

Recorded in Vol I + Vol II,

Tuesday  
March 8, 1955

EC#-1, vol I

Internal Memorandum

Owen Young

I learned last week from either Dr. Stewart or Mr. Riefler, and I think it was Dr. Stewart, that when Strong was told by the doctors he was to go to the hospital and knew it was possibly for the last time, he called Owen Young in the middle of the night and sent for him. It was to Owen Young that Strong dictated what was to all intents and purposes his last will and testament concerning the Federal Reserve Bank of New York.

It would be interesting to find out why he called Owen Young rather than George Harrison, who is supposed to have been his chosen successor. It may have been as simple a reason as that Harrison was not at hand, or it may have had something to do with the fact that some friction had arisen between Harrison and the Board. In any event, that is the story.

It should be noted that Owen Young was a director of the New York Bank from <sup>through 1940</sup> 1923 to ~~1929~~. He was Deputy Chairman from 1926<sup>7</sup> to 1938, then Chairman <sup>through 1940</sup> to 1941. In other words, his contact with the bank and his effect on it extended over at least 18 years and included the period of the Young Plan (I am not sure of that date), certainly the Dawes Plan, and the whole range of European effort on the part of Benjamin Strong. During that period, Young was, of course, extremely active in the affairs of the General Electric, so that the actual time he spent on the affairs of the bank must have been somewhat limited. However, this makes it more than ever obligatory that we get in touch with Mr. Young as soon as he comes back from Florida in the spring.

MA:IB

As reviewed in detail corrected by STC - 1975

Internal Memorandum

Files of Owen D. Young

August 1, 1955

(Working copy of 10/28/55)

II EC. #2

The Young files are in a steel vault built into a small stone, steel and concrete building in the village of Van Hornesville, in which Mr. Young makes his home. The building which contains his office and two subsidiary offices, as well as the steel vault room, was erected for him by his <sup>children and designed by his</sup> son, Charles, on the site of the little red school house where Mr. Owen Young attended school in the 1880's. (The school house burned)

All these files are set in manuscript boxes on steel shelves. A quick estimate indicates that there are at least 640 of them. Some contain clippings, but most of them are office files which have been brought from the various enterprises in which Mr. Young has been engaged.

Of these some 10 boxes are concerned with Federal Reserve matters and are so labelled. A very small sampling indicated that the secretary had put files concerned with System matters in chronological order. Each box seemed to contain 4 file folders with papers stapled into each folder. 2 of these were correspondence, the other 2 were labelled "Miscellaneous," and contained pamphlets, speeches, and illustrated documents to which the correspondence might bear reference.

Mr. Young's years in the New York Federal Reserve Bank as director and as chairman began in 1923 and ended in 1940. A sampling of boxes for the first few years showed very little of interest, outside of such routine matter as might have been handed to a director. With the years 1927 and 1928, the interest picked up.

The explanation of the small amount of material in earlier years may lie in the fact that from 1924 to 1932 Mr. Young was actively interested in the Dawes and the Young Plans. It is not impossible that boxes bearing labels which refer to work on those two plans might have correspondence with Mr. Strong, or Mr. Case, or other officials of the Federal Reserve Bank. Certainly, anyone working on these papers would want to make a search in boxes bearing other labels than those of the Federal Reserve System proper.

Mr. Young, who is now 80, apparently intends to leave his files in Van Hornesville in such shape that students wishing to deal with his own life or with enterprises in which he has been interested (the General Electric Company, the Radio Corporation of America, the Federal Reserve Bank of New York, and so forth) may come to Van Hornesville to work with them. He spoke of legal frays in which some of his files had contained essential material and said that he had told the lawyers they could come there and study them, but that they could not be taken out of Van Hornesville.

ACA  
only  
(SFC)

When I told him that Ogden Mills' files had gone to the Library of Congress, he said, "That is a cheaper way of handling them than to build a special building for them here." It is, of course, possible that after his death his executors and heirs may make other disposition of the papers. Meanwhile, they form a remarkable personal record of years of work that date back to 1896 and that cover the development of electric power and communication in the United States, as well as diplomatic and financial achievements leading out of this.

