

**JEREMIAH SMITH, JR. AND HUNGARY, 1924–1926:
THE UNITED STATES, THE LEAGUE OF NATIONS,
AND THE FINANCIAL RECONSTRUCTION OF HUNGARY**

PhD DISSERTATION THESES

ZOLTÁN PETERECZ

Literary Studies Doctoral School
American Studies Program
Supervisor: Professor Tibor Frank, PhD. DLitt

Eötvös Loránd University
Faculty of Humanities
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My doctoral dissertation focuses upon Jeremiah Smith, Jr. (1870–1935). Smith was Commissioner-General of the League of Nations loan to Hungary in 1924. Through his personality and work the dissertation introduces the political and economic antecedents of the financial reconstruction of Hungary (1924–1926), the problems around the reconstruction both in Hungary and on the international scene, and the progress and outcome of the reconstruction itself. In addition to the Hungarian financial reconstruction, the dissertation wishes to examine the official and unofficial foreign policy trend of the United States after World War I. The official policy of the American government chose a path of isolation from Europe, whereas the U.S. financial sector believed in the importance of giving financial help and know-how to the poor and sometimes to the not so poor countries. Both the politicians and financiers served the same goal, that is, to gain a growing influence for the United States, first and foremost in Latin America and the Far East. In the case of Europe, however, they concentrated more on the economic questions, and as far as the League of Nations was concerned, the goal was clearly to have only informal connections. While the official policy of the U.S. government emphasized isolation from Europe, the unofficial policy encouraged the private, mostly financial, sphere to bring pressure on political and economic decision makers both in and out of Europe using mainly economic leverage in order to reach such a goal.

One of the main problems of Europe in the wake of World War I was the financial chaos and a related one was the question of rehabilitation all through the continent, but especially in Central, Eastern, and Southern Europe. An early stop on this road was Hungary in 1924. Hungary, a defeated country in World War I, found itself as a new state after the break-up of the Austro-Hungarian Monarchy surrounded by hostile neighbors. This situation became only worse with the declaration of the Hungarian Soviet Republic in the spring of 1919 and its short reign. After these events, Hungary had to sign the most draconian peace treaty of all in Trianon in 1920. The Peace Treaty of Trianon defined the political, economic, and social developments of the next two decades in Hungary.

The new Hungary lost huge territories and a large number of its population and faced economic and financial collapse from which it seemed impossible to find the way out alone. In the meantime, the Little Entente, an alliance of the successor states, followed a conscious anti-Hungarian policy, backed to a certain degree by the Allies, but predominantly with French help. The Hungarian domestic and foreign political life recovered only with the appearance of Count István Bethlen, appointed Prime Minister in 1921. Bethlen soon recognized the realities and possibilities of the international scene and laid out a pro-Western path for Hungary to follow. This change in course had two main goals. The first was to become, as soon as possible, a full member of the League of Nations, which would mean political legitimacy on the international scene. The second was to try to accomplish an Anglo-Saxon orientation in the foreign policy, which, together with membership in the League, would be a possible counterweight to the France-Little Entente axis.

After the political stabilization and becoming a member of the League of Nations, the country made attempts to reach economic rehabilitation. In the wake of some failed attempts, the real possibility arrived when the League of Nations launched the Austrian financial reconstruction with strong British and, to some degree, American support. Encouraged by the initial success of the Austrian reconstruction work, Hungary applied

for the same help at the League of Nations, which started a long negotiation process that was only completed in the spring of 1924. The League guaranteed an international loan to the extent of 250 million gold crowns, which was to function as the stepping stone for Hungary to get out of the financial trouble. This, in turn, would open up the road to economic recovery. The loan was issued with strict conditions, one of which was the appointment of a Commissioner-General, who was supposed to control in Hungary how the Hungarian party abided by the stipulations of the loan. He was also vested with the right to make the decision about giving Hungarians the installments of the loan, and he was both the legal and informal connection between the Hungarian government and the League of Nations. With such weight given to this person, it was obviously of great importance who would be appointed to the post.

After protracted negotiations, the League of Nations chose Jeremiah Smith, Jr. in the end. This choice was attributable to different factors. The most important of these was Smith's American nationality. The League of Nations tried to have the post filled with an American already at the time of the Austrian reconstruction. The rationale was to achieve closer connections with the United States even if on an informal basis. Since the United States did not ratify the Peace Treaty of Versailles, it did not become a member of the League, and under the Republican governments there was no such hope in the future, either. On the other hand, without the United States the League of Nations was only a one-armed giant and so it tried to find as many connections to the United States as possible. Since the Republican governments officially opted for political isolation from Europe, it was up to the private sphere to represent American interests, first of all in the financial field. The government supported these attempts, although only in an informal manner. In the light of all this, the joy both of the League of Nations and Hungary is understandable when an American was appointed to the post.

