September 15-17, 1955

Internal Memorandum

Interviews with Owen D. Young - Second Series

(As a postscript to these interviews, there was the supper with Everett Case and his wife, Josephine Young Case, at Hamilton, N.Y. on Sunday evening, September 18th.)

These interviews were with Mr. Young alone, and the difference between the two sets is explained first by the fact that we covered the ground fairly well in the first set, and second by the lack of stimulus from Mr. Case Sr. and Mr. Case Jr. It was not easy for Mr. Young to be asked about details which he did not remember. On the other hand, he unusually liked to talk about the past, and it was somewhat difficult to do much digging into papers to call back events and spare his memory.

Interviewed again by a discussion of the Bank for International Settlements, talking of the reason for its creation, Mr. Young said, "As the central banks kept coming more and more into the international picture, a need was found for more understanding between them." In a situation as sensitive as that period was, the heads of the central banks could not visit each other without exciting great curiosity on the part of the press and the public. The result, for all practical purposes, was that they were off from each other by this curiosity, as every trip or projected trip created repercussions in the money market and the stock market of the countries concerned.

Mr. Young, with that reasonableness which is one of his most important characteristics, said, "Why don't we have a central organization where the heads of central banks can meet regularly without exciting such curiosity?" The next course was to invent a mechanism which would serve that purpose, and the B.I.S. was set up with that in mind. Meetings were held at regular periods, and public notice of those meetings was given. Heads of central banks could go to those meetings without exciting undue curiosity, and the very fact that the notice was public quieted suspicion. The regularized meetings met the needs for

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conversation. In the long run the financial dealings which took place at these meetings were less important than the opportunity for talking over mutual problems which might have repercussions in the various countries.

It was understood ~~that~~ in the Dawes Plan discussions (before the Bank for International Settlements was set up) that the need to bring the Reichsbank along with the central banks of the other nations was vital. The Dawes Plan aimed to develop a new program with the cooperation of the German government. It was understood that whatever payments were finally scheduled would ultimately be revised, but no one knew exactly how much. The phrase on every street corner was "Germany would have to pay," and this phrase dominated the thinking of the men who met in the Dawes Plan conference, but no one of them knew how Germany would pay or how much she would pay. The demand that she bear the costs of the war was universal, and the emotional response to that demand was such that it swept aside practical problems such as how funds were to be raised and how they were to be transferred across frontiers.

The Dawes Plan came at the end of a long period of confusion and frustration on the part of the Reparations Committee. Its public injection is generally credited to a speech made by Charles Hughes, on December 29, 1922 at New Haven, where he spoke at a meeting of the American Historical Association. It was agreed that the Plan must be free of political influence (more details are given in the Tarbell biography of Mr. Young, pages 160 and 161). Asked how Mr. Young had come to be appointed to the Dawes Committee, he said that he had come to know Mr. Hughes well after Hughes' defeat in his campaign for the Presidency and his return to New York. Mr. Young had hired him as counsel for the General Electric in the anti-trust suit. Also Mr. Young knew Coolidge well. Dwight Morrow had talked with Hughes about personnel, and it is possible that he suggested Young (see the earlier memorandum on this, also see Ida Tarbell's idea as to the possible suggestor, – Roland Boyden, a friend of Thomas Hudson
partner (EC)

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(EC)

Perkins). Dawes was picked as a spectacular ~~advertising~~ figure from the middle west, popular in Europe because of his military exploits during World War I, and popular in the United States for his good sense and spectacular publicity abilities. Young was to go along as an associate, and possibly to provide the kind of legal and financial intelligence which was not expected of Dawes. The appointment was cleared with Mr. Burgess of the New York Bank, who was the young, brilliant monetary expert of the period.

No one of the central banks played a part in the formulation of the Dawes Plan, although obviously they were concerned that it be a success. In Mr. Young's opinion, it had to be that way in order to keep the Plan free of undue influence. The men who did the actual work were Sir Josiah Stamp of England, Pirelli of Italy, Franqui of Belgium and Parmentier of France, all of whom cooperated. Kindersley of England was also useful. It was Mr. Dawes who "put on the show," and who proved very popular in France and highly acceptable to London. (In a way he resembles General Patton during World War I, although the latter died untimely.) Dawes met the press and kept advertising what the Committee was doing, so that the public was content and no atmosphere of anxiety built up.