Mr. Young's welcome was warm and generous. Now that the sampling of files has been done, and some sense of what they contain has been obtained, he suggested that I come back and spend a longer time working on them. Dr. Lester Chandler is to be there on Monday, August 1 (my visit was Thursday and Friday, July 28th and 29th).

It is probable that he thinks of these files as giving the material for a comprehensive biography which may be written of Owen D. Young and for any history of the General Electric, the Radio Corporation of America, the Federal Reserve Bank, the Dawes and the Young Plans, and any other considerable enterprise with which he had to do.

A few items indicate how valuable the material in the files might be. Letterbox number 273 includes a letter from Mr. Norris, President of the Federal Reserve Bank of Philadelphia, to Mr. J. H. Case, at that time Deputy ~~Chairman~~ <sup>Governor</sup> of the Federal Reserve Bank of New York, concerning the struggle which was apparently going

(SFC)

\* His GE papers were mostly sent to Schoensted, where only a scattered few have been preserved. (SFC)

on between the banks and Mr. Crissinger, appointed by Harding (President Harding) to the Federal Reserve Board. Mr. Norris expressed politely his willingness "to do everything possible to meet the views of the Treasury Department" - - - "but this must not be construed as a willingness to surrender the powers expressly conferred by the Act, and naturally attaching to the degree of responsibility the directors of Reserve Banks <sup>accept</sup> except for the management of their several institutions." Mr. Crissinger had wanted the Open Market Committee to sell all government securities in the banks. Mr. Norris' protest was probably that of several banks and made by agreement.

Box number 264 contains a cablegram dated November 12, 1928 from Mr. Young to Parker Gilbert asking him whether he might be interested in the presidency of the New York Federal Reserve Bank. Mr. Gilbert declined, but the fact of the cable puts a large question mark on the present belief that Mr. Harrison was the universal choice to follow Mr. Strong on the latter's death.\*

Box 266 contains a speech of Mr. John Foster Dulles dated June 1929 in regard to the Federal Reserve System, then under heavy attack. This speech, <sup>when</sup> ~~was~~ heard by contemporaries <sup>was regarded</sup> as being a very lucid account of what the Federal Reserve System was doing in regard to the rising prices on the Stock Exchange.

This same box 266 <sup>(?)</sup> contains the Federal Reserve Bank release to newspapers on Mr. Strong's death and indicates that it was the work of Owen Young. Mr. Young's assistant at that time was Mr. Everett Case, now president of Colgate, and it is not impossible that it was Mr. Case's draft which formed the basis of this release and which was so highly praised.

No -  
The bond  
as well as  
the vote  
was 0/1/2  
- ERG

MA:IB \*At a later visit Mr. Young, queried on this point, said that it was George Harrison's health which gave him concern, not any doubt of his ability.  
U.A.

Aug 1, 1955

EC # 5

Interview with Owen D Young  
at Van Hornesville July 28/29

from 1923 to 1927, Class C director from 1927 to 1935, deputy chairman from 1927 to 1938, chairman from 1938 to 1940. During the years of deputy and chairman he undoubtedly occupied the appropriate directorships.

His service in the Bank stemmed directly out of the sequence of his career, and a statement of that career becomes important at this moment. Mr. Young, who was born in Van Hornesville, got his degree of bachelor of laws and letters at Boston University in 1896. He entered immediately upon the practice of law in Boston, <sup>in C.H. Tyler's office,</sup> and was a member of the firm of Tyler and Young <sup>from 1907</sup> until 1913. (SAC)

In that capacity he had represented the then-young construction firm of Stone and Webster. He had also had experience with various old real estate trusts in Boston, including one called The Fifty Associates. One of these owned buildings was rented by Russians, and the rent was paid in "Russian sable iron." When World War I came and iron could no longer be imported in payment of this rent, the case went to the Supreme Court in an effort to get the payment in sable iron translated correctly into a more recognized and useable medium of exchange.

These experiences formed an introduction to Mr. Young's interest in financial and monetary problems.

