Reassessing economic appeasement during Chamberlain's peace-time premiership: A two-headed beast?

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Reassessing Economic Appeasement During Chamberlain's Peace-time Premiership: A Two-headed Beast?

Andrew David Stedman
Working Papers in
Military and International History

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Reassessing Economic Appeasement
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A Two-headed Beast?

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FOREWORD

This European Studies Research Institute Working Paper in Military and International History, Paper No. 7 in the series, examines the question of appeasement in Neville Chamberlain's foreign policy towards the end of the 1930s under the specific aspect of 'economic appeasement'. Needless to say, appeasement is a subject on which most twentieth century historians will hold strong and strident views. Nevertheless, it is the very familiarity – or perhaps assumed familiarity – with the subject of appeasement which makes this paper useful. Research has by no means been exhausted on the subject and, as Andrew Stedman quite clearly shows, there are still many points which have remained under-exposed in the debate over appeasement, not least of all as that debate has often been quite polemical.

It goes without saying that references to Chamberlain, Munich and appeasement have never disappeared from political discourse and debate in this country and the United States since the end of the Second World War. Hence, it seems obvious that historians need to continue to research on the history of appeasement in the light of the, at times, dangerous 'reactivation' of the term appeasement in order to make a particular political point. Very recent history in the early twenty-first century has shown the perils of calling on the 'ghosts of Munich' to strengthen a case being made for proposed action to combat or remove a dictator.
The paper draws upon a number of aspects of the author's unpublished doctoral thesis, "Then what could Chamberlain do, other than what Chamberlain did?" A Synthesis and Analysis of the Alternatives to Chamberlain's Policy of Appeasing Germany, 1936-1939", which was awarded by the University of Kingston in 2007. Given that this study won the British International History Group Thesis Prize for 2008 (under the auspices of the British International Studies Association), readers will no doubt be interested in the arguments Dr Stedman presents in this paper, particularly as it allows us a sneak preview of some of the ideas and conclusions which will no doubt be contained in his forthcoming monograph on Chamberlain and appeasement, due for publication in 2010 under the title Alternatives to Appeasement: Neville Chamberlain and Hitler's Germany.

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Reassessing Economic Appeasement During Chamberlain’s Peace-time Premiership: A Two-headed Beast?

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Analysis of the alternatives to Neville Chamberlain’s policy of appeasement in the late 1930s reveals a large body of political opponents divided in opinion about which rival option would be best, though united in their general condemnation of the National Government’s strategy. Prominent among this camp were those figures, usually on the Left and Centre-Left of the British political spectrum, who advocated the radical and extensive pursuit of economic and colonial appeasement as a means to avert war. While Chamberlain explored the economic and colonial dimensions of appeasement himself to varying degrees, this large body of critics regularly called for much more to be done in the financial realm as an alternative method of securing peace. Even before Chamberlain became Prime Minister, Hugh Dalton, Labour spokesman on foreign affairs, felt compelled to address Parliament in March 1936, in the belief that such a line would be the best way forward:
Economic questions should be thoroughly and systematically studied with a view to large changes in what I may call the economic and colonial layout of the world... It may well be, in the course of these discussions, that a large number of special British privileges will have to be surrendered for the sake of the peaceful and prosperous future of the world as a whole... as a contribution towards the appeasement and greater prosperity of the world.\textsuperscript{2}

When the Chancellor of the Exchequer became Prime Minister in May 1937, many of Dalton's peers among the opposition ranks urged Chamberlain to remove trade restrictions, reduce commercial barriers and improve access to colonies and raw materials. Just a few months into the new premiership, for example, Liberal leader Archibald Sinclair attacked Chamberlain's tardiness in establishing 'a constructive policy of peace and especially of economic appeasement' in a speech to Commons during October.\textsuperscript{3} Government critics such as these were seemingly convinced that economic solutions lay at the heart of the Fascist challenge and that prosperity across the world as a whole would lessen the causes of war. In his critical Parliamentary response to the 1938 Munich Agreement, for example, Labour leader Clement Attlee demanded that the bigger picture be addressed. Here he urged Chamberlain to invite Hitler to a new peace conference, 'to deal with the colonial question, to deal with the question of raw materials, to deal, above all, with the great economic question... to build a new world'.\textsuperscript{4}