The whole attitude of the entire group was merely, "What will we do with a mess like this?" The work done by the private bankers on the Committee was remarkably free of political and financial pressures. No charges of influence were laid. The Dawes smoke screen effectively warded off critical suspicion. The chief burden was to find something which would seem to hurt Germany so that the public would be placated, but would at the same time allow Germany a chance to pay the charges levied against her.

The story of the "instructions" which Coolidge gave Dawes and Young is told in the earlier memorandum on this subject. A third chapter should be added. At the end of the third week of the Dawes meetings Mr. Dawes got a letter with a request that it be shown to Mr. Young. A lady, unnamed, living on the Rue St. Honoré, expressed herself as extremely pleased if General Dawes and Mr. Young would come to tea with her. She gave as her reference, "I am an intimate friend of your President." Neither Dawes nor Young accepted the invitation. Both of them agreed on rereading it that "your President" did not mean Mr. Coolidge, but the titular head of the Reparations Committee ~~Dawes Committee, who was the then-President of France~~ which had appointed the Dawes Committee. Nevertheless, Mr. Dawes decided he would hold onto the letter and that he had a use for it when he got back to the United States. When the two men went to report to Mr. Coolidge, Mr. Dawes said, "Mr. President, do you remember your last instructions to us?" The Vermont face of Mr. Coolidge brightened, and he said, "Yes, I told you to take your wives along if you were going to Paris." Mr. Dawes then pulled the letter from the lady out of his pocket, and read it to the President, saying, "It is obvious that the next time you go to Paris, you better take your wife along." This was the only report made to the Coolidges. Otherwise the entire luncheon followed the pattern of the first one, and the chief subject of conversation was not reparations or finance, but politics. (EC)

This interview also turned up an addition to the information previously given about the meeting of the premiers in August following the Dawes Plan meeting. This conference was held in London under the chairmanship of Premier MacDonald and was for the expressed purpose of explaining the Dawes Plan to the heads of government in Europe. Mr. Dawes was at the time very busy with the Presidential campaign in the United States and could not go. Mr. Young was therefore asked to go and explain the Plan to the Premiers.

He found to his surprise and dismay that this was a strictly political meeting and that State Department rules of status applied. Premier MacDonald presided. Frank Kellogg (then ~~either~~ the American Ambassador ~~or American Secretary of~~ of State) who "knew nothing about the Dawes Plan" was the American representative. (EC)

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Mr. Young discovered that he was not supposed to speak unless Mr. Kellogg called on him to speak. He was hedged about with State Department rules, and from his point of view, the situation was not tolerable. Mr. Young objected that he himself was not there as an American representative, but as a representative of the Dawes Plan, having come to explain it to heads of government. He refused to sit under the State Department aegis and left the meeting. He made it known that he had rooms at Claridges and would be glad to be of service to anyone who wished to confer with him. That process worked very quietly and without publicity. Heads of governments had come to the conference with briefing from their own nationals who sat in on the Dawes Plan conference, but with political axes which they felt they had to grind. The ability to ask further information from Mr. Young without any public knowledge of such questions was a great help.

The Plan was finally approved by the assembled premiers on the ground that Mr. Young would set it up. He went to Berlin for that purpose and stayed eight weeks. Mr. Houghton of the Corning Glass Company and a resident of the same section of New York State was American Ambassador and very friendly and serviceable. Mr. Young knew Schacht. His third set of contacts stemmed from his setting up of the ~~RCA in 1919~~ South American Radio Consortium in 1921, when he went to Paris to confer with German and French heads of electrical companies, Siemans, and so forth. Thus he had the cooperation of the financiers, the politicians (rather, the political leaders), and the heads of the ~~elctreial~~ electrical industries. With this background, the setting up of the machinery for the operation of the Dawes Plan was not too difficult. He had complete German cooperation. (EC) (EC

He argued with Schacht that colonies, which had played so great a part in Germany's demand for room in the world, were not important, but that the underdeveloped markets of the world were, and that international cooperation was needed to develop such markets. The Germans were extremely sensitive as to whether those markets would really be free. As proof of good intent, the General Electric and Westinghouse acquired big blocks of stock in German, French, Swiss and Italian companies on the understanding that the American companies would never exert pressure on the administration of the foreign companies except on complaint of blackmailing security orders. In that event, the G.E. would reserve the right to ask questions about the misuse of power to prevent competition. This was,according to Mr. Young, a conscious attempt to prevent the misuse of combination and cartel. (The incident needs elucidating.)

