

Alfred Valdmanis Revisited

Christopher English

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CHRISTOPHER ENGLISH

Alfred Valdmanis and the Politics of Survival. Gerhard P. Bassler. University of Toronto Press, xv, 472p., illusts., notes, refs., index, cloth, 2000, \$50.00, ISBN 0-8020-4413-1.

HALF A CENTURY AGO Alfred Valdmanis, economic guru of the Smallwood ministries of the early fifties, pleaded guilty to one charge of defrauding the provincial government by diverting kickbacks solicited from German firms granted government contracts. Sentenced to four years hard labour, he served two years in prison before leaving Newfoundland forever. He died in obscurity in Alberta, aged 62, in 1970. Neither he nor his family seems to have benefited from his speculations, as the monies disappeared from a New York bank account into the hands of unknown third parties.

The passage of time has shed little or no light on who knew what about this affair. What led a man at the height of his career and influence to risk all? At the time the local political opposition and some of the press were snapping at Smallwood's heels. His policy of rapid economic development was recording more failures than successes, and his increasingly authoritarian style of government excited adverse comment. Had Valdmanis acted alone or at the behest of or in collaboration with others? Valdmanis' guilty plea shut the door on a judicial airing of the affair at trial, and the government was not inclined to investigate or establish an independent review. No one was more conscious of the potentially compromising implications of the affair for the government than the premier himself. According to Richard Gwyn, he exhorted the RCMP inspector called in to investigate: "Find that money. Nothing in the world will wash me clean if you don't.... Valdmanis will say that he got it for me and that he gave it to me. That exculpates him, but where does it leave

me?"¹ The tide finally went out for the Smallwood regime at Sally's Cove in 1971, but it might have done so in 1954.

Questions raised by the affair have never been satisfactorily answered. Most of the protagonists and contemporary observers who might have had something to say are dead. Has a conspiracy of silence robbed the public of an explanation? Even so long after the events in question, the proposition that Valdmanis acted alone on his own account is likely to raise skepticism. The day a brief review of this book appeared in *The Telegram* in 2000, an elderly anonymous male took the reviewer to task for not stressing that the Newfoundland taxpayer had been stuck with the bill for housing Valdmanis in the Crosbie Hotel (after he had been granted bail and was awaiting trial). His unspoken message was that the whole episode smelled of cover-up and corruption.

On the issue of corruption, Valdmanis' personal culpability is not in doubt. He admitted soliciting financial contributions of almost half a million dollars from German industrialists and directing that they be deposited in a New York account in the name of his sister-in-law. He denied personally benefiting from the kickbacks, although some of the funds were probably directed to ill-advised and unsuccessful investments, notably a quixotic attempt with his brother to resuscitate a failing fish plant in New Brunswick. By 1954 the account was empty, and the sale of his personal assets realized only \$14,000. Two years after his release from prison he was declared bankrupt in Montreal. A five-bedroom house on Roslyn Avenue, where his wife took in boarders, must have been a substantial asset but it was spared. Perhaps it was in his wife's name. New charges, had they been permitted, would not have resulted in restitution. While attempting to rehabilitate his reputation he muttered darkly in 1963 that he had been "sold and buried, mainly because ... something had happened and a 'culprit' had to be found" (13).

Despite assiduous digging, interviews with the family and access to Valdmanis' personal papers, Bassler is unable to offer a final explanation. In his introductory remarks, presumably the last section of the book to be written, he offers the neutral comment that "in 1954 ... he was caught illegally diverting funds he had collected for the premier of Newfoundland into his own personal investment projects" (8). How is "for" to be read? Is it "to the benefit of"? or as "on the instructions of"? And why "for the premier," rather than "for the Liberal party"? On either reading some may conclude a degree of knowledge or participation by Smallwood which has never come to light.² On the other hand, Bassler notes that the standards of the age when it came to patronage, political donations and favours extended by private interests, especially contractors, to politicians, were far from rigorous. John Crosbie has admitted that the Crosbie companies donated a swimming pool to Smallwood's private estate, Russwood Ranch, and summarizes the O'Dea report into the ex-premier's lease of liquor stores to the government as revealing "the most blatant and crass venality and conflict of interest in the history of twentieth century Canadian politics."³

Beyond the admitted corruption of one man, was there a coverup? What of the complicity of his political lord and masters, hinted at in 2000 by the anonymous telephone caller? There are intriguing hints, but nothing conclusive. Virtually all commentators on the Smallwood years have agreed that the premier was personally in charge of all aspects of government business and of the Liberal party. As an early disciple of Sir Richard Squires, he knew the importance of money to fuel political action and, also, from his mentor's experience, the importance of maintaining an arm's length distance between the premier as leader of the government and as leader of the party in power. Did Smallwood's speed in calling in the RCMP at the first allegation of Valdmanis' defalcations indicate anything more than a desire for justice? Had Attorney-General Leslie Curtis witnessed a power of attorney giving trusteeship over the New York account to Valdmanis' old friend and investment partner, the expatriate Latvian and New York broker and lawyer, Elja Lurje? Were the funds to be invested to the benefit of the Liberal party? If so, had they gone bad? Or had they been made off with by third parties, possibly as the proceeds of black-mail, with which Valdmanis claimed to have been threatened for several years before his eventual exposure?

