

## **Interwar Politics**

# AMERICAN-HUNGARIAN RELATIONS IN THE 1920s

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World War I left Hungary practically alone, without allies or friends whose interests coincided even slightly with her own. The neighboring states were created partly at the expense of Hungary and their very existence required an anti-Hungarian policy. They were forcefully backed by the French, who showed ample evidence of their hostile attitude toward the Hungarian state; the dealings of the Károlyi government with Franchet d'Esperey in November 1918 or those of the Berinkey government, but practically of Károlyi's, in March 1919 with Lt. Colonel Vyx bear evidence of the unfriendly behavior of the French. The notorious Vyx memorandum, which eventually brought down the Berinkey government and made Károlyi appoint a government of Social Democrats and Communists on March 21, 1919 surprised even the allies of the French as well. Nicholas Roosevelt, a member of the Coolidge mission who arrived in Hungary on March 17 and who later became the U.S. minister to Hungary between 1930 and 1933, states in his memoirs that he was asked to attend a meeting between Vyx and Károlyi in the Royal Palace. He declares that he knew nothing about the memorandum because poor telecommunication facilities kept him from getting in touch with Professor Coolidge in Vienna, who acted as a contact between him and the American peace delegation in Paris. "It was not until a year later that I learned how this astonishing decision had been put across," he continues his recollections.<sup>1</sup> It turned out that Professor Charles Seymour and Professor Day of Cornell, as members of the subcommittee of the Paris Peace Conference concerned with the study of the Romanian affairs, received from the French a proposal to change the armistice line in Transylvania. They thought it too important to be approved by themselves and suggested the Supreme Council decide the question. A few days later General Tasker H. Bliss, the American representative on the Supreme Council, asked for a briefing about it and was told that the measures proposed were too harsh and should not be accepted. Still later the bewildered Americans saw the general's signature on the document prepared by the French and Bliss did not remember having signed it. Actually,

notes Roosevelt, "Bliss had signed the minutes unaware that in doing so he was, in effect, sanctioning this action which he opposed".<sup>2</sup>

The episode, besides testifying to the hostility of the French, also bears witness to the almost fatal amateurishness and indifference of the Americans in matters relating to Central Europe after World War I. Hungarian politicians, however, overlooked these – and other revealing – facts and believed, because they wanted to believe, that the Anglo-American powers would be the saviors of the country. On balance, the US seemed to be the most likely country to help Hungary in some way or other. American relief did arrive in Hungary: the organization headed by Herbert Hoover sent foodstuffs into the country – so long as the Hungarian political situation suited his ideals; the shipments were delayed or altogether canceled during the days of the Hungarian Republic of Councils. Right after the Communist takeover, Lieutenant Haynes, the representative of the Hoover food mission, left for Vienna via Laibach by train on March 22, accompanied by Nicholas Roosevelt. The latter went directly to Paris where he briefed Secretary of State Robert Lansing, General Tasker H. Bliss, Henry White, ambassador to France and Italy, Professor Coolidge and William Bullitt about the situation in Hungary. He was also asked to offer his solution: "As a twenty-six-year-old army officer it struck me as incongruous to give a solution for dealing with such a serious international crisis. I replied that I felt it was up to Paris to offer a solution, and added that the British and Italian representatives in Budapest had suggested military intervention. Both Bliss and Lansing rejected this as impractical."<sup>3</sup> The Americans dropped the subject and let the French find a solution to the problem. And find one they did: the Romanian, the Czech and the Serbian-Croatian armies were mobilized against the "Reds" in Hungary. The problem was that the Allies in turn found it quite difficult to control the mercenary armies in Hungary, as General Harry Hill Bandholtz, the American representative on the Inter-Allied Military Mission (set up during the first days of August 1919), describes in his *An Undiplomatic Diary*. The main goals of the mission were (1) to keep the Romanians under control (as they supplied the main force in the occupational armies) and to force them to leave Hungary as soon as possible; (2) to prevent atrocities and to build up a police force in Hungary; and (3) to help Hungary establish a responsible government and to force the country to accept the new boundaries and to sign the peace treaty. Obviously, the first task seemed to be most urgent as the relations between the "liberators" and the liberated were rather strained: the former thought they had been given a license to do anything they wanted to in Hungary and they gained for their purposes willing accomplices in the French. The American general's diary is full of complaints and bitter – and frequently rather sarcastic –