* * *

New literature specifically on the economic and colonial dimensions of Chamberlain's appeasement policy does not appear very often, unless issues of rearmament or defence are also being considered in tandem. Indeed, one
could argue that the last major work on Chamberlain and economic appeasement appeared nearly ten years ago, with the publication in 2000 of Neil Forbes' *Doing Business with the Nazis: Britain’s Economic and Financial Relations with Germany, 1931-39.* The never ending historiography on appeasement more generally, meanwhile, has tended to focus on areas other than finance and economics, especially in the recent past, with the Soviet dimension of the origins of the Second World War being particularly fruitful. Here the likes of Hugh Ragsdale, Keith Neilson, Louise Grace Shaw, Michael Jabara Carley and Geoffrey Roberts, among others, have offered striking new analyses of Anglo-Soviet relations in this period, often based on previously untapped Russian archives. Even more recently, Robert Self's 2006 biography of Chamberlain, Peter Neville's *Hitler and Appeasement* from the same year, and David Gillard's 2007 *Appeasement in Crisis* will doubtless provoke a wide range of new responses. For one, these major works demonstrate that historians today can still form highly contrasting opinions of the wisdom of Chamberlain and the appeasers – both favourable and critical – despite using largely the same types of evidence.

A recent collection of essays on appeasement in a special 2008 edition of *Diplomacy and Statecraft*, published to mark the seventieth anniversary of the Munich Agreement, has offered exciting new pointers on where appeasement literature could go next. Among others included here, G. Bruce Strang's study of the importance of ideology to British strategy at this time has already generated fresh debate, while Sydney Aster's survey of existing historiography suggests that new avenues of the appeasement question still need to be explored. For example, he proposes that historians should consider the role of gender, race, ethnicity and religion on the formation of policy in this period much more than they have done so far. Economic appeasement is not tipped to feature greatly here, however, and, indeed, does not warrant a
huge amount of attention in the Diplomacy and Statecraft essay collection as a whole.

In line with the author’s general contention, expressed in detail elsewhere, that a more nuanced understanding of the alternatives to appeasement is required, this paper will argue that a fresh analysis of the economic dimension is likewise a necessity. It will explain how this strategy can in fact be seen as ‘a two-headed beast’. In both opposition and Government circles at the time, as well as in much of the historiography produced ever since, ‘economic appeasement’ has been popularly understood to encompass a single strategy, when in fact it would be more accurate to consider two separate and conflicting strands: the first, a pacific and concessionary scheme, designed to liberate the ‘Dictator powers’ from their economic woes; second, an aggressive and restrictive policy, designed to shackle and contain Fascist expansion by way of aiding other states and regions. In short, this paper will show how the lines between economic appeasement in a traditional sense and naked economic warfare have often become blurred. By regularly considering these issues under one umbrella term, an overly simplistic conception of the policy has resulted, one that merits reassessment today.

* * *

The international publication of the van Zeeland Report in January 1938, which contained recommendations from the Belgian Prime Minister of global economic initiatives designed to reduce the causes of war, gave new impetus to those in Britain advocating a similar line. Following shortly after the Anschluss between Germany and Austria, the main opposition parties felt compelled to deride Chamberlain’s early performance in foreign affairs. In a
speech to Commons on 24 March, for example, Attlee announced: ‘He has not been very successful with the political difficulties. Perhaps he had better turn and try to deal with the economic difficulties’. Former Labour Foreign Secretary Arthur Henderson claimed just minutes later that, ‘economic appeasement throughout Europe is the most vital question of the day’. Liberal leader Sinclair, meanwhile, felt the Prime Minister needed to go much further than he had done so far:

Make it clear that if Germany and Italy agree to disarmament and to the submission of all disputes to third party judgment, we will cooperate with them in setting up at once international commissions to consider their grievances, such as the problem of colonies… On the lines of the van Zeeland Report, we would, in cooperation with Germany and Italy, set about curing the disease of economic nationalism with all its symptoms of quotas, tariffs and exchange restrictions.

In many ways, of course, Sinclair was merely calling for Chamberlain to accelerate his own appeasement programme radically, but to deal more specifically with the economic dimension. Like ‘classic’ Chamberlainite appeasement itself — if such a thing can be said to have existed — this alternative to the Government line favoured making economic concessions to the Dictator states in the hope that their grievances would be removed and the causes of tension diminished. However, it is also possible to detect the beginnings of a double-line emerging around this time, with many of those who advocated economically assisting the Fascist powers also seeming to contradict themselves by calling for a degree of financial strangulation as well. For example, in the summer of 1938, many politicians in Britain sought to launch an attack upon one aggressive Fascist state, Japan, by way of appeasing the economic woes of another country, namely China. Independent MP Eleanor Rathbone was one of a host of such figures who spoke in the
Commons in July in favour of granting League-approved loans to the latter in order to boost its floundering war effort in the ongoing conflict against Japan: ‘Could the Prime Minister have told Japan more plainly that we were too afraid of her to do what is our duty as a member of the League?’ Yet Rathbone also appeared to stand firm behind economic appeasement in its more traditional sense too. Just minutes earlier she had announced that, ‘we should sacrifice a very great deal, bits of our own empire, take risks to avoid a conflict with Germany’, before urging Chamberlain to think very carefully about ‘what we are going to give away to Herr Hitler’. That she apparently favoured two seemingly antithetical lines of foreign policy – giving colonies to one aggressive Fascist state, while calling for loans to contain the growth of another – went largely without comment or challenge by successive speakers.