This is not to contend that Valdmanis was an unwitting dupe in the affair which ruined his reputation and career. He was a survivor, as we shall see, and had exhibited a healthy respect for the security and power which money can give. After the German invasion of Latvia in 1941 he and his family lived in relative comfort in a Berlin hotel and, for a time, in Prague. A "displaced person" in the turmoil of post-war Europe, he came as a refugee to Canada in 1948 with the substantial sum of US \$10,000. It was gone by April 1950 when Bassler offers the undocumented comment that, down on his luck, Valdmanis hatched his scheme to retain commission payments for himself (387). Soon he was hired by Smallwood and negotiated or demanded the highest salary on the Newfoundland public payroll. According to the official historian of Brinco, about 1952 he tried to shake down the Rothschilds for a million dollars in exchange for lumbering and mineral rights to large areas of south-west Labrador.⁴ Suspicious of banks, or cautious about leaving a paper trail, he mailed packages of cash to his wife in Montreal. Was his confidential secretary, a fellow-expatriate, his private courier? And if the funds were legitimately his, does it matter? I had a colleague in 1967 who refused to open an account with a local bank. He darkened its doors only to cash his monthly pay cheque and stored the cash under his mattress.

Readers may feel some degree of sympathy for Valdmanis. Overnight his greatest supporter, Premier Smallwood, became a bitter, vengeful and implacable enemy. Despite the guilty plea and a four-year sentence, the Crown stayed (rather than dropped) the other charges, which could be resuscitated in the future. Was this to guarantee Valdmanis' silence? He felt that he was not well-served either by his local legal counsel, Gordon Higgins, or by the big-gun lawyer brought in from Montreal to look after the interests of the Lucy Davis Foundation, which had origi-

nally sponsored his entry to Canada in 1948, and to which Mrs. Valdmanis had appealed for help. Prosecution, government, Lucy Davis and his own lawyer seem to have pressed him to accept the plea bargain. Alone, abandoned by erstwhile friends, deeply depressed, and bereft of the emotional and psychological stamina and the faith in his own abilities and personal destiny which had carried him to success in the past, he quite simply unraveled into passivity and self-pity. His decline from influence, power, status and relative wealth was unexpected, sudden and ineluctable. His reputation would never recover.

Valdmanis remains a figure of controversy. Contemporary observers were variously impressed by him, or feared him. Smallwood remembered him as "one of the most talented men I have ever known. He gave signs of being devoted to me and my ambitions for Newfoundland." He had the ear of the premier and that was enough. He was immune from criticism in cabinet; ministers, he dismissed as nin-compoops. After his fall it was easy to be wise. Harold Horwood's vituperation 35 years on is unrestrained. The "sinister" Valdmanis

looked, dressed, and acted like an undersized storm trooper. He was arrogant, and he was an obvious phoney, a *poseur*. Just as obviously he held the democratic process in utter contempt.... [Q]uite clearly a collaborator who had worked for Hitler ... [he] might easily have been sent back to Germany to stand trial for war crimes.

John Crosbie, writing a decade after Horwood and clearly more concerned for Smallwood's alleged corruption than that of his minion, dismisses Valdmanis in two pages as "a shadowy Latvian economist." Nor does Noel's epithet of "Rasputin-like" get us very far.⁵ Don Jamieson recalled his "almost manic intensity" (11). Albert Perlin, contemporary political commentator and occasional adviser to Smallwood, was closer to the mark in describing Valdmanis as "a curious mixture of anxiety and arrogance" (251). Richard Gwyn's description of him as a "carpetbagger" is apposite, and his two chapters on Valdmanis and the relationship with Smallwood have remained the most complete and persuasive to date.⁶ Bassler's interpretation does not differ greatly from that of Gwyn, but the breadth and depth of detail in this new account mark it as definitive.

Bassler provides the background and the context against which we can appreciate Valdmanis the man: economist, lawyer, politician, aspiring leader of refugees, academic, entrepreneur, and Smallwood adviser. While no historian can claim to have captured "the real" nature of his subject, this biography is as complete and persuasive a picture as we are likely to get. Full and even-handed, it has been researched from documentary sources in five languages in three countries (Canada, Germany and Latvia), supplemented by 40 oral interviews. Bassler taught European history at Memorial University for 37 years and this work shows an experienced historian at the height of his powers (and confident enough to acknowledge the help of St. John's friends and colleagues who assisted with translations from

Russian, Swedish, and Latvian). He especially notes the contributions of Arnis and Sofija Lucis in opening doors to informants and documentary sources in Riga.

