

# Irish Foreign Affairs

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“Every nation, if it is to survive as a nation, must study its own history and have a foreign policy”  
—C.J. O’Donnell, *The Lordship of the World*, 1924, p.145

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## Editorial: History, Sentiment and the EU

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The European Union has produced a post-national Europe by means of a system of supra-national, teleological, law, which makes “*xenophobic nationalism*” redundant and gives migration a positive value. Membership of it “*has opened not merely the physical borders of Europe to our goods, services and people but also the borders in our minds*”. It is inspired by the philosophy of Spinoza, who said: “*Those who are governed by reason desire nothing for themselves which they do not also desire for the rest of humankind*”. Its Member States, by joining it: “*agree to values that reflect the apotheosis of civilisation and which have been inspired by the writings and thoughts of the great philosophers, leaders, religions, and lawyers. It is an achievement beyond the wildest imagination and prophecies at the end of the Second World War when Europe was at its lowest and most devastated state*”.

This is the account of it given by Paul Gallagher, Senior Counsel and former Attorney-General, in his article on *Peter Sutherland And The European Project* in the Summer 2020 issue of the Jesuit Quarterly, *Studies*.

But what we are seeing in the EU at present, especially with regard to the 2nd World War, is that truth is nationalist.

The movement that led to the formation of the EU gained practical force because Europe was at its “*lowest and most devastated state*” in 1945. The major states, which had been full of confidence in 1939, were sunk in confusion in 1945. They no longer quite knew what they were. They could not return to what they had been in 1939. They were under the necessity of becoming something else.

It was not that they had been disillusioned, through internal development, of the illusions, conventions, assumptions and practices of 1939, but that they had been disrupted physically by outside forces and that the ideas attached to functional states and the societies depending on them had fallen away.

The EU would not exist but for the War, or Wars, of 1939-45. But the difficulty which it is finding in relating itself to that era casts practical doubt on whether there actually was a coherent event that could be called *The Anti Fascist War*, and whether the War or Wars that actually happened had any constructive relationship with what happened in Europe subsequently.

It became customary to say that a rules-based order was established in Europe after 1945 because of the victory of the Anti-Fascist forces in the Anti-Fascist War of 1939-45. But one of the major effects on Europe of the military events of 1939-45 was to displace it from the centre of world affairs, divide it in two, and make each part the front line in a military and political confrontation between the two states that had defeated Germany, and had become the Super-Powers of the world by doing so.

These two states made very unequal contributions to the defeat of Germany.

The main interest of the United States was to extend its power in the Pacific. It became involved in the War in Europe as a by-product of its War with Japan.

It committed itself to giving priority to the European War in December 1941 but it did not become engaged militarily

in Europe until 1944. This long delay was caused by British refusal to invade France in 1942 and 1943. By 1944 the point of invading France was not to ensure that Germany would not win, but to limit Russian advance.

If a German victory would undermine civilisation, which was the routine thing to say, then civilisation had been saved by 1944. The German Army had failed to achieve a breakthrough in Russia in 1941. The Russian Front held against revived German assaults in 1942. Thereafter Germany encountered a military expertise equal to its own, backed by much greater resources, and the only question was when it would be defeated.

In the ideology of the moment on the Western side from 1941 to 1944, Nazi Germany was presented as a mortal danger to civilisation in all its varieties, from comprehensive Communism to *laissez-faire* capitalism. That was why the Communist world was united with the Capitalist world in a crusade against it. That was the case when Nazism became dominant in central and Western Europe in 1940 and there was no sign of an internal force in Western Europe rising up to overthrow it.

The characteristic of Fascism, which brought it to the fore in Europe after the 1st World War, was that it drew its support from both the Left and the Right. It retained that characteristic in power, disabling social resistance. There was therefore no realistic possibility of its being overthrown by an internal European force.

And so, if it was a menace to civilisation, civilisation could only be saved by an external force.

The external force which stopped it and drove it back and consolidated its grip on territories conquered from it was the force of Communist Russia. In 1944 it was a virtual certainty that the Nazi State would be defeated and overthrown by Russia within a year or two and that Europe up to the Spanish border would become Communist if Britain delayed any longer the American urge to land a fighting force in France.

The United States landed an army in Northern France in July 1944, and a short while later it landed another army in the South of France. A new French Government was established in Paris. This new French Government repudiated the Government which had declared war in September 1939 and lost it in June 1940, and which had made a peace agreement with Germany when it was no longer able to sustain a war effort. The new Government, put in place by American power, declared the old Government to have been a bunch of traitors. The main political party in the new French political system was the Communist Party.

A year after landing its Army in Normandy, the forces of the United States met up with those of the Russians at Berlin. What is called the *Cold War* then began almost immediately, with Britain playing the leading part in it at first. A new ideological world then appeared on stage so quickly that there could be no doubt that it had been on the wings waiting for its turn to come on.

From the Summer of 1941 to the Spring of 1945 Communism and Capitalism had been defending Civilisation. Communism had done the main work of defeating Nazi Germany. But then the new ideology gave one to understand that Communism had been an even greater danger to Civilisation than Fascism had been.

If the American landing in Normandy had been delayed by Britain for yet another year, Europe probably would have become Communist up to the Pyrenees and European Civilisation would have ended. The force that destroyed Fascism was worse than Fascism. That is an idea that is inescapable in Churchill's writings, which are a part of Europe's view of itself to such an extent that German Chancellor Merkel has the fixed idea that it was Churchill rather than Stalin who got rid of Hitler!

This is the ideological ground on which the European Union was constructed. It is a marshland. But it was the fact that it was marshland that gave the opportunity for the element of supranational idealism to play a significant part in the construction of post-1945 Europe.

What happened was not the convergence of a group of nation-states which came to a realisation out of their own development that they had a common interest in establishing a joint European arrangement which would take precedence over their national arrangements. They all began afresh in 1945 as wrecked nation-states, under American occupation, which were nurtured back to life within a capitalist market laid on by America and nudged towards a West Europeanism by America, so that they would present a common front against the Communist force that had set up its own system in Eastern Europe.

They did not, after 1945, live out the consequences of the war which they had just fought against each other. A *deus ex machina* appeared on the scene, as in an 18th century French comedy, and put everything on a new footing. The ideology of the War was put aside—or was reversed, with the hero of the Anti-Fascist War becoming the villain.

Germany recovered quickest from the experience of the War. It was beaten in the War. There was no confusion in the matter,

as there had been in 1918 when the political base gave way and surrendered with an undefeated army still in the field; giving rise to the not unreasonable "*stab in the back*" accusation that was unsettling. In 1945 military-political unity was maintained until the enemy armies met in Berlin. Germany then set about getting itself going again on a new footing. It did not torment itself by raking over the immediate past. It inherited national unity from the Nazi period and built on it, forming a Government staffed in great part by personnel of the National Socialist State. It could do this because America (the god from outside the machine), which had been neutral in the War for more than two years, was itself enlisting Nazi personnel in its conflict with the Power that had destroyed Nazi Germany, and that it was therefore obliged to share the world with.

Affairs went very differently in France. It had declared war on Germany, had been defeated in the war, had made an agreement with Germany in accordance with its military defeat, had conducted its own Government under that agreement, while Germany remained in occupation of a stretch of Northern and Western France in order to cope with British refusal to end the War, had been condemned as traitorous for acknowledging the fact of defeat by an ultra-nationalist element sponsored by Britain, had been overthrown by a Resistance movement made effective by an American invasion from the South, had had a new Government formed by the Resistance which had put the wartime Government on trial for treason, had been restored to the formal status of a Great Power in the United Nations order of things, had tried as a nominal Great Power among the victors to achieve the long-standing French ambition of territory across the Rhine, had had to back down in the face of the quickly resurgent German nationalism, and had given up and submitted to the Europeanist development being driven by Germany and the United States.

Because of that chequered history France, a nominal Victor State, was a problem to itself after 1945, in a way that Germany, the defeated villain of the story, was not.

Was the 1940 Government that made terms with Germany in the light of military defeat a representative institution or a Fifth Column clique of traitors?

And, more basically: on what ground should that question be answered? Is the answer to be got through investigating empirical fact? If it is, then there is no doubt that the Government that made terms with Germany in June 1940 was a democratically-elected Government, and its action was in accordance with the wishes of the great majority of the population.

But is truth necessarily a statement that corresponds with existing fact? Of is it a transcendental ideal that is not hidebound by existing facts?

I notice that, in recent years, academics in Irish Universities have rejected the view of the 19th century German historian, Leopold von Ranke, that it is the business of historians to describe historical situations as they actually were as far as that can be discovered. They are catching up with the ideologue of the Official IRA, who was once a power in RTE, and is now the chief Political Correspondent of the *Sunday Independent*, Eoghan Harris, who said decades ago that truth has little, if anything, to do with empirical fact being mere '*factualism*'.

Russian Marxist dissidents in the 1920s/30s made play with the two Russian words for truth—*pravda* and *istina*, attributing

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to *istina* the meaning of factual truth and to *pravda* a kind of idealistic truth which is in fact a lie. But *istina* might also have been given the meaning of a sociological survey of the moment, while *Pravda* expressed the dynamism of the situation.

In the case of *Pravda* there is no doubt that the dynamism was there, and Nazism came to grief on it. There is equally no doubt that the *pravda* of the Official IRA was wishful thinking. But where does the Platonist ideal of the *true* France, which was betrayed by the Petain Government, relying on the static popular opinion of the moment, fit in?

In all the translated French material about this period that I have read, I cannot recall one instance in which the French declaration of war is seen as the source of the problem or is even mentioned.

What was the French purpose in declaring war? Did it have a purpose, or was it just acting under the spell cast on it by Britain in the early 1920s?

France had a magnificent Army, and it had constructed an impregnable defence line on the border with Germany, the *Maginot Line*. If it had wanted to make war on Germany, it might have done so with complete impunity in March 1936, when Hitler with great daring ventured to put a small bit of his small army into the demilitarised Rhineland in contravention of the Versailles Treaty. Or it might have done so in the Autumn of 1938, when it had a Treaty with Czechoslovakia—which would have activated a Czech Treaty with Russia—and would probably have led to the overthrow of Hitler by an officer plot into the bargain.

But it passed over these opportunities, apparently under British influence, letting Hitler acquire the advanced arms industry in the German part of Czechoslovakia. And then it declared War on an immeasurably-strengthened Germany, apparently because Britain decided to—and did so without ensuring full British engagement in the War.

France had the most magnificent army in the world in 1939. Here is an account of it written by a Latvian correspondent, Arved Arenstam, in a book published posthumously in 1942:

“I had the magnificent review of 14th July, 1939, in my mind’s eye. I had never seen a more brilliant and impressive spectacle anywhere—in Berlin, Moscow, Warsaw, or any European capital. It was not merely an Army, it was a nation in arms. The scene as they marched proudly down the Champs Elysees in the hot sunshine, with brilliant colours and clashing arms, was one that will always live in the minds of those who saw it. I was struck by the passionate enthusiasm of the people as they cheered the Army in which they had implicit faith. It was the Maginot Line come to life, a human wall built of faith...” (*Tapestry Of A Debacle: From Paris To Vichy*. A book of Contacts by the late Arved Arenstam, Constable & Co. London 1942, p10).

“I only met one pessimist at this time, a Hungarian journalist named Doros, who had been transferred from Berlin to Paris. We soon got friendly, and every time Doros visited me he said: ‘You underestimate Germany’s strength like everybody else here. It is a military machine such as the world has never yet known...’

“‘But France has the best Army in the world’, I protested. ‘You saw the Military Review...’

“‘I’m not impressed by parades. Wars are not won by spectacular marching’, said Doros darkly...

“At one of my little dinners one night, Doros expounded his point of view in the presence of ten other colleagues from various counties. He was shouted down as a defeatist. There was a general suspicion that, being a Hungarian, he was probably well disposed towards the Axis. He was certainly nothing of the kind. He was merely a keen observer, whose many years in Germany made him see things in a very different perspective from ours...

“The French have a particular expression for the false statements and empty talk which engendered exaggerated self-confidence. They call it ‘*bouillage de crâne*’ [ballyhoo; brainwashing]. They themselves had displayed this quality ever since 3rd September [when they declared war].

“After the Polish defeat I had a talk with Major Mallye, the General Staff’s spokesman for the Foreign Press. ‘How could anything like Poland’s experience possibly happen to us?’ he said. ‘How is such a comparison possible?... Rydz-Smigly knew as much about military strategy as my boot... Our staff of officers is the finest in the world. Why, for instance, am I merely a Major and not a General? Because my military knowledge does not justify my becoming a General. With us here in France, a General must have a General’s knowledge... Their mental level is higher than that of any other soldiers in the world. You can see it in their faces, in their alert look of intelligence. Naturally no soldier should criticise or doubt an order. But each one is sufficiently intelligent to ask himself why such and such an order is given, and he obeys because he is convinced of the necessity. No, you don’t find automatons here as you do in Germany and Russia. Particularly in Russia. I once met a Red Marshal, his military knowledge was about on the level of one of our sergeants’.

“Everyone was saying much the same thing...

“After the collapse of Poland, a number of Polish Officers of high rank came to France to form a new army. Among them was an experienced Officer on the General Staff who had gone through the Polish campaign from start to finish, and who knew just why Germany had walked over the Polish Army in 18 days instead of holding out for the three months Gamelin had anticipated. This Officer expressed a desire to give a lecture on his experiences before the Headquarters Staff. Convinced that he could be of real service to his Allies, he put his proposition to Colonel Pierronet, co-publisher of *Epoque*, who was on good terms with Gamelin. Pierronet was enthusiastic about the idea, and promised to approach the General at the earliest opportunity...

“But that Polish Officer never got an answer... Long afterwards in the State of Vichy, the truth came out. Pierronet had gone to Gamelin and put the proposition to him. Whereupon the Generalissimo sprang up in a rage shouting: ‘What the devil possesses you to make such a suggestion to me?... French Generals have nothing to learn from Poles. If anyone knows how this war should be waged, it is I and my Staff...’

“That was Gamelin. On the most tragic day of all in Bordeaux, he visited President Lebrun, and said: ‘If I had to draw up another War Plan—if hostilities were to begin again from the very beginning to-day—I would act exactly as I have done. My War Plan was the only right one.’

“*C’est extraordinaire quand-même*, said Lebrun, not of course to Gamelin—this anaemic President hadn’t the pluck for that—but to Senator Reibel, whom he informed of the General’s secret visit.

...

“The French Left were always the least concerned with regard to war. The group gathered about Blum were pronouncedly friendly to Germany, and only changed round after Hitler’s accession to power. The reasons for this swing round were of a purely ideological nature. The French Socialists, Communists, and the Pacifist wing of the Radical Party have always shown little understanding of the problem of security, of military strength and the need of national defence. The leading Left politicians of France opposed the construction of the Maginot Line. But the Right were just as culpable as the Left. They too made a turn about for the same ideological reasons, but they made it in the other direction.

“The Right—as represented by Poincaré, Tardieu, Louis Marin etc.—were the oppressors of Democratic Germany. They practiced the Separatist policy in the Rhineland and that of petty intrigue in occupied Germany. It was not Germany they hated so much as the democratic Weimar system, and they surpassed themselves in their efforts to make life impossible for this regime. When I think of the things one of the Reich’s Chancellors of the Weimar Republic, Dr. Wirth, told me about these paltry manoeuvres.....

“The French Right of that time were also anti-British. They were anti-British for reasons exactly opposed to those for which their present successors are anti-British to-day, namely because they did not consider the British sufficiently anti-German. Today they say it was because of Britain’s hostility towards Germany that France was dragged into the war, and that the youth of France had to give their lives for the sake of England’s reckoning with Germany. In a private talk we once had at Geneva, Litvinoff told me he regarded the French Reactionaries as the world’s prize-fool politicians...

“The French Rights hated the Lefts, and vice-versa. This Party passion made any rational policy more or less impossible...” (ibid, pp 10-16).

(The change of ground of French Right anti-British sentiment reflected an actual change in British policy towards Germany. From about 1923 to March 1939 British policy towards Germany was anti-French, in that it connived at German evasions of Versailles restrictions in the 1920s, and after 1933 collaborated with Germany in breaking them openly. Then, in March 1939, it suddenly decided to try to undo what it had done and set about making a war on Germany which the French would have to fight. When Churchill in the crisis of 1940 said that he loved France, a French writer, Fabre-Luce, commented sarcastically that he was sure he did, but in the way that a rider loves his horse!)

\*

In August 1914 James Connolly got ready to meet Imperialist War with international class war in accordance with the policy of the Second International. But the International made no serious attempt to meet Imperialist war with class war. If it had attempted to do so, it would probably have failed. The workers in the various states responded willingly to calls from their Governments to enlist and fight.

Connolly did not waste time lamenting that fact. He assessed the War outside the ideological evasions of the leaders of the International and concluded that it was essentially a war of the British Empire to destroy the German nation, whose statehood was less than fifty years old but which was already threatening British industrial supremacy because of the more advanced position of the working class in its economic life. He declared support for Germany, and he committed the small workers’ army, formed in the 1913 class conflict, to the struggle for Irish

national independence. And, when a middle class movement prepared to make national war on the British Empire, he joined forces with it. He was been accused of subordinating socialism to nationalism. What he did was take account of the fact that international socialist revolution had been taken off the agenda and commit his small socialist force to the national struggle, so that it would have a prominent position within it when it succeeded.

In Russia Lenin committed his small Party to a policy of revolutionary socialist defeatism. When the war effort proved too much for the Tsarist regime and it collapsed, Lenin’s party dominated the chaos by undertaking to extricate Russia from the War and legitimise the land seizures of the peasants.

In France and Germany working class commitment to the War continued right to the end—or to the eleventh hour in the case of Germany, where there was a kind of socialist mutiny while the Army in the field was still holding a line of orderly retreat.

What was done to Germany in defeat confirmed Connolly’s analysis of September 1914. It was a *War upon the German nation*.

