

Money Has No Smell: Anti-Semitism in Hungary and the Anglo-Saxon World, and the Launching of the International Reconstruction Loan for Hungary in 1924.

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Introduction

Today, anti-Semitism is a recurring phenomenon in Europe. This is somewhat strange if one takes into consideration the suffering of this people during World War II and the staggering number of Jews murdered during the Holocaust, a fact that is well known to everyone and commemorated in every year on given days. Despite of this, there are always those who deny the Holocaust publicly and, in doing so, they encourage the uneducated layers that often had an anti-Semitic upbringing. Still, before World War II, anti-Semitism was very much an everyday feature not restricted to much of Europe and Great Britain but also in the United States. It was true not only for those coming from strongly devout families where anti-Semitism was a doctrine deeply seated in the religious teachings, but also for the well-educated upper classes. Although this layer was also affected by Protestant or Catholic teachings, their experience on account of their regular travels to other parts of the world and contact to various elements of society, their worldview could and should have been changed but was not. This article first examines the nature of anti-Semitism in Hungary, Great Britain, and the United States, then it will present the case study of the launching of the Hungarian reconstruction loan in 1924, which was interwoven with clear manifestations of anti-Semitism.

In 1924, Hungary was the recipient of an international loan as the main part of the financial reconstruction launched and overseen by the

League of Nations. This undertaking in the name of rehabilitating Central and Eastern Europe had its political underpinnings. After the various peace treaties, the defeated and punished countries tried to find their place in the sun both in diplomatic and economic senses. Austria, where the first League-administered reconstruction took place in late 1922, Hungary, which was the most severely punished country after World War I, and Germany, where the Dawes Plan was launched in the fall of 1924, in a largely similar fashion to that of Austria and Hungary, all felt resentment if not outright hatred against France. They saw their draconian punishment as a result of French efforts. Hungary had all the more reason to resent France, because the Little Entente, an alliance of the successor states, Czechoslovakia, Romania, and the Serb-Croat-Slovene Kingdom, had an open anti-Hungarian agenda with French backing. Therefore, it is no wonder that all these states in dire straits were seeking Anglo-Saxon help. While they hoped to find some diplomatic backing from Great Britain, a well-known opponent of France, in the financial field these countries put their faith first and foremost in the United States and, to a lesser degree, into Great Britain. In the case of Hungary, in both the diplomatic and financial fields, it was equally important to ensure the support of these Anglo-Saxon powers.

Anti-Semitism in Hungary

In Hungary, Jews had been on the scene for centuries in small numbers. Their quantity started to grow in the second half of the nineteenth century. The Jewish diaspora accounted for less than 4% of Hungary in the Austro-Hungarian Monarchy; by the eve of World War I, this figure rose to 6%. Although there were seldom atrocities against them, it can be said that Jews lived in relative peace but not in popularity. Since they took up liberal professions (such as private medical doctors, lawyers, journalists, merchants, and businessmen) that many coming from middle and upper middle classes found demeaning, and some of the Jewish families became wealthy, they were an easy prey of the aforementioned layers, and jealousy soon turned into common dislike and sometimes into outright hatred. The Hungarian Jewry, especially in the large cities, deemed it extremely important that their children have a good education. They made use of the positive changes in the field of education in Hungary, which started to achieve a high standard. On the highest level

of education, the proportion of Jewish students was way above their ethnic ratio compared to the whole of Hungary.

World War I and its aftermath changed many things. One of them was that the general dislike against Jews turned into broad loathing. One of the reasons for this was the Hungarian Soviet Republic in the spring of 1919. Since many of the Bolshevik commissars were of Jewish origins, the backlash after the fall of this regime hit the whole Jewish group in Hungary hard. The fact that most of the participants in the Bolshevik coup and regime were poor Jewish immigrants from Galicia and not the traditional “Hungarian” Jews did not seem to bother the majority. In the wake of the Treaty of Trianon in 1920, in which Hungary was rendered a small country shorn of two-thirds of its territories and population, the Jews became an easy target to blame. The Jewish people were looked upon as a scapegoat, which the ruling conservative side, and the country’s population in general, needed and found in them. The Jews were an easy mark. They had accumulated great wealth in the past few decades and via that money, most of which was accrued in the banking sphere, some of them became accepted in the highest circles. Still, Jews could never attain true Hungarian nationality in the eyes of many, and for a lot of Hungarians they were anathema. As the historian Tibor Frank notes, it was not only the political events that evoked such sentiment, since the “Jewish question [was] deeply embedded in early twentieth-century Hungarian society.”¹ It was especially the right wing elements in the country that wished for a stricter anti-Jewish agenda, and even the expulsion of the Jews was acceptable for them as well.

The first and most spectacular manifestation of such feelings took place already in 1919. During the White Terror following the Hungarian Soviet Republic, Jews were usual victims. In the words of the historians Yehuda Don and George Magos, anti-Semitism in Hungary turned “ into a bigoted savage movement during the first months of the ‘White Terror,’ as of August 1919, [and] antisemitic outbursts became an immediate danger for Jewish existence, and were followed by an unprecedented wave of conversions.”² There were sporadic explosions of violent anti-Semitic actions in the coming years. In April 1922, nine Jews were killed

¹ Tibor Frank, *Double Exile. Migrations of Jewish-Hungarian Professionals through Germany to the United States, 191-1945* (Oxford: Peter Lang, 2009), 97.