This trend only intensified as events gathered pace. As with Chamberlain’s own appeasement programme, the March 1939 Prague Coup signalled an increasing willingness on the part of many radical economic appeasement advocates to embrace a firmer, less concessionary, more deterrence-based line towards the Dictators. However, while Chamberlain’s pursuit of a so called ‘Peace Front’ bloc of alliances in the spring and summer of 1939 was widely felt at the time – and it has been argued since – to have signalled a decisive shift in his appeasement strategy, supporters of the economic alternative largely stood firm behind the official line of backing aid for the Fascists, when in fact they were increasingly favouring measures of economic warfare against them.

Hugh Dalton’s criticism of the Government and commitment to radical economic appeasement has already been discussed. However, his immediate response to Nazi troops marching into the Czech capital was to shift his support for the economic appeasement of Germany to the resistance of that power by way of assisting its vulnerable neighbour: ‘If we are to make
concessions about colonies and exits for trade or emigration to foreign countries, why not begin by making them to people like the Poles? Just a few weeks later, meanwhile – and making ‘a clear declaration’ of where his Party now stood – Attlee demanded that all colonies should be held on the principle of a League of Nations Mandate, ‘for the good of all the people of the world’. Here Britain would be ‘giving something on which peace lovers in other countries could build some hope’. The obvious inference here was that those within Germany, Italy and Japan, as well as Poland, would be granted concessions.

Both Attlee and Dalton supported the Government’s decision to guarantee Poland at the end of March 1939 and the latter called for this to be supplemented with a huge cash loan in July, designed to bolster that country’s defences against the potential German threat. In the very same speech, however, he also advocated new discussions with Hitler on the issue of freer trade and opening external markets. Under the official banner of ‘economic appeasement’, then, senior Labour figures regularly considered measures of financial strangulation at this time alongside more traditional calls for concessions. However, they seemed to be increasingly at odds with one another – though this was never publicly acknowledged – over which line of this double policy should take precedence at any given moment, economic resistance or support. Labour MP Morgan Price neatly demonstrates this confusion. During April 1939, like the vast majority of his fellow party members in the wake of the Prague Coup, he favoured beginning alliance talks with Russia, Turkey, Greece, Romania and other countries in east and southeast Europe to supplement the Polish Guarantee with a bloc of friendly states arrayed against Germany and Italy. Doubtless these talks would consider detailed economic arrangements for mutual assistance to the exclusion of
these two powers. However, in the same speech, he also urged Chamberlain not to abandon the colonial sphere in any future dealings with Hitler:

At the same time that we organise this league to resist violence and force we ought to offer to Germany economic concessions in the way of the open door in Colonial Africa, guarantees for obtaining raw materials... along the lines indicated in the van Zeeland Report.²⁹

These subtle internal debates about the precise nature of economic policy were also echoed within Liberal ranks during this period. For example, in the House of Lords on 20 March 1939, long-time economic appeasement enthusiast Lord Arnold called for a reconsideration of the colonies in order to aid a Germany which had ‘nothing like her fair share of the wealth and territory of the world’.²⁰ A week later, however, his colleague Lord Davies called for Chamberlain to pursue alliances against Germany, buttressed by ‘the immediate establishment of a commission composed of the financial, economic, and military experts of the cooperating nations for the preparation of measures of mutual defence’. Germany should face a boycott here, designed to sever any financial, economic and transport links between the new united front and the Fascist powers.²¹ Incidentally, Lord Davies had enthusiastically called for the Government to address the colonial question in Germany’s favour in the aftermath of Munich, either by direct negotiation with Hitler or through a League Mandate system.²² This is further evidence of how quickly individuals could change their minds on such questions and the rapid tide of events which had to be negotiated.

At least the Liberals had seemingly reached a broad consensus on which element of their twin economic strategy should take precedence by the summer of 1939. While Sinclair intimated that the larger, more general policy
of economic appeasement for the world as a whole was still required, he felt it should be coupled with direct economic encirclement of the Dictator powers themselves. In a speech in Parliament during July he called for a reduction of tariffs and quotas and fairer access to raw materials, but only for League powers and members of the new Peace Front against the aggressor states. Japan, in specific, should be shackled by Britain through the extension of commercial credits to its long-time adversary China.\textsuperscript{23} Again, Sinclair himself did not admit to the inconsistencies here between the older, concessionary ideal and the pressing necessities of the day, and they went largely without comment or challenge by succeeding speakers. While economic resistance, rather than aid, was now the watchword for most Government critics, then, the dividing lines between the two were not acknowledged, nor had they always been so clear.