Connolly praised Karl Liebknecht in August 1914 as a revolutionary international Socialist. That was before it became clear to him that the working class internationalism that would stop war was a wishful ideal without motive power in actual situations of advanced capitalism. Liebknecht continued to oppose the War after it had settled down into an unstoppable routine. Connolly never mentioned him again. Only the German War Socialists are mentioned in *The Workers’ Republic*. They were defending the most socialist country in the world from the attempt of the Imperialist World Power to destroy it, so he praised them.

Taking it that the War on the German side was a war of national defence, the appropriate socialist policy in the face of destructive Versailles post-War policy of plunder and subjugation would have been one of revolutionary defence. Liebknecht’s policy was the overthrow of the weak Social Democratic Government that had taken over from the Kaiser. And the moderate Social Democrats, who had tried to stand apart from the War, argued at the end of it that the German State had caused it, ingratiating themselves with the Victors.

The Victors were unappreciative. They prolonged the War after the Armistice of November 1918 until the following June, and, with the German Navy out of the way, intensified the food Blockade, which was estimated to have caused the death by privation of at least half a million civilians—a British estimate by Bomber Harris who ran the mass bombing raids in the second war on Germany.

The Starvation Blockade was kept up until the new German Government agreed to plead guilty, on behalf of the German people, of having caused the War. It was an equivalent of the nuclear bombing of undefended Japanese cities in 1945 to speed up the Japanese surrender.

The object of socialist class warfare in an advanced capitalist economy is to gain command of the State and subject it to working class power. Where there is no actual State apparatus to be fought over by the classes, as there wasn’t in Germany in 1919, the object had to be to restore the State and assert its

national independence against the Versailles Powers. In other words, what was required of the German Social Democracy was that it should be strongly nationalist against the Versailles Powers.

If it had done that, it would have had the power within the State that it restored.

Mere class war in a political vacuum was futile.

France had borne the main human and economic cost of the Great War on the Allied side. It regained Alsace-Lorraine, which it had lost by its aggression of 1870, but it failed to gain the strong border against Germany that it wanted. It was the main Victor in the War, so how could it be that it failed to determine the arrangements made in 1918-19? The following explanation is given in *The Third Republic* by Raymond Recouly in a translation published in London in 1928:

“After a war lasting fifty-two months... which was one of the most murderous and ruinous in her whole history, it was necessary for France to secure: 1 Reparations for the heavy damages she had incurred; 2 The certainty that for a long time, if not for ever, she would not have to fear any further aggression on the part of Germany...”

“Rarely have greater difficulties presented themselves to French negotiators. The material damage caused by the war reached such a colossal figure that it might well be questioned whether Germany would even be in a position to make good the whole amount. And although France was the chief victim, she was far from being the only one. The unity of the Allies, which had been so difficult to secure even when hostilities were at their height..., was to be far more difficult to maintain when the peril was past.

England, as soon as she saw Germany beaten and her dynasty destroyed, faced with the twofold menace of revolution and Bolshevism, inevitably returned to her traditional policy of not allowing another nation, such as France, to occupy too prominent a position in Europe in her stead. She was thus instinctively inclined to use every effort in order to limit the consequences of the Allied victory as far as possible...

“Clemenceau, the man who was conducting the negotiations, was better qualified... to conduct the war to a close than to discuss the terms of peace...”

“The fact that the war was won is due to Foch and to Clemenceau...”

“The enormous prestige he gained by the victory... made him master of France. Whenever he opened his mouth, or laid down a law, no one could stand up against him, and, as a matter of fact, no one tried to do so...”

“As the large number of delegates seemed to present an obstacle to the progress of negotiations, the five great Powers, England, the United States, France, Italy and Japan, decided that the leaders of their delegations should meet together in order to decide the fundamental questions... Japan and America had no European interests, whilst England was more of a sea Power than a continental Power, less interested in European affairs than in those connected with her own empire. France had everything to gain by not leaving the minor European nations out in the cold, for her traditional policy had for centuries led her to rely upon them, more especially as most of these nations, Czecho-Slovakia, Poland, Roumania and Yugoslavia, owed their existence, their recovery and aggrandisement in a large measure to her. It was therefore a mistake and a source of weakness for France to be deprived of their support.

“Of the two great questions to be settled, that of guarantees was the most important.

“During the course of the last hundred years, France had seen her territory invaded four times—in 1814, 1815, 1870 and 1914—her richest provinces occupied by the invader, her capital captured or on the point of being captured...”

“Any further invasion of war within the space of ten, twenty or thirty years would run the risk of inflicting the final blow...”

“What is the best way of obtaining the security of which she stands in such pressing need? There are only two ways of warding off an enemy’s blows—either his power of attack must be diminished, or one’s own powers of resistance must be increased...”

“How was it possible to diminish the military power of Germany, who, in spite of her territorial losses, Alsace-Lorraine, Posen and Schleswig, nevertheless still possessed a population one-third as large again as that of France? Divide Germany up? That was not to be thought of. It is impossible to put the clock back, and there is no power in the world capable of forcing people of the same race and language, who for half a century have merged into a single state, to carry on a separate existence.

“Would it be possible... to disarm her in an absolutely efficacious way? If it were a matter of temporary disarmament—yes. But if permanent disarmament were meant, commonsense and reason said—no. A great country like Germany, with strong military traditions, always succeeds, however great the efforts made to bind her, in raising an army commensurate with her means and her requirements...”

“Thus the only alternative was for France to increase her defensive forces as much as possible, and a prerequisite of this was to possess a powerful, almost impregnable frontier—the Rhine...”

“This was the theory advanced by Marshal Foch in his three Memoranda...”

“Foch, anxious not to go beyond his own domain, kept resolutely to the military side of the question—the Rhine barrier: but it was no very difficult matter to transfer his idea from the military to the political and economic sphere, and to contemplate the formation of some sort of autonomous Rhineland State under the control of the Allies...”

“The French Government at first accepted the Marshal’s proposal and endeavoured to have it adopted by the Allies. But it met with violent opposition on the part of the Americans, and above all the English...”

“Many important circumstances combined to force France to pay attention to these objections. Nevertheless, on what was for her a vital question, the safeguarding of her frontier, she could and should have used every possible effort to have her solution accepted. England, in her demands concerning the German fleet and colonies, had set the example, and from the very beginning had openly formulated her terms and had them accepted. France should have done likewise... But she never made sufficient use of the means at her command. All too soon the representatives of France gave way and took a back seat. They allowed themselves to consent to England’s suggestion that, instead of having the Rhine as a definite frontier, as Foch insisted, there should be a body guaranteeing the help of England and America in case of German aggression.

“This meant dropping the substance for the shadow...” (pp 335-347).

This was published in 1928, when Germany was unarmed and intimidated into submissiveness, by a Frenchman for whom history was actual experience by which politics should be judged, and who, while admiring England, had an informed understanding of the value of its promises.

Eleven years later France followed England in declaring war on a Germany which had shrugged off the Versailles restrictions with English connivance and which had been armed with British collaboration. It did so without ensuring that Britain would send an Army to France of the scale required for destroying the German State again. Within a year it lost the War it had declared and, with the German Army in occupation, it made an Armistice with it, and was made war on by Britain for doing so. This incident is not dwelt upon by British historians of the War, but there is at least one history of it: *England's Last War Against France: Fighting Vichy 1940-42*, by Colin Smith (2009).

France might have gone to war against Germany with the virtual certainty of success if its purpose was to remove Hitler. It had a Treaty with Czechoslovakia which, if honoured, would have activated a Czechoslovak Treaty with Russia. But it let the opportunity pass, apparently because Britain wished Czechoslovakia to be broken up and the Sudetenland and the Czech arms industry transferred to Germany.

How can the gross political incompetence of the French State during those twenty-two years, in a matter that was vital to it, be accounted for? I suggest, in the light of the history of Democracy, that the fault lay in the fact that the democratic French state was thrown up by a democratic revolution and for that reason never found a way of conducting a stable political regime in the national interest.

The aristocratic British State waged a long war against the French Revolution and against the whole idea of democracy. It then, in 1832, began a very gradual modification of itself in the direction of democracy under the hegemony of the aristocratic ruling class in its two-party system of Whigs and Tories. It might be regarded as having become a kind of democracy in the 1880s, but it was a democracy with an aristocratic component which did its thinking on foreign policy, devised ways and means, and ensured consistency of purpose.

The unguided French democracy in the 19th century threw up a multitude of parties representing different shades of interest, and on a number of occasions turned to monarchy and dictatorship for relief.

In the 1920s and 1930s it had the formalities of democracy in a state which had failed to secure its frontier and it engaged in a kind of class struggle politics which consistently refused to deal with the outstanding national issue. Much the same kind of thing went on in Germany until 1933.

Hitler asserted and achieved national independence as a precondition of any further development. The class struggle within the subordinate Weimar system was getting nowhere. Hitler drew elements from all sides together in the independence movement on an understanding that he would establish a functional compromise when the state became free. And he did so to a considerable extent. And the German State became greatly strengthened as a result.

In terms of French fixed ideas, Germany was an aggressor because it existed. In 1870 France made war on Prussia because the dozens of German statelets were beginning to cohere around it. The Emperor, Napoleon 3, went down to the frontier and exhorted his troops to go and do to the Germans what their ancestors had done before them. The French Army

and French resources were greatly superior to the Prussian, but the Prussian Army was more tightly controlled and the Prussian State was more effectively purposeful. The lumbering French Army was outmanoeuvred and disrupted. The Emperor retired to England. Democracy was restored in the form of the Paris Commune. Though lacking an Army, it refused to negotiate terms, calling instead for a mass rising of the people. Eventually the Germans found somebody to negotiate an end to the war. And a French Marshall with an Irish name, McMahon, set about slaughtering the Communards—an event which led to the entrenched alienation of the proletariat from the system of the Third Republic which was based on the destruction of the Commune.

(While alienation was an element in Marx's description of Capitalism, it was in France that it was given durable political representation. In Britain the proletariat on the whole remained deferential, to the extent its main political involvement for decades was through the *laissez-faire* capitalist party, the Liberal Party, and the formation of a major Labour Party came about only when the Liberal Party destroyed itself in the Great War which it launched in 1914.)

The 1870 Prussian defence against a French declaration of war was one of the four German invasions referred to above. Two of the others were incidents in the Napoleonic War in which Prussia was allied with England, and managed to raise an Army under French occupation.

In the mid-1930s Germany was arming with British support, while in France low-level class war continued. But there was no revival of French national purpose either on the Right or the Left. The complacency of the Right has been pointed to as the source of the alleged Fifth Columnism which supposedly caused the collapse of the French Front in 1940, according to British propaganda-history.

It is difficult to fathom what was going in French political life in the middle and late 1930s if you are dependent on English translations, or are intimidated by post-War Churchillian mythology of the War, or feel obliged to bow to EU inanities about it.

Communist influence was strong throughout Europe after the Great War because the destructiveness of the War, moral as well as physical, had unleashed the elements of society and opened up the possibility of reconstruction on fundamentally different lines, as was being done in Russia under utterly different circumstances. The theory of it was that the antagonism between capital and labour would be resolved by the establishment of a *dictatorship of the proletariat*. The Communist movement did not achieve dominance in Italy, Germany or France, but was too powerful in each of them to allow a simple restoration of pre-War conditions. If that condition of things continued indefinitely, it seemed probable that Communist dominance would be achieved, and that would be the end of civilisation in Europe according to the bourgeois reckoning.

In Italy the Capital/Labour stalemate was broken by Mussolini's Fascist movement, which restored the combination of capital and labour in a market system in the governing of which each would have corporate representation. Mussolini had pioneered this development in 1914-15 when, as a revolutionary socialist, he had, in alliance with Britain, brought Italy into the War, against the opposition of both the Socialist Party and the Church, by merging revolutionary socialism and nationalism. In the mid-1920s Churchill went to Rome to do

homage to Mussolini as the saviour of civilisation. And, in the early 1930s, he praised Hitler on the same grounds, and said that, if England ever found itself in the kind of bondage imposed on Germany in 1919, he hoped it would find its Hitler to save it. He began to oppose Germany a couple of years later only because Fascism had made it strong, and not at all because it was fascist.

Class antagonism politics continued in France throughout the 1930s. They were leading nowhere. And there were those who looked to Germany and Italy with envy and wished there could be a fascist settlement in France. But this was not Fifth Columnism. It was understood that National Socialism was *nationalist* and could not be got for France by opening the frontier to Germany.

The standard British line in 1940-41 was that the defeat in France was brought about by the Fifth Columnism which saturated the French upper classes and which opened the front to the Germans. I have been looking for evidence of this for about fifty years and have not found a trace of it. The military defeat had a military cause. And, though the result was an overwhelming German victory, it was in essence a gamble with a new tactic that came off but might well have been a catastrophe if things had gone wrong at certain junctures.

In June 1940 neither the Right nor the Left in France was inclined, under the shock of military defeat in a war which had been thoughtlessly declared, to deny the fact of defeat and to continue the War without an Army. Churchill told them that they did not have the right, under an agreement made with Britain in 1939, to admit defeat and look for terms of settlement with the state on which it had declared war and lost.

What definite purpose did France have for declaring that war? Andre Maurois said: “on September 3rd 1939... she began her second world war. More than any other which France has waged in the long course of her history, this was a war of principles and ideals” (*A History Of France*, 1949, in 1960 English translation p490).

To put it another way, it had no national purpose, and any other purpose was difficult to grasp. For what then should it have sacrificed itself when it lost its war?

On the German side there was clear purpose. It had been encircled militarily by superior forces by the agreement between Britain, France and Poland. War had been declared on it. That was why it fought. Absence of intelligible purpose on the French side must have had a considerable influence on the way things went after its declaration of war.

Paul Gallagher quotes Spinoza saying “*Those who are governed by reason desire nothing for themselves which they do not also desire for the rest of mankind*”. But Spinoza was of the opinion that reason had no motive power of its own. Human action is driven by passion, emotion. A critical section of his *Ethics* has the title *Of Human Bondage*—bondage to the emotions.

That is what the EU needs to take account of just now—when the President of the Commission has declared that her object is to abolish hate. De-humanisation in the service of what seems reasonable to her is not a practical project.

Churchill made his famous speech about fighting them on the hedges and ditches in June 1940, after he had taken his Army home and refused to commit his Air Force in France and there was no real prospect of a German invasion. It was a sermon to the French. General Spears, Churchill’s personal General, and a British-type Francophile, was amongst them at the time and he describes how the rhetoric impressed them for an instant and was then dismissed. And “*that night there was a rift between us... I had my password and they did not have theirs. We no longer belonged to one society bounded by the same horizon. A lifetime steeped in French feeling, sentiment and affection was falling from me. England alone counted now*” (Spears, *Assignment To Catastrophe*, June 4th, p361).

And he records that Reynaud, the Anglophile Premier, observed: “*Your people... are acting as if they were merely interested onlookers...*” (June 1st).

Churchill’s urging that Paris should be defended by street fighting (and destroyed) was ignored. The French democracy that had declared war acknowledged the fact of defeat and made the best settlement they could, which left them in control of about half of the country with the other half remaining under German occupation pending a settlement with England. But “*the people have no right to be wrong*”—at least not where they act contrary to British interest.

The Vichy regime, recognised as legitimate by Ireland and the United States, and overthrown by a rebellious French General who accompanied the US invasion of Occupied France in 1944, led to a very complicated situation in post-War France which has been much written about. There were problems about history and memory, and the different kinds of truth, and the appropriateness of detaching political facts from the political contexts, and the function of history with relation to the requirement of conducting a democratic state.

None of the problems arise in actual Irish history. But revisionist historians with the task of remoulding “*perceptions*” in the British interest through the education system have seized on those History/Memory themes in French literature and tried to reproduce the Vichy Syndrome in the educated Irish mind. But all of that must wait on the next issue.

Brendan Clifford

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# The Karabakh War

Pat Walsh

On 8 November 2020, the key town of Shusha was confirmed to have fallen to Azerbaijani forces. It is a historic day for Azerbaijan. The 26 year Armenian occupation of Karabakh was dealt a fatal blow with the return of the old capital to de facto Azerbaijani authority. At the same time pictures showed the Armenians abandoning the capital of Stepanakert (Khankendi) in droves and heading for Armenia. They leave peacefully in cars, unmolested by the Azerbaijani forces. The scene is so different from 3 decades ago when Azerbaijani civilians – women, children and old men – fled across snow covered mountains and were hunted down and killed in their thousands by Armenian forces.

The only problem the Armenian refugees have is Yerevan obstructing their entry to the motherland, as they are expected to die for Armenia in Karabakh, presumably forming suitable propaganda material for the last “genocide” card – the card Armenia always plays as it goes down to defeat.

The battle for Shusha has been hard fought. The Armenians have put up substantial resistance in the form of ambushes on advancing Azeri forces, who have had to carefully negotiate very difficult terrain – mountainous wooded ravines and gorges with narrow roads. Casualties have been high on both sides. However, over the last month, Armenian forces have suffered far too heavy losses in manpower and materials to make their defensive advantage pay. Due to the degrading of their forces through Azeri attacks they struggled to defend the entire length of the 40km road that connects Armenia to the population centres of the ‘Artsakh Republic’, including its capital Stepanakert (Khankendi). Azerbaijani special forces had reached the road on October 4, and having established a foothold the Armenian armed forces proved unable to drive them out, despite all their efforts.

The President of ‘Artsakh’ Arayik Harutyunyan stated the old Armenian dictum: “Who controls Shusha, controls Karabakh” and called on all Armenians to stand up and defend the “holy city” to the death. Volunteers from the diaspora were pictured flying in after answering the call. And on 6 November Artsrun Hovhannisyanyan, the official representative of Armenia’s Defense Ministry, stated: [“Shushi is ours. Shushi will not fall”](#).

For over a week, battles raged across the mountain ranges and ravines south of Shusha as Azerbaijani forces painstakingly secured key strategic heights to make an assault on the city possible. The Armenian army used both artillery and sudden ambushes on the Azerbaijani units to prevent the advance on the city. But by 4 November, Azerbaijani forces had gained control over the key points on the mountains to the south of Shusha and the vital road from Shusha to Lachin, and on to Armenia. The next day Azerbaijani special forces proceeded towards the cliff that Shusha stands upon, beating back resistance from arriving Armenian reinforcements.

