

The international political economy of appeasement: the social sources of British foreign policy during the 1930s

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Introduction

For post-WWII American realists, there was nothing more tragic than British appeasement policy. In the ensuing Cold War atmosphere, it was the historic failure of this policy which would guide American foreign policymakers in their resolve to counter, by force if necessary, the perceived aggressions of the Soviet Union. Even after the demise the Soviet Union, the ‘Munich analogy’ remains an effective discursive battering ram for justifying interventionist policies and criticising political opponents.¹

For most classical realists, appeasement represented the ‘corrupted policy of compromise’ which had mistaken ‘a policy of imperialism for a policy of the *status quo*’.² For many contemporary structural realists, appeasement is conceived as a pathological consequence of the alliance dynamics of the 1930s multi-polar system. Instead of forming a balancing coalition against Nazi Germany, between 1933 and March 1939 both Great Britain and France preferred a strategy of ‘buck-passing’ or ‘distancing’ which sought to place the burden of defense on the other alliance partner.³ In the liberal historiography, appeasement is primarily viewed as a result

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¹ See policymakers’ quotes in Robert J. Beck, ‘Munich’s Lessons Reconsidered’, *International Security*, 14:2 (1989), pp. 161–91; Jeffrey Record, *The Specter of Munich: Reconsidering the lessons of appeasing Hitler* (Washington DC: Potomac, 2007).

² Hans J. Morgenthau, *Politics Among Nations* (New York: Knopf, 1993), p. 76; Henry Kissinger, *A World Restored: Metternich, Castlereagh and the problems of peace, 1812–22* (London: Weidenfeld & Nicolson, 1957), p. 3.

³ Kenneth N. Waltz, *Theory of International Politics* (Reading: Addison-Wesley, 1979), pp. 165–9; Barry Posen, *The Sources of Military Doctrine: France, Britain, and German between the Wars* (Ithaca: Cornell University Press, 1984); Thomas J. Christensen and Jack Snyder, ‘Chain Gangs and

of the idiosyncratic shortcomings and misguided thinking of Chamberlain and his closest advisers. From both realist and liberal perspectives, appeasement is viewed as result of policymakers' misperceptions and/or underestimation of the Nazi threat.⁴ In the post-WWII International Relations (IR) literature, appeasement is thus conceived in almost entirely negative terms; a misguided policy allowing dangerous threats to fester and grow.⁵

These liberal and realist interpretations are uncritically recounted in numerous IR textbooks.⁶ Even those accounts critical of these traditional interpretations remain firmly embedded within realist-dominated⁷ state-centric theoretical assumptions.⁸ There are, however, many problems with these accounts, central to which is the lack of sufficient examination of the social and historical context in which appeasement policy was formulated. In IR, the concept of appeasement has been developed without due attention to the socio-economic, ideological and political conditions faced by policymakers. Consequently, analyses have mistakenly identified what it was that, given these conditions, policymakers hoped to achieve by appeasing Nazi Germany.

This article provides an alternative analysis of appeasement drawing on the theoretical resources of historical materialism. In doing so, it historicises British appeasement policy within the context of the determinations and pressures of the capitalist system in which that policy was formed. It offers an empirical analysis of the development of the British state-capital nexus and its relation to foreign policy

Passed Bucks: Predicting Alliance Patterns in Multipolarity', *International Organization*, 44:2 (1990), pp. 137–68; Thomas J. Christensen, 'Perceptions and Alliances in Europe, 1865–1940', *International Organization*, 51:1 (1997), pp. 83–91; Stephen Walt, 'Alliances, Threats and US Grand Strategy: A Reply to Kaufman and Labs', *Security Studies*, 1:3 (1992), p. 458; Stephen Van Evera, 'Offense, Defense, and the Causes of War', *International Security*, 22:4 (1998), pp. 5–43; John Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton & Company, 2001), pp. 308–22; Randall Schweller, 'Tripolarity and the Second World War', *International Studies Quarterly*, 37:1 (1993), pp. 73–103; Randall Schweller, *Deadly Imbalances: Tripolarity and Hitler's strategy of world conquest* (New York: Cornell University Press, 1997).

⁴ Alan Alexandroff and Richard Rosecrance, 'Deterrence in 1939', *World Politics*, 29:3 (1977), pp. 404–24; Robert Jervis, 'Deterrence and Perception', *International Security*, 7:3 (1982/3), pp. 3–30; Walt, 'Alliances'; Richard Rosecrance and Arthur A. Stein (eds), *The Domestic Bases of Grand Strategy* (Ithaca: Cornell University Press, 1993), pp. 126–34; Robert Powel, 'Uncertainty, Shifting Power, and Appeasement', *American Political Science Review*, 90:4 (1996), pp. 749–64.

⁵ In contrast, E. H. Carr, in the first edition of the *Twenty Years' Crisis*, viewed Chamberlain's policy of appeasement as 'a reaction of realism against utopianism' (1939:14fn). Seen within IR as one of the founding fathers of modern realism, the pro-appeasement themes throughout this work illustrate the problematic disassociation between realism's theoretic abstractions and its historically concrete explanations of foreign policies. On this issue see Gonzalo Pozo-Martin's important piece, 'Materialist or Autonomous Geopolitics', *Cambridge Review of International Affairs*, 20:4 (2007), pp. 551–63.

⁶ K. J. Holsti, *International Politics: A Framework for Analysis* (Edgewood Cliffs: Prentice-Hall, 1988, 5th ed.); D. M. Snow and E. Brown, *The Contours of Power: An Introduction to Contemporary International Relations* (New York: St. Martin's Press, 1996); Charles W. Kegley and Eugene R. Wittkopf, *World Politics: Trends and Transformations*, 8th edition (New York: St. Martin's Press, 2004).

⁷ There are many different interpretations of realism within IR. Here, the term 'realism' is used in the restrictive sense of 'realist theory' which, *inter alia*, is posited on the analytical separation of the domestic and international and the ontological primacy of the latter in explaining state behaviour.

⁸ Beck, 'Munich's Lessons Reconsidered'; Ralph Dimuccio, 'The Study of Appeasement in International Relations: Polemics, Paradigms, and Problems', *Journal of Peace Research*, 35:2 (1998), pp. 245–59; Daniel Treisman, 'Rational Appeasement', *International Organization*, 58:2 (2004), pp. 345–73; Jack S. Levy and Norrin M. Ripsman, 'Wishful Thinking or Buying Time: The Logic of British Appeasement in the 1930s', *International Security*, 33:2 (2008), pp. 148–81.

structures and processes. The purpose of this article is not to provide another detailed exposition of the historiography of appeasement to IR; but, rather, to open a new set of questions regarding how IR thinks about the relation between security-military interests, foreign policymaking, political economy, and, more generally, the origins of modern geopolitical rivalry and war. Approaching appeasement through an analysis of the international dynamics of capitalist modernity, it offers a contribution to a rich and growing body of Marxist literature within IR.⁹ It seeks to formulate a distinctively historical materialist approach to foreign policy and international security – two sub-fields of IR theory in which Marxist approaches have been notably absent.

The central claim of this article is that threats to social order and the political *status quo* overrode British policymakers' concerns regarding Nazi Germany's territorial ambitions.¹⁰ These concerns were, in turn, rooted in British elites' desire to shore up the 'UK-centred system of accumulation'¹¹ entailing the defense of the Empire and the reconstruction of a London-centered international financial order. In these ways, appeasement was a form of 'crisis strategy'; a preventative diplomacy which sought to ward off the multiple socio-economic and (geo-) political crises facing British state and society by assuming limited foreign policy commitments.¹²

The exclusive focus on the territorial threats posed by German power in conventional IR accounts miss this multi-dimensional nature of British policy which was both inward and outward looking. From a pure balance of power perspective, to label British policy towards Germany 'appeasement' is itself a misnomer. At least until January 1939, the central perceived threat in Europe by key British policymakers was not German *territorial* expansion, but the *social* threat of Bolshevism abroad and the emergence of a strong Left in domestic politics.¹³ For many British elites 'fascism was not an unmitigated evil', but 'an effective weapon against communism and socialism and a barrier to the expansion of bolshevism beyond the borders of the Soviet Union'.¹⁴ British policymakers were not appeasing German interests, but actively and strategically using Nazi power, in Lloyd George's words, as a 'bulwark against communism in Europe'.¹⁵ Hence, if appeasement is defined as a 'policy of making unilateral concessions in the hope of avoiding conflict',¹⁶ then 'conflict' must be conceived in broader social terms transcending strategic balance of power calculations.

⁹ See, *inter alia*, the literature reviews in Mark Rupert and Helen Smith (eds), *Historical Materialism and Globalization* (London: Routledge, 2002); Alexander Anievas (ed.), *Marxism and World Politics: Contesting Global Capitalism* (London: Routledge, 2010).

¹⁰ The focus of this article is British foreign policymaking. However, where appropriate, I also discuss French policymaking.

¹¹ Giovanni Arrighi, 'Hegemony Unravelling – 2', *New Left Review*, II:33, p. 103.

¹² Gustav Schmidt, 'The Domestic Background to British Appeasement Policy', in Hans J. Mommsen and Lothar Kattenacker (eds), *The Fascist Challenge and the Policy of Appeasement* (London: Allen & Unwin, 1983), pp. 101–24.

¹³ Sandra Halperin, 'The Politics of Appeasement: The Rise of the Left and European International Relations During the Interwar Period', in David Skidmore (ed.), *Contested Social Orders and International Politics* (Nashville: Vanderbilt University Press, 1996), pp. 128–64.

¹⁴ Michael Jabara Carley, 1939: *The Alliance that Never Was and the Coming of World War II* (London: House of Stratus, 1999), pp. 3–4.

¹⁵ Quoted in Frederick Schuman, *Europe on the Eve: The Crisis of Diplomacy, 1933–9* (New York: Knopf, 1942), p. 340.

¹⁶ Treisman, 'Rational Appeasement', p. 345.

In rethinking the origins and aims of British appeasement policy, this article problematises a defining moment in the ideological self-representation and development of Anglo-Saxon IR theory in the post-WWII era. More particularly, it demonstrates the fundamental deficiencies of mainstream IR's state-centric theoretical assumptions. For, from such presuppositions, IR scholars have inadequately understood the origins of appeasement policy, its purpose, and its meaning to the actors involved. Although IR emerged within and is about a capitalist world, IR theory for the most part has yet to take the concept of capitalism seriously.¹⁷ This has been to the cost of understanding foreign policymaking and geopolitics, which takes place in a capitalist context.

Despite a wealth of historiographical literature examining the socio-economic and ideological dimensions of appeasement, particularly the Janus-faced threat of Bolshevism abroad and socialism at home, substantive enquiries into these issues are conspicuous by their absence within IR. The few studies that have analysed such questions fail to systematically combine them into a single, holistic socio-theoretical framework.¹⁸ Inadequately considered or entirely excluded from analysis are, then, arguably the most interesting and relevant questions: What is the precise relationship between ideology and 'economics' in influencing foreign policy? And, how do we conceptualise the changing *structural relations* between them? Enquiry into the dynamic interplay between transformations in world economy, geopolitical relations, collective self-understandings, and state-society relations in shaping foreign policymaking are thus obscured. Furthermore, whilst often presented as critiques of neo-realism, such studies nevertheless share neo-realist assumptions: most problematically, the (implicit or explicit) abstraction of domestic factors from their underlying *historically-determinant social structures*. Consequently, a different though no less problematic form of ahistoricism than that offered by neo-realism arises. Ideological and class-based factors are reduced to the domain of pure 'party politics': appeasement conceived in terms of the political struggle between Labour and Tories.¹⁹ Correlatively, these studies often share a key neo-realist methodological assumption of positing a bifurcated social reality of opposing social spheres (that is, the international versus domestic). This dichotomous compartmentalisation of social relations is, however, unhelpful in explaining a policy resulting from the complex intertwining of socio-economic and geopolitical-security interests in which neither set of interests can be reduced to a single social domain (that is, the domestic, international or transnational).