As a lawyer in Boston, Mr. Young won a case against the General Electric and was thereafter engaged by that firm and asked to go to New York. As counsel for the General Electric he had to do with holding company problems and the financing of public utilities. This led him into contact with bankers and banks. He became a director of the Bankers Trust and in that capacity met Benjamin Strong and learned a good deal about the financing of corporations.

Mr. Young says that he had no interest at that time in the new Federal Reserve Act. He was aware of its existence but paid no attention to it. He had, however, established contact with Woodrow Wilson and had spoken for him when Mr. Wilson ran in Boston in 1912.

SAC  
and  
JYC  
found no  
evidence  
of any secret  
speech.

( When World War I ended in 1917, Mr. Benjamin Strong, then Governor of the Federal Reserve Bank of New York, went to Seward Prosser <sup>(then President of Bankers Trust)</sup> who thereafter called Mr. Young in and said that Mr. Strong wanted him, Mr. Young, to come onto the Federal Reserve Bank's board, but Mr. Prosser wanted him to stay on the board of the Bankers Trust. However, Mr. Young was interested in the public service, and the Bankers Trust board released him to go onto the board of the Federal Reserve Bank.) He is sure that Mr. Wilson remembered him sufficiently so that when his appointment came up, it was approved without difficulty.

rest until  
1928, well  
after World  
War I  
this appointment  
was not  
made until  
1928  
by the President  
in any case  
(SFC)

Mr. Young said that from 1913 to 1923 the problems of the Federal Reserve Bank and Board were mostly domestic. Even the financing of the war was largely a domestic matter. Correcting himself, he said that from 1913 to 1920 he would regard the period as one of the domestic childhood of the Bank. From 1920 to 1931 he regarded as the teen-age era, in which the Banks were growing, facing a multitude of new problems, and acting in a more or less awkward and sometimes rebellious fashion. From 1931 to 1940 the New York Bank had entered onto its maturity, being then a great central bank fully grown and occupied with international as well as national problems.

He thought that the childhood of the Bank had been greatly accelerated by World War I and the vast Federal financing problem. There were enormous personnel problems, and from 1917 to 1920 the New York Bank grew from a staff of 500 to a staff of 5,000 and faced all the problems which one would expect from such enormous expansion.

Speaking of the financing of World War I, Mr. Young said that the slogan was then "Buy and borrow War Bonds." The discount rate was 4 1/2%. Mr. Strong raised it to 6% in 1919. There was a good deal of stress and strain that followed. The government wanted to borrow, but <sup>without</sup> first paying 6% on a one-year certificate. The Treasury said that that was impossible.

In an effort to find out more about international financing and how Mr. Young's work in that field had touched edges with his work as a director of the Federal Reserve Bank, I asked whether he had had anything to do with the Dawes Plan. The question evoked considerable mirth from all three men, as it was Mr. Young who wrote the Dawes Plan.

The progression was as follows, and here too the line of development of Mr. Young's own life is a direct and related factor?

The distinguished attorney, Mr. Charles Hughes, was run for the Presidency of the United States in 1916 and was defeated. He then opened a law office in New York. At that time the General Electric was under threat of indictment for breaking the Anti-Trust Laws. Indictment in those days was apparently a much more serious word than it is now. The assumption was that once you were indicted, you certainly were guilty. The tension in the General Electric board of directors was so great that one member (from Pittsburgh) committed suicide, regarding his career ruined and himself come down to shame at the end of an honorable life. Mr. Young went to Mr. Hughes and retained him as [prosecuting] counsel for the General Electric. (I did not find out what happened to the case.)

SAC & TYC  
 Frank CNY  
 - success story  
 - on Senate  
 the Committee  
 - could pilage  
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 him.

Mr. Hughes then became Secretary of State under Mr. Coolidge, and the high opinion which he had formed of Mr. Young was a factor in his appointment to the Dawes Committee.