² Yehuda Don and George Magos, “The Demographic Development of Hungarian Jewry” *Jewish Social Studies* 45, no. 3/4 (Summer - Autumn, 1983): 194.

and twenty-three injured in a bomb explosion in Budapest at a club attended mostly by Jews. Although in this case the offenders were legally punished, it was not always the case. One of the most famous ones was the attack in Csongrád, where a bomb was thrown into a ball room on December 26, 1923, where Jews were celebrating. In the wake of the explosion, three people died and many suffered serious injuries. Despite the fact that the suspected members of a far right group admitted their guilt, they were acquitted later on.³

Aside from sporadic physical atrocities, the anti-Semitic sentiment was manifest in the infamous *Numerus Clausus* Act, which regulated the percentage of Jewish students that were allowed into the highest educational facilities. The bill declared that the ethnic ratio among university students must correspond to their ratio in the population, but obviously, the clear goal of the law was to limit the numbers of Jews studying in the highest education, for the gain of the Christian middle class.⁴ Before and immediately after 1918, the ratio of Jewish students was well above 30%; the new legal ratio was 6% for them, but it was not strictly followed, and their percentage in the highest education was around 9%, still a very sharp decrease.⁵ This Act, the first of its kind, did not help postwar Hungary to get out of its political isolation. The League of Nations put on its agenda the question twice in the first half of the 1920s, once on the petition of Hungarian Jews, but it did not lead to any drastic steps.⁶

In any case, the ruling legal and common environment made many Jewish intellectuals decide in favor of leaving Hungary. Among such scientists who later became world famous were Theodore von Kármán, John von Neumann, Leo Szilard, Eugene Wigner, and Edward Teller.

³ Nathaniel Katzburg, *Hungary and the Jews. Policy and Legislation 1920–1943* (Ramat-Gan: Bar-Ilan University, 1981), 82. These terrorist attacks were attributed to the “A wakening Hungarians,” a far right group.

⁴ The text of the law is in *Magyar Törvénytár, 1920. évi törvénycikkek* [Hungarian Law Collection, Law Bills of 1920] (Budapest, 1921), 145–146. According to the 1920 census, there were almost half a million Jewish people in Hungary. In more detail on the *Numerus Clausus*, see Katzburg, *Hungary and the Jews*, 60–79.

⁵ Gergely Egressy, “A Statistical Overview of the Hungarian Numerus Clausus Law of 1920—A Historical Necessity or the First Step Toward the Holocaust?” *Eastern Europe an Quarterly* 34, no. 4 (January 2001): 447, 451–452, 457.

⁶ The first was in November 1921, the second in December 1925. Katzburg, *Hungary and the Jews*, 64–69; Cabinet Meeting, November 6, 1925, 32-33R/35, K 27, Magyar Országos Levéltár [Hungarian National Archives] (hereafter cited as HNA).

Although they all started their studies in Hungary and came from the upper middle class, in order to fulfill their scientific hunger and eschew repression at home, they needed to leave their home country. Probably many more Jewish persons would have chosen immigration, but with the quota laws in the United States in the first half of the 1920s, there were only precious few who could get entry visa to the U.S. The two Quota Acts of 1921 and 1924, and their effect on Central European, and more precisely, on Hungarian immigration were significant. Hungary, which contributed about 100,000 immigrants per year before World War I, was now restricted to 5,747 in 1921, then to a mere 473 in 1924, a figure that was equal to 2% of their representation based upon the 1890 US Bureau Census, and even a two-fold increase in 1924 did not alter this situation significantly.⁷

Anti-Semitism in Great Britain

In Great Britain anti-Semitism had also had a long history, although it was different and far from the Hungarian type. British anti-Semitism was many times a manifestation of anti-alienism. Such newspapers as the *Pall Mall Gazette* did everything to entice readers against what they saw an engulfment by Jews. The well-established Jewish community, for instance, did everything to make the poor Eastern European Jews turn back in order to avoid anti-Semitic backlash against their status already earned in England⁸. Two momentous events are worth mentioning concerning the Jewish question, both happening at around the same time. During World War I, the question of loyalty was high on the political agenda, and suspicions against aliens grew. Since many Jews had arrived from Germany, the war was a good occasion to force many Jewish citizens to declare their loyalty toward their chosen country. Another act stemming from the war effort took place in November 1917, when His Majesty's government issued the Balfour Declaration, which basically promised "a National Home for the Jewish People." This seemingly liberal political declaration had more to do with present war efforts. Lloyd George later admitted that the main goal was to gain Jewish sympathies

⁷ Frank, *Double Exile*, 181–182.

