Cold Warriors, Cold Feet? 
America’s Uneven Response to Regime Change in Hungary, 1989

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# Table of Contents

Acknowledgements ........................................... 1

Introduction .................................................. 1

1. A Brief History of the American-Hungarian Relationship ............... 8

   1.1 The Iron Curtain Descends
   1.2 The 1956 Hungarian Revolution
   1.3 Bridge Building
   1.4 “Refolution”

2. Budapest and Washington, 1989 ................................ 23

   2.1 January-April: Pause
   2.2 April-July: Improvisation
   2.3 July-December: Consolidation

3. The Congressional Interlocutor .................................. 44

   3.1 Legislative Diplomacy
   3.2 “A Bunch of Critics”
   3.3 Congress Responds, Traditionally
   3.4 Congress Responds, Extraordinarily


   4.1 The Hungarian Soros Foundation
   4.2 The National Endowment for Democracy
   4.3 The Media
   4.4 Corporate America
   4.5 Assessment

Conclusion ................................................................ 88

Bibliography ..................................................... 92
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Introduction

Public imagination holds that the United States “won” the Cold War. America’s conduct during 1989, the year Eastern Europe exited the orbit of the U.S.S.R. (effectively consigning the Soviet empire to “the ash heap of history”), gives the lie to this claim.1 The U.S. was behind the curve of history for the duration of the annus mirabilis.2 In January 1989, a top advisor to newly-inaugurated President George Bush stated that “the Cold War is not over.”3 It was. In July 1989, after meeting with dissidents in fast-democratizing Hungary, Bush remarked, “These really aren’t the right guys to be running the place.”4 They would run it anyway. By December 1989, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania had all dispensed with communism – while America, the wealthiest country in the world, had disbursed a not-so-grand total of $500,000 in aid to Eastern Europe’s incipient democracies.5 This is not what winning looks like.

Scholars have long conceded the point. They acknowledge the Eastern Europeans themselves – in some instances, such as Poland, the people; in others, namely Hungary, their leaders – as self-liberators.6 (One Bush advisor would later admit, “The story of 1989… is a story of European history more than U.S. history, or even U.S.-Soviet history.”7) They emphasize that structural problems plaguing the Eastern Bloc’s planned economies catalyzed change – proof that communism does wither away the state, though not

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2 I.e., the “miraculous year” – a phrase coined in this context by Pope John Paul II.
7 Philip Zelikow, (2010, 30 June), Response to Blanton and Savranskaya re: 1989/1990 [Zelikow], MESSAGE POSTED TO H-Diplo@mail.H-Net.MSU.edu
in the way Karl Marx predicted. Further, they credit Mikhail Gorbachev, General Secretary of the Communist Party of the Soviet Union, for either inadvertently or intentionally allowing his Eastern European satraps to break the bonds of ‘socialist brotherhood.’ Historian Thomas Blanton writes, ‘Gorbachev was… the producer of the whole spectacle [of 1989], having set the stage, encouraged the reformers, agreed to a theater workshop, packed the house, and turned loose the talented thespians.’

If so, then the U.S. sat in the audience. America was not instrumental in engineering the *annus mirabilis*. It was nonetheless influential. This is not to say that the U.S. was particularly active. In fact, some scholars argue that America’s greatest contribution to the success of 1989’s revolutions was the U.S. government’s demonstrated passivity (though others would like to have seen more forward-leaning foreign policy from Washington). Great debate exists as to whether that passivity was the product of a prudent policy of avoiding “the wrong mistakes” or of “sleepwalking through history.” In all, historians have probably overcorrected in their desire to declaim against American triumphalism after the Cold War’s end. In the final analysis, America played an involved, albeit nuanced, role in bringing about the fall of communism throughout Eastern Europe.

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This thesis endeavors to complicate the narrative of America’s role in 1989. Doing so requires looking beyond the countries, like Poland and Germany, that usually take center stage in any retelling of the *annis mirabilis*. Hungary, instead, is the ideal site for studying what the U.S. did and did not do in service to Bush’s stated promise “to help Europe become whole and free.”

Hungary was the first Eastern Bloc country to rush headlong into the democratic breach in 1989, where it was met by an ambivalent America. Hungary had no heroes that year: no Solidarity, as in Poland, and no sledgehammer-wielding Berliners, as in Germany. The Hungarian vanguard of the Eastern Bloc’s “return to Europe” comprised reform-minded communists and bearded, bespectacled, seemingly out-of-touch dissidents hammering out plans for the first competitive election in Eastern Europe since the 1940s. Thus, Hungary presented the thorniest ideological challenge to Americans still growing accustomed to seeing the world not in Cold War black-and-white but in shades of gray.

Unevenness – that is, contradiction, disunity, and unease – characterized America’s surprised response to events in Hungary that year. In 1989, American actors of all stripes were caught between two difficult-to-conscience courses of action not just with respect to Hungary but also the Eastern Bloc at large: stirring the pot or staying the course. Put another way, Americans believed that exhorting regime change in Hungary came at the risk of ‘poking the Soviet bear,’ while acquiescing to the decades-old status quo would undermine their country’s claim to the mantle of “leader of the free world” and fail to take advantage of a window of opportunity. So, a middle course was by and large charted, though certain Americans at certain times veered closer to either of the extremes outlined above. While

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acknowledging this ambiguity, this thesis rejects the claims that the U.S. was passive or otherwise not party to regime change in Hungary.

This thesis further highlights how the American reaction to events in Hungary circa 1989 drew in more than just Bush and his coterie. It animated Washington in the most robust sense of the metonym: the several agencies of the federal government, the U.S. Congress, non-governmental organizations, newspapers, and businesses. Thus this thesis challenges the diplomatic, top-down paradigm through which the story of 1989 is often told. When Solidarność’s Lech Wałęsa spoke before Congress in Washington on November 15, 1989, he declared, “I am extending words of gratitude to the American people. It was they who supported us…”12 In a sense, this thesis seeks to do the same: extend recognition to not just to Bush but also to the many other actors who had a hand in supporting emergent democracy to Hungary and the rest of Eastern Europe.

This thesis begins by considering the history of American’s diplomatic relations with Hungary, set against the backdrop of the Cold War. It argues that, in line with broader policy, America’s doctrinal posture toward Hungary gradually and unevenly shifted from one favoring aggressive rollback to one of cautious, constructive engagement (aimed at actually upholding the division of Europe). The inflection point of that shift came in 1956, when Hungarians violently and ultimately unsuccessfully attempted to shrug off the communist yoke. By the start of 1989, the U.S. had grown comfortable, if not content, with the status quo in Eastern Europe, which helps explain Washington’s surprised and improvised response to that year’s events.

Next, this thesis evaluates the ‘official’ or ‘traditional’ story of America’s involvement with Hungary circa 1989 – i.e., how Bush and his inner circle reacted to the country’s lurch toward democracy. What emerges is a sketch of an ad hoc but by no means impotent response, tempered by Bush’s arguably overcautious foreign policy bearing. This contrasted in style but not substance with the stance of the president’s man in Budapest, Ambassador Mark Palmer. It concludes by showing that, in Washington and Budapest, the U.S. government labored understatedly to consolidate embryonic Hungarian democracy.

From here, this thesis examines a key interlocutor in the bilateral relationship between Budapest and Washington: Congress. It demonstrates how Congress picked up the slack in the American-Hungarian relationship during the early months of 1989 and ultimately pushed Bush to be more engaged in-country than he otherwise would have been. Then it weights the variety of American non-state actors who further deepened U.S. engagement with Hungary. Together, their actions demonstrability facilitated Hungary’s regime change, in step with Bush’s unstated goal of regime change. Their proactivity makes the strongest case for reassessing the conventional academic wisdom that America was a watcher, not a player, in Hungary circa 1989.


To date, a total of two English-language academic works deal with Cold War American-Hungarian relations: László Borhi’s monograph *Dealing with Dictators*¹³ and Tibor Glant’s article “Ninety Years of United States-Hungarian Relations.”¹⁴ Of course, interactions between America and Hungary circa 1989 did not take place in a vacuum, and

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as such they feature, sometimes quite prominently, in much of the literature on the lifting of the Iron Curtain. But far more often than not, Hungary is unhelpfully lumped together with fellow Soviet satellites in these histories – a convenience that overlooks America’s policy of differentiation, i.e., treating each constituent of the Eastern Bloc as a discrete (but not fully sovereign) polity with pliable national interests.\(^\text{15}\)

Glant, an American Studies professor at the University of Debrecen, devotes only a few short paragraphs to 1989 in his idiosyncratic article on American-Hungarian relations. He posits an apparently static disconnect between the two countries, contending that “few countries in the world are more important for Hungary than the United States of America” while “Hungary is viewed in Washington as an unimportant country and a possible source of trouble.”\(^\text{16}\) This theme was on full display in 1989. Glant also accurately pinpoints America’s largest but most indirect contribution to regime change in Hungary:

As of the early 1970s [sic], Hungary received loan after loan [from America] for structural reforms of the economy, but the money was spent on sustaining a high level of corruption and a standard of living which was not warranted by the performance of the economy… Incompetence navigated the country to the verge of bankruptcy again and again… but for the United States political concessions mattered more than economic common sense.\(^\text{17}\)

Glant fails to understand that working against “economic common sense” by propping up Hungarian state socialism with a line of credit worked in America’s interest: it left Hungary so indebted by 1989 that the country’s leaders had no choice but to declare their system of government bankrupt. Borhi, a Hungarian historian at Indiana University, affirms this essential point, adding, “although the erosion of dictatorship was a professed aim of the intensification of [economic] contacts with the communist regimes, their collapse was an

\(^\text{15}\) Domber, *Empowering Revolution*: 52
\(^\text{16}\) Glant, “Ninety Years of United States-Hungarian Relations:” 163, 181
\(^\text{17}\) Glant, “Ninety Years of United States-Hungarian Relations:” 177
unintended outcome of these policies.” In other words, the U.S. believed it was promoting domestic liberalization when it proffered loans to Hungary’s centralized economy when, in fact, it was priming the pump of political transformation. Borhi qualifies this claim, noting, “although Washington contributed to the failure of the one-party systems, it cannot be credited with the democratic transitions of 1989.” Indeed, America’s lending scheme can only be said to have exacerbated Hungarian communism’s structural failings, which, as outlined above, were but one causative agent of regime change. Borhi goes so far as to claim that “even with the United States removed from the equation, the result would have been the same.” This author disagrees. Arguably, 1989 would have panned out in Hungary as it did if Bush was “removed from the equation” – but Bush was not the United States. The roles played by Ambassador Palmer, the U.S. Congress, and non-state actors cannot be overlooked (hence the innovation of incorporating them into the retelling of 1989).

That innovation is cribbed from American historian Gregory F. Domber, whose Empowering Revolution does for American and Poland in 1989 what this thesis seeks to do for American and Hungary that year. He explains:

It is misleading to think about a singular policy pursued by the U.S. government. Voices within the Executive Branch often disagreed among themselves… Further complicating the image of a cohesive governmental policy, White House directives frequently required budgetary approval and so were forced to acquiesce to criticisms from Congress… [Finally,] American policy toward Poland [and Hungary] was molded by numerous NGOs that operated on the fringes of government.

All of these voices – both without and without the Executive Branch – are given their due in this thesis.

18 Borhi, Dealing with Dictators: 438
19 Borhi, Dealing with Dictators: 438-439
20 Borhi, Dealing with Dictators: 430
21 Domber, Empowering Revolution: 4-5
Chapter 1

A Brief History of the American-Hungarian Relationship

Support by United States [to Hungary] is rather in the nature of the support that the rope gives to a hanged man. – Nikita Khrushchev, 1957

This chapter sets up the historical context of America’s diplomatic relationship with Hungary (or, formally, the “Hungarian People’s Republic,” from 1949 to 1989) ahead of the annus mirabilis. That year’s revolutionary – or “refolutionary,” as Timothy Garton Ash would have historians say – events in Hungary must be couched in this context if they, and the United States’ influence on them, are to be properly evaluated. The story of the American-Hungarian relationship is a Cold War story. Until 1989, these two countries engaged one another (rhetorically, never militarily) as combatants on a pitched political battlefield. As they belonged to opposing camps, theirs was an adversarial relationship. Hostilities were tempered by the fact that America saw Hungary as a “captive nation” of Eastern Europe, bound unwillingly to the Soviet Union via the chains of Comecon and the Warsaw Pact. More than anything, though, asymmetry defined the American-Hungarian relationship. Borhi emphasizes the imbalance between “the most powerful state of the times” and “a weak client state in the middle of Europe.” When top policymakers in Washington considered Hungary as a discrete polity (which was not often), they seldom thought of the country as much more than the “happiest barracks” for the Red Army “in the

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2 Ash defines his portmanteau “refolution” as the admixture of reform from the top and revolution from below that effected regime change in both Hungary and Poland.


4 The “captive nations” label refers to those countries whose independent growth was stunted by what the United States government termed “communist imperialism.” The Council for Mutual Economic Assistance (CMEA or Comecon) was the Soviet Union’s answer to the European Economic Community. The Warsaw Pact was the Soviet Union’s answer to NATO.

5 Borhi, *Dealing with Dictators*: 1
socialist camp.” More often, Hungary was subsumed into “Eastern Europe” – an ahistorical shorthand for the Soviet Union’s satraps along the Iron Curtain. (Hungary is, in historical fact, part of Central Europe or “Mitteleuropa.”) The U.S. remained wedded to this paradigm in 1989. Bush’s first stab at foreign policy toward the Eastern Bloc – as revealed by *New York Times* columnist Thomas Friedman in March 1989 – saw Secretary of State James Baker fall back on the “Eastern Europe” catchall when referencing Hungary and Poland. Given America’s oversized stature as a superpower and Hungary’s diminished status as a comparatively tiny satrapy, it is no surprise that the latter only registered as a mere blip of the former’s radar.

In the same *New York Times* story, Friedman quotes Baker as saying, “It would seem right now that we are moving in Hungary and Poland… in this [reformist] direction. So why not let the process move forward for the time being?” Here, Baker stakes out a wait-and-see approach to changes underway in Hungary that would define America’s stance for the duration of 1989. He also unwittingly reveals the thrust of U.S. foreign policy with respect to Hungary not just during the * annum mirabilis* but for decades prior: one of passivity – or, at best, salutary neglect. Ever since the Hungarian Revolution in 1956, Hungary had been the most liberalized communist country (hence the “happiest barracks” moniker). As such, a generation of American leaders were largely content to “leave well enough alone,” so to speak.

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6 Even at the highest levels, Americans generally failed to appreciate this distinction. Timothy Garton Ash records this representative anecdote: “‘I’m delighted,’ said Henry Kissinger, ‘to be here in Eastern, I mean Central Europe.’ And for the rest of his talk he kept saying ‘Eastern, I mean Central Europe.’ The place was Warsaw, the time, summer 1990, and this was the moment I knew Central Europe had triumphed.” Timothy Garton Ash, “The Puzzle of Central Europe,” *New York Review of Books* 46, No. 5 (1999): 18


8 Friedman, “Baker, Outlining World View, Assesses Plan for Soviet Bloc”
Hungary, meanwhile, developed a schizophrenic disposition toward the U.S. during the Cold War. For propaganda purposes, the Soviet stooges who comprised the Hungarian government regarded America as the paragon of capitalist decadence and depravity. Representative in the extreme of this hostile stance is a bald-faced remark by Deputy Foreign Minister Béla Szilágyi to his American counterparts in 1967: “The more Americans die in Vietnam, the better.” The Hungarian government also saw the U.S. as a monetary lifeline, especially during the so-called “late communist” marked by economic malaise. In 1985, Hungarian National Bank Deputy Chairman János Fekete proclaimed, “Our cooperation with international monetary organizations so far as proved useful… We intend to borrow more from the World Bank.” (During the Cold War, the World Bank operated under the de facto control United States; loans were doled out with political objectives in mind.) Ordinary Hungarians did not, for the most part, share these views. Undated minutes from a meeting of the Communist Party’s Political Committee have Hungarian state security officials complaining that “the majority of the population treated the U.S. with naiveté and idealized the American way of life.” To this point, dissident intellectual György Konrád observed in 1989 that “the only films playing [in Budapest] are American… audiences have no use for our gloomy Hungarian offerings.”

To paraphrase one such American film – “Cool Hand Luke” – “what we’ve got here is the potential for a failure to communicate.” Throughout the Cold War, that potential for

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9 Borhi, *Dealing with Dictators*: 213
12 Borhi, *Dealing with Dictators*: 332
miscommunication was realized time and again – most seriously in the case of the Hungarian Revolution. That year forever changed the American-Hungarian relationship. Before 1956, the U.S. was aggressively postured toward Hungary as part of its “rollback” policy. After 1956, America came to believe it could not pit Hungarian nationalism against the Soviet system without risking nuclear war with the U.S.S.R. Thus the U.S. adopted a policy of “bridge building” aimed at merely loosening Budapest’s ties to Moscow. But bridge building’s payoff would ultimately be “refolution,” not “reassociation.”14 Through it all, America and Hungary spoke fundamentally different languages – until the late 1980s, that is, when the prospect of a democratic Hungary finally allowed for mutual intelligibility.

1.1 The Iron Curtain Descends

The American-Hungarian relationship is not even a century old. In 1921, the U.S. extended diplomatic recognition to the newly-constituted democratic Kingdom of Hungary, which was carved out of the erstwhile Austro-Hungarian Empire by Western fiat (via the 1920 Treaty of Trianon) after the First World War.15 The trauma of the Trianon Treaty drove Hungary into Adolf Hitler’s arms just before the Second World War broke out. Writer Julian Rubenstein deftly captures the lead-up to Hungary’s disastrous decision to side with Nazi Germany:

After twenty-five manic-depressive years [since WWI] that included a brief communist takeover followed by the bloody right-wing reign of Admiral Miklós Horthy (who made Hungary a kingdom without a king ruled by an admiral without a fleet), the Germans came calling with an offer that Hungary was desperate to accept.16

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14 “Reassociation” refers the goal of establishing peaceful condominium over a divided Europe. Borhi, Dealing with Dictators: 190
15 The Trianon Treaty – to which America, a victor of the First World War, was a signatory – was Hungary’s Versailles. It gave two-thirds of Hungary’s historic territory away to Austria, Czechoslovakia, Romania, and Yugoslavia, scarring the country’s national consciousness.
The offer was for partial return of lands lost to Trianon; the price was ascension to the Tripartite Pact between Germany, Italy, and Japan, binding the country to the Nazi war effort. Horthy quickly experienced buyer’s remorse. As early as 1942, he realized Hitler’s forces were faltering and tried to broker a separate peace with the Allied Powers. This did not sit well with Hitler, who in 1944 deposed Horthy with the help of Hungary’s homegrown fascist movement. One short year later, the U.S.S.R. “liberated” the country. After the dust settled, Rubenstein writes, “Joseph Stalin calculated Hungary’s tab for services rendered by the Red Army: everything.” To the victor went the spoils.