Even members of the public came to recognise the possibility of two distinctive strands existing in traditional economic appeasement policy at this time. Shortly after the Prague Coup, for example, in a letter to the Daily Telegraph, Hugh Wilson of south-west London urged that Britain should assist Romania in tackling its economic problems by purchasing oil from that country. This would also deal a blow to German economic influence in the region:

If peace is preserved our loss would only be the difference between the buying and selling price of the oil. If war comes we should find use for all that oil, and we should have the added advantage of having kept it out of German hands.\textsuperscript{24}

It seems that during the spring of 1939, in the wake of the Prague Coup, though with one or two earlier examples, Chamberlain’s opponents who initially favoured radical economic appeasement as an alternative to
Government policy were in some degree of difficulty. While still officially supporting the far-reaching revision of trade and colonial arrangements, often in favour of the Fascist powers, advocates increasingly twinned this long-term goal with an acceptance—based more on Realpolitik and the needs of the day—which in fact necessitated the very opposite strategy in far greater measure, namely the economic strangulation of these countries. Such Government critics largely circumvented the obvious contradictions in policy here by drawing upon the grander dimensions of their traditional strategy, dealing a blow to the Fascists as a by-product of aiding other countries or regions, such as China, Poland or eastern Europe as a whole. By citing the older, macroscopic elements of the scheme—building Attlee’s ‘new world’—ahead of piecemeal initiatives, these critics were able to imbue their foreign policy recommendations with two very contrasting characteristics, depending on who was speaking and when. Whether or not this was deliberate on the part of speakers, in some cynical act of political slight-of-hand, is open to debate. Certainly, the diaries and memoirs of leading Labour figures like Attlee and Dalton shed little light on this particular issue; whether they themselves recognised the inconsistencies in their position in private, but chose to have their cake and eat it in public, remains an open question. To his credit, Attlee did admit many years later that economic or colonial concessions would have failed to sway Hitler from war, even if he could not quite bring himself to do so at the time.25

What is obvious, however, is that theirs was a policy in flux in this period, with nuanced internal debates about which line of the ‘one’ strategy should take precedence—economic assistance or economic resistance—increasingly being aired in public arenas such as Parliament. Clearly many among the Labour and Liberal ranks were confused, or at least in self-denial, about which road to take. They were reluctant or unable to acknowledge the
death-throes of the idea that radical economic concessions to Hitler was a viable alternative policy by mid 1939, desperately trying to reconcile old ideology with the very real situation they faced.

* * *

The National Government explored the possibility of including significant economic and colonial facets within its wider appeasement programme to a considerable extent. For example, it is well known that Chamberlain briefly mooted granting Togoland and Cameroon as concessions to Germany, as 'a fair basis of discussion' towards a lasting general settlement, in a letter to his sister during late 1937.26 Early in the following year, he devised a radical and far-reaching scheme to re-partition large parts of central Africa for use by the Dictator powers, who regularly complained of shortages in raw materials and natural resources. Only limited enthusiasm for this plan from France and Germany itself, along with the dramatic fallout from the Anschluss, halted his attempts to make real progress here.27 Even when the Prime Minister had seemingly abandoned his traditional policy of concessions in favour of the Peace Front by mid 1939, he still tentatively explored the possibility of a huge loan to Germany during the infamous Hudson-Wohlthat secret talks, which took place that summer.28

The reasons why initiatives such as these did not get off the ground, and why Chamberlain’s own efforts at economic appeasement were relatively limited in comparison to the radical measures called for by many of his opponents, can only be outlined here. However, a lack of meaningful international cooperation, suspicion that Hitler's claims about raw material shortages were vastly overblown, and the primary need for domestic economic recovery, all featured prominently. Wider political and popular opposition,
loyalty to colonial inhabitants and fears over how these territories might be exploited by the Nazis also impacted on policy. Moreover, Chamberlain always saw the economic dimension of his appeasement programme as a poor relation to the central political sphere. As he told Parliament in December 1937, as far as Nazi Germany was concerned, economic appeasement was 'much more likely to receive favourable consideration if it has been preceded by some easing of political tension beforehand'. Furthermore, was Hitler ever really interested in economic and colonial deals, or was he merely using the issue as a bargaining chip for future negotiations? After all, he famously declared that the question 'could wait four, six, eight or ten years' when presented with Chamberlain's central African scheme in early 1938. Such were the questions and concerns in the minds of many Government figures during this period.