⁸ Severin Adam Hochberg, "The Repatriation of Eastern European Jews from Great Britain: 1881–1914" *Jewish Social Studies* 50, no. 1/2 (Winter, 1988 – Spring, 1992): 49–62.

and the significant Jewish financial support world wide it might mean for the Entente.⁹ It is more probable, however, that the main purpose of the declaration, which was received with positive feedback from the United States to Russia, was to insure that Britain enjoyed friendly feelings in Palestine and among the Jews in general, which was the British diplomatic goal in the Near East.¹⁰

The other defining event was the Russian Revolution, which was soon was depicted in Britain as a Jewish conspiracy.¹¹ The menacing Bolshevik tide that seemed at moments to engulf some of the defeated countries, and, therefore, to endanger the possibility of the stability dreamed by the Western Powers, easily created a chance to cry out against both Bolshevism and the Jews. As Winston Churchill wrote, in the Russian Revolution “the majority of the leading figures are Jews. Moreover, the principal inspiration and driving power comes from the Jewish leaders.”¹² The future prime minister thought that conversion to Zionism was a much better outcome for a Jew, and for Great Britain and the new world order, than to become a convert of Bolshevism. He made clear to every reader where the danger lay:

In the Soviet institutions the predominance of Jews is even more astonishing. And the prominent, if not indeed the principal, part in the system of terrorism applied by the Extraordinary Commissions for Combating Counter-Revolution has been taken by Jews, and in some notable cases by Jewesses. The same evil prominence was obtained by Jews in the brief period of terror during which Bela Kun ruled in Hungary. The same phenomenon has been presented in Germany (especially in Bavaria), so far as this madness has been allowed to prey upon the temporary prostration of the German people. Although in all these countries there are many non-Jews every whit as bad as the worst of the Jewish revolutionaries, the part played by the latter in proportion to their numbers in the population is astonishing.¹³

⁹ Lloyd George, *The Truth about the Peace Treaties*, vol. 2, 1116–1122, 1134.

¹⁰ In more detail, see, Isaiah Friedman, “The Response to the Balfour Declaration” *Jewish Social Studies*, 35, no. 2 (April 1973): 105–124.

¹¹ Colin Holmes, *Anti-Semitism in British Society, 1876–1939* (London: Edward Arnold, Ltd., 1979), 141–143; Gisela C. Lebzelter, *Political Anti-Semitism in England, 1918–1939* (Oxford: Macmillan, in association with St. Anthony’s College, 1978), 16–25.

¹² Winston Churchill, “Zionism versus Bolshevism. A Struggle for the Soul of the Jewish People,” *Illustrated Sunday Herald*, February 8, 1920

¹³ Ibid.

Lord Curzon, the Foreign Secretary between 1919 and 1924, used similarly harsh words when he depicted Jews taking part in the leadership of the Soviet government as “a small gang... who are preying like vultures on the bodies of that unhappy [Russian] people.”¹⁴ Harold Nicolson’s, another decisive person in the Foreign Office, confession is illuminating as well: “The Jewish capacity for destruction is really illimitable. Although I loathe anti-Semitism, I do dislike Jews.”¹⁵ But it was not only the political and diplomatic elite that harbored such sentiment. If nursery rhymes are in any way a measure of popular feelings, the following lines are telling much about long-standing popular sentiment toward Jews, on both sides of the Atlantic:

Jack sold his gold egg
To a rascally Jew,
Who cheated him out of
The half of his due.

The Jew got the goose
Which he vowed he would kill,
Resolving at once
His pockets to fill.¹⁶

Both in the higher political circles and among common people, anti-Semitism was an everyday feature.

Anti-Semitism in the United States

In the United States, anti-Semitism was on a lower scale than in Europe. It was mainly due to the more liberal relation to newcomers and aliens as such. A country made of immigrants, it was little wonder that an ethnic or religious minority can have a more secure environment. Still, the dominant creed was that of the Protestant members of the society and they had a deeply grained dislike against Jews mainly on account of their religious teachings. The many Catholic immigrants arriving throughout the nineteenth century only added to this general feeling. So, when poor Jews arrived in large numbers during the period lasting roughly 1880 to World War I, anti-Semitism gained ground, similarly to Great Britain, as

¹⁴ Quoted in Lebzelter, *Political Anti-Semitism in England*, 27.

¹⁵ Quoted in Lebzelter, *Political Anti-Semitism in England*, 34.

¹⁶ *The Book of Nursery Rhymes* (Philadelphia: Theodore Bliss & Co., 1846), 44–45.

part of anti-alienism. Still, since Jewish people arrived from all over Southern, Eastern, and Central Europe, the antipathy against them was stronger than to any one nation. Among the upper class, the national elite so to speak, anti-Semitism was a typical feature, but not necessarily a malign thought. It was much more part of a worldview.

Due to the efforts of the Nativist movement and the political elite, toward the end of the nineteenth century the literacy test became to symbolize the possibility to exclude the poor immigrants, many of them Jews, arriving from Europe. It was thanks only to the various presidents that such a bill never became law up until 1917, but the many Jews already living in the United States found growing discrimination in other forms: they were barred from exclusive clubs and resorts or private schools.¹⁷ What really churned up the feelings against Jews, in addition to religious, economic, and racial dislike, was the Russian Revolution. The new ideology seemed to threaten the American way of life and democratic institutions, and since many leaders of the revolution were Jews, Bolshevik and Jew became almost synonyms, one fueling the hatred for the other.