## The “disputed territory”

Karabakh is often described as a “*disputed territory*” in the Western media. That is a false statement. There is no actual dispute about the legal status of Karabakh – it is recognised almost universally as part of the sovereign territory of Azerbaijan. The Karabakh conflict is actually a conflict of two nationalities within a territory that is wholly a *de jure* part of one state.

It cannot be denied that there were historically two nations in Karabakh – before one of them were completely purged from its territory in 1990s. There was a willingness to live side by side, without substantial conflict, during the centuries when Karabakh was an independent khanate or part of Turkic, Persian or Russian Tsarist administered territories. However, after the rise of Armenian nationalism in the 19th Century, and then the emergence of an Azerbaijani national consciousness, in large part as a consequence of Armenian territorial ambitions, two nations confronted each other in Karabakh. There was almost a complete absence of common collective feeling between the two communities.

The Armenian claim to Karabakh is based on the notion of “self-determination”. “Self-determination” is a very problematic concept. It was trumpeted across the world during the Great War by Britain, the United States and Bolshevik Russia. The slogan of “the right of self-determination” was mainly used as a means of sowing dissensions in the territories of the enemy. When it was attempted in the territories of those who advocated it the same states who advocated it repressed it with vigour.

There has probably been an Armenian presence in Karabakh for centuries, and particularly in the highland areas. No one denies that.

Up to around a century ago there had been a Muslim majority in Karabakh, according to the Russian censuses. In the 18th Century it had been the territory of Muslim Khanates who had signed peace treaties with Russia, which led to their absorption by the Tsar’s Empire. From the 1830s Tsarist Russia implemented a colonisation of Christian Armenians to bolster the frontiers of their expanding Empire. Armenians grew from being only 10 per cent of Karabakh (according to Russian figures) to half the population, within 2 generations. In 1911 a Russian observer, N. Shavrov, who had been involved in Tsarist colonial policy, noted that only 300,000 of the 1.3 million Armenian population of the Southern Caucasus were originally from the region.

The principle of “self-determination”, already problematic, loses all validity when majorities are achieved by the processes of colonisation and the displacement of populations.

Armenians claim that Karabakh was Armenian since time immemorial. That is nonsense. But this is part of the Armenian nationalism which views the Armenian nation as a primeval entity that was there as a subject of history, when history began. Nations are not eternal phenomena, of course. They are historically evolved mixtures of race, religion, language, economic interest, dynastic influence and geography blended, in various proportions, through historical events, to produce a cultural affinity between large numbers of people, finally producing a nationality.

In May 1918, three nation states emerged in the Southern Caucasus from the Tsarist collapse – Georgia, Azerbaijan and Armenia.

Karabakh was a territory of Azerbaijan during the period of the first Azerbaijan Democratic Republic in 1918, the British occupation during the following year, the independent Azerbaijan Republic after that, and the Soviet Socialist Republic of Azerbaijan from 1920 onwards. It was never a part of an Armenian state, before or after Tsarist Russia came down across the Caucasus.

The Azerbaijani case is based on sovereignty, something that usually trumps “self-determination”. If it did not the world would be chaos.

### “Nagorno-Karabakh“

Nagorno-Karabakh was created by Stalin in the 1920s as part of a settlement to solve the nationalities problem in the region that had emerged from the emergence of nations out of the Tsarist collapse during the Great War and Bolshevik sloganising over the right to self-determination.

Stalin was the Bolsheviks expert on the national question and knew the area well, being a Georgian and having spent a number of years as an activist in the industrial city of Baku.

The settlement involved separating the mountainous (Nagorno) part of Karabakh (black garden) from the rest of Azerbaijan, and surrounding provinces, and forming an autonomous region. Stalin, after careful consideration, had decided, along with other prominent Bolsheviks from the region in the Kavburo, that Karabakh should remain a part of Azerbaijan, despite Armenian nationalist claims on it. To achieve a balance he had an arbitrary boundary drawn that included as much of the Armenian populace of the mountain region within the autonomous region and which excluded as many non-Armenians as possible. This reduced the Azerbaijani population in the autonomous area to less than 20 per cent. However, the major Muslim settlements of Shusha and Aghdam had to be included within it as the population was mixed from village to village and town to town. The Muslims in each of the 7 provinces surrounding the new entity of Nagorno Karabakh constituted at least 90 per cent of their populations.

This created an autonomous Armenian controlled enclave inside the Azerbaijan Soviet Socialist Republic. There was a substantial piece of Azerbaijan territory between Nagorno Karabakh and the Soviet Socialist Republic of Armenia. And Armenia signed up to this settlement, probably deciding that Stalin meant business and was not to be messed with.

For over 60 years this settlement worked. It was not perfect, of course. The Armenians produced occasional petitions, once Stalin was safely dead, to the Soviet leadership, urging Moscow to give them the land they coveted. The Soviet leadership remained unmoved in the face of this nationalist irredentism. There was some Azerbaijani annoyance at the settlement, which involved the giving of Zangezur to Armenia as part of a trade off. But the Moslem population of the autonomous region steadily grew from just over 10 per cent to around 25 per cent in the 1980s and there was a general acceptance of the settlement on the basis that autonomy was a price that had to be paid to ensure the continuance of the territory under the sovereignty of the Azerbaijan Soviet Socialist Republic.

### The First War for Karabakh (1988-94)

The First Karabakh war came about as a result of the internal collapse of the Soviet Union around 1990. The Soviet leader Gorbachev disorganised the Communist Party of the Union to prevent a roll-back of his reforms, aimed at improving on the Leninist state. This loosened the cement that held the Union together and led on to disintegration. Disintegration of state authority ushered in a period of flux in which nationalist forces, long since curtailed, were let loose.

The collapse of the Soviet Union affected Armenia and Azerbaijan in different ways. The unfreezing of nationalisms and the sudden unleashing of nationalist passions gave the Armenians a great advantage in their dispute with Azerbaijan over the territory of Nagorno-Karabakh.

The Armenians had a tradition of ethnic, racial and religious nationalism that predated the Union. This nationalism was

extravagantly expansionary and greatly desired increases of territory that would encompass all Armenians, no matter how little they constituted of the population. At least a third of Ottoman Turkey, and large amounts of territory, including whole regions of Georgia, Iran and Azerbaijan were earmarked for ‘Magna Armenia’. The Armenians also had a notion of being a special (Christian) people in a sea of less civilised humanity that they used to their advantage in the West.

The collapse of the Soviet Union suited them greatly. They had really just buckled down under the Soviet system, working it to any advantage they could get from it, whilst retaining practically all of their previous character. The Armenians’ vigorous nationalist spirit was perfect for the catastrophic situation in 1990-1 when Gorbachev blundered to disaster and removed all restraint and his successor, Yeltsin, encouraged on the deluge.

The very certainty of the Armenian character and position made them purposeful actors in the situation. They called for the replacement of the Union treaty of 1922 and immediately established a national army of 140,000 men and armed and trained it, in conjunction with its diaspora from the US, and the terrorist elements that had honed their fighting skills in Lebanon. Arms and munitions were sent into Azerbaijan’s territories and paramilitary forces established in Nagorno Karabakh.

The Azerbaijanis, on the other hand, became a mass of uncertainty within this confusion. Their problem stemmed from the fact that the Union had had a much more profound effect on them. It had contributed greatly to the national development of Azerbaijan and when it began to fracture they were greatly divided about what to do about it. The Azerbaijani Communist Party was one of the most loyal and dependable of the Union’s components and there was considerable support in the society for the existing system. However, the situation instigated by Gorbachev and followed through by Yeltsin required a nationalist response. It began to emerge in Azerbaijan in the shape of the Popular Front. This popular nationalism was greatly enhanced by the completely unnecessary massacre (Black January) of around 150 civilians in Baku during a single day by Gorbachev’s forces.

History has shown the Azerbaijanis to be a people who are loyal to lawful authority. In 1988 they really had only one requirement of the Soviet Union – that it defend the settlement it had imposed in the 1920s, with the army of the state, and put down the separatists. That was a very reasonable request to make of the Soviet leadership, who had shown every willingness to engage in such defence of state structures in the past. Azerbaijan had no army to defend its territories against the Armenian separatists and their supporters from Armenia and diaspora. It relied on the Union of which it formed part and trusted it to defend its people in Karabakh.

But when Gorbachev failed the Azerbaijanis, general confusion ensued and faction fighting, attempted coups and military mutinies disabled a unified defence of Karabakh. By the time a national army was organised of new young conscripts and the senior Politburo member, Heydar Aliyev, had returned to stabilise the situation in 1993 it was too late. Karabakh and 7 surrounding provinces had been lost to concerted nationalist action by the Armenians.

The Armenian land grab resulted in considerable violence and forced migrations of population from 1988 to 1993. Armenians left Azerbaijan and Azeris left Armenia in the hundreds of thousands. Whilst the attacks on Azerbaijanis in Karabakh were systematic and organised by well armed paramilitary forces, those against Armenians, like at Sumgait, where two dozen were killed, tended to be characterised by reactive mob violence. The most serious and notorious incident occurred at

Khojaly in February 1992 when over 600 Azerbaijani villagers were massacred by Armenian forces.

## Between the Wars

The Armenian victory and occupation of such a large area of Azerbaijan proved something of a poisoned chalice. The separatists wanted Karabakh but the Armenian appetite for territory, combined with the Azerbaijani collapse left them in control of a large amount of territory. Levon Ter-Petrosyan, the first Armenian Prime Minister after independence, realised the danger and attempted a settlement with Heydar Aliyev. However, Ter-Petrosyan was ousted by Armenian nationalists before he could come to an accommodation with Baku. From then onwards the Armenians demanded nothing short of independence for Karabakh, a demand they knew the Azerbaijan government could never concede, particularly after the bitterness that the occupation, massacres and ethnic cleansing had produced.

In the years following the First Karabakh War the pseudo-state of 'The Republic of Artsakh' was established by the Armenian separatists out of the nearly 20 per cent of Azerbaijani territory. But it remained unrecognised by virtually every government in the world (including even Armenia, for reasons of diplomatic repercussions). 'The Republic of Artsakh' was an illegal "rogue state" in every sense of the word.

In 2006 'Artsakh' adopted a new constitution that formally annexed the seven occupied territories around Karabakh. Infrastructure was begun that indicated this was a permanent occupation, rather than territory that was to be given up as part of a peace deal. Settlers were brought in from Armenia and abroad to colonise the lands on which Azerbaijanis lived and were displaced from – a war crime under the Geneva Conventions. It became increasingly unacceptable to advocate the trading of land for peace in both Armenia and Karabakh. Ambitions grew and the Karabakh clan dominated the politics of Yerevan.

The "frozen conflict" remained frozen for 26 years with the Armenian separatists continuing to occupy the large slice of Azerbaijan and aiming to hold it while those Azerbaijanis it had forced out died off. Armenia paid over half the amount needed to sustain the pseudo-state of 'Artsakh'. It was turned into an armed camp and one of the most highly militarised areas of the world. In doing this Armenia needed large subsidies from Russia. And it could not pay for the weaponry required to arm its armed camp so that Moscow had to provide much of it free of charge. In return Russia got a large strategic base and Armenia began to feel that it could rely on its Moscow sponsor indefinitely.

But the land grab had had important economic implications for Armenia. It found its natural trading partners and routes gone. Both Azerbaijan and Turkey closed their borders and Georgia, which Armenia claimed territory from, was no useful substitute. Iran, to the south, became its only outlet and trading partner.

The economic isolation led to a large decline in the Armenian population, as well as any growth in 'Artsakh'. Armenia lost a quarter of its population with 1 million of the 4 million leaving since the secession from the Soviet Union. In the same period Azerbaijan's population increased from 7 to 10 million. The corruption of the Armenian political elite, which was pro-Moscow and known as the Karabakh clan, because of its origins in the conflict zone, led to a colour revolution led by a journalist, Nikol Pashinyan. And Armenia was unbalanced by this turn of events.

Pashinyan, after promising reform and a meaningful peace process, retreated in the face of nationalist opposition and,

in order to protect himself from the opposition, reinvented himself as an expansionary nationalist supporting "*new war for new territories*" and engaging in provocative behaviour that shattered Azerbaijan's hopes of a negotiated return of its territories.

## The Failure of International Law

The current war in Karabakh – the Second Karabakh War – is understood to be about the implementation of international law on the Azerbaijan side. In 1993 the UN Security Council passed 4 Resolutions demanding that Armenia withdraw its military forces from the territory of Azerbaijan it had occupied as part of the First Karabakh War. The resolutions also demanded that Armenia permit the 750,000 or so people it had ethnically cleansed from the occupied territories to return to their homes.

The UN Resolutions further demanded that Nagorno-Karabakh be returned to Azerbaijan's sovereignty, along with the seven provinces that surrounded it, which were captured and depopulated of Azerbaijanis.

The Minsk Group was established soon after the 1994 ceasefire to solve the issue of Karabakh and presumably implement international law in relation to it. The Minsk Group has three of the Permanent Members of the UN as its Chairs – The United States, France and Russia. But for over two decades it allowed the Armenians to give the UN Security Council the runaround, while at a same time its permanent members and allies went around recklessly destroying legal and sovereign states with impunity.

At the end of September 2020, the Azerbaijan government, which had carefully built up its economy and armed forces over the course of a decade or so, and put together an effective battle plan, decided to implement international law itself, after a series of political and military provocations by Pashinyan and his forces. In just over a month the Azerbaijani army achieved more than the UN Security Council and international law had achieved in 26 years.

What the Armenians brought on, in September 2020, was something entirely different from the experience of the 1990s. They faced a professional, well organised Azerbaijani army with the latest technology in warfare. Pashinyan's reckless provocations in which Armenia overplayed their hand has resulted in all the efforts made 30 years ago being wiped out with the occupation.

## Solutions?

On October 29, Russian President Vladimir Putin presented a possible plan for ending the conflict. This was presented as the Azerbaijani army had made good progress in liberating territory but before the crucial battles had been won.

It involved Armenia immediately giving up the Azerbaijani territories that didn't belong to Soviet Nagorno-Karabakh and the actual status of Nagorno-Karabakh to be determined later. However, this proposed solution has been overtaken by events on the battlefield. The only important territories remaining to the Armenian occupation are the Lachin District and the Kalbajar District in the North, along which runs the only remaining supply route which hasn't as yet been severed by the Azerbaijani army. However, this is a very long road vulnerable to attack if used by military columns.

So most of the occupied territories are now no longer in the possession of the Armenians to trade. By breaking the ceasefires with bombardments of Azerbaijani civilian areas they continued the war to a more complete defeat.

With two nations occupying a common territory they contest ownership of, there has to be some level of injustice done to one nationality to resolve the issue. The question is: what is

the least injustice that can be done and within what context can any injustice be ameliorated for the community suffering the injustice of a functional settlement.

In the 1920s the Kavburo decided on maintaining the territorial status quo and Karabakh remaining part of Azerbaijan with an autonomous Nagorno-Karabakh being established to placate the Armenian population. When the Soviet Union collapsed the Armenians instituted by force a zero-sum approach of winner takes all (and more).

If the Armenians, during their 26 year occupation, had been prepared to make an accommodation with the Azerbaijanis, trading the territory they had won in the first Karabakh war for peace, there may have been a solution possible whereby the Armenian population of Nagorno Karabakh achieved a degree of separation from Azerbaijan and an institutionalised link to Armenia. However, Armenian nationalism was neither willing, nor able, to accommodate such a settlement.

Having provoked a war, shed a large amount of blood, and lost most of the occupied territories to the Azerbaijani such a solution is neither possible nor indeed desirable.

The Armenian solution to the Karabakh problem represented an injustice to 750,000 people who were not only deprived of national rights, but also had their rights of existence taken away by the occupation of Karabakh and its surrounding territory. So 750,000 people had their national rights denied by around 145,000. It also involved the denying of full national rights to the 7 million people of Azerbaijan at the time.

On top of that 'Artsakh' is a pseudo-state, with its illegality representing a permanent barrier to its inhabitants' participation in the democratic life of a state.

So, the solution that involves least injustice at present is the placing of the Armenian population of Nagorno-Karabakh under the sovereignty of Azerbaijan. The 2015 population of 'Artsakh' according to Armenian figures was around 145,000 (probably less). That represents an injustice to just over 1 per cent of the population of the state. The population of Armenia is 3 million as against Azerbaijan's 10 million. So at a secondary level there would also be a much less injustice done.

An important point in all of this is the impressive tolerance of Azerbaijan as a heterogeneous state. As well as Azeri Turks there are Lezgins, the largest minority group, Russians, Talysh, Tats, Avars, Georgians, Armenians and Jews making up the population. The Azeris are the most secular of Muslims and wear their religion lightly. Armenia, on the other hand, is a mono-ethnic, homogenous state, with a strong sense of ethnic purity as a basis for its nationality and seemingly incapable of tolerating, let alone absorbing, minorities.

Karabakh as part of Azerbaijan represents the minimal injustice possible in the situation, within a multi-ethnic state that has a real interest in incorporating all the inhabitants within the democratic system of the political life of the state. Perhaps there is an argument for some form of autonomy. But any other settlement, that leaves the issue unresolved only invites further conflict in the future.

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# Two Presidents and Hanna Sheehy Skeffington on British Democracy's Imperialism

By Manus O'Riordan

In the *Irish Times* this past September 19 - under the headings of "President Higgins says British must face up to their history of reprisals; President says sack of Balbriggan 100 years ago was rooted in ideas of superiority" - Ronan McGreevy, whether grudgingly or not, reported:

"Reprisal-based violence was a key element of the military imperialist strategy throughout the British Empire, President [Michael D Higgins](#) has said. Writing on the centenary of the sack of Balbriggan, which occurred 100 years ago this weekend, President Higgins said reprisals by British forces were not unique to [Ireland](#). The British used similar tactics in [India](#) and in suppressing the [Mau Mau](#) uprising in [Kenya](#) in 1952 and in 1956 in [Cyprus](#)... On the night of September 20 and 21, 1920, Crown forces based in nearby [Gormanston](#), Co Meath went on the rampage in Balbriggan... The Black and Tans burned a whole street of houses, four pubs and the Deeds and Templar hosiery factory which was the biggest employer in the town. It left 200 people out of work. They also shot dead two Republican activists, Seán Gibbons and Séamus Lawless and left their bodies on the street... Recalling the violence, President Higgins said British reprisals were rooted in 'ideological assumptions, of superiority and inferiority in terms of race, culture or capacity, in the notion of the collective as a disloyal, hopeless or threatening version of the 'other'. ... The president described the Sack of Balbriggan as an 'act of collective punishment, a reprisal, a term that would become the mark of a policy aimed at subjugation, installation of fear in a public that had in its midst those that sought independence'... President Higgins said it was important that the British recognised these facts about their previous relationship to Ireland... 'We must all acknowledge that such acts of violence would be judged illegal by today's international standards of war and conflict.' ..."