remarks about the behavior of the Romanian authorities in Hungary, but he does not spare the – more often than not-self-appointed – Hungarian “saviors” of the country either, like Archduke Joseph, Prime Ministers Friedrich and Huszár, and so on. The Inter-Allied Military Mission enjoyed an exceptional status in the political life of Hungary: during its roughly four-month existence, it acted as the supreme decision-making body in Hungary – on the surface. In reality, it only transmitted the Supreme Council’s wishes and its activities were greatly curbed by the double-dealing of the French leadership, which repeatedly let it be known to the Romanians that they did not really mean the very last ultimatum which demanded that the occupying forces leave Hungary immediately.<sup>4</sup> Meanwhile, the task of the reorganization of the Hungarian police was handed over to Colonel Halsey E. Yates of the US Army on September 5, 1919, and he completed his job in six weeks by organizing a police force of six thousand men. The reported/alleged atrocities in the country were also investigated by American representatives: Colonel Nathan Horowitz was sent out to make a report about the persecution of Jews in western Hungary. He concluded that there was certainly anti-Semitism among the people because so many leaders of the Bolsheviks were Jews, but he saw no reason to worry about the situation.

The US Senate definitely rejected the Treaty of Versailles on November 19, 1919, and the American commission left Paris as a result of this decision. As the Romanian army had already left Hungary during the first half of November, the police had been reorganized and a responsible government had been established as a result of the Clerk mission – or at least one that had been accepted by the Supreme Council – the Inter-Allied Military Mission was dissolved within days. General Bandholtz, however, remained in Hungary until the US minister, Grant-Smith, did not arrive in February 1920. The Hungarian delegation was to appear in the French capital in January 1920, but before it left Hungary, Lord Bryce had advised the Hungarian government that it should get into contact with the US Administration as the latter was not bound by the Romanian-Allied Powers secret wartime treaty. Count Albert Apponyi, the head of the Hungarian peace delegation, talked with General Bandholtz several times before the delegation left for Paris in January 1920 and after it came home with the proposed peace treaty later that month. The Hungarian Minister for Foreign Affairs, Count Somssich, pursued the question of some sort of American participation in the negotiations concerning Hungary with the new American minister to Budapest, Ulysses Grant-Smith. The American diplomat suggested that the Hungarian government ask the State Department to participate in the debates over the Hungarian peace conditions. Of course,

the recommendation was totally useless: in the contemporary political climate in the US, it would have amounted to a political suicide for anyone to raise the question of returning to Paris. The Hungarian delegation attempted to make a breakthrough with a "frontal attack" as well: Apponyi raised the question in Paris but Georges Clemenceau instantly rejected the idea and accused the Hungarians of trying to delay action over the boundary issues and the peace treaty in general. It was in Paris that the slogan "Justice for Hungary" was born; actually, an American journalist suggested it when upon visiting the Hungarian delegation to get some material, he was given a huge stack of paper containing charts, maps, statistics, etc. He advised the Hungarians to win the Americans' heart by using some simple, short phrases like "Justice for Hungary" because otherwise they could not count on much support among the Americans. The problem cropped up a year later when Count Pál Teleki visited the US: the scholar-politician had been invited to give lectures and they, together with his interviews in *The New York Times* and other papers, were also beyond the understanding of the average listener and reader on account of the various and numerous figures, references and data regarding Hungarian history, geography, ethnic conditions and the like. It happened on this visit that Teleki met Nicholas Roosevelt at Williamstown, Virginia. According to Roosevelt, Teleki told him the background of the *coup d'état* of March 21, 1921, in Hungary when King Charles IV attempted to regain power for the first time. The former Prime Minister, who had to resign as a result of this event, accused the French premier Aristide Briand of having instigated Charles IV's return because he wanted to discredit the last Habsburg king in this way.<sup>5</sup> When Teleki first got news of the former ruler's appearance at Szombathely, he was just staying with Grant-Smith at Count Antal Sigray's county estate. The Hungarian leaders were deliberately seeking the goodwill and favor of the American representatives. The US concluded a separate peace treaty with Hungary only in July 1921 and though the Americans reserved all the rights given to them in the Treaty of Trianon, there was one significant difference between the two treaties: the borders of Hungary were not mentioned in the American-Hungarian treaty and this fact was made much of in various Hungarian circles. There was a constant flow of eminent Hungarian politicians and clergymen from Hungary to the US in the early 1920s who were supposed to win the American public's support for the Hungarian cause. Teleki was followed by Apponyi in 1923 and was preceded by Lóránd Hegedűs; the Catholic Pater Béla Bangha, the Calvinist Bishop Dezső Baltazár and the Jewish Ferenc Székely were also among the prominent personalities of contemporary Hungary to visit the US. A similar number of American clergymen arrived in Hungary in 1920, including the representatives of the