After World War I, the failure of the “American peace” at Paris, and the slow but sure consolidation of the Bolshevik rule in Russia, the country’s interest definitely turned inward and anti-Semitism became fervent. Such printed material such as *The Cause of World Unrest*, which was the American edition of the infamous *The Protocols of the Elders of Zion*,¹⁸ or Henry Ford’s newspaper, *The Dearborn Independent* from 1920, only added to the already prevalent anti-Semitism. The very first article of Ford’s paper bore the title “The International Jew: The World’s Problem,” and claimed on the front page:

The Jew is the world’s enigma. Poor in his masses, he yet controls the world’s finances... The single description which will include a larger

¹⁷ From 1890 to 1914 16,516,081 immigrants arrived in the United States of whom 1,694,842, or slightly more than 10 percent, were Jewish. Leonard Dinnerstein, *Anti-Semitism in America* (New York, Oxford: Oxford University Press, 1994), 58.

¹⁸ *The Protocols of the Elders of Zion* was originally concocted by the Russian secret police around the turn of the century and had an enormous success in Great Britain. By all likelihood, the original author was Pyotr Rachovsky, chief of the foreign branch of the Russian czars’ secret police between 1885 and 1902, and “a born intriguer” according to a 1957 CIA study. *The Times* already in 1921 revealed that the book was mere fabrication and plagiarism, but this did not affect the book’s influence. Thomas B. Allen, *Declassified. 50 Top-Secret Documents That Changed History*. (Washington D. C., National Geographic, 2008), 259–260.

percentage of Jews than members of any other race is this: he is in business... The Jew is supremely gifted for business... In America alone most of the big business... are in the control of Jewish financiers or their agents. Jewish journalists are a large and powerful group here... They absolutely control the circulations of publications throughout the country.¹⁹

The periodical must have touched upon a popular nerve, because its circulation grew and reached around 700,000 in 1924.²⁰ Its success can also be attributed to its often quality articles on a score of other issues. In the words of one historian, “*The International Jew* more than any other literary source... spread the notion that Jews menaced the United States... [and its] perverse accomplishment was to combine the inchoate anti-Semitism of the Progressive era with the postwar fear of hidden forces.”²¹

Anti-Semitism was not restricted to weeklies or books alone, but infected higher education as well, in a similar fashion to Hungary. The percentage of Jewish students at colleges and universities had multiplied in the past decades, which scared many WASP people. As a reaction, restrictions were introduced as to how many Jewish undergraduates could be enrolled. Ivy League colleges and universities carried the torch for the quota system. Dartmouth College introduced a Selective Process in 1921 to keep Jewish enrollment under control.²² Columbia University had a huge ratio of Jewish students, 40 percent, but by 1922 the institution had managed to cut it back to 22 percent.²³ The most well-known case took place at Harvard University, where President Lawrence A. Lowell

¹⁹ *The Dearborn Independent*, May 22, 1920.

²⁰ Dinnerstein, *Anti-Semitism in America*, 81. The collections of these articles later was published under the titles, *The International Jew* (1920), *Jewish Activities in the United States* (1921), *Jewish Influence in American Life* (1921), and *Aspects of Jewish Power in the United States* (1922).

²¹ Leo P. Ribuffo, “Henry Ford and ‘The International Jew,’” *American Jewish History* 69, no. 4 (1980: June): 4437, 475. When Ford was sued for libel in 1927, he retracted the charges against the Jews and the short but influential lifetime of *The Dearborn Independent* came to a halt. On the legal case against Ford, see, Victoria Saker Woeste, “Insecure Equality: Louis Marshall, Henry Ford, and the Problem of Defamatory Antisemitism, 1920–1929,” *The Journal of American History*, 91, No. 3 (2004: December): 877–905.

²² Tamar Buchsbaum, “A Note on Antisemitism in Admissions at Dartmouth,” *Jewish Social Studies* 49, no. 1 (Winter, 1987): 80.

²³ *Ibid.*, 79.

fathered an informal quota system on Jewish students. For Harvard, the 22 percent that Jews represented was frightening in view of their ratio of 3 percent of the whole population. The Harvard Plan of 1923, just as in the case of Hungary, did not name the Jews; it only proclaimed that the student body should represent the ratio of different races in the country. In both cases, such an order went against the Jews.²⁴ The real significance was Harvard's prestige and indeed, other famous institutions followed suit, such as Princeton, Yale, Duke, Rutgers, Cornell, Johns Hopkins, or Penn State.²⁵

Anti-Semitism and the Loan

It is important to investigate the raising of the international loan for Hungary against the above described background. Hungary was in dire straits and it seemed that without outside help there would be no end to the ever worsening conditions. The League-initiated Austrian financial reconstruction in late 1922 gave a workable scenario for Hungary and the League of Nations alike. For Hungary it meant the possibility to put the financial house in order and gain absolute legitimacy in and out of Europe, while for Great Britain, the major European power in the League of Nations, it was a golden chance to further the reconstruction scheme in Central Europe. In the early spring of 1924, after protracted negotiations that were not free of diplomatic acrimony, Hungary was assured of a reconstruction plan on condition that it accepted strict control in the form of a Commissioner-General in Hungary. To commence the actual work, a \$60-million loan had to be raised in the international financial market.