In other words, these were War Crimes, for which all sections of a democratic British society were responsible - whether for Ireland in 1920, Kenya in 1952 or Cyprus in 1956, to which I might add Malaya, 1948 to 1960.

## "The 'othering' of Irish people ingrained at all levels of British society"

President Higgins further pointed out: "Winston Churchill would write, 'We have always found the Irish to be a bit odd. They refuse to be English'. The 'othering' of Irish people and their culture was undeniably ingrained at **all** (my emphasis - MO>R) levels of British society."

See <https://president.ie/en/media-library/speeches/statement-by-president-michael-d-higgins-on-the-centenary-anniversary-of-the-sack-of-balbriggan> for the full address by President Higgins.

Prior to the Representation of the People Act of 1918, not only had all females been denied the franchise, so also had most working class males been so denied, as they failed to meet the property qualifications required. Indeed, as many as a third of

all adult males in the UK as a whole, the poorest third, had been denied the vote. The 1918 Act, giving the franchise to women aged 30 and over, and to all adult males aged 21 and over, with those property qualifications abolished, added not only 800,000 females to the Irish electoral register, but also 500,000 hitherto disfranchised adult males. This revolutionised the size of the Irish electorate, which almost trebled - from 700,000 to two million.

The December 1918 General Election was democratic in a way that no previous election had been. Irish democracy gave the majority of seats to Sinn Féin, resulting in the establishment of Dáil Éireann and its ratification of the 1916 Rising's Proclamation of an Irish Republic. British democracy, however, voted for an Imperialist Government that refused to recognise Ireland's election results, went on to outlaw Dáil Éireann, and then proceeded to wage a war against Irish democracy. As President Higgins put it: "The 'othering' of Irish people and their culture was undeniably ingrained at **all** (my emphasis - MO>R) levels of British society."

President Higgins was not the first to address this democratic aspect of British imperialism. One hundred years ago, this issue had been addressed by Higgins's predecessor as President of Ireland from 1959 to 1973, Éamon de Valera, who had also been President of the Irish Republic from 1919 to 1922. In "Century Ireland" in 2019, marking the centenary of the Amritsar massacre of April 13, 1919, Kate O'Malley recorded:

"In February 1920 in New York, Éamon de Valera was a key note speaker at a 'Friends of Freedom for India' gathering in the Central Opera House, which, according to reports, was jammed to the rafters. His talk was titled 'Ireland and India', and in it he referenced Brigadier-General Reginald Dyer, later dubbed 'the Butcher of Amritsar', no less than five times. The speech was published in pamphlet form; it received extensive press coverage and its circulation was banned in India."

## "The worst of all: the rule of a people by a foreign democracy"

In speaking to the Friends of Freedom for India, de Valera addressed the issue of British democracy as whole, including its working class component, being answerable for that country's imperialism and militarism:

"It has become a fashion to say that it is only the English ruling classes who are to blame. I am ready to admit that it is they who benefit the most directly by the exploitation, but the British labouring man is often the loudest in proclaiming the democratic nature of the British system of government. The British labouring man can no longer be excused on the plea of ignorance. The common citizen's vote it is that maintains his government in power; it is in his name that the government acts. He is responsible for the acts of his government if he does not bring that government to book. I hold that the British system being what it is, and the power being in the average voter's hand if he will exercise it, the whole British nation, every part

of it, is equally responsible. They will pretend to throw up their hands in horror at the deeds of their General Dyers, but, as I have said, the Dyers are the necessary instruments of their imperial system. The government that maintains the system is their government, the responsibility is their responsibility, and we should not help them to evade the responsibility, evade the blame. The labouring classes can bring about a change if they want to; if they do not, they are guilty with the others... The rule of a people by a foreign despot is a terrible thing, but the rule of a people by a foreign democracy is the worst of all, for it is the most irresponsible of all..."

"There is one lesson that Ireland's struggle teaches very plainly. It is only through the influence of fear and the pressure of force that Britain has ever been brought to consider even partially the claims of Ireland. We have never been able to achieve anything except when we compelled England to rule us with the naked sword. It is, of course, always by the sword that she has maintained herself in Ireland, as in India, but she prefers to maintain herself with the sword in its scabbard if she can. The English are very sensitive to what the world thinks of them. They have long played the hypocrite with success; they hate now to see the mask torn from them. Today they are more afraid of it than ever, for their conduct at the Peace Conference has made them suspect to the whole world... And here I come to the policy of physical force. Can we, struggling for our freedom, afford to fling away any weapon by which nations in the past have achieved their freedom; any weapon by which, in conceivable circumstances, nations may win their freedom? We in Ireland hold today that we may not. On that account our opponents call us the physical force party. But we are not a physical force party only. The fact that we are making an appeal to the moral forces of the world is sufficient to show that we do not rely upon the sword as the only weapon. If those who advocate the use of moral force only assist us now that we appeal to them, there will be no need of any appeal to the other forces. No one appeals to physical force except as a last resort when there is no hope of securing justice otherwise."

See <https://archive.org/details/indiaireland00deva/page/n3/mode/2up> for the full text of the pamphlet published in 1920 by the Friends of Freedom for India in New York, entitled *India and Ireland*, by Eamon De Valera, President of the Republic of Ireland.

### **British militarism as Hanna Sheehy Skeffington had known it**

In 1908 Hanna Sheehy Skeffington was the founding secretary of the Irish Women's Franchise League, while in 1912 her husband, Francis, became founding co-editor of the IWFL's newspaper, *Irish Citizen*. Socialist Republicans, freethinkers, feminists and suffragists alike, they each adopted the other's surname on marriage. The first Irish Republican to undertake a speaking tour of the USA in the aftermath of the 1916 Rising had been Hanna Sheehy Skeffington, whose pacifist husband, Francis, had been brutally murdered, along with others, by the British Army's Captain J. C. Bowen-Colthurst during that Easter Week. Hanna resolved to bring the facts of such war crimes to the attention of the American public, giving her first lecture, under the auspices of the Friends of Irish Freedom, in Carnegie Hall, New York, on January 6, 1917. Her theme was "British Imperialism As I Have Known It", which remained the basic theme of over 250 meetings she addressed on that tour, her last address being at Madison Square Gardens, New York, on May 4, 1918. *British militarism as I have known it* was first published in pamphlet form in 1917, by the Friends of Irish Freedom in New York, and later published in Ireland itself in 1918. See [https://en.m.wikisource.org/wiki/A\\_forgotten](https://en.m.wikisource.org/wiki/A_forgotten)

[small\\_nationality/British\\_Militarism\\_As\\_I\\_HaveKnown\\_It](#) for the full text.

On January 19, 1920, Hanna Sheehy Skeffington would be among the Sinn Féin candidates declared elected to Dublin Corporation. The *Irish Times* was none too pleased that those January 1920 Local Elections results had sustained the momentum of the December 1918 General Election. On February 7, the *Weekly Irish Times* as much complained as it reported, with capitalised sub-headings such as: «LORD MAYORALTY OF DUBLIN; SINN FEIN PRISONER ELECTED; REBEL FLAG ON CITY HALL.» And there was a further tone of disapproval, if not derision, concerning an «unusual incident» as it further reported: «MRS. SHEEHY-SKEFFINGTON IN THE CHAIR. During the temporary absence of the Lord Mayor (Tom Kelly, imprisoned in England - MO'R), the mayoral chair was occupied by Mrs. Sheehy-Skeffington, the unusual incident evoking general applause."

### **An IRA death in a post-War state at peace**

In May 1919, Hanna became a member of the Sinn Féin Standing Committee and the Party's Organising Secretary. In 1926 she joined de Valera in breaking with Sinn Féin and became a founding Executive Committee member of Fianna Fáil. But Hanna also broke with that Party in 1927, when Dev decided to swear the Oath of Allegiance to the Empire's King so that Fianna Fáil might take its seats in the Dáil. Hanna went on to co-edit, with Frank Ryan, the IRA newspaper *An Phoblacht*. Her differences with de Valera became accentuated over the provisions of his 1937 Constitution regarding women, with Hanna being joined in her opposition to such provisions by other feminist Republicans - such as Kathleen Lynn, Dorothy Macardle, Kathleen Clarke and Maud Gonne McBride. Hanna proceeded to establish the Women's Social and Political League as a campaigning group.

The sharpest differences between Hanna and de Valera would, however, emerge at the close of her life, centred on his treatment of IRA prisoners. The Second World War was now over. During the course of it, Dev had ruthlessly crushed the IRA and it no longer posed a threat to the State. Yet there was to be no change in the prison regime for such convicted IRA members in what was now a peaceful environment. *Skeff - A Life of Owen Sheehy Skeffington 1909-1970* is the title of the 1991 biography of Hannas's son authored by his widow Andréa, in which she recalled:

"Sympathy for the IRA in pro-republican circles had run high in 1946 with the death of Sean McCaughey in Portlaoise Prison, after twenty-three days on hunger-strike, including nineteen on thirst-strike. He had been condemned to death in 1941 by the Special Court and his sentence had been commuted to penal servitude for life. It had seemed at the time a rather sordid case, McCaughey having been charged with 'assaulting and detaining' Stephen Hayes, Chief of Staff of the IRA, himself being Adjutant General of the IRA, but the sentence appeared unexpectedly harsh. After four and a half years in jail, of which three were spent in solitary confinement, McCaughey went on hunger-strike to be granted political status - perhaps also with a hope of early freedom prompted by the release of IRA internees from the Curragh. De Valera appealed to, had not yielded. McCaughey died... When the Minister for Justice (Gerry Boland) asked publicly: 'Must the Government distinguish between those who commit murder and other serious crimes for one reason, and those who seek to justify their crime on the ground that they have a political aim in view?' Owen replied

that the government did in fact distinguish between different types of crime, since it had 'political offenders' tried by special courts reputed to be concerned 'to secure a conviction at all costs'. This death remained in Owen's mind as one of the less creditable incidents of de Valera's career."

Seán McCaughey had commenced his hunger-strike on Good Friday, April 19, 1946. Hanna would die on the following day, April 20. In her 2019 biography, *Fearless Woman - Hanna Sheehy Skeffington, Feminism and the Irish Revolution*, Margaret Ward related:

"Owen guarded his mother's integrity jealously. In that he was as uncompromising as she had been. The Rory O'Connor branch of Fianna Fáil sent a letter of condolence. He received it on the morning that news came of the inquest on Seán McCaughey... In those circumstances, Hanna Sheehy Skeffington, a live-long campaigner for prisoners' rights, would not have appreciated any message from Fianna Fáil and her son was scrupulous in carrying out what he believed would have been her wish: 'I can accept no official sympathy from Fianna Fáil, nor would my mother have wanted me to ... I cannot accept the condolence of any official branch of Fianna Fáil and I am returning your letter.' Just to make sure his objections were seen by the man who mattered the most, he sent a copy of the letter to Éamon de Valera, with a note saying: 'for information'."

### **How Owen and Hanna viewed Dev's wartime neutrality**

Owen had, however, been no less forthcoming in giving Dev credit whenever he believed it was due. As his French wife, Andrée Sheehy Skeffington, wrote in her biography of him:

"Eamon de Valera had announced that the Twenty-Six Counties would remain neutral in the European conflict. Owen fully supported this position. His horror of Nazism had not abated, nor his love for France. But to suggest that the Irish state should take sides would undoubtedly split the country, with the majority against being aligned with Great Britain.

The IRA had declared war on Britain some months before with a series of bombings in London, and, while most Irish people regarded these acts as senseless, allowing Britain to use Irish ports would have been repugnant to at least as many. Owen was among these, not only out of antagonism to British imperialism, but also out of a desire to contain the war. He sympathized to a certain extent with the few friends who joined up with the Allies for the defence of democracy, but could not help drawing a parallel with those patriotic Irishmen who had taken a similar step twenty-five years before for 'the defence of small nations' and had either died without hope, like his Uncle Tom Kettle, or come back disillusioned and with a horror of war."

She also related: "Owen had been impressed in May 1945 with de Valera's dignified answer to Churchill, who had made a smug and flippant reference to the British government's 'restraint and poise' in leaving the Irish government 'to frolic' with the German and Japanese representatives. 'An example of Mr de Valera at his best', Owen remarked." Hanna similarly championed Irish neutrality but, unlike Owen, did not give Dev credit and seriously underestimated his resolve in that regard. As Margaret Ward related:

"De Valera announced his intention of ensuring that 'Éire' remained neutral in the war. Hanna was sceptical, believing that he would be more than willing to trade neutrality for the Six Counties, if the British could persuade the unionist government to agree to such a deal. Only the intransigence of the unionists, particularly Craigavon, their Prime Minister, prevented a deal being struck - at least, this was how she read the situation. To the astonishment of many of her republican friends she took to raising her cup of tea for a toast, murmuring: 'Thank God for Craigavon'."

### **"Tans the early Blackshirts: democratic Britain's answer to Ireland's democracy"**

Hanna's ongoing antipathy towards Dev resulted in her so erroneously doubting his steadfast commitment to wartime neutrality. Dev had thoroughly rejected Churchill's "Nation Once Again" attempt to tempt him down the road of ever dreaming of trading in that neutrality for the Fourth Green Field. And although she might not admit it, Hanna also had much in common with Dev in sharing a comparable understanding of British democracy's responsibility for that State's imperialism

Margaret Ward relates that, suffering from heart trouble, as her movements became limited with her worsening health in 1946, she could still write a letter to the *Irish Press* of March 4, commenting on an interview given by William O'Brien on the 1916 murders of her husband and Councillor Richard O'Carroll, and in which she pointed out that it was Bowen-Colthurst who had murdered both of them. Andrée Sheehy Skeffington recalled Hanna's final month before her death on Easter Saturday, April 20, 1946:

"She was struck down in March 1946. She had expressed to Owen her disappointment and guilt at the thought that, were she to die, she would have accomplished neither a biography of his father nor her own memoirs. Partly to ease her mind, he offered to try to find a publisher to reprint her 1918 pamphlet, *British Militarism as I have found it*."

Which he did. The fourth edition of Hanna's pamphlet had been published in 1936, but had been out of print by the time of World War Two. What might be considered as Hanna's last political will and testament was the Foreword she now wrote for this fifth edition.

We are indebted to Margaret Ward for her monumental and magisterial volume, *Hanna Sheehy Skeffington, Suffragette and Sinn Féiner: Her Memoirs and Political Writings*, published in 2017.

For, included in that volume is that remarkable final essay of Hanna's in which she illustrated how that British Militarism as she found it had served as a role model for both Blackshirts and Brownshirts:

### **"BRITISH MILITARISM AS I HAVE KNOWN IT" - Foreword to the Fifth Edition by Hanna Sheehy Skeffington, March 1946:**

I have decided to issue a fifth edition of this 1917-18 lecture for two reasons. First, several requests for copies of the 1936 reprint have reached me from Irish men and women working in Britain during the 1939-45 war. Finding themselves plunged

in an atmosphere of British self-righteousness, which was protected by a dense wall of ignorance about British crimes in Ireland and elsewhere throughout the Empire, these Irish exiles remembered the story of my husband's murder, which official circles had striven hard to conceal. It is significant that, though the murderer was found guilty by a British court-martial of a triple murder, the press in Britain still camouflages the term as 'shooting without trial'. So I was written to frequently for the facts: but the '36 edition was already exhausted and I doubt whether the censor would have let the booklet through during the recent war anymore than his predecessor did in the first.

The second consideration which prompted me to reprint is the present smug attitude of Britain and the victors generally towards 'war criminals'. I believe that a saner outlook might prevail if the nations sitting in judgment were a trifle less complacent in their conviction that they are fit to cast the first stone.

Francis Sheehy Skeffington's murder was but one of many. It was not an isolated case, even in 1916, and it was followed several years later by the long trail of murders, reprisal-burnings and other atrocities by Britain's Black-and-Tans, sent us after the war in Europe was over, the War to end War. The Tans were indeed the early Blackshirts and Brownshirts who formed the spearhead of Britain's answer to Ireland's democratically-expressed desire for Independence in the General Election of December 1918 (the 'Hang the Kaiser' one, as it was called in Britain).

One might indeed argue with reason that, since Britain claims to be a democracy, the average Briton was really more responsible for the crimes of His Britannic Majesty's Representatives in Ireland, than was the average German for the subsequent Nazi imitations thereof in other countries. Possibly it may have been a sense of common guilt that prevented the trial of any British war criminals in 1922, though it will be recalled in Ireland that Irish Juries brought in verdicts of Murder against Premier Lloyd George and others in connexion with the murder of Limerick's Mayor, of Lord Mayor MacCurtain, Cork, and many more.

As I look back, across the space of thirty years, on the events narrated here, one impression emerges more clearly than ever, namely, that it is not the brutality of the British Army in action against a people in revolt (we learned to take this for granted and indeed it is part of war everywhere) but the automatic and tireless efforts on the part of the entire official machinery, both military and political, to prevent the truth from being made public. This was wholly characteristic of the British regime in Ireland: it is this more than any individual crime or atrocity which damns beyond redemption the whole apparatus of British Imperialism.

