



## **What Was the Secret of Hegedüs? The Coping Strategy of a Hungarian Financial Minister in the Interwar Period<sup>1</sup>**

Virag Rab  
University of Pécs  
virag.rab@gmail.com

According to Ralph Gustav Dahrendorf (1929–2009) German-British sociologist, philosopher, political scientist and liberal politician, a change of regime comprises several (political, economic and social) processes. Although these processes run parallel, they are not completed during the same period of time. According to Dahrendorf, a *political transition* may be completed in six months, while the *reorganisation of the economy* needs at least six years. To bring about changes in the minds of people so that the society may be renewed and its members can create a viable economy requires sixty years.

The term change of regime is usually interpreted as one referring to the radical change effected 25 years ago, however, Hungarian history has seen several political, economic and social changes. The turbulent history of the 20<sup>th</sup> century is exceptional in this respect with its nine changes of regime. Some of these regimes existed for such a short period of time (shorter than six months) that the structural reorganisation of the economy or social renewal could not be accomplished. Regardless of this, these political transitions had serious consequences. Firstly, they caused a crisis both in the society and in the lives of the individuals. Secondly, they contributed to the formulation of a misapprehension which is still often referred to today and which often paralyses the majority of Hungarians when, in order to solve a crisis situation, the first step should be taken. The core of this idea is the following: “We can never decide about our own fate.” Its explanation is as follows. Our revolutions have always failed and we have always got the circumstances shaping our lives and also our paternalist leaders ready and accomplished. In my view, this is a major heritage of Hungarian changes of regime.

The above idea is still so vivid that contrary to my original plan, I am not going to examine how many economic experts’ life achievements were annihilated due to

---

<sup>1</sup> This paper has been supported by the Bolyai Research Scholarship of the Hungarian Academy of Sciences.



the rise of a new system which neglected them on a political basis. I would like to show a nearly century-old example of an opposite conduct, a pattern of behaviour or rather a coping strategy which was and is still worthy of attention.

My example is Loránt Hegedüs, who lived from 1872 to 1943 and was the Minister of Finance of Hungary in 1920–1921. My conclusions are based on 2000 pages of primary documents written by and about Hegedüs. Some of these documents lay intact in a cellar of a villa in Buda and were found when the building was renovated. The other documents were provided for me by Zsuzsanna Lazáry, the granddaughter of Loránt Hegedüs, living in Switzerland.

The activities of Loránt Hegedüs were extremely diverse. In addition to being a Minister of Finance, he was also the President and later Vice President of the Confederation of Hungarian Industrialists and the President of the Hungarian Commercial Bank of Pest. He was editor of the Economic Review for two decades, a member of the Hungarian Academy of Sciences and of the Kisfaludy and Petőfi Societies. He played a determinative role in organising the Savings Bank and Bank Association. He achieved a great success with his editorials and articles in the Pillar-box column of the Sunday edition of the Pesti Hírlap. His play entitled “Kossuth” was performed 25 times in the National Theatre. The number of his publications on various literary, economic, historical and sociological issues was well over fifty.

However, for the purposes of this paper, the person of Hegedüs is not important because of his diverse activities but because his writings and economic plans reveal a conception of the world and a scale of values differing from the general contemporary way of seeing things. Moreover, due to his dissenting attitude, Hegedüs drew out-of-the-ordinary conclusions and gave non-ordinary answers (novel in their attitude and content) to the challenges of the period (shifts and discontinuities constituting the crises at the beginning of the 20<sup>th</sup> century). How was it possible? Wasn't Hegedüs affected by the determining power of the existing frames? What could his dissenting way of thinking be attributed to? This question is accentuated by the fact that he was at the age of 46-48 when the Monarchy collapsed, the turns of 1918 and 1919 occurred and the Treaty of Trianon<sup>2</sup> traumatised the whole Hungarian society. All this means that not only was Hegedüs the son of the former, vanished

---

<sup>2</sup> Hungary was a defeated nation and with the peace treaty of Trianon it lost 2/3 of its territory. Its population was 7.6 million after the treaty, only 36% of the pre-war kingdom's population. More than 3 million Hungarians were left outside the new Hungarian borders.



world but he was socialised in that era for nearly 50 years. Experience shows us that those who were advanced in years at the time of the far-reaching changes after the First World War could adapt to the changes more slowly and with more difficulties than the younger ones.