Of course, the Soviet Union shared victory with several other states, chiefly America and Great Britain. The secret 1944 “Percentages Deal” between Stalin and Prime Minister Winston Churchill saw the U.K. and the U.S.S.R. agree to a 50-50 power split in post-war Hungary. At the 1945 Yalta Conference, Stalin further consented to allow free and fair democratic elections. But, with the Red Army firmly entrenched in Budapest, Stalin felt comfortable reneging on these commitments. Boots on the ground meant he enjoyed de facto control over Hungary. American diplomat and spy James McCargar, who served in Budapest from 1946 to 1947, recalled:

> You had in each of those three countries [Bulgaria Hungary, Romania], an Allied Control Commission. The Chairman of the Commission in those three countries was the Russian officer commanding – the Soviets being in each case the occupying power. In the case of Hungary, the Russian commander was Marshal [Kliment] Voroshilov... It was his show, and he ran it... The American and British representatives on the Allied Control Commission had absolutely no authority whatsoever.

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17 Borhi notes, “In [America and the United Kingdom’s] view, the Hungarians’ withdrawal from the war would be most effective if it were to coincide with the Allied landing in Normandy.” They only entertained Hungary’s overtures insofar as doing so would provoke Hitler to invade the country, thereby drawing German manpower away from occupied France ahead of D-Day. Borhi, Dealing with Dictators: 36

18 Rubenstein, Ballad of the Whiskey Robber: 13

The U.S. had no choice but to accept this state of affairs. Moreover, America frankly did not care much about Hungary’s fate. Hungary was neither strategically nor symbolically important to Washington. The Central Intelligence Agency admitted, “Hungary, along with the Balkan satellites, had the lowest [operational] priority” at the time.\(^{20}\) The only thing tying America to Hungary at war’s end was U.S. custody of the country’s crown jewels (which the U.S. Army had reclaimed from Nazi hands).

Cut off from the West, Hungarian democracy was not long for the world. Communist leader Mátyás Rákosi, head of the Hungarian Working People's Party (HWPP) and Stalin’s trained man in Budapest, employed “salami tactics” to slice away the opposition until his communists were the only political force left standing. On August 20, 1949, Hungary adopted a new constitution and became a “People’s Republic.” The dictatorship of the proletariat had come to pass. Rákosi wasted no time presiding over the Stalinization of the Hungarian People’s Republic, cracking down on civil liberties, collectivizing farms, and nationalizing industry (including businesses owned by Americans, to Washington’s considerable chagrin). Rákosi’s state security service, the ÁVH, ensured any and all resistance to these moves was answered with force, arranging show trials of vicious sort that earned their boss the epithet “Stalin’s best Hungarian pupil.”\(^{21}\) Reporting from Hungary in 1953, *New York Times* foreign correspondent C. L. Sulzberger wrote, “It does not take long to discover that Hungary is plainly a police state….”\(^{22}\) Testifying to Rákosi’s cruelty, Sulzberger continued, “During the last two years, about 55,000 [members of the erstwhile


\(^{21}\) Gati, *Failed Illusions*: 51

bourgeois] have been deported to eastern Hungary where they fend for themselves or work in collectives – or die.” Rákosi was eventually ousted from the General Secretary’s position in 1956 as part of Nikita Khrushchev’s “de-Stalinization” push, but the damage to the fabric of Hungarian society had already been done.

1.2 The 1956 Hungarian Revolution

By 1956, ordinary Hungarians had reached the limit of their collective ability to accommodate communism’s cruelties. On October 23, 1956, the country’s citizenry erupted in a spontaneous revolt (the proximate causes and contours of which are not germane to this thesis). Though it initially began as a rejection of communism, the revolt coalesced around the cause of neutral, democratic Hungary. That cause was squashed on November 6, 1956, after a full-scale armed intervention by the Soviet Union. Thousands died. 200,000 Hungarians fled to the West, many of whom settled in the United States. Budapest lay in ruins, just 12 years after the Red Army had sacked the city for the first time. Washington, wide-eyed with surprise, had learned just how far Moscow was willing to go to preserve the fraternity of the Eastern Bloc when threatened by brazen calls for independence.

Speculation has historically run rampant that America had a hand in fomenting the Hungarian Revolution. Though the White House had internally renounced the “rollback” doctrine (of reversing communist takeovers, when and where possible) under President Dwight D. Eisenhower, the 1956 Republican Party platform on which Eisenhower won re-election loudly proclaimed America’s commitment to “the liberation of the satellites” in Eastern Europe.24 Eyewitness and historian Charles Gati explains, “American policy toward

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23 Sulzberger, “Red Hungary Has Placid Exterior That Conceals Explosive Forces”
Hungary [in 1956], and Eastern Europe, in general, was long on words and short on deeds – in place was ‘NATO’ of a different kind: No Action, Talk Only.” The basic facts are these: Washington had no plans to liberate Hungary from Soviet suzerainty or help Hungarians self-liberate; when the revolt took place, Washington (and the rest of the U.S.) was taken by surprise; and, lastly, Washington expended little-to-no effort assisting the revolutionary cause. Eisenhower understood that there was not much his country could do for Hungary militarily, given the threat of nuclear war inherent to any American-Soviet showdown. His rhetorical options were limited too, because America’s British, French, and Israeli allies had undermined the West’s moral high ground with an ill-timed invasion of the Suez Canal. As such, he had virtually no choice but to offer this mealy-mouthed proclamation on October 25, 1956: “The heart of America goes out to the people of Hungary.”

Unofficially, the story of U.S. involvement in the Hungarian Revolution is slightly more complicated. “The CIA did not have any serious Hungarian operations on the eve of the 1956 revolt,” Gati writes, “except for Radio Free Europe (RFE).” In 1956, the CIA both funded and controlled RFE, putting its powerful transmitters in Munich to work broadcasting subversive messages across the Iron Curtain. While RFE was active during the Hungarian Revolution, the service stopped short of pouring gasoline on the proverbial fire. Instead, “RFE projected… the sympathy and moral and humanitarian support of the entire

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25 Gati, Failed Illusions: 112


27 Gati goes on to note, “During the 1956 revolt… the CIA did not have a single Hungarian-speaking agent in a nearby Western European capital and only one in Budapest.” Gati, Failed Illusions: 95
Western world for the Hungarian cause,” writes former RFE director A. Ross Johnson.\(^{28}\) (RFE did put out one item promising Hungarians that “pressure upon the government of the United States to send military help to the Freedom Fighters will become inevitable.”\(^{29}\)) Although Hungarians perceived that a Western intervention was on the horizon, help was never on the way.

In response to the events of 1956, Washington downgraded the American diplomatic mission to Hungary. (There would be no American ambassador to the Hungarian People’s Republic until 1967.) Further, U.S. National Security Council Report 5811, published in May 1958, eschewed the policy of “ostracizing the dominated regimes” in favor of promoting “peaceful evolution of the dominated nations toward national independence and internal freedom.”\(^{30}\) Thus, the policy of “differentiation” was born.

**1.3 Bridge Building**

It fell to apparatchik János Kádár to reconstitute Hungarian society in the aftermath of 1956. Recognizing that “most Hungarians were really social democrats, not communists,” he rebranded the HWPP as the Hungarian Socialist Worker’s Party (HSWP), according to former Hungarian Ambassador to the United States András Simonyi.\(^{31}\) Kádár introduced modest but creeping reforms, including limited tolerance of free market economics, that served up the panacea of “goulash communism” in Hungary. Financing this social contract necessitated borrowing heavily from American banks. Miklós Németh, who served as Hungary’s prime minister from 1988 to 1990, reflected:


\(^{29}\) Johnson, “Setting the Record Straight:” 11

\(^{30}\) Békés, Byrne, and M. Rainer, EDS, *The 1956 Hungarian Revolution:* 545, 547

\(^{31}\) András Simonyi, in discussion with the author, 15 Mar. 2017, Washington, DC
The killing of the [Eastern Bloc] or the communist system started with that moment when the Western banks, financial institutions, on a very selected basis of course, gave some credits and debts loans to certain countries. Indeed among others to Hungary. Because with that moment, the Western countries put on a hook these countries... [in the] late ‘60s.\textsuperscript{32}

The Soviet Union, still smarting from the unfavorable optics of 1956, tacitly approved of Kádár’s program. Donald Kursch, an American diplomat who served as Deputy Chief of Mission to Hungary from 1986 to 1990, explained, “Kádár pulled the Soviets’ chestnuts out of the fire in 1956, so Moscow gave him wide berth.”\textsuperscript{33} In a display of ideological flexibility that the Kremlin would frown on elsewhere, Kádár declared on November 17, 1961: “Those who are not against us are with us.”\textsuperscript{34}

As far as Kádár was concerned, though, America was against Hungary. RFE remained a sticking point in the relationship; for instance, in a November 30, 1957, address, Kádár blasted America’s “outdated, unfriendly, and ineffective policy toward the Hungarian People’s Republic,” singling out “so-called Radio Free Europe” for criticism.\textsuperscript{35} Another sticking point was the presence of Roman Catholic Cardinal József Mindszenty inside the American chancery in Budapest. Mindszenty, a dissident who had been jailed by Rákosi but released by revolutionaries, was granted asylum by the U.S. when the Red Army rolled back into Budapest in 1956. He remained inside the chancery for 15 years. Horace Torbert, America’s Chargé d’Affaires in Hungary from 1961 to 1962, recalls:

This was a very difficult thing. We still had almost no relations with the Hungarian government. We were constantly harassed by security people. For

\textsuperscript{33} Donald B. Kursch, in discussion with the author, 4 Mar. 2017, Washington, DC
\textsuperscript{34} Gough, Roger, \textit{A Good Comrade: János Kádár, Communism and Hungary} (London: I.B. Tauris, 2006): 135

example, there were always three cars full of goons poised outside the legation offices, which is where Mindszenty was, to be sure that he never escaped.  

However, U.S. and Hungary finally resumed normal diplomatic relations in 1967, when Washington dispatched Martin Hillenbrand to Budapest to serve as America’s first ambassador there in over a decade. This decision to inaugurate normal relations came as part of the Lyndon B. Johnson administration’s “bridge building” initiative. Johnson attempted to build another bridge that same year, directing the U.S. Import-Export Bank to insure export credits to Hungary, thereby facilitating American financial dealings. Congress did not let the move stand. “President Johnson's bridges to the East, in my opinion, are foolish and bloody bridges,” thundered Rep. Paul A. Fino on the House floor. A 1968 legislative amendment that bore his name subsequently prevented the Export-Import Bank from extending credits to countries aiding North Vietnam (such as Hungary). Here is but one example of Congress modulating the American-Hungarian relations; Congressional interference is further discussed in chapter three.

Kursch – who drew Mindszenty baths daily in 1971 until the Cardinal left on September 28 of that year – noted that Mindszenty “constrained U.S. freedom-of-movement in Hungary. The plainclothes police left us alone the day he departed – that was the restarting point of U.S.-Hungarian relations.” The next year, President Richard Nixon’s Secretary of State, William Rogers, paid a visit to Budapest – the highest-level U.S. delegation to date. Normalization was close to complete by this time, as Nixon steered the

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39 Kursch, in discussion with the author, 4 Mar. 2017, Washington, DC
U.S. ship of state away from containment and toward détente, but Hungary remained of diminished interest to the White House. When National Security Advisor Henry Kissinger sent Alfred Puhan to be the second post-1956 U.S. ambassador to Hungary, he reportedly said, “I’m very glad, Al, that you’re going as ambassador. But I wish you were going to a country more important to us than Hungary.”40 The first meaningful political breakthroughs with the Hungarian People’s Republic would arrive with the administration of President Jimmy Carter. Philip Kaiser, U.S. ambassador to Hungary from 1977 to 1979, noted: “We had reached a stage in the relationship where Hungarians could say, ‘Look it’s time for you to return the crown of St. Stephen [Hungary’s crown jewels] and for you to give us the Most Favored Nation [trading] treatment.’”41 Carter acceded to both requests in 1978. From there, the sky was the limit as far the American-Hungarian relationship was concerned.

When Ronald Reagan took the reins of American foreign policy in 1981, U.S.-U.S.S.R. relations were deteriorating, thanks to, inter alia, the Kremlin’s decisions to invade Afghanistan and abet the Sandinistas in Nicaragua. But for all his bluster, Reagan’s attitude toward the Soviet Union, to say nothing of Eastern Europe, was not as uncompromisingly hostile as history holds.42 In fact, considerable advances in the American-Hungarian relationship were made during his time in office, pursuant to the longstanding policy of differentiation. Admittedly, many of these changes are more directly attributable to Gorbachev, who entered the scene in 1985, but it is to Reagan’s credit that Gorbachev’s overtures found a friendly audience in the White House. Moreover, the two most salient

42 Consider Reagan’s 1983 “evil empire” remark, or his famous 1987 injunction, “Mr. Gorbachev, tear down this wall.”
improvements in the relationship came while Gorbachev was still waiting in the wings. First, in 1982, Reagan consented to Hungary’s ascension to the International Monetary Fund and the World Bank. Second, in 1983, Vice President George Bush paid a visit to Budapest while Hungarian Foreign Minister Péter Várkonyi became the first Hungarian government official of his stature to visit Washington. After these visits, Hungary’s ambassador to the U.S. informed Bush, “[We welcome] the policy of differentiations if it takes into account objective historical, economic, ethical, and socio-political differences.” In essence, the HSWP had endorsed America’s effort to help decay Hungary’s orbit around the U.S.S.R. Thus, by 1985, the CIA was ebullient: “Too many of the Hungarian elite have traveled to or in other ways been exposed to the United States… Too many Hungarian leaders are aware not only of the benefits but also of the very necessity of their country’s international economic ties.” In 1988, Kursch, noting “the steady improvement of U.S. relations with the U.S.S.R. and Hungary, which has transpired during the last five years,” mused that “the potential for constructive East-West cooperation looks brighter now than any time since the onset of the Cold War.”

1.4 “Refolution”

What follows are the most notable political stepping-stones along Hungary’s path to “refolution,” starting in September 1987, when the Hungarian Democratic Forum (HDF) was founded by anti-communist intellectuals, becoming the country’s first opposition political party. The HDF would go on to triumph in Hungary’s first post-communist election on March 25, 1990. Present at the HDF’s foundational meeting was Imre Poszgay, a

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43 Borhi, *Dealing with Dictators*: 343
45 Kursch, in discussion with the author, 4 Mar. 2017, Washington, DC
member of the HSWP’s reform wing and Minister of State from 1988 to 1990. Pozsgay’s presence indicated that HSWP’s reform wing was more simpatico with the opposition than with hardliners in their own camp. This development piqued American interest. The next year’s developments held it.

March 15, 1988 – the anniversary of the 1848 Hungarian Revolution, which was put down by the Austrian and Russian Empires – saw the largest-ever pro-democracy protests in Budapest (to the tune of 10,000 people).\(^{46}\) The loudest of the protestors’ number were met by the truncheons of the state security services. Two weeks later, the Alliance of Young Democrats, or Fidesz, was founded in Budapest by radical students. Fidesz would go on to become the most vocal vanguard of democratic change in Hungary. In April 1988, a McDonald’s opened in Budapest – the first Golden Arches in the Eastern Bloc. In May 1988, Fidesz’ adult counterpart, the Alliance of Free Democrats (AFD), was founded. Meanwhile, at the May 20-22 conference of the HSWP, gerontocrat János Kádár was ousted as party General Secretary after 32 years of rule. He was replaced by Károly Grósz, who by the lower standards of 1988 could be a considered a reformer (by the next year’s standards, he was a bona fide hardliner.) Grósz’s tolerance was tested on June 16, 1988, when opposition figures gathered in Budapest to commemorate the 30th anniversary of the execution of Imre Nagy, leader of the 1956 Hungarian Revolution. He authorized their arrests but took care to ensure they received kid-glove treatment. One month later, Grósz traveled to the United States, where he was fêted by President Ronald Reagan.\(^{47}\) In doing so,

\(^{47}\) The \textit{New York Times} quoted a “State Department official” as saying, “Grosz… like Mikhail S. Gorbachev a product of a younger generation, is the only East European leader who can be regarded as a welcome guest in Washington. His counterparts in East Germany, Czechoslovakia, Rumania and Bulgaria are mostly in their 70's - emblems of conservative policies that had their origin in the era of Stalin.” David Binder, “Visit From Grosz; Hungary and the U.S., Finally Face to Face,” \textit{New York Times} 31 July 1988
he achieved in a matter of weeks what Kádár had aspired to for decades: the highest elevation of diplomatic relations between Hungary and the United States. Reagan saw Grósz off with these remarks: “I hope you'll remember what you've seen here about the strength to be found in a society that is free, in a society committed to upholding fundamental human rights and open to diverse opinion and talent.” Grósz evidently did. When the year’s third major wave of protests broke out in September and October – this time in opposition to a proposed dam on the Danube River – nary a demonstrator was imprisoned.

November 1988 held further surprises: notably, the elevation of reformist economist Miklós Németh to the position of prime minister and the proposal of a so-called “Democracy Package,” which, to the delight of the U.S. State Department, “included trade union pluralism; freedom of association, assembly, and the press; a new electoral law; and a radical revision of the constitution.” These sweeping reforms were put in place just before Bush took office on January 20, 1989. Thus, the stage was set for the performance of the lifetime from the 41st president. The next chapter shows that he immediately flubbed his lines.

