Royall Tyler in Hungary: An American of the League of Nations and Hungarian Reconstruction Efforts, 1924–1938

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ABSTRACT

American-Hungarian relations were rarely closer on the personal level than in the interwar years. Although the United States followed the path of political and diplomatic isolation from Europe in the 1920s and 1930s, and its absence in the League of Nations was conspicuous, in the financial and economic realm it remained more active, and many Americans worked in the various reconstruction projects across Europe either in their private capacities or under the auspices of the League. Royall Tyler was one such person who spent the larger part of the 1920s and 1930s in Hungary. Since the start of the financial reconstruction of Hungary in 1924, Tyler was a constant participant in Hungarian financial life, a contact between the Hungarian government and the League of Nations, and a sharp observer of events throughout the years he spent in Hungary and Europe. This essay focuses on his activities concerning Hungary's financial and economic reconstruction and recovery. (ZP)

KEYWORDS: Royall Tyler, Hungary, League of Nations, interwar years, financial reconstruction, depression years, Gyula Gömbös

In the early 1920s, in the wake of the post-World War I turmoil, following a revolution and a counterrevolution, impaired by the Trianon Peace Treaty and burdened by reparations, Hungary was in dire straits both financially and politically. The country's government, led by

Prime Minister István Bethlen, wished to find a way out of the calamity and stabilize the Hungarian economy, which was key to political stabilization as well. The Austrian financial reconstruction was successfully launched in 1922–23 with the assistance of the League of Nations, and following their example, Hungary also approached the international organization for help and asked the League to orchestrate an international financial loan, provide its control as a guarantee, and offer Hungary expert advice. To carry this out, the League commissioned two Americans in 1924: Jeremiah Smith, Jr. as Commissioner-General, and his deputy, Royall Tyler. The latter became a regular feature in Hungarian financial life, having a considerable impact on the relationship between the successive Hungarian governments and the League of Nations for the next decade and a half. This essay focuses on Tyler's activities in Hungary during the interwar years, between 1924 and 1938.

Royall Tyler—World War I, and the League of Nations

World War I found Royall Tyler and his wife in Paris. In many ways, Royall Tyler (1884–1953) cannot be considered as a typical American, despite the fact that he was born in the United States and spent the first fourteen years of his life in New England.[1] After moving to Europe, however, this continent became his permanent home, and he more or less drifted between various European cultures. Although he had mixed feelings about his native country, when the United States entered the war in April 1917, he soon joined the US Army. He was commissioned as lieutenant, and by the end of the war he had risen to the rank of major. His command of languages, including English, French, Spanish, and German, proved useful, and he was assigned to interrogating prisoners of war. Eventually, Tyler served as an intelligence officer in the G-2 section of the US Army. In the spring of 1918, once again due to his language skills, Tyler became the leader of the Inter-Allied Bureau, a group in charge of sharing war information among the Allied and Associated Powers. As head of the intelligence section, important news regularly reached him first, so he could synthesize and further such information.[2]

At the end of 1918, he was appointed a member of the American Commission to Negotiate Peace, and as a participant at the Paris Peace Conference, Tyler gained considerable international experience in diplomacy. His first job was to organize the intelligence service and establish a semblance of order. A few months later, already as a major, Tyler is found at the Military Information Division, in charge of the military personnel. He forwarded intelligence reports on Germany to higher levels, and later was the American representative on the Liaison Commission with the German Delegation.

The Versailles Peace Treaty, signed in June 1919, was supposed to usher in collective security and realize the idea of national self-determination under American leadership. However, as a result of political disagreements between the Republican Party and the Democrats led by president Woodrow Wilson over what role the United States ought to play in the postwar international domain, underpinned by prevailing isolationist sentiment all over the United States, America did not sign any of the peace treaties concluded in Paris. Consequently, it did not become party to the European postwar settlement and reconstruction. Most importantly, it did not join the League of Nations—Wilson's pipe dream for a peaceful world. This meant that when the League began its work, three of the most important countries were missing from its ranks: the United States, Germany, and Soviet Russia. This foreshadowed that the organization would not be able to fulfill a global role, instead, it would focus mainly on European issues, while America's non-involvement made it more difficult to ease any military, economic, and financial problems.

The League of Nations nevertheless tried to facilitate postwar reconstruction across the European continent, most importantly, in the Central, Southern, and Eastern regions most affected by the war's physical and psychological ravages. The Austrian Reconstruction in

1922 was the first regional project for financial rehabilitation by the League of Nations.[3] The successful launch of this program with a long-term loan issued to Austria was historically significant: the League of Nations assisted the economic reconstruction of a former enemy country in Central Europe. Notwithstanding the obstacles, in the next three years the Austrian economy steadied with a balanced budget, stabilized currency, and a general measurable rise in the working class's living standards, compared to just a few years earlier. With this success, an important step toward a feasible and economically viable block in Central Europe was taken.

The next significant economic and financial project of the League of Nations involved Hungary. The country became a member in 1922, which paved the way for a possible financial reconstruction similar to that of the Austrians. The Hungarian financial reconstruction project was to be assisted and monitored by Commissioner-General Jeremiah Smith Jr., and his deputy, Royall Tyler, both Americans—a fact that pleased the Hungarians, who had high hopes for the United States' involvement. And although Smith left in 1926, Tyler would remain the salient feature of official Hungarian finances and politics for the next two decades.

Being a witness to the postwar diplomatic merry-go-round of Central Europe during the peace conference in Paris, and later serving as an unofficial American member on the Reparation Commission for almost four years, made Tyler closely familiar with the financial—and, inevitably, political—issues troubling the continent. His American citizenship played an important role also because despite the fact that the United States did not join the organization, Geneva tried to recruit as many Americans among their personnel as possible to make sure that there was a working connection between the international organization and the US. Perhaps above all, it was Tyler's language skills that made him indispensable. He had a good command of all the major languages of the continent, including German, which he used in Hungary to communicate with a vast number of officials. Since Smith could not speak German, Tyler's expertise proved even more essential. Moreover, since both Smith and Tyler came from New England, this bond, even if remote, promised good cooperation between them. For all these reasons, as well as owing to his cordial personality, Tyler proved simply "invaluable."[4] As a result, on April 27, 1924, Tyler ceased his activities at the Reparation Commission, and on the following day officially became Deputy Commissioner-General of the League of Nations in the Hungarian financial reconstruction.