The National Government's conception of economic appeasement also regularly differed from that of its critics, something explored more fully by this author elsewhere. In brief - and rather crudely put - for the Tory-dominated Government, the policy usually centred on limited, short-term initiatives aimed at satisfying Germany on specific details, ahead of grand efforts to improve the world situation in general. This is in contrast to the more idealistic, altruistic flavour often given to the policy by Labour and the Liberals, or those on the extreme Left. Cabinet and Foreign Office figures were perhaps more likely to speak in the language of old Victorian Imperialists and to consider loans and colonies as pawns in some huge Anglo-German chess game, rather than embracing Attlee's 'new world' vision anywhere near as enthusiastically. Whether this is indicative of deeply-rooted ideological and class differences between Left and Right, or simply because those in power had to adopt a harder, more realistic, more immediate focus
than those criticising on the sidelines, is not entirely clear. The answer probably lies somewhere between the two.\(^\text{32}\)

These differences acknowledged, however, economic appeasement also emerged as a two-headed beast in the Government’s own conception of policy. As with their many opponents, senior figures within the Cabinet and Foreign Office increasingly recognised the possibility of an aggressive edge to this strategy existing alongside the more traditional concessionary elements. It was the Anschluss and subsequent Czech crisis that marked the first real wide consideration within Government circles of economic appeasement as a tool to keep Germany at bay, rather than to pacify it. In a Foreign Office memorandum considering the implications of recent events and possible measures Britain could take in response, Orme Sargent, Assistant Under-Secretary in the Foreign Office, suggested giving financial aid to several countries as a means of shackling German expansion. Just weeks after the conception of Chamberlain’s radical plan to allow the Dictators a virtual free reign in many parts of Africa, the measures Sargent now favoured illustrate how Hitler had firmly become the number one enemy in British eyes. This is even more apparent when one considers some of the other states mentioned as targets for assistance:

The countries who might be considered for loans and credits would be Japan, Italy, Russia, Poland, and whatever Spanish Government may emerge... This list is a repellent one but necessity makes strange and unpleasant bedfellows. The candidates for direct subsidies or gifts of war materials would be the Danubian and other States, who are anxious to resist German encroachment and brow-beating, but lack the material with which to do so.\(^\text{33}\)

Even Germany’s closest allies at this time – aggressive dictatorships in their own right – were considered for economic appeasement measures here,
designed to suffocate Hitler and divide the Fascist camp. Yet in the same memorandum Sargent also mooted the possibility of a very different strategy existing, one which considered trying to ‘save the British Empire by promoting the formation of a German world empire at the expense of other countries: in Europe at the expense, for example, of the Danubian States and Poland, and in the colonial sphere by the return of all the German colonies’.34

Turkey also emerged as a key power in the Government’s strategic thinking at this time. As the gateway to the Middle East it was one of the main obstacles to a German Drang nach Osten, and the decision was taken in May 1938 to grant £16 million worth of export credits, £6 million of which were to be spent on building warships.35 In a foreign policy committee meeting in June, economic strategy was discussed at length. Chamberlain had initially been sceptical of resisting Hitler’s activities in the region, asking, ‘might not a great improvement in Germany’s economic situation result in her becoming quieter and less interested in political adventures?’ Foreign Secretary Lord Halifax was dubious, however, arguing that Germany intended to ‘penetrate throughout the whole of Central and South-East Europe in the economic sphere’. He went on: ‘An attempt should be made to check this process before it was too late’. In the end, Chamberlain favoured setting up an Interdepartmental Committee on Central and South-east Europe to consider and, if necessary, coordinate economic aid for the region.36 Once again, then, the economic appeasement of one country or region was deliberately conceived to have detrimental side-effects for the economy of another. A policy originally envisaged to be all about concessions and pacification emerged, for the Government as much as its critics, with a more aggressive twin edge to it as time moved on.

In the winter of 1938-39, the Inter-Departmental Committee produced a report recommending increased imports from countries in central and south-
east Europe, such as Greece and Hungary, as well as modifying exchange
tariffs and quotas in their favour. Britain purchased 200,000 tons of wheat
from Romania in the wake of Munich, for example. The rationale for
measures such as these was detailed in a Secret Intelligence Service
memorandum to the Foreign Office from November, which recommended
going directly head to head with Germany for economic influence in the
region:

Into those states... we should inject resisting power by helping them
financially and economically and making them less dependent on
Germany for trade; making them realise that we and the French are
strong and united; encouraging them as far as possible to look to us,
short of committing ourselves to supporting them actively.