Chapter 2

Budapest and Washington, 1989

The Cold War began in Eastern Europe, and if it is to end, it will end in this crucible of world conflict. – George H. W. Bush, April 17, 1989

President Ronald Reagan measured roughly six feet tall, but his likeness in Budapest’s Freedom Square stands a full foot taller, reflecting the outsize esteem in which Hungarian public memory holds him. According to a Hungarian government press release, the bronze of the 40th president commemorates his role in “bringing the Cold War to a conclusion” – notwithstanding that the Cold War actually ended on his successor’s watch. No statue of President George H. W. Bush can be found in the Hungarian capital. Although incumbent Hungarian Prime Minister Viktor Orbán announced plans to erect one in 2012 and even appropriated around $115,000 to construct it, the project has apparently been “mothballed;” reportedly, the likeness of the 41st president is “not very realistic.” The same can be said of Bush’s popular legacy in Hungary and Eastern Europe at large. Memory has long held that Bush was “cautious or timid” at Cold War’s end. Bush himself, meanwhile, wrote in 1991 that he, along with General Secretary Mikhail Gorbachev, “liberated Eastern Europe.” The truth of the matter lies somewhere in between these claims.

When Bush assumed office in January 1989, the Iron Curtain seemed to stand as resolutely as ever. By December 1989, Hungary and the rest of the Eastern Bloc of nations had rid themselves of one-party state socialism, with help from the powers that were in

5 Borhi, Dealing with Dictators: 364
Bonn, Moscow, Washington, and elsewhere. A lot happened in the intervening months. Bush’s 1989 can be divided into three discrete phases: pause (through April), improvisation (through July), and consolidation (through December). During the first phase, Bush wasted time trying to get a handle on Gorbachev and his grand strategy while Hungary hurtled toward surprising changes. During the second phase, Bush labored to calibrate an appropriate diplomatic response to fast-changing events in Hungary and elsewhere in Eastern Europe. Finally, during the third phase, Bush, at last grasping the gravity of the historical moment, worked to provide political cover for incipient Hungarian democracy. Throughout the entire year, Bush, not wishing to endanger the position of his reform-minded counterpart in Moscow or engender a 1956-style backlash from the Kremlin, proceeded with characteristic caution. This created a vacuum of American leadership in Budapest which Ambassador Palmer took pleasure in filling.

2.1 January-April: Pause

Bush assumed the presidency of the United States on January 20, 1989. In his inaugural address, he proclaimed, “A new breeze is blowing, and a world refreshed by freedom seems reborn,” before boldly declaring that “the totalitarian era is passing.”\(^6\) The similarities between his remarks and British Prime Minister Harold Macmillan’s celebrated 1960 “Wind of Change” speech are unmistakable. Speaking in the context of African decolonization, Macmillan asserted, “The wind of change is blowing through this continent. Whether we like it or not, this growth of national consciousness is political fact.”\(^7\) Macmillan may as well have been speaking of Eastern Europe in 1989. The Eastern Bloc’s “captive nations” were waking up after decades of Soviet-induced sedation. Indeed, six

months after Bush’s inauguration, Timothy Garton Ash – the *annus mirabilis*’ most influential chronicler – wrote, “the comparison that comes to mind [when talking of changes in Hungary] is less with 1968 than with 1848, less with the Prague Spring than with the Springtime of Nations.” At the heart of Bush and Macmillan’s addresses was a belief in political change as being seasonal, i.e., a force of nature – impersonal, inexorable, and occurring independent of policy. In Bush’s estimation, the “new breeze” was not of America’s making. It swept over the United States the same as it did Eastern Europe. It was something to be reacted to. Further on in his inaugural, Bush admitted, “I see history as a book with many pages… The new breeze blows, a page turns, the story unfolds.” This remarkable passivity in rhetoric would be matched in deed for at least the first months of the Bush era.

For example, one week after Bush’s inauguration, Hungary’s leading reform communist, Imre Pozsgay, announced that the events of 1956 were a “popular uprising” and not a “counter-revolution,” upending a three-decades-long policy of government obfuscation. Bush’s response to Pozsgay’s so-called “January surprise” – silence – in many ways set the tone for his early foreign policy administration. Meanwhile, Ambassador Palmer took it upon himself to protect Pozsgay’s reformist flank by publicly urging General Secretary of the Hungarian Socialist Worker’s Party (HSWP) Károly Grósz not to take punitive action. This disconnect between top- and street-level U.S. diplomacy

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11 Tökés, *Hungary’s Negotiated Revolution: 300*
12 Tökés, *Hungary’s Negotiated Revolution: 300*
would define America’s response to terminal developments in the Eastern Bloc for the early months of the year.

Also on day one of his presidency, Bush vowed to “continue the new closeness with the Soviet Union, consistent both with our security and with progress,” acknowledging the diplomatic strides that had been made under his predecessor.13 (It is worth mentioning that Bush did not mention “Eastern Europe” or even “Europe” once in his inaugural.) Those strides had brought American-Soviet relations to a historic high point by the time Reagan vacated the Oval Office and prompted many observers to wonder aloud if the Cold War’s end was in sight. Bush’s victory at the ballot box in was in large part clinched thanks to his ties to Reagan; having served as the Gipper’s Vice President, he implicitly represented to the American electorate a continuation of Reagan-era policies. Campaign trail expectations, however, did not match reality, as Bush’s opening foreign policy salvos laid bare his desire to leave his own stamp on American diplomacy. (“I had my own guiding principles and values,” the 41st president would later write.14) Those principles and values compelled him to fire hundreds of Reagan’s appointees when he took office. Bush’s National Security Council (NSC) European Affairs Director Robert L. Hutchings recalled, “Along one corridor in the offices of the European and Soviet Directorate on the third floor of the Old Executive Office Building was a long row of filing cabinets – all empty…”15 He continued, “There was no such thing as a ‘Reagan-Bush’ foreign policy. Before 1989 there was

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14 Bush and Scowcroft, A World Transformed: 17
Reagan; afterwards there was Bush.”\(^\text{16}\) Incoming Secretary of State James Baker, meanwhile, admonished his staffers, “Remember, this is not a friendly takeover.”\(^\text{17}\)

So what was Bush’s foreign policy? For one thing, “Bush acknowledged that, in contrast to his predecessor, he would not be offering ‘the vision thing’ to the American public,” writes historian Robert Service, continuing, “He made a virtue of being cautious and pragmatic.”\(^\text{18}\) In National Security Advisor Brent Scowcroft, Bush found a soul of similar prudence. Their combined caution and pragmatism led them to take a rather skeptical view of Gorbachev. Scowcroft’s thinking in January 1989 ran thusly:

I believed that Gorbachev’s goal was to restore dynamism to a socialist political and economic system, and revitalize the Soviet Union domestically and internationally to compete with the West. To me, especially before 1990, this made Gorbachev potentially more dangerous than his predecessors.\(^\text{19}\)

More succinctly, he would remark on January 22, 1989, “I think the Cold War is not over.”\(^\text{20}\) (The Hungarians took note of this assertion.\(^\text{21}\)) Five days later, Bush, the consummate politician, modulated that line ever so slightly, demurring that he did not like the term “Cold War” because it “doesn’t properly give credit to the advances that have taken place in this relationship [with the Soviet Union].”\(^\text{22}\) He continued, “Do we still have problems, are there still uncertainties, are we still unsure in our predictions on Soviet intentions? I’d have to say, ‘Yeah, we should be cautious.’”\(^\text{23}\) Bush and Scowcroft reserved particular caution for political change on the Soviet Union’s European fringe. “What we

\(^\text{16}\) Hutchings, *American Diplomacy and the End of the Cold War*: 6
\(^\text{19}\) Bush and Scowcroft, *A World Transformed*: 13
\(^\text{20}\) Beschloss and Talbott, *At the Highest Levels*: 17
\(^\text{22}\) Beschloss and Talbott, *At the Highest Levels*: 19
\(^\text{23}\) Beschloss and Talbott, *At the Highest Levels*: 19
were seeing was another of the recurrent surges in Eastern Europe that the Soviets had cracked down on before, in Berlin 1953, Hungary 1956 and Prague 1968,” Scowcroft later reflected.  

Bush was especially mindful of 1956. He writes in his memoirs, “I did not want to encourage a course of events which might turn violent or get out of hand and which we then couldn’t – or wouldn’t – support, leaving people stranded at the barricades.” This is an unmistakable reference to the Hungarian Revolution – in 1956 the United States, through Radio Free Europe, inadvertently encouraged Eastern Europeans to rise up against the Soviets, only strand them “at the barricades.”

Bush’s first foreign policy steps – a series of National Security Reviews (NSRs) – were taken on February 15, 1989, reflecting new thinking in the White House. Uncertainty over Gorbachev’s intentions and the stability of his leadership, along with disdain for Reagan’s hard-charging foreign policy style, convinced the NSC of the need for new strategic concepts vis-à-vis the Soviet Union, Eastern Europe, and the rest of “the West.”

The lengthy review process was dubbed the “pause” by the American press and the “pauza” by the Kremlin. Ultimately, it served only to suck the dynamism out of the American-Soviet relationship bequeathed to Bush by Reagan. (Gorbachev told British Prime Minister Margaret Thatcher on April 6, 1989 that the pause was “intolerable.”) Moreover, the NSRs were, by Scowcroft’s own admission, “disappointing.” Baker dismissed them as “mush.” Their high-concept content was of no actionable value in a rapidly-changing world. If the “pause” was a disappointment to White House insiders, it was perceived as disaster to

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24 Brent Scowcroft, Interview by Frederick Kempe, Atlantic Council, 2 Nov. 2009
27 Beschloss and Talbott, *At the Highest Levels*: 49
28 Bush and Scowcroft, *A World Transformed*: 40
29 Baker and DeFrank, *The Politics of Diplomacy*: 68
outside observers, for it enabled Bush and his team to punt on the increasingly urgent “Eastern Europe question.” The Polish dissident Adam Michnik memorably accused Bush of “sleepwalking through history” as the pace of political change accelerated in Hungary and Poland such that “revolution” became a more apt description than “reform.”30 In Hungary, the government not only doubled down on Pozsgay’s assertion of the new character of the 1956 uprising but also announced a commitment to political pluralization and economic liberalization. New anti-communist associations and publications seemed to crop up daily, and a Polish-style National Round Table – a legal framework for shepherding the state away from the one-party system – was in the works. The seeds of incipient liberal democracy in Hungary were being sown.

The Bush administration was not unaware of this demand for action. On March 2, 1989, Baker met with Hungarian and Polish diplomats in Vienna, coming away with the impression that “while [both countries] had relied on Gorbachev to change the East-West climate so their reforms might be possible, they now wanted the United States to help them so they could continue and consolidate their efforts.”31 Mostly, they wanted U.S. dollars to prop up their sputtering economies. The White House was loath to fork over much money, owing to a domestic credit crunch and Bush’s unwillingness to raise taxes. NSC memos reveal intense hand-wringing over exactly how much aid American could afford to give and how it could do so in a way palatable to the Kremlin.

As the review process wrapped up in the spring of 1989 and the NSC readied aid proposals, Bush and his team were confronted by domestic upheaval in China, culminating in the Tiananmen Square massacre. The violent resolution of the Chinese crisis served to

30 Meyer, The Year That Changed the World: 63
31 Baker and DeFrank, The Politics of Diplomacy: 64
heighten Bush’s fears of Soviet retrenchment, further prolonging the “pause.” Later, Bush administration officials made the case that America’s unresponsiveness to changes in the early months of 1989 had a salutary effect, insofar as Washington’s hands-off policy gave hardliners in Budapest and/or Moscow no pretext for staging their own Tiananmen Squares. The possibility of an armed counter-reformation by communist orthodoxy was real – as the Central Intelligence Agency readily conceded – even in the relaxed Hungarian security context. Károly Grósz had concocted a plan in 1988 for implementing martial law in Hungary. However, there is no evidence that he seriously considered activating it. Moreover, any such operation would have required the assistance of the 100,000 Soviet troops stationed in Hungary proper. Seeing as the Hungarian government took care to clear all political decisions with Gorbachev, it is therefore unlikely that the Soviet premier would have found cause to deploy those soldiers. Bush and his team did not register this in early 1989, though the information was certainly available to them through Ambassador Palmer, who had deep contacts at the highest levels of Hungarian government. Palmer was tennis partners with Prime Minister Miklós Németh, President Rezső Nyers, and Foreign Minister Gyula Horn. Grósz remarked, “Whatever went on in the PB [Politburo], Palmer heard about it the next morning.” Thus, it is likely Palmer was in the know. Tellingly, he signed

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Fears were not decisively put to rest until October 25, when the Soviet Union’s Foreign Ministry spokesman told journalists, “You know the Frank Sinatra song “My Way”? Hungary and Poland are doing it their way. We now have the Sinatra doctrine.”


33 Kursch, in discussion with the author; Lynch, in discussion with the author

34 Tökés, *Hungary’s Negotiated Revolution*: 288
on to an April 2, 1989 *New York Times* article on which announced an expert consensus on “the relaxation, if not revocation, of the Brezhnev doctrine.”

Armed with an assurance that the coast was clear, Palmer took action where his government did not. He was able to do this because, in the words of his Political Officer Tom Lynch, “if you’re posted to Hungary, you don’t expect a lot of guidance or oversight from the State Department.” Palmer worked with Hungarian officials to prepare for the mass privatization of the economy. Further, he corralled investments from businesspeople with ties to Hungary, like George Soros – with whom he founded the country’s first Western-style business school – and the Reichmann family, heirs to the Olympia and York fortune. He also met with the leaders of the HSWP’s feared paramilitary unit (the Worker’s Militia), talking them out of subduing mass pro-democracy protests planned for March 15, 1989. That day, Palmer remembered, “I went out and walked with the opposition for four hours through the streets of Budapest. I was filmed by ABC and others…. For this, I was recalled to Washington and reprimanded.” Baker may not have liked Palmer’s symbolic decision to ally the U.S. with Hungary’s democrats, but ordinary Hungarians did; Kursch remembers Palmer becoming “a celebrity… People would stop he on the streets to ask for an autograph.”

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36 Lynch, in discussion with the author, 18 Mar. 2017, Washington, DC
38 Lynch, in discussion with the author
39 “I pointed out to them that if the militia opened fire, they could kill, among others, the U.S. ambassador and many other Americans and foreigners, for I and part of the embassy staff would be marching.” Mark Palmer, *Breaking the Real Axis of Evil: How to Oust the World’s Last Dictators by 2025* (Lanham, MD: Rowman & Littlefield, 2005): 104
40 Palmer, Interview with Charles Stewart Kennedy
41 Kursch, in discussion with the author
In early April 1989, Palmer put his thoughts regarding Hungary on paper in an essay entitled “U.S. and Western Policy – New Opportunities for Action.” They were noteworthy enough to merit mention in the New York Times. Palmer estimated that aggressive U.S. interest in Hungary’s incipient democracy could provoke a 1956-style backlash while the low-energy status quo would do the same: “Stagnation for the east and passivity on the part of the West are not viable policies. They will only lead to further explosion and inherent instability.” Sensing a historic window of opportunity, Palmer asked, “What is possible? Viewed from Hungary, practically the only constraints [on change] are Western imagination and resources.” But “his most provocative suggestion,” wrote the Times, “was for a Presidential visit to all six Warsaw Pact countries.” Mere weeks later, Bush would announce his intention to visit Hungary and Poland – an implicit concession to Palmer’s way of seeing and doing things.

Reflecting on the “pause,” National Security Council staffer Philip Zelikow writes:

“In the spring of 1989 [Bush] is wary – like any new president – about how he's doing, coming out of Reagan's shadow... trying to counter the narrative ['plodding, unimaginative reactionary, prizing stability above all'] that had already found its way into the press during his first weeks in office (and persists to this day).”

He evidently did not succeed.

2.2 April-July: Improvisation

As the “new breeze” whipping through the Eastern Bloc gained strength, Bush and his administration scrambled to regain the strategic initiative. Changes in Poland on April 5,
1989 forced the administration to act: on that date, the communist government and Solidarity concluded an agreement paving the way for partially free and fair elections. This prompted Bush’s April 17, 1989 “Hamtramck speech,” which was originally intended for the start of college commencement season in May. Hamtramck was a fitful start. The speech lacked of direction and, more interesting for Eastern European ears, anything resembling a much-sought-after “Marshall Plan.” Emblematic of the speech’s shortcomings was Bush’s quip that “liberty is an idea whose time has come in Eastern Europe, and make no mistake about it.”

Here, he once again falls back on the passivity displayed in his inaugural. One Hungarian columnist, reviewing the speech for an official government organ, did not even think it applied to Hungary. Crucially, though, Bush did single out the Soviet periphery as the next battleground in America’s (metaphorical) war against communism when he proclaimed that “the Cold War began in Eastern Europe, and if it is to end, it will end in this crucible of world conflict.” Thus, the Hamtramck speech put into words a renewed focus on Eastern Europe. Even so, events in the region continued to outpace the Bush administration. On May 2, 1989, Hungary unilaterally began to dismantle its militarized border with Austria, citing the burdensome expense of maintaining its share of the Iron Curtain. The government did so – again – in close consultation with Gorbachev. Washington stayed silent.

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47 Peters and Woolley, “George Bush: Remarks to Citizens in Hamtramck, Michigan, April 17, 1989”
49 Peters and Woolley, “George Bush: Remarks to Citizens in Hamtramck, Michigan, April 17, 1989”
On May 31, 1989 in Mainz, West Germany, Bush at last articulated what Scowcroft would later call “the capstone of the unfolding of our strategy for relations with Europe and the Soviet Union.”

The president declared:

[Democracy] is sweeping across Eurasia. This one idea is why the Communist world, from Budapest to Beijing, is in ferment. Of course, for the leaders of the East, it’s not just freedom for freedom’s sake. But whatever their motivation, they are unleashing a force they will find difficult to channel or control: the hunger for liberty of oppressed peoples who’ve tasted freedom… As President, I will continue to do all I can to help open the closed societies of the East… to help Europe become whole and free.

