin ended critically analysing the Dawes Plan, noting its primary focus on currency stabilization amidst the conflicting interests of Europe, where international laws were sometimes used for national advantage.

BRIAN D. VARIAN (Newcastle) followed with a new analysis of Britain's Safeguarding of Industries Act of 1925, which introduced possible tariff-protection for industries that were endangered by imports. Varian demonstrated that the system was particularly sensitive to imports from Germany. Industries facing higher competition from German imports were more likely to receive tariff protection than similar industries with import competition from other countries. Varian noted that the system ended in 1929 after the General Election and showed that countries adhering to the gold standard implemented even higher tariffs.

NEIL FORBES (Coventry) presented his research on the role of London's merchant banks in the issuing of loans under the Dawes Plan. NM Rothschild & Sons, Barings Brothers, and J. Henry Schroder played significant roles in negotiating and issuing loans, emphasizing the need for security and careful consideration of the economic stability of Germany. A key focus was the proposed loan for Germany in 1924, with banks being cautious regarding the terms and security. Forbes highlighted that by 1927 there was a shift in approach and the loan served as a benchmark for other interest rates. By 1929, London banks chose not to participate in German loans, leaving it increasingly to American banks.

The second section of the conference dealt with monetary stabilization in greater detail. The first speaker, BENJAMIN VOGT (Oxford), argued that the Dawes Plan was the first post-war systemic external debt restructuring, emphasizing that an understanding of the specifics of the Dawes loan is crucial to understanding the broader implications of it. Vogt outlines the evolution of this loan, beginning with the League of Nations loan to Austria in 1922, which helped stabilize Austria's economy. He compared the Austrian loan to the Dawes loan, highlighting both overlaps and key differences and emphasizing the League of Nations' role in setting the financial details for both.

After this, MARIANNA ASTORE (Oxford) examined Italy's monetary policies under Mussolini, focusing on the currency revaluation of 1926, known as "Quota Novanta", and its international dimensions. Italy faced significant challenges with foreign debt and state budget issues, leading to early privatization efforts in the 1920s. Astore brought attention to the policy measures, especially control of wages and prices, that were applied to stabilize the Lira and mitigate Italy's financial problems. At the same time, she highlighted political control over the Bank of Italy that was nevertheless (and astonishingly) accepted by foreign lenders. She concludes that while the policy created the appearance of independence for the Bank of Italy, political authority controlled it.

KENNETH MOURÉ (Alberta) was unable to attend the conference, therefore his paper was read by Roman Köster. Mouré examined Raymond Poincaré's successful stabilization of the franc in the 1920s amidst France's financial turmoil after World War One. He highlighted the challenges of managing war debts, inflation, and the restoration of the gold standard. Poincaré's strict fiscal policies, including the Ruhr invasion and currency stabilization efforts, were according to Mouré crucial in balancing the budget and restoring confidence. His paper discussed how Poincaré's leadership played a key role in implementing the necessary reforms, establishing a benchmark for future French financial policy, and reinforcing the country's commitment to the gold standard.

The third section focussed on the interrelation of Dawes Plan-stabilization and trade politics in the mid-1920s. MADELEINE DUNGY (Trondheim) opened this section with an examination of the restructuring of trade flows and trade politics from Europe to the United States (U.S.) following the Dawes Plan. She highlighted the Fordney-McCumber-tariff of 1922 and the adoption of the unconditional Most Favoured Nation (MFN) principle, which made trading with the U.S. challenging for Europe. The focus was on unifying European trade law through efforts like Richard Riedl's advocacy for an Austrian-German customs union under the League of Nations and Lucien Coquet's vision for a European customs union. These competing visions aimed to control European economic integration and influence. The League of Nations played a role in standardizing the MFN principle in 1929, establishing a foundation for bilateral treaties, free trade areas, and preferential trade agreements. In her conclusion, Dungy suggested that after the Dawes stabilization the global economy witnessed an institutionalization of economic rivalry rather than trade liberalization.

JAMIESON GORDON MYLES (Geneva) explored the role of international trade finance (ITF) in the economic recovery of Europe after the Dawes Plan, focusing on the competition between the U.S. and the UK. Myles highlighted the use of traditional ITF instruments and how they were adapted to support Europe's economic reconstruction, particularly Germany's monetary stabilization. He examined the Anglo-American rivalry, which intensified after the Dawes Plan as both powers aimed to liberalize trade finance to compete with London banks and utilize reimbursement credits. Myles concluded that ITF played a structural role in shaping financial strategies, illustrating the interconnectedness of credit flows, trade, and production in the 1920s.