¹⁷ A point noted not only by Marxist IR scholars; see Barry Buzan and Richard Little, 'Beyond Westphalia? Capitalism after the "Fall"', *Review of International Studies*, 25:5 (1999), pp. 89–104.

¹⁸ Robert G. Kaufman, 'To Balance or To Bandwagon? Alignment Decisions in 1930s Europe', *Security Studies*, 1:3 (1992), pp. 423, 430–4; Rosecrance and Stein, 'Beyond Realism'; Mark L. Haas, 'Ideology and Alliances: British and French External Balancing Decisions in the 1930s', *Security Studies*, 12:4 (2003), pp. 34–79; Haas, *The Ideological Origins of Great Power Politics, 1789–1889* (Ithaca: Cornell University Press, 2005), pp. 105–45; Kevin Narizny, 'Both Guns and Butter, or Neither: Class Interests in the Political Economy of Rearmament', *American Political Science Review*, 97:2 (2003), pp. 203–20; Narizny, *The Political Economy of Grand Strategy* (Ithaca: Cornell University Press, 2007); Randall Schweller, 'Unanswered Threats: A Neoclassical Realist Theory of Underbalancing', *International Security*, 29:2 (2004), pp. 187–98; Steven Lobell 'The Second Face of Security: Britain's "Smart" Appeasement Policy towards Japan and Germany', *International Relations of the Asia-Pacific*, 7 (2007), pp. 73–98.

¹⁹ See Haas, 'Ideology and Alliances'; Narziny, 'Both Guns and Butter'; Schweller, 'Unanswered Threats'.

The difficulty in analysing British appeasement policy – and the foreign policymaking process more generally – is to provide a theoretical framework capable of conceptualising these multi-faceted determinations of state actions as constituting a single, internally related social totality. In these ways, a distinctively Marxist approach to appeasement offers significant theoretical benefits since it is a social theory distinctive in its methodological commitment to radical historicism, and a holistic, social-relational ontology. *Pace* criticisms of Marxism's supposed inherent 'class reductionism' and/or 'economism',²⁰ this article emphasises the central role of ideology and ideas in British appeasement policy. In particular, it focuses on anti-communist (or anti-Bolshevik) ideologies prevalent in guiding and legitimating British (and French) foreign policies. Given the many meanings the concept of ideology holds in IR, and particularly within Marxist literature with its tradition of 'ideology critique', it is helpful to clarify that ideology will be used here to capture the ways in which agents 'posit, explain and justify ends and means of organized action, and specifically political action.'²¹

From this perspective, ideology and socio-economic structure (or class interests) are not conceived as 'independent' or 'autonomous' causal factors relating to separate and discrete ideational and material spheres in explaining policymaking processes. Rather, they are conceptualised in their *internal relations* within a single social totality. That British and French elites were so ardently anti-Bolshevik is only understandable when we ask what kind of social structure these agents saw themselves defending, and what position they held in its nexus of social relations. Anti-Bolshevism was not some irrational prejudice, but rather immanent to the process through which individuals are socialised in capitalist societies. The emergence and sticking power of anti-Bolshevik ideology among British policymakers might then be seen as a function of a form of identity production structurally inscribed within the capitalist state/society complex. That Bolshevism and capitalism were perceived as antithetical socio-economic and political orders was hardly a coincidence.²² The inclusion of ideology into a Marxist analysis, therefore, can be viewed neither as a contingent causal factor (as in much constructivist analysis) nor as trumping other 'materialist' determinations: a kind

²⁰ John Gerard Ruggie, 'What Makes the World Hang Together? Neo-Utilitarianism and the Social Constructivist Challenge', *International Organization*, 52:4 (1998), p. 859; Narizny, 'Both Guns and Butter', p. 204; Marieke de Goede, 'Beyond Economism in International Political Economy', *Review of International Studies*, 29 (2003), p. 90; John M. Hobson, 'Back to the future of "One logic or Two" Forward to the Past of "Anarchy Versus Racist Hierarchy"', *Cambridge Review of International Affairs*, 20:4 (2007), pp. 581–97; cf. Mark Laffey, 'The Red Herring of Economism: a reply to Marieke de Goede', *Review of International Studies*, 30 (2004), pp. 459–68; Andreas Bieler and Adam David Morton, 'The Deficits of Discourse in IPE: Turning Base Metal Into Gold?', *International Studies Quarterly*, 52:1 (2008), pp. 103–28

²¹ Martin Seliger as quoted in Terry Eagleton, *Ideology: An Introduction* (London: Verso, 2007), pp. 6–7.

²² That a few particular British policymakers viewed the Soviet Union as the lesser danger than the Nazis in the immediate context, but were nevertheless vehemently anti-communist (notably Winston Churchill and Robert Vansittart), in no way invalidates this connection which specifies a *general tendency*. As with any social theoretical enquiry applied to a particular historical case, it is entirely legitimate for specific 'exceptions' to occur. It should be further noted that the Marxist framework elaborated here in no way denies the irreducible role of contingencies in any theoretically-informed historical analysis. The point of any good social theory is to identify the key structures, processes and agents, along with their main lines of interaction, in generating adequate explanatory hypotheses. For an excellent discussion on the relation of Marxist social theory to historical explanation see Alex Callinicos, *Theories and Narratives* (London: Polity 1988).

of ‘get out of jail free’ card for an otherwise materialist explanation of British policymaking. Both these views would assume an *external* relationship between ideology and socio-economic structure.²³

Here, it is important to note that capitalism is *not* conceived as a purely economic phenomenon as in most conventional IR theories. Instead, it refers to a historically-particular form of societal organisation at the heart of which is not simply ‘the economy’, but the relations of production mutually constituted by the antagonisms between capital and labour and inter-capitalist conflict.²⁴ As Eric Wolf noted, Marx’s concept of production sought to simultaneously capture ‘the changing relations of humankind to nature, the social relations into which humans enter in the course of transforming nature, and the consequent transformations of human symbolic capability. The concept is thus not merely economic in the strict sense but also ecological, social, political, and social-psychological. It is relational in character’.²⁵

The analysis below proceeds in four sections, and is structured along specific theoretical themes. Section I provides an international historical sociological account of the British state and foreign policymaking structures. In doing so, it examines the evolution of foreign policymaking structures, particularly focusing on the ascendancy of a ‘City-Treasury-Bank nexus’ in the post-First World War British state within the historical context of capitalism’s international development. It then analyses the various mechanisms linking state and capital in a relationship of structural interdependence thereby compelling state managers to identify military-security interests with the maintenance of capitalist social relations. These points are illustrated in Section II. In analysing the pace and scope of British rearmament, this offers a reconceptualization of the relations between military-security, political and economic interests from the perspective of a particular capitalist social structure. This shows how the City-Treasury-Bank perspective, favoring liberal economic orthodoxy and the pursuit of ‘Gladstonian finance’, continually subordinated British military-security requirements to financial concerns and the maintenance of internal social stability.

Section III analyses how the hegemony of the City-Treasury-Bank nexus engendered an institutional bias against conflict with Germany (Nazi or otherwise). It details how British elites sought to strengthen Britain’s economic-financial relations with the Nazis as a means to deter the spread of Bolshevism abroad and fight socialism at home through a revival of domestic and world economy. The section elucidates the theoretical claims regarding the internal relations between capitalist political economy and ideology. This is a point further explored in the final section which illustrates how the debates in both British and French foreign policy-making circles over the creation of an Anglo-Franco-Soviet alliance were deterred by the fundamental role of anti-Bolshevik ideology and the fear of war-generated

²³ I must thank George Lawson for pushing me to clarify these points.

²⁴ Hannes Lacher, ‘International Transformation and the Persistence of Territoriality: Toward a New Political Geography of Capitalism’, *Review of International Political Economy*, 12:1 (2005), p. 29; Alex Callinicos, ‘Does Capitalism Need the State System?’, *Cambridge Review of International Affairs*, 20:4 (2007), pp. 533–49.

²⁵ Eric Wolf, *Europe and the People without History* (Cambridge: Cambridge University Press, 1997), p. 21.

revolution.²⁶ The conclusion draws out some of the more general theoretical conclusions for IR emerging from an historical materialist account of appeasement.

I. The British state in an international capitalist context

In examining British policymaking processes during the 1930s, attention must be paid to the changing configurations of social forces and structures of foreign policymaking power within the state. After the First World War, the British Foreign Office lost its dominant position in formulating foreign policymaking as the centre of power decisively shifted to the Treasury which worked in close collaboration with the Bank of England and City interests.²⁷ This shift in policymaking power was symptomatic of long-term socio-economic and political changes connected with the rise of world economy during the 19th century. During this period, the interconnected processes of accelerated industrialisation and the progressive development of an externally-oriented British capitalist system resulted in the 'workshop of the world' continually running a commodity trade deficit – a deficit offset by the invisible surpluses generated by the City and the profits it derived from its interests in banking, insurance, shipping and overseas investments.²⁸ These economic developments were, in turn, achieved through a series of monetary and commercial reforms transforming the central institutions within the British state/society complex. This resulted in the institutionalisation of a set of key common economic objectives uniting the Treasury, Bank of England and City interests to a policy of 'sound money', free trade, and a strict adherence to the gold standard regime.

The development of the British state-capital nexus

By the early 20th century, then, a particular form of 'structural interdependence' emerged between these financial institutions and those segments of capital (finance, shipping, insurance and colonial capital) at the heart of the City. The 'pursuit of fiscal and monetary orthodoxy by the Bank and Treasury sustained the gold standard and later sterling's exchange value', underpinning the City's international financial role. It also functioned as an 'independent source of power for the Bank and Treasury in their own respective domains – that is, in the banking system and the state bureaucracy'.²⁹ The development of this special relationship between the Treasury, Bank of England and City was further reinforced through institutional, familial and social links.

²⁶ It is important to note that throughout this article a plurality of different schools of historical thought are drawn upon as to avoid presenting theory as historical evidence.

²⁷ Neil Forbes, *Doing Business with the Nazis: Britain's Economic and Financial Relations with Germany, 1931–1939* (London: Frank Cass, 2000), p. 13; Schmidt, 'Domestic Background', p. 111; Paul M. Kennedy, *Realities Behind Diplomacy* (London: Routledge), pp. 231, 252; Robert P. Shay, *British Rearmament in the Thirties: Politics and Profits* (Princeton: Princeton University Press, 1977), pp. 25, 91, 282.

²⁸ Eric Hobsbawm, *Industry and Empire* (London: Weidenfeld & Nicolson, 1968), pp. 144–5; P. J. Cain and A. G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914–1990* (London: Longman, 1993), p. 91.

²⁹ Geoffrey Ingham, *Capitalism Divided: The City and Industry in British Social Development* (Basingstoke: Macmillan, 1984), pp. 6–8.