It sure sounded good, but for all Bush’s rhetorical bluster, the actual policy proposals put forward in this latest address were uninspired. (Specifically, he proposed a 15 percent cut to NATO and Warsaw Pact military hardware levels along with a 20 percent cut to troop levels.) Moreover, viewed from Hungary, Bush’s choice of venue for announcing America’s new engagement with Eastern Europe was amusing. West Germany was far and away the biggest supporter of the changes taking place in Hungary, and unlike the United States, West Germany was not just cheerleading. Hungary’s decision in May to demilitarize its border with Austria allowed thousands of beleaguered East Germans to illegally flee westward; West Germany rewarded this decision handsomely. Tom Lynch remarked, “The Germans were far outstripping us.”

Ambassador Palmer seemed to share Bush’s fixation on the Red Army. On June 16, 1989, the Hungarian government agreed to the ceremonial reburial of Imre Nagy in a hugely-emotional public ceremony that brought hundreds of thousands of mourners to Heroes’ Square in Budapest. Survivors of the 1956 Hungarian Revolution and members of

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50 Bush and Scowcroft, A World Transformed: 83
52 Lynch, in discussion with the author
the opposition were given a platform to speak alongside HSWP dignitaries. Viktor Orbán, a leader in Fidesz, exploited the opportunity to deliver an electrifying speech calling for the complete withdrawal of Soviet troops from Hungary – to the mortification of the HSWP and, surprisingly, Palmer. Eric Chenoweth remembers Palmer browbeating Orbán at the American embassy on the evening of June 16, chiding, “You’re going to bring on a crackdown.”

That said, Chenoweth specified, “Palmer still provided encouragement and support to the Young Democrats;” it was just that he feared for the “managed transition” of power he had been working toward. Indeed, Palmer regularly dropped in to check on the progress of Hungary’s National Roundtable Talks, which began on June 13, 1989 as a negotiating forum between the HSWP, the Opposition Roundtable (a big tent for opposition groups), and the “Third Side” – i.e., trade unions. On June 27, 1989, for instance, Palmer met with members of the Opposition Roundtable, where he announced, “We would be happy to sponsor an group from Round Table to visit America to discuss economic issues.” Further, he promised, “I do not think [President Bush’s upcoming visit] will disappoint.”

It was now Bush’s time to shine. His visits to Hungary and Poland were scheduled for July 9-13, 1989. Bush resolved to walk a fine line in Warsaw and Budapest, wanting to encourage reform but afraid of giving proverbial ammunition to hardliners itching to stage interventions à la 1956. Little did he know that Gorbachev had all but foreclosed such a possibility at a Warsaw Pact consultative conference weeks before the presidential visit.

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53 Eric Chenoweth, Interview by Noah Buyon, 17 Apr. 2017, New York, NY
54 Chenoweth, Interview by Noah Buyon
56 Az Ellenzéki Kerekasztal ülése, az Egyesült Államok nagykövetének látogatása 1989 Június 27, Open Society Archives, Budapest, Hungary
57 Az Ellenzéki Kerekasztal ülése, az Egyesült Államok nagykövetének látogatása 1989 Június 27, Open Society Archives, Budapest, Hungary
There “the satraps of the Warsaw Pact” had sought to secure Gorbachev’s approval for a “fraternal intervention” to roll back the changes in Hungary.\(^{58}\) As they lobbied, Hungarian Prime Minister Németh recalls Gorbachev giving him a surreptitious wink. “Strictly speaking, it wasn't really a wink,” Németh later mused.\(^{59}\) “It was more a look, a bemused twinkle. Each time he smiled at me with his eyes, it was as if [he] were saying, ‘Don't worry. These people are idiots. Pay no attention.’”\(^{60}\) Németh took the hint. Sufficiently emboldened, he looked to his American guests for capital in order to implement the kind of sweeping reforms implicitly okayed by Gorbachev. Németh and his cohort of reformists in the HSWP saw the U.S. as a cash cow. They wanted to milk it. They soon discovered that America, despite being a byword for prosperity, was in some ways as financially hamstrung as their country. An NSC memo ahead of the visit acknowledged that “the time is not propitious for proposals that require new money. Moreover, some conservatives may balk at the notion of grants for communist Poland and Hungary.”\(^{61}\) Even if Bush had been able to promise Németh the kind of monetary assistance so desired, he would not have done so in July 1989, when the specter of another 1956 still loomed large in his (and his ambassador’s) mind’s eye.

If not to dole out dollars to would-be democrats, Bush’s visit was conceived for two reasons: first, to send a message that the United States was backing the process of reform-cum-revolution in the Eastern Bloc, thereby providing political cover, and second, to insert the United States into a sphere of influence long dominated by the Soviet Union and West Germany. The symbolic value of the trip cannot be overstated, though it often goes

\(^{58}\) Meyer, _The Year That Changed the World_: 66
\(^{59}\) Meyer, _The Year That Changed the World_: 66
\(^{60}\) Meyer, _The Year That Changed the World_: 66
\(^{61}\) “Initiatives for the President’s Trip to Poland and Hungary” in _President George H. W. Bush Foreign Affairs Records, 1989-1990_ (College Station, TX: George Bush Presidential Library and Museum, 1989): 9
overlooked in the historical record. While the visit did not generate particularly transformative policy proposals, it did generate waves in the international press, thrusting Hungary’s reform process into the limelight. Moreover, Bush’s visit to Hungary – the first ever by an American president – also represented one of the first top-level American forays into a region that had traditionally been closed off to anyone from across the Atlantic.

In Budapest, Bush first met with the reform communists running the country. Németh flat-out told Bush “that Hungary is proceeding from the assumption that the Brezhnev doctrine is dead. This was… affirmed at the Warsaw Pact Summit in Bucharest.”

He then declared that “the HSWP is committed to free and fair elections” as well as “the creation of new forms of ownership in which private, state and public property receive equal levels of protection.” Bush responded meekly, saying that “the United States was trying to undertake policies that would not adversely affect the reform process.” His myopic focus on not “complicating the process of reform” led him to ignore his administration’s potential to safeguard that same process. Paradoxically, just visiting Hungary was the sort of optically aggressive act that – in Bush’s conservative worldview – could draw hardliners’ ire. There was one marked point of agreement between Bush and Németh: both believed that 1989 did not herald the end of one-party rule in Hungary, albeit for different reasons. According to a summary of their conversation, Németh “expressed his belief that the HSWP can renew itself and will be able to, through electoral means, gain a dominant position… The danger is that if the HSWP is defeated, the opposition is not yet ready to rule.”

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62 “Meeting with Miklos Nemeth, Prime Minister of Hungary,” 12 July 1989, Obtained under FOIA 2000-1335-F, George Bush Presidential Library, College Station, TX
63 “Meeting with Miklos Nemeth, Prime Minister of Hungary”
64 “Meeting with Miklos Nemeth, Prime Minister of Hungary”
65 “Meeting with Miklos Nemeth, Prime Minister of Hungary”
toward stability, he believed reform communists were uniquely equipped to successfully engineer a pivot away from Moscow.

Next, Bush delivered the keynote address of his visit at the Karl Max University of Budapest. “We can – and I am determined that we will – work together to move beyond containment, beyond the Cold War,” he proclaimed.\footnote{Gerhard Peters and John T. Woolley, “George Bush: Remarks to Students and Faculty at Karl Marx University in Budapest, July 12, 1989,” \textit{The American Presidency Project}, http://www.presidency.ucsb.edu/ws/?pid=17282} He lauded the country’s progress and pledged to ask both the U.S. Congress and American allies to send money to Hungary. In lieu of concrete financial aid, he dangled a grab-bag of economic goodies in front of Hungarians, including permanent exemption from Jackson-Vanik Amendment trade restrictions, access to tariff relief via the U.S. Generalized System of Preferences, and the introduction of Overseas Private Investment Corporation (OPIC) insurance credits, which would facilitate U.S. business in Hungary along the same lines of as President Johnson’s 1967 proposal. Finally, he announced the creation of an “American House” and a “regional environment center” in Budapest and a Peace Corps program countrywide. Scowcroft called the address “the best speech of the trip,” while acknowledging it highlighted the “paucity of assistance” America was making available to Hungary.\footnote{Bush and Scowcroft, \textit{A World Transformed}: 126} The speech’s many deep cultural cuts no doubt endeared Bush to his proud Hungarian hosts, but the major takeaway was the U.S.’s tepid economic offer of aid. Indeed, when asked about the results of Bush’s visit, Foreign Ministry spokesman László Kovács deflected, “I would not emphasize on quantitative matters and sums, money.”\footnote{“Foreign Ministry Official Assesses Bush Visit,” 17 July 1989, \textit{Budapest Domestic Service}, Trans. FBIS Eastern Europe II/135: 25}
Before departing Budapest to make an appeal for aid in front of the G7 club of wealthy nations (which largely fell on deaf ears), Bush and his team met with high-profile members of the Hungarian opposition, such as it was, at the resident of Ambassador Palmer. The optics of this meeting were important – it signaled that America regarded this dispossessed community as having similar political stature to the Party apparat. By all accounts, the encounter did not go well. Bush cautioned them to trust in the methodical change being enacted at the top of Hungarian society but found his audience chomping at the bit for a chance to shape their country’s destiny. He recalls thinking, “These really aren’t the right guys to be running this place. At least not yet.”

Baker was unimpressed by Hungary’s Young Turks. Palmer remembers Baker telling him, “Mark, I know these are your friends, but they will never run this country.”

Baker, Bush et al. were so frightened by the dissidents’ potential to destabilize Hungary that they suddenly felt obliged to work with Gorbachev to mitigate that potential. NSC staffer Philip Zelikow writes, “our read of the situation… was not much different than… Tim Garton Ash’s at the time. (Ash's NYRB essay of July 14, 1989 is still an extremely valuable historical snapshot.)” In that essay, Ash warned: “There is, of course, one very large unknown. At the moment, the bounds of Soviet tolerance – or benign neglect – seem wide enough for almost anything. But opposition demands… will surely test them to the very limit.”

Realizing that opposition demands would only grow louder, Bush’s new task became making sure that Gorbachev remained in place to hear them. The president’s experience in Budapest had convincingly demonstrated that the Soviet premier could conscience change. Bush could not be sure that

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69 Bechless and Talbott, *At the Highest Levels*: 92
70 Palmer, *Breaking the Real Axis of Evil*: 24
71 Philip Zelikow, (2010, 30 June), Response to Blanton and Savranskaya re: 1989/1990 [Zelikow], MESSAGE POSTED TO H-Diplo@mail.H-Net.MSU.edu
72 Ash, “Revolution: The Springtime of Two Nations:” N.P.
any other Soviet leader would. Thus, Bush committed to shoring up Gorbachev and consolidating the progress already made in Budapest. He proposed a high-level summit on his flight back to Washington.

2.3 July-December: Consolidation

Hungary’s democratic future was all but assured shortly after Bush’s visit, when the National Roundtable Talks concluded with an agreement to hold wholly free and fair elections in March 1990. America was fully on board. On September 11, 1989, the country made history again when it opened its border with Austria, providing a legal avenues of westward escape for East Germans fleeing their crumbling country. Lynch immediately drafted a statement at the U.S. embassy – “The United States government warmly welcomes Hungary’s unilateral action… in allowing the East Germans now in Hungary who do not wish to return to the GDR to travel onward” – for Foggy Bottom’s use.73 He insists the State Department promptly put it out.74 This marks a radical departure from America’s refusal to comment on Pozsgay’s “January surprise” or the dismantling of the border in May. Also in September 1989, Bush began a protracted fight with the U.S. Congress on the question of how much aid to give Hungary. The question of whether to give aid at all, though, had been settled. In October 1989, the HSWP dissolved itself, remerging as the Hungarian Socialist Party, while the country’s name was changed from the “Hungarian People’s Republic” to simply the “Republic of Hungary.” The next month, Congress passed the Support for Eastern European Democracy (SEED) Act, finally furnishing the Republic of Hungary with much-needed aid (more on that in chapter three). Bush also received Imre Pozsgay in the


74 N.B. The author has found no public record of such a statement.
White House, where he told the Minister of State: “The U.S. is not looking to gain strategic advantage or make life difficult for Mr. Gobachev. We see Hungary’s evolution toward democracy… as vital to stability and security in Europe [and the Soviet Union].” 

The story closes out with the Malta Summit of December 2-3, 1989 – the result of Bush’s entreaty in July. It was not a particularly important summit in terms of superpower outcomes, but for Eastern Europe, Malta marked a watershed moment. There, Bush and Gorbachev agreed to let the region go its own way. In the lead up to the summit, Bush had overcome his fear of 1956 and replaced it with a fear that Gorbachev might be deposed. He had begun to focus on buttressing Gorbachev’s position, realizing that democratic success in Hungary relied on the reformist retaining power in the Kremlin. Thus, when the Berlin Wall fell, Bush took care not to indulge in excessive celebration, out of concern that doing so might give Soviet hardliners an excuse to pounce on Gorbachev. Bush told Gorbachev as much in Malta:

I hope you noticed that as dynamic change has accelerated in recent months, we have not responded with flamboyance and arrogance that would complicate USSR relations… I have conducted myself in ways not to complicate your life. That’s why I have not jumped up and down on the Berlin Wall.

“Yes, we have seen that, and appreciate that,” came Gorbachev’s reply. Seeking to further simplify life, the Soviet premier then disclosed ideological irritation with the notion of “Western values” had taken hold in Eastern Europe:

I am under the impression that U.S. leaders are now quite actively advancing the idea of conquering the division of Europe on the basis of ‘Western values.’ If this premise is not solely for propaganda purposes, and they are...

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75 “Points to be made for Meeting with Imre Pozsgay, Minister of State of Hungary” in President George H. W. Bush Foreign Affairs Records, 1989-1990 (College Station, TX: George Bush Presidential Library and Museum, 1989): 225
76 Svetlana Savranskaya and Thomas Blanton. The Last Superpower Summits: Gorbachev, Reagan, and Bush: Conversations that Ended the Cold War (Budapest: CEU Press, 2016): 537-538
77 Savranskaya and Blanton. The Last Superpower Summits: 538
intending to make it a basis for practical policy, then I will say bluntly that they are committing many follies.\textsuperscript{78}

Gorbachev was insistent that Eastern European “decide for themselves which God, figuratively speaking, to worship,” because he genuinely believed that they would choose reform communism over anything else.\textsuperscript{79} Baker realized this matter could be resolved semantically: “Gorbachev felt \textit{Western implied that reformers in the Soviet Union had not embraced or subscribed to some of the values, when in fact he felt they had.}”\textsuperscript{80} So the Secretary of State came up with a fix on the fly: “‘Why not call them democratic values?’ I asked. ‘That’s fine,’ said Gorbachev, and with that understanding, we had forged a new degree of cooperation, at the level of both personalities and principles.”\textsuperscript{81} In fact, they had forged a new future. The Cold War was not over, but the rigidly-enforced division of Europe tacitly agreed to at Yalta some 44 years earlier was.

Gorbachev did not seem to think so. During a December 6, 1989 meeting of the Warsaw Pact, he told the assembled leaders of Eastern Europe (including Hungary):

It is… unacceptable to achieve unity through the abolition of socialism, [and it is similarly unacceptable to achieve it] exclusively on the basis of Western values… Peoples’ right to independent development [to make their own choices] has to be fully respected everywhere.\textsuperscript{82}

The Hungarians read between the lines. Rezső Nyers stood up to Gorbachev at that meeting and “urged the earliest possible reform of the [Warsaw Pact]… rejecting foregoing unviable methods of Comecon, and for forming fundamentally new forms of

\textsuperscript{78} Svetlana Savranskaya, Thomas Blanton and Vladislav Zubok, \textit{Masterpieces of History: The Peaceful End of the Cold War in Europe} (Budapest: CEU Press, 2010): 643
\textsuperscript{79} Savranskaya, Blanton and Zubok, \textit{Masterpieces of History}: 643
\textsuperscript{80} Baker and DeFrank, \textit{The Politics of Diplomacy}: 171
\textsuperscript{81} Baker and DeFrank, \textit{The Politics of Diplomacy}: 171
cooperation.” Nyers’ meaning was clear: the Hungarians were demanding to smash all bonds of socialist fellowship. Bush had seen to it that they were safe to do so.

Chapter 3

The Congressional Interlocutor

I’m sure glad that things are finally beginning to happen favorably as far as these two countries [Hungary and Poland] are concerned… History will never record that the United States has been overly aggressive in this field. – Rep. Sam Gibbons, June 12, 1989

President Bush was not alone in responding to Hungary’s changing political and economic situation circa 1989. Domestically, he had to contend with a powerful and not always agreeable partner: the U.S. Congress. Capitol Hill was quicker to grasp the magnitude of the reforms being implemented in the Hungarian People’s Republic that year. Speaker of the House of Representatives Jim Wright directed his chamber’s attention to Hungary and its reformist bedfellow, Poland, as he convened the 101st Congress on January 3, 1989, noting: “We see… the emergence of democratic movements throughout the Earth in some of the most unexpected places – in Asia and in Eastern Europe.” A potent admixture of strategic concerns and political profitability compelled Congress to respond to these incipient democratic movements. U.S. “national interest” was frequently invoked in reference to Hungary on the House and Senate floors that year. The Democratic Party, which controlled Congress in 1989, also thought to use Bush’s caution to score political points. Thus, the New York Times observed a steady “chorus of criticism from Congressional Democrats” who claimed “that the Bush Administration has been too passive in reacting to the developments in Eastern Europe.” – a claim Congressional Republicans dismissed as “playing politics with the issue.”

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1 U.S. Congress, House of Representatives, Subcommittee on Trade, Committee on Ways and Means, Trade Relations with Poland and Hungary, 101st Congress, 1st sess., 1989, N.P.
2 Jim Wright, 101st Congress, 1st sess., Congressional Record 135, Pt. 1: 69
3 E.g. “The United States has a national interest in supporting the growth of democracy… in Eastern Europe.” Lee Hamilton, 101st Congress, 1st sess., Congressional Record 135, Pt. 9: 12442
This chapter sketches U.S. Congressional action in pursuit of a perceived mandate to beef up America’s response to regime change in Hungary, focusing on how Congress interacted with President Bush, the country’s primary foreign policymaker, in doing so. It demonstrates that Capitol Hill, where it could be, was far more aggressive than the Bush White House in supporting the changes taking place in Hungary and “Eastern Europe,” despite the structural roadblocks that prevented it from exercising direct agency in the realm of diplomacy. Given that Congressional diplomacy was primarily conducted through fiduciary means, special attention is given to the question of American aid to Hungary during the *annus mirabilis*.