The financial reconstruction of Hungary

Tyler played a significant role in the economic and financial reconstruction carried out by the League of Nations.[5] Together with Smith, he arrived in Hungary on May 1, 1924. Both men shunned the spotlight, but it usually fell to the Commissioner-General to speak to reporters. The two Americans wished to head an absolutely apolitical office, as much as that was possible in postwar Central Europe, and wished to concentrate on the job ahead of them. The financial reconstruction of Hungary as conducted by the League proved to be a success story, at least in the short run. When Smith visited Geneva, typically every three months during the League sessions, Tyler was left in charge in Budapest. This situation pleased Tyler's ego. He seemed to enjoy the responsibility and being on top of things. For example, in early September 1924, he proudly and excitedly informed his close friend that he had "a most interesting time here running the Loan Account (yes, me!). God evidently intended me to have a go at a variety of trades, and this one pleases me particularly. State budgeting, monopolies, railways, etc. are my daily fare and I eat thereof with delight."[6]

Hungary was looked at by the US as a country hovering on the border between the East and the West, an exotic country between Europe and Asia, and a feudal nation with big city luxury and countryside poverty, refined culture in Budapest, but barbarism away from it.[7]

Despite these prejudices, Tyler's overall assessment after the first few months he had spent there was that the country and the situation were "a nut worth cracking, however hard."[8] Aside from work and learning the Hungarian language, he found excitement in archeological works and finds, and the quality music in nearby Vienna.[9]

When in 1925 Smith had to take two extended leaves due to health issues, Tyler took over the commissionership with all its responsibilities, and sometimes hard decisions, which pleased him. He had mixed feelings about the government of István Bethlen, and his governing style. He admitted that a semi-democratic, somewhat authoritarian state form had "drawbacks," but at the same time, "when it's a matter of putting through essential reforms, one is deeply thankful for it."[10] Tyler evaluated the Hungarian reconstruction effort as "going quite well, but . . . need[ing] constant attention."[11] The second year also passed smoothly, however, and in the summer of 1926, the Financial Committee agreed that the office of the Commissioner-General should be terminated as of June 30, 1926. Although the results of the reconstruction period impressed all those involved, the League's control did not discontinue totally. Supervision over the pledged revenues that serviced the loan, and the balance of the League loan remained. Tyler was the person to carry out this job, acting as a contact and bridge between the League of Nations, the Trustees of the loan, and the Hungarian government.

Tyler in Hungary, 1926–1929

Tyler remained the link between Hungary and the League of Nations, between Hungarian finances and the Trustees of the loan. Many Hungarians also considered him an important private connection between the United States and Hungary—especially given the Hungarian expectations that foreign countries, including the US, would help revise the Trianon borders of Hungary. Although he was not in any way associated with the American government, in the eyes of many Hungarians any American citizen working for, and helping Hungary in any role was hailed, and their actions were interpreted as manifestation of American goodwill toward Hungary. Little did it bother Hungarians that a private American in no way represented official American foreign policy.

After the League's reconstruction program finished successfully, the three extra years that Tyler spent overseeing the loan account and pledged revenues seemed routine work. Also, the harmonious relationship established with the Hungarian government and the National Bank bode well for the remaining time of the control. Similarly to Smith, Tyler consciously avoided political questions, and strictly focused on the financial matter at hand, remaining as impartial as could be expected from a citizen of a neutral nation. Naturally, he kept in touch with a wide variety of people, including politicians, but he remained at arm's length from Hungarian political issues.

Compared to earlier economic and financial reports, and the results of the more than two-year-long reconstruction program, the 1927 figures gave rise to some concerns, as Hungary showed less than good overall results shortly after the conclusion of the reconstruction program. There was a negative trade balance, coupled with a restrictive trade policy, prices were recurrently exorbitant, and some traditional Hungarian industries, such as milling, were neglected in favor of other branches of industry, such as textiles. In addition, high tariffs restricted more voluminous trade, and two-thirds of the imports came from countries with which Hungary had no tariff agreement, although about half of Hungary's exports went to these countries.[12] Perhaps the strained relationship with Hungary's neighbors only added impetus to such a trade policy. Reforms were needed, both in foreign and domestic economic and trade policies. Not only administrative reforms, but also effective changes in terms of the underlying dynamics of resorting to loans were crucial. The financial reconstruction proved that Hungary was a safe place for long-term loans, and in the credit environment of the 1920s, Hungary seemed to need more and more of it. The problem did not necessarily lie in taking out new loans, but rather in how they were spent. The earlier trend of spending too much not on productive investments, but on various undertakings boosting living standards in the short run, did not augur well for long-term results—nor did the overall morale. Still, there was a remaining sum of the reconstruction loan that Hungary was supposed to receive and spend, but the investment program had to be agreed by Tyler. Based upon his consent, the Financial Committee and, consequently, the League Council agreed to the release of the remaining 83.9 million gold crowns ($17.8 million).[13] The impressive data in the reports notwithstanding, the average Hungarian was poor, the standard of living was far from adequate, and the Hungarian state's lack of substantial reforms did not help alleviate these problems. Certain professions were overrepresented, such as merchants and lawyers, not to speak of the bloated state bureaucracy. As Tyler keenly observed, despite the generally right measures on the part of the government, these trends were "the roots of the evil."[14] Tyler also shed light on another problem concerning the mechanism of the Hungarian economy. Agriculture was the main producer in the country, and especially in good harvest years this promised foreign currency coming to Hungary. However, heavy import duties on a score of necessary items hurt the outcome since these expenses had to be added to the price at which the Hungarian products were offered on foreign markets. In other words, the Hungarian state took the money out of the pocket where it had put it earlier.[15] Irrespective of this, Tyler was optimistic and believed that corrections could be taken if needed down the road. As he remarked to Harry Siepmann, who had worked in Budapest during the financial reconstruction, before he accepted a position at the Bank of England: "I don't think there is anything to worry about just at present." Tyler also informed the Financial Committee at Geneva in the same manner.[16]

In 1927 the Inter-Allied Military Commission of Control in Hungary, another tangible remnant of the Trianon Treaty, was dissolved. No wonder Hungarians were jubilant that after gaining their financial freedom the year before, now they were politically and militarily freed from external control as well. Although the Hungarian recruitment practice provoked warnings from the Little Entente and the League,[17] this really seemed a minor disturbance to Hungary compared to the joy of gaining a free hand again. The lifting of military control and having only lenient financial supervision were, after all, the acknowledgement of the constructive work of the previous years: Hungary was accepted as a stable country and was no longer considered as a threat to the peace constructed in Paris after World War I.