Hungarian Prime Minister of the period Count István Bethlen pursued a practical *realpolitik* both in the domestic and foreign political arenas, and he dealt with the Jewish question accordingly. Although he declared, that "I am against all kinds of noisy anti-Semitism. We will under all circumstances make law prevail," he did nothing to have the *Numerus Clausus* Act repealed.²⁶ This was partly attributable to his own, somewhat mild, anti-Semitism, and partly to the political necessity of preserving the majority in Parliament to be able to govern. In order to

²⁴ In detail, see, Oliver B. Pollak, "Antisemitism, the Harvard Plan, and the Roots of Reverse Discrimination," *Jewish Social Studies* 45, no. 2 (Spring, 1983): 113–122.

²⁵ Dinnerstein, *Anti-Semitism in America*, 85–86.

²⁶ István Bethlen, *Bethlen István gróf beszédei és írásai* [The Writings and Speeches of Count István Bethlen] vol. 1, (Budapest: Genius Könyvkiadó Rt., 1933), 161.

achieve his aims, he saw no incompatibility in the fact that his liberal-conservative Unified Party counted among his members both the openly anti-Semitist Gyula Gömbös and his followers, for example, and members of the Jewish elite as well. In retrospect, he was walking a fine line when he said that he approved of “Christian policies, but these policies should not be manifest in anti-Semitism but must be made pro-Christian.”²⁷ For Bethlen it was crucial to get the international loan and carry out the League of Nations plan, because he saw in it the chance to further consolidate his standing.

The first obstacle to clear was the person of the General-Commissioner. Aside from other complications, when finally the American Jeremiah Smith, Jr. was chosen, his name created confusion and alarm among the Hungarian political leadership. Not well versed in New England local culture, the Hungarian leaders suspected that Smith might be a Jew. Under the ruling Hungarian anti-Semitic sentiment it would have been unacceptable to the Bethlen government for a Jew to control the country’s finances. Under the ruling domestic circumstances, it would have been a political suicide for Bethlen to accept a Jew to the post of strict supervision. Only after being convinced that Smith was of no Jewish origin did the Hungarians finally approve of his nomination, a fact that the British Consul General happily conveyed to London.²⁸

Perhaps it was even of more crucial importance to raise the international loan without which there could have been no reconstruction the promising plans notwithstanding. The chief problem was that Hungary did not seem very a lucrative investment, and since there were no state guarantees for the loan as in the case of Austria, central or private banks were less reluctant to lend money. The main figure behind the whole scheme was Montagu Norman, the powerful Governor of the Bank of England. His main goal was to make financial reconstruction in general without politicians and he wanted to see it left to the expert bankers of which he was one of the most defining. He also believed in central bank

²⁷ *Magyarság*, October 19, 1922, III/238.

²⁸ Hohler to MacDonald, April 5, 1924, C5704/37/21, 9907, FO371, The National Archives of Great Britain (hereafter cited as TNA). In more detail on Smith and his nomination to the post of Commissioner-General of the League of Nations, see, Zoltán Peterecz, “Picking the Right Man for the Job: Jeremiah Smith, Jr. and American Private Influence in the Financial Reconstruction of Hungary,” *Hungarian Journal of English and American Studies* 15, no. 2 (2009 Fall): 45–65.

cooperation, where the various central banks of the different countries could cooperate without any government intervention. Since raising the money was not easy, Norman had to take the lion's share if he wanted to achieve his aim. His main purpose was to ensure that the brunt of the money came from Great Britain and the United States.

For some time it seemed that J. P. Morgan & Co. would take a larger tranche. Being the leading private bank in the world, its taking part in the loan would have automatically ensured that any sum missing would be issued in other countries. It was a sobering moment when the mammoth banking house in May definitely refused to participate. The new National Bank of Hungary was set up and was soon to open, therefore it was crucial to secure some American participation. The problem, as it turned out, was not the lack of companies willing to come in, but the anti-Semitic worldview that some of the involved Anglo-Saxon unofficial leaders had.

Speyer & Co. was the American branch of an old banking family of German and Jewish origins. Its leader, James Speyer, was active in mainly in the foreign loan business and railroads, first of all in Latin America. They were the first to float a Cuban loan, for example, they were active in Bolivian railways, and had large interests in the Mexican railroads parallel to domestic railroad companies. On the other hand, Speyer was an active philanthropist and was closely associated with the founding of various institutions. An ardent New Yorker, his largest contribution to his beloved city came in the form as the initiator and founder of the Museum of the City of New York, which opened in 1932. As recognition for this and many other activities, he was bestowed with the annual gold medal of the Hundred Years Association in 1938. His philanthropic drive was manifest not only in civic affairs. His firm was the first private banking house in New York to establish a pension fund for its employees from his own donation in 1906. Speyer also helped raise funds for Jewish sufferers in the First World War, mainly in Poland.²⁹

The reason why this financier was interested in providing loans to European countries, aside from the obvious hunger for profit, lay in his belief in the cooperation of the United States and Europe. As he saw, "the granting of credit by our banks and bankers, and the purchase of foreign