### **Hanna's nephew, Conor Cruise O'Brien**

Conor Cruise O'Brien was the son of Hanna's sister Kathleen. Those who may be confused by the political trajectory which saw O'Brien end up as a member of the UK Unionist Party might not realise that, fifty five years ago, he had been in agreement with his Aunt Hanna's categorisation of Britain's Black-and-Tans as the precursors of Hitler's Brownshirts. This was in his essay "Passion and Cunning: An Essay on the Politics of WB Yeats" published in the Yeats centenary year of 1965 in a book of essays edited by AN Jeffares and KGW Cross and entitled *In*

*Excited Reverie*. In that year Cruise O'Brien himself had indeed been prepared to highlight just how much an inspiration UK Unionism provided for Nazi Germany:

"The Black-and-Tans were in fact an early manifestation of an outlook and methods which the Nazis were later to perfect. The *Freikorps* on the Polish-German border were at this time trying to do exactly what the Black-and-Tans were doing in Ireland and the *Freikorps* were the direct and proudly acknowledged predecessors of Hitler's Nazis. There is even a direct link between the Black-and-Tans and the Nazis in the person of 'Lord Haw Haw' – William Joyce – who fought for the British Government in the first movement and was hanged by it for his work in the second. Bruno Brehm, one of Hitler's novelists, made the assassination by Irish revolutionaries of Sir Henry Wilson – the principal exponent of intensified Black-and-Tan measures in Ireland – symbolic of the tragic confrontation of hero and submen. Wilson was seen in the same relation to the Irish as Hitler to Jews and Bolsheviks."

### **Dev's mother's "nerves of steel" as the USA joined Britain's World War**

Even when they had been political associates, Hanna's personal relationship with Dev had never been close. Nonetheless, after she had broken politically with Dev in 1927, she continued to retain the warmest memories of his mother. It is quite noteworthy how biographers of de Valera have neglected to observe how politically formidable and astute a personality in her own right had been his mother Catherine, or Kate, Coll. In *Judging Dev: a reassessment of the life and legacy of Eamon de Valera* (2007), Diarmaid Ferriter treated Kate Coll as an otherwise irrelevant nonentity beyond the nine months Dev had spent in her womb. Ferriter's sole mention of her is contained in his reference to Dev's New York birth to "an Irish emigrant mother", but one whom he chose not even to mention by name.

In what is the best biography, *De Valera: Rise 1882-1932*, David McCullagh does indeed refer to Coll respectfully, beginning with her maiden name, Kate Coll, and subsequently under her successive married names of de Valera and Wheelwright, as in the following account of her actions in respect of Dev's imprisonment in the wake of the 1916 Rising: "Kate Wheelwright was also determined to play her part. 'Although I am old and frail now Almighty God has given me nerves of steel.' She was convinced her son had been badly treated and collected documents to prove his American birth.>"

Thereafter, however, McCullagh only features Kate as the passive recipient of letters or visits from her son. For further evidence of her ongoing "nerves of steel" we have to look elsewhere - to Hanna Sheehy Skeffington, in fact. And it was in the IRA's newspaper, *An Phoblacht*, that the following tribute from one formidable woman to another appeared.

"Catherine Wheelwright: an appreciation of her services"

**By Hanna Sheehy Skeffington, *An Phoblacht*, June 25, 1932:**

The death in Rochester, New York, of Éamon de Valera's mother recalls vividly a memory of how I first met her, in April 1917, a few days after the United States had entered the Great War on the Allies' side. Rochester, though in New York State, is not far from Canada and was then much influenced by British feeling: British influences were felt in business and banking circles and among the wealthier citizens, many of whom, they



had lived in USA for many years, remained British subjects in heart and in fact. There were not many Irish in Rochester, and some that were Irish, were ashamed of the fact.

### *British Militarism in Ireland*

I had been speaking under the auspices of the Friends of Irish Freedom and kindred groups from my arrival in USA in December 1916, the title of my theme being 'British Militarism as I have known it', covering 1916 and the Easter Rising. Until the USA entered the War (on Good Friday 1917, with Wilson's Fourteen Points policy) the Irish and other race-groups in the United States, arranged many meetings, being eager to hear at first hand of Irish conditions. Rochester happened to have already booked a meeting for me in the City Hall: to follow one by Major Ian Hay, one of Britain's propagandist lecturers. The date had been fixed well ahead - it fell on Easter Monday, three days after USA ceased to be 'neutral!' The Committee - the Chairman, a certain judge with an Irish name, a politician who liked to parade Irish sentiments when these were safe and helpful to his career - had no time to get in touch with our New York Committee: I was already on the way, and their frantic wires and phone-calls did not reach me.

### *The Runaway Committee*

Panic seized them: the judge was hurriedly 'called away' out of the town for the day, leaving his poor secretary to explain matters as best he could. The rest of the Committee had likewise mysteriously scattered. At the hotel where rooms had been booked, the proprietor was embarrassed and could only supply addresses of the absentees. The secretary said that His Honour the judge had left word that the Irish meeting was cancelled. True, the City Hall had been booked; the street-cars and hoardings had been posted with preliminary announcements, for there had been no time to cancel these, but that could not be helped: the meeting must be abandoned. I did not see it in that light myself, and was wondering what could be done with only a few hours left to do anything, and in a strange and unfriendly town.

### *Mrs Wheelwright to the Rescue*

Then a phone bell rang: a lady called me up. It was Catherine Wheelwright. Her son was then serving a life-sentence in a British convict-prison. I took a taxi to her home: we discussed the situation and formed a joint plan of campaign. Together we visited a few citizens, but shortly gave up the effort as vain. Then to the City Hall, where we were told that the fee must be paid down in advance and in full - it was 80 dollars and it cleaned out the treasury. But the blue-eyed white-haired lady said with a smile that we would collect that much in the hall later. We did and more. Then in a taxi to the press: we had a 'good press', for it was a good story, of the judges and bankers who ran away and the meeting to be held notwithstanding. It all came out in the evening editions and 'tickled' the town. When we reached the hall we found a throng waiting outside. We had the platform all to ourselves, but we managed. Mrs Wheelwright took the Chair. And the 'real Irish' came along, took off their hats and collected in them more than enough to defray all expenses. The meeting was a success: the stampede was stopped: no other town followed Rochester's bad example. I suppose the judge and the others eventually returned.

### *Her Later Years*

That was my first meeting with Mrs Wheelwright. She inquired for news of her son, but was not unduly worried, for

she had feared that he would be executed. So she could wait and be patient, she said. A serene, placid woman, Irish to the core, full of memories of Ireland and of her own Bruree, which I happened to know very well from my own childhood days. Later, in 1922, I met her again, frailer, but still the same. She had no use for the Treaty. In national affairs she had a true instinct: in judging of men a native shrewdness, a kindly sense of humour. She helped our mission for the Republican Prisoners' Dependents Fund, came now and then to New York to attend Republican meetings. A quiet and steadfast worker, and one that could be depended upon in a crisis to stand firm. Such is my memory of Catherine Wheelwright.

### **Revisiting the 1913 imprisonment of Hanna Sheehy Skeffington:**

See also <https://bohemianfc.com/wp-content/uploads/2020/11/Football-Fans-For-Feminist-Freedom-by-Manus-ORiordan.pdf> - or the Facebook page of Bohemian Football Club - to download «Football fans for feminist freedom!» - a Bohemian FC blog by Manus O'Riordan on the 1913 imprisonment of Hanna Sheehy Skeffington for attempting to leaflet Andrew Bonar Law and Sir Edward Carson.

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### **England's Care for the Truth - by one who knows**

#### **By Roger Casement**

Edited by Jack Lane, Athol Books 2018

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# Economics and the European Union: Part One - Germany before 1945

Peter Brooke

## Introduction

This article is intended as the first in a series on European economic history prompted by my interest in what is called 'Modern Money Theory' (MMT) - briefly, the view that, since the state is the source of money, a government that has full control over its own currency can never run out of money. It can always afford to buy whatever is for sale in its own currency without recourse either to taxation or borrowing. If there is competition between government and non-government spending for scarce resources, money creation may well result in inflation, but the problem lies with the lack of resources not with money creation as such.

MMT has developed as a sophisticated body of economic thought - mainly in the US in the Levy Institute by disciples of the economist Hyman Minsky - since the apparently now definitive collapse of the gold standard in 1971. Previously, even when countries for one reason or another went off the gold standard - i.e. ceased to peg their currency to the value of gold - gold was still seen as the guarantor of what might be called the reality of money, especially important in transactions across national borders. There were, however, three occasions prior to the Second World War when Germany, while maintaining its gold based mark/Reichsmark, developed what amounted to parallel currencies that were not based on gold and could not be used for international transactions - the 'Darlehenskassenschein' (loan-bank bill), which helped to finance the First World War; the 'Rentenmark', which helped resolve the problem of the hyperinflation of 1923; and the 'mefo bill', which helped with the restoration of the German economy and rearmament in the 1930s.

Although on all three occasions the German government insisted on its adherence to the existing liberal orthodoxy in money matters, the period also saw, in the writings of the German economists Georg Friedrich Knapp and Friedrich Bendixen, the development of 'chartalism' - the theory of money as a creation of the state, the precursor of today's MMT. This development was followed with interest in Britain by J.M. Keynes. He was concerned with the problem of financing not just the British but the whole anti-German war effort of different countries in 1914-18. Unlike the Germans, however, Britain had the advantage of access to money and manufactured goods from the United States. Gold in his hands became not so much a guarantor of the value of sterling as collateral for the supply of material and money from the US. Gold was there, he said, to be used. As a result of the steadily increasing reliance on support from the US, however, the First World War marks the moment when the dollar replaced sterling as the dominant international currency.

## JOSEPH HALEVI AND MICHAL KALECKI

I want to give an account of the post-war history of Europe, borrowing heavily from three articles by Joseph Halevi published last year by the New York based Institute for New Economic Thinking (INET) on 'The political economy of

Europe since 1945'.<sup>1</sup> Halevi calls this a 'Kaleckian perspective' and perhaps I should start with some remarks on Halevi and on Michal Kalecki.

Halevi was born in Haifa in 1946. Although Jewish, he describes his earliest intellectual mentors as having been 'Tawfiq Toubi and Emile Habibi, whom I knew personally: both were leaders and MPs of the Communist Party of Israel and major intellectuals of the Palestinians in Israel.' In the late sixties, he moved to Italy where, on the recommendation of the Italian Communist Party, he worked for the General Confederation of Labour. It was only reluctantly that he became an economist but his reluctance turned to enthusiasm when he overcame his initial Communist-inspired prejudice against Keynes. His academic career was pursued in Italy (Rome and Turin), the US (New York), France (Grenoble) and Australia (Sydney).

Asked if he was still a Communist, Halevi replied: 'Yes, I am. Although this requires rephrasing after all that has happened, but the idea of overcoming capitalism and establishing a system of socialised means of production are two important principles I still endorse.' He says of Kalecki that he 'is really what today's classical economics should be had it been allowed to develop freely, not in some niche tucked away God knows where. He brought together business cycles with the issue of effective demand, linked the latter to the issue of market power and conditions of production. He was an absolute genius. He also formulated the modern theory of socialist planning.'<sup>2</sup>

Kalecki was Polish, born in 1899. At the age of thirty he worked for the Warsaw based Institute of Research on Business Cycles and Prices, and in 1933 he wrote 'An Attempt at the theory of the Business Cycle', offering a 'macroeconomic theory of effective demand' three years before Keynes's 'General Theory'. He resigned from the Institute in 1936, protesting against political interference. The same year, after reading Keynes's General Theory, he went to Cambridge, becoming particularly friends with Joan Robinson. Robinson believed that he had anticipated Keynes who, however, kept his distance. In his 1939 article 'Political aspects of full employment', he argued that Keynesian methods could achieve full employment, but this would lead to a more assertive working class which in turn would lead alarmed business leaders to abandon the policy. This was part of his theory of the political - as opposed to merely technical economic - business cycle.

In 1955, after a spell in New York as Deputy Director in the Department of Economic Affairs of the UN Secretariat, he returned to Poland and in 1957 was appointed chairman of the Central Commission for Perspective Planning. His advice, however, largely directed against over ambitious targets, was

1 Joseph Halevi: *The Political Economy of Europe since 1945 - A Kaleckian perspective\**, INET Working Paper No. 100, June 2019 (<http://doi.org/10.36687/inetwp100>); idem: *Europe 1957 to 1979: From the Common Market to the European Monetary System*, INET Working Paper No. 101, June 2019 (<http://doi.org/10.36687/inetwp101>); idem: *From the EMS to the EMU and...to China*, INET Working Paper No. 102, September, 2019 (<http://doi.org/10.36687/inetwp102>)

2 Interview by Judie Cross. March 6, 2018, <http://figureground.org/interview-joseph-halevi/>

disregarded. He resigned in 1968, shortly before his death in 1970, in despair because of the perceived persecution of Jewish colleagues in the anti-Zionist campaign that followed the Israeli victory of 1967. Kalecki was Jewish but hadn't himself been targeted.<sup>3</sup>

It's difficult for me as a non-economist - and most certainly non-mathematician - to give an account of why he was important, but he seems to have had a more political, class struggle orientated vision than Keynes. He dealt with longer time frames and his theory of the 'political business cycle' took into account likely political developments, for example, as we have seen, the consequences of the increase in working class/trade union power that would result from Keynesian policies promoting full employment.

Halevi introduces him to the discussion by referring to a paper he wrote in 1932 - 'The Influence of cartelisation on the business cycle.' The theory of 'cartelisation' had been developed within Marxism by Rudolf Hilferding in his book *Das Finanzkapital* (1910). The advantage of the cartel is that it can determine its prices independent of considerations of competition. It can decide freely on what it wants by way of profit above expenses. Hilferding argued that this helped to stabilise a nationalist capitalist economy. Kalecki on the other hand argued that it was destabilising because it enabled the cartel to maintain a productive capacity beyond what a national economy could absorb. 'Cartels compete not through prices but via the building up of productive capacity so that during a boom they engage in an investment race leading to excess capacity, thus contributing to the demise of the boom itself.'<sup>4</sup> The cartel then reduces output and lays workers off and that hits the demand for consumer goods which are still being produced by industries subject to the rigours of competition. Thus Kalecki argued that, contrary to Hilferding's thesis, a heavily cartelised economy was less stable - more prone to booms and busts - than a more purely competitive system.

Germany prior to the First World War had been a heavily cartelised economy and this was part of the problem after the war. Like the USA in the 1930s depression, a huge productive capacity faced a very limited market. As result of the war Germany had lost much of its access to its Eastern hinterland, both as a market outlet and as a source of raw materials. Although Halevi's articles concern the period after the Second World War I'd like to begin by discussing this earlier period - the period in which the body of thought we call 'Keynesian' was developed - beginning with some thoughts (mainly my own, not Halevi's) on the hyperinflation in Germany.

## GERMANY AFTER THE FIRST WORLD WAR - THE RENTENMARK

This is often presented as a consequence of excessive money printing but it would be more accurate to say that the excessive money printing was a desperate attempt to catch up with the fall in the value of the existing German currency, the paper mark. But what did it mean to say that the value if the mark was falling? It was falling in relation to the internationally agreed value of gold. The importance of gold was that it established what could be described as an internationally acceptable currency, a fixed criterion by which the value of the different national currencies

3 See e.g. A. Asimakopulos: 'Kalecki and Robinson: An "Outsider's" Influence', *Journal of Post Keynesian Economics*, Vol. 11, No. 2 (Winter, 1988-1989), pp. 261-278 and Andrzej Brzeski: 'Kalecki and the Polish Economy' review of 'The Intellectual Capital of Michal Kalecki, A Study in Economic Theory and Policy' by George R. Feiwel, *Soviet Studies*, Vol. 28, No. 4 (Oct., 1976), pp. 616-620.

4 Halevi: Europe since 1945, p.3

could be measured. The problem for Germany was that it was heavily reliant on imports both for food and for raw materials for its large scale industry. According to the account by Richard Overy: 'the territories lost to Poland and France contained three-quarters of Germany's iron ore and one third of her coal; 90 per cent of the German merchant fleet was confiscated; all Germany's overseas assets, totalling 16 billion marks, were forfeited.'<sup>5</sup> It had a heavy debt burden from the loans issued to finance the war. It had to pay heavy reparations and the problem was exacerbated when, owing to the difficulty of paying the reparations, its most productive remaining territory, the Ruhr valley was occupied by the French and the German government pursued a policy of subsidising the local population to refuse co-operation with the occupier.

An account is given in an article published in 1927 by Edgar Vincent, then Baron d'Abernon of Esher, who was British Ambassador to Berlin from 1920-25:

*'The Reparation Commission fixed the sum at 132 thousand millions of gold marks (£6,600 millions). An interallied conference met in London in May, 1921, and determined the schedule of payments that the German Government had to meet. An important provision of the so-called "London Ultimatum" laid down that Germany must pay a sum in cash of 1 thousand millions of gold marks (\$50 millions) before the end of August, 1921. That payment was duly met, but the German Government had to borrow about two-thirds from the firm of Mendelssohn and Company, repayable before the end of the year. This operation is likewise reflected in the exchange rates ...'*<sup>6</sup>

A table showing the exchange rate of the paper mark to sterling shows the figure rising from 247 marks to the pound in May to 1,041 in November, falling again to 794 in December.

'The year 1922 was fated to lead to disaster. The Committee of Guarantees, set up under the authority of the London Conference, instituted a-system of ten-day cash payments, each of 31 millions of gold marks (£1,550,000 - [this was the mark as it would be if struck in gold specie - PB]). This system was continued under the decisions of the Cannes Conference (January, 1922) until it became impossible to find the money. By the middle of May the German Government had asked for a moratorium ...'

The exchange rate now rose from 811 in January to 34,858 in December.

'During 1923 the Ruhr territory was occupied by Franco-Belgian troops; a foreign administration seized the Customs and levied other imposts. Not only was a valuable economic area separated administratively from Germany, but important revenues were destroyed or diverted to foreign treasuries - destruction occurring to a larger extent than diversion. At the same time, the Reich - to support passive resistance - elected to make colossal payments in aid of its citizens in the Ruhr, with disastrous effect on the budget and the mark exchange.'

83,190 in January to 18,349,000,000,000 in December.