Mr. Young also had had a long connection with Mr. Coolidge, who was in Boston as <sup>a state legislator</sup> ~~Governor of~~ Massachusetts at the time that Mr. Young was there with Tyler and Young law firm. General Dawes was made head of the Dawes Committee. Dwight Morrow suggested Young as the other American member. (Mr. Coolidge and Mr. Hughes both assented.) Mr. Dawes was always interested in the drama of the situation, but it was Mr. Young who did the hard work. Not only was he the author of the plan, but he was apparently the counsel to the committee during the whole of the negotiations. The group working on the Dawes Plan included Mr. Schacht of Germany,

(SAC)

*MB. The central banks were consulted but were not members of the Dawes Commission*

Governor Norman of the Bank of England, Governor Strong of the New York Federal Reserve Bank, Emile Moreau of the Bank of France, Emile Franqui of Belgium who was known popularly as "the J. P. Morgan of Europe."

(SAC)

Mr. Young said that France played approximately the same role at the Dawes conferences as she has recently played at Geneva, and history repeats itself in the public appearance of this country.

This activity of Mr. Young and the fact of Mr. Strong being on the committee actively tied in the New York Bank with the Dawes Committee and the whole reparations problem. This connection has been something of a puzzle, and it certainly deserves a more detailed study than has yet been given it.

*consulted by him*

Mr. Young said that the Bank of France was a very different from either the Bank of England or the Federal Reserve Bank of New York. The Governor, Mr. Moreau, lived in an apartment in the Bank of France. The building had a great ballroom, and at one time the Moreaus gave a great party for Mr. and Mrs. J. Herbert Case at which champagne was brought up from the vaults of the Bank where it was regularly stored and provided for the guests.

Going back to the beginning of the Dawes Commission, Mr. Young said that the Reparations Commission appointed after World War I had wrestled with the financial problem from a political point of view, and that they were getting no place with it. Mr. Hughes suggested in a speech at a Yale commencement that the Reparations Commission get in financiers and business men to grapple with these financial problems and get them in a state which the German economy could absorb. Late in 1923 Mr. Young and Mr. Dawes were called to Washington to get advice from President Coolidge before they set off on their mission. After lunch in the White House dining room, they went upstairs to Mr. Coolidge's office, which was at that time on the second floor (this was before the big executive wing had been thought of). Mr. Dawes and Mr. Coolidge discussed politics and the political implications of the trip. Mr.

*in New Haven (to the American Financial Assoc.)*  
(SAC)



Young asked, "Mr. President, have you any specific instructions for us?" Mr. Coolidge considered in silence for a while and then said, "Well, if you're going to Paris, I think you'd better take your wives along." So far as Mr. Young remembers, those were the only instructions which the President of the United States gave the Dawes Commission at that time.

The story had a second chapter in Paris when work was well along, and Mr. Young and Mr. Dawes proposed to *seek relaxation* from the work of the Commission. One of them <sup>(Dawes)</sup> said, "If we're going to save civilization, I think perhaps we'd better investigate it," and proposed that they go to the Follies. Three hours later, emerging from the Follies, Mr. Dawes said to Mr. Young, "Young, by God, I don't think it's worth saving." *(see second interview for 3<sup>d</sup> act.)*

One other colorful phrase was remembered. When Mr. Francqui of Belgium, who spoke English with considerable difficulty, was very skeptical of Germany's convenient protests that she could not pay, his retort was in his own queer English. "How much you pay at the Ritz last night, you tell your grandmother, she drop dead." *(for longer quote see Turnbull biography p. 198)*

Mr. Young said that the sessions of the Dawes Committee were held behind closed doors with no press and only a small group. Mr. Dawes himself handled the reporters after the meetings were over. The sessions were never boring, and the personal relations were such that no irritations entered in to confuse the arguments. He mentioned Mr. Dawes as the most colorful character there, <sup>also</sup> Stamp of England, <sup>of Persia</sup> Perelli of Italy, and <sup>or</sup> Pomontiere of France ~~who must have been accompanying Moreau.~~

In August of 1924 a conference was called in London of twenty prime ministers with MacDonald, the British Labor premier presiding. Mr. Young was asked to attend in order to answer questions as to the details of the Plan in order to see if the twenty prime ministers could come to agreement. It was this meeting which made it possible to put the Plan into effect.

