

From Sarajevo and Danzig to Versailles and Yalta:  
On the so-called »interwar period« 1919-1939

Introductory remarks to the lecture:  
»Central Banks and other disasters« by Pavlos Roufos,  
Freuds Agorá — Skole for psykoanalysen, March 10, 2024, Copenhagen

Anyone who wants to understand what it means that psychoanalysis neither fell from the sky nor sprang from the stone, but that — and to what extent — psychoanalysis is *of this world*, is not only recommended to deal with Sigmund Freud's correspondence, as was indeed the case in Freud's Agorá over several years of work (»Korrespondancer«, 2012-2015), but can also be recommended to take an interest in the history of the origins of central banks and the changes in their function in *this very world*. In a nutshell, this is our invitation to the lecture »Central Banks and other disasters« by Pavlos Roufos on March 10, 2024, as part of Freud's Agorás clinical-theoretical seminar, which is hereby announced.

In this context, Pavlos Roufos will first draw our attention to the so-called »interwar period«, i.e. the period from the Treaty of Versailles in 1919 to Hitler's invasion of Danzig and, a little later, Warsaw in 1939.

However, these twenty years quickly become thirty if we include the respective war years, from the assassination in Sarajevo in 1914, which marks the beginning of the First World War, to the Yalta Conference in 1945 at the end of the Second World War.

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So why not start these introductory remarks at the beginning of August 1914, when the already 58-year-old Sigmund Freud, at the moment of the onset of the primal catastrophe of the 20th century (G. F. Kennan) wrote the history of the psychoanalytic movement in Vienna, drew a final line under the disputes with his followers Wilhelm Stekel, Alfred Adler and, above all, Carl Gustav Jung, and cleared the air with regard to the future fate of psychoanalysis

by stating unequivocally how the theories of his former students no longer had anything in common with his own discovery and creation.

And why not, in the same breath as these introductory words, also recall the rapid successive declarations of war by the last empires at the beginning of August 1914: and how, against this backdrop, on the first Sunday of this sunny and dark month, a 31-year-old mathematician in Cambridge storms past his astonished friend and mentor Bertrand Russell, only to throw himself into the sidecar of his brother-in-law's motorcycle outside Trinity College seconds later so that he can chauffeur him to the City of London, the British capital's banking district, at lightning speed; what began as chaos on the Viennese stock market in the course of the formation of military alliances, into which the existing political alliances were transforming, reached all European metropolises within just a few days, and Great Britain, too, even before its entry into the war (on August 4, 1914), was already under financial bombardment, so to speak. Hence the young mathematician's haste: the center of the economic universe, from which more than half of the world's business affairs were financed at the time, was under threat — and John Maynard Keynes (1883-1946) felt called upon to help save it.

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So let us remember our starting point.

Since the end of the Franco-Prussian War in 1871, very complex international trade links have been established between the remaining empires, which, however, allow for a more or less simple movement of capital. Apart from the so-called Great Depression of the *Gründerzeit*-crisis around 1875, this structure of global trade was characterized by remarkable stability from the 1890s at the latest. The financial reality of this seemingly unassailable payment system even gave rise to its own political theory. According to this theory, warfare at the beginning of the 20th century was now considered irrational in economic terms by governments on the old continent.

At the beginning of August 1914, however, this political theory was turned on its head. And with it, the economic liberalism that had been in place for at least twenty-five years. At the time when Freud, in yet another »splendid isolation« due to the outbreak of world war, was setting up his psychoanalysis for

a future to come precisely because he did not know what politics would have spoiled for the psychoanalytical community until peace of some kind (Freud in a letter to Lou Andreas-Salomé), and Keynes wanted to fly head over heels to the capital of Great Britain, only to bring to bear the key points of his conviction that the real financial strength of the City of London is not based on its reserves of a relatively useless, shiny metal, but on its international reputation for reliability — at this point in time, humanity is suddenly facing war again, and the entire international monetary system, which has been based on the gold standard until now, is suddenly on the brink of collapse.

