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Ever Increasing Circles: Financial Networks and International Cooperation, 1918-1950

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Abstract

This paper will use the League of Nations as a site through which to examine how credit and capital reshaped political and social relationships in an international context.

The League of Nations played a pivotal role in the creation of a new architecture of international and transnational financial co-operation in the twentieth century. In 1919 there were no plans for the newly established League of Nations to play a role in international finance. Statesmen, bankers and economists alike feared the potential anarchy that might be unleashed by allowing the polyglot League, committed to open diplomacy, into such a sensitive area of policy. But by 1920 the difficult environment in which nation-states and banks found themselves challenged these assumptions. In particular, the continued economic dislocation of central Europe, the infectious problem of inflation and the end of the wartime boom starkly illustrated both the global ramifications of international financial instability and that the world economy was not likely to right itself without international co-operation. Indeed, governments, bankers and economists were prompted to support the creation of an Economic and Financial Organisation (EFO) within the League of Nations because the global networks of nineteenth-century international finance had been checked

and in some ways refashioned by new powers accrued by the nation-state during and after the First World War.

There had never been a world body like EFO before, although it brought together many ideas and practises from the past. The paper will focus on the Financial Committee within EFO which, from the outset, was distinguished by the richness and depth of its connective tissues. Richard Vassar Vassar-Smith (Lloyds), John Pierpoint Morgan , Gustav Ardor, President of the Bank of the Netherlands, the Swedish economist Gustav Cassel were among the supporters of a petition of more than 100 men from the finance, academia and politics in of the world's eight leading economies that helped to give birth to the Financial Committee. The men and women who went on to work for this since largely forgotten organisation read like a *Who Was Who* of twentieth century finance. The paper will assess the character and composition of this ever increasing network of financial co-operation a key moments in its history: its foundation in 1920, during the Great Depression, and in the Bruce Committee Reforms of 1939. In sharp contrast to the League's, stalled political agenda, EFO's workload and ambition continued to grow during the 1930s and 1940s. The paper will focus on these later years (1938-1946) in its exploration of the inter-action between the private and public spheres of international finance, asking: What happened to national loyalties and institutional priorities in this international setting? What networks and lessons did this institution bequeath to international finance after 1945?