Obviously, adaptation did not mean the acceptance of the situation. In particular, it did not mean the acceptance of the Treaty of Trianon, which was not regarded irrevocable by anyone at that time (until the peace treaty of 1947). It followed from this that most experts (just like politicians) tried to manage the economic consequences of Trianon from a political rather than an economic approach. They wanted to make Hungary a subsistence economy in order to avoid her being at the mercy of its neighbours, i.e. her political enemies.

After the peace treaty, Hungary found herself in confrontation with nearly all the neighbouring countries and all actors of the political life endeavoured to achieve the revision of Trianon. Left-wing and liberal politicians wanted to see an ethnic revision, while the government advocated first an optimal revision (the maximum attainable under the given circumstances) and later (beginning with Gömbös) an integral revision (restituting the integer Hungary) supported by the extreme right.

What position did Hegedüs take on this issue? Hegedüs was a member of the Hungarian peace delegation. His experience gained in Paris made him quit his political affiliation. He used to be a member of the party of Tisza and called himself “a well-known right-wing debater who treated his opponents with the most biting irony”. However, due to the impact Trianon exerted on him, he firmly believed that the reaction to attacks should be support since conflicts should be avoided in the interest of recovery. Arguments should be avoided especially about details.

In the final days of 1920 – in other words six months after signing the peace treaty and six months before its ratification – he called the situation brought about by Trianon “the time of passing difficult judgements”. It was a period when nobody wished to assume the position of minister of finance. Some even claimed that they did not want to accept the position because it might endanger their careers. Nevertheless, Hegedüs assumed it. Why? Because he believed that the situation could be rectified and the financial catastrophe could be avoided by an efficient financial plan. Hegedüs even prepared for this role. By this time he had had thirty years of experience in the field of finances. He also had the necessary strength. His strength derived from his devotedness to the Hungarian nation, his protestant faith



and his huge willpower. He inherited all these from his father, who was Minister of Trade of the Monarchy, was the leader of a protestant parish and, as Mikszáth, a Hungarian novelist put it, was a man with a hundred arms in a land of men with one arm. Moreover, Loránt promised his father that he would pass the test if he had the opportunity. He came from a squireen noble family whose members learnt economics and wanted to use their knowledge to the advantage of the country. In addition to all this, Loránt Hegedüs assumed responsibility for his financial plan and its consequences.

Hegedüs assumed the position for the period of one year. He openly claimed that his body might not endure intensive work for a long time. He was a person suffering with bipolar disorder. Fairly long periods of excessive excitement and energy were followed by short depressive episodes.

I am not going to elaborate on the financial plan of Hegedüs (a well-known element of which was property tax), but it should be noted that its professional merits were acknowledged even by American experts. Columbia University in the City of New York called upon Hegedüs to help in coping with the financial challenges America had to face after the First World War. (Hegedüs was invited to America together with two world famous experts – the English John Maynard Keynes and the Swedish Gustav Cassel.)

The financial plan of Hegedüs confronted with existing ideas in several respects. Firstly, he did not refuse to repay debts. He did not look for excuses but stated, “even if we were robbed (by Romanians and Soviets), this cannot justify Hungary’s robbing others”<sup>3</sup>. Secondly, he extended strict financial discipline and austerity already affecting people to ministries and embassies. Thirdly, he declared that he would never support any adventurist plan aiming at modifying the Treaty of Trianon. He definitely rejected any kind of violent solution. He firmly believed that the situation would not remain unchanged for long and the great powers and the neighbouring countries would soon realise the intolerability of the situation. He grounded this assumption on his conviction, according to which Hungary was punished by Trianon because she was held responsible for the outbreak of the war. As soon as Hungary clears herself on this accusation – in other words proves the

---

<sup>3</sup> [http://library.hungaricana.hu/hu/view/OGYK\\_KN-1920\\_07/?pg=270&layout=s&query=SZO%3D\(30%20C%20A9ve\)](http://library.hungaricana.hu/hu/view/OGYK_KN-1920_07/?pg=270&layout=s&query=SZO%3D(30%20C%20A9ve)) (Downloaded on 10 April, 2015)



innocence of István Tisza, Hungarian prime minister during WW1 – the peace treaty will be reviewed.

Hegedüs, just like Gyula Szekfű – one of the best-known Hungarian historians of that time –, was one of the few who did not blame only the circumstances for Trianon. Hegedüs highlighted some of the mistakes (e.g. the nationality policy of Hungary, dividedness in politics, the lack of conciliation and communication between political groups and the general state of non-cooperation) which had contributed to the emergence of the tragic situation.