However, once again, these sorts of aggressive moves were being
considered alongside economic appeasement in its traditional sense. In the
same file as the secret memo, for example, Alexander Cadogan, Permanent
Under-Secretary to the Foreign Office, hoped the Government would ‘cut our
losses’ in central and eastern Europe. He explained: ‘Let Germany find her
“Lebensraum”, and establish herself, if she can, as a powerful economic unit’.
He also spoke in positive terms about ceding colonies to Hitler in the near
future. Indeed, only a few weeks later, Chamberlain himself penned a letter
to Tory dissident Leo Amery, claiming that he would never rule out the
possibility of such a move:

While I agree with you that any discussion of cession of colonial
territory to Germany in the present circumstances is useless, I doubt
whether it is necessary or advisable to make a general announcement
that the matter is never to be considered in any circumstances, however
different they may be from the present.
The twin policy held firm. By the early months of 1939, while it was clear in the minds of many Government strategists that economic concessions to Hitler was a flawed policy requiring replacement by a much harder line, others – not least the Prime Minister himself – were reluctant to completely close the door on this avenue of approach. Nevertheless, the tide of events was fierce and the aggressive elements of the policy began to take precedence as war loomed seemingly closer. The so-called Mitteleuropa strategy of conceding markets and spheres of financial influence to Germany in central, eastern and south-east Europe was increasingly eclipsed by a much tougher policy of economic appeasement for other countries in those regions, designed to resist Germany as a by-product and foster allies at its expense. Britain granted export credits, of £2 million and £1 million respectively, to Greece and Romania in February 1939, for example – countries eventually offered guarantees in April – and Chamberlain sanctioned an economic mission to Bulgaria with a view to establishing a similar deal.

Such moves were discussed perpetually thereafter until the outbreak of war itself, with loans and colonies to Italy even being touted by one Foreign Office official, Clifford Heathcote-Smith, in a memorandum produced in July. Consideration of such a late economic approach to Germany’s closest ally, in a last attempt to drive a wedge through the Axis, is surely indicative of the desperation that was now gripping the Government. Yet, as we have already seen, the secret loan talks with Germany were also being held in this very month and Lord Halifax spoke at the end of June in positive terms about ‘ample scope for extending to all nations the opportunity of a larger economic life, with all that this means, which is simplified in the term “Lebensraum.”’ He also hinted at access to colonies for ‘all sides’, and ‘free and ready access to the markets and raw materials of the world’, if Hitler would turn away from war at this late stage. It was to be a forlorn appeal.
Thus, economic and colonial appeasement emerged as ‘a two-headed beast’ for the Government as much as for its many critics in the later stages of Chamberlain’s peace-time premiership. As with the opposition, this is evidence of a confused and divided legislature, with internal debates about the precise nature of policy as common within the Foreign Office or Cabinet as in Labour and Liberal ranks. Determined to consider all options and to never rule out such an agreement in the long-term, Chamberlain sanctioned a double policy of offering carrot and stick to Nazi Germany. The intimation that a new, far-reaching economic or colonial deal was on offer, if Hitler would just mend his ways, went hand in hand with an increasing realisation that Germany’s own immediate ambitions in central, eastern and south-east Europe should be resisted or contained by way of appeasing the financial troubles of other states in these regions. As such, the Government’s Peace Front policy during the spring and summer of 1939 was underpinned by a wide range of commercial deals and initiatives for the new member nations. Perhaps this double line undermined the chances of success of either single strand, or maybe this was a necessary concession to the needs of the hour from a Prime Minister still hoping for peace, but increasingly having to contemplate war.

If one buys into the general contention that the Government was more hard-nosed and less idealistic than the Labour and Liberal opposition on the question of economic appeasement, one can ask why it did not completely abandon the concessionary strand after Prague and focus exclusively on containing German expansion through economic encirclement. While such questions are best saved for another place – after all, the same sorts of debates have raged for decades about Chamberlain’s wider policy itself – this once again emphasises how British strategy had to be constantly revised in response to Hitler’s every move. The difficulties everyone in the country had in
conceiving a viable and consistent strategy to deal with the Fascist menace is only underlined once more.44

* * *

What is the significance of all this? Surely policy debates between people on the same sides of the political spectrum—be they Government or non-Government—were normal at this time? Surely the evolution and increasing aggression of British strategy was only to be expected as war loomed near, simply as a matter of course? The point is that these trends and nuances have largely gone without comment where economic appeasement is concerned. More work is needed in this particular area if we are to have a fuller and more accurate understanding of this policy and its many advocates. Traditionally, when historians of the period have studied economic appeasement at this time (rare as this is, on the whole, as outlined at the beginning of this paper) they often neglect to fully explore the parallel lines of policy existing in both opposition and Government minds. They have preferred, instead, to analyse those supporting loans or colonies to Hitler in isolation from those, often actually the same figures, who would also consider the economic strangulation of the Dictator states in the very next breath.