Regardless of the uncertain future outcome of the world war, the *Belle Époque* or *Gilded Age* is already a thing of the past at the beginning of August 1914.

For this very reason, four years later, the time seems to have come for a fresh start.

In his lecture at the first international psychoanalytic congress after the end of the war in Budapest in September 1918, a seldom so optimistic Sigmund Freud reviews the state of psychoanalytic therapy, looks out for the directions in which it could develop and finally envisages a future »psychotherapy for the people«, not without tying it from the outset to the *strict* psychoanalysis *without tendency* that he had already defended four years earlier against the apostasy from within his own ranks.

A John Maynard Keynes who returned from the Versailles peace negotiations no less disillusioned — because his view had not been sufficiently taken into account, namely: that the question of reparation payments must not be reduced to a dispute over figures, insofar as it raises other, fundamental questions about the meaning of war, the limits of political progress and the nature of human freedom — declared in 1919, precisely against the background of this his Paris experience, that prosperity is not secured by wise investment and hard work alone: only *political leadership* can provide the certainty and predictability that coming progress requires.

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This brings us, with Freud and Keynes, to the interwar period in the narrower sense envisaged above.

For the one, Freud, this would be characterized not least by the struggle for so-called lay analysis that began in 1926, or rather: it would essentially revolve around the question of the conditions under which the psychoanalyst could acquire the special training required to practice analysis — a struggle that, according to Freud himself, ended as a »blow in the water« and resulted in psychoanalysis as a discipline not being able to stand on its own two feet in the decades to come.

For the other, Keynes, the interwar period is characterized by his continued struggle with the gold standard, which cannot be separated from the fact that he increasingly sees economic theory as a fundamentally political matter. In a sweeping attack on the intellectual foundations of the long prevailing economic *laissez-faire*, Keynes calls for a supranational bank in 1930, arguing, among other things, that a central bank should deliberately cause inflation or deflation in order to deal with other, more important economic problems.

For both Freud and Keynes, the Great Depression at the end of the 1920s and beginning of the 1930s was another decisive experience.

In direct reaction to this crisis, Freud framed his reflections on »Civilization and Its Discontents« in the first and last sentences of the book in 1930 as follows: »One cannot help feeling that people generally measure themselves by false standards, strive for power, success and wealth for themselves and admire them in others, but underestimate the true values of life. [...] I have endeavored to keep from myself the enthusiastic prejudice that our culture is the most precious thing we can possess or acquire, and that its path must necessarily lead us to heights of unsuspected perfection. I can at least listen without indignation to the critic who says that if one considers the aims of the pursuit of culture and the means it employs, one must come to the conclusion that the whole effort is not worth the trouble, and that the result can only be a state which the individual must find intolerable. My impartiality is made easy by the fact that I know very little about all these things, only one thing for sure, that people's value judgments are necessarily guided by their desires for happiness, that is, they are an attempt to support their illusions with arguments. [...] The fateful question of the human species seems to me to be whether and to what extent its cultural development will succeed in mastering the disruption of coexistence by the human instinct for aggression and self-destruction. In this respect, perhaps the present time deserves particular

interest. Human beings have now come so far in their mastery of the forces of nature that with their help it is easy for them to exterminate each other to the last man. They know this, hence a good deal of their present unrest, their unhappiness, their anxiety.«

Although he wants to hide his criticism of the at times enthusiastic prejudices about the achievements of culture behind his alleged impartiality, and on top of that thinks he has to excuse the latter with his lack of knowledge in these matters, we nonetheless find here in Freud the approach of a historicization of the question of the fate of humanity, in that he wants to see this linked to an analysis of the present time.