The success of Jeremiah Smith, Jr. was due not only to his nationality. He soon achieved a high level of prestige with each party by being able to work during the reconstruction period in an impartial manner only considering what was best for the financial rehabilitation, even if sometimes it led to diplomatically inconvenient situations. His practical American way of thinking was somewhat unusual for the Europeans at large, but for the Central Europeans in particular, and his innovations and ingenious solutions created sympathy toward his personality by all. Hungary found a friend in Smith, who liked Hungary and Hungarians as well, and at the close of his work he officially gave to the Hungarian government his salary for his whole term. The more than two years spent by him in Hungary clearly make up a success story. It is an exciting chapter of the Hungarian- American relations, which so far both domestic and international historians have neglected. The primary goal of the dissertation is to fill this void.

The dissertation will show how Smith became the Commissioner-General of the League of Nations for Hungary, the challenges he had to face, and how he solved them. Through his monthly reports to the League of Nations, one gets the image of Smith's whole work in Hungary and the whole picture of the financial reconstruction of the country. The dissertation examines the timeframe not so much from the aspect of economic and financial questions, but rather from political, diplomatic, and human points of view. With such a method, the reader will be introduced to the inner thoughts of an American, who carried with him a middle rank of importance, but who had valuable

thoughts about the Versailles Peace Treaty, the League of Nations, contemporary Hungarian personalities and situations, and other relevant issues. A clear goal of the dissertation is to put in the foreground, through the European activities of an American financial lawyer, the typical American point of view after World War I, which held the United States, the financial mechanisms, the question of war and peace, and Europe as the most important questions of the era—in that order.

Aside from the above points, the dissertation investigates further questions as well. One such point is the financial reconstruction of Austria, 1922–1926, especially from the aspects that had impacts on the following Hungarian reconstruction yet to follow. It is easy to discern the parallel attempt on the part of the League of Nations, in the sense, that it wanted an American to fill the post of Commissioner-General, which attempt was almost successful. The other critical point was to make sure that the American capital would take as large a role in the international loan as possible. The dissertation puts the emphasis on the Commission-General, who was the Dutch Alfred Zimmerman, and this person's constant opposition to the Austrian government and general climate, preparing the ground for the analysis of the Hungarian events.

The dissertation also introduces the antecedents of the Hungarian reconstruction loan. This process was filled with political complications the roots of which lay in, on the one hand, the high tensions between Hungary and the Little Entente, and, on the other hand, the disagreements between France and Britain, and Europe and the United States. The negotiations that often took place behind the scenes and, in the end, gave Hungary the chance to get the international loan under the umbrella of the League of Nations will be introduced.

One of the main achievements of the dissertation is the presentation of how Jeremiah Smith, Jr. was appointed to the post of Commissioner-General of the League of Nations for Hungary, which is a novel topic in both the Hungarian and international historiographies. This process took months and right from the beginning it was the clear goal of not only Hungary, but also of the League of Nations, to have a prominent American fill the post. The secret tentative moves and negotiations related to the person of the future Commissioner-General give a fair picture of the contemporary international relations and, first and foremost, the British and Hungarian foreign policy interests that lay behind such an appointment. Although there were several candidates, in the end, thanks to the opinion of a very prominent member of the American capital, Smith was nominated, whom the Hungarians first accepted reluctantly, but finally treated with friendship and respect.

The work of Jeremiah Smith, Jr. in Hungary in 1924–1926 will be presented in detail for the first time as well. While other works have touched upon the question of the reconstruction as a whole, these were often sketchy, sometimes politically biased, and left Smith totally out of the picture. This dissertation examines the financial reconstruction of Hungary through Smith and gives a summary of the financial, the political, and the human spheres. The reader will learn about the circumstances under which Smith did his job, the Hungarian conditions that surrounded him, and the international background and effects of the financial reconstruction. Another part of the dissertation tells about the relation between Smith and Hungary after the conclusion of the successful reconstruction period.

In the closing part of the dissertation there is a comparative analysis of the Austrian and Hungarian financial reconstructions, which is also a novelty. The two countries followed a very similar path during these years from political and financial-economic aspects. Such a fact makes a comparison highly warranted and needed, and it also helps the reader learn not only about the history of the 1920s in Central Europe, but also about the 1930s, which, from many aspects, were rooted in these years. To broaden the comparison, the dissertation also reviews the other European financial reconstructions regardless whether they were carried out with or without the active participation of the League of Nations. It is well discernible what political interests played important roles in the different programs, how big financial support these countries were given, what differences there were among the reconstructions initiated by the League, and where Hungary stood in all this. The dissertation concludes with a comparative analysis of the three American controllers' work in Europe. Through the Hungarian, German, and Polish experiences, it is possible to look into the overall international relations in the era, first and foremost from an American perspective.

The dissertation, in addition to primary printed sources, scholarly books and articles, as well as contemporary newspapers, relies heavily on primary archival sources. These mainly mean the sources of the Hungarian National Archives, the League of Nations Archives in Geneva, Switzerland, the British National Archives and the Bank of England Archive in London, the National Archives of the United States, and some private manuscript collections.

In sum, the dissertation adds a new chapter to the widening field of the history of Hungarian-American relations. Jeremiah Smith, Jr. is a perfect example and source for such a work, and the research and examinations done through his character and job help reveal contemporary American and all-European political thinking and diplomatic efforts.

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Zoltán Peterecz