D'Abernon subscribes to the printing money argument, saying that the government was resorting to the printing press instead of taxation to make up its budget deficit. But where was the taxation money to come from when the major industries, deprived of access to raw materials, access to markets, access to investment finance, couldn't function, with the inevitable catastrophic consequences for the smaller domestic consumer industries. In fact the collapse in the value of the mark was a collapse in its value on the foreign exchange market, its ability

5 R.J. Overy: *The Nazi economic recovery, 1932-1938*, Cambridge University Press, 1996 (first published 1982), p.6

6 [Edgar Vincent, Baron d'Abernon of Esher]: 'German Currency: Its Collapse and Recovery, 1920-26' *Journal of the Royal Statistical Society*, 1927, Vol. 90, No. 1 (1927), p.9.

to pay for imports. The German citizen holding, say, 4,000,000 marks was in much the same position as he would have been a couple of years earlier holding 4 marks, except that he had to get rid of it quickly before it fell yet further in value. The problem was a problem of 'velocity' - the speed at which the money no-one wanted was circulating. No-one was going to want to save, no-one wanted to possess large quantities of it. In the end it was, as d'Abernon's own account shows, largely solved by printing money - by creating a new currency, independent of gold, and, though d'Abernon doesn't stress this, of the foreign exchange market - the 'Rentenmark.'

D'Abernon stresses the problem of the depletion of Germany's gold reserves, first to pay for reparations as confidence in the paper currency was destroyed, then to pay for the resistance in the Ruhr:

*'The great characteristic of this period was the depletion of the Reichsbank gold reserves and foreign bills portfolio ... during eleven months the gold reserve diminished by a sum of 538 millions of gold marks (£26,900,000), but it would be incorrect to suppose that all this gold was used to intervene in support of the mark. There were other pressing claims that had to be met ... Four Treasury bills for the account of the Belgian Government, duly endorsed by the Reichsbank, were paid out of the gold reserve [March to June 1923. This was the method adopted at the time for payment of reparations - PB] ... Of the remaining 331.4 millions of gold marks, part of that sum - it is impossible to indicate the exact amount, but it is estimated at one-third - was used to meet Government imports necessary to maintain the spirit of passive resistance in the Ruhr, e.g. imports of food and of British coal for the railways.*

*'The occupation of the Ruhr played havoc with Germany's power to export, and consequently jeopardized that share of export bills of exchange that accrued to the Reich under the system of export control that had been set up (so-called "Aussenhandelsstellen"). These foreign bills formed the normal source from which the "Devisenbeschaffungsstelle" met the Government imports of foods, fats, and such-like necessities ...*

*'By the end of the first week of September the exchange had reached 240 millions of paper marks for £1. A new crisis had intervened, and it was then resolved to resort to extreme measures and to seize foreign currencies wherever they were to be found. To this end Dr. Fellingner was appointed "Devisenkommissar" with plenary powers, three paragraphs of the Reich's constitution being suspended to allow him full scope. People's houses and cafes were searched, letters opened, bill-brokers' transactions scrutinised, while bills of exchange accruing from exports were now centralised in the Commissioner's hands. It is estimated that these drastic measures produced about 100 millions of gold marks (£5 millions)'*

Eventually:

*'On September 26, 1923, Dr. Stresemann took the plunge by announcing the complete abandonment of the policy of passive resistance; it was admitted that it was doing more harm to Germany than to France. In the beginning of October he attempted another step, viz. the adoption of an "Enabling Act" (Ermächtigungsgesetz), giving extensive extra-constitutional powers to the Government, for he perceived that nothing less than a virtual dictatorship was now necessary to meet the situation. The Socialists resigned from the Ministry, and Dr. Stresemann, again being called upon to form a Government, invited this time to the Finance Ministry Dr. Luther, who proved to be the man of the hour. Under threat of dissolution, Dr. Stresemann forced the Reichstag to pass the "Enabling Act," which was to herald a new era.'*

The Rentenmark was the development of a solution originally proposed by Karl Helfferich formerly Minister of Finance then

Minister of the Interior and Vice-Chancellor during the war and now a leading member of the monarchist and anti-semitic (Jews could not join it) German National Peoples Party. His proposal was that a new currency be issued based not on gold but on rye - the Roggenmark, rye-mark (people were already shifting to local unofficial currencies including one based on rye<sup>7</sup>). Helfferich's proposal was taken up, against the opinion of most of his economic advisers, including Hjalmar Schacht, by the Minister of Finance, Hans Luther, Hilferding's successor and later, under Hitler, ambassador to Washington. But instead of rye, 'with a rare and an admirable understanding of the metaphysical elements, Dr Luther chose the term "Rentenmark" whose basis, consisting of a lien on German agriculture and industry, inspired the public with adequate confidence' (d'Abernon, p.24).

By 'metaphysical' d'Abernon really means 'psychological'. The Rentenmark could be described as a confidence trick (if we don't already believe that the gold standard is itself a confidence trick. What matters is not any intrinsic value money might have but the confidence people have in it). The Rentenbank, which issued the new currency 'acquired on all agricultural properties a mortgage, expressed in gold, of 4 per cent. of the value of the property as assessed for the purpose of the Imperial Defence Levy (*Wehrbeitrag*) of 1913. The mortgages bore interest at 6 per cent, payable in Rentenmarks according to their gold value at the time of payment. On all industrial, commercial, trade, banking and transport undertakings, bonds in favour of the Rentenbank were made out to the same gold-mark amount as the total mortgage burden placed on agriculture, such bonds bearing interest at 6 per cent.'

Its value was determined by the simple device of striking twelve noughts off the value of the mark which on November 20th had reached one billionth (taking a billion in the old English sense of a million million) of its pre-war value (the old paper marks continued in circulation, exchangeable with the new currency at a rate of a billion to one).

As d'Abernon says: 'The real value of the mortgage guarantee was doubtful' and later he says 'Confidence was created mainly through restriction [a legal limit was placed on the amount of notes that could be issued - PB], assisted by a more or less illusory mortgage.' It was not redeemable in gold. Nor (and d'Abernon only remarks on this in passing but it seems to me to be of crucial importance) could it be used internationally: 'the Rentenmark was never made legal tender (though it was accepted up to any amount in payment of taxes etc), this quality being alone held by the paper mark which for the purposes of foreign exchange remained the sole official currency.' In August 1924, the paper mark was reissued as the gold-based 'Reichsmark', now with the same one for one value as the Rentenmark. This was the achievement of Hjalmar Schacht, Reich currency commissioner and soon to be President of the Reichsbank. According to the Wikipedia entry 'The Rentenbank continued to exist after 1924 and the notes and

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7 'the Rye-Annuities Bank, founded in August 1922, issued annuity bonds on a rye-value basis. In addition, other obligations were issued based on various material values (i.e., coal, potash). Only in June 1923, when the purchasing power of the mark had already sunk to less than a ten-thousandth of its previous value, was the law on stable-value mortgages promulgated. It permitted borrowing through mortgages based on rye, wheat or fine gold; "fine gold" was at the time in fact a synonym for the dollar.' Otto Pfleiderer: 'Two Types of Inflation, Two Types of Currency Reform: The German Currency Miracles of 1923 and 1948' *Zeitschrift für die gesamte Staatswissenschaft / Journal of Institutional and Theoretical Economics*, September 1979, p.354.

coins continued to circulate. The last Rentenmark notes were valid until 1948.’

To summarise. For all the confidence building theatre about agricultural and industrial mortgages, the Rentenmark was a pure fiat, non-gold based currency and as such could not be used outside the frontiers of the domestic economy. The paper Mark was used internationally and therefore its value in relation to gold - as the internationally recognised standard of value - mattered. The cause of hyper-inflation wasn't money printing - that was an apparently inescapable consequence - it was the collapse of the productive capacity of the nation, whose major industries were deprived of access to the necessary raw materials. An export driven economy that couldn't export and an import dependent economy that couldn't import, with no quarter being given in the demand for reparations.

The main virtue of the Rentenmark was to slow down the velocity of money, providing the domestic market with a currency people were willing to hold in their pockets for longer than a couple of hours, and this tided the economy over until late 1924, when the Reichsmark could be introduced as a stable currency that could be used both domestically and internationally. The rentenbanks however continued to exist and to issue money - even as late as 1937, with the Rentenmark accepted a domestic currency until 1948 (Wikipedia).

The introduction of the Reichsmark had been made possible by the new arrangements for reparations agreed in August 1924 under the Dawes Plan which set up a sort of circular arrangement in which the money being sent to the US from the wartime allied countries in payment of war debts then came to Germany in the form of intensive capital investment which, in theory at least, enabled the Germans to develop a balance of payments surplus, enabling them to pay reparations to the wartime allied countries.

The arrangement was not quite as favourable to Germany as that might appear. According to Richard Overly:

*'After the inflation, German interest rates remained at what were then perceived to be exceptionally high levels. The high cost of money reflected a shortage of savings following the inflation, and an understandable reluctance to run risks on the part of German investors. Although capital shortages were made good to some extent by large imports of money from abroad, the investment ratio in the 1920s remained well below the pre-war level, while smaller industrial producers, artisans and peasant farmers were left short of capital or were forced to pay for funds at usurious rates. Since craftsmen and peasants made up well over one-third of the working population, the problems they faced acted as a serious drag on the overall performance of the economy ... Public spending provided some cushion against the slow growth of demand and rising unemployment. In 1928 public authorities were responsible for 47 per cent of all building work in Germany. Road-building, electrification and the development of municipal services all helped to maintain business activity and stimulate demand as they were to do later under the Nazi regime, but they did so at the price of drawing in large foreign loans during the 1925-9 period that left the German economy very vulnerable to shifts in the world economy.'* (pp.7-8)

The element that was strengthened by this foreign investment was, then, the cartel - large scale, specialised industry relatively free of the rigours of competition - as opposed to the smaller scale competition based agriculture, crafts and shopkeeping.

## **DURING THE FIRST WORLD WAR - THE DARLEHNKASSENSCHEINE**

The Rentenmark was not the first or the last time what was effectively a pure fiat currency that could not be used internationally was introduced in Germany. Karl Helfferich has been given credit for developing the principle on which the Rentenmark was based, but those who see the problem in terms of money printing and government deficits also blame him for the hyperinflation in the first place, seeing it as the culmination of a process that began in 1914 but was greatly exacerbated in 1916. Helfferich was, as we've seen, Minister of Finance in 1915 and then Vice Chancellor in 1916. The criticism made of him was that he financed the war through government debt rather than through taxation. This was particularly the case after Autumn 1916 when the 'Hindenburg plan' required a vastly increased expenditure on armaments.

Helfferich was, or purported to be, a strong believer in gold as the guarantor of the value of a currency and at the start of the war, when convertibility was suspended (people could no longer demand gold in exchange for paper notes) the principle was laid down that the Reichsbank could not issue paper money to a value of more than three times its holding in gold reserves, meaning that 'the only fetter restraining the Reichsbank from printing unlimited paper currency was the amount of gold, or gold-equivalent reserves held in its vaults.'<sup>8</sup> For this reason the German government launched a drive to collect as much gold as it possibly could, persuading the public, with great success, to give up its gold coinage in exchange for paper money. As a result, Germany emerged from the war with very substantial gold reserves which it rapidly lost in the circumstances of the reparations, occupation of the Ruhr and hyperinflation of the early 1920s.

Helfferich had published a book on the merits of gold in 1903. In 1905, Georg Friedrich Knapp published his *State Theory of Money*, laying out the case for what was called 'Chartalism', which subsequently became Abba Lerner's 'Functional Finance' and is now making progress as 'Modern Money Theory.'

In his account of German finances during the war, Stephen Gross says:

*'German economic commentators were roughly divided in their theories of money into two camps: bullionists and nominalists. The former believed that the value of paper money depended on its connection to the commodity of gold, whereas the latter were disciples of Georg Friedrich Knapp, who argued in 1905 "that money was not a commodity, but rather a purely functional instrument created by the state." In his speeches to the Reichstag, Helfferich was a bullionist, and with a few exceptions, many economists writing about war finance echoed his broad interpretation of money.'* (p.240)

He quotes an economist of the time, Franz Eulenberg, as saying:

*'With one blow ample quantities of cash have been created, indeed, cash that is sufficiently covered .... All of the gold flowing into the Reichsbank serves to increase the quantity of circulating money and to strengthen the coverage of printed notes. It is necessary that we unflinchingly adhere to the one-third coverage. Only then will our banknotes truly have their full worth: when this gold reserve forms the basis of them.'*

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8 Stephen Gross: 'Confidence and gold: German war finance, 1914-1918, *Central European History*, June 2009, Vol 42, No 2, p.228. It should be said that this proportion of paper money to gold holdings had been established in 1875 (according to d'Abernon, 1876 according to Gross). Gross teaches in the Center for European and Mediterranean Studies and the Department of History at New York University with a specialist interest in the German economy throughout the twentieth century. He has a website - <http://www.stephengross.org/>.

The nominalists thought the gold ratio was absurd but nonetheless supported it as a means of getting the public used to using paper money. Gross takes the example of Werner Sombart, sociologist-economist and disciple of Max Weber, author of an influential study of the role of Jews in the development of capitalism:

*'Writing a series of articles for the Berliner Tageblatt in August 1914, Sombart reassured readers that fear of an Assignat-like inflation<sup>9</sup> was a "misconception" and even in a military defeat "paper money would retain its full worth." Although Sombart forcefully argued that the public should accept Reichsbank notes because the state had ordained them a "legal means of payment," he reassured those "gold fetishists" that Germany's paper money still rested on a golden basis. "The foundation of our bank laws remain unchanged: each note must be covered by one third of hard currency and two-thirds through good bills with at least two signatures."*

A more sceptical view was expressed by Friedrich Bendixen:

*'Friedrich Bendixen stands out as one of the few German critics who understood the arbitrary nature of the gold ratio. As a disciple of Knapp, Bendixen's stance toward the Reich's finances was complex. For while most other economists praised the Reichsbank for its actions in August, Bendixen remained unimpressed because he had suggested this move to a fiat system - proclaiming credit guarantees for private banks and eliminating gold convertibility - be taken in 1908. To the extent that the one-third gold ratio was predictable it could be a stabilizing element in the economy. Beyond this, though, he saw the ratio concept as more of a cult:*

*"Today, one considers it as a law of nature, that for every golden twenty-mark piece, three paper twenty-mark pieces can be put into circulation. Naturally that is completely false. But for the public the proposition that gold metamorphoses into three times its worth in paper works like a graceful wonder, and gold flows into the Reichsbank in an ever unbroken stream. So this absurdity generates a highly desirable result [that paper money is used and accepted by the public]."*

*'Ultimately he hoped that the Reichsbank would avoid falling victim to what he deemed to be a popular belief. Thus, while Bendixen aspired to a purely fiat system of paper currency, the transitional stage of a currency based on the symbol of gold instead of the abstract strength of the state had no place in his logic. Over-reliance on gold could be dangerous, and perhaps on account of this belief and his outspoken criticism of the Reichsbank, the Reich censored him, his book reaching publication only in 1919. The confidence of the people in Havenstein [President of the Reichsbank - PB] had to be spared.'* (pp.241-2)

However, even at the beginning of the war, the two thirds rule was breached by the introduction of another, supplementary currency that was not tied to gold and could not be used internationally. This was the 'Darlehnskassenschein' - loan-bank bill - and it acquired particular importance with the Hindenburg programme of 1916 playing what Gross calls an 'infamous role in helping the Reich circumvent the gold ratio: printing more money while maintaining the illusion that this money was backed by gold.'

The Bank Laws of August 1914 'established Darlehnskassen, loan banks where people, firms, and municipalities could mortgage their illiquid securities and commodity assets as collateral for money in the form of Darlehnskassenscheine, loan bureau bills accepted as legal tender at all government agencies. Darlehnskassen helped Germany avoid a general moratorium, unique among the belligerent countries, and gave private enterprises and local governments a place to discount

9 The 'assignat' was a paper currency introduced in the French Revolution which very rapidly lost its value.

*bills. Beyond this, the Reich encouraged loans secured from the Darlehnskassen to be invested in federal war bonds. People could then take these war bonds to the Darlehnskassen as collateral for yet further loans, creating the potential for a continuous cycle of money production. The key aspect of the Darlehnskassenscheine was that they did not have to be covered by gold held at the Reichsbank. Rather, when Darlehnskassenscheine were held by the Reichsbank, they acted as a gold surrogate that covered the issue of new Reichsbank notes.'* (Gross, p.229)

Darlehnskassen had been established with success in the crises of 1848, 1866 and 1870. Although castigated by historians as one of the causes of inflation, they were almost universally welcomed by economists at the time apart, Gross says, from Bendixen. But Bendixen's main objection seems to have been just that it was an unnecessarily cumbersome way of going about the business of issuing money.

As a result of the Hindenburg plan 'The amount of currency in circulation in Germany rose 599 percent by 1918. Among Germany's main competitors Britain, France, and Russia, the money supply rose 91, 386, and 1,102 percent respectively.' However, although this accompanied a high rate of inflation it wasn't that much higher than in Britain: 'The gap between Germany and Great Britain appears less drastic when measuring inflation by the cost of living or wholesale price indices - which by 1918 in Germany had risen 105 and 204 percent respectively against 127 and 110 in Great Britain. Both of these indices reflect Germany's price controls.' (p.235)

Since the Reichsbank notes were still limited by law to three times the amount of gold 'the Reichsbank had either to increase its gold reserves, circumvent the one third limit by means of the Darlehnskassen or follow some combination of the two policies.' But the policy of appealing to the public for gold had been so successful in the early stages of the war that there was now very little left to be culled: 'virtually no gold remained in private circulation.' This had been a source of considerable pride: 'Helfferich argued that the German public could rest easy because the Reichsbank had achieved the highest gold to paper ratio among central banks, whereas the British public should be nervous on account of their central bank's low gold reserves.' Now, however, he had to fall back on the *Darlehnskassen*.

## AND IN BRITAIN

But what about the British understanding of the role of gold? J.M. Keynes had been following the German bullionist/nominalist controversy and in 1914 he published a review of the *Theorie des Geldes und der Umlaufsmittel* (Theory of Money and Credit; Munich and Leipzig, 1912) by Ludwig von Mises, giving the bullionist point of view, and of Bendixen's *Geld und Kapital* (Money and Capital; Leipzig, 1912) expressing sympathy for Bendixen:

[Bendixen says that the] 'old "metallist" view of money is superstitious, and Dr. Bendixen trounces it with the vigour of a convert. Money is the creation of the State; it is not true to say that gold is international currency, for international contracts are never made in terms of gold, but always in terms of some national monetary unit; there is no essential or important distinction between notes and metallic money; money is the measure of value, but to regard it as having value itself is a relic of the view that the value of money is regulated by the value of the substance of which it is made, and is like confusing a theatre ticket with the performance.'