Evangelical Church of the US, the Methodist Church and the American Christian Church.<sup>6</sup> A counter-propaganda campaign was carried on by the Károlyis: the Countess Károlyi arrived in the US in late October 1924 and her husband followed her when she got ill some weeks later. Mihály Károlyi's visit gave rise to a heated debate in the American press and it became a bit of a scandal because Károlyi had been asked not to give interviews and not to deliver public speeches while staying in the US. It was the Hungarian government in general, and the Hungarian envoy extraordinary and minister plenipotentiary in the US, Count László Széchenyi, in particular, who were supposed to be behind this action; Széchenyi had exceptionally good connections with certain financial and political circles in the US through his wife, Gladys Vanderbilt. But the most outspoken critic in the US of the contemporary Hungarian regime was Oscar Jászi, who directed his attacks mainly against the proposed League of Nations loan to Hungary. The American public interest was turned towards this issue in late December 1923 when the first news broke about appointing an American businessman to supervise the transaction. Actually, the Hungarians themselves asked for an American representative. The reasons were quite obvious. The presence of an American businessman in this capacity would attract a large amount of American capital, while the underlying political idea aimed at a long-range goal. Moreover, the Hungarian leadership still cherished the hope of drawing the Americans somehow to the side of revisionism. The loan question was connected with reparations payments and the relief bonds. Széchenyi asked the American government to suspend the priority provisions of the relief bonds during the period of amortization of the reconstruction loan to be given to Hungary, that is, for twenty years.<sup>7</sup> Secretary of State Hughes notified the Hungarian Chargé in Washington, D.C., János Pelényi, that "this government... would not waive in favor of the proposed [international] reconstruction loan the priority enjoyed by the relief bond which holds, unless satisfied that its relief bond would at all times be entitled to priority over reparation payments in accordance with the original agreement under which relief advances were made to Hungary..."<sup>8</sup> However, the US eventually gave its consent that the priority of the relief bonds be subordinated to the new international loan. On May 23, 1924 the House of Representatives approved and authorized that the settlement of the indebtedness of Hungary to the US be funded into bonds in the value of \$1,939,000 – and Hungary made a cash down payment of \$753.04. The bonds were to mature serially on each December 15 in the succeeding 62 years and were to have expired in 1985.<sup>9</sup> The Debt Funding Agreement was signed by Count Széchenyi and Secretary of the Treasury Andrew W. Mellon on April 25, 1924, was modified by

agreement on May 27, 1932, and revived after World War II on March 9, 1948. Besides this agreement, the two countries concluded another one concerning the claims against America and Hungary on November 26, 1924 (it entered into force on December 12, 1925) and one of Friendship, Commerce and Consular Rights on June 24, 1925, which was later terminated by the US on July 5, 1952, pursuant to notice of termination given a year earlier. Previously two former treaties were revived in 1922: those of the Extradition Convention of July 3, 1856, and the Copyright Convention of January 30, 1912.