The year 1928 brought diplomatically complicated episodes to Hungary, and events forced Tyler to reflect on larger issues concerning Hungary's place in Europe and her relations with the League of Nations. Cases involving Hungary were on the Council's agenda twice—the Optants question and the Szentgotthárd incident—and they proved that Hungary was a thorny case for the organization. These cases were naturally not the only problematic issues in the second half of the 1920s as far as the League was concerned, but relatively soon after the conclusion of the successful financial reconstruction, these issues did give pause to many who wanted to believe that Hungary had become an integral part of the postwar international system. The country, on the other hand, despite the aid received from Geneva, still felt disappointed with the League of Nations due to unresolved minority protection issues. The Optants question was a long dispute between Hungary and Romania, concerning landed properties of Hungarians confiscated by the Romanian government. While at the town of Szentgotthárd, a secret weapon shipment that violated the Treaty of Trianon was discovered.[18] The Council heard these two cases in early March at a meeting that Tyler labeled as "the most interesting I've ever attended there."[19] Although the Hungarians seemed to suffer no diplomatic defeat, especially regarding the concealed weapon shipment, Tyler as a sharp observer noted that this was “due far more to the general conjunction of planets than to the exertions of the lone little Magyar star.”[20] His comment referred to the fact the French interpreted certain moves on the part of the Little Entente countries as harmful for France’s interest in the region, and as a warning, the French only halfheartedly supported the Romanian and Czech attacks on Hungary. In the end, a solution was reached concerning the Optants case, but it was a questionable success—Hungary agreed to pay an annual 13.5 million gold crowns from 1943 until 1966, while the Hungarian claimants received 240 million gold crowns ($50 million) as compensation. Since Romania did not accept a mixed arbitral tribunal as competent in the case, the League of Nations showed hesitancy and dangerous incompetency at solving an issue of relatively minor significance. The idea of arbitration received a serious blow with this, although it was an important point in the League’s efforts to settle possible international disputes. Tyler clearly perceived the lurking difficulty. A man believing in internationalism and the League as its proponent, he found it “shocking” that Romania could “paralyze the procedure contemplated by the [Trianon] Treaty by simply threatening to withdraw from the League if the Treaty is allowed to function against her.”[21]

Despite these diplomatic tensions involving Hungary, Tyler had no reason to worry about finances. After all, “unemployment has never been so low at this time of year, the traffic of the railways and the Post, Telegraphs and Telephones, and their receipts, continue to increase, bank deposits grow, very slowly but without interruption.”[22] The increasingly obvious decline of the Hungarian credit situation, however, gave rise to serious concerns. Closely related to this issue was the question of borrowing money from abroad, a trend about which Hungary had been warned time and again, both through official and private channels.[23] Tyler agreed that Hungary should not take up a larger loan on the international money market. Even if state finances overall were in good shape and internal consumption showed an increase, albeit a slow one, agriculture was still in a precarious state, and without credit, the outlook was rather bleak. Concerning the—mainly short-term—loans that Hungary tended to opt for, Tyler observed that "it would perhaps be better if Hungary refrained from borrowing abroad at all for some time to come, but borrow they will."[24] The Hungarian government indeed proved to be adamant on this point and chose the easy way out: they relied on new loans to refinance old debt—a recipe for disaster if things turned for the worse. Based on a consensus among financial decision makers, including the President of the National Bank of Hungary, Sándor Popovics, Finance Minister János Bud, and Prime Minister Bethlen, the argument was that given Hungary's lack of capital, the amounts borrowed should be spent on productive purposes that would help the country in the long run.[25]

Tyler's first long stint in Hungary came to an end in the summer of 1929. His last two reports to Geneva, each covering three months, offered two diametrically different views about Hungary's financial and economic situation. On the one hand, the surplus the government got accustomed to in the previous four years had dried up, there was a significant negative trade balance that kept growing year by year, and chronic problems appeared, such as expensive credit, high tariffs, subsequent high prices for manufactured goods, and narrowing export markets for Hungarian goods. On the other hand, there were certainly some positive features as well: the currency remained stable, there was low unemployment, wages were slowly increasing, and bank deposits grew, although they still did not reach prewar levels.[26] Also, the tactful steering of Hungarian foreign policy assured Tyler that no foreseeable disturbances would arise.

Prime Minister Bethlen exercised pragmatism and restraint regarding the crucial subject of territorial revision and political stability. He announced that Horthy would remain governor for life, thus he took the sting out of the king question—the possible return of the Habsburgs to the throne of Hungary, a constant worry at the time for the Little Entente countries. Hungary had improved its relations with Czechoslovakia, Romania, and especially with Yugoslavia, and informed them and the rest of the world, that insofar as it was in the government's power, treaty revision would not be on the Hungarian wish list. This was important for the stability of Hungary, because only in a stable international environment, and through good working relations with neighbors, could Hungary expect to improve her increasingly viable, yet still vulnerable economy and finances. Tyler appreciated Bethlen's political acumen, and called him "a great man."[27] Tyler's contract expired on June 30, 1929, and he left Hungary after five years, partly hoping and partly believing that the country would fare well regarding its finances.

Depression years, and Tyler in Hungary again

With the oncoming Great Depression, Hungary, like many other countries, once again found herself in a rather devastated situation, especially since foreign credit had dried up. Following ten years of premiership, under the pressure of the circumstances, Bethlen resigned in August 1931 and Hungary turned for help to the League of Nations. Therefore, a League delegation visited Budapest in October 1931, and decided to assign an advisor to the Hungarian government. In light of his experience and involvement in the country's affairs not long before, the choice obviously fell on Tyler, who "couldn't refuse to go." [28] He felt he had to accept the League's request, so found himself in Hungary again. Hungary was deep in the Great Depression, and the financial conditions of the country had been unstable for months. The situation was rather alarming: "They have an unbalanced budget, a heavy short term position and a passive balance of payments which makes it well nigh impossible for them to procure foreign currency to pay service of their long-term loans."[29] The new prime minster, Gyula Károlyi, immediately initiated austerity measures: state expenditure was heavily curbed—especially in the form of reduction of state officials' salaries, social entitlements, and pensions. In mid-September, a railroad passageway on a viaduct was blown up, and twenty-two people died. Since it was labeled as a domestic terrorist act, martial law was introduced to stifle any possible dissent, mainly that coming from the left. Throughout Károlyi's leadership, there was broad resentment against his political actions and their lack of tangible results. Despite his efforts to economize, no easing of the Hungarian economy and finances was discernible, and, as a result, not only the traditionally poorer layers of society, but also agrarian interest groups and merchants turned against him.[30]