²⁹ The data are from Genealogical and Biographical Notes, Box 2, James Speyer Papers, Rare Books and Manuscript Division, The New York Public Library (hereafter cited as Speyer Papers).

securities by investors [was] a practical business... It would add to our contribution towards European recovery.”³⁰ Since the Europe of the mid-1920s provided ample possibilities for investment, it is not surprising that Speyer & Co. had signaled more than once that they wanted to come in for the Hungarian loan.³¹ According to an American businessman, Speyer and his men were “anxious to occupy the place in any Hungarian loan that J. P. Morgan & Co. hold in the Austrian loan, and are preparing, they tell us, to underwrite \$25/30,000,000 of such Hungarian loan.”³² After Morgan’s refusal to join the venture, Speyer & Co. may have seemed ideal for the vacuum that was created on the American part. There was a serious problem, however. The company did not enjoy popularity and was disliked by other banking houses and investment bankers, above all by John Pierpont Morgan.

J. P. Morgan’s dislike for his business rival stemmed for various sources. It was one thing that Speyer was of German origin, a nation Morgan came to resent very much on account of World War I. Speyer’s close relations with Germany put him in an awkward position that caused some damage for the company. To make things worse, James Speyer, despite having been born in Manhattan, had a heavy German accent.³³ In addition, Morgan made no secret about the fact that he was “not very enthusiastic about Jews” and he did not want to see business in their hands.³⁴ Naturally, this trait ran in the family. His father, according to one of his first biographers, “had a deep-seated anti-Semitic prejudice and on more than one occasion needlessly antagonized great Jewish banking

³⁰ James Speyer, “America’s Cooperation in European Rehabilitation Primarily Dependent on Europe,” *Annals of the American Academy of Political and Social Science* 102 (July 1922): 176–177.

³¹ Norman to Strong, April 9, 1923, G35/4, Bank of England Archive (hereafter cited as BoE).

³² Caldwell to Beneš, August 10, 1923, in Wheeler to Hughes, August 22, 1923, 864.00/547, Roll 6, M. 708, Microfilm Publications, Records of the Department of State Relating to Internal Affairs of Austria-Hungary and Hungary, 1912–1929, National Archives and Records Administration (hereafter cited as NARA).

³³ *Time*, June 13, 1938.

³⁴ Quoted in Edward M. Lamont, *The Ambassador from Wall Street. The Story of Thomas W. Lamont, J. P. Morgan’s Chief Executive* (Lanham, Maryland: Madison Books, 1994), 210.

firms.”³⁵ The older Morgan also referred to Jacob H. Schiff, also a German-born Jew, head of archrival Kuehn, Loeb & Co., simply as “that foreigner.”³⁶

The younger Morgan followed his father both in his business practices and anti-Semitic worldview. In May 1920, for example, before the Lowell Plan to reduce the number of Jews at Harvard, Morgan served as an overseer of Harvard University. In that capacity, he felt his duty to alert President Lowell of the grave danger posed by a board vacancy:

I think I ought to say that I believe there is a strong feeling among the Overseers that the nominee should by no means be a Jew or a Roman Catholic, although, naturally, the feeling in regard to the latter is less than in regard to the former. I am afraid you will think we are a narrow-minded lot, but I would base my personal objection to each if these two for that position on the fact that in both cases there is acknowledgment of interests or political control beyond, and, in the minds of these people, superior to the Government of this country—the Jew is always a Jew first and an American second, and the Roman Catholic, I fear, too often a Papist first and an American second.³⁷

In light of these facts, it is no wonder that J. P. Morgan & Co. tried to oppose Speyer & Co. in any way they could.

The feud went back quite some time. Morgan’s father declared already in the nineteenth century that he did not wish to see “business largely in the hands of Speyer & Co. & similar houses.”³⁸ In order to see this achieved, he was not shy to use his status and connections when it came to outmaneuvering Speyer. James Speyer kept filing complaints to the State Department about governmental favoritism toward J. P. Morgan & Co. and its close collaborating banking houses, obviously to no avail.³⁹ During the Mexican debt settlement, for instance, the Morgan house made sure that Speyer & Co. did not have a seat on the International Committee of Bankers on Mexico (ICBM), presumably because of Speyer’s business

³⁵ John Kennedy, Winkler, *Morgan, the Magnificent: The Life of J. Pierpont Morgan* (New York: Vanguard Press, 1930), 10.

³⁶ Ron Chernow, *The House of Morgan* (New York: Atlantic Monthly Press, 1990), 90.

³⁷ Morgan to Lowell, March 2, 1920, quoted in Chernow, *The House of Morgan*, 214–215.

³⁸ J. P. Morgan, Sr. to J. S. Morgan & Co., February 1, 1895, quoted in Ron Chernow, *The House of Morgan* (New York: Atlantic Monthly Press, 1990), 74.

