

Barbara Warnock – Abstract for *Managing Conflicts* Workshop

The Operation of the 'First Bailout': The Impact of the League of Nations' Programme for Austrian Reconstruction 1922–26

This paper will explore the multifarious and complex impacts on Austria of the League of Nations' programme for financial reconstruction of the country. In the aftermath of defeat in the First World War and the disintegration of its Empire, the first Austrian Republic faced manifold problems including hunger, hyperinflation, and difficulties in obtaining international finance. Little confidence existed that the country could survive as a unified and independent entity. In this context, the Financial Committee of the League of Nations designed a financial reconstruction scheme for Austria, the first such project carried out by an international institution. The League's programme was designed to reshape Austria's financial, fiscal and bureaucratic structures with a view to stabilising its post-First World War currency and enabling the country to obtain international loans. The scheme saw the installation in Vienna in late 1922 of a League-appointed Commissioner-General who had substantial powers over Austria's budget and thus government spending.

The League's programme has often been regarded as a great success for international financial diplomacy, both at the time and since, and, in the short term, the League's work saw the establishment of confidence in the Austrian currency, the provision of international loans, the end of hyperinflation and the attainment of a balanced budget. This paper will explore the ways in which the programme also worked in some respects to undermine and destabilise Austria, through the creation of depressive economic conditions and resultant high levels of bankruptcies and unemployment, and through the exacerbation of political conflicts within the new Republic –conflicts between political groups and between the central government and regional governments.

The architects of the League's scheme sought to ensure the continued survival of Austria as independent entity in order to support the maintenance of the post-First World War borders agreed as part of the peace settlements. However, it will be argued that, partly as a result of the neglect of consideration of potential political and social impacts of the programme, in some respects the League of Nations' programme was detrimental to state and nation building in first Republic Austria.