Agricultural prices, including the most important export item for Hungary, wheat, had fallen sharply, wheat prices being reduced to 25-30% of what they were a few years earlier on the international money markets. As a consequence, Hungary was deprived of important hard currency amid worsened trade deficit conditions. Also, the well-established policy of taking foreign loans and the practice of not spending them on productive investments came back to haunt Hungary. As the League advisor to the Hungarian government, Tyler threw himself into the thick of work and devoted all his energy to help Hungary get back on her feet again, which was beyond the capacity of either him or the country. In the given international situation, there was simply no magic pill for the financial and economic ills pervading every economy in Europe and North America. Tyler met with Károlyi several times, stressing the importance of implementing a program along the lines of the Financial Committee's recommendations, especially calling "the attention of the Prime Minister and of the National Bank officials to the urgency of reinforcing foreign exchange control."[31] This advice produced some concrete steps, but hardly achieved the desired outcome.[32] Although the prime minister was not well versed in economics and finance, Tyler "liked Károlyi immensely and was always in accord with him."[33] The American appreciated the fact that Károlyi at least tried to initiate cutbacks and reforms, however mild and insufficient they turned out to be.

With the value of Hungarian exports and trade in general shrinking, internal production and consumption falling heavily, foreign credit drying up, and no loans available, it was only a matter of time before Hungary was forced to make drastic choices. Despite Tyler's prognosis that no general suspension of payments or moratorium should be expected, the Hungarian government issued a partial suspension of payments on foreign obligations just before Christmas 1931.[34] The outlook at the end of 1931, therefore, was grim. Only liabilities alone to meet the amortization and interest on foreign loans amounted to 300 million Pengős, while foreign trade produced only 14 million.[35] In his first report for October to December, 1931, Tyler summed up his main observations, and assessed the available data about Hungarian finances. He stressed the necessity for a further decrease in government expenditure, while pointing out that agriculture needed some overhaul in the changed circumstances, and industrial protectionism also required reconsideration.[36] All in all, he looked forward to the new year with characteristic optimism—based upon the relatively promising figures—and felt "that the tiller is no longer as badly jammed as it was when I came."[37]

Despite the mixed results which Tyler presented, and in the light of the moratorium the Hungarian government had unilaterally declared on transfers, it was obvious to all parties concerned that there was no quick and easy way out of the financial troubles. Matters in Hungary continued to deteriorate, exacerbating the already serious situation. Tyler was deeply immersed in Hungarian affairs, which put a great strain on him, with the immense workload causing considerable frustrations. As he put it in a letter to Mildred Barnes, "Having spent a very strenuous five weeks in Hunkeydom, dearest Mildred, and feeling that if I stayed one day more, and saw one more Hunkey, I should scream."[38] June 1932 meant the lowest point in the crisis of Hungarian finances. Having sold most of its remaining gold reserves, Hungary finally defaulted on the Reconstruction Loan of 1924. When the partial transfer moratorium of

December 1931 was introduced, this was almost the only obligation that Hungary, for some time, continued fulfilling. However, with the financial capability of the country having reached a breaking point, the Hungarian government decided to cease paying this amount as well.

In the midst of the Great Depression, no one could harbor any illusions about the paying capacity of the defeated countries. They all had their fair share of financial problems, and it was clear that exacting reparations when most of these countries could not even meet amortization payments on foreign loans would be tantamount to shouting in the wind. Therefore, the measure passed by the Lausanne Conference, June–July, 1932, concerning World War I reparations, came as true relief for the countries concerned. According to the agreement, 90% of the reparations would be waived, which practically canceled them. This was a long-desired outcome for Hungary and the other countries affected, but in reality, this hardly changed the overall situation; Hungary's difficulties did not disappear overnight. On the contrary, as previously mentioned, the Hungarian government stopped delivering even on the League loan and declared a unilateral transfer moratorium on its short- and long-term debts. The nullification of the obligation to pay reparations did not magically make Hungary's other serious problems vanish.

The depression years brought to light the weaknesses of the postwar Central European settlement, especially with regard to the economic dimension. The strategic considerations that lay the foundations of the region's development were understood to apply to countries with sound economies; they did not have a scenario for unexpected shocks. As soon as economic problems emerged, deep underlying structural problems wreaked havoc. Tyler's acute observations about the impossibility of the situation the peace accords created, and the answers to the crisis coming from the former constituents of the Monarchy, point at the heart of the issue:

> It’s a question of holding the internal frame work together somehow until certain things happen—those certain things including the realization by the outer world that the money lent to the Danubian countries in order to make each one of them self-sufficient economically (thus fulfilling the promises implied in the peace-treaties) is lost: and also the realization of the fact that, in some form or other, the customs frontiers put up in the former territory of the Habsburg Monarchy have got to go. But what will be left when these things have been understood? Something, certainly, and one’s business is to see that it’s as much as can possibly be preserved.[39]

Tyler’s words reflect the American standpoint that the Austro-Hungarian Monarchy, with all its shortcomings, was still perhaps a more viable entity than the antagonistic successor states that had, time and again, demonstrated that they followed only narrow interests ignoring the larger picture, and thus produced a politically and economically unstable region.