If Hungary in the 1990s saw “capitalism without capitalists,” then Hungary in the 1980s was home to communism without communists.\(^5\) By the decade’s end, many members of the ruling Hungarian Socialist Worker’s Party (HSWP) had ceased to believe in the system in which they had come of age. HSWP apparatchiks at the highest levels of government – including Prime Minister Németh and Minister of State Pozsgay – had become outright apostates. For instance, on January 5, 1989, Németh flatly told visiting U.S. Senator Arlen Specter that he envisioned the Hungarian People’s Republic transitioning into a full-fledged “market economy” along “democratic pluralistic constitutional” lines.\(^6\) Specter promptly told HSWP-controlled *Petőfi Rádió* that he heard “substantive debate on free enterprise” during his visit, adding, “I like that a new law allows private business,” referring to a statue passed in 1988 sanctioning joint-stock that took

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\(^6\) Borhi, *Dealing with Dictators*: 395
effect on January 1, 1989. Such debate, and such marveling (from an American, no less), bespoke the impending collapse of the ancien régime.

Németh would tell Bush much the same thing he told Specter during the U.S. president’s visit to Hungary in July 1989, and Bush would proclaim his delight in much the same fashion as the senator. That the same conversations and reactions took place six months apart speaks not only to the slow pace of America’s diplomatic engagement with Hungary but also the extent to which Congressional engagement rivaled, and even outpaced, the efforts of the White House. Interestingly, though, Specter, armed in January 1989 with some of the reassurances Bush sought in July of that year, did nothing with his advance knowledge. The senator’s voting record for the 101st Congress reveals he sponsored no bills pertaining to Eastern Europe, nor did he cosponsor any bills pertaining to Eastern Europe until June 1989, when he signed onto the Senate’s milquetoast Joint Resolution 150, which designated August 1, 1989, as “Helsinki Human Rights Day.” Specter’s inaction comports with a trend outlined in a Congressional Research Service report commissioned by the House Foreign Affairs Committee in 1990: “From January until after President Bush’s trip to Poland and Hungary in July, Congress generally deferred to the administration’s lead on most issues” relating to Eastern Europe. Thus, as expected, Specter punted on a question about what Hungarians could expect under Bush, demurring that “the president is interested

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7 “Hungarian Monitoring, 7 January 1989,” HU OSA 300-40-8-66-2; Records of Radio Free Europe/Radio Liberty Research Institute: Hungarian Unit: Monitoring; Open Society Archives at Central European University, Budapest
in establishing connections with everyone.”

Only after Bush’s trip to Budapest did Specter and his colleagues in the House and Senate stop giving the president the benefit of the doubt. From then on, CRS observes that “the House and Senate took a much more active role in formulating policy, differing with the administration, especially on levels of aid.”

During the first half of 1989, a quiescent Congress sought to respond to changes in Hungary via traditional axes of legislative engagement. During the second half of the year, its patience having worn thin, Congress explored more extraordinary responses, namely, sending taxpayer money directly to Hungary though foreign aid legislation.

3.1 Legislative Diplomacy

Section 2 of Article 2 of the U.S. Constitution vests foreign policymaking power in the office of the President of the United States. Thus Bush in his capacity as president was the motor of America’s evolving policy toward Hungary circa 1989. Congress, however, provided the fuel, pursuant to Sections 7 and 9 of Article 1 of the U.S. Constitution, which endow the federal legislature with “the power of the purse.” Congress alone decides how much and to what end taxpayer money is appropriated; except in select discretionary areas, the White House must accede to Capitol Hill’s fiscal wishes. It is primarily through this statutory mechanism that Congress has license to shape the contours of U.S. foreign policy. Secondarily, Congress can help steer the ship of state by ratifying or voting down interstate compacts brokered by the president. In a similar vein, Congress can, to a limited extent, police the president’s use of military force in accordance with the 1973 War Powers Act. Finally, Congress holds broad powers of oversight and investigation.

10 “Hungarian Monitoring, 7 January 1989,” HU OSA 300-40-8-66-2; Records of Radio Free Europe/Radio Liberty Research Institute: Hungarian Unit: Monitoring; Open Society Archives at Central European University, Budapest

11 Miko, Congress and the Transformation of Eastern Europe in 1989: N.P.
allowing it to retroactively course correct when the body feels that the president has conducted foreign policy in a criminal or negligent manner.

It must be recognized that Congress’ foreign policy powers, such as they are, are wholly mediated through the Executive Branch of U.S. government. The president has a lot of wiggle room in carrying out the prescriptions and the recommendations of the federal legislature insofar as, until instructed by the courts, he or she can interpret Congressional dictates as he or she sees fit. Moreover, the president is a far more nimble foreign policy agent than Congress. The president can act as a single person, whereas Congress must act as a 535-person body, which considerably complicates the process of decision-making. Individual Congressional action is curtailed by the Logan Act of 1799, which set forth strict punishments for any U.S. citizen who “commences or carries on any correspondence or intercourse with any foreign government… in relation to any disputes or controversies with the United States, or to defeat the measures of the United States” without Executive Branch authorization.\footnote{Logan Act, 18 U.S.C. § 953}

Congress has found ways of getting around this provision – notably, through the mechanism of Congressional delegations abroad, or CODELs. CODELs “occur at the initiative of the legislators themselves” and, though they require co-ordination with the agencies of the Executive Branch, “delegations… decide where to go, whom to visit, and what to say.”\footnote{Ryan Scoville, “Legislative Diplomacy,” \textit{Michigan Law Review} 331 (2013): 339} To date, the U.S. State Department, which is subordinate to the president, “does not claim power to prohibit CODELs from traveling abroad,” on the basis that “the authority for sub-sovereign diplomacy comes primarily from Congress’s implied power of

\begin{itemize}
\item \cite{Logan Act, 18 U.S.C. § 953}
\item \cite{Ryan Scoville, “Legislative Diplomacy,” \textit{Michigan Law Review} 331 (2013): 339}
\end{itemize}
investigation” and not from the Executive Branch." CODELs are often framed as investigative or fact-finding missions. Under U.S. law, CODELs cannot conduct official diplomatic business on behalf of the U.S. government unless so authorized, but in practical terms, the ability of legislators to speak with whomsoever they please enables them to engage in diplomacy of sorts.

With respect to Hungary, Congress proved eager to employ the CODEL mechanism in 1989. Senator Specter’s delegation in January was to be the first of many such Congressional visits. Donald Kursch, the Deputy Chief of Mission at America’s embassy in Budapest that year, remembers, “I had four CODELs in one week, two arriving at the same time. We had an enormous amount of Congressional interest in Hungary at the time because it seemed to be on the tip of what was happening.” Because there are no Congressional reporting requirements for CODELs, the exact number and extent of Congressional trips made to Budapest in 1989 is difficult. Kursch recalls meeting no less than eleven members of Congress that year alone, including Senators Orrin Hatch and Daniel Patrick Moynihan. A review of American media, Hungarian media, the Congressional Record, and diplomatic cables reveals the following members also visited Hungary: Senators Alan Cranston, Bob Graham, Chuck Robb, and Paul Sarbanes, along with Representatives Ben G. Blaz, Thomas Coleman, John Conyers, Hamilton Fish IV, Martin Frost, Bill Frenzel, Richard Gephardt, Sam Gibbons, John Paul Hammerschmidt, Robert Lagomarsino, Tom Lantos, Dan Rostenkowski, Toby Roth, James H. Scheuer, and

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14 Scoville, “Legislative Diplomacy:” 339-340, 382
Stephen Solarz. Senator Specter’s visit, for one, could be not traced without reference to Hungarian news sources – perhaps because his trip was a NODEL (i.e., non-official visit).

A declassified diplomatic cable from Ambassador Palmer to Secretary of State Baker dating to August 1989 reveals that the State Department closely monitored CODELs to Hungary. Palmer cabled, “Foreign Minister Gyula Horn expressed appreciation for frequent Congressional visits to Budapest. He said the West’s moral and political support for Hungary in all fields means a lot.” By August 1989, U.S. support was largely intangible – excluding, of course, Bush’s highly symbolic visit – and whatever prospects for making it tangible rested with Congress, not the ever-cautious president. Knowing this, Horn made sure to bring up the question of American aid in his conversation with his Congressional visitors. This was reported to the State Department and, by extension, the White House. Thus, Hungary’s request for U.S. cash was elevated to the highest levels of American government. In this way, CODELs influenced the agenda of Executive Branch policymakers. However, Kursch and Tom Lynch were quick to downplay the strength of this strain of Congressional influence. Kursch dismissed visiting members of Congress as “tourists” taking a vacation on American taxpayers’ dime, while Lynch maintained that Bush’s visit “was a powerful statement that dwarfed all the CODELs that ever were.”

Congress had one last arrow in its foreign policy quiver circa 1989. While the body could not overtly conduct diplomacy abroad, it could do so domestically. Thus, Congress invited Solidarity leader Lech Wałęsa to speak before a joint session in November 1989 in

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17 Kursch, in discussion with the author; Lynch, in discussion with the author
support of a “Marshall Plan” for Eastern Europe – strategically, in the midst of acrimonious negotiations between the White House and Capitol Hill on the subject of aid to Poland and Hungary. When Wałęsa, who at the time enjoyed incredibly popularity in the United States, called for “an investment [in Eastern Europe] adequate to the greatness of the American nation,” Americans, including Bush, listened.

3.2 “A Bunch of Critics”

The 101st Congress proved unafraid to avail itself of its foreign policymaking prerogatives, even at the cost of undermining Bush. Indeed, Capitol Hill was unusually active in setting America’s foreign policy agenda in 1989. It must be remembered that domestic elections a year earlier renewed Democratic Party majorities into the House of Representatives and Senate even as the presidency went to Bush, a dyed-in-the-wool Republican. The nature of America’s two-party system is such that, on ideological and institutional levels, the Democrat-controlled legislature had an adversarial relationship with the president. Further, concerns over Bush’s lack of vision, which his beginning-of-term “pause” did nothing to dispel, may have compelled Congress to prod the White House more aggressively than it otherwise would have. The 1988 Democratic Party Platform provides a helpful window into the Democratic strategic thinking on Eastern Europe at this time. The document reads: “We believe in an America… that will encourage wherever possible the forces of pluralism and democracy in Eastern Europe.” By comparison, the 1988 Republican Party Platform only spoke of Eastern Europe as a site for the Soviet Union’s

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18 Domber, Empowering Revolution: 1
military bases while cautioning against “naive inexperience or an overly enthusiastic endorsement of [Gorbachev’s reformist] rhetoric.” From these divergent starting points, it is perhaps no surprise that partisan tensions came to a head in 1989 on the question of how the U.S. government should respond to changes in Eastern Europe.

The 101st Congressional record reveals that Democratic representatives sponsored every bill or resolution concerning Hungary that became law in 1989, as well as the majority of the bills or resolutions concerning Hungary that did not leave the halls of the Capitol. Congress, at Democrats’ initiative, first put forth policy proposals vis-à-vis Hungary in March 1989, a full month before Bush did so in Hamtramck, Michigan. When crafting legislation in response to democracy assistance plans articulated by the president in Hamtramck (April 1989) and again in Budapest (July 1989), Congress allocated significantly more money than Bush asked for. The president was moved to complain in his diary, “[I’ve] got a bunch of critics jumping around saying we ought to be doing more. What they mean is, double spending. It doesn’t matter what, just send money, and I think it’s crazy.” By September 1989, Congressional Democrats could not longer contain their frustration at Bush’s unwillingness to follow Congress’ lead. CQ records:

“The administration's timidity in the face of these opportunities is puzzling and dismaying,” Senate Majority Leader George J. Mitchell, D-Maine, said in a Sept. 18 floor speech that was advertised as the keynote of the party's challenge to the president. “The Bush administration seems almost nostalgic about the Cold War and the rigid superpower relationship that divided the world into two hostile and isolated camps for 40 years.”

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22 Bush and Scowcroft, A World Transformed: 148
“We are not being timid,” Bush shot back on September 21, 1989. But Congress, not the president, turned out to be more in lockstep with changing popular attitudes. The Atlantic observed that, though “cautious toward the Soviet Union,” American public opinion in 1989 “is less mired in old modes of thinking than it has been in a long time.” However, the New York Times reported in December that “sixty-seven percent of Americans [believed Bush] had not been too slow in reacting to the events in Eastern Europe,” meaning only a third of U.S. citizens might have agreed with Congress’ more activist tack on Hungary and Poland. This statistic is less damning than it seems, though; because Congressional foreign policymaking is mediated through the Executive Branch, Bush took credit for a series of popular end-of-year aid packages that the Democratic Party in fact pushed and prodded him to adopt.

Bush also faced Congressional opposition from his own party. Certain Republicans, including Representative Bill Frenzel (who was the first member of Congress to float a policy proposal on Hungary in 1989), shared in the Democratic Party’s activism. Meanwhile, more hawkish Republicans on Capital Hill, such as Senator Jesse Helms, opposed both his and the Democratic Party’s overtures to Hungary and Poland. Helms, for instance, was singlehandedly responsible on July 11, 1989 for holding up two separate aid packages passed by the House ahead of the president’s trip to the two countries. Even from Hungary, Tom Lynch quipped, “Helms was a pain in the ass.”

Ambassador Palmer once complained about Helms’ intractability before the Opposition Roundtable:

27 Lynch, in discussion with the author
We also have forces in the United States Senate which are not particularly progressive. Fortunately in this case it’s only one Senator, Senator Helms. It’s quite clear that we will be able to deal with this problem, we may not be able to deal with it before President Bush arrives…

Palmer’s complaint testifies to how Congress was able to influence developments not just in Washington but also in Budapest.

3.3 Congress Responds, Traditionally

Congress would spend much of the latter half of 1989 debating exactly how to assist Hungary and Poland in their push to liberalize. For the first half of the year, Capitol Hill was preoccupied with a more traditional item of Congressional foreign policy concern: human rights in the Eastern Bloc. After America’s experience in Vietnam, Congress inserted itself into abiding conversations about the treatment of peoples living under communism the world over. Historian Robert David Johnson notes, “During the 1970s, the breadth of pro-human-rights amendments sponsored by Congressional reformers… caused a European diplomat to observe that ‘it isn’t just the State Department or the president anymore. It’s Congress now.’” One such measure was the so-called Jackson-Vanik Amendment to the Trade Act of 1974. Capitol Hill opened up another lasting axis of legal engagement the next year, when the U.S. Helsinki Commission was established in accordance with the signing of the 1975 Helsinki Final Act. These two human-rights-centric channels would command Congress’ attention in 1989 until Bush’s mid-July aid proposals to Hungary and Poland convinced the body of the president’s faltering grasp on the Eastern European situation.

28 Az Ellenzéki Kerekasztal ülése, az Egyesült Államok nagykövetének látogatása 1989 Június 27. Open Society Archives, Budapest, Hungary
The Jackson-Vanik Amendment & Most-Favored Nation (MFN) Status

The Jackson-Vanik Amendment conditioned planned economies’ ability to achieve normal trade relations with the United States on adherence to a set of standards concerning citizens’ freedom-of-movement. The act was conceived of as a way to empower the president to leverage U.S. economic clout against the Second World so as to force concessions on the human right to emigrate, which was a pet cause of the American Jewish community seeking to give their “captive” co-religionists escape hatches to Israel. In 1978, President Jimmy Carter granted Hungary its first annual Jackson-Vanik waiver – that is, MFN status. The country would receive waivers annually until 1989 – a testament to the relatively liberal nature of Hungarian communism. The effect of MFN status was immediate and profound: between 1977 and 1980, trade between Hungary and the United States doubled, providing the cash-strapped HSWP government with much-needed hard currency.\(^30\) A decade of Jackson-Vanik waivers enabled Hungary to rack up “a trade surplus of $100 million with the United States” by 1989.\(^31\) But this sum hardly began to cover the country’s hard currency needs.

The annual MFN review process was a source of considerable stress for the Hungarian government. Lynch characterized it as “water torture.”\(^32\) With this in mind, Washington policymakers saw that long-term relief from the review process could contribute to the consolidation of in-country liberalization. During a House Ways and Means Committee meeting on February 28, 1989, Representative Bill Frenzel declared,

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\(^{30}\) Borhi, *Dealing with Dictators*: 335

\(^{31}\) Borhi, *Dealing with Dictators*: 394

\(^{32}\) Lynch, in discussion with the author
“There are some of us who are looking for a multiyear MFN in Hungary.” Democratic Representative Sam Gibbons made good on his colleague’s word on March 23 when he introduced H.R. 1594, “A Bill to Extend Nondiscriminatory Treatment to the Products of the Peoples' Republic of Hungary for 5 Years.” Frenzel and Representative Tom Lantos, a California Democrat who had the distinction of being the only Hungarian-American in Congress, co-sponsored the provision. On May 31, Bush granted Hungary a one-year MFN waiver, in keeping with the presidency’s track record. Undeterred, the House Ways and Means Committee recommended H.R. 1594’s passage on June 21, averring that “the time has come for the United States to move more boldly to recognize and reward” reforms in Hungary. Democratic Senator Daniel Patrick Moynihan took up the torch in the Senate, introducing S. 1240, a counterpart to H.R. 1594, on June 26. The next day, H.R. 1594 came up for consideration on the House floor. Rising against the measure, Republican Rep. Benjamin Gilman cautioned, “Let us not proceed too hastily. Allow the president to utilize his flexibility…” Speaking in support of the measure, House Ways and Means Committee Chairman Representative Daniel Rostenkowski (of the Democratic Party) said:

I feel obliged to make note of the fact that the administration opposes this legislation… However, I believe their opposition to be mild, and is based primarily on their desire to have sole discretion to give or take away MFN. The Congress clearly has a role to play… Also, the administration would like to wait until the Hungarian Parliament acts this fall to codify its already liberal emigration practices.