Mr. Young, talking about the German situation, said that while the work of sorting out her power to pay was going on, Morgan and Co. kept saying, "How do you expect Germany to pay unless you give her a chance to make the money to pay with?" The difficulty was that of getting a practical plan accepted in the high state of emotional tension which then prevailed on both sides of the Atlantic, and indeed in both the allied and enemy countries.

Mr. Young was so obviously sure that the Dawes and Young Plan would have worked had it not been for extraneous circumstances that I asked him why it was that Germnay, which at one time must have seemed well on its way to recovery, fell into the hands of Hitler and a second war. He said that the breakdown was largely a matter of political immaturity, rather than of economic pressures that could not be withstood. To illustrate his point, he told this anecdote. Mrs. Young (Mrs. Josephine Edmonds Young) had a bad heart. She went with him to Germany when he went to set up the mechanism for the Dawes Plan, and an excellent German heart specialist was provided who made daily calls in the late afternoon at the Adlon Hotel where the Youngs were staying. This was an intelligent man, speaking English, and he and Mr. Young became good friends. The doctor came in one afternoon very much distressed and said, "Mr. Young, I've had a terrible day. I've been needed at the hospital; my patients have been calling for me; and in spite of this, I have had to spend hours over these candidates. I don't know who they are, they

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aren't important, and why should I have to worry about them. In the old days the castle made the appointments, and in the main they appointed competent people. These new people that are running for office aren't very good, and there's really nothing I ought to have to do about them."

Mr. Young regarded this as an indication that the process of imposing democracy on the people who were not ready for it was a great mistake. The Germans were, he said, conscientious people. They undertook their responsibility seriously, but the responsibilities which go with a democratic government were not such as they understood. When the people for whom they voted did not do their jobs very well, they felt that the responsibility was theirs and that they had failed. Nor did they have time to learn this strange new process. There was no quiet period when they could become seasoned in the ways of democracy. What Hitler did was to give them back the confidence that he would run the works and that they could stop trying to elect people as good as those who had been appointed by the throne in the old days.

Mr. Young is convinced that the Dawes and Young Plan would have worked had it not been for the emergence of Hitler, whom he regards as a maniac reassertion of German strength. Payments had been modified; mechanisms were working well; the economic pressures were not so great as to cause a breakdown, had the country been seasoned in political ways.

Mr. Young was last in Germany in ? 1924 (EC)

JYC says once—pro forma—in 1927 when ship docked briefly in Bremen, en route to ICC Stockholm Conference. (EC

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This interview was mostly devoted to descriptions of people who Mr. Young knew in the early days of his work on the Board.

For Adolph Miller he obviously had a certain amount of respect, if not admiration. He said that the old man (Mr. Miller seemed old when Mr. Young first met him) was a persistent and rigid man, sometimes very disagreeable, but there was no doubt that he knew his economic theory and that he had a certain philosophy of central banking and a picture in his mind of what a central bank should do.

Mr. Charles Hamlin was a very different type. He had had an excellent reputation in Boston, where he was regarded as an intelligent gentleman, but no specialist. He had been brought up in politics, and it must be remembered that he was a Democrat, which In Boston does not very often mean that one is considered as acceptable among the best families. It was much worse in those days than it is now.

(It should be remembered that Mr. Young himself is a Democrat, so that he spoke without rancor.) When Mr. Wilson was picking the men for the Board, he had regional interests to consider, and it must have seemed logical that he get a Boston man. The problem was to get a Democrat from Boston who would be intelligent and acceptable. Mr. Hamlin had been brought up in politics; he represented the public interest, but on a rather high plane. He was a temperate man and not controversial, and seldom so interested in anything that he would make a real fight for it.

I asked why Mr. Hamlin keeps referring in his diaries to Mr. Brandeis, and the answer again was politics and power. Mr. Filene, the famous Boston merchant, wanted at that time to build a store on Summer Street. This plan interfered with the interests of the famous fifty associates who carried on investment and realty business in many directions in Boston. Mr. Brandeis represented Filene; Mr. Young represented the fifty associates. (Mr. Young was at that time a partner in the firm of Tyler and Young.) Mr. Hamlin, as a Democrat, had only people of the type of Richard Olney to rely on. Hence he fell back on Brandeis.

Paul Warburg's abilities and qualifications seem to Mr. Young very clear. He was a man who had done central banking in Germany and in England. He knew much more about it than most Americans. He was tremendously interested in central banking as such and was the man from whom Benjamin Strong learned a great deal in the early days. It was Mr. Warburg who taught Owen Young the basic principles of central banking. He was a man without bias or prejudice, always willing to talk, and capable of abstract consultation.