In the midst of these critical economic times, Hungary went through yet another political change, when a new prime minister, Gyula Gömbös, took office in October 1932. For the next four years, Tyler and the League of Nations had to work with him to find a way out of the dire straits. Tyler sized up the new prime minister surprisingly accurately despite the fact that he knew Gömbös only “casually”: “as Min[ister] of war for the last 3 years he has been competent and sober, though I don’t suppose he has lost any of his sympathy for extra-parliamentary methods when circumstances seem to him to demand them.”[40] It also struck Tyler as a new feature that there were no nobles in the new cabinet—“the first time such a thing has happened, except during Bolshevism. Even the Hunk Republic had to be led by a Count.”[41] Although he did not know what to expect from Gömbös, he decided to “keep an entirely open mind, do what I can to help and form my opinion as things take shape.”[42] In

Tyler's view, "G[ömbös] has an opportunity, and if he understands that the budget must be balanced, and does what is necessary to that end, he'll deserve well of this country, where few people care to face 2 + 2."[43]

The official relationship of the League and its advisor with the new Hungarian leadership, mainly with Gömbös and Béla Imrédy, the new finance minister, was occasionally contentious. Soon after Gömbös's inauguration, Tyler discussed the main issues with him alone, while later Béla Imrédy and Henry James Bruce also joined the talks.[44] Tyler pressed the idea that in order to achieve a manageable budget, the Hungarian government must reduce salaries and increase the turnover tax, as well as close the State Iron Works and overhaul the Railways. Gömbös and Imrédy argued that the deficit would not be as large as Tyler had forecast, and only a relatively small budget improvement was necessary.[45] After the numbers concerning the financial landscape had come in, however, Tyler's prognosis was proven right. This notwithstanding, Gömbös was reluctant to take the steps needed as he deemed them incompatible with his vision for Hungary. Tyler countered that in that case it would be impossible to sustain the purchasing power of the Pengő, which would lead to further disaster. In the end Gömbös agreed with Tyler, at least in principle, and promised to come up with some plans in line with Tyler's suggestions.[46] Eventually, some of the advice of the League advisor was acted upon, and slowly, there were small signs of possible improvement in the wake of "energetic measures taken by the Government in reducing personnel and other charges, and in increasing the rate of direct taxes."[47] New agreements were concluded with American, British, and Swiss creditors for one year, and the value of Hungary's exports increased after three years of negative balances.[48] There was, however, no reason to rejoice before agriculture was back on its feet and economic stagnation began to ease. But despite the very difficult situation Hungary was facing, there was a prospect of a smaller fiscal deficit that year—a very welcome sign.[49]

Indeed, the summer brought better financial results for Hungary. Direct tax collection recorded a modest growth, and there were positive trends in international trade and consequently in production. Gömbös's aggressive efforts to find new markets for Hungarian goods, first and foremost for agricultural produce, also facilitated this progress. Trade relations with the three countries where Hungarian wheat could be sold in large quantities—Italy, Austria, and Germany[50]— were not devoid of political considerations either. During the second half of the 1930s, Hungary gradually orientated herself toward the fascist axis in the middle of Europe. As József Vonyó contends, this was not a slavish attraction to fascism *per se* on Gömbös's part, although his past determined Gömbös on such a course. Rather, the problems that had deluged these countries and the similar solutions given to them made Gömbös appear as if he had copied the Italian and German method. He was also a rightwing radical, and consequently his governing style shared many features with Mussolini and Hitler.[51] As a result, by the fall, the situation in Hungary was deemed as on a modestly upward curve by both Tyler and Bruce. As Tyler commented, "I'm not without hope for the future."[52]

Despite the poor harvest of 1935, with the economy having hit its rock bottom in 1932–33, consumption began to recover modestly. On June 1, 1935, a most favored nation commercial treaty with Czechoslovakia was signed, thus a five-year period of no treaty between Hungary and one of its most important trading partners ended. In addition, the obligations undertaken by the Italian government in the Rome Protocols of 1934 to buy Hungarian wheat, and with Germany also buying substantial quantities, the country's all-important wheat export volumes increased. Although this did not mean that Hungary had passed the critical point yet, at least there was light at the end of the tunnel. The general worldwide recovery also had its positive effects. The accumulative efforts of the Hungarian government, and the improving international economic, financial, and trade conditions markedly affected Hungary’s economic and financial standing: statistics and reports indicated progress. Subsequent good harvests, along with the fact that receipts were higher than expenditures, improved the country’s cash position, but foreign trade volumes had only reached, roughly, half of their pre-1929 levels. Foreign exchange reserves and the position of the National Bank also showed some improvement. Production, employment, and consumption figures were growing, both heavy and light industry were doing well, but the cost of living remained very high. The State Undertakings also started to perform better and were less of a drag on the budget. The debt question, however, caused some concern: the transfer suspension put in force in December 1931 had been renewed for yet another year.[53]

By the end of 1936, underlined by relatively favorable economic indicators, the Hungarian economy and finances were clearly recovering. Tyler therefore informed the Financial Committee that the “position in Hungary shows some encouraging features.”[54] In the course of spring and early summer of 1937, there was a breakthrough on the external debt question as well. Payment agreements had started to replace clearing agreements, overall production was close to its peak in 1928/29, but foreign trade had not really grown and recorded only about 30% of its results in the 1928/29 financial year, while the cost of living had also increased.[55]

Since the second half of 1937 continued to produce improved data, and the Hungarian economy had become more or less balanced, the time had come for the League Advisor to leave Hungary. In his last report, including a balance sheet of the past six years, Tyler profusely thanked the Hungarian governments for their cooperation and the sometimes brave and painful decisions they had taken to attain results. The Hungarian financial position had become satisfactory, the Treasury and the National Bank were strong, the budget had been balanced for three consecutive years, inflation was avoided, most foreign bondholders had accepted the Hungarian government’s offer for debt settlement, foreign indebtedness had shrunk from almost 5 billion to 1,274 billion gold pengő, and foreign trade posted its largest export surplus since the Great War. At the same time, Tyler warned that Hungary must be very cautious not to jeopardize the hard-won results by irresponsible expenditures in the future.[56]

Although total financial stability was not reached fully, Tyler believed that his mission had been successful—the financial control of Hungary should be lifted, and therefore his mission should be terminated at the end of the year. In Tyler's view, the Hungarians had "behaved very loyally to the Fin[ancial] C[ommit]tee, through a difficult series of years," and not only did they deserve termination of the control, but they would also very much resent the fact if it did not take place.[57] The Hungarians would have raised the question sooner rather than later, and Tyler was of the opinion that the initiative should come from the League. The Director of the Financial Section of the League, Alexander Loveday, and the Chairman of the Financial Committee, Vilém Pospíšil, shared Tyler's opinion, while the new British member, Frederick Phillips, was against it, as was Otto Niemeyer, the former British member on the Financial Committee. The latter opposed the lifting of controls with all his might, and the British Prime Minister, Neville Chamberlain instructed Phillips to vote against the recommendation. Only "after a long fight" and "two separate meetings of the F. C. . . . and much labor in between" brought about the decision to terminate Tyler's functions in Hungary.[58] The Financial Committee in the end submitted its report to the Council, which emphasized a "steady improvement achieved," and, in light of the positive data, decided, "in agreement with the Hungarian Government, to terminate as from March 31st next the office of Mr. Tyler at Budapest, and pays tribute to the exceptional merits of Mr. Tyler's services in the office held by him since October 1931."[59]