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33 U.S. Congress, House of Representatives, Subcommittee on Trade, Committee on Ways and Means, National Trade Policy Agenda, 101st Congress, 1st sess., 1989, 77
34 Sam Gibbons, 101st Congress, 1st sess., Congressional Record 135, Pt. 4: 5271
35 U.S. Congress, House of Representatives, Subcommittee on Trade, Committee on Ways and Means, 5-Year Extension of Nondiscriminatory Treatment to Products of Hungary, 101st Congress, 1st sess., 1989, 3
36 To extend nondiscriminatory treatment to the products of the People's Republic of Hungary for 5 years, S. 1240, 101st Congress, 1st sess.
37 Benjamin Gilman, 101st Congress, 1st sess., Congressional Record 135, Pt. 10: 13525
38 Daniel Rostenkowski, 101st Congress, 1st sess., Congressional Record 135, Pt. 10: 13523
Rostenkowski also argued a five-year waiver would better facilitate foreign direct investment in Hungary, offering a rationale for H.R. 1594 beyond simply wanting to outdo the president. Nevertheless, he and the rest of the bill’s primarily Democratic supporters lost this first bout. H.R. 1594 did not clear the House that day; its Senate counterpart met the same fate. Ultimately, H.R. 1594 did win a majority of votes in the House (on September 7, 1989). The five-year waiver was later “dropped from the final bill, however, when the president announced that in response to Hungary's new emigration law… he was granting Hungary MFN that no longer required annual renewals.” Bush’s announcement came on September 18, the day Democratic Senate Majority Leader Mitchell publicly accused him of timidity. This legislative incident showcases Congress’ desire to get out in front of changes in Hungary as well as the competition that existed between Capitol Hill and the White House.

The U.S. Helsinki Commission

The Commission on Security and Cooperation in Europe (CSCE), also known as the U.S. Helsinki Commission, is an independent U.S. government agency created in 1975 in the relation to Helsinki Final Act. The Final Act, considered a watershed moment in the history of East-West détente during the Cold War, was a non-binding series of agreements between 35 European and North American states on four “baskets,” or groupings of international issues: continental European security, economic and scientific partnerships, humanitarianism and human rights, and, lastly, follow-ups on the first three baskets. The third basket, which Western nations lobbied most aggressively for, “was uniquely

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40 Miko, Congress and the Transformation of Eastern Europe: 17
formulated to give rise to a transnational network” of human rights observers, including the CSCE. These observers were empowered under the terms of the Final Act to internationalize what had previously been domestic human rights abuses. In practice, the CSCE and other observers used this power to document instances of state suppression across the Second World and shame offending governments accordingly. In these efforts, the CSCE and other observers enlisted local partners, many of whom also happened to be dissidents. Thus, the Final Act became a vehicle for making legal inroads into communist social domination beyond the Iron Curtain. Hungary of all countries was least affected by this development “because the conditions that prompted Helsinki monitoring group in other states had not existed to the same degree” within the country’s borders. Nevertheless, the Final Act provided a rubric by which the West could evaluate could evaluate Hungary’s liberalization – no small matter.

Even if the CSCE was not very active in Hungary, Congress conducted extensive human rights monitoring under the agency’s auspices in neighboring Romania. There, General Secretary Nicolae Ceaușescu was conducting a campaign of “systemization” that targeted ethnic Hungarians living in the country’s Transylvania region, inter alia. Congress and the CSCE were up in arms about this state of affairs, in part because Ceaușescu’s abuses were particularly egregious and in part because of political pressure of Hungarian-American émigré groups.

At a 1989 Final Act follow-up meeting and later at the United Nations, Hungary publicly excoriated Romania for its abuses of Transylvanian co-ethnics, breaking the fraternity of the Warsaw Pact in the international political arena for the first time and

42 Snyder, Human Rights Activism and the End of the Cold War: 230
earning the praise of watchers in Congress like Democratic Senator Frank Lautenberg.43

“Most of the leverage in CSCE is public leverage, is standing countries which violate up against a wall of criticism by countries in the West, by neutral countries, even by some of the Eastern countries,” CSCE Ambassador Warren Zimmerman told Congress in February 1989, continuing, “nobody criticized the Romanians harder than the Hungarians at the Vienna [Final Act follow-up] meeting.”44 Hungary and the U.S. joined rhetorical forces for the duration of the year as the two countries prodded Ceaușescu to halt systemization at every turn. Word soon matched deed, though – America committed itself to helping Hungary deal with the human tide of co-ethnics streaming over the country’s border with Romania, fleeing Ceaușescu. The Congressional Research Service reported that “Congress authorized and appropriated $500,000 for resettlement of these refugees in Hungary” sometime in 1989; a hearing of the House Committee on Foreign Affairs, meanwhile, notes that “on August 17 the president authorized a special drawdown of $500,000 from emergency refugee funds to assist the UNHCR refugee program in Hungary.”45 However, the only record of such an outlay in 1989 falls on December 27, 1989, when the White House announced it had “donated $500,000 to the International Committee of the Red Cross” in the aftermath of the Romanian Revolution.46

The great irony was that one of the few sources of popularity for the HSWP was its stance toward Romania. Radio Free Europe concluded in 1988, “in the Hungarian

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43 Frank Lautenberg, 101st Congress, 1st sess., Congressional Record 135, Pt. 3: 3643
44 U.S. Congress, Commission on Security and Cooperation in Europe, Implementation of the Helsinki Accords: Conclusion of the Vienna Meeting and Implications for U.S. Policy, 101st Congress, 1st sess., 1989, 49
authorities’ view, the emotional articulation of Hungarian nationalism was better directed against Romania than against the difficult conditions in Hungary itself.”

A year later, when Barbara Bush visited a Hungarian refugee trip during her husband’s trip to Hungary, the Washington Post quoted future Hungarian Foreign Minister Geza Jeszenszky saying: “The [Hungarian] government, which recently appropriated $9 million for refugee relief, ‘is both responding to a human and national problem and also courting public opinion.’” So, in a sense, Congress, through the CSCE, was inadvertently propping up the ancien régime by heaping attention on the Hungarian minority issue. On the other hands, attention on this issue served to put Hungary in the front of Congress’ mind at a time when the White House hardly gave the country a second thought.

3.4 Congress Responds, Extraordinarily

The Hungarian People’s Republic found itself in dire economic straights circa 1989. Plagued by inefficiencies inherent to non-market economies, the country was struggling with ever-declining rates of growth, output, and productivity. Prime Németh put it most succinctly: “The system is a dead end.” Structural problems aside, though, Hungary’s single most pressing concern in 1989 was its inability to make payments on the country’s staggering foreign debt. The HSWP had borrowed heavily from both Moscow and the West in the 1960s, ‘70s and ‘80s in order to finance Kádár’s social contract, under which ordinary Hungarians could expect “a chicken in every pot” (i.e., a relatively high standard-of-living) so long as they refrained from “stirring the pot” (rising up, à la 1956).

47 “The Role of Transylvania in Hungarian Politics,” 29 Nov. 1988; HU OSA 300-8-3-15380; Records of Radio Free Europe/Radio Liberty Research Institute: Publications Department: Background Reports; Open Society Archives at Central European University, Budapest.


Hungary’s planned economy could not sustain this system of “goulash communism,” forcing the HSWP to look elsewhere for capital. Péter Ákos Bod, Hungary’s first post-transition Minister of Industry and Trade, notes that the state “borrowed internationally in hard currency for the simple reason that there were not enough domestic savings.”\(^{50}\) These loans, furnished by the International Monetary Fund, the World Bank, and Western commercial banks, had to be repaid in the tender they were originally lent in. But within the closed communist system, foreign hard currency was in short supply. According to a contemporary *Radio Free Europe* report, Hungary had accumulated $17 billion in hard-currency debt by 1989, having made “net interest payments of $1.2 billion in 1988, 20% of its hard-currency export earnings.”\(^{51}\) The U.S.S.R., facing its own credit crunch, could not bail the Hungarians out. So Hungary had no choice but to look West for loan relief.

Speaking before a CODEL led by Democratic Senator Alan Cranston in August 1989, Hungarian Foreign Minister Gyula Horn characterized his government’s hard-currency deficient Hungary’s “largest problem” and expressed “doubt that the debts could be repaid under present economic circumstances.”\(^{52}\)

By that point in August, the Bush had dangled precious few aid packages – but plenty of promises – in front of Hungary. The swirling rhetoric surrounding assistance led reformers in the Eastern Bloc to expect that some kind of new Marshall Plan was in the works. For instance, HSWP Minister of Trade Tamás Beck said on May 6, 1989, that “the country would welcome a Marshall Plan or similar support if any Western nation

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\(^{51}\) “Western Economic Assistance to Hungary and Poland,” 27 June 1989; HU OSA 300-8-3-16470; Records of Radio Free Europe/Radio Liberty Research Institute: Publications Department: Background Reports; Open Society Archives at Central European University, Budapest.

\(^{52}\) Mark Palmer to the Secretary of State, “CODEL Cranston’s August 22 Meeting with Foreign Minister Gyula Horn,” Budapest, Hungary, Diplomatic Cable 052377, 24 Aug. 1989, Hungary 1989 Cables, End of the Cold War Collection, National Security Archive, Washington, DC
offered.” Bush and the State Department had done their utmost to manage the Hungarians’ expectations. (Scowcroft recalls that “there was no money available… a new Marshall Plan was not possible.”) Nevertheless, assurances from the White House (e.g., in Bush’s speech at Karl Marx University) and that the current, paltry aid packages being debated in the U.S. were just first, tentative steps convinced Hungarians that the trickle of American financial assistance might one day become a stream.

Congress proved reluctant at first to respond to Hungary’s call for expansive American aid. The Congressional Research Service offered that this reluctance “can probably be explained by the fact that Communists governments were still dominant in both Poland and Hungary, and no one knew the extent of changes yet to come or the exact limits of Soviet tolerance.” The Congressional Record bears Capitol Hill’s wait-and-see approach out: prior to Bush’s visit in July 1989, only six legislative measures concerning Hungary were proposed – two of which passed. The more important of the two was Representative Gibbons’ H.R. 1594, which in any event Bush co-opted. Moreover, permanent MFN status was not going to be enough to keep the country’s coffers flush with foreign hard currency. It was clear that something extraordinary was needed.

Bush attempted to deliver something extraordinary on April 17, 1989, at Hamtramck. Congress responded positively to Bush’s proposals. The House pitched the “Democracy in Eastern Europe Act” (H.R. 2550), which contained everything on Bush’s Hamtrack wish list, plus direct aid for both Poland and Hungary. A second bill, H.R. 2655,

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53 “Hungarian Monitoring, 6 May 1989,” HU OSA 300-40-8-90-1; Records of Radio Free Europe/Radio Liberty Research Institute: Hungarian Unit: Monitoring; Open Society Archives at Central European University, Budapest.
54 Bush and Scowcroft, *A World Transformed:*113
55 Miko, *Congress and the Transformation of Eastern Europe in 1989:* 9
56 The other was S. J. Res. 150, introduced on June 7, 1989, which proclaimed a “Helsinki Human Rights Day.”
also materialized on the House floor; it too provided direct aid to Poland and Hungary. These extra provisions reveal impatience growing with Bush as early as April 1989.

Speaking in support of the Democracy in Eastern Europe Act on June 20, 1989, Democratic Representative Lee Hamilton said, “President Bush will be making a historic visit to Poland and Hungary in mid-July. It is important for him and for the Congress that he be able to present these countries with concrete evidence of U.S. support for their political and economic initiative.”57 The measure subsequently cleared the House. However, Senator Helms killed it – along with H.R. 2655 – in the Senate. “While most members of Congress saluted Bush for his overtures to the two East bloc nations,” the Boston Globe reported, “the conservative Helms… maintained that they are still virtually controlled by the Soviet Union.”58 So entrenched was Helms in his convictions that “a Bush phone call… on Monday night [July 17, 1989] apparently failed to budge him.”59

Therefore Bush embarked on his visits to Hungary and Poland carrying only words of encouragement. In Budapest, he made a slate of fiduciary promises that went well beyond his Hamtramck proposals. Bush needed Congress to deliver on these promises, but dithered on asking the body to do so until early September 1989, when his administration’s whole-of-government budget for FY1990 could debut. In the meantime, Democrats and some Republicans began to agitate for more pronounced aid to Hungary and Poland. This came out of one sense that a once-in-a-generation opportunity was passing the U.S. by and another that West Germany was stepping into the monetary breach left by spendthrift U.S. leadership in Eastern Europe. None other than Democratic Senator

57 Lee Hamilton, 101st Congress, 1st sess., Congressional Record 135, Pt. 9: 12443
59 Mashek, “Bush Plan to Aid Poland, Hungary Runs into Opposition from Helms”
Alan Cranston – whose Agust Codel was on the receiving end of Grosz’s entreaties for aid – thundered on September 19, 1989: “Today there is an extraordinary tide of freedom surging across Eastern Europe. But because of a failure of leadership by the Bush administration, the American people risk missing the boat.”

Republican Representative Nancy Johnson nervously observed that “West Germany alone has formed 160 joint ventures in Poland this year while OPIC has waited for authority to support United States investment.”

Bush’s September plan called for $125 million for Hungary and Poland over FY1990-1992. Congressional Democrats were not impressed – and neither was the Hungarian government, R. W. Apple Junior of the New York Times wrote. He provided three reasons beyond a failure of leadership as to why Bush was not proposing more aid to the Hungarians: one, “because they don't know how to use it effectively;” two, because “there was just no money in the budget;” and three, because “perhaps a calculation has been made that too rapid progress by some of the satellites would produce a backlash in Moscow.”

Democrats in Congress had no such reservations. In response to Bush’s plan, “bills were introduced in the Senate by Senator Paul Simon (S.1582) and in the House by Representative Tom Lantos (H.R. 3307) to increase aid authorizations to up to $1.2 billion over the next three years.”

“We intend to provide the leadership that has been lacking up to now… The Bush program is grossly inadequate,” said Democratic Representative John Dingell in support of the proposed escalation of American aid.

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60 Alan Cranston, 101st Congress, 1st sess., Congressional Record 135 Pt. 15:20882
61 Nancy Johnson, 101st Congress, 1st sess., Congressional Record 135, Pt. 18: 25183
63 Miko, Congress and the Transformation of Eastern Europe in 1989: 20
64 Helen Dewar and David Hoffman, “Democrats Propose to Triple Aid to Poland and Hungary,” Washington Post 4 Oct. 1989
Richard Lugar scoffed at the Democrats’ blustering: “Anybody witnessing this ought to spot it for what it was – a political exercise attempting to chastise George Bush as timid and not very far-sighted on Eastern Europe.”\(^\text{65}\) But the bluster – combined the party’s decision to invite Lech Wałęsa in November 1989 to be their pitchman – seemed to have had an effect on the president. Bush increased the size of his plan by millions of dollars, leading the *Washington Post* to remark, “the Bush administration and Congress are tumbling over each other to propose a host of new programs that could well bust the 1990 budget.”\(^\text{66}\) Eventually, Bush and Congress settled on the Support for Eastern European Democracy (SEED) Act in November 1989. Further aid was tacked on to an omnibus budget bill. In total, Congress succeeded in getting Bush to sign away more than twice the amount of money he originally proposed, though the president was able to cut into that statistic using his discretionary powers.\(^\text{67}\) Nevertheless, Congress had demonstrably enhanced the breadth and depth of America’s response to liberalization in Hungary.


Chapter 4

Private American Actors in Hungary, 1989

Western private and public efforts should be wholly integrated into every fiber of these countries’ [Eastern Europe’s] lives… What is needed is an explosion of effort across a broad front from every element of Western society. – Mark Palmer, April 1989

Diplomacy has its limits. Formally, since the ratification of the U.N. Charter in 1945, and customarily, for centuries prior, the principle of Westphalian sovereignty has circumscribed states’ ability to publicly influence and interface with one another. In theory, Westphalian sovereignty guarantees that the de jure supremacy of a recognized government will go unchallenged by foreign powers within the territory it that governs. Thus, having recognized the sovereignty of the Hungarian state in 1921, the United States in 1989 was bound by a nominal commitment to non-interference in Hungary’s domestic affairs.

In practice, foreign powers like the U.S. routinely flout sovereign inviolability, conspiring to destabilize, even topple, “hostile” governments – through official diplomacy and unofficial double-dealing, i.e., espionage. Notably, the U.S. government, through Central Intelligence Agency mouthpiece Radio Free Europe, let rhetorical support to Hungarian revolutionaries in 1956. By 1989, though, the U.S. no longer played the regime change game in Eastern Europe. President Bush had taken the bloody lesson of 1956 to heart. “This is not to say that the U.S. government simply ceased disruptive activities in Eastern Europe. But Washington’s stance toward the Eastern Bloc at large and Hungary in

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1 Palmer, “U.S. and Western Policy – New Opportunities for Action:” 390
2 In a nutshell: cuius regio, eius religio (“whose realm, his religion,” or, the modern update: “whose realm, his rules.”)
3 After World War II, the government of the United States re-established formal diplomatic relations with Hungary in 1945 in the wake of the Yalta Conference, at which control over the country’s future was effectively handed to Josef Stalin.
1989 particular could hardly be characterized as activist. András Simonyi, a former Hungarian envoy to the U.S. who served in the external relations department of the Hungarian Socialist Worker’s Party (HWSP), diplomatically remarked, “The [1989] revolution was not a product of a courageous U.S. foreign policy” in a phone interview.\(^5\)

“But,” he continued, “Mark Palmer and George Soros made a huge difference” in facilitating the fall of the HSWP that year.\(^6\) This thesis has already demonstrated how the maverick American ambassador, in stark contrast to his handlers in Washington, sought to catalyze Hungary’s transition to democracy. It now explores how Hungarian-born, America-based billionaire Soros – operating within a larger milieu of U.S.-aligned non-state actors – did the same in 1989.\(^7\) Specifically, it considers the private Hungarian Soros Foundation, the publicly-funded National Endowment for Democracy (NED) and its grantees, the American news media, and the U.S. business community. Other non-state actors operated in Hungary at this time, including missionary Christian groups like the Mormon Church, the but none were as energetic or politically influential as the aforementioned entities.\(^8\)

Whether by design or by accident, the activities of these non-state actors were directed against Hungarian state socialism. While it is epistemically impossible to assess their impact on actually bringing about regime change in Hungary, it will be demonstrated that they tangibly assisted the cause of Hungarian democracy in ways the U.S. government could or did not. Doing so complicates the narrative of America’s alleged passivity during annus mirabilis and highlights an often-overlooked factor in the historical recounting of 1989’s revolutions writ large.