In his »General Theory of Employment, Interest and Money«, published in 1936, Keynes drew the consequences of the experience of the Great Depression. He believes that he can refute the classical economic theories — in particular Say's Law — to convince politicians on both sides of the Atlantic that the markets are social, not mathematical phenomena, and that they are not self-correcting but need to be structured, directed and managed. Jean Baptiste Say (1767-1832) had systematized an idea that can already be found in Adam Smith (1723-1790) and David Ricardo (1772-1823), namely that every supply automatically creates its own demand. This led not only to the belief that the market's equilibrium was created by the market itself, but also inevitably to the assumption that every crisis in this respect always had non-economic causes. Although Keynes was the first economist, he was not the first theorist to question the validity of Say's Law or to restrict it to a mere special case. Unlike Keynes, Karl Marx (1818-1883) concluded from this analysis that economic crises of all kinds, on the contrary, follow the laws of the capitalist mode of production itself. While for Marx this resulted in a radical break with the system of commodity-producing modernity in general, Keynes formulated his criticism of classical theory *within* academic economics.

This is the only way Keynes can ask whether the realization of the ideas presented in his book is a visionary hope — and in the same breath gives the following answer himself: »The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in

authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil.«

As far as psychoanalysis is concerned, we will have to wait a quarter of a century from the mid-1930s for Jacques Lacan's return to Freud so that Freud's words from »Civilization and Its Discontents« (see above) can be re-read in a way other than merely in terms of an alleged psychoanalytic theory of culture — stripped of its socio-critical sting. Lacan will show that this is only possible based on a *critical theory of the subject*, without which Freudian reason (J. Lacan) can only be bent by the toothless *sociologisation* of psychoanalytic pre-suppositions. However, Lacan's commitment cannot be separated from the reopening of the question of training, which is central to the position of the psychoanalyst in society (see Lacan's »The Situation of Psychoanalysis and the Training of the Psychoanalyst in 1956«, in which he simultaneously continues Freud's »On the History of the Psychoanalytic Movement« from 1914).

The situation is different in the field of political economy. Here, the outbreak of the Second World War just a few years later leads to the final implementation of Keynesianism, even if this is not at all synonymous with Keynes' ideas being implemented politically without interruption or compromise during the war and in the future. In the face of the *domination without subject* of the self-exploitation movement of capital, which takes place even behind the backs of economists, one can obviously only lose out again and again; and so Keynes' own words from his »General Theory« (see above) also testify to the fact that a critique that does not grasp the political economy at its root and tear it out together with it inevitably finds its limit in tame *psychologisation*.

Against this background, the international economic conference to plan the post-war economic order of Bretton Woods in New Hampshire, to which the American President Roosevelt invited a month after the landing of the Allied forces in Normandy at the beginning of June 1944, was a last opportunity for Keynes to put into practice the ideas and programs he had developed since 1919 to save mankind from itself and to breathe political life into them. Based on the idea he had already put forward in the 1930s of using central banks to solve all the economic problems of the time, Keynes had argued in Bretton Woods for an international regulatory apparatus; what is finally adopted, on the other hand, looks like the old gold standard with a bailout fund.

The outcome of the conference leaves no doubt: as soon as the Keynesian revolution gets a grip on the global economy, the counter-revolutionary forces are already on the scene and ready to snatch it away again. Six months before the Yalta Conference in Crimea in February 1945 and less than a year before the unconditional surrender of the German Wehrmacht on May 6, 1945, a neoliberalism that was more than ready to attack had already positioned itself and wanted to provide the world of tomorrow with other means of getting off the »road to serfdom« (F. A. von Hayek) once and for all, if it had its way.

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Starting from the *interwar period* that thus appears on the horizon before our eyes, Pavlos Roufos will lead us along the changing function of central banks into the second half of the twentieth century and up to our present *times between wars*. Our task will be to keep pace with his approach and not to lose sight of the still ongoing history of psychoanalysis, which extends into this world of the first twenty-five years of the 21st century and which — amid other disasters — forms our present.

Frank Grohmann, February 26, 2024