'With the exception of the last, the only true interpretation of which is purely dialectical, these ideas are undoubtedly of the right complexion. It is probably true that the old "metallist" view and the theories of regulation of note issue based on it

*do greatly stand in the way of currency reform, whether we are thinking of economy and elasticity or of a change in the standard; and a gospel which can be made the basis of a crusade on these lines is likely to be very useful to the world, whatever its crudities or terminology.*<sup>10</sup>

It is interesting in this context to note that von Mises blames Bendixen and Knapp for the German travails of the 1920s:

‘The idea that monetary and credit expansion make business good, create “full employment,” and bring general prosperity was the essence of the ideas of Mercantilism. The fallacies implied were utterly exploded by the economists whom the Prussian Historical School and their modern followers, Keynesians and the American advocates of unbalanced budgets, disparage as orthodox ...

‘Among the gravediggers of the German people’s prosperity and the German currency, Friedrich Bendixen occupies an eminent place. He was a bank manager and the author of many books and articles dealing with monetary matters. His prestige and his influence on the course of the Reich’s financial policy were enormous.

‘When in the first World War the mark’s purchasing power declined and concomitantly foreign exchange rates went up, Bendixen trumpeted that this was a rather fortunate event. For, he said, it made it possible for the Germans to sell their holdings of foreign securities at a profit ...

‘The exporter makes an apparent profit—in domestic currency—although he may sell at a lower price in foreign currency. But what really goes on is that he gives the domestic products away at a price which enables him only to buy a smaller quantity of foreign products. It is true, the nation whose currency has been devalued exports more during this interval, but it gets in exchange only less or, at least, not more than previously for a smaller quantity exported.

‘This is what the economists have in mind when speaking of “apparent” gains. These gains are the result of false reckoning and self-deception ...

*‘Of course, the Germans, steeped in the monetary fallacies of Bendixen and Knapp, were not aware of this fact. Neither were the foreign bankers and investors shrewd enough to judge correctly the plight of the German big banks and of many of the big German business concerns. In the twenties foreign loans to the Reich, the member states, the municipalities and to the banks and big business amounted to about 20 billion Reichsmarks. Besides, foreigners invested \$5 billions directly in German business. This huge inflow—against which reparation payments of about \$10.8 billions had to be held—disguised for a few years the frailty of the big banks. When the depression ended foreign lending to Germany, the collapse of the banks could no longer be delayed. It occurred in 1931 as the payoff both of inflation and of ignorance of fundamental economic issues.’<sup>11</sup>*

Keynes became an adviser to the British Treasury at the beginning of the war under Lloyd George as Chancellor of the Exchequer, securing a salaried job early in 1915 as assistant to Sir George Paish, appointed by Lloyd George as his chief adviser on financial affairs. But Paish very soon departed the scene following a nervous breakdown, leaving Keynes in place. In May 1915, when Asquith brought the Conservatives into the government, Lloyd George became Minister of Munitions and was replaced as Chancellor of the Exchequer by Reginald McKenna who, as Churchill’s predecessor as First Lord of the

Admiralty, favoured naval blockade rather than a land based military commitment as Britain’s main contribution to the war effort.<sup>12</sup> The Liberal war policy associated with McKenna and Asquith and supported by Keynes was that Britain should be as little involved in the actual fighting as possible but should instead subsidise the war efforts of its allies. In the account by Robert Skidelsky:

*‘The conference which Keynes attended in Paris from 2 to 5 February [1915, while Lloyd George was still Chancellor and while Keynes was still, in Skidelsky’s account, ‘simply a junior adviser among many] was the first inter-Ally conference. It inaugurated the whole complex system of inter-Ally war credits. Russia, and to a lesser extent France, could no longer export enough goods or gold to pay for their purchases abroad of essential war materials. Britain, whose international financial position was much stronger, had to start financing them. Britain and France agreed to make a joint loan to Russia; Russia agreed to increase its wheat exports as soon as the Dardanelles was open. Russia and France also agreed to transfer gold to the Bank of England. Britain’s first credit to France followed in April. From the decisions taken at the conference stemmed the whole post-war debt problem, since it was decided that transfers were to take the form of loans, not grants. Once Britain started to finance its allies, it was inevitable that it would seek to control their foreign spending, so as to make sure that the money was not frittered away or simply used to support the exchange value of their currencies. Financial control led, by stages, to a centralised buying system, with Allied orders abroad placed through Britain, and paid for by British credits earmarked for Allied accounts at the Bank of England. This was the system which Keynes helped to build up over the next two years, and over which he came to preside. Its evolution can be traced in the Anglo-French agreement of April 1915, the Anglo-Russian agreement of September 1915, the Anglo-Italian agreements of June and November 1915 and the Four Power Protocol of July 1916. Britain would advance its allies credits for their purchase of war materials in return for some control over their buying, and the deposit of gold in London as partial collateral. Purchasing Committees were set up in London to handle the orders. Keynes played a prominent part in the negotiation of these agreements. His influence on the initial decisions taken in Paris comes out most strongly in his insistence that Russia be obliged to hold some portion of its gold reserves in London. “Only the English,” he minuted characteristically, “have realised that the main use of gold reserves is to be used.”’<sup>13</sup>*

In an article published in December 1914, Keynes had ridiculed what was effectively the German policy of keeping gold safely stored in the vaults in order to maintain a fixed ratio with the quantity being issued of paper money:

‘Ratios, which began by being little more than the results of chance, have been sanctified by time. ... a gold reserve is thought of as being some sort of charm, the presence of which is valuable quite apart from there being any idea of dissipating it - as the emblem, rather than the prop, of respectability. It would be consistent with these ideas to melt the reserve into a great golden image of the chief cashier and place it on a monument so high that it could never be got down again. If any doubt comes to be felt about the financial stability of the country, a glance upwards at the image will, it is thought, restore confidence. If

<sup>10</sup> See <http://socialdemocracy21stcentury.blogspot.com/2012/03/keynes-on-metallism-versus-chartalism.html>.

<sup>11</sup> Quoted from an article originally published in the *Commercial and Financial Chronicle*, March 7, 1946. Taken from the website of the Foundation for Economic Education.

<sup>12</sup> There is a very good account of McKenna’s involvement not just during the war but in planning the aggression against Germany in Eamon Dyas: *Blockading the Germans*, Belfast Educational and Historical Society, 2018.

<sup>13</sup> Robert Skidelsky: *John Maynard Keynes, Vol 1 - Hopes betrayed, 1883-1920*, London, Macmillan, 1992 (first published 1983), pp.298-9

confidence is not restored, this only shows that the image is not quite big enough.'

He continued: 'If it proves one of the after effects of the present struggle that gold is at last deposed from its despotic control over us and reduced to the position of a constitutional monarch, a new chapter of history will be opened. Man will have made another step forward in the attainment of self-government.'<sup>14</sup>

The use Keynes envisaged for gold was to facilitate the international movement of money - in the first place, Britain lending to its allies, in the second place borrowing from the US, a process that became increasingly onerous as conscription was introduced and Britain, following the desire of Lloyd George and the Conservatives, became more involved in fighting on its own behalf. Borrowing from the US was hardly an option available to the Germans. According to Gross (p.250): 'In New York before 1917, Germany was able to raise \$27 million in loans in comparison with over \$2 billion for the Entente.' He explains in a footnote that German attempts to borrow from the US had to contend with the dominance of the pro-British J.P. Morgan. The total borrowing of the central powers in New York has been calculated at \$35 million. Meanwhile the bulk of money floated as war loans in Switzerland went to France. Germany, then, much more than the allies, was very heavily reliant on her own resources.

According to Skidelsky: 'The stability of the Allied exchanges and the whole structure of inter-Ally finance, depended on Britain being able to borrow enough dollars in the United States to pay for Allied spending. By September it was paying out over \$200m a month in the U.S.A. (about two-fifths of its total war expenditure). Of this about half was being paid for by dwindling reserves of gold and the same of British-owned American and Canadian securities. The rest was being borrowed by the sale of Treasury bills, public issues of U.K. bonds, and collateral loans.' At the same time 'By mid-1916 Britain was paying for the whole of Italy's foreign war spending, most of Russia's, two-thirds of France's, half of Belgium's and Serbia's.' In October 1916, 'Keynes drew the sensible conclusion that "the policy of this country towards the U.S.A. should be so directed as not only to avoid any form of reprisal or active irritation but also to conciliate and please."' Skidelsky comments: 'These words fix the moment when financial hegemony passed irrevocably across the Atlantic.'<sup>15</sup>

## GERMANY BEFORE THE SECOND WORLD WAR - THE MEFO BILLS

I want to finish with a few words about the MEFO bills, one of the means by which, in four years, Germany advanced from a broken economy with over six million unemployed, deprived by international law of the means of defending itself, to a military power capable of taking on and defeating almost the whole of Europe. The architect of the MEFO bills was Hjalmar Schacht, who had been President of the Reichsbank in 1924 and as such responsible for introducing the new gold-based Reichsmark (the old gold-based mark with twelve noughts struck off) which finally put an end to the period of hyperinflation. Schacht resigned as President of the Reichsbank in protest against the terms of the reorganisation of reparations payments under the Young Plan (which he had helped to negotiate). It was the struggle against the Young Plan which brought him together with the coalition of nationalist groups

14 Keynes in the *Economic Journal*, (of which he was editor), November 1914. The first quote is given in Gross: *Confidence and Gold*, p. 239, the second in Skidelsky: *Keynes Vol 1*, p.292), who also in the text gives the date of December not, as in the footnotes, November.

15 Skidelsky: *Keynes Vol 1*, pp.333 and 335.

that included the National Socialists. He played an important role in the 'business circle' of leading industrialists formed to influence Hitler towards a more modest business friendly economic policy. He was recalled to the presidency of the Reichsbank soon after the National Socialists came to power and was appointed Minister of Economic Policy in August 1934.<sup>16</sup>

In his book, *The Magic of Money*, written after the war, Schacht presents himself as a fairly conservative, orthodox economist, a believer in gold, distrustful of paper money: 'The war of 1914 provided telling proof of the fact that state guaranteed paper money, unlike gold and silver coins, does not represent any substantial value.'<sup>17</sup> He insists that war should be paid for out of taxation rather than loans (though he seems curiously to exaggerate the extent to which Germany's opponents in the First World War relied on taxation); and he denies responsibility for the invention of the Rentenmark:

*'From a point of view of currency theory, the Rentenmark was a misconception. Not even Helfferich could close his ears to the objections which were advanced. He had to admit that the new money was no use in effecting international payments, and that it could only constitute an emergency bridge to the gold standard. He also admitted that in addition to the Rentenmark a foreign bill or gold Mark would, as I had suggested, be needed in order to facilitate the transmission of foreign payments.'*

*'Helfferich's change of front brought him generally into line with my own thoughts on the matter. Soon after, when I became Commissioner for Currency and then President of the Reichsbank, I made every endeavour to take the Rentenmark out of circulation as quickly as possible and finally to abolish it altogether, at the same time bringing the Reichsmark back to full validity. To this end the Reichsbank gave the Rentenmark parity with the new Reichsmark. The Reichsbank exchanged every Rentenmark al pari into Reichsmark, or, in other words the Reichsbank guaranteed the Rentenmark exactly as it did the Reichsmark.'* (p.67)

Schacht would almost certainly have denied the claim sometimes made that the MEFO bill was a non-gold based fiat currency. It was a bill issued on behalf of a company specially invented for the purpose - the *Metallurgische Forschungsgesellschaft* (Metal Research Company) - used to pay for government contracts. It could be exchanged for ordinary gold-based Reichsmarks but had this been done in large quantities the system would have collapsed. The ingenuity of the system was the incentive provided not to do so. Schacht explains:

*'The Reich guaranteed all obligations entered into by MEFO, and thus also guaranteed the MEFO bills in full. In essence all the Reichsbank's formal requirements were met by this scheme. It was a question of financing the delivery of goods; MEFO bills were therefore commodity bills. They rested on a threefold obligation: that of drawer, acceptor and Reich. This provided the Reichsbank with every justification for discounting the bills, and, although it was put to every test by the Reichsbank's directorate in collaboration with the country's best legal brains and economists, they agreed unanimously that it was valid.'*

*'The Reichsbank declared itself ready to prolong the bills, which true to the form laid down were drawn on three months' credit, to a maximum of five years if so required, and this point was new and unusual. Each bill could thus be extended by a further three months, nineteen times running. This was*

16 There is a useful account in Arthur Schweitzer: 'Business Policy in a Dictatorship', *The Business History Review*, Vol. 38, No. 4 (Winter, 1964), pp. 413-438

17 Hjalmar Schacht: *The Magic of money*, translated by Paul Erskine, London, Oldbourne Book Co Ltd, 1967, p.94



necessary, because the planned economic reconstruction could not be accomplished in three months, but would take a number of years. By and large such extensions by themselves were nothing new with the Reichsbank; it was quite common to prolong agricultural bills, but an extension over five years, together with a firm declaration that such extensions would be granted, that was most unusual.

'One other aspect was even more unusual. The Reichsbank undertook to accept all MEFO bills at all times, irrespective of their size, number, and due date, and change them into money. The bills were discounted at a uniform rate of four per cent. By these means the MEFO bills were almost given the character of money, and interest-carrying money at that. Banks, savings banks, and firms could hold them in their safes exactly as if they were cash. Over and above this they proved to be the best of all interest-bearing liquid investments, in contrast to long-dated securities. In all, MEFO bill credit transactions took place over a period of four years, and had by 1938 reached a total volume of twelve milliard [i.e. 12 billion, understanding billion as a thousand million - PBJ] Marks. This amount was not issued all at the same time, but in step with the progress in production. On average, bills to the value of three milliards were issued each year. Whether this was the right amount, whether more or less was to be issued, depended on the currency policy the Reichsbank decided to pursue. The politicians had different ideas. They wanted the highest possible number over the longest possible period. After a hard-fought battle, the decision went in favour of the Reichsbank.

*'This decision was of great importance for currency policy. It granted the Reichsbank the opportunity - of which it subsequently availed itself - to suspend the MEFO transactions when the currency position required that it should do so. The Reichsbank's task was made easier by the fact that until 1938 some half of the MEFO bills in issue at any one time were always taken up and held by the market, and thus not presented to the Reichsbank for discounting.'* (pp.112-3)

The effect was that a large amount of money was in circulation in addition to the amount that could be justified by the gold reserves held by the Reichsbank.<sup>18</sup> It should be said that when in April 1933 the US suspended gold convertibility and allowed the dollar to depreciate, Germany did not follow its example. According to the account by Adam Tooze: 'in the spring of 1933, Schacht seconded Hitler in denouncing any currency experiments. Pandering to popular sentiment, Hitler and Schacht made the defence of the official gold value of the Reichsmark into a symbol of the new regime's reliability and trustworthiness. Unlike in 1923, it was now the dollar not the Reichsmark that was plunging in value on the foreign exchanges.'<sup>19</sup> According to Emil Puhl, who had been a director of the Reichsbank at the time when Schacht was President: 'The devaluation of the currencies of other leading countries increased the difficulties of Germany's foreign trade position. Earlier the Bruening Government had decided not to devalue the RM because it felt itself bound to the international agreements on which the German currency was based, and it was unwilling to violate these international agreements. These deflationary policies did not prove popular with the German people and the leadership of the German government passed successively from Bruening to von Papen, to von Schleicher and to Hitler. Von Papen and von Schleicher, who held office briefly, did not devalue the RM officially. Hitler too refused to

18 Actually I haven't yet been able to find anything very definite about the policy regarding gold reserves or the ratio between gold actually held and the issuance of notes. I'm assuming that the 3 to 1 rule was still in force.

19 Adam Tooze: *The Wages of destruction*, Penguin Books, 2007 (first published 2006), p.41

devalue the RM officially through fear that such a move would cost him the support of the German people, who had a deadly fear of inflation and who believed that devaluation meant inflation.'<sup>20</sup> Tooze points out that though 'Germany would be left completely uncompetitive in every export market in the world ... the dollar's devaluation also brought a huge windfall, by reducing the Reichsmark value of the debts Germany owed to the United States.'

But Schacht's commitment to maintaining the value of the mark was clearly much more than a simple matter of 'pandering to popular sentiment'. In an interview given in September 1937 to S.R. Fuller, acting as a representative of President Roosevelt, Schacht complained against England's going off the gold standard and stressed Germany's commitment to a policy of 'stabilisation' of foreign exchange rates:

'S[chacht]: If an attempt is made to get stabilization, I assure you Germany will do her cooperative part. Germany wants to pay her debts; she will pay them as soon as a stabilized exchange is reached.'

[...]

F[uller]: "Can you hold the German mark where it is?"

S: "Yes : because we control our exchanges."

F: "Can you hold the mark regardless of what the other gold countries may do, even if Holland and/or France go off the gold standard?"

S: "Yes."

F: "For how long?"

S: "Indefinitely."

F: "By that you mean until you have worked out your present domestic problems, both agricultural and industrial?"

S: "Yes, until we have completed a German world of the mark where our raw material necessities can be produced and our excess workmen can be employed: a German world of the mark."<sup>21</sup>

Schacht handled the trade balance with another much admired expedient, entering into agreements with countries on a one by one basis by which the amount of imports Germany accepted would be balanced by the other party's willingness to accept an equivalent quantity of German exports - effectively a system of barter. Puhl again:

'Schacht in his dual capacity as president of the Reichsbank and Minister of Economics developed measures which he announced under the title of the "New Plan" to broaden the control over the German economy. It provided totalitarian controls over devises and commodities. The program under the "New Plan" put Germany's foreign trade largely on a barter basis. Schacht, by these measures, sought to restrict the demand for foreign exchange and to increase its supply. He was successful in restricting the demand for foreign exchange by various measures suspending the service on Germany's foreign indebtedness, by freezing other claims of foreigners on Germany, by a stringent system of import controls and by eliminating foreign travel and other unessential foreign expenditures.