The fourth section of the conference examined the role of companies and associations in European stabilization, with special focus on cartels. LIANE HEWITT (Paris) studied the role of cartels in the economy during the interwar period. She challenged traditional narratives of deglobalization, emphasizing the importance of understanding business responses to crises. Hewitt highlighted the complexities of cartels, noting that many were informal agreements, making them difficult to quantify. She discussed international networks like IG Farben's patent pooling and the development of business networks during protectionism. At the 1927 World Economic Conference, it became evident that cartels were seen as potential tools for trade liberalization and price stabilization, but Hewitt argued they prolonged economic downturns and deepened the Great Depression by encouraging protectionism. She suggested that cartels acted as a private globalization movement in the 1920s, thriving in a protectionist environment but hindering economic recovery.

MARCO BERTILORENZI (Padua) examined how international cartels were promoted as legitimate business solutions during the interwar period. He argued that cartels were seen as a way to address economic challenges that traditional governance could not solve. The International Chamber of Commerce and the League of Nations played significant roles in framing and promoting cartels as tools for removing trade barriers and stabilizing markets. Bertilorenzi concluded that the free trade orientation following the Dawes Plan was not opposed to cartels and that cartels acted as a performative factor in economic stabilization, relying on the concept of self-regulation.

The conference has shown that recent research, as it was initially fueled by international and new diplomatic history and the great studies of the League of Nations<sup>[2]</sup>, followed by numerous studies on stabilization politics in other countries, especially Nathan Marcus' book on Austria<sup>[3]</sup>, has placed the Dawes Plan in a broader context of stabilization of the world economy after a decade of extended economic war. How sensible the stabilization actually was and where the seeds for the next global crisis were sown, becomes only visible when this larger international picture is taken into account.

### **Conference overview:**

Roman Köster (Munich) / Jan-Otmar Hesse (Bayreuth) / Christina von Hodenberg (London): Welcome Addresses

#### *Keynote*

Albrecht Ritschl (London): The Rise and Fall of the Dawes Plan, 1922–1932

Roman Köster (Munich): The Stabilisation of European Currencies during the 1920s. An unfinished Story

#### *Section 1: The Role of England*

Patricia Clavin (Oxford): Britain, Europe and the Changing Global Order

Brian D. Varian (Newcastle): German Competition and the fashioning of British Protectionism in the 1920s

Neil Forbes (Coventry): The Dawes Plan, London's Merchant Banks and European Stabilisation

*Section 2: Monetary Stabilisation in Comparison*

Benjamin Vogt (Oxford): Crafting Loans and selling Bonds. Syndicates, Central Bankers and the Evolution of the Credit Toolkit for European Reconstruction from Austria to Dawes

Marianna Astore (Oxford): The International Dimensions of Quota Novanta. Constraints and Opportunities of Italian Monetary Stabilization

Kenneth Mouré (Alberta): Poincaré-le-franc. Monetary Stabilization in France

Roman Köster (Munich): Presentation of the Editorial Project "Germany's global economic relations during the 19th and 20th century". Volume on the 1920s

*Section 3: Re-creating the European Market? Trade liberalization during the 1920s*

Madeleine Dungy (Trondheim): Competing Visions of Trade and Security after the Dawes Settlement

Jamieson Gordon Myles (Geneva): Anglo-American Trade Finance and the Monetary and Economic Reconstruction of Europe

*Section 4: Actors in European Stabilisation: Companies and Associations*

Liane Hewitt (Paris): Cartel Diplomacy. The Golden Age of International Cartelization & Europe's Interwar Stabilization

Marco Bertilorenzi (Padua): Cartel diplomacy. The Role of the International Chamber of Commerce and League of Nation in the Normalisation of French-German Trade

Roman Köster (Munich) / Jan-Ottmar Hesse (Bayreuth): Concluding Remarks

Notes:

[1] See Historische Kommission bei der Bayerischen Akademie der Wissenschaften, Deutschlands weltwirtschaftliche Verflechtungen im 19. und 20. Jahrhundert, in: Historische Kommission München, <https://www.historischekommission-muenchen.de/abteilungen/deutschlands-weltwirtschaftliche-verflechtungen-im-19-und-20-jahrhundert> (04.11.2024).

[2] See Patricia Clavin, *Securing the World Economy. The Reinvention of the League of Nations, 1920–1946*, Oxford 2013.

[3] See Nathan Marcus, *Austrian reconstruction and the collapse of global finance, 1921–1931*, Cambridge 2018.

*Citation*

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<https://www.hsozkult.de/conferencereport/id/fdkn-151533>