To give just one of many possible examples, the champion of the post-revisionist school of historiography on Chamberlain and appeasement, Alistair Parker, neglects to cover the economic and colonial dimension of policy in his chapter on alternatives to appeasement within his landmark 1993 work, *Chamberlain and Appeasement: British Policy and the Coming of the Second World War*. His otherwise impressive analysis of colonial and economic factors elsewhere in this book offers little discussion of Labour and Liberal viewpoints and fails to mention at all how economic strategy could encompass
aggressive as well as concessionary elements. Yet the fact that this was regularly the case at the time, and often discussed under the single umbrella term of ‘economic appeasement’ – especially by Labour and Liberal speakers in public forums like Parliament – is rarely credited, even by those looking much more closely at these specific issues. Gustav Schmidt, for example, one of the leading authorities on Chamberlain’s economic policies, addresses the difficulties in defining the term ‘economic appeasement’ in his introduction to The Politics and Economics of Appeasement (1986). However, he then attempts a definition from a strictly concessionary perspective only. Thus, in considering elements such as financial and colonial concessions to Germany, conceding spheres of influence in Europe, harbouring closer Anglo-German trade links, and so on, as essential components of what economic appeasement war, he neglects to include the fact that Germany itself could be shackled or resisted as a by-product of the assistance of others.

Even more recent authors, who have specialised on both the economic dimension of Chamberlain’s policy and look at its concessionary and aggressive strands, also afford little attention to this central issue: how both could be elements of the same policy, at least according to contemporary definitions. Hence, even scholars like David Kaiser, Scott Newton and Neil Forbes, among others, still largely frame the question in terms of Government economic strategy towards Germany being either concessionary or aggressive – which is true – but rarely credit how it could in fact be both, where the particular phenomenon of economic appeasement is concerned.

Put simply, we cannot say that Chamberlain pursued economic appeasement and economic warfare as two separate, mutually exclusive policies before the war, because economic attacks against Hitler were almost always a by-product of the economic appeasement of somebody else. What we might describe as the planned suffocation of Germany by way of assisting,
say, Turkey, Greece and Romania in mid 1939, for example, Attlee or other opposition figures might just as easily have welcomed as economic appeasement for the woes of east and south-east Europe as a whole. Hence, by the terminology popularly used at the time, this must be seen as a policy with two strands, and not two separate policies. Perhaps a more complex vocabulary is required today, or a redefining of boundaries? Maybe such quibbles over terminology seem somewhat trite in comparison to the substance of events themselves in this period, though it is surely vital to have a full and accurate understanding of exactly what people meant at this time when framing alternative policies designed to avert war.

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Like Chamberlain’s wider policy as a whole, economic appeasement was not a uniform strategy and had many more nuances and ambiguities to it than are traditionally understood. Firstly, the Government and its critics had different conceptions of what the policy was. It could operate on microscopic and macroscopic levels; and encompass short-term and piecemeal initiatives, as well as grander, longer-term, loftier goals, depending on who was speaking and when. Second, it changed over time and became more aggressive with passing events, shifting markedly after the Prague Coup and during the final months of peace. The opposition remained wedded to its old ideology and the traditional understanding of the policy as an altruistic strategy designed to lessen the causes of war. This was never abandoned.

However, most came to recognise that the harsh side effects were, in fact, required more than the medicine itself and increasingly saw economic appeasement as a way to resist Germany in the final months of peace. This was not the first or last occasion during this period when Labour and the
Liberals would find their foreign policy recommendations to be full of holes and contradictions. But discussion of this can be saved for another place. Chamberlain, meanwhile, remained determined never to rule out radical economic or colonial adjustments in Germany’s favour, committed as he was to securing a lasting peace above all else. Nonetheless, as Hitler carried out each successive foreign policy coup, the sense of alarm increased and economic aid was more and more directed towards potential allies, to the exclusion and detriment of Germany itself.

With regards to economic foreign policy, both opposition and Government were divided, confused and in flux during the late 1930s, once more underlining the unique challenges posed by Fascism and the chaos and confusion of the era. Finally, it is clear that our terminology and definitions need to be reassessed if we are to have a more precise appreciation of the nature of policy in this period. ‘Economic appeasement’ is too simple and vague a term – both at the time and in the historiography since – to fully explain the many subtle nuances it contained. It is a catch-all label which masks the fact that this single policy could in fact have two entirely contrasting outcomes, depending on the needs of the hour. This surely merits further attention by students of appeasement today. After all, we can only begin to comprehend fully why Chamberlain did what he did when we have a more complete understanding of the range of options he had available to him, and a more precise conception of the nature of the alternatives that were suggested.
Notes:


2 Hansard, Parliamentary Debates, Official Reports. 5th Series, House of Commons (hereafter, HC Deb 5s), vol.310, cols 1459-60, 16 March 1936.