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5 Simonyi, in discussion with the author
6 Simonyi, in discussion with the author
7 The Oxford Dictionaries define the “non-state actor” as “an individual or organization that has significant political influence but is not allied to any particular country or state.”
One final note before beginning the actor-by-actor analysis: it bears repeating that this chapter – indeed, this thesis – limits itself to the year 1989. Until until May 23, 1990, Hungary was run by the communist HWSP. Thus, for the entirely of 1989, the entities mentioned above were working within a semi-closed, closely-monitored society. Operating conditions were adverse and adversarial. After Hungary formally transitioned to democratic rule, a horde of Western aid groups, corporations, etc. flocked to Budapest and beyond to assist the country’s “return to Europe.” The work done by foreign non-state actors in Hungary post-1990 fundamentally differed from the work done beforehand – if not in content, then certainty in context. The Hungarian Soros Foundation et al. operated in an environment rife with political intimidation and intrigue. For this reason alone, what they did in 1989 was necessarily subversive.

4.1 A Magyar Soros Alapítvány

Many U.S.-aligned actors helped seed Hungarian democracy. More than any other American, though, George Soros reaped what he sowed in Hungary. In 1984, Soros opened the first rift in the Iron Curtain ringing the Hungarian People’s Republic when he endowed the Hungarian Soros Foundation (Magyar Soros Alapítvány), ostensibly an academic exchange program, in tenuous partnership with the HSWP-controlled Hungarian Academy of Sciences.\(^9\) In 1989, the Foundation awarded a scholarship for study at the University of Oxford to a young Hungarian named Viktor Orbán.\(^10\) Orbán would go on to

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become a star of Hungary’s revolution; later, he would serve (twice) as the country’s prime minister. “Without Soros,” Simonyi explained, “Orbán would be a nobody.” Orbán’s success in bringing democracy to Hungary is also Soros’ success.

The elevation of Viktor Orbán is but the Foundation’s highest-profile contribution to the cause of pluralism in Hungary. “From 1984 to 1989,” Soros asserts, “[It] was really the center of intellectual life in Hungary.” Tom Lynch, the head of the American embassy’s political section from 1989 to 1990, is far more effusive in his assessment of the Soros Foundation’ impact: “It was a proto-government for democratic Hungary.”

Writing in the Foundation’s first yearbook (in 1985, under politically-constrained conditions), Soros claimed that his goal in Hungary was simply “to support the emergence of magyar társadalom (Hungarian society).” In the Foundation’s 1989 yearbook, Soros revealed that he had appended the mission statement – in full, it was “[to support the emergence] of magyar társadalom, nyílt társadalom (Hungarian society, Open Society).” “We consider the original task completed,” he continued. His use of the first-person plural is revealing: Soros’ victory was the Hungarian people’s.

Soros, a Hungarian Jew, was born in Budapest in 1930. After surviving the Holocaust, he fled Hungary for the United Kingdom in 1947. Subsequently, as a student at the London School of Economics, he became a disciple of Karl Popper, a political

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11 On June 16, 1989, during the state-sanctioned ceremonial reburial of the martyrs of the 1956 uprising, Orbán delivered a fiery address on behalf of the country’s youth in which he demanded the Red Army remove troops stationed in Hungary. The address catapulted him to fame.
12 Simonyi elaborated: “Nobody [in the HSWP] wanted to touch Orbán after he made friends abroad.” Simonyi, in discussion with the author
14 Lynch, in discussion with the author
philosopher famous for popularizing the “Open Society” concept. Soros went on to become a fantastically successful financier and investor. By 1979, he was billionaire many times over. “When I had made more money than I needed,” he reflected some 18 years later, “I decided to set up…. the Open Society Fund, and I defined its objectives as opening up closed societies” worldwide, like Hungary’s. “Open Society Fund was considered too controversial a name by the Hungarian government,” Soros remembers, “so I had to set up a special foundation to deal with them.” Thus the Foundation was born. Ostensibly, it was as a cultural exchange program run in partnership with the state. In fact, Soros writes, “The goal of my foundation in Hungary… was to support alternative activities. I knew that the prevailing communist dogma was false… and that it would become unsustainable if it was exposed to alternatives.” The HSWP was wise to the threat the Foundation posed, but “despite Soros’ subversive intent, “the Party approved his plan because of the funds [he] brought with him,” writes Borhi. Soros promised much-sought-after hard currency, which Hungarian state security services thought they could use to buy video cameras;

Staying true to Soros’ desire to expose “alternatives,” the Foundation “supported a wide range of activities as long as they were not state controlled: amateur theatres,

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18 Soros himself offered a succinct explanation of this concept in a 1997 essay in The Atlantic: “Popper showed that totalitarian ideologies like communism… claim to be in possession of the ultimate truth. Since the ultimate truth is beyond the reach of humankind, these ideologies have to resort to oppression in order to impose their vision on society. Popper juxtaposed with these totalitarian ideologies another view of society, which recognizes that nobody has a monopoly on the truth; different people have different views and different interests, and there is a need for institutions that allow them to live together… Popper called this form of social organization the ‘Open Society.’” George Soros, “The Capitalist Threat,” The Atlantic Feb. 1997
19 Soros, “The Capitalist Threat”
20 George Soros, Underwriting Democracy: Encouraging Free Enterprise and Democratic Reform Among the Soviets and in Eastern Europe (New York: PublicAffairs, 1990): 6
21 Soros, “The Capitalist Threat”
22 Borhi, Dealing with Dictators: 371
 ecological projects, historical restorations… and myriad other projects.”

Most subversively, the Foundation financed samizdat publications, even go so far as to facilitate their publication by furnishing dissidents with printers. “In a country where in 1982 only 12 photocopy machines were in use and all electronic typewriters had to be registered,” historian Endre Dányi writes, “the emergence of hundreds of new Xerox machines equaled a figurative and literal information revolution.”

The Foundation also sent as many dissidents to the West under academic scholarships as the Hungarian government would allow. There, dissidents came in contact not just with potent Western ideas and organizing techniques but also a transnational network of anti-communist activists whose solidarity and support signal-boosted the cause of Hungarian democracy. Orbán was just one of hundreds of such scholarship recipients.

The pace of the Foundation’s aid proceed in lockstep with the accelerating tempo of Hungary’s reforms. In 1989, the Foundation disbursed over $4 million. It “opened a $1 million fund to support newly developing democratic organizations” across the political spectrum, from Orbán’s upstart liberal youth party, Fidesz, to the stately and softly nationalist Hungarian Democratic Forum (MDF), which would win Hungary’s first democratic election. Through welfare programming, the Foundation also “sought to sustain ordinary Hungarians as they faced economic and social upheavals associated with the end of communism.”

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23 Soros, Underwriting Democracy: 8
entirely new situation: its moral capital far exceeded my financial contribution.” It derived that capital from the behind-the-scenes nature of its work. The Foundation empowered Hungarians to set their own democratic examples. It ensured that kept a vibrant second society alive during Hungary’s late communist period such that democrats were ready and able to take the stage, so to speak, when the HSWP finally took a bow.

The final word on the Foundation’s influence belongs to Ambassador Palmer: “If I had to choose between closing the [American] embassy and abolishing the Soros Foundation,” he remarked in April 1989, “I would close the embassy.”

4.2 The National Endowment for Democracy

The U.S. National Endowment for Democracy (NED) was hot on George Soros’ heels in Hungary. A publicly-funded but privately-operated pro-democracy civil society organization, NED worked assiduously to bring about the demise of the HSWP regime by aiding and abetting the country’s incipient democratic forces. As Rodger Potocki, NED’s Senior Director for Europe, put it: “In 1989, NED helped pro-democratic groups to emerge from the underground and play key political, economic, social and cultural roles in the country’s transition to democracy.”

In 1982, President Ronald Reagan, speaking before the British Parliament, announced an initiative “to foster the infrastructure of democracy, the system of a free press, unions, political parties, universities, which allows a people to choose their own

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28 Soros, Underwriting Democracy: 25
29 “U.S. Support for FIDESZ Questioned,” 13 April 1989, Bratislava Pravda (Czechoslovakia). Trans. FBIS Eastern Europe II/70: 24
30 Rodger Potocki, e-mail message to author, 24 Feb. 2017
way.”\textsuperscript{31} Though spoken by Reagan, those words – which resulted in NED’s creation a year later – were written by none other than Ambassador Palmer.\textsuperscript{32}

NED worked by making grants to private actors like the Democratic Party-affiliated National Democratic Institute (NDI), the Republican Party-affiliated International Republic Institute (IRI), the Center for International Private Enterprise (CIPE), and the AFL-CIO’s Solidarity Center. It did not do direct work in Hungary, though it dictate the contours of the work done by its grantees. For this reason, Tom Lynch counseled against overestimating NED’s influence, noting, “Soros actually spent his money inside Hungary. NED didn’t.”\textsuperscript{33}

“Though non-governmental,” NED is “funded primarily through annual appropriations and subject to Congressional oversight.”\textsuperscript{34} Rodger Potcki said, “We did not use other funds in Hungary.”\textsuperscript{35} This is not to say that NED is an arm of the U.S. government. Potocki was particularly insistent on this point:

Before the revolutions of 1989, there was a minimum of sharing [of information with the U.S. government], due to concerns about dissidents’ safety. In the fall of 1989 and onward, there was more sharing of information. In 1989, NED received USAID funding to augment its own resources for work in Central Europe, including Hungary. This entailed more information sharing and coordination. But NED was and is an independent organization. All of its funding decisions are made by an independent board of directors.\textsuperscript{36}


\textsuperscript{33} Lynch, in discussion with the author

\textsuperscript{34} Lowe, “Idea to Reality: NED at 30

\textsuperscript{35} Potocki, e-mail message to author, 24 Feb. 2017

\textsuperscript{36} Potocki, e-mail message to author, 24 Feb. 2017
By way of corroboration, Representative Paul E. Kanjorski complained in September 1989 of a “total lack of oversight by either the Congress or Executive Branch into programs supported by the NED.”

Strictly speaking, the NED’s work in Hungary was in contravention of the Hungarian People’s Republic constitution (not to mention Westphalian sovereignty). It is difficult to say exactly how this work was illegal because communist law paid lip service to the freedom of association and expression. In January 1989, “a Law of Association” allowed Hungarian political parties to operate “without legal hindrance” but not as political parties. It wasn’t until October 19, 1989 that independent political parties were legalized. Thus NED’s work, while conducted in the open, took place in a legal grey zone where the benefices of its grants were not yet recognized. “This is not interference in internal affairs; it is simply helping the political modernization of these countries,” Palmer offered, somewhat unconvincingly.

NED first began funding projects in Hungary in 1986. The Scope of operations was limited “before 1989’s liberalized conditions;” this NED primarily “supported dissidents who promoted human rights and independent publishing underground.” In 1986, NED granted $55,000 to Freedom House to assist the London-based Hungarian Cultural Center published samizdat. In 1987, a mere $16,500 to Freedom House for the same purpose. Spending ramped up in 1988, when $71,500 was sent to Freedom House.

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40 Palmer, “U.S. and Western Policy – New Opportunities for Action;” 395
41 Potocki, e-mail message to author, 24 Feb. 2017
Then, in 1989, aid exploded, reaching $458,095 ($225,000 of which was provided by USAID).\textsuperscript{45} Below is a breakdown of that year’s grantees:

**NED**
- Center for International Private Enterprise: $25,000
- Freedom House: $16,500
- Free Trade Union Institute: $64,500
- Institute for Democracy in Eastern Europe: $51,580
- National Democratic Institute: $74,615

**NED with U.S. AID**
- Center for International Private Enterprise: $35,000
- Free Trade Union Institute: $30,000
- Institute for Democracy in Eastern Europe: $30,000
- International Republic Institute: $65,000
- National Democratic Institute: $75,000

As Potocki noted, U.S. AID’s involvement “entailed more information sharing and coordination,” U.S. AID’s involvement also opened a window into NED’s usually opaque activities. The $225,000 grant’s purpose was “to provide funding in support of the process of democratic transition in Hungary through activities that enhance civil and political rights, and through assistance to sustain the democratic momentum.”\textsuperscript{46} But what did that word soup look like in deed? According the grant’s instruction, NED sent advice and money to Fidesz, the MDF, the Association of Free Democrats (or SzDSz, the MDF’s leftist counterweight), four “historical parties,”\textsuperscript{47} a group of would-be small businesspeople called the Hungarian Association for Private Entrepreneurs, and several emerging independent trade unions. The grant also sanctioned election monitoring by the

\textsuperscript{46} U.S. Agency for International Development, Grant No. ANE-0001-G-SS-9045-00
\textsuperscript{47} Namely, the Independent Small Holders Party, the Social Democratic Party, the Christian Democratic Peoples' Party, and the Hungarian Peoples' Party – all parties that had been buried by the HSWP after World War II.
IRI and NDI so as to keep the HSWP honest. Further, a September 1989 New York Times story reported that the NDI was conducting “a three-day seminar on campaign techniques for the parties and movements that have sprouted in Hungary's search for democracy.”

Given that documentation of NED’s work in Hungary circa 1989 remains under lock-and-key, it is difficult to fully assess the organization’s influence and impact. For their part, Hungarian democrats have historically been reluctant to discuss any affiliations with NED. Potocki asserts, “In 1989, NED helped pro-democratic groups to emerge from the underground a play key political, economic, social and cultural roles in the country’s transition to democracy.”

Writing two years later, Bennett Kovrig argued that “NED has usefully fed the ‘flame of freedom’ [in Hungary] and complemented diplomatic advocacy of human rights” through “the Democratic, Republican, and AFL-CIO institutes.”

An offhand remark by Potocki may offer the strongest evidence that NED indeed played an instrumental role in Hungary’s transition to democracy. “Do you know the famous Fidesz kissing poster?” he asked the author, referring to:

The most memorable image of the parliamentary elections, finally held in March 1990... It juxtaposed two photographs: above, the Soviet troglodyte General Secretary Leonid Brezhnev kissing his East German counterpart Erich Honecker on the mouth. Below, a young couple, kissing on a park bench. Between, the simple slogan: “Fidesz. You choose.” But, of course, the people had already chosen. Contrasted with the fresh yet unthreatening campaign of the newly visible opposition, the communists seemed painfully obsolete.

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49 Rep. Stephen J. Solarz, speaking before the House Subcommittee on International Operations in 1989, offers a possible reason why: “If people around the world begin to come to the conclusion that the NED is a front for the CIA, or is working in tandem with the CIA, the NED is likely to soon find that its embrace is the kiss of death...” U.S. House of Representative, Committee on Foreign Affairs, Subcommittee on International Operations, National Endowment for Democracy in 1990, 101st Congress, 1st sess., 1989, 19
50 Potocki, e-mail message to author, 24 Feb. 2017
51 Bennett Kovrig, Of Walls and Bridges: The United States and Eastern Europe (New York: NYU Press, 1991): 222
“NED paid for it,” he declared.\textsuperscript{53} That NED’s fingerprints were on arguably the most iconic image of Hungary’s democratic transition speaks to the depth of their in-country involvement and impact. But, as Padraic Kenney notes in the block quote, the communists had already been vanquished. Hungary’s opposition needed no help from NED in that quarter. But Hungary has NED to thank for making sure viable political parties were ready to assume the mantle of leadership after those election.

4.3 The Media

Information was a precious commodity in closed communist societies like Hungary’s. Even through the liberal 1980s, the Hungarian Socialist Worker’s Party maintained careful control of domestic media.\textsuperscript{54} By decade’s end, though, their grip was weakening.\textsuperscript{55} During 1988’s March 15 demonstrations,\textsuperscript{56} as many as 10,000 protestors streamed through Budapest carrying banners calling for “Press Freedom;” some of their number “were dispersed by riot police, who held clubs.”\textsuperscript{57} Prior to the protest, the government conducted a sweep of Budapest’s dissident network, arresting opposition publishers and writers like Miklós Haraszti, editor of the samizdat journal \textit{Beszélő} (which

\textsuperscript{53} Potocki, Interview by Noah Buyon

\textsuperscript{54} The HSWP had long since resigned itself to the inevitability foreign media intrusion. In 1964, for instance, the Hungarian government ceased to jam Radio Free Europe (RFE). By 1988, RFE broadcasts reached just under 50 percent of Hungary’s adult population. “Everyone in Budapest listened to Radio Free Europe,” Georgetown University’s Gábor Ágoston, who taught there from 1985 to 1998, told me. Gábor Ágoston, Interview by Noah Buyon


\textsuperscript{56} March 15 is the anniversary of the failed Hungarian Revolution of 1848, when the Hungarian nation rose up against the Austrian Empire. It became a regular occasion for democratic agitation and political protest during communist times.

\textsuperscript{57} Reuters, “10,000, Crying 'Democracy,' March in Budapest”
was supported both by the Soros Foundation and NED).\textsuperscript{58} That the government specifically targeted advocates and practitioners of press freedom speaks to the fear with which the HSWP regarded Hungary’s long-suppressed Fourth Estate.

Hungary’s domestic media was not just a prize over which the country’s communist and democratic forces fought; it was also a means to alternately prop up or tear down the HSWP regime. Organizers of 1989’s March 15 demonstrations complained that the protest “received hardly any publicity” from state-run new services, even as “television stations around the world broadcast live coverage of the event.”\textsuperscript{59} Thus they demanded “that the daily papers, radio, and television be handed back, so to speak, to the [Hungarian] nation and to society.”\textsuperscript{60} They would not get their wish until October 1989, when the HSWP amended Hungary’s constitution to provide protections for press freedom.\textsuperscript{61}

Sociologist Tamás Hofer, a participant in the 1989 March 15 action, wrote:

The government and the Party did not conceal that they were unpleasantly surprised by the opposition’s successful, separate demonstration. This displeasure was mirrored in the silence of the T.V. and radio about the opposition march. Nevertheless, the government and the Party wanted to retain their lawful image and so no violence was applied.\textsuperscript{62}

The practice of domestic media “silence” aimed at suppressing Hungary’s democrats. But, as Hofer hints at, Hungarian domestic media were not the only watchers on March 15. The regime’s unwillingness to use violence, so as to “retain their lawful image,” highlights their attentiveness to and acceptance of the foreign journalist corps who reported on the

\textsuperscript{58} Reuters, “10,000, Crying 'Democracy,' March in Budapest”
demonstrations. These journalists would effectively negate domestic media silence by publicizing, for instance, that the opposition drew a crowd of 75,000 that day. Unconstrained by censorship, foreign – namely, Western – journalists played a pivotal role in undermining the HSWP regime not just on March 15 but throughout 1989.