The upshot of these developments was the formation of a City-Treasury-Bank relationship constituting the ‘core institutional nexus’ within British state and society, which came to be the chief proponent of a liberal-internationalist hegemonic project and capital accumulation strategy based on free trade and a London-centered Gold Standard.³⁰ With the institutional changes within the British state resulting from the exigencies of the First World War, this long-term trend towards City-Treasury-Bank hegemony within foreign policymaking became a historical reality.³¹ Even after the Great Depression of 1929–31 and Britain’s turn towards imperial trade preferences (institutionalised in the ‘Ottawa System’), the City-Treasury-Bank nexus’s hegemony largely survived. This was due, in part, to the increased interpenetration of financial and industrial interests that had developed with the emergence of an oligopolistic economy during the interwar years.³² This financial-industrial bloc was further cemented by a common ideological animosity against the threat of Bolshevism abroad and socialism at home – a crucial component of a larger *Weltanschauung* instantiated within capitalist class relations.³³

For these reasons, the formation of a Conservative-dominated National Government in 1931 and its foreign policies found widespread support in financial and industrial circles throughout the 1930s. Evidence of pro-appeasement sentiment within the City, as well as export-oriented industries, is abundant.³⁴ While sections of the capitalist class differed over *how* to appease German interests they were united with the majority of British policymakers in their efforts to secure peace at almost any price. The extensive sources of the National Government’s social power-base, along with the hegemony of City-Treasury-Bank establishment within British policymaking, helps explain why alternative strategies to appeasement were continually ignored.³⁵

*The ‘structural interdependence’ of state and capital*³⁶

This process of particular factions of capital encroaching upon the British state apparatus should *not* be viewed as presenting an instrumentalist theory of the state.

³⁰ Ibid.; see also Perry Anderson, ‘The Figures of Descent’, *New Left Review*, 161 (1987), pp. 20–77.

³¹ On these changes see J. A. Emery ‘The Emergence of Treasury Influence in British Foreign Policy, 1914–1921’ (PhD Dissertation, University of Cambridge, 1988), pp. 13–110.

³² Michael Barratt Brown, *After Imperialism* (London: Heinemann, 1963), pp. 97, 144; Hobsbawm, *Industry and Empire*; Cain and Hopkins, *British Imperialism*, pp. 14–20; Leslie Hannah, *The Rise of the Corporate Economy* (London, 1983).

³³ The solidification of common interests was further accelerated by the changing structure of the British party system during the interwar period: see Cain and Hopkins, *British Imperialism*, p. 30; Keith Middlemas, *Politics in Industrial Society: The Experience of the British System since 1911* (London: Deutsch, 1979).

³⁴ See Paul Einzig, *Appeasement Before, During and After the War* (London: Macmillan, 1941); Wendt, ‘Economic Appeasement’; Scott Newton, *Profits of Peace: The Political Economy of Appeasement* (Oxford: Clarendon Press, 1996); Gustav Schmidt, *The Politics and Economics of Appeasement: British Foreign Policy in the 1930s* (London: Berg, 1986); Forbes, *Doing Business*; Johnathan Kirshner, *Appeasing Bankers: Financial Caution on the Road to War* (Princeton: Princeton University Press), pp. 27–8; Niall Ferguson, ‘Earning from History? Financial Markets and the Approach of World Wars’, *Brookings Papers on Economic Activities*, 1 (2008), pp. 431–90.

³⁵ On the foreign policy strategies and factions supporting them, see Schmidt, *Politics and Economics*.

³⁶ The concept of ‘structural interdependence’ is elaborated in Chris Harman, ‘The State and Capitalism Today’, *International Socialism*, 2:51 (1991).

The British state was not, in Marx's famous words, 'the executive committee of the bourgeoisie'. While this is not the place to go into the intricacies of the state debates of the 1970s and 1980s, one clear point that emerged from these debates was the potential for a divergence of interests between policy makers and capitalists.³⁷ State managers and capitalists can be thus viewed as constituting two distinct groups of actors, drawn into strategic alliances with one another through the pursuit of their own *distinctive interests*.³⁸ Broadly speaking, capitalists need state support in securing the necessary general conditions for capital accumulation and, more particularly, in advancing their specific interests in the international arena. State managers, in turn, seek to maintain and increase the relative power of their state which is necessarily dependent on the various resources produced by the capital accumulation process, most obviously taxes.³⁹ State managers and capitalists are, therefore, mutually dependent on one another. The City-Bank-Treasury nexus was one historical expression of this structural interdependence.⁴⁰

Following Fred Block, this relation of structural interdependency can be further specified through the identification of various 'subsidiary' and 'structural' mechanisms engendering state managers to serve capitalist ends irrespective of whether capitalists directly intervene in policymaking processes.⁴¹ Subsidiary mechanisms include, *inter alia*, the institutional and social channels through which capitalists and state managers directly relate; resulting in the ideological interpellation of state managers as 'capitalists' through the encroachment of capitalist norms and social logics on state structures. The emergence of the City-Bank-Treasury nexus well exemplifies this process.⁴² These subsidiary mechanisms alone are, however, inadequate in explaining foreign policy outputs: for even when the 'ruling class' does not rule directly, policymakers overwhelmingly tend to serve capitalist aims. Addressing this issue, Block identifies two further *structural* mechanisms.⁴³ The first is captured by the idea of 'business confidence'. The survival of the state apparatus is dependent on the maintenance of a reasonable level of economic growth since: (a) the capacity of a state to finance its own activities is directly dependent upon the conditions of the economy (it needs taxes); (b) public support for a government will decrease if the economy declines; and, (c) if a state fails to safeguard the interests of capitalists by pursuing policies resulting in economic decline, capitalists can invest elsewhere. As examined below, fear of undermining 'business confidence' through rapid rearmament or other preparatory war measures was a central factor in British appeasement policy.

A second structural mechanism is the level of class struggle within and beyond the state. In the British case, this mechanism acted to dissuade state managers to work with labour in rearmament efforts as they feared both the expansion of state

³⁷ See John Holloway and Sol Picciotto (eds), *State and Capital: A Marxist Debate* (London: Edward Arnold, 1978); Simon Clarke (ed.), *The State Debate* (London: Macmillan, 1991).

³⁸ Callinicos, 'State-System?', p. 543; Fred Block, *Revising State Theory* (Philadelphia: Temple University Press, 1987).

³⁹ Sam Ashman and Alex Callinicos, 'Capital Accumulation and the State System', *Historical Materialism*, 14:4 (2006), pp. 113–5.

⁴⁰ *Ibid.*, p. 114.

⁴¹ Block, *Revising State Theory*.

⁴² See Ingham, *Capitalism Divided*; Anderson, 'Figures'; Cain and Hopkins, *British Imperialism*; Peter Gowan, 'The Origins of the Administrative Elite', *New Left Review*, 2:162 (1987), pp. 4–34.

⁴³ *Ibid.*, pp. 58–65.

functions, as experienced during WWI, and a consequential increase in class struggle. State managers thus sought to maintain as much policymaking autonomy as possible to avoid power-sharing agreements with labour. Such policies ended up hurting Britain's military preparedness for war; hence, providing additional support to policymakers' logic of appeasement. Further, Whitehall's dual strategy of limited rearmament and appeasement was structured through the *international* level of class conflict, which also tied into the *transnational* role of revolutionary ideology. A third structural mechanism Block does not consider is geopolitical rivalry. Within the context of world capitalist economy, every state is compelled through the 'whip of external necessity'⁴⁴ to facilitate a certain level of capitalist development or face potential peripheralisation. In the face of geopolitical exigencies, state managers will likely pursue policies generally congruent with the process of capital accumulation.

Rather than viewing state managers and capitalists in an external relation to one another – as do pluralist and neo-Weberian theories – this conceptualisation situates them within the international context of the dynamics of capital accumulation. Further, a key shortcoming of existing class-based or ideological analyses of appeasement is their inadequacy in specifying such structural mechanisms facilitating state policies to capitalist ends.⁴⁵ This is a problem common to Marxian analyses of appeasement as well. For example, Sandra Halperin's otherwise excellent neo-Gramscian analysis of appeasement explicitly conceives the state in instrumentalist term. This follows from her argument that European states remained dominated by pre-industrialist classes. For Halperin, appeasement was a defence of the Old Regime.⁴⁶ While this article develops particular arguments made in Halperin's study, it rejects these two assumptions.

II. Rearmaments, finance and industry

A problem with conventional IR approaches to appeasement is the failure to explain why, if British military power was so inadequate in confronting the territorial threats posed by the Nazis, did British policymakers not quicken the pace and scope of their own rearmament program? If states' foreign policies' are ultimately determined by the changing international distribution of power it would be logical that, in the face of three simultaneous threats (Germany, Japan and Italy), British policymakers would have undertaken a much more comprehensive and prudent rearmament program earlier than they did. Thus, appeasement represents a 'leading empirical anomaly' for IR theories of 'preventive war'.⁴⁷ For, between 1933 and 1939, successive British administrations pursued a limited rearmaments program which continually subordinated its speed and direction to financial, socio-economic and political concerns. These concerns had little, if

⁴⁴ Leon Trotsky, *The History of the Russian Revolution* (Ann Arbor: University of Michigan), p. 4.

⁴⁵ Haas, *Ideological Origins*; Narizny, *Political Economy*; Schweller, *Deadly Imbalance*.

⁴⁶ Halperin, *War and Social Change in Modern Europe: The Great Transformation Revisited* (Cambridge: Cambridge University Press, 2004); Halperin, 'Politics of Appeasement'.

⁴⁷ Norrin M. Ripsman and Jack Levy, 'The Preventive War that Never Happened: Britain, France, and the Rise of Germany in the 1930s', *Security Studies*, 16:1 (2007), p. 33.

anything, to do with geopolitical and security factors as narrowly defined by conventional IR theories. Rather, they were geared towards securing the socio-economic *status quo* as defined by British elites.

The City-Treasury-Bank perspective and rearmament

The point of convergence between the socio-economic and financial concerns of the City-Treasury-Bank establishment and foreign policymaking is nowhere better demonstrated than in the debate over rearmament. The direction, speed and ambit of Britain's rearmament program during the 1930s was largely dictated by the Treasury, which pursued orthodox policies based on its shared perspective with the City, Bank of England, and significant sectors of Britain's export-oriented industries. During this period, the City-Treasury-Bank nexus maintained that rearming too rapidly would weaken business confidence by dislocating production and threatening inflationary spiral, potentially destroying the Sterling Area and undermining Britain's fragile domestic status quo. This perspective gained widespread acceptance in foreign policymaking circles.⁴⁸ Policymakers were thus committed to a strategy of restrained defense spending and maintaining the principal of 'business as usual': that is, rearmament should interfere as little as possible with the normal export-oriented and 'free market' British model of capitalism. Committed to this principal of "business as usual", the government was generally sympathetic to employers and their preference for limited government intervention'.⁴⁹ Britain's rearmament program exemplifies how the capital-state encroachment process imbued state managers with a specific conception of political economy.

After the Manchurian crisis, the Committee of Imperial Defense (CID) in March 1932 requested that the Ten Year Rule be suspended and that expenditures be made for 'purely defensive commitments' in the Far East. The Treasury's response to the CID's request for increased funding, signed by Neville Chamberlain then Chancellor of the Exchequer, was a 'classic statement'⁵⁰ of its basic rationale in denying the military's repeated funding requests. It argued that under present circumstances the British state was no more in a position financially and economically to engage in a major war in the Far East than it was militarily. It concluded 'that today financial and economic risks are by far the most serious and urgent the country has to face and that other risks must be run until the country has had time and opportunity to recuperate and our financial situation to improve'.⁵¹

⁴⁸ G. C. Peden, *British Rearmament and the Treasury, 1932–1939* (Edinburgh: Scottish Academic Press, 1979), pp. 85–6; Shay, *British Rearmament*, pp. 96, 125–6; Middlemas, *Politics*, 254; Schmidt, 'The Domestic Background', p. 109; Wendt, 'Economic Appeasement', p. 161; Gaines Post Jnr, *Dilemmas of Appeasement: British Deterrence and Defense, 1934–1937* (Ithaca: Cornell University Press, 1993), pp. 317–30; Ferguson, 'Earning Lessons?', p. 458.