³⁹ Emily S. Rosenberg, *Financial Missionaries to the World. The Politics and Culture of Dollar Diplomacy, 1900–1930* (Durham and London: Duke University Press, 2003), 65, 94.

tactics in Mexico.⁴⁰ With Morgan's prestige and connections it was not surprising that other firms were not enthusiastic about Speyer either. The main London house, Rothschilds, would have been willing to work for the League loan in cooperation with Hallgarten, Dillon, or Chase National, for example, but not with Speyer & Co.⁴¹ In light of the fact that the Rothschild family was of the same German Jewish decent as the Speyers and was conspicuous in fighting for equal rights for Jews in Great Britain in the 19th century and elsewhere in the 20th century, their attitude makes one arrive at the conclusion that religious and racial ties were secondary to those of connections of wealth, once the opposition to one's race was overcome.⁴² Jeremiah Smith, Jr., Hungary's freshly chosen Commissioner-General, in all likelihood to his ties to the House of Morgan, also thought that the Speyer house, though not insignificant, was speculative and its participation was to be avoided.⁴³

Anti-Semitism reached the Speyers in Great Britain as well. James's brother in London suffered more. The English Branch of the Speyers was forced to close down and Edgar Speyer, the head of the company, had to leave the country. Although on the surface it was his loyalty that was called into question because of his German origins, but the prevailing anti-Semitism joined hands with the natural German phobia during World War I. Edgar Speyer refused to produce a letter of loyalty and instead chose to renounce his title and resign his membership of the Privy Council, which the Prime Minister Herbert Henry Asquith did not accept. But a Scottish noble challenged Speyer's right to the position on account of the latter's not being a natural-born British citizen. Although these

⁴⁰ Stephen N. Kane, "Bankers and Diplomats: The Diplomacy of the Dollar in Mexico, 1921–1924," *The Business History Review* 47, no. 3 (Autumn 1973): 343; Edward M. Lamont, *The Ambassador from Wall Street*, 210–211. The bitter rivalry led to the exclusion of Speyer & Co. from the American part of the Dawes loan. Ibid. Also, Chernow, *The House of Morgan*, 74.

⁴¹ Szapáry to Daruváry, May 28, 1924, 209/123, 10-1390/1282, K 69, Economic Policy Department, HNA.

⁴² It is also interesting to note here that allegedly, up until the rise of the Rothschilds, at the end of the eighteenth century, the Speyer house was the richest Jewish bank in Frankfurt. . Steven C. Topik, "When Mexico Had the Blues: A Transatlantic Tale of Bonds, Bankers, and Nationalists, 1862–1910," *The American Historical Review* 105, no. 3 (June 2000): 734.

⁴³ Korányi to Teleszky, May 17, 1924, 209/123, K 69, Economic Policy Department, HNA.

forces failed to oust Speyer officially, the personal attacks did not cease and soon, he had had enough of the British atmosphere and moved to New York. In 1921, his naturalization was revoked and he was stripped of his nobility and position on account of treason during the war.⁴⁴

It is little wonder, then, that on neither side of the Atlantic was Speyer & Co. welcomed. Still, the question of the League loan was burning. Time seemed to run out if no one issued an American tranche. Norman realized that serious compromises had to be made. Although he was “viciously anti-Semitic,” and, according to Émile Moreau, his French counterpart, he seemed “full of contempt for the Jews about whom he spoke in very bad terms,” and described Speyer & Co. only as “Jews, with great ambitions,” his goal to consolidate Central Europe tied closely Great Britain and the pound overrode other considerations.⁴⁵ He quickly put aside whatever prejudices he may have had and set out to arrange the loan business that had many other difficulties without taking into consideration racial biases.

As for Hungary, as was shown, even the possibility of a Jewish controller was a red rag. The main point seems to have been that no physical presence of the Jewish world be visible, that is, that the Commissioner-General be of non-Jewish stock. The source of the money, however, was a sensitive issue as well. But in the realpolitik vein Bethlen possessed and practiced, it was of secondary importance where the money came from. The main point was that Hungary should receive the loan, if from “clean” sources only all the better, but if some Jewish banker was involved that was tolerable for Hungary. Also, the Hungarian government knew that some of the money coming from London would arrive from the House of Rothschild, perhaps the most prominent banking house in Europe, and of Jewish origin. On March 27th, Bethlen submitted the package of the Reconstruction Bill to the National Assembly, where

⁴⁴ See, H. W. Brown and Gordon Leith’s letter written to the English press on January 6, 1922, Correspondence, Box 1, Speyer Papers, “Strictly Confidential” note without date, “Memorandum of Conversation with the Lord Chief Justice, December 19, 1915, and a secret Foreign Office letter of October 4, 1918, all in Miscellaneous Papers, Box 2, Speyer Papers; Colin Holmes, *Anti-Semitism in British Society, 1876–1939* (London: Edward Arnold, Ltd., 1979), 123; C. C. Aronsfeld, “Jewish Enemy Aliens in England during the First World War,” *Jewish Social Studies* 18, no. 4 (October 1956): 278–283.