Echoing the wording of the statement on the termination of Jeremiah Smith's office in Hungary back in 1926, both sides generously praised each other. The Financial Committee was informed of the Hungarian government's gratitude, "particularly to Mr. Royall Tyler and Mr. Henry James Bruce, for their self-sacrificing and invaluable collaboration which they have devoted, during the past six years, to the interests of Hungary, and which has largely contributed to the achievement of the favorable result of the past efforts and sacrifices made by Hungary for the sake of her financial and economic reconstruction."[60] The official report to the League Council emphasized Tyler's "remarkable capability and vigilant and careful judgment in performing his duties . . . which he had rendered with untiring devotion, to be of exceptional value."[61] Tyler, for his part, thanked "the persevering efforts of the Hungarian Government over a long period of years," and he was touched by the message that "Hungary regarded him as a friend."[62] In January, the Council published an official announcement on the termination of both the League's work in the stabilization effort concerning finances in Hungary, and Tyler's office, as of March 31, 1938. In the future, reports once or twice a year, or occasional visits by the Committee would suffice.

The Hungarian newspapers devoted a lot of attention to the good news that the League advisor was leaving, and "held loud praise for Royall Tyler."[63] As the *Ujság* asserted, this was for Hungary "a memorable and happy event," and hailed Tyler as the "distinguished expert *full of understanding for Hungary's position*, [who] looked with sympathy on the measures taken to put our affairs in order, and [whose] conclusions, based on a thorough knowledge of the situation, contained many a valuable piece of advice for those who managed our finances."[64] Former General Manager of the National Bank of Hungary Béla Schober also praised Tyler's reports, "which were always thorough, wise and comprehensive," and underlined that the American had "rendered our country the greatest services in the most unobtrusive way."[65] The *Pester Lloyd* claimed that Tyler's part in the past six years had been "rather that of a wise and understanding observer and adviser than of a controlling agent," and it was "to Mr. Tyler in the first place that we owe the fact that the conclusion of his duties here is regarded as a satisfactory and generally visible sign of the consolidation of Hungary's finances, and not as a great political occurrence."[66] *A Reggel* emphasized Tyler's personal relationship to Hungary: "In the course of long years we have got to like this tart Anglo-Saxon gentleman, who did not always say nice things to us, and who did not always go about it in a very agreeable way when he told us home truths, but who proved to be a true friend of ours, learned our language, and felt at home among us."[67] The economic periodical, *Honi Ipar*, stressed Hungary's role during the process of successfully fighting the depression, but admitted that Tyler had "carried out the second task entrusted to him here in a way befitting a high-minded gentleman. We may give him the loftiest title which can ever be bestowed upon a foreign envoy who has worked here for us: 'Mr. Tyler, the friend of Hungary'."[68] So, after more than six years, and a total of eleven out of the last fourteen years since May 1924, Royall Tyler was about to depart Hungary. Although he said he was "extremely sorry to leave B[uda]pest," it must have been a relief in the sense that he could turn his attention to new openings and new challenges.[69]

Conclusion

After eleven years in Hungary, Tyler was leaving with the satisfaction that he had been part of the efforts to help Hungary's finances. Most significantly, he played the role of a bridge between Hungary and the outside world in a period when Hungary was still facing political and diplomatic insulation. The League of Nations and its delegates, in many ways, helped the Hungarian government and the National Bank to have vital access to power centers in Europe, to influential groups and individuals, without which it may have been nearly impossible for Hungary to find its way out of its financial calamities. Through the League's reconstruction efforts in Central Europe, Hungary was reintegrated into the postwar European framework, and, as a consequence, it could begin to look for allies for its long-term political plan—territorial revision. Tyler, being an American, just like Smith before him, was also the embodiment of the hope Hungarians projected onto the United States, and Americans in general, that they might help Hungary in its revisionist efforts. These expectations, of course, were absolutely illusionary. On another level, in the West, Tyler became the number one expert on Hungary in financial, political, and cultural aspects alike; his expertise would prove important for the United States in World War II and in the early Cold War years. Tyler's engagement with Hungarian finances during the interwar era also marked a unique period, when an American private citizen provided a window for Hungary on international organizations and connections, a fact from which Hungary only profited. Perhaps his greatest achievement was what an unidentified Hungarian source explained to a reporter at the time: "[o]ne of the fine things Tyler did was to handle us so we retained our pride in our country . . . Tyler was like an athletic coach, encouraging us when we were far behind in the game. 'You are a great race,' he would say. 'You can't be licked.' And we came through."[70]

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Notes

[1] Royall Tyler came from a well-established New England family. After his father died, his mother, the daughter of a Slovak immigrant, moved to Europe, taking young Royall with her. He went to school in England, but then spent considerable time in Spain, France, and Germany. He learned to speak the major western languages fluently, which proved a great advantage later on in his life and profession. Although Tyler would work in finance, banking, and later in intelligence, the intellectual love of his life was the history of Byzantine art, of which he became a renowned expert.

[2] Noah J. Delwiche. “Major Royall Tyler and Military Intelligence during the Great War” in “Bliss-Tyler Correspondence. An annotated transcription of the correspondence between Mildred Barnes Bliss, Robert Woods Bliss, Royall Tyler, and Elisina Tyler between 1902 and 1953,” by Robert S. Nelson and James N. Carder. Web. 14 June 2015.

[3] For a succinct summary of the Austrian financial reconstruction see Zoltán Peterecz, *Jeremiah Smith, Jr. and Hungary, 1924–1926: the United States, the League of Nations, and the Financial Reconstruction of Hungary*. London: Versita, 2013. 63-79. For a more comprehensive and technical outline, see League of Nations, *The Financial Reconstruction of Austria. General Survey and Principal Documents*. Geneva, 1926.

[4] Lord Cecil to House, February 11, 1924. C2521/37/21, 9905, FO371, The National Archives, London, Great Britain.