⁴⁹ Talbot Imlay, 'Democracy and War: Political Regime, Industrial Relations, and Economic Preparations for War in France and Britain up to 1940', *Journal of Modern History*, 79 (March 2007), pp. 19, 31–32.

⁵⁰ Shay, *British Rearmament*, p. 23.

⁵¹ Quoted in *ibid.*, pp. 23–4; see Christopher Price, *Britain, America and Rearmament in the 1930s: The Cost of Failure* (London: Palgrave, 2001), pp. 7–8.

Subsequently, in 1934, the Defence Requirement Committee (DRC) identified Germany as Britain's main potential long-term enemy, while further recognising Italy and Japan as potential opponents. Despite the identification of these multiple threats, the necessary pace and direction of rearmaments, as recommended by the DRC's November 1935 'Ideal Scheme', was continually stalled by the Treasury.⁵²

Furthermore, British policymakers not only limited the speed of the rearmament program, but also directed military spending on primarily financial and economic criteria, overwhelmingly concentrating on Air Force defense of the home islands and the Navy to secure the Empire. This was 'by no means an accident or an oversight'.⁵³ Chamberlain had forcefully argued that the RAF's powerful striking capabilities 'offered the greatest security for the amount available to be spent'.⁵⁴ He therefore suggested that spending on the Air Force take priority, with the Navy given second priority, and the Army a distant third.

This allocation of spending was based not on Britain security priorities conceptualised in realist balance of power terms. Rather, it was borne out of financial and economic orthodoxy and a willingness to sacrifice Europe to save the Empire.⁵⁵ As the Chiefs of Staff (CoS) put it in 1936: 'The greater our commitments to Europe, the less will be our ability to secure our Empire and its communications'.⁵⁶ Further, the Treasury continually denied increased defense expenditures on the grounds that it would be a 'shock to business confidence'; often citing City and business organisations' opposition to Chamberlain's proposed National Defense Contribution, which would have implemented a graduated tax on business profits.⁵⁷ Decrying such a policy as 'socialist', City interests were successful in defeating the measure which was quickly withdrawn upon Chamberlain's accession to the premiership.⁵⁸ Rationed defense spending and appeasing Britain's external enemies were two-sides of the same coin. Together they formed a two-pronged strategy 'rooted in the Government's desire to maintain the economic and social *status quo*'.⁵⁹

These geopolitical and socio-economic challenges facing Britain in the 1930s, as well policymakers' strategy to ameliorate them, were conditioned by capitalism's

⁵² Price, *Britain, America and Rearmament*, pp. 71–4; see Shay, *British Rearmament*.

⁵³ Kennedy, *Realities*, p. 293.

⁵⁴ Shay, *British Rearmament*, p. 78.

⁵⁵ John Ruggiero, *Neville Chamberlain and British Rearmament: Pride, Prejudice, and Politics* (London: Greenwood Press, 1999), pp. 99–101; Post, *Dilemmas*, pp. 65–6; Shay, *British Rearmament*, p. 91.

⁵⁶ Quoted in Williamson Murray, *The Change in the European Balance of Power, 1938–1939* (Princeton: Princeton University Press, 1984), p. 104. Murray's thesis regarding the imperial sources of Britain's appeasement policy in diverting attention away from Britain's 'continental commitment' is further illustrated by Brian Bond, *British Military Policy between the Two World Wars* (Oxford: Oxford University Press, 1980), pp. 188, 257–8, 267–70, 338 and Richard Meyers, 'British Imperial Interests and the Policy of Appeasement', in Mommsen and Kettenacker, pp. 339–51.

⁵⁷ Quoted in Middlemas, *Politics*, p. 259; see also Shay, *British Rearmament*, pp. 288–9; Peden, *British Rearmament*, p. 95; Schmidt, 'Domestic Background', p. 109; Wendt, 'Economic Appeasement', p. 161; Post, *Dilemmas*, pp. 317–30.

⁵⁸ Ralph James Q. Adams, *British Politics and Foreign Policy in the Age of Appeasement, 1935–39* (Stanford: Stanford University Press, 1993), p. 61; G. C. Peden, *The Treasury and British Public Policy, 1906–1959* (Oxford: Oxford University Press 2000), p. 287.

⁵⁹ Shay, *British Rearmament*, p. 196; see Schmidt, 'Domestic Background'; Wendt, 'Economic Appeasement'; Imlay, 'Democracy and War'.

uneven and combined development. From this perspective, Kennedy's 'overstretch' thesis⁶⁰ takes on new light. By the interwar period, Britain was suffering from what has been termed the 'disadvantages of priority' being 'the historical first-comer' in capitalist development.⁶¹ With 'vast accumulations of capital in relatively backward technologies and a financial sector geared primarily to overseas investment',⁶² British policymakers' faced the dual problems of reallocating this capital into newer military and other technologies whilst simultaneously defending capital fixed in the Empire. 'Britain's far-flung empire' had been key to the 'formation and consolidation of a UK-centred system of accumulation', particularly through India's role of providing a continual balance-of-payments surplus.⁶³ Yet, 'as soon as interstate competition for "living space" intensified under the impact of the transport revolution and the industrialization of war, the protection costs of Britain's metropolitan and overseas domains began to escalate, and its imperial possessions turned from assets into liabilities'.⁶⁴

With the emergence of multiple geopolitical threats, the defense and financial costs of Britain's vast and dispersed spatial fixes of capital embedded throughout the Empire and elsewhere became a critical problem for policymakers. Consequently, Britain's specific position in the world economy produced a *structural incentive* towards a dual strategy of limited rearmament and appeasement – a strategy reinforced by widespread anti-communist ideology among British elites (see below). Hence, throughout the 1930s, the Treasury's rationale remained the same: financial and socio-economic considerations were to take precedence over military ones. Or, more precisely, military-security interests were inherently linked to these considerations which necessitated a moderately paced rearmament program; the economy was Britain's 'fourth arm of defense'.

While connections between economic and geopolitical power have been noted by IR scholars they nevertheless fail to recognise that the specific intertwining of military-security and socio-economic interests as a means of appeasement are *unique* to capitalism. This is not to imply that military-security and socio-economic interests were disassociated in pre-capitalist epochs, but rather that their dynamics held a radically different significance. In the feudal epoch, for example, lords had little systematic incentive to increase their income through the introduction of productivity-enhancing technological innovations. To increase returns, they turned to the redistribution of 'wealth and income away from their peasants or from other members of the exploiting class'. This meant 'building up their *means of coercion* – by investment in military men and equipment'.⁶⁵ Feudal production relations therefore reveal a marked tendency towards state-building and war posited on the direct fusion of political and economic power in the lord-serf relation.⁶⁶ In contrast, while war may be used as a means to acquire colonies and open markets,

⁶⁰ Paul Kennedy, *The Rise and Fall of the Great Powers. Change and Military Conflict from 1500–2000* (London: Fontana Press, 1987).

⁶¹ Anderson, 'Figures', pp. 71–2.

⁶² Alex Callinicos, 'Exception or Symptom? The British Crisis and the World System', *New Left Review*, II:169 (1989), p. 103.

⁶³ Arrighi, 'Hegemony', p. 93; Hobsbawm, *Industry and Empire*, pp. 146–9.

⁶⁴ *Ibid.*

⁶⁵ Robert Brenner, 'The Social Basis of Economic Development', in John Roemer (ed.), *Analytical Marxism* (Cambridge: Cambridge University Press, 1986), p. 31.

⁶⁶ *Ibid.*

the structured separation of the ‘political’ and ‘economic’ spheres distinctive to capitalism allows state managers to use economic and financial incentives to induce political effects in adversarial states. Consequently, *the systematic use of ‘economic’ appeasement only makes sense as a foreign policy tool in the capitalist epoch*. Drawing broad historical analogies between Chamberlain’s appeasement policy and, for example, Thucydides’ account of the Peloponnesian War,⁶⁷ fails to take account of these very different structural contexts.

While capitalism demonstrates a definite tendency towards competition and rivalry, its patterns of cooperation and conflict are much more intricate than those of less complex social structures. The abstract logic of capital provides incentives for both war and peace. One cannot simply read-off policy outputs from this logic; nor, for that matter, from any ‘static’ picture of state-capital relations. These logics alter in relation to the changing constellations of social forces and their relation to foreign policymaking processes within the context of capitalism’s uneven and combined development.⁶⁸

A crisis of capitalist sovereignty

British policymakers’ concerns regarding the economic and financial consequences of rearmament fundamentally connected with political and social problems. Policymakers feared the loss of the state’s relative autonomy *vis-à-vis* industry and labour resulting from the necessary government collaboration with these groups in re-organising the economy for war. By ‘steering towards rearmament with the hand-brake on’⁶⁹ the government sought to avoid becoming dependent on employers and organised labour, as in WWI. Extensive government collaboration with labour, chief economic adviser Horace Wilson warned, could ‘carry us very far in the direction of interference and control’.⁷⁰ Moreover, there was a fear that by potentially engaging in a long drawn-out war, the liberal capitalist system defining Britain society would be entirely transformed. As the President of the Board of Trade put it to MP Harold Nicolson in September 1938, ‘[. . .] whether

⁶⁷ Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), pp. 206–7; Mearsheimer, *Tragedy*, p. 163.

⁶⁸ The significance of the uneven and combined nature of capitalist development for appeasement is crucial as it helps explain the emergence of the Anglo-German antagonism in the first place. From this perspective, we are able to conceptualise the different logics of British and German policymakers’ geopolitical strategies. That Germany’s ruling classes would adopt a ‘security through expansionism’ logic of geopolitics in contrast to the more ‘defensive’ geopolitical strategy of their British counterparts had much to do with the spatio-temporal sequencing of industrialisation and state-formation processes in relation to the internationally-mediated development of global capitalism. Approaching these opposing geopolitical logics from such a perspective provides the much needed historically-contextualised sociological basis to the somewhat misnamed realist categories of ‘status-quo’ and ‘revisionist’ powers. Developing these points further is, however, beyond the scope of this article. I seek to address these issues, among others, in an analysis of the origins of the First World War in my forthcoming PhD dissertation ‘Capital, States, and Conflict: International Political Economy and Crisis, 1914–1945’. See also Justin Rosenberg, ‘Anarchy in the Mirror of Uneven and Combined Development’, *International Politics*, forthcoming, and; James C. Allinson and Alexander Anievas, ‘Uneven and Combined Development: An Anatomy of a Concept’, *Cambridge Review of International Affairs*, 22:1 (2009), pp. 47–67.

⁶⁹ Schmidt, ‘Domestic Background’, p. 105.

⁷⁰ Quoted in Imlay, ‘Democracy and War’, pp. 32–3.

we win or lose [a war], it will be the end of everything we stand for'. As Nicolson went on to note, 'By "we" he means obviously the capitalist classes'.⁷¹ What was at stake for the British ruling class was a particular social order and conception of national identity embedded within capitalist social relations.