The reconstruction loan was mainly financed by American firms. The American representative of the League of Nations, Jeremiah Smith, had excellent connections with the American financial circles and partly through his influence the banking houses were attracted to the project. Baring Bros. and Co., Rothschild and Sons, J. H. Schroeder and Co. issued bonds in the nominal amount of £7,902,700, while Speyer and Co. of New York offered bonds for £2,276,801. The total amounted to £14,386,583 and it is obvious that the major fiscal agents were the British and the Americans.<sup>10</sup> In April 1925 J. H. Schroeder and Co. of London formed a syndicate to buy a large block of shares of the Hungarian Commercial Bank of Pest. The US and Foreign Securities Corp. and J. H. Schroeder Banking Corp. also participated in the deal.<sup>11</sup> The Italian-Hungarian Bank and the National Central Savings Bank were holding relatively large deposits of American banks, like those of Hornblower, Miller and Garrison of New York, Olehn and Ganter of New York, Hines, Rearick, Dorr, Travis and Marshall Corp. of New York, etc.<sup>12</sup> The capital imported by Hungary between 1920 and 1931 totaled \$488,856,928 and the greater portion of this money came from the US. The oil industry of Hungary also attracted American firms. Standard Oil of New Jersey and the Wortlington Pump and Machinery Co. had subsidiaries and branches in the country. The bulk of the newly issued shares of one of the most important factories of the Hungarian electrotechnical industry, the Ganz Works, were bought by General Electric; the telephone factory section of the Hungarian Egyesült Izzólámpa és Villamossági Rt. was made independent and developed with American capital under the name of Standard Villamossági Rt.<sup>13</sup> As for the Ganz Works, it even penetrated into the American market with galvanometers devised by Ottó Bláthy. Another great beneficiary of the American capital was the Rimamurány Ironworks. It alone received three million dollars by several American firms, with Liessman and Co. being the most important contributor among them.<sup>14</sup> The new industries were also developed by mainly American firms in Hungary: Eastman Kodak Co. played an important role in the Hungarian film industry through its European subsidiary, while MGM and

20th Century Fox were associated with several theaters, especially in Budapest (Royal Apollo, Forum, Capitol, Corvin, etc.).<sup>15</sup> But the trouble was, among other things, that "among the European countries only the Balkan states displayed a higher percentage of the population engaged in agriculture (80%) than did Hungary (55.7% in 1920),"<sup>16</sup> and the distribution of capital was anything but useful and logical. Of the sums received, 50% went into federal and communal investments and 40% went to agriculture, where a large proportion was absorbed simply in the division of property rights. The "official" relations between the two countries in the 1920s were complemented and completed by the Arbitration Treaty on January 26, 1929, and the conciliation Treaty of the same day.

The relations on the personal level were also good and friendly; the two nations did not have conflicting interests at large and the US carried on a sort of friendly indifference towards Hungary. The charity activities of the American Red Cross after the First World War helped a great number of Hungarian families: the child feeding program organized by Capt. James Pedlow, chief of the American Red Cross Society at Budapest, and Capt. George Richardson, chief of the American Relief Administration in Hungary, fed around 100,000 children a day in Budapest in 1920 with the help of Mrs. Clare Thompson of California. The Red Cross also supplied medicine and bandage. General Harry Hill Bandholtz became an adviser and a friend of many Hungarian politicians and families, while Jeremiah Smith, the League of Nations' representative in Hungary in the mid-1920s, established a Jeremiah Smith Foundation with \$100,000, that is the sum he was to be given during his stay in Hungary; it enabled two students a year to study in the US. The Hungarians, in return, celebrated July 4 every year with orators of high standing; Count Albert Apponyi, Baron Zsigmond Perényi, Bishop István Zadravetz were among the speakers. The celebrations usually took place at the George Washington statue in the City Park and were organized by the Hungarian-American Society, which was founded in 1921. It sometimes managed to invite guest speakers from the US as well; in 1922 it was Robert La Follette, ex-governor of Wisconsin and one of the best-known Progressive politicians in the US, who delivered the commemorating speech. Political relations were somehow revived at the end of the decade, partly due to the campaign started by Lord Rothermere, the British owner and publisher of the *Daily Mail*, on behalf of "Justice for Hungary". The issue was picked up by the Hearst papers in the US and they put the question of the peace treaties and revisionism into the focus again. One of the staunchest isolationists, Senator William E. Borah, also repeatedly gave voice to his dissatisfaction with the peace treaties, which fact made him a kind of hero in Hungary. A steady flow of Hungarian