*'To increase the available supply of foreign exchange, Schacht repeatedly requisitioned all existing foreign exchange reserves of German residents, required all foreign exchange arising*

20 *Nazi conspiracy and aggression* [documents prepared for the Nuremberg trials} Vol VII, pp.496-7

21 *Ibid*, p.507. The last remark is interesting. It's not a theme I'm developing here but in the course of the interview Schacht insists that Germany needs 'colonies' in order to create a world in which Germany could access raw materials using the mark - much as Britain had the advantage of being able to access raw materials in the Empire using sterling.

out of current exports and other transactions to be sold to the Reichsbank and by developing new export markets. Exports were encouraged by direct subsidies and by accepting partial payment in German foreign bonds or in restricted marks which could be acquired by foreign importers at a substantial discount.

*'Schacht actively developed barter with foreign customers and "clearing agreements" with foreign nations. Under Schacht's leadership Germany was quite successful in developing her foreign trade by these methods in Latin America and in south-eastern Europe. He cleverly exploited Germany's bartering power in driving down import prices and raising export prices and, in some instances, securing credits from weaker countries which were subsequently used for imports from Germany.*

*'The clearing agreements were primarily for the purpose of obtaining raw materials for armament and food and export industries.*

*'Where clearing and payment agreements between governments or central banks were not used, the foreign exporters were often paid in mark balances called Aski marks, which they had to sell to the importers of German goods in their country. These marks sold at a substantial discount. Up to the end of 1938 clearing and payment agreements with over 40 countries had been concluded by Germany, and German foreign trade was dominated by this system. The share in Germany's export trade of countries using these methods exceeded eighty per cent in 1938.'*<sup>22</sup>

Schacht showed a marked preference for imports of raw materials and a reticence with regard to the Nazi (and military) preference for autarchy and therefore for import substitution: 'Until the middle of 1936 Hitler did not concern himself in any way with the economic preconditions for waging a war. But he was repeatedly told that I, as Minister of Economic Affairs, emphasized the need to maintain foreign trade at a high level. In my deliberations with the government and business circles I always harked back to the fact that it was senseless to replace raw materials which could be imported cheaply with substitute materials expensively produced at home.' (Magic of Money, p.101). 1936 was the year in which Schacht began to lose control of the situation with the launching of the four-year plan under the patronage of Göring, marking the transition from a policy of rearmament for defensive purposes to what Arthur Schweitzer calls 'a war economy in time of peace'. A policy of self-sufficiency was outlined by Hitler in a memorandum written in September and proclaimed at the annual rally of the party in Nuremberg:

*'On September 2, 1936, Hitler informed Schacht of the main ideas of his memorandum. Schacht argued against it by saying that a promotion of exports was the only solution of the raw material crisis, while Hitler's proposal would antagonize other countries and ruin Germany's foreign trade. Returned to his office, Schacht in greatest anxiety would call for General Thomas. To him Schacht proclaimed his opposition: "If we now shout our decision abroad to make ourselves economically independent, we cut our own throats, because we can no longer survive the transitory period of such a shift in economic policy". Schacht requested General Blomberg, through Thomas, to see to it that Hitler drop his plans of self-sufficiency. Blomberg heard the message but did nothing, thereby indicating his agreement with Hitler's policy directive.'*<sup>23</sup>

22 Ibid., pp.497-8. Skidelsky: Keynes vol iii gives an explanation of 'the Schachtian system', pp.228-230. See also N.I.Momthchiloff: 'Schachtian mercantilism', *Journal of Industrial Economics*, Aug 1954, Vol 2, No 3, pp.176-173.

23 Arthur Schweitzer: 'Foreign exchange crisis of 1936', *Zeitschrift für die gesamte Staatswissenschaft / Journal of* 26

For Schacht the circulation of the Mefo bills was certainly a risk but one that could be taken so long as Germany, in the circumstances of the depression, was operating so much under capacity, with well over six million unemployed and a large amount of unused and unusable plant. The money was kept under a very tight rein. This was no sloppy 'helicopter money' aimed at increasing demand among the general public, nor was it anything like 'quantitative easing', supplied to banks in the hopes that they would find profitable outlets for lending. Comparison has often been made with the ideas being developed by Keynes at the same time in the *General Theory* published in 1936 but insofar as it could be said to have involved 'demand management' the intention seems to have been to restrict consumer demand rather than to encourage it. It was purposeful state spending, very largely oriented towards rearmament, and this became the basis for Schacht's arraignment at the Nuremberg trials as part of the 'Nazi conspiracy' to wage aggressive war. Schacht argued at the trial that he had indeed helped with rearmament in the early 1930s:

*'I considered an unarmed Germany in the center of Europe, surrounded by armed nations, as a menace to peace. I want to say that these states were not only armed but that they were, to a very large part, continuing to arm and arming anew. Especially two states which had not existed before, Czechoslovakia and Poland, were beginning to arm, and England, for example, was continuing to rearm, specifically with reference to her naval rearmament in 1935, et cetera. ... I considered the inequality of status between the countries surrounding Germany and Germany as a permanent moral and material danger to Germany.'*

But, he complains:

*'Mefo bills, of course, were a thoroughly risky operation, but they were absolutely not risky if they were connected with a reasonable financial procedure and to prove this I would say that if Herr Hitler, after 1937, had used the accruing funds to pay back the mefo bills, as had been intended - the money was available - then this system would have come to its end just as smoothly as I had put it in operation. But Herr Hitler preferred simply to refuse to pay the bills back, and instead to invest the money in further armament. I could not foresee that someone would break his word in such a matter too, a purely business matter.*

*'DR. DIX: But, if the Reich had met the bills and had paid, then means would no doubt have partly been lacking for further rearmaments and the taking up of the bills would therefore have curtailed armament. Is that a correct conclusion?*

*'SCHACHT: That, of course, was the very purpose of my wanting to terminate the procedure. I said if the mefo bills were not met, it would obviously show ill-will; then there would be further rearming, and that cannot be.'*<sup>24</sup>

In *The Magic of Money* (p.97) he says:

*'It did not require the second sight of a prophet to forecast the unfortunate outcome of a war fought against opponents so rich in raw materials and foodstuffs as England and France. When Japan ventured to make war on America I commented "A country which produces nine million tons of steel a year can never win a war against a country which has a steel output of 90 million tons per year"'*

His disagreement with Hitler on the issue led to his dismissal as President of the Reichsbank in January 1939 (he had already resigned as Minister for Economic Policy) but he continued in favour as Minister without Portfolio until 1943. He was

*Institutional and Theoretical Economics*, April 1962, Bd. 118, H. 2. (April 1962), p.275

24 Nuremberg trial transcripts, 118th day (1st May 1946), pp.474-475

arrested in 1944 in connection with the July assassination plot against Hitler.

The period covered in this article sees Germany passing through the essentially defensive 1914-18 war; the loss of territory and resources, hyperinflation, reparations; the dependence on foreign, mainly US investment together with the collapse that followed the depression in the US; the rebuilding of industrial capacity and achievement of full employment under the Nazis and, though not discussed here, the period of the war when Germany occupied most of Europe and of the Western areas of the Soviet union. But in all that one thing at least seems to remain constant, and that is the 'cartelisation' of the economy - the dominance of large scale, technically advanced industrial enterprises, relatively free of the constraints of price competition nationally or internationally, operating on a scale that required extensive exports, but an economy also highly dependent on the import of raw materials and food not available to anything like the required quantities within Germany. This will be one of the main topics in the next in this series of articles when we enter into the substance of the understanding of post war European economic history offered by Joseph Halevi.

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## 'Great Britain against Russia in the Caucasus'

### Advertisement for a new book by Pat Walsh

'*Great Britain against Russia in the Caucasus*' is about how the geopolitical relationship between Imperial Britain and Tsarist Russia had a transformative effect on the destinies of Ottoman Turks, Armenians and Azerbaijanis. From the Great War of August 1914, the course of history for these empires and peoples of Transcaucasia, was irrevocably altered and set on a new course.

The Russian movement south across the Caucasus during the early 19<sup>th</sup> Century had a profound effect on the peoples of Transcaucasia, as well as the Ottoman Empire. The struggle between Great Britain and Russia known as "The Great Game" that then ensued, added a new geopolitical dimension to the region stretching from the European Ottoman provinces to Southern Iran. However, at the moment when this great geopolitical struggle reached its pinnacle it was then seemingly suspended, by mutual agreement of the two empires, in response to an alteration in Britain's Balance of Power policy. And the effect was utterly cataclysmic.

It was the over-riding of "The Great Game" by the reactivation of the British Balance of Power policy, signalled in the Anglo-Russian Convention of 1907, that led on to the Great War on Germany and Ottoman Turkey. This catastrophic event was to have the most fundamental and transforming effect on the peoples of Transcaucasia, when the Tsarist state succumbed to Revolution in the waging of it.

After the Great War of 1914 nothing was ever the same again for Britain, Russia, Ottoman Turkey, the Armenians and the people of Azerbaijan. The miscalculated War produced Revolution in Russia, and other places, and the idealistic catch-cries of the new world provoked nation-building in the most improbable of places. Without the alteration of the British Balance of Power, the suspension of "The Great Game" and the consequent Great War, the map of the region may have remained rolled up and unaltered for generations.

At the end of 1918, as a result of its Great War victory, the British Empire had gained control of a vast land area stretching eastward from Istanbul into Anatolia, the Caucasus and Transcaucasia. Behind this area a great belt of land, running east from Palestine, through Mesopotamia/Iraq and into Persia lay in England's hands, to do what it wished with. In front of this Britain was supplying and supporting various military forces that were disintegrating the Russian state through civil war. The Great War of 1914 had not only succeeded in destroying Germany, and the Hapsburg and Ottoman Empires, but it had also seemingly won Britain the Great Game of a century of geopolitical rivalry with Russia.

Yet in the moment of triumph of Imperial Britain, and in less than two years, Russia was back in the Caucasus and Transcaucasia and it was pressing down on British Persia. And Russia was no longer Tsarist Russia but Bolshevik Russia.

This extraordinary turn of events is not explained to any satisfactory degree in the history books of the Anglosphere. Consequently, accounts are bemused by England's behaviour in 1919, which is only understandable within its geopolitical context. Why the great statesmen of England did what they did deserves more attention and explanation. The history of Ottoman Turkey and Transcaucasia is really inexplicable without trying to understand their calculations and effect on events.

Winston Churchill, who features strongly in this story, once called Russia "*a riddle, inside a mystery, wrapped in an enigma.*" But Russia is hardly an enigma. For the most part of two centuries it has controlled the Caucasus and unless someone prevented it from doing so, it remained in authority over the region. The peoples of the Caucasus were simply too many and too divided to resist the power of the Russian advance. Only two internal collapses of the Russian State, in 1917 and 1990, provided the space for new states to be born and to thereafter function with a degree of independence.

Britain is much more an enigma in relation to the Caucasus than Russia actually is. Of course, the Caucasus is hardly in Britain's backyard, but neither are the great expanses of the world she conquered and controlled for centuries elsewhere. But Britain, despite its immense power, had a fundamental problem with the region. That was because British power was sea power and the Caucasus were too continental for Britain's main weapon of war, the Royal Navy, to be employed there to any great effect. Lord Salisbury once warned the Armenians that his navy could never traverse the Taurus Mountains to assist their objectives. Neither could it climb over the mountains of the Caucasus. What was needed were soldiers and that is what Britain lacked.

During the Great War Britain had built an army larger than it had ever accumulated in its history. Soldiers were available to Britain: in Persia, Turkey and among the Moslem peoples of the Caucasus, who were opposed to Russian domination and would have willingly fought against it. And there lay the key to a successful defence of the Caucasus against the Russians if the will was there to make it a reality. In 1918-19 it seemed that the foundations of a very advantageous situation were there for Imperial Britain. There was even Russian state collapse during the previous year to assist it. And then...?

Where there is a will there is a way. But in 1919 Britain's will failed and there was no way. Imperial Britain, seemingly at the height of her power, having won its greatest of wars, baulked at the situation that confronted it, and the Imperial retreat began, unexpectedly, in the moment of victory. The Caucasus region and its peoples, who had been encouraged to form buffer-states and given a brief taste of independent existence, fell back into Russian hands – now Bolshevik hands – for nearly three quarters of a century. And the locals were left to make the best of it.

To understand Great Britain's failure, we need to understand the British Imperial mind and its view of the Caucasus.

Much of the world is credulous about Britain. That is hardly surprising, since Britain imposed itself upon the world in three great worldwide wars, conquered a large part of it in the course of these, established successful and powerful colonies as a result, and made the English language the default language for the writing of history, among other things. That historical process of forceful action, sustained over centuries, has produced conditioned reflexes which have inhibited thought and produced a great deal of innocent credulity.

Any attempt to write the history of this period without considering the primary role of Great Britain in shaping the destiny of the peoples of the Southern Caucasus and Anatolia, is really "Hamlet without the Prince".

To explain all this, it is necessary to examine the fundamentals of the mindset of Imperial Britain, which came to determine things in Anatolia and Transcaucasia during 1917-21. So, the early British interventions in Persia, the Great Game against Tsarist Russia, the importance of the Indian Empire and the Balance of Power policy are all surveyed. The consequence of this and the course of the Great War that followed was that Britain had a divided mind when it assumed the mastery of the Caucasus in 1918, which meant that it did not know what to do as clearly as the Bolsheviks did.

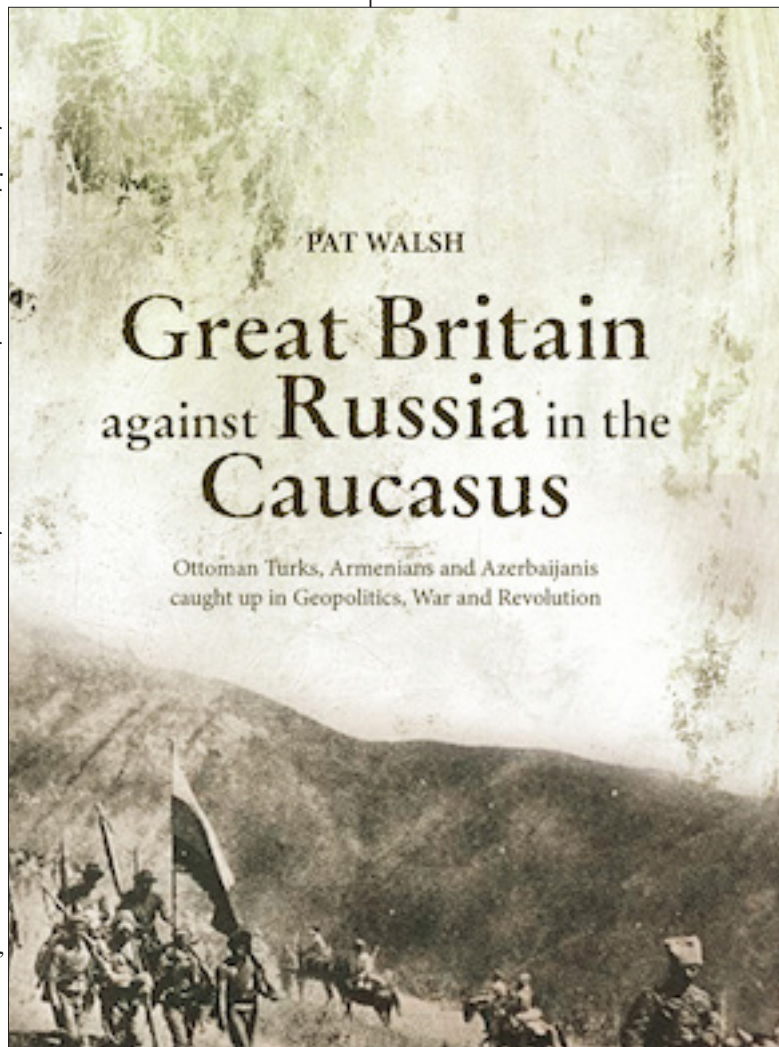
Lengthy quotations from significant actors and commentators are sometimes included – something that is unfamiliar in academia. This is done because the reader is required to step into another world, the world before the Great War changed the world forever, to understand why people acted as they did, and things were done as they had been done prior to the interregnum.

The thing about the period just after the Great War was that although a new world had dawned – not least of all because the New World (America) had been drawn into the War – the people who presided over this new world had minds that had

been formed in the period of the old world, before the cataclysm. They could not act how they would have acted in the old world and had to adjust for a new world that was unfamiliar and which they had no experience of in practice. History, the basis of past understandings and consequent actions, could not help them. So, without bearings, they blundered.

The very act of fighting the Great War had also changed the minds that had considered issues in an entirely different light before the fighting had begun and had went on, and on, and on.

The context of the story is the geopolitics of Great Britain versus Russia. But it is also about the battleground on which the issue between them was fought. It is Ottoman Turkey, Armenia, Azerbaijan and their peoples, who, after all, did most of the fighting and dying. So, the internal politics and struggles between the various elements present in the region are an important aspect of this history.



The sudden but temporary confluence of interests between Bolshevik Russia and the new development of Republican Turkey, brought about by Lloyd George's disastrous policy of using the Greeks and Armenians as catspaws to impose a punitive settlement on the Turks, is crucial in understanding what then happened. And the critical role of the Armenians in acting as a source of internal destabilisation, due to their relationship with the Western Imperial Powers, as perceived patrons, is given the significance it is due.

All this determined the result of the battle for the Caucasus that Bolshevik Russia quite unexpectedly won over Imperial Britain from a dire position only a few months previous. From the early nineteenth century Russia was the great constant in the affairs of the Caucasus and Britain

was the great potential variable. That is probably why Great Britain's influence has been overlooked by historians. It is the role of variables to change things. The wider geopolitical interests of Britain were what destabilised Transcaucasia, set it on a new course, and led to the historic events which this book is about. But when the battle was over it was Russia which held the field, alongside the new Turkish state born out of the ashes of the Ottoman Empire.

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