It was recognized from the beginning that the Dawes Plan must be administered in Berlin, and by unanimous request Mr. Young was asked to set up the administrative machinery. Parker Gilbert was picked to administer the Plan and made Agent General for Reparations. He ran it until the Young Committee was appointed to review the progress, success or failure of the Plan. Mr. Gilbert himself wanted this reviewing done, and it was then that the so-called Young Plan was set up. Mr. Young himself was chairman, Mr. J. P. Morgan was a member, <sup>with</sup> ~~and so also~~ was Mr. Thomas Lamont, *as his alternate.*

Meetings under the Young Plan included a much larger group and were far more difficult to handle. Results were several. *Parker Gilbert's post was abolished* Mr. Jackson Reynolds took Mr. Parker Gilbert's place. *Jackson Reynolds headed the Committee to organize the Bank for Int'l Settlements* Gates McGarrah went from the chairmanship of the New York Bank to be president of the Reparations Committee. *B.I.S.* (Parker Gilbert had asked Mr. Case to go over <sup>in 1926</sup> as his assistant, but the Board refused to hold Mr. Case's job for him, *and he did not feel he could or wanted to resign from the system. Instead,* Mr. Pierre Jay went over.) The Bank of International Settlements was set up under the Young Plan. At that time Mr. Shepard Morgan was on Parker Gilbert's staff. The Young Plan ended <sup>for all practical purposes</sup> with the Hoover Moratorium of 1932. *1931*

(It will be seen that none of these memories went into the actual working of the financial end of the Dawes and Young Plans or their connection with the New York Federal Reserve Bank. What the Bank loaned and how and why and the relationship between Strong's frequent visits to Europe and the working of these two plans must all be left for other types of research.)

Mr. McGarrah, who, up to the present time, <sup>has been to me</sup> is something of a mystery man in the history of the Federal Reserve Bank of New York, was described by Mr. Case and Mr. Young as president of the Mechanics and Metals National Bank of New York, which was absorbed into the Chase Bank. Mr. McGarrah was chairman of the Mechanics and Metals at the time of the merger. He then went to the Federal Reserve Bank as chairman, *successor to Pierre Jay* He was a very good operating official, had the confidence of Wall Street, was a steady sound operator, by no means an emotional man. Mr. Young apparently had great confidence in him, and so did Mr. Case.

By 1927, when Mr. Young had been on the board of the Federal Reserve Bank of New York for four years which included the setting up and creation of the Dawes Plan, Mr. Strong was relying heavily on him. In the fall of 1928, when <sup>the story</sup> he was to go back to the hospital for the last time, he phoned Mr. Young from the Ritz and asked him to come over. The two men talked until 2 a.m., and Mr. Strong laid all the things on his mind concerning the Bank before the younger man. Mr. Strong knew that he was not going to come out of the hospital, and he told Mr. Young, "This is my last will and testament so far as the Federal Reserve Bank of New York is concerned." (Mr. Young told this story twice - the second time his quotation was, "This is my testamentary disposition.") Mr. Young was to see that Mr. Harrison was put in as governor, and Mr. Harrison was to quiet things with Washington. There had been too much friction and too much quarreling between the Board and the Bank, and Mr. Strong knew that this must not continue. <sup>of</sup> Of the possible governors, Mr. Burgess was too much the academic and the professorial type, Mr. J. Herbert Case who had been <sup>chair-</sup> ~~man~~ <sup>from time to time</sup> was too much the operating man and not enough a policy man, Mr. Harrison combined both. His judgment was steady, but he could not build up contacts in Europe as Strong had done. (In conversation Mr. Young did not mention the fact that he had queried Parker Gilbert as to whether he, that is Mr. Gilbert, would take the governorship of the Bank. It is something on which he might be queried at a moment when Mr. Case was not present. <sup>(See later interview)</sup> He may have forgotten, or he may simply have decided it was not a good moment to mention it. At any rate, Mr. Gilbert refused, but the existence of a cablegram in Mr. Young's files indicates a lack of complete confidence in Mr. Harrison which is interesting\*.)