journalists (who were mainly financed by the Carnegie Foundation) visited him from 1927 on. Borah regarded the US morally responsible for the peace treaties and expressed his hope to George Ottilik in 1930 "that their revision would put your continental peace upon a considerably safer basis".<sup>17</sup> By this time, however, the senator from Idaho had already lost much of the influence he had had during the early 1920s and his verbal support did not amount to much in the official relations. These were defined by the well-meaning, though rather ineffective, ideas of the Kellogg-Briand Pact, which Hungary – reluctantly – joined in 1929.

The highest ranking American personality to visit Hungary at the very end of the period discussed – in fact, the highest ranking visitor in the whole interwar era – was General Douglas MacArthur. The American chief of staff visited a number of countries in 1931 and 1932, including Austria, Czechoslovakia, Poland, Hungary, Romania and Turkey during his second tour in Europe. He came to get acquainted with the armies of these countries and observed military manoeuvres. He went out of his way to be agreeable to the Hungarian military and political leadership and his visit contributed to the generally good relations between the two countries. The 1930s, however, brought new issues, new faces and new priorities in both the US and Hungary, and although the relations between the two countries did not altogether die, they just "faded away". In general, relations were minimal, on occasion downright hostile until the end of the 1980s.

### Notes

1. Nicholas Roosevelt, *A Front Row Seat* (Norman: University of Oklahoma Press, 1953), p. 104.
2. *Ibid.* p. 105.
3. *Ibid.* p. 110.
4. Harry Hill Bandholtz, *An Undiplomatic Diary* (New York: AMS Press, 1966), p. 125.
5. Roosevelt, *op. cit.* pp. 119–123.
6. Cp. Mark Imre Major, *American–Hungarian Relations 1918–1944* (Astor, Fla.: Danubian Press, 1974), pp. 84–85.
7. 864. 51/222, Széchenyi's Aide Memoire to Secretary of State Hughes on January 2, 1924. *Papers Relating to the Foreign Relations of the United States, 1924* (Washington, D.C.: U.S. Government Printing Office, 1939), Vol. II, p. 325.
8. *Ibid.* p. 326.
9. *Statutes of the United States of America* (First Session of the 68th Congress), 1923–1924. (Washington, D.C.: Government Printing Office, 1924), H.R. 8905, Public No. 128, p. 136.
10. The figures are taken from V. N. Bandera, *Foreign Capital as an Instrument of National Economic Policy* (The Hague: Martinus Nijhoff, 1964), p. 27.

11. Robert W. Dunn, *American Foreign Investments* (New York: W. Huebsch and the Viking Press, 1926), p. 152.
12. Major, *op. cit.*, p. 184.
13. Iván T. Berend and György Ránki, *Economic Development in East-Central Europe in the 19th and 20th Centuries* (New York and London: Columbia University Press, 1974), pp. 234–235.
14. *Ibid.* p. 225, and Dunn, *op. cit.*, p. 152.
15. Frank A. Southard, Jr., *American Industry in Europe* (Boston and New York: Houghton Mifflin Co., 1931), p. 145.
16. Iván T. Berend and György Ránki, *Hungary: A Century of Economic Development* (New York: David and Charles: Newton Abbot–Barnes and Noble Books, 1974), p. 150.
17. Quoted by Major, *op. cit.*, p. 90.