The concerns regarding the loss of autonomy in policymaking were particularly directed towards labour. The government had no intention of giving workers the same considerations as the business community in the rearmament drive. Rather, 'organised labour' was treated as 'an adversary with whom the Government had no wish to become involved'.⁷² Policymakers knew that they would need labour's support for their industrial war mobilisation plans. This would, in turn, increase labour's bargaining position and demands from the government. Drawing on the experiences of the First World War and the General Strike of 1926, policymakers feared that labour would exploit the war emergency as a means to enhance their own social power. Despite facing potential shortages of skilled workers, the Ministry of Labour advised the government to avoid 'direct contact with the trade unions [...] as consultation would encourage the unions to demand a high price as regards conditions and wages in return for cooperation'.⁷³ Exacerbating these concerns was the ongoing Spanish Civil War, which further stoked the flames of class conflict within Britain and throughout Europe. Chamberlain thus proposed that 'it would be necessary to wait for European events to sweep away Labour's sectional prejudices, making unnecessary such forms of appeasement [to labour] as a wealth tax or an attack on employers' profits'.⁷⁴

An additional fear among policymakers was that engaging in a close collaborative rearmament effort with industry and labour would unwillingly draw the government into industrial disputes. In explaining the problems involved in mobilising labour for the rearmament drive, a government labour adviser claimed:

If [...] it is decided that the maximum speed must be applied to the [rearmament] programme then a warning must be given that labor difficulties are probable [...] *The more the Government are directly involved, the more they will be put into the position of solving the employer's difficulties by buying off the Trade Unions.*⁷⁵

The underlying problem confronting policymakers was that by directly entering the production process, and thereby politicising formally economic issues, state sovereignty would be weakened and potentially contested. This is a problem unique to the capitalist state: for the very structural specificity of capitalist state sovereignty 'lies in its "abstraction" from civil society which is constitutive of the private sphere of the market, and hence inseparable from capitalist relations of production'.⁷⁶ Once the state becomes directly involved with organising production relations and surplus-value extraction, this formal separation of 'economic' and 'political' spheres collapses. Consequently, if industrial disputes were transformed

⁷¹ Harold Nicolson, *Diaries and letters, 1930–1964* (ed.), Stanley Olson (London: Flamingo, 1996), p. 132.

⁷² Shay, *British Rearmament*, p. 127; Peden, *British Rearmament*, p. 82; Imlay, 'Democracy and War'.

⁷³ G. C. Peden, *Arms, Economics and British Strategy* (Cambridge: Cambridge University Press, 2007), p. 142.

⁷⁴ Quoted in Middlemas, *Politics*, p. 262.

⁷⁵ Quoted in Shay, *British Rearmament*, pp. 126–7, emphasis added.

⁷⁶ Justin Rosenberg, *The Empire of Civil Society* (London: Verso, 1994), pp. 123–4.

into directly political conflicts it would throw into question the legitimacy of the state: thus losing the necessary illusion of its social neutrality.

To the detriment of British security, policymakers did everything possible to avoid collaborating with organised labour in the rearmament drive until the ‘Government found its back to the wall in 1938’.⁷⁷ Consequently, the assistance of this ‘major productive force’ (labour) in the rearmament effort ‘was denied the nation for two full years’,⁷⁸ despite the fact organised labour had been willing to collaborate with the government since 1937.⁷⁹ These political concerns were reinforced by threats of industrial disputes, social unrest and revolution continually brought up in government-level discussions of the rearmament issue. As Chamberlain wrote in a personal letter of April 1937: ‘All the elements of danger are here [...] we might easily run, in no time, into a series of crippling strikes and finally the defeat of the Government [...] Industrial unrest is only just round the corner’.⁸⁰ Similar views were expressed by key government officials such as Sir John Simon, Thomas Inskip and others.⁸¹

The potential re-ignition of intense labour-capital conflicts resulting from a rapid rearmament process and its future economic consequences figured prominently among policymakers. Oliver Harvey, Halifax’s private secretary, recorded in his diary: ‘[...] the real opposition to re-arming comes from the rich classes in the [Conservative] Party who fear taxation and believe Nazis on the whole are more conservative than Communists and Socialists: any war, whether we win or not, would destroy the rich idle classes and so they are for peace at any price’.⁸² The issue could not be more clearly stated: war would signal the end of the political *status quo* and social structure that British elites were so desperately trying to save. Policymakers were convinced that Britain could survive foreign policy risks more easily than a conflict with labour.⁸³ The fact that Whitehall continually subordinated the speed, direction and scope of the rearmaments program to myriad financial and socio-economic concerns is a fatal problem for IR accounts of appeasement which explain it in primarily balance of power terms. Additionally, it points to the need for a substantive reformulation of IR theory’s basic concepts of ‘security’ and ‘security interests’, as well as ‘political economy’; one which reconceptualises them as interdependent in specifically capitalist ways.

III. The ‘Anglo-German connection’ and appeasement

With the success of the Bolshevik revolution in 1917 and intensification of labour-capital conflicts across Europe during and after the war, the City-Treasury-Bank nexus became infused with an ideology of radical anti-communism. In conjunction with key industrial interests, it formed the bastion of anti-Bolshevik

⁷⁷ Shay, *British Rearmament*, p. 125.

⁷⁸ *Ibid.*, p. 128.

⁷⁹ Peden, *British Rearmament*, p. 82; see also Shay, *British Rearmament*.

⁸⁰ Quoted in Schmidt, ‘Domestic Background’, p. 103.

⁸¹ Peden, *British Rearmament*, p. 89; Middlemas, *Politics*, pp. 256–7.

⁸² *The Diplomatic Diaries of Oliver Harvey, 1937–1940*, (ed.), John Harvey (London: Collins, 1970), p. 222.

⁸³ Schmidt, ‘Domestic Background’, p. 112.

and pro-German sentiments in British policymaking circles during the interwar years 'committed to the defense of free enterprise and the limited state against the internal threat of socialism and the external menace of Bolshevism'.⁸⁴

For many British elites, then, the rise of the Nazis was perceived as less of a danger to British interests than a necessary evil in keeping the spread of communism at bay and maintaining social stability at home. The Soviet Union was essentially perceived as Europe's 'Other'. In contrast, many considered Nazi Germany 'an integral part of the Western capitalist system, particularly when contrasted to "half-Asiatic" Russia'.⁸⁵ Bolshevism was viewed as an existential threat to Western civilisation; German and Italian fascism an aberration within capitalist modernity. It was thus the hope of many Britons – including those at the highest echelons of policymaking – that maintaining and strengthening the channels of Anglo-German economic intercourse would cement a natural congruity of interests which could potentially act to settle political differences. Hence, as long as the Nazis continued to trade profitably, avoided socialist experiments and guaranteed reliability in business, Britain's ruling classes were prepared to overlook the regime's criminal aspects.⁸⁶ These views were reinforced by widespread sentiments that Germany had been unfairly treated by the Versailles settlement, further encouraging a political atmosphere favouring appeasement.

The creation and aims of the 'Anglo-German connection'

After the First World War, the Bank of England, under the governorship of Montague Norman, actively cultivated closer economic and political relations between Britain and Germany, particularly through the key role London played in financing German trade. Norman was well known to hold deep anti-Bolshevik convictions and pro-Nazi sympathies.⁸⁷ 'Hitler and Schacht are the bulwarks of civilization in Germany and the only friends we have', as Norman put it. 'They are fighting the war of our system of society against communism. If they fail, communism will follow in Germany, and anything may follow in Europe'.⁸⁸ The rebuilding of a strong Germany economy through the creation of this 'Anglo-German connection',⁸⁹ as Norman called it, was viewed as a bulwark against the Bolshevik threat. Additionally, it was an integral part of the City-Treasury-Bank establishment's strategy in rebuilding a London-centered international financial order which would eventually revive the free trade system on which the Empire was built. This required the construction of a strategic partnership with Europe's largest economy (Germany) in order to face the challenges stemming from

⁸⁴ Scott Newton, 'The "Anglo-German Connection" and the Political Economy of Appeasement', in Patrick Finney (ed.), *The Origins of the Second World War* (London: Arnold, 1997), pp. 293–4.

⁸⁵ Wendt, 'Economic Appeasement', p. 164; see quotes in Keith Middlemas, *Diplomacy of Illusion: The British Government and Germany, 1937–39* (London: Weidenfeld and Nicolson, 1972), pp. 73–4.

⁸⁶ *Ibid.*, p. 165.

⁸⁷ See Newton, *Profits*; Margaret George, *The Warped Vision: British Foreign Policy 1933–1939* (Pittsburgh: University of Pittsburgh Press, 1965), pp. 174–81; John Hargrave, *Professor Skinner alias Montagu Norman* (London: Wells Gardner, Darton and Co., 1940), pp. 219–20.

⁸⁸ Quoted in Ron Chernow, *The House of Morgan* (London: Simon & Schuster, 1990), p. 398.

⁸⁹ Quoted in Newton, 'Anglo-German Connection', p. 299.

America's ascendancy as a global power.⁹⁰ The facilitation of the 'Anglo-German connection' was thus not only essential for British socio-economic interests, but also for Britain's ability to maintain its financial-economic autonomy; and, hence, its security-defense sovereignty.

The 1920s witnessed a 'spectacular increase' in the magnitude of business British banks did with Germany.⁹¹ By the early 1930s, British capital made up a significant bulk of Germany's external debt. Consequently, the high levels of capital withdrawals from Germany in 1931 caused grave concern in City circles. Germany's external debt problems led to an international Standstill Agreement in September 1931, whereby all existing credits to Germany (amounting to approximately £300 million, including £62 of the £100 million acceptances held by London banks) were frozen on their original terms but with interest payments guaranteed.⁹² The Agreement was originally intended to last for only six months and open to renewal thereafter. It was, however, annually reviewed until 1939. This was the result of the intense lobbying efforts made by particular capitalists with direct economic interests in Germany, and the more general support within the business community in maintaining close economic relations with the Nazis.⁹³ 'There was', as Niall Ferguson notes, 'a measure of self-interest as well as macroeconomic pragmatism in the City's support for appeasement'.⁹⁴

In 1934 these financial relations were formalised with the Anglo-German Payments Agreement. Under the Agreement's terms, the Nazis were permitted to go on collecting a considerable sum of earnings from the maintenance of its export surplus with Britain. This provided the Nazis with vital financial means to purchase those raw materials Germany needed for her war economy, either through English transit trade or directly on the world market.⁹⁵

The payments agreement and the Nazi 'moderates'

Among the various agreements regulating Anglo-German business relations during the 1930s, the Payments Agreement of 1934 – the 'first act of economic appeasement'⁹⁶ – was the most important. While the Payments Agreement served multiple aims at once,⁹⁷ its most important function for the City-Treasury-Bank establishment was its role in maintaining a significant fraction of German trade within the international economy. This would act to potentially stimulate a revival of international trade and a recovery of the British economy, particularly by raising the 'purchasing power of commodity producers in the interest of British

⁹⁰ Newton, *Profits*, pp. 58–9; on US-British relations, see C. A. MacDonald, *The US, Britain and Appeasement, 1936–1939* (New York: St. Martin's Press, 1981).

⁹¹ Stephanie Diaper, 'Merchant banking in the interwar period: the case of Kleinwort Sons & Co', *Business History*, 28:4 (1986), p. 64.

⁹² C. A. MacDonald, 'Economic Appeasement and the German 'Moderates,' 1937–1939: An Introductory Essay', *Past & Present*, 56 (1972), pp. 105–35.

⁹³ Newton, *Profits*; Neil Forbes, 'London Banks, the German Standstill Agreements, and "Economic Appeasement" in the 1930s', *Business History*, 40:4 (1987), pp. 571–87.

⁹⁴ 'Earning Lessons?', p. 458.