Mr. Strong's summary of his last will and testament for the Federal Reserve Bank included policy questions, personnel questions - it was not orderly, it was a conversation concerned with all the things which he might have done better, an over-all review of his years in the Bank and the plans which he had for the Bank for

\* See record set of interviews for Young's comment on this.

not dated - but apparently belonging to later - or final?  
interview (STC) -12-

EC # 12

he felt that the least that could come out of the banking holiday would be a unified System <sup>- perhaps with branch-banking encouraged.</sup> He worked during the holiday with the staff of the New York Bank and the process of getting word from Washington to the local banks. Hour after hour a roll call of upstate banks came into New York, and he had a picture of men who'd been leading citizens waiting at the telephone to see if their lives <sup>lay</sup> were in ruin around their feet. He also had a picture of the degree to which local initiative had made these banks possible and would save them if possible. This aroused a question in his mind on the value of <sup>branch</sup> unified banking, <sup>especially</sup> and the <sup>if membership in the FRC were made compulsory</sup> importance of his question as to whether a unified System might come out of the <sup>for state banks too.</sup> experience. (STC)

All three men agreed that the restoration of the banking system and the return of public confidence took place in remarkably short time.

Mr. Everett Case interpolated a story concerning Mr. Young and his father (Case) which he had from Mr. William Woodin. It seems that Mr. Young was at that moment more optimistic than Mr. Case, and he bet Mr. Case that when the stock market reopened on a Monday, having been closed for a week, it would open at twice the closing prices. General Electric's stock (Mr. Young was at that time chairman of the board of General Electric) had closed the previous Friday at 12. Instead of opening at twice 12, it opened at 16, whereupon Mr. Case sent Mr. Young 100 shares of General Electric and got a check back for \$2400. Mr. Young's retort to this story was that, "But I won in the long run."

One other story told by Mr. Young himself illustrated the public reaction to this time of storm in banks. Mr. Young said that in 1903, when he was a young and struggling lawyer, a widow named Meg came in and said, "Owen Young, you've got to buy my farm." Mr. Young protested that he was in no mood and no financial condition to buy a farm, but the widow persisted. She wanted to sell her farm and she had chosen Mr. Young, whose father owned the next farm, as the buyer. She went on

to explain her case saying, "And I don't want no money for it, I want a mortgage. Abe and I, we agreed that we'd never have any money, we didn't trust it. We'd have a mortgage." Mr. Young commented on this faith in the mortgage rather than the money by saying that it was a fact that the wealthy country people of that day were the ones who held mortgages on other men's farms, not necessarily the ones who had big bank accounts <sup>in a bank</sup> that might fail.

All three men thought that the Banking Act of 1933 was a logical move after Strong's death 7 years previously and the determination of the Board that never again should the New York Bank have the power which it had had during Strong's lifetime. The demotion of the governors to being mere presidents was psychologically an important matter. The Banking Act <sup>of 1935</sup> incidentally robbed Mr. J. H. Case of a job paying \$50,000 a year. He had been chairman of the Bank, and the chairman henceforth <sup>held</sup> was an honorary title only with a director's payments for attending meetings. (Check this detail.) ✓

(57)

Mr. Everett Case, going back to the beginning, said that he felt that competition between New York and Washington was inevitable from the start of the System. It was his opinion that the central Board in Washington with supervisory powers over the banks was Woodrow Wilson's idea and a talking point with William Jennings Bryan. Bryan had opposed the Aldrich Plan, and in order to persuade him as a leading Democrat to back some kind of central banking, it was necessary to present a palatable idea. This form of centralization which did not centralize <sup>completely</sup> but prescribed federal supervision of regional banks was the answer.

(57)

It was Strong and the New York financing of World War I which put New York into the lead in the picture. Mr. Strong set up what in actuality was not too far from the Aldrich Plan, and it was his constant aim to make New York the great central bank of this country.

Mr. Eccles, who came in with the Banking Act of 1935, or who was at

EC-14

raising of stock exchange margin requirements, said, "Anything that will startle people when too many people are running too fast, anything that will slow them down, is good and is needed." \*

Mr. Everett Case produced one phrase which he credited to Walter Wyatt. Speaking of the conditions before the banking holiday, he said there had been "competition in laxity." n)

MA:IB

\* The discount rate was raised within 2 weeks (?) of this discussion. U.C.

n) i.e. on the part of state + federal regulatory authorities, who were kidding against each other to hold their respective banks or to induce transfers.