[5] For the history of the financial reconstruction of Hungary, see League of Nations, *The Financial Reconstruction of Hungary. General Survey and Principal Documents* (Geneva, 1926); György Péteri, *Global Monetary Regime and National Central Banking, The Case of Hungary, 1921–1929*. Boulder, Colorado: Social Science Monographs, 2002.; Peterecz, *Jeremiah Smith, Jr. and Hungary*. 118-204.

[6] Tyler to Mildred Barnes Bliss. 3 Sept. 1924. Budapest: “Bliss-Tyler Correspondence.” Web. 11 Dec. 2015.

[7] In more detail about the perceived image of Hungary in the Anglo-Saxon world, see Peterecz, “Reflection of and about Hungary in the English-speaking World in the Interwar Years.” *Hungarian Studies* 31.2 (2017): 237-49; Zsolt Nagy, *Great Expectations and Interwar Realities. Hungarian Cultural Diplomacy, 1918–1941*. Budapest: Central European UP, 2017.

[8] Tyler to Mildred Barnes Bliss. 17 Sept. 1924. Budapest: “Bliss-Tyler Correspondence.” Web. 11 Dec. 2015.

[9] Royall Tyler to Mildred Barnes Bliss. 20 Dec. 1924. “Bliss-Tyler Correspondence.” Web. 11 Dec. 2015.

[10] Tyler to Mildred Barnes Bliss. Apr. 21, 1925. Budapest: “Bliss-Tyler Correspondence.” Web. 4 Dec. 2015.

[11] Tyler to Mildred Barnes Bliss. July 7, 1925. Budapest: “Bliss-Tyler Correspondence.” Web. 5 Dec. 2015.

[12] Salter to Tyler. March 23, 1927. File 58698, Economic Situation of Hungary, Box 479, Registry Files, 1919–1927, Section No. 10. League of Nations Archives, Geneva, Switzerland (hereafter cited as LNA).

[13] League of Nations. *Official Journal* 8.4 (1927): 514. Forty-fourth Session of the Council.; Work of the Financial Committee during Its Twenty-Sixth Session. C. 152. M. 44. 1927. II, LNA; League of Nations. *Official Journal* 9.2 (1928): 127. Forty-eighth Session of the Council.

[14] Tyler to Siepmann. May 25, 1927. OV 33/2. London: Bank of England Archive (hereafter cited as BoE).

[15] Extract from a Note officially presented to the League by Royall Tyler, Sept. 1, 1927. OV 33/2. BoE.

[16] Tyler to Siepmann. Sept. 3, 1927. OV 33/2. BoE.

[17] League of Nations. *Official Journal* 8.9 (1927): 1057-59.

[18] On the optants question, see Francis Deák, *The Hungarian–Rumanian Land Dispute*. New York: Columbia UP 1928; Ferenc Matheovics, *A magyar–román birtokper*. Budapest, 1929.; Elek Nagy, *Magyarország és a Népszövetség*. Budapest: Franklin Társulat, 1930. 57-82; Gábor Aradi, “A San Remo-i tárgyalások magyarországi előkészülete.” *Levéltári Szemle* 52.3 (2002): 24-38; Holly Case, *Between States: The Transylvanian Question and the European Idea during the Second World War*. Stanford UP, 2009. 27-30. For the

Szentgotthárd incident, see League of Nations, *Official Journal* 9.4 (1928): 387-97. Forty-ninth Session of the Council; League of Nations, *Official Journal* 9.7 (1928): 905-918, and 1009-21. Fiftieth Session of the Council; Tibor Zsiga, *A szentgotthárdi fegyverbotrány*. Szombathely: Pannon Műhely Kft., 1990; Tibor Zsiga, "A szentgotthárdi fegyverbotrány." *Vasi Szemle* 35.1 (2008): 14-23; Ildikó Császár, "A szentgotthárdi fegyverszállítási botrány sajtóvisszhangja." *Vasi Szemle* 68.6 (2013): 579-91.

[19] Tyler to Mildred Barnes Bliss. 13 March 1928. Budapest: "Bliss-Tyler Correspondence." Web. 12 Dec. 2015.

[20] Ibid.

[21] Tyler to Mildred Barnes Bliss. July 30, 1928 [2]. Budapest: "Bliss-Tyler Correspondence."Web. 13 Dec. 2015.

[22] Tyler to Salter. May 19, 1928. OV 33/74. BoE.

[23] Siepmann to Imrédy. March 6, 1928. OV 33/3. BoE.

[24] Tyler to Siepmann. March 24, 1928. OV 33/3. BoE.

[25] Goode to Siepmann. March 29, 1928. OV 33/3. BoE.

[26] Tyler to Salter. Febr. 14, 1929, and May 25, 1929. OV 33/74. BoE; Tyler to Siepmann. May 30, 1929. OV 33/4. BoE.

[27] Tyler to Mildred Barnes Bliss. May 29, 1929. Budapest: "Bliss-Tyler Correspondence." Web. 16 Dec. 2015.

[28] Tyler to Mildred Barnes Bliss. Sept. 26, 1931. Paris: "Bliss-Tyler Correspondence." Web. 20 March 2019.

[29] Ibid.

[30] Generally on the times and problems of Károlyi's premiership, see Márkus László, *A Károlyi Gyula kormány bel- és külpolitikája*. Budapest: Akadémiai Kiadó, 1968.; Püski

Levente. *A Horthy-korszak szürke eminenciása Károlyi Gyula (1871–1947).* Pécs-Budapest: Kronosz Kiadó—Magyar Történelmi Társulat, 2016.

[31] First fortnightly letter from Mr. Tyler to Financial Committee. Nov. 6, 1931. OV 33/8, BoE; Tyler to J. Károlyi. Nov. 17, 1931. Folder 3. Notes addressed from Tyler to Károlyi on questions of budgets. Box 261, Royall Tyler Papers, 1920–1944. P. 32, LNA.

[32] Tyler to Niemeyer. Nov. 18, 1931. OV 33/8, BoE.

[33] Tyler to Mildred Barnes Bliss. Oct. 1, 1932. Budapest: “Bliss-Tyler Correspondence.” Web. 12 March 2019.

[34] Tyler to A. Loveday. Dec. 2, 1931. Folder 1, Royall Tyler Papers, 1920–1944. P. 32, Box 261, LNA.