⁹⁵ Wendt, 'Economic Appeasement', p. 168.

⁹⁶ Einzig, *Appeasement*, p. 94.

⁹⁷ Cain and Hopkins, *British Imperialism*, p. 97; Forbes, *Doing Business*, pp. 97–132.

exports'.⁹⁸ Correlatively, British policymakers sought to pull the Nazis away from their war-like behaviour through the liberalising influence of increased trade particularly by increasing Anglo-German trade and agreements in third markets. This would act to 'modify autarky and pave the way to a political settlement'.⁹⁹ Such appeasing efforts were primarily directed towards the German 'moderates', initially Hjalmar Schacht and subsequently Hermann Göring, whom, it was hoped, would positively influence Hitler and steer the Nazis away from placing the entire economy on a war footing which would result in economic catastrophe. Economic appeasement was thus as a continuation of political appeasement by other means.

Widespread fears among British policymakers that the Nazi's rapid rearmament would end in economic collapse was not solely concerned with its effects on the international and British economy, but also in regard to its effects on Germans' general living standards. It was believed that this would 'ultimately create a situation in which Hitler would be faced with the choice of "internal revolution or external adventure"'.¹⁰⁰ The Payments Agreement was thus designed to ultimately strengthen the Nazi regime from internal socio-economic shocks while protecting Britain's socio-economic interests. This was explicitly recognised by Montague Norman who, during a meeting with British bankers in early 1934, pledged the Bank of England to the Agreement citing the 'stabilization of the Nazi regime' as its key objective.¹⁰¹ London thus sought to 'fatten' Germany and strengthen the stabilising influence of the moderates as a deterrence against the connected dangers of revolution and war – as expressed by such British officials as Sir Hankey, Sir Eyres-Monsell, Orme Sargent, Admiral Chatfield, Lord Swinton, Inskip and others.¹⁰²

British assessments of the crises facing the Nazis,¹⁰³ pushing them toward 'internal revolution or external adventure' are significant in illustrating the extent to which state managers' were themselves aware of the socio-economic causes of war and how this factored into their own decision making. This is further demonstrated in the British policymaking process *vis-à-vis* the resolution of the Sudeten problem which, from the summer of 1938 onwards, appeared to Whitehall as an opportunity to create a solid foundation from which the 'appeasement of Europe' could finally be achieved.

For Chamberlain, the cost of Czechoslovakian sovereignty was a small price to pay for preserving peace. For some time, British policymakers had expected the Nazis to expand eastward; a prospect which did not overly trouble many of them as long as it was done peacefully. The logic was that it was better for the Nazis to move east and come into conflict with the Soviets than expand west. In 1936, the Prime Minister Stanley Baldwin told his Conservative colleagues that the 'German desire [...] to move east' was well known; adding that 'if he [Hitler] should move East I should not break my heart' for '[i]f there is any fighting in

⁹⁸ MacDonald, 'German "Moderates"', pp. 114–7, 116; Newton, 'Anglo-German Connection', p. 298.

⁹⁹ *Ibid.*, (fn. 92), p. 114.

¹⁰⁰ *Ibid.*, p. 107; see Schmidt, *Economics and Politics*.

¹⁰¹ Hargrave, *Professor Skinner*, p. 222.

¹⁰² Schmidt, *Economics and Politics*, pp. 85–8.

¹⁰³ These assessments proved rather accurate; see Timothy Mason, *Nazism, Fascism and the Working Class* (Cambridge: Cambridge University Press, 1995); Adam Tooze, *Wages of Destruction: The Making and Breaking of the Nazi Economy* (London: Penguin, 2006).

Europe to be done, I should like to see the Bolshies and the Nazis doing it'.¹⁰⁴ Shortly after Munich, Sir Alexander Cadogan affirmed that Britain should 'let Germany [. . .] find her "Lebensraum" and establish herself, if she can, as a peaceful economic unit'.¹⁰⁵

Other policymakers viewed Germany's eastward drive as a welcome move, since it would deflect German attention from Britain. At the best, it could provide new order to the chaos of Eastern Europe. Since Russian pressure westwards was always a perceived danger, the construction of a strong bloc 'between her and the West was to be welcomed'. The British were thus 'often closer adherents to German expansionist policy than the German themselves'.¹⁰⁶ For British policymakers who viewed Nazi aggressions as a result of 'economic bottle-necks' attributable to its 'lack of *Lebensraum*', substantive appeasement effects could be derived from conceding German hegemony in Central Eastern Europe. These region's markets could provide the kind of spatial fix needed to ameliorate Germany's current crisis of capital overaccumulation.¹⁰⁷

The Sudeten crisis was eventually settled with the signing of the Munich Agreement in the early hours of 30 September 1938. The Agreement was perceived by British elites as a 'first step in the creation of an international environment which would sustain continuing recovery from the Depression in a manner compatible with the maintenance of the *status quo* in British society'.¹⁰⁸ In March 1939, the Nazis occupied Bohemia and Moravia. Many expected the Czech crisis to signal the end of London's appeasement efforts. However, the Nazi invasion did little in modifying Norman's 'Anglo-German connection'. On 22 May 1939 a new agreement was signed between British short-term creditors and the Nazis which intended to renew the Standstill Agreement until 31 May 1940.¹⁰⁹ Additionally, throughout 1938–9, British industrialists actively supported by the Board of Trade sought closer trade relations with the Nazis. Increasing trade relations not only became a favoured means of reviving British exports, but also a stepping-stone towards the more general political settlement sought by Chamberlain.¹¹⁰

In summation, after Munich Whitehall's dual strategy of deterrence and détente remained unaltered and overwhelmingly skewed towards the latter. While London increased spending on the air force, it continually resisted calls for the establishment of a Ministry of Supply and the introduction of conscription. This reflected Chamberlain's belief that the rationale behind the Munich Agreement was not to postpone war, but to prevent it.¹¹¹ IR interpretations of appeasement as a strategy of 'buying time' for increased British rearmaments to better prepare for an 'inevitable' war with the Nazis are thus questionable.¹¹² 'Rather than doing away with "the present rule" [business as usual], the minister for the coordination of

¹⁰⁴ Quoted in Carley, 1939, pp. 31–2.

¹⁰⁵ Quoted in Wesley K. Wark, *The Ultimate Enemy: British Intelligence and Nazi Germany, 1933–1939* (Ithaca: Cornell University Press, 1985), p. 212.

¹⁰⁶ Martin Gilbert and Richard Gott, *The Appeasers* (London: Weidenfeld & Nicolson, 1963), p. 35; see quotes in Schmidt, *Politics and Economics*, pp. 84–93; Middlemas, *Diplomacy*, pp. 137–8.

¹⁰⁷ Schmidt, *Politics and Economics*, p. 87; MacDonald, 'German "Moderates"'.
¹⁰⁸ Newton, *Profits*, p. 86.

¹⁰⁹ *Ibid.*, p. 113.

¹¹⁰ R. A. Holland, 'The Federation of British Industries and the International Economy, 1929–39', *The Economic History Review*, 34:2 (1981), pp. 287–300.

¹¹¹ Newton, *Profits*, pp. 86–7, 100–1; Carley, 1939, pp. 78–9; Halperin, 'Politics of Appeasement'.

¹¹² Mearsheimer, *Tragedy*, p. 165; Ripsman and Levy, 'Wishful Thinking'.

defence maintained, “it would be better to press forward as rapidly as possible with the methods that had already proved not unsuccessful”.¹¹³ If Munich had ‘swept away all doubts about Hitler’s aims and removed the remaining restraints on Western rearmament efforts’,¹¹⁴ why did policymakers continue appeasement efforts well after the formal declaration of war? Further, what explains policymakers’ readiness for war with the Soviets after the start of the Winter War in spite of their (continuing) reluctance for war with Germany?

IV. The failure of the Anglo-Franco-Soviet alliance

For almost three centuries, British strategy had been directed toward preventing the emergence of a hegemon on the European continent. Yet, despite Britain’s time-honoured ‘special role’ of holding the balance of power in Europe, policymakers in the 1930s continually shunned Soviet efforts to form a collective security alliance against Germany and consistently undermined French moves towards closer Franco-Soviet relations. Why Britain despite all historical precedents failed to balance against German power and uphold the international ‘status quo’ of Versailles is a central anomaly to IR approaches to appeasement. This stems from their fundamental misidentification of the determining forces behind British policy reflecting a deeply nation-statist ontology embedded within mainstream IR theories.

IR approaches to the alliance dynamics of the 1930s

These problems are well exemplified in recent neo-realist interpretations of appeasement. From this perspective, appeasement was the result of British policymakers’ perceived ‘defensive advantages’ in military technologies, making the country less vulnerable to attack and policymakers more willing to ‘free ride’ on the balancing efforts of France.¹¹⁵ The logic behind the claim that perceived defensive advantages explains Britain’s ‘buck passing’ strategy is, however, contradicted by Christensen and Snyder’s¹¹⁶ own arguments for Britain’s partial policy reversal after Munich, as pointed out by Schweller.¹¹⁷ Yet, Schweller’s ‘distancing’ thesis¹¹⁸ fails to provide a more convincing answer to the key question: if the combined strength of Britain and France were clearly out-matched by German power, why did they not ally with the Soviets?

After Germany’s occupation of the Czechoslovakian provinces of Moravia and Bohemia, on 31 March 1939 Chamberlain issued a Franco-British guarantee of Polish independence in the event of German aggression. The question of how to

¹¹³ Imlay, ‘Democracy and War’, p. 32.

¹¹⁴ Walt, ‘Alliances’, p. 453.

¹¹⁵ Posen, *Sources*; Christensen and Snyder, ‘Chang Gangs’; Walt, ‘Alliances’, p. 458; Christensen, ‘Perceptions and Alliances’, pp. 83–91; Van Evera, ‘Causes of War’, pp. 31–3.

¹¹⁶ ‘Chang Gangs’, p. 165.

¹¹⁷ ‘Tripolarity’, p. 85.

¹¹⁸ Schweller, *Deadly Imbalances*.

obtain Russian cooperation for the Polish guarantee now became the principal issue in Parliament. Yet, without a Soviet alliance Britain would be 'walking into a trap' if called on to honour its commitments.¹¹⁹ The time had seemingly come for British and French policymakers to put aside their ideological animosities toward the USSR and form the tripartite 'collective security' alliance that Litvinov had been calling for since the mid-1930s. Indeed, by the summer of 1939, the cause to form an alliance with the Soviets was strongly supported by British public opinion, the Chiefs of Staffs and a majority in Parliament – convictions shared in Paris.¹²⁰

Despite this overwhelming support, the Chamberlain administration remained sceptical of a Soviet alliance. According to Cadogan, Whitehall only sought Soviet support 'to placate our left-wing in England, rather than to obtain any solid military advantage'.¹²¹ When faced with the choice of forming an alliance with either the Soviets or Poland, but not both, Chamberlain persistently chose the latter for fear of alienating the Germans. In negotiations, Chamberlain and Halifax tirelessly cited Polish reservations that a Soviet alliance would be more likely to provoke German aggression than deter it.