ETC

(ETC)

August 4, 1955 ✓

Internal Memorandum

Owen D. Young - Memo II

pp. 1, 2, 4-6 ✓

(Handwritten note: 100-29, 1955)

EC-#15

No account of Owen Young in the Federal Reserve Bank, or Owen Young as a force in industry, would be complete without an account of his life in his native village. He has a peculiarly strong loyalty to the village in which he was born and in which several previous generations of the family lived. This village of Van Hornesville lies amid rolling country some 60 miles west of Albany, between Route 20 which was the old road <sup>above</sup> along the Mohawk River and the new New York State Through-Way, which has largely replaced the old road as a carrier of commerce, important commerce, to the west. The village is little more than a small plot of houses on rolling land. It is an old village, and 25 years ago it had begun to lose population and was literally in danger of disappearing. It is Owen Young's loyalty, intelligence and perserverance which rescued it from this threatened fate, and which gave it the sound economic background which keeps it alive today.

The village lies along Route <sup>80</sup> ~~25~~, leading north and south. It contains two or three stores, perhaps a dozen houses, of which Owen Young occupies one, and his son-in-law, Everett Case, another. *(- Except for the School principal's,)* *(220)* There is also the office building which was built for Mr. Young on the site of the old red schoolhouse <sup>which he attended,</sup> and across from it the mill pond which has been there for generations. The village is painted and <sup>prosperous</sup> smart in appearance. The mill pond is bordered by rolling grass instead of the bull rushes and swampland which were there 80 years ago, when Owen Young attended school on the spot on which he now does his office work.

All sorts of stories cluster around the man of such prominence, who is so closely identified with a small village. When the schoolhouse was dedicated, the newspapers sent reporters up who found a contemporary of Mr. Young's and asked him how it was that he, the contemporary, had stayed in the village whereas Mr. Young had traveled all over the world. Why was it that these boyhood friends had not set out together? The reply of the contemporary, somewhat agrieved at the question, was "How the Hell could I know he was going places?" This tale is told with glee by the

EC-#16

family.

Mr. Young himself told the story of how it was that he decided to be a lawyer, and told it with his customary dry wit and care for understatement. It seems that he had come back to Van Hornesville from a season in the Academy in Cooperstown. <sup>East Springfield.</sup> He was then 14. His father put him to work immediately in the fields driving three horses harnessed abreast and pulling a spike-toothed harrow. <sup>The driver walked beside.</sup> The ground was heavy, and young Owen was soft from sitting in school. He found it very hard work.

One day his uncle, who was being sued on account of a horse trade, asked him if he would like to go down to Cooperstown to attend the hearing. This was a treat for a farm boy, already founding the limits of Van Hornesville rather narrow, and tired with heavy farm work. Cooperstown, which in an automobile is perhaps 15-20 minutes down <sup>route 80</sup> the road, was then a three hour trip each way in a horse and buggy. Court procedures in that town were very simple, and the man and the boy found lawyers sitting around a table in their shirtsleeves in a shaded room, laughing and talking. "They seemed to be having such a good time," said Mr. Young. On the way back he asked his uncle if being a lawyer was a way of making a living and if any one of these men earned as much at it as his father earned with farming. His uncle replied that they probably earned three times as much. From that moment on young Owen declared his intention of being a lawyer. Far from being the hard and lonely work which he had done on the farm, this appealed to him as a social trade in which men did not do hard work, but sat around and had such a very good time, and earned three times as much as could be earned on the farm.

In the telling of this there is no implication that the boy was bright. This was simply how it happened, and Mr. Young recognized that the motive which inspired him was not particularly lofty, noble nor bright. Nevertheless, he held straight to his course. His parents were Universalists, and the small Universalist Church where they went still stands in the village. St. Lawrence college <sup>- 150 miles North</sup> nearby was

SAC



EC = #17

Sun which was given him by the Emperor of Japan.