So, what made Valdmanis tick? At age 45, on the eve of his humiliation, he had achieved a career which, by any measure, was remarkably successful. At the same time it contained the seeds of his destruction. We are all products of our times, but Valdmanis' times had been so eventful and crisis-laden that the means by which he had survived had marked him definitively. In his home province of Kurland in southern Latvia he received a Germanic education, for Germans had ruled what emerged in 1918 as the independent state of Latvia for about 700 years. His meteoric rise from messenger in the department of finance in 1929 to minister in 1938 was due to talent and the patronage of the authoritarian nationalist President Karlis Ulmanis who considered making him prime minister. But Valdmanis' political antennae were well tuned and he had a knack for cultivating friends and acquaintances, knowing when to withdraw into the background, as in resigning in 1937, and doing what was necessary to preserve his family during the Russian occupation in 1940 and the succeeding German occupation of 1941. That he preferred German to Russian occupation seems clear, as he served as director-general of justice for two years until April 1943, nominally administering the courts but in fact being the senior and most influential Latvian bureaucrat. Like Ulmanis, he was first and foremost a Latvian nationalist and unlike his patron, who disappeared into the Soviet Union in 1940, he avoided deportation and survived to collaborate with the Germans so as to ensure the survival of Latvia, a role in which both occupiers seem to have accepted him. Apparently he had powerful friends in Germany, though we know little of his activities there during the war except that he appears to have been comfortable financially, and both he and his family survived. Evidently his instinct for self-preservation was not impaired, as he received a clean bill of health from the victorious allies in 1945, becoming an adviser to them on Latvian displaced persons (among whom, he argued, were members of the Waffen-SS Legion Lettland, volunteers who fought for Germany against the Soviet Union). Then it was on to Geneva and the International Refugee Organization where his contacts led him to the Lucy Davis Foundation of Montreal, an academic fellowship in Ottawa, promoting a gypsum plant in Nova Scotia, and then his fateful meeting with Smallwood.

His activities as Director-General of Economic Development, the title he demanded for himself which was reminiscent of his position in pre-war Latvia, are well known. Bassler tells what must be the full story, and seems a reliable guide through the sometimes labyrinthine twists and turns which marked the financing and management of the new private and government-owned corporations. The Smallwood-Valdmanis approach to rapid industrialization scored some early successes, as in gypsum and cement plants on the west coast, but by 1952 Valdmanis was trying to put a brake on headlong development. The premier, however, was insistent. He had a new paladin in John Christopher Doyle, and had cooled towards Valdmanis well before he called in the RCMP in 1954. By this time Valdmanis was

prone to depression and was drinking heavily. In St. John's he had neither family nor powerful supporters to fall back on. He was a vulnerable and easy target for sometime friends when he most needed them. For whatever reasons, the survivor who had trimmed his sails to the realities of Soviet, then German occupation, who had escaped the war time purges in Latvia, who had managed to keep his family intact during the war, and who then had emerged seemingly unscathed from the internecine rivalries of post-war Latvian emigré politics, seemed to have run out of resources. If blackmail was threatened, perhaps it was old Latvian rivalries which did him in. It seems the most convincing explanation for the missing funds. Perhaps there was a financial and personal price to pay for so many fortuitous survivals. And once the New York account was gutted, would there be any relief from future demands? The destruction of Valdmanis by his compatriots when, by his own lights, he had risked so much to be of service to them and to his own vision of Latvia, may be the final irony.

Notes

¹Richard Gwyn, *Smallwood: The Unlikely Revolutionary* (Toronto, 1972), 161. Smallwood recalls slightly different words in *I Chose Canada* (Toronto, 1973), 355: "If you don't find the money ... everyone will believe that [it] was truly for me or for the Party." At the same time (1973) Smallwood claimed: "I could have hushed up the whole thing, and not a word of it need have got out., [but] I was not for a moment ... tempted to bury it" (*Ibid.*, 356-7).

²"[T]hroughout the full length of his career in government, Smallwood was closely associated with criminals, but always managed to keep his own nose clean": Harold Horwood, *A Walk in the Dream Time: Growing up in Old St. John's* (St. John's, 1997), 235.

³John C. Crosbie, *No Holds Barred* (Toronto, 1997), 33-4, 53.

⁴Philip Smith, *Brinco: The Story of Churchill Falls* (Toronto, 1975), 22.

⁵Smallwood, *I Chose Canada*, 347; Harold Horwood, *Joey* (Toronto, 1989), 250, 173, 184, 189; Crosbie, *No Holds Barred*, 43; S.J.R. Noel, *Politics in Newfoundland* (Toronto, 1973), 276.

⁶Gwyn, *Smallwood* (1972), 140-69.