Nick Thorpe, a British-born reporter for the BBC, was the very first Western journalist to set up shop in the Hungarian People’s Republic (circa 1986). Within a year, his writing landed him in hot water with the HSWP. An angry official from the Ministry of Foreign Affairs dressed Thorpe down, chiding him: “Through your work for the BBC Hungarian Section, your reports are… influencing Hungarian events.” “It was a fair claim – but I could hardly act otherwise,” Thorpe reflected, continuing, “We report things, and we are not responsible for the consequences.” But the HSWP’s hands were tied; as a citizen of United Kingdom, Thorpe’s expulsion or internment would have generated, in the estimation of Britain’s envoy to Hungary, “a big international scandal” that might have jeopardized Hungary’s “goulash” bona fides. Thus, Thorpe was permitted to keep “influencing” the course of Hungarian history.

Thorpe was joined in 1987 by Henry Kamm of The New York Times, Hungary’s “first resident American correspondent since 1956.” Kamm’s U.S. citizenship likewise afforded him certain protections. For instance, his notebooks were confiscated by Hungarian customs officers when he crossed over the country’s border, but they were

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65 Nick Thorpe, e-mail message to author, 21 Mar. 2017
66 Thorpe, ’89: The Unfinished Revolution: 55
“later returned along with apologies for the mistreatment he received,” according to a 1988 CSCE report.\(^6^8\)

In 1989, Western journalists like Kamm and Thorpe were influential in two ways: first, their reporting directly and indirectly hastened Hungary’s internal transition; second, they directed international attention to Hungary at a time when focus was on bigger, bolder countries like Poland.

It should be noted that, on balance, British journalists like Thorpe were more influential than American ones like Kamm. But, while the most recognizable Western chronicler bar none – Timothy Garton Ash – was British, his dispatches appeared in an American publication, *The New York Review of Books*.\(^6^9\) “If Timothy Garton Ash had an article in the *Review*, it was read in Budapest,” remarked Tom Lynch by way of assessing the weight his word carried.\(^7^0\)

Western journalists often moved the needle of Hungarian politics through their reporting. In 1987, for instance, Thorpe broke the news that reformist Imre Pozsgay had given a speech at a now-legendary meeting in Lakitelek, Hungary which lead to the creation of the MDF.\(^7^1\) Poszgay barely survived the ensuing censuring from his comrades. But, with the news his support for the opposition out in the open, Hungarian politics lurched toward reform. In 1988, Michael Meyer, an American journalist for *Newsweek*, interviewed newly-installed Prime Minister Németh, who said, “Gorbachev has taken the


\(^{69}\) Many elder statesmen of Hungarian opposition also write in *The New York Review of Books*. For this reason, Tom Lynch said “New York was a second Budapest” in the 1980s.

\(^{70}\) Lynch, in discussion with the author

\(^{71}\) Thorpe, *’89: The Unfinished Revolution*: 56-57
Buyon 81

lid off a boiling pot. No doubt the steam in painful, but change is irreversible.” The remark “earned Nemeth a stern dressing-down from his titular boss, Karoly Grosz,” Meyer recalled. But, once again, the reformist impulse had been aired and thereby normalized.

On April 10, 1989, the HSWP’s English-language MTI news service announced, “The Washington Post and The New York Times leaked excerpts from a study prepared by the Bush administration, believed to be part of a ‘general preference package’ for Hungary and Poland.” It added, “the news has… gone down extremely well.” Recall that April 10 was a full week before Bush’s speech at Hamtramck, Michigan, in which he made his very first foreign policy overtures to Hungary. American news was practically supply the HSWP with intelligence. April 10’s new item served as a tantalizing carrot, coaxing the Hungarian government a little further down the road of “refoultion.”

“Publicity is justly commended as a remedy for social and industrial diseases,” American Supreme Court Justice Louis Brandeis famously said. “Sunlight is said to be the best of disinfectants.” Solidarity’s Lech Wałęsa remarked that Western media’s role in effecting Poland’s democratic transition “cannot be described. Would there be earth without the sun?” Western media likewise shined a light on the pitfalls of Hungarian state socialism and the promise of democracy. In this way, journalists helped create the conditions for and expectations of regime change.

72 Meyer, The Year That Changed the World: 33
73 Meyer, The Year That Changed the World: 33
77 Etzioni, “Transparency Is Overrated
Before Bush’s visit, an editorial in a Hungarian newspaper suggested “even if we cannot say that America is discovering us now, undoubtedly, Hungary will become the focus of the interest of a superpower for a political moment…”\textsuperscript{79} The writer was probably right. Media critic Ben Wattenberg wrote, “There was probably more network TV coverage of those countries in three days than there has been in the last three years.”\textsuperscript{80} According to Wattenberg, that interest was not in the interest of the HSWP: “The networks told us the truth about communism today: that it has been a brutal failure, that democracy can be the wave of the future…”\textsuperscript{81}

Coverage did not stop after Bush left Budapest. A 1990 \textit{Media Monitor} report found that “Eastern Europe was the most heavily covered TV news story of 1989.”\textsuperscript{82} Across the “Big Three” American TV networks, a full 108 stories were devoted to Hungary that year, putting it in fourth place in the Eastern Bloc, behind East Germany, Poland, then Czechoslovakia. Interestingly, \textit{Media Monitor} also found that “with the sole exception of Hungary, all East European countries were overwhelming assessed in negative terms… This positive portrayal was due in large part to is history as the most reform-minded communist country.”\textsuperscript{83} The First World’s eyes were on Hungary. They were not always kind, but they were encouraging.

In Thorpe’s final analysis:

[ Mikhail] Gorbachev gave reformists in Hungary the space to operate. We Western journalists showed an interest in what they were doing. That spread the word further, inside Hungary and beyond. That made the reformists bolder.

\textsuperscript{79} “Comments on Upcoming Bush Visit to Budapest,” 6 May 1989, \textit{Magyar Nemzet} (Hungary), Trans. FBIS Eastern Europe II/95: 30
\textsuperscript{80} Ben Wattenberg, “When Those TV Anchors Are Away…,” \textit{Orlando Sentinel} 19 July 1989
\textsuperscript{81} Wattenberg, “When Those TV Anchors Are Away…”
\textsuperscript{83} “Drawing back the Iron Curtain:” 4
Would it all have happened, or happened in the same way, without us? I don’t know, but I doubt it.

4.4 Corporate America

In 1989, Stephen Kotkin observes, “Hungary was broke.”

“In a nutshell, everything had gone wrong,” Hungarian Prime Minister Miklós Németh remembered, continuing, “It was absolutely clear for everyone… that we have to go back to… [when] we had a functioning market economy.” In 1988, Németh told Michael Meyer, “We are going to live through some painful years, yes. But in five years, I would hope that Hungary will have become a market economy, with room for entrepreneurs and where people can have more hope about the future.” But those “entrepreneurs,” and the capitalist culture they stood for, were not going to come from within Hungary. To inculcate a capitalist culture, the Hungarian government had nowhere to look but westward, to those with experience. Thus, on May 8, 1989, HSWP General Secretary Károly Grósz flatly told British journalist Edward Pearce, “We want foreign investment.” On this point, Grósz was in agreement with Mark Palmer, who wrote in April 1989, “The most important component of an economic agenda is direct Western investment.”

Saddled with massive budget deficits, the U.S. government was not up to the task (nor was it in the business of investing in other countries). But, George Bush and his advisors realized that the formidable American private sector could jumpstart Hungary’s

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84 Thorpe, e-mail message to author, 21 Mar. 2017
85 Kotkin, *Uncivil Society*: 57
87 Meyer, *The Year That Changed the World*: 33
88 This is no knock on the Hungarian entrepreneurial spirit. The simple truth is that there was little domestic capital in Hungary circa 1989.
90 Palmer, “U.S. and Western Policy – New Opportunities for Action:” 391
incipient capitalist economy. Thus, on July 6, 1989, the eve of his landmark trip to Hungary and Poland, Bush summoned U.S. corporate leaders to a “White House Symposium on Eastern Europe.” There, he said:

I call on the American business community to encourage the movement toward free markets by working with private sector enterprises in Hungary and Poland. Private enterprise has been the engine of economic growth in the United States, and it can be the key to prosperity in Poland and Hungary. So, help it thrive.\(^9^1\)

Bush’s timing was propitious. On January 1, 1989, a slew of new, liberal laws come into effect in Hungary which for the first time allowed full foreign ownership of Hungarian-based businesses. A window of opportunity was opened.

Foreign direct investment had been permitted since 1972, but the state prevented outsiders from exercising complete managerial control (and imposed other restrictions). Moreover, it wasn’t enough. “Hungary’s deputy trade minister Imre Dunai observed ruefully in April 1988 that the 135 joint ventures in operation had brought less than $100 million and served mainly to replace imports; in 1987, the exports of these joint ventures to hard currency markets were $35 million less than their imports.”\(^9^2\) Grósz would complain to Pearce, “so far it [foreign investment] only stands at the low figure of about $300 million, most of it joint ventures.”\(^9^3\)

“Hungary, then, became the preferred target of foreign investors,” Kovrig writes.\(^9^4\) The data back up his assertion. According to American trade publication *Industry Week*, there were 280 foreign joint ventures in Hungary circa 1988, but “in 1989 alone, over 350

\(^9^2\) Kovrig, *Of Walls and Bridges*: 285
\(^9^3\) Pearce, “Thatcherism, Alive and Kicking and Living in Hungary”
\(^9^4\) Kovrig, *Of Walls and Bridges*: 287
were started, about 75 with U.S. companies." In a year-end *New York Times* business roundup, one economist quipped, “In Hungary, the future is here." It looked awfully capitalist.

A watershed development came on November 15, 1989, when General Electric (GE), then the seventh-largest company in the world, announced it was acquiring Tungsram, a Hungarian state-run light bulb manufacturer, for a whopping $150 million. Hailed as “a vote of confidence in the future of Hungarian reforms,” the deal was the single largest foreign direct investment in Hungary to date. GE Chairman Jach Welch met with Bush on November 2, 1989, to brief him on the deal. The White House was enthusiastic. An administration memo reads:

> This substantial investment in Hungary by a major U.S. company advances the administration’s goal of having private enterprise play a major role in orienting Eastern Bloc nations towards the West. It could be a seminal model for subsequent private U.S. investments.

A follow-up letter sent by GE executive Phillips Peter on November 6, 1989 to Bush legal advisor C. Boyden Gray reads, “The NSC... was prepared to Mark Palmer (U.S. Amb. to Hungary) that the administration was interested in the transaction and hoped it would succeed, so Palmer could so indicate to appropriate Hungarian officials.” But neither the NSC nor Palmer took such action, indicating that the U.S. government was too timid to grease the tracks for an investment that advanced its own goals. Nevertheless, GE pressed on without explicit U.S. government support and cut the deal.

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98 Proposed Call by White House to Hungary, Obtained under FOIA 2012-0679-F, George Bush Presidential Library, College Station, TX
99 Phillips S. Peters, White House Correspondence Tracking Sheet, Obtained under FOIA 2012-0679-F, George Bush Presidential Library, College Station, TX
A New York Times story quoted a corporate lawyer as saying, “The G.E. investment had a symbolic effect. When G.E. moves, people take notice.” And they did. By February 1990, Industry Week would report that “big companies such as General Electric, Guardian Industries, Schwinn Bicycle, and Levi Strauss & Co. have all started major joint ventures with Hungarian firms.” General Motors would soon follow in GE’s footsteps “with a $150 million joint venture to build cars and engines in Hungary.” Bush’s call had been heeded.

In 1990, Fortune published a profile of GE’s Tungsram takeover with the headline “GE in Hungary: Let There Be Light.” The story coalesced around George Varga, a Hungarian-born, American-bred executive tasked by GE with turning Tungsram into a viable venture. At one point, Varga remarked, “This isn’t a job; it’s a crusade.” The same could be said for corporate America’s investments in Hungary at the Cold War’s end. American firms like GE and GM were not doing deals; they were invading, just like the Crusaders of yore – and evangelizing. The gospel they preached was of capital.

4.5 Assessment

The Hungarian Soros Foundation, the National Endowment for Democracy, American media (and their British counterparts), and U.S. corporations did not bring down the Hungarian People’s Republic. Even if these non-state actors were not instrumental in Hungary’s 1989 regime change, though, they were demonstrably influential. Their work helped create the conditions for the peaceful transition of power in Hungary. More

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101 Boudette, McClanahan, and Nelson-Horchler, “Hungary: Bridge Between East and West”
102 Boudette, McClanahan, and Nelson-Horchler, “Hungary: Bridge Between East and West”
104 Tully and Fefer, “GE in Hungary: Let There Be Light”
importantly (from the historian’s vantage point), the sum total of their involvement in Hungary circa 1989 represented a level of constructive engagement with the country that far eclipsed the U.S. government’s pro-democracy exertions.
Conclusion

In the lead-up to 1989, the United States had grown comfortable, if not content, with the Cold War status quo in Europe. Decades of bridge building had paid modest dividends in already-liberal Hungary, particularly in the realm of human rights. Although the pace of constructive engagement was no longer in lockstep with the tempo of Hungary’s in-country reforms by 1989, the specter of 1956 – i.e., the belief that overt domestic inference could provoke a nuclear response from the Kremlin – kept newcomer George H. W. Bush from adopting an activist foreign policy. Of course, the U.S. and the rest of the West, through their credit programs, had already sealed the HSWP regime’s fate, but this fact escaped the cautious American president. Moreover, Western loans only gave Hungary the proverbial rope. The Hungarian government had to hang itself. And it did, to Bush’s surprise – and everyone else’s.

America, then, helped create the conditions that ended the ‘dictatorship of the Hungarian proletariat.’ This is not to say that the U.S. sat idly by as internal change swept away Hungarian state socialism. The documentary record amply demonstrates that Hungary was constantly on Bush’s mind – albeit, as a pawn in a grander geopolitical game. It was a game the U.S. played without an visionary strategy. Lacking “the vision thing,” Bush eschewed a leading role for America in favor of a secondary one in the epic of Hungary’s transformation. He was prepared to provide political cover and rhetorical encouragement to Hungary’s democrats but not material aid (as evinced by his landmark trip to Budapest). To the limited extent that the U.S. tangibly advanced the cause of Hungarian democracy circa 1989, the credit goes to Ambassador Mark Palmer, members
of Congress (except Sen. Jesse Helms), and American non-state actors like George Soros and the National Endowment for Democracy.

This thesis has painted a portrait of uneven American engagement with the Hungarian People’s Republic during the dying months of the socialist state. At best, America – that is, the several branches and agencies of the federal U.S. government, in addition to American non-state actors – can be considered a catalyzing but not causal agent of regime change in Hungary, circa 1989. At every level but the highest, though, the U.S. was more concerned with the cause of Hungarian democracy than accounts of the *annus mirabilis*, rife with “Great Man” bias, have heretofore indicated. The history of this landmark year ought to accommodate a few more ‘great men’ (such as Helms, Palmer and Soros). It is true that President Bush wanted a liberal democratic Hungary and worked to create such a country, but, in retrospect, the U.S. Congress, non-state actors, and above all, Palmer better understood the historical moment. Their hard-charging, forward-leaning approach better suited Bush’s end goal. Palmer would later reflect:

> We have a set of values which are inherent in the way we are. They are good and right values. They are the future of the world, and we should strongly voice them and strongly stand up for them and operationalize them. I don’t think Bush was comfortable with that.

Palmer implies that the U.S. should have been more concerned with the cause of Hungarian democracy. Recent events vindicate his view, as a liberal democratic culture has patently failed to take root in Hungary. In part, this is because the U.S. did not, or did not try, to plant the seed deep. “The conventional wisdom here and at our institutes is not that there wasn’t sufficient initial investment in 1989,” Potocki said.² “There was, if you

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1 Palmer, Interview by Charles Stuart Kennedy
2 Potocki, e-mail message to author, 2 May 2017
look at the initial outcomes. However, the investment didn’t last long enough.”

Eric Chenoweth further argued that “few people branched out beyond Hungary’s ‘usual’ [i.e., established] dissidents,” curtailing the development of truly a organic liberal democratic culture.

Hungarian Prime Minister Viktor Orbán, hero of 1989’s “refolution” (and one such “usual” dissident) is now presiding over state capture and authoritarian consolidation. On July 26, 2014, he vowed to turn Hungary into a “illiberal state.” He has enjoyed great success in pursuit of this pledge. Speaking to Orbán on April 26, 2017, European Union parliamentarian Guy Verhofstadt was moved to remark, “I see a sort of modern-day version of old communist Hungary.”

America is now responding to a different, devolutionary kind of regime change in Hungary. In 2014, the U.S. State Department warned of “democratic backsliding” in the country. In 2015, the House Committee on Foreign Affairs convened a hearing on “The Future of U.S.-Hungary Relations” that saw Simonyi, inter alia, express concern that Orbán’s anti-democratic turn was endangering “a country that has still not fully recovered from the terrible human and intellectual losses it has suffered exactly because of exclusion and hate under authoritarian regimes of the past.” Rodger Potocki informed the author that NED is restarting democracy assistance programming Central Europe, including Hungary, adding, “[NED is] back to supporting projects that focus more directly on…

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3 Potocki, e-mail message to author, 2 May 2017
4 Chenoweth, in discussion with the author
5 Csaba Tóth, “Full Text of Viktor Orbán’s Speech at Báile Tușnad (Tusnádfürdő) of 26 July 2014,” Budapest Beacon 29 July 2014
threats to the democratic gains” made throughout the region. Finally, at the time of this writing, Soros’ Budapest-based Central European University is facing the prospect of closure by the Orbán government, prompting condemnation from the State Department and the American scholastic community.10

Any believer in the liberal democratic norm must hope against hope that America’s response to the present specter of regime change in Hungary will be decisively unambiguous.

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9 Potocki, e-mail message to author, 27 Apr. 2017
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