Hegedüs did not manage to implement his well-considered financial plan. However, this did not depend on him. József Radnóti, a contemporary economist wrote that his proposal was the product of a fanatic imagination which expected 100% unselfishness and 100% sacrifice from the society in a situation where even a 10% performance concerning these virtues would have been an exaggerated expectation. This failure meant a severe rupture in his life. He spent years in an asylum in Berlin. He returned to public life only in 1924/25 but again to a responsible position. For example in 1925 he became the president of the Savings Bank and Bank Association.

The attitude of Hegedüs must have been influenced by his bipolar personality. His perception of the reality was often more but sometimes less favourable than the average, depending on his mood. Nevertheless, this cannot have been the most decisive element of his divergent way of thinking. His social embeddedness significantly contributed to the development of his divergent way of thinking and also to his capability to assert his interests and ideas. The personal relationships of Loránt Hegedüs, who was especially self-confident, open, tolerant and ready for cooperation in his state of excitement, can be classified into two groups: a family network and an acquaintance network covering his narrower and wider acquaintanceship.

Now let's examine the former one. His father, Sándor Hegedüs (Minister of Trade) married Jolán Jókay (the daughter of Mór Jókai's brother) and the family connected several important figures of the contemporary elite (members of the families of Feszty, Konkoly-Thege, Jókay-Ihász, Vály). Moreover, he also got into close permanent relationship with several Hungarian doctors, economists, writers and politicians with high international reputation through his new family (he chose his wife from the Navratil family).



His acquaintance network contained both Hungarian and foreign relationships. Hegedüs communicated a lot with a lot of persons and connected several networks. He was equally successful in establishing and maintaining relationships. The basis of the good functioning of his relationships was not a common social status or spatial closeness, but rather a regular communication based on common interests. For example, he nursed the relations he had established in London and Berlin when he was young throughout his life. His relation to the President of the Dutch National Bank, Gerard Vissering, was the most decisive from among his professional relationships.

In addition to a certain security, relationship networks meant information or rather knowledge and power to Hegedüs; an opportunity to govern and control others' lives. His literary work – over fifty books on sociology, history, economics and also fiction – contributed to his social embeddedness, too. This kind of recording his ideas is worthy of note, as well as the fact that he continuously shared them with others. The purpose of his writing activity was to inform the society about issues he considered to be essential. Beside his scientific works, he published about two thousand articles analysing current political and economic themes. According to Hegedüs, the responsibility of the individual increased due to the extension of suffrage and this was the reason why in his opinion it was essential to provide citizens with accurate and unbiased information together with explanations. It should also be highlighted that he deliberately and with a didactic intent differentiated facts from opinions in his writings.

Hegedüs also enjoyed high social reputation through his relationships and aims. An example of this is the following. Although he belonged the reformed church, the representatives of all other churches expressed their appreciation for his activities after his death (in 1943!). Even an orthodox Jewish paper published an article in his memory. Dezső Korein wrote the following in the first days of January 1943: "I am mourning for the understanding noble man, a typical great Hungarian of the *good old days*, who left us after much suffering." It is not widely known that Hegedüs was one of the few who raised objections to the Hungarian anti-Jewish laws in the Upper House of the Hungarian Parliament. He expressly stated that those laws were totally unacceptable. This case together with his professional, political and literary work can lead to and support the conclusion that Hegedüs had only one standard: man. His scientific interest also justifies it. He learned sociology and the only reason why he



did not take a doctorate in this discipline was that it was impossible in Hungary at that time. Further, it was him who placed the greatest emphasis on the impact the First World War had on MAN, especially on human psyche. He was also a patient in the huge asylum near Berlin, the patients of which appeared in his memoirs.

Finally, a further aspect concerning the attitude of Hegedüs. Although he was always extremely busy, he bestowed much attention on his family, mainly on the smallest ones. He wrote a poem (A Letter to the Baby) to his infant grandchild and a storybook (To Sándor) to another, a little older grandchild of his. All this demonstrates that he paid attention to the future and not to the past.

As a summary, I would like to answer the question, “What was the secret of Hegedüs?” First, it can be stated that the collapse of the world around him meant a kind of challenge for him, in other words he focused on the possible solution instead of the failure. Secondly, he realised that the crisis caused by Trianon could only be survived by assuming responsibility and adapting to changes. He was also aware of the fact that this process would be extremely painful and rather long; however, the starting point was again the conviction that man can determine his own fate and be the master of his own life. The first step can only be taken afterwards. Hegedüs, who (like many of his contemporaries, including István Tisza) considered free will but not the process of decision-making an illusion, took this first step.