Who is Dawes Plan?

The Dawes committee, which was urged into action by Britain and the United States, consisted of ten informal expert representatives, two each from Belgium (Baron Maurice Houtart, Emile Francqui), France (Jean Parmentier, Edgard Allix), Britain (Sir Josiah C. Stamp, Sir Robert M. Kindersley), Italy (Alberto Pirelli, Federico Flora), and the United States (Dawes and Owen D. Young, who were appointed by Commerce Secretary Herbert Hoover).

Charles G. Dawes, an American banker, was asked by the Allied Reparations Committee to investigate the problem. His report, published in April, 1924, proposed a plan for instituting annual payments of reparations on a fixed scale.
The Dawes Plan (as proposed by the Dawes Committee, chaired by Charles G. Dawes) was an attempt in 1924 to solve the reparations problem, which had believed international politics following World War I and the Treaty of Versailles.

Under the Dawes Plan, Germany’s annual reparation payments would be reduced, increasing over time as its economy improved; the full amount to be paid, however, was left undetermined.

In 1925, Dawes was a co-recipient of the Nobel Peace Prize in recognition of his plan’s contribution to the resolution of the crisis over reparations.
The International Financial System Under the Dawes Plan and Young Plan 1924-30

$2.6 Billion in War Debt Payments

U.S. $2.5 Billion in Loans

Germany

Allies $2.0 Billion in Reparations Payments
After the First World War Germany had great difficulty paying the reparations that had been agreed under the terms of the Treaty of Versailles. When the German government failed to keep up the payments in 1923 French and Belgian troops occupied the Ruhr.

The Young Plan further reduced reparations to 112 billion Gold Marks – then equal to about $8 billion. The money was set to be paid over 59 years with the equivalent of $473 million paid each year.
In an agreement of August 1924, the main points of The Dawes Plan were:

- The Ruhr area was to be evacuated by Allied occupation troops.
- Reparation payments would begin at one billion marks the first year, increasing annually to two and a half billion marks after five years.
- The Reichsbank would be re-organized under Allied supervision.
- The sources for the reparation money would include transportation, excise, and customs taxes.
- Germany would be loaned 800 Million Marks from the USA.
RESULTS OF DAWES PLAN!!

- Dawes Plan provided short-term economic benefits to the German economy and softened the burdens of war reparations.
- It brought increased foreign investments and loans to the German market.
- As the U.S. economy developed problems under the Great Depression, Germany and other countries involved economically with it also suffered.
- The Allies owed the US debt repayments for loans.
Effect of Dawes Plan

- Dawes planned to help Germany payback war reparations to countries such as Great Britain and France, which in return paid their loans with interest to the USA.
- Germany used to pay the others, which it was able to control the hyperinflation at the time.
- Germany missed a payment at one point, which destroyed the whole plan and the cycle and was a leading factor to causing the Great Depression.
<table>
<thead>
<tr>
<th>Dawes Plan 1924</th>
<th>Young Plan 1930</th>
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<tbody>
<tr>
<td>5-point plan:</td>
<td>Reduction</td>
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<tr>
<td>- Allies out of Rhur</td>
<td>- Total cut from $33 to $29 billion</td>
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<td>- Germany to pledge govt $ to reparations</td>
<td>- Occupation of DMZ to end</td>
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<td>- Payments start low but get higher</td>
<td>- *** This was carried out and the Allies lost their pressure point with Germany</td>
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<td>- Payments still tied to German prosperity</td>
<td>- *** In 1932 Germany defaulted; Hitler cancelled payments 1937.</td>
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<td>- Foreign loan to get Germany started</td>
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