According to Schweller, Chamberlain's decision to prioritise Polish over Soviet alliance was based upon the latest British intelligence that Soviet military capabilities were extremely weak.¹²² Therefore, there was no reason to risk provoking the Nazis and losing Poland as an ally. This explanation is problematic in numerous ways. First, despite Stalin's purges of the military, Soviet military capabilities remained overwhelmingly superior to Poland. In pure 'balance of power' terms, the rational ally for Britain should have been the Soviet Union. Second, any participation of Poland in a defense against Germany was dependent upon Soviet military support. As the deputy CoS reported in August 1939: 'without early and effective Russian assistance, the Poles cannot hope to stand up to a German attack [...] for more than a limited time'. An alliance with the Soviets was therefore 'the best way of preventing a war'.¹²³ Third, Schweller's interpretation of Chamberlain's decision is predicated on a one-dimensional and uncritical acceptance of Chamberlain's own self-justifications. Yet, Chamberlain's decision was made in spite of overwhelming evidence to the contrary and based, in part, on explicitly expressed socio-economic reasons. 'Not wanting to ally with the Soviet Union, Chamberlain made use of any argument to justify his position'.¹²⁴ For some time, Soviet military support had been sought by the British CoS. As Commander Bower told the Commons, 'I know they have shot a lot of people but there are some 170,000,000 of them left [...] we cannot do without her now'.¹²⁵ The perceived necessity of Soviet military power in a war against Germany was

¹¹⁹ Lloyd George quoted in R. A. C. Parker, *Chamberlain and Appeasement: British Policy and the Coming of the Second World War* (Basingstoke: Macmillan, 1993), p. 219.

¹²⁰ Parker, *Chamberlain and Appeasement*, p. 233; Newton, *Profits*, p. 108; Keith Neilson, 'Pursued by a Bear: British Estimates of Soviet Military Strength and Anglo-Soviet Relations, 1922–1939', *Canadian Journal of History*, 28:2 (1993), p. 212.

¹²¹ Quoted in Parker, *Chamberlain and Appeasement*, p. 227.

¹²² Schweller, 'Tripolarity'; *Deadly Imbalances*; see also Levy and Ripsman, 'Preventive War', p. 51.

¹²³ Quoted in Carley, *1939*, pp. 199–200.

¹²⁴ Carley, *1939*, p. 117.

¹²⁵ Quoted in Paul Kennedy, 'Idealists and Realists: British Views of Germany, 1864–1939', *Transactions of the Royal Historical Society*, 5:25 (1975), p. 155.

supported by various other British and French military reports.¹²⁶ The subsequent failure to find a suitable formula alliance was thus based more on ideological and socio-economic concerns than pure 'balance of power' considerations.

The role of anti-Bolshevik ideology

The failure of the Anglo-Franco-Soviet alliance was a consequence of the ideological bifurcation of Europe which had arisen during the First World War with the Bolshevik revolution and the Allied Powers' subsequent invasion. This 'European civil war' was simultaneously *intra*-national, *inter*-national, and *trans*-national as illustrated in the determining role of 'anti-Bolshevism' on appeasement – a policy aimed not only at the Government's domestic opponents (socialism at home), but also its 'external' ones (Bolshevism and the Soviet Union abroad).¹²⁷

Anti-Bolshevik ideology was deeply rooted in Whitehall. As the head of the Central Department put it: 'all at No. 10 are anti-Soviet'.¹²⁸ Anti-Bolshevik views were repeatedly expressed by numerous notable British policymakers and business elites, including Foreign Secretary Halifax, Samuel Hoare, Maurice Hankey, Cadogan, Neville Henderson, Eric Phipps, Orme Sargent, Simon, and Chamberlain himself.¹²⁹ As one influential financier Lord Lothian put it: 'Of the two evils threatening Europe – German aggression and communism [...] communism is the worst evil'.¹³⁰ Furthermore, the British Secret Intelligence Service and French General Staff considered the Soviet Union to be the real 'Enemy Number One'.¹³¹

While many Conservatives found neither the Nazi nor Communist systems particularly pleasant, they generally preferred Nazism as it represented less of a threat to the existing social order. For Soviet Russia there was, however, 'nothing but thinly disguised fear and hatred'.¹³² Fears of the 'Red danger', 'communist expansionism', and the general 'hatred of socialist revolution' were also dominant themes among French ruling elites.¹³³ As Charles De Gaulle scornfully noted,

¹²⁶ *Documents on British Foreign Policy* 3rd Series, vol. 4 (London: H.M. Stationery Office, 1946), doc. no. 183; Neilson, 'Bear'; Carley, *1939*, ch. 4.

¹²⁷ See Halperin, *War and Social Change*.

¹²⁸ Quoted in Harvey, *Diplomatic Diaries*, p. 290.

¹²⁹ Louise Grace Shaw, *The British Political Elite and the Soviet Union, 1937–1939* (London: Frank Cass, 2003), pp. 21–2, 90–1, 187–8; Carley, *1939*, pp. 12, 43, 163; Newton, *Profits*, pp. 110–11; Post, *Dilemmas*, p. 20; Sidney Aster, *1939: The Making of the Second World War* (London: History Book Club, 1973), pp. 184–5; Martin Thomas, *Britain, France, and Appeasement: Anglo-French Relations in the Popular Front Era* (Oxford: Berg, 1996), p. 99; Frank McDonough, *Neville Chamberlain, Appeasement and the British Road to War* (Manchester: Manchester University Press, 1998), pp. 47, 51.

¹³⁰ Quoted in Halperin, *War and Social Change*, p. 203.

¹³¹ Carley, *1939*, p. 32.

¹³² Neville Thompson, *The Anti-Appeasers: Conservative Opposition to Appeasement in the 1930s* (Oxford: Clarendon Press, 1971), pp. 38, 40; see George, *Warped Vision*, pp. 139–41, 161–4; Robert J. Young, *In Command of France: French Foreign Policy and Military Planning, 1933–1940* (Cambridge: Harvard University Press, 1978), p. 199; Post, *Dilemmas*, p. 204; Thomas, *Britain, France, and Appeasement*, pp. 95–9; Carley, *1939*; Shaw, *Elite*.

¹³³ See quotes in *Warped Vision*, pp. 141–5, 196, 171–2, 206–12; Richard F. Kuisel, *Ernest Mercier: French Technocrat* (Berkeley and Los Angeles: University of California, 1967), pp. 126–33; William D. Irvine, *French Conservatism in Crisis* (Baton Rouge: Louisiana State University Press, 1979), p. 194; Nicole Jordan, *The Popular Front and Central Europe: the Dilemmas of French Impotence*,

'some circles were more inclined to see Stalin as the enemy than Hitler'.¹³⁴ More radically, some British and French policymakers sought to use Nazism as a bulwark against the spread of Bolshevism. Such were the sentiments (if not always consistent) of Baldwin, Chamberlain, Montague Norman, Hankley, Nevile Henderson, French PM Edouard Daladier, Pierre Laval, General Gamelin, and others.¹³⁵

The determining role of anti-Bolshevik ideology in preventing the formation of an Anglo-Franco-Soviet alliance is not only borne out by policymakers' own admissions (expressed in varying contexts to a multitude of different addressees), but also from their actions during the alliance negotiations. Throughout these, Chamberlain remained 'very disturbed' by the prospect of concluding an agreement. Thus, during its critical phase in the summer of 1939, British representatives were directed 'to go very slow' as demonstrated by the British government's infamous decision to send its mission to the USSR via leisurely merchant ship.¹³⁶

In sum, French and British policymakers' persistent refusals to form an Anglo-Franco-Soviet alliance were primarily the result of ideological considerations rooted in socio-economic and political interests. The principal 'misperception' of British and French policymakers was not their assessments of the Nazi threat, but, rather their persistent inability to perceive the Soviets as a necessary and willing ally instead of the enemy. Anti-Bolshevism thus took on role of a material force blinding British policymakers to such cooperative opportunities. As Michael Jabara Carley argues: 'Mistrust motivated Anglo-French policy, but anti-bolshevism was its most important component'.¹³⁷ Hence, the traditionally associated causal links between the Second World War and Cold War must be questioned. It was not the Second World War that caused the Cold War, but this 'early' ideological Cold War that contributed to the Second World War. This determining role of ideology must not be, however, conceptualised in any way 'autonomous' from its capitalist context.¹³⁸ The emergence and sticking power of anti-Bolshevik ideology in policymaking circles is inexplicable without recognition of its class content. Anti-Bolshevism formed a crucial ideological component of a broader *Weltanschauung* instantiated within capitalist social relations.

1918–1940 (Cambridge: Cambridge University Press, 2002), p. 228; Martin S. Alexander, *The Republic in Danger: General Maurice Gamelin and the Politics of French Defense, 1933–1940* (Cambridge: Cambridge University Press, 1993), pp. 294–5; Robert J. Young, *France and the Origins of the Second World War* (London: Macmillan, 1996), pp. 60, 67; Carley, 1939, pp. 14–5, 45–7.

¹³⁴ Quoted in Charles O. Richardson, 'French Plans for Allied Attacks on the Caucasus Oil Fields January–April, 1940', *French Historical Studies*, 8:1 (1973), p. 140.

¹³⁵ See quotes in Newton, 'Anglo-German Connection'; Middlemas, *Diplomacy*, pp. 73–4; George, *Warped Vision*, pp. 140–1, 163, 174–6; Carley, 1939, pp. 14–5, 45–6, 84; Irvine, *Crisis*, p. 194; Alexander, *Republic in Danger*, pp. 294–5.

¹³⁶ Quotes from Michael Jabara Carley, 'End of the "Low, Dishonest Decade": Failure of the Anglo-Franco-Soviet Alliance in 1939', *Europe-Asia Studies*, 45:2 (1993), pp. 321, 325.

¹³⁷ *Ibid.*, p. 332.

¹³⁸ *Pace* constructivist approaches which treat ideological, cultural, and normative factors as (potentially) autonomous; see Ruggie, 'What Makes the World Hang Together?'; Alexander Wendt, *A Social Theory of International Politics* (Cambridge: Cambridge University Press, 1998); cf. Bieler and Morton, 'Deficits of Discourse'. For a constructivist approach emphasising the 'autonomous' causal force of culture in determining British and French military strategies in the 1930s, see Elizabeth Kier's *Imagining War: French and British Military Doctrines between the Wars* (Cambridge: Cambridge University Press, 1999).

The war-revolution nexus: pre-war to 'phoney war' to real war

British and French elites also viewed the continuation of appeasing Germany and avoiding war as necessary since the only gains from a European war would come to the domestic Left and the Soviet Union. The logic was simple: war in Europe would spark socialist-inspired revolutions throughout Europe as Soviet prestige and influence would spread. This idea of a 'war-revolution nexus'¹³⁹ was ubiquitous among British and French policymakers. Baldwin argued that even if France and Britain defeated Germany, the war 'would probably only result in Germany going Bolshevik'.¹⁴⁰ Similarly, in the midst of the Czech May Crisis, Lord Halifax warned Ribbentrop: 'We should not let it get out of hand, for then *the only ones to profit would be communists*'.¹⁴¹ Such opinions stemmed from the widespread view that the Soviets strategically wanted war to breakout between the Western powers and the Nazis as it would provide them the opportunity to spread Bolshevism westward. In French circles, similar sentiments were repeatedly expressed. According to General Louis-Antoine Colson, the Soviets would probably intervene only 'to advance its ideology on the ruins of a civilization weakened by war' as, in the words of another high-ranking French military official, 'Stalin will do anything to destroy capitalism'.¹⁴²

So ubiquitous and powerful were these views of 'war-generated revolution',¹⁴³ that even after the outbreak of war with the Nazis, French and British policymakers remained unsure as to which was the greater threat. This was demonstrated in both the Allies' early conduct of the war, as well as their reactions to the outbreak of the Finno-Soviet conflict in November 1939. Six months after the declaration of war, neither France nor Britain waged an offensive against the Germans. This 'phoney war' was best summarised in the words of the Italian Ambassador in Paris: 'I have seen several wars waged without being declared; but this is the first I have seen declared without being waged'.¹⁴⁴

During this period, British policymakers' continued to explore the possibility of peace with Germany. On no less than five occasions during the fall of 1939, Whitehall officially sought peace terms with the Nazis.¹⁴⁵ British appeasement policy had yet to be fully exhausted. It was dictated by the same logic as its pre-war predecessor: defense of the existing social order and political *status quo* against socialism at home and Bolshevism abroad. As Sir Arthur Rucker, chief private secretary to the Prime Minister, argued five weeks after the declaration of war:

Communism is now the great danger, greater than Nazi Germany [...]. It is thus vital that we should play our hand very carefully with Russia, and not destroy the possibility of uniting, if necessary, with a new German Government against the common danger.¹⁴⁶

¹³⁹ Irvine, *Crisis*.