3 HC Deb 5s, vol.327, col.78, 21 October 1937.

4 HC Deb 5s, vol.339, col.66, 3 October 1938.


9 See again, Stedman, "Then what could Chamberlain do, other than what Chamberlain did?" A Synthesis and Analysis, conclusion.

10 P. van Zeeland, Report to the Governments of the United Kingdom and France on the Possibility of Obtaining a General Reduction of the Obstacles to International Trade, Presented by the Prime Minister to Parliament by Command of His Majesty, 26 January 1938 (London: HMSO, 1938).

11 HC Deb 5s, vol.333, col.1420, 24 March 1938.

12 HC Deb 5s, vol.333, col.1488, 24 March 1938.

13 HC Deb 5s, vol.333, col.1432, 24 March 1938.

14 HC Deb 5s, vol.338, cols.3028, 4 July 1938.

15 HC Deb 5s, vol.338, cols.3025, 4 July 1938.

16 HC Deb 5s, vol.345, col.544, 15 March 1939.

17 HC Deb 5s, vol.347, cols.1827-8, 19 May 1939.

19 HC Deb 5s, vol.345, cols.2862-6, 3 April 1939.


22 HL Deb 5s, vol.110, col.1428, 3 October 1938.


24 Daily Telegraph and Morning Post, 21 March 1939.


26 University of Birmingham, Special Collections Department, Neville Chamberlain Papers, NC18/1/1030, Neville Chamberlain to Ida Chamberlain, 26 November 1937.

27 The National Archives of the United Kingdom, Kew (hereafter, TNA), CAB 27/623/FP(36)/21, Foreign Policy Committee Proceedings, 24 January 1938.

28 Talks between Robert Hudson, Secretary for the Department of Overseas Trade, and Dr Helmut Wohlthat, a senior German official from the Ministry of Economic Affairs, occurred in June and July 1939. Though the precise details are sketchy and accounts of the meetings differ, it is generally accepted that Chamberlain sanctioned several discreet
meetings between the two men at which a huge British loan to Germany was discussed, in return for Hitler’s assurances of peace.


30 HC Deb 5s, vol.330, col.1806, 21 December 1937.


32 For more discussion on these sorts of issues see, Stedman, "‘Then what could Chamberlain do, other than what Chamberlain did?’ A Synthesis and Analysis’, chap. 2.

33 TNA, FO371/21674/C1866, 17 March 1938.

34 TNA, FO371/21674/C1866, 17 March 1938.

30 TNA, CAB 27/623/FP(36)/50, 1 June 1938.

37 See TNA, CAB 27/627/FP(36)/54, 26 October 1938.

38 Quoted in Newton, Profits of Peace, p. 88.

39 Quoted in TNA, FO371/21659/C14471, 9 November 1938.

40 TNA, FO371/21659/C14471, 9 November 1938.

41 Cambridge University, Churchill Archives Centre, Leo Amery Papers, AMEL 2/1/28(1).
Neville Chamberlain to Leo Amery, 2 December 1938.

42 Quoted in TNA, FO371/23818/R6506, 21 July 1939.

43 Halifax was speaking at the annual dinner of the Royal Institute of International Affairs.
Quoted in The Times, 30 June 1939.

44 Again, see Stedman, "Then what could Chamberlain do, other than what Chamberlain did?" A Synthesis and Analysis, chap. 2 and conclusion.

45 See Parker, Chamberlain and Appeasement, chaps. 4, 13 and 15.


47 See, for example, Kaiser, Economic Diplomacy, p. 249, or Newton, Profits of Peace, p. 88.

48 See, once again, Stedman, "Then what could Chamberlain do, other than what Chamberlain did?" A Synthesis and Analysis, particularly the conclusion.
About the author

Andrew Stedman currently teaches history at the University of Newcastle. He obtained his PhD from the University of Kingston in 2007, for which he was subsequently awarded the British International History Group Thesis Prize in 2008. He received his BA with honours in History and an MA in Twentieth Century History from the University of Liverpool. Dr Stedman has published a number of articles on the controversy over Britain’s appeasement policy in the 1930s and is currently preparing his PhD thesis for publication in 2010 as a monograph entitled, Alternatives to Appeasement: Neville Chamberlain and Hitler’s Germany.