⁴⁵ Chernow, *The House of Morgan*, 245; Liaquat Ahamed, *Lords of Finance. The Bankers Who Broke the World* (New York: Penguin Books, 2009), 260; Norman to Siepmann, May 15, 1925, OV33/73, BoE.

debate was sometimes fierce in tone. Some of it concerned the person of the future commissioner, some the source of the money. It is enough to mention that during that debate, a member of the Assembly said that with the flotation of this loan the Jewish question would get in the limelight because the banks abroad that would float the loan and the majority of the Hungarian banks were in Jewish hands.⁴⁶ This was naturally a half-truth, because at this time it was still surmised that J. P. Morgan would provide one-third of the loan. Bethlen faced resistance but was adamant that the bill go through and, with the help of the overwhelming majority of his party, there was no doubt about the outcome. Still, the parliamentary debate lasted three weeks in 16-hour sessions before the Reconstruction Bill was passed on April 18th.⁴⁷

Speyer, somewhat living up to the negative image others held about him, was bent on making the most out of the vacuum that his rival Morgan had left. But he was stirring waters till the very last moment in order to have the best deal of this loan business. On the one hand, he tried to secure US governmental backing for the deal. He asked the State Department to issue a statement saying that American bankers do intend to take part in the pending loan. The Department decided that such action would constitute a bad precedent, since it was private banks that were doing the lending and a statement of that nature might imply US government involvement, which was inconceivable. First Speyer tried to threaten that they would not participate if the required State Department statement was not made, but he did take part in the flotation of the loan anyway in the end.⁴⁸ Also, before finally signing a contract, Speyer's promise varied between \$4.25 million and \$10 million.⁴⁹ In the end, shrewdly looking ahead, Speyer raised his participation to \$7.5 million, but wanted exclusive right to do other Hungarian business in New York during the period of the loan, which was vehemently refused by both the

⁴⁶ Nemzetgyűlési Napló [National Assembly Diary], 1922–27, Budapest: Athenaeum Nyomda, 1924, Vol. XXIII, 341. See also, *Ibid.*, 131.

⁴⁷ In great detail about the detail, see, Nemzetgyűlési Napló, 1922–27, vol. XXII, 60–68, 237, 268–289, 299–315, 317–341, 343–397, 399–452; vol. XXIII. 1–153, 163–241, 243–333, 335–426, 437–510.

⁴⁸ E. Rosenberg, e-mail message to author, January 6, 2009.

⁴⁹ Norman's Diary Entries, June 18 and 20, 1924, ADM34/13, BoE.

British and Hungarians.⁵⁰ On June 30th he signed the loan contract without the exclusive clause and the flotation could begin in earnest.⁵¹

The Hungarian government did not seem to mind that the American bank was in the hand of a Jewish family, let alone that the Rothschilds were Jewish as well. “Money has no smell,” and all that mattered for Hungary was that Great Britain and especially the United States be represented among the lending countries. Overriding racial qualms, Bethlen proudly informed American readers that “Now the American bankers have also decided that Hungary is a good, safe investment.”⁵² He did not deal with such petit questions like Jewish sources of the money. In the true practical sense of Bethlen and as further proof of the Hungarian government conditional anti-Semitism, Speyer & Co. and Hungary had following business connections, and James Speyer was even honored. The Cabinet agreed that Speyer should be awarded a medal as recognition for his services to Hungary. He was decorated with the Hungarian Order of Merit with Stars, Class II, which he received in the United States from the Hungarian Minister László Széchenyi.⁵³ This was also a sign of the somewhat languishing anti-Semitism in Hungary, which, unfortunately, in the 1930s picked up again and led to terrible consequences.

⁵⁰ Norman’s Diary Entries, June 28, 1924, ADM34/13, BoE; Felkin to Salter, June 28, 1924, 1924, Dossier concerning the American tranche. Doc. No. 37289, Registry Files, R. 413, League of Nations Archives. A few months later, Speyer managed to get the exclusive rights for further business made in New York.

⁵¹ Felkin to Salter, June 30, 1924, 1924, LNA, Registry Files, R. 413. Dossier concerning the American tranche. Doc. No. 37289. The text of the contract is in 9/VIII/5/62–66, K 275, Kállay Papers, HNA.

⁵² *Time*, July 7, 1924.

⁵³ Records of Cabinet Meetings, September 14, 1928, 32–33R/56, K 27, HNA; Genealogical and Biographical Notes, Box 2, James Speyer Papers; *The New York Times*, November 1, 1941. This was not the only high decoration James Speyer received. The German Emperor gave him the decoration of the Red Eagle of the Second Class in 1912, an honor which was bestowed upon only J. P. Morgan, his rival, and President Nicholas Butler of Columbia University. One of the reasons for that medal was that Speyer gave the Trustees of Columbia University \$50,000 to establish the Theodore Roosevelt Professorship of American History and Institutions at the University of Berlin. Genealogical and Biographical Notes, Box 2, James Speyer Papers; *The New York Times*, November 13, 1905, and January 20, 1912. In more detail about the business connections between Speyer & Co. and Hungary after the reconstruction loan was launched, see, Zoltán Peterecz, “James Speyer and Hungary: An American Jewish Banker in Anti-Semitic Hungary in the 1920s,” In Lehel Vadon (ed.), *To the Memory of Sarolta Kretzoi* (Eger: Eszterházy Károly College, Department of American Studies, 2009), 207–220.