¹⁴⁰ Quoted in Post, *Dilemmas*, p. 204.

¹⁴¹ Quoted in Donald N. Lammers, *Explaining Munich: The Search for Motive in British Policy* (Stanford: Hoover Institute, 1966), p. 20.

¹⁴² Quotes in Carley, *1939*, p. 83 and Young, *France*, p. 67.

¹⁴³ See quotes in *DBFP*, 3rd, IV, doc. no. 555: 535; Irvine, *Crisis*, pp. 165–6, 170–2, 196; Carley, *1939*, pp. 59–61, 72–3, 83–4, 230–1.

¹⁴⁴ Quoted in John Colville, *Fringes of Power: Downing Street Diaries, 1939–1955* (London: Hodder and Stoughton, 1985), p. 28.

¹⁴⁵ Halperin, *War and Social Change*, p. 214.

¹⁴⁶ Quoted in Colville, *Fringes*, p. 40.

Similarly, in February of 1940, Chamberlain argued that he did not want to beat the Germans too hard for fear that it would ‘create chaos which would open the door to Bolshevism’.¹⁴⁷ Similar sentiments were found in France.¹⁴⁸ British and French statesmen had yet to decide who the real Enemy No. 1 was.

The outbreak of the Finnish-Soviet ‘Winter War’ in November 1939 further complicated matters for British and French policymakers who remained indecisive over which power constituted the greater threat. While continuing to wage phoney war against the Nazis, policymakers began planning a real war against the Soviets in Finland. On 15 February, the Anglo-French Supreme War Council decided that each country would send 15,000 soldiers to the Norwegian port of Narvik from which they would advance into Finland. The official joint objective for the British mission was to complete the northern blockage of Germany and aid the Finns against the Soviets.¹⁴⁹ Policymakers also considered pre-emptive strikes on the Russian oilfields at Baku and the British government contemplated subversive activities in the Caucasus in combination with Turkish efforts. In early November, the British Ambassador to Finland even suggested that Japan should be encouraged to attack the Soviets.¹⁵⁰

Had the Finnish-Soviet war not ended before the Allies could complete their preparations, an Anglo-French invasion would have taken place. Indeed, the French had pushed British policymakers very hard for war with the USSR in February–March 1940.¹⁵¹ However, the Soviet-Finnish peace came just in time to frustrate French plans. What is particularly noteworthy here is nonetheless the readiness with which British policymakers were willing to attack the Soviet Union compared to their years of appeasing the Nazi regime. Most accounts of British policymaking during the interwar years ‘neither recognize nor explain the fact that Britain seemingly preferred “appeasement” to war with respect to Germany (in 1936, 1938, and 1939), but not with respect to the Soviet Union (in 1918, 1920, and 1939)’.¹⁵² Whitehall’s behaviour during the interwar years is essentially anomalous to (neo-)realist approaches which view external security concerns conceived in balance of power terms as primary in determining state behaviour. Any adequate theory of IR need transcend the confines of ‘second’ and ‘third image’ conceptions of international relations since this is exactly what the war-revolution nexus combines.

Conclusion

For proponents of US global expansionism, evoking the ‘Munich analogy’ remains a discursive force foreclosing legitimate non-interventionist policy options.¹⁵³ Lest

¹⁴⁷ Quoted in Harvey, *Diplomatic Diaries*, p. 338.

¹⁴⁸ See quotes in Carley, *1939*, p. 245.

¹⁴⁹ Halperin, *War and Social Change*, p. 214; Richardson, ‘French Plans’, p. 136; Curtis Keeble, *Britain and the Soviet Union, 1917–1989* (Basingstoke: Macmillan, 1990), p. 159.

¹⁵⁰ Richardson, ‘French Plans’, p. 136; Carley, *1939*, pp. 238–45.

¹⁵¹ *Ibid.*, p. 137. I have to thank Professor Carley for stressing to me these points.

¹⁵² Halperin, *War and Social Change*, p. 200.

¹⁵³ See Yuen Foong Khong, *Analogies at War: Korea, Munich, Dien Bien Phu, and the Vietnam Decisions of 1965* (Princeton: Princeton University Press, 1992).

policymakers' forget the lessons of Munich, and waver in the face of aggression, they risk sacrificing the 'national interest'. IR analyses implicate themselves in such ideological obfuscations by constructing theories based on false historical analogies.

While increasingly recognised in IR that the exclusion of enquiries into the relationship between capitalism and international relations has had theoretically debilitating consequences for mainstream theories¹⁵⁴ there nevertheless remain a lack of empirical studies systematically exploring the issue. This article sought to fill this lacuna by offering a Marxist account of appeasement. Focusing on the nature and dynamics of British society and its place within the world economy, it provided an alternative explanation of appeasement than those traditionally found in IR.

While the gamble of appeasement failed, it was far from irrational. British fears of the socio-economic and political consequences of war were largely borne out. The 'appeasers' were correct in their assessment that war would cost them their British-centered liberal capitalist world order, dissolve the Empire, and upturn the political *status quo* at home. In this narrow sense, the Chamberlain administration was more 'realistic' than their American realist critics ever gave them credit. Yet, appeasement strategy was pursued despite the fact that throughout the 1930s, but particularly after the Nazi Rhineland invasion in 1936, the severity of the German threat was widely acknowledged in both British and French policymaking circles.¹⁵⁵ Whilst this article examined the multiple structural factors shaping British policy,¹⁵⁶ the conclusion that there was simply no alternative to appeasement must be rejected. At the apex of appeasement efforts (1936–9), the creation of an alliance with the USSR against the Nazis remained a possibility.¹⁵⁷ Appeasement was neither the result of contingent misperceptions nor one aimed at 'buying time' to adequately rearm. The chief 'misperception' of British elites was not their assessments of the Nazi threat, but rather their persistent inability to view the Soviets as a necessary ally in balancing against the Nazis. The same anti-Bolshevik ideology that led to the Cold War, therefore, also helped produce the Second World War.

These British policymaking miscalculations were structurally conditioned and over-determined by myriad socio-economic and ideological factors, including: the hegemonic position of the liberal-internationalist City-Treasury-Bank nexus, concerns to maintain the (relative) autonomy of the state, a bias toward protecting access to commercially strategic sea-lanes and the Empire rather than Continental Europe, and an assessment of Bolshevism abroad and socialism at home as greater threats than German territorial aspirations. Appeasement policy was designed to

¹⁵⁴ Buzan and Little, 'Beyond Westphalia', p. 89.

¹⁵⁵ Walt's assertion (1992), p. 452 that 'the threat from Nazi Germany was anything but obvious' is unconvincing. British and French intelligence agencies provided ample evidence detailing the extent of the Nazi threat; see Robert J. Young, *In Command of France*, pp. 162–4; Paul Kennedy, *The Rise and Fall*, p. 316; Gaines Post, *Dilemmas of Appeasement*, pp. 164–6; Peter Jackson, 'French Intelligence and Hitler's Rise to Power', *The Historical Journal* 41:3 (1998), pp. 795–824.

¹⁵⁶ As emphasised within the revisionist historiographical literature against the 'guilty men' thesis of the more 'orthodox' interpretations. For a recent review of this literature; see Sidney Aster, 'Appeasement: Before and After Revisionism', *Diplomacy & Statecraft*, 19:3 (2008), pp. 443–80.

¹⁵⁷ Well demonstrated in Jonathan Haslam (1984) *The Soviet Union and the Struggle for Collective Security in Europe, 1933–1939*; Carley, 1939; Louise Grace Shaw, *The British Political Elite and the Soviet Union, 1937–1939* (London: Frank Cass, 2003).

both shore-up the British and world economy, while maintaining domestic status quo. It was, above all, a strategy designed to protect a capitalist social order in the midst of potentially revolutionary turmoil. From this perspective, Britain's external security was inextricably connected to its internal security and social stability.

While this article has exclusively focused on appeasement, it has three wider implications for IR theory in general. Firstly, the alternative approach to appeasement here suggests rethinking the artificial dissociation between political economy and military-security interests in foreign policy analysis prevalent in IR. This means dispensing with realist conceptions of 'political economy' in solely quantifiable measures of a country's natural resources, industrial capacity and number of battle tanks, etc. The economy is not simply the ultimate measure of military power, narrowly conceived in terms of the 'distribution of capabilities'.¹⁵⁸ Rather, a more appropriate way to think about political economy is in terms of social structure; a particular configuration of relations constituted by a historically-specific social system. From this perspective, policymakers' fears of Bolshevism and social upheaval were in fact *security* interests. What was at stake for them was a particular social order and conception of identity instantiated within a nexus of capitalist social relations.

Second, this requires a reconceptualisation of the domestic and international spheres which avoids the twin dangers of reductionism and reification. In the case of appeasement, this latter problem of a reified conception of 'the international' shorn of any socio-historical context has had particularly debilitating consequences for explaining British policymaking processes. IR theories have overwhelmingly failed to recognise, let alone explain, the social logic behind appeasement and the 'rational' interests guiding policymakers. This leads to one final point: the need for a more sophisticated *social* theory of the state and foreign policy. From a Marxist perspective, states are conceptualised as form-determined institutional entities posited on the structured separation of the political and economic spheres unique to capitalism. States are neither socially-neutral, nor are they conceived in geopolitically reductionist or instrumentalist terms. Rather, as demonstrated above, states and capitals can be usefully conceptualised as 'structurally interdependent'.

This article further demonstrates the necessity of rethinking IR's basic concepts of 'security' and 'national interest' in historically-determinant sociological terms which avoids both the ideational reductionism of some constructivist approaches and the brute materialism of (neo-)realism. It points towards an alternative Marxist-inspired research program focusing on an analysis of the social sources of foreign policymaking processes, geopolitical rivalry and alliance dynamics. This research program would revolve around three central theoretical/methodological premises: (1) an analysis of the state-capital nexus through an elucidation of the specific structural and subsidiary mechanisms linking state managers to capitalist interests in the international sphere; (2) a focus on the role of social and ideological forces in the international realm potentially destabilising capitalist social orders; and, (3) an examination of the uneven and combined spatio-temporal dynamics of capitalist development and its effects on the different developmental trajectories of

¹⁵⁸ See, for example, Robert Gilpin, *War and Change*; Kennedy, *Great Powers*; Schweller, *Deadly Imbalances*.

state-society relations. Such a research program necessitates a decisive break with the artificial separation of the domestic/international and the ideational/material (whether from neo-realist, liberal or constructivist perspectives), pointing beyond the continuing ahistorical and asocial premises of much IR theory. Only once this fetishised parsimony of Waltzian-inspired 'deductive' (neo-)positivist theorising is transcended, can we begin to fully examine the social origins of geopolitical rivalry and war, while reconstructing IR theory itself.