Mr. Frederic Delano, again like Mr. Hamlin, was a Democrat "who was a gentleman," an able man with railroad experience and a great deal of business sense, but unlearned in banking. He too learned from Warburg.

William McAdoo had been an important customer of the General Electric. He had a big place at Tarrytown where he liked to entertain. He was a nice man, elastic, adaptable and charming.

Asked about Andrew Mellon and the statement made elsewhere that Mr. Mellon was mostly in Mr. Strong's pocket, Mr. Young said that Mr. Mellon habitually went along with Mr. Strong, but that this was because he trusted Strong and was basically not very much interested in the Federal Reserve System. Mellon was tremendously interested in business and the financing of business. He was also tremendously interested in private banking as against centralized control. He had no keen conception of the part which central banking might play. He was not an economist. On the other hand, he was a man of character and great intelligence, a quiet man, never interfering unless his convictions went deep, and then he was not to be balked by anyone.

Mr. Young said that in the early days, while the Federal Reserve System was solely a domestic matter, no one really cared whether it succeeded or not. When the country reached the middle 1920's after Harding's death, things began to get more interesting. At that time Andrew Mellon began going to Europe on his own account. He bought pictures; he had his own picture painted; he talked to bankers, and he thought about what they said. The death of Warren Harding and the scandals which followed, plus the lack of any interest on the part of Calvin Coolidge in the Treasury, threw a great deal more responsibility on Mellon than he had had earlier.

It was then for the first time that he became interested in the banking field and began to grow out of his rather parochial background which had centered around Pittsburgh. He never again could go back and be merely a Pittsburgh industrialist. Secretary of the Treasury in a weak administration, he was master of the situation, and no one opposed him. When Herbert Hoover came along, he had complete confidence in Mellon and no specialized banking interests or banking theory which might have set up an opposition. It was, in Mr. Young's opinion, this combination of an able man and a weak administration which made Mellon seem a greater man than he actually was.

Crissinger was to Mr. Young solely a political man. He was a friend of Warren Harding and enveloped in a cloud of suspicion from the beginning. No one really gave him a chance.

W. P. G. Harding had a background somewhat similar to that of Andrew Mellon but no such capacity for growth. "His arteries hardened too quickly." He was able and anxious to do the right thing. By and large, he was unusually sound, but "he never let visions of what might be keep him awake nights."

Edmund Platt left no impression on Mr. Young's mind. George James left no great impression. He was a Kentucky geneleman.

Continuing the thread of interest in Mellon, Mr. Young said that the Teeasury did not, to his knowledge, try to run the Board in the 1920's. Mellon left that job to Strong, and between those two men, there was no development of petty irritation such as developed between Strong and Miller. Miller was jealous of the Board's prerogatives. As a theorist, he believed that the Board should play the chief part in the System, but in practice emotion entered into this theoritical idea and gummed up the whole works. Mr. Young believes that the record is unfair to Mr. Miller, that he made a real contribution to the Federal Reserve System, that no one could placate him, but on the other hand, that history can certainly not dismiss him.

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Mr. Young talked at some length about the problems which confronted the board of the Federal Reserve Bank of New York at the time that Mr. Strong died. This was in response to questions concerning the tone of reports that Mr. McGarrah was leaving his post in a private bank to come to the board. Mr. Young said that in those days the private bank job payed much more and had more prestige than did a post in the Federal Reserve Bank. It was in an effort to correct this that the New York Bank felt salaries of their top men must be raised and that they must be surrounded with certain formalities.

The board agreed with Mr. Strong that Harrison was the only man really fitted for the job of succeeding Benjamin Strong. The problem however, or at least one of the problems, was that Harrison was physically in very bad shape. The New York board had for years worked with a Governor who periodically took time off to go into hospitals and sanitaria. They dreaded taking on another governor who was in bad physical condition. Harrison himself went to Johns Hopkins hospital shortly after his election.

Concerning the telegram which Mr. Young sent privately to Parker Gilbert asking whether he might have any interest in the job, Mr. Young said that Gilbert had very good relations with central bankers abroad, and that this was an important factor. Also there was the difficulty of Mr. Harrison's health. It is sardonic that Mr. Gilbert died some years ago, whereas Mr. Harrison continues living in bad health.

Mr. Young said that the New York board was good and that he enjoyed working with them. He was himself responsible for getting Edmund Day to become ~~Chancellor at~~ President of Cornell.

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