[35] Ágnes Pogány. “Válságok és választások.” *Aetas* 15.4 (2000): 33.

[36] Financial Position of Hungary in the Last Quarter of 1931. First Quarterly Report by Mr. Royall Tyler. Jan. 12, 1932. OV 33/9, BoE.

[37] Tyler to Mildred Barnes Bliss. Jan. 8, 1932. Budapest: “Bliss-Tyler Correspondence.” Web. 20 March 2019.

[38] Tyler to Mildred Barnes Bliss. May 11, 1932. Marseilles: “Bliss-Tyler Correspondence.” Web. 20 March 2019.

[39] Tyler to Mildred Barnes Bliss. Aug. 15, 1932. Antigny-le-Château: “Bliss-Tyler Correspondence.” Web. 21 March 2019.

[40] Tyler to Mildred Barnes Bliss. Oct. 1, 1932. Budapest: “Bliss-Tyler Correspondence.” Web. 21 March 2019.

[41] Ibid.

[42] Ibid.

[43] Ibid.

[44] Henry James Bruce was appointed advisor to the National Bank of Hungary in the fall of 1932, and remained in that capacity until early 1938. After that he continued to work with the Bank in charge of maintaining contacts with foreign markets and organizations.

[45] Tyler to A. Loveday. Dec. 7, 1932. Folder 1. Correspondence with A. Loveday. Royall Tyler Papers, 1920–1944. P. 32, Box 261, LNA.

[46] Tyler to A. Loveday. Dec. 9, 1932. Ibid.

[47] Work of the Financial Committee during Its Forty-ninth Session (Apr. 24 to May 5, 1933). Report submitted to the Council on May 26, 1933. League of Nations. *Official Journal* 14.7 (1933): 906. Seventy-third Session of the Council (Part I).

[48] Ibid., 906-07.

[49] League of Nations. *Official Journal* 14.7 (1933): 829. Seventy-third Session of the Council (Part I).

[50] Jenő Gergely. *Gömbös Gyula. Vázlat egy politikai életrajzhoz*. Budapest: Elektra Kiadóház, 1999. 115.; József Vonyó. *Gömbös Gyula*. Budapest: Napvilág Kiadó, 2014. 182, 185.

[51] See Vonyó, 247-63.

[52] Tyler to Mildred Barnes Bliss. Nov. 27, 1933, Pest: "Bliss-Tyler Correspondence." Web. 23 March 2019.

[53] League of Nations, Financial Committee, Sixty-Second Session, Verbatim Report of the Second Meeting, Geneva, Sept. 14, 1936. Folder 6, Royall Tyler Papers, 1920–1944. P. 32, Box 261; Financial Position of Hungary in the Fourth Quarter of 1936, Twenty-first Quarterly Report by Mr. Royall Tyler, the Representative in Hungary of the Financial Committee. File 27345, Financial situation of Hungary, Box 4594, Section 10C, Finance. League of Nations Archives. 1933-46. LNA; Work of the Financial Committee during Its Sixty-second Session (Sept. 14-19, 1936). Report submitted to the Council on Sept. 25, 1936.

League of Nations. *Official Journal* 17.11 (1936): 1341-42. Ninety-third Session of the Council, Ninety-fourth Session of the Council.

[54] League of Nations, Financial Committee, Minutes of the Meeting. Dec. 7, 1936. Folder 6, Royall Tyler Papers, 1920–1944. P. 32, Box 261, LNA.

[55] Ibid. See also, Financial Position of Hungary in the First Quarter of 1937. Twenty-second Quarterly Report by Mr. Royall Tyler. File 28573, Financial situation of Hungary. Box 4594, Section 10C, Finance. 1933-46. LNA.

[56] Financial Position of Hungary in the Fourth Quarter of 1937. Twenty-fifth, and Final Report by Mr. Royall Tyler. File 32998, Financial situation of Hungary, Box 4594, Section 10C, Finance. 1933-46. LNA.

[57] Tyler to Mildred Barnes Bliss. Sept. 4, 1937. Budapest: "Bliss-Tyler Correspondence." Web. 2 Apr. 2019.

[58] Tyler to Mildred Barnes Bliss. Dec. 19, 1937. Paris: "Bliss-Tyler Correspondence." Web. 3 Apr. 2019.

[59] Report submitted to the Council on Jan. 28, 1938. Work of the Financial Committee during Its Sixty-fifth Session (Nov. 29–Dec. 4, 1937). League of Nations. *Official Journal* 19.2 (1938). One-hundredth Session of the Council, 162; Supplement to the Report of the Financial Committee on the work of its sixty-fifth session, Hungary, Jan. 26, 1938. File 32491, Financial Situation of Hungary, Box 4565, Section 10C, Finance. 1933-46. LNA.

[60] Hungarian Finance Minister to the Chairman of the Financial Committee, around Dec. 18, 1937. Folder 6, Royall Tyler Papers, 1920–1944, P. 32, Box 261. LNA. Also, Tihamér Fabinyi's letter to the Chairman of the Financial Committee. Jan. 7, 1938. League of Nations. *Official Journal* 19.2 (1938): 129-30. One-hundredth Session of the Council.

[61] Second Meeting, Jan. 27, 1938. League of Nations, *Official Journal* 19.2 (1938): 78. One-hundredth Session of the Council.

[62] League of Nations, One-hundredth Session of the Council, Ibid., 79.

[63] John F. Montgomery to Cordell Hull. Feb. 10, 1938. 864.00 P.R./135, M1206. Microfilm Publications, Records of the Department of State Relating to Internal Affairs of Hungary, 1930–1944. National Archives and Records Administration, Washington, D. C., USA.

[64] Újság 14.22 (Jan. 28, 1938): 1. Emphasis in the original.

[65] Pester Lloyd, Jan. 28, 1938. File 32491. Financial Situation of Hungary, Box 4565, Section 10C, Finance. 1933-46. LNA.

[66] Pester Lloyd, Jan. 30, 1938. Ibid.

[67] A Reggel 17.6 (Jan. 31, 1938): 12.

[68] Honi Ipar 31.3 (Feb. 12, 1938): 5.

[69] Tyler to Mildred Barnes Bliss. Dec. 19, 1937. Paris: “Bliss-Tyler Correspondence.” Web. 3 Apr. 2019.

[70] Jerome Beatty. *Americans All Over*. New York: The John Day Company, 1938. 121-22.

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