Off this hall, to the left as one enters, is the sitting-room of the senior Mrs. Young, its walls brown as they always have been, a great wood <sup>stove</sup> occupying part of one side, the chairs, the pictures and all the decorations exactly as they have been all these years. (Mr. Young probably bought the house somewhere around 1906, and Mrs. Young lived in it for 30 years.)

Mr. Young's first wife, who came from <sup>Southbridge Mass.</sup> the same region, died perhaps <sup>20</sup> 20 years ago, and he <sup>then</sup> married <sup>another</sup> an energetic and talented woman, who has "done over" part of the house. It now contains a dining-room suitable for the Young needs, a new kitchen and a new drawing room appropriately furnished according to good modern taste. It was noticeable that noon that Mrs. Young and her friends sat in the new drawing room, whereas Mr. Young and Mr. Case smoked their pipes and told their tales in the old sitting room.

Mrs. Young, who has undoubtedly had her troubles with a village so ingrown as Van Hornesville, reports that the natives said when her renovations were finished, "Well, she hasn't changed the look of it much," and that was the highest praise she got.

Another small detail is the fact that the stairs which were straight and very steep were moved from the front hall to the middle of the house and made much easier to mount. Also the powder room is a detail of ~~great~~ interest. Its wide marble wash <sup>stand, with a ceramic</sup> bowl with a decorated interior, comes from a Hudson River house which was being torn down by one of the sons of Gerard Swope; and the wall <sup>has been painted in a pattern</sup> follows the decora- <sup>that follows</sup> tion of the bowl. It is a striking evidence of Mrs. Young's taste.

The office building, which was erected by Mr. Young's son, Charles, for him (Charles is now an officer in the Radio Corporation of America), is <sup>an all-steel</sup> one story building of stone, steel, concrete and wood. It is built in the same general style as the schoolhouse, that is, long, low and generous. It contains an office for Mr. Young and two subsidiary offices for secretaries and a steel and concrete vault in

which his papers are kept. (See other memo for more detail.) This was put up when the old red schoolhouse to which Mr. Young had gone burned, and is on its site. He is proud that at 80 he looks down on the fair vista he saw when he was 8.

Talking of the problems of the town, Mr. Young, who has been a very tall man and is still taller than the average (and very little bent,) took me walking down toward the schoolhouse. Speaking of the threatened disappearance of the village, he said that the inhabitants were moving away to larger towns. "We decided that if we were going to keep the village alive, we had to capitalize on the town's two chief products, milk and babies," he said. They therefore set up a milk station to which the farmers in the country roundabout could send their milk for pasteurizing. He then set about building the school which is still the thing in town of which he is most proud. He got a well-known firm of architects into consultation, and when they asked him what kind of a school he wanted, he said he did not want a factory, but rather a country club. The school is built of native stone and wood. It sits low on its site in the center of the village, and is itself a most inviting place. Beside it is a swimming pool so arranged that little children do not conflict with big ones. Every child in the school signed a petition to have the swimming pool opened in the summer, and it is kept open for the village and the children in surrounding towns who come. The school is a central school which draws its population by bus from surrounding towns. It has all twelve grades, from the first through the high school. After it was built and furnished, Mr. Young gave it to the state of New York, and it is a regular part of the educational system of the state.

Mr. Young and his <sup>Advisers</sup> friend, Mr. Tilyou, whose names are on the bronze plaque in the school as "Rockingchair Consultants" (this may be "Rockingchair Counselors," I am not sure), were wise enough to know that a school by itself was not enough unless it could attract the proper teachers, and <sup>that</sup> in order to attract teachers, there had to be adequate living space for them. Therefore a principal's house of the same stone and wood construction as the school was built across the street, and so designed as

(No. 10  
weld  
right  
first to  
(27)

to seem the chief house of the village. Nearby, an old house has been made over into community living space for single teachers, who have bedrooms there, a community sitting room, and a community kitchen.

The result of this forethought is that Van Hornesville, though small, is never at a loss for teachers of the highest grade.

Two other enterprises in the town owe their existence to the family. The second Mrs. Young, being interested in textiles, set up a community weaving center, which has in it at least a dozen looms. At one time she had a Swedish expert there to teach people in town who were interested, and there is at least one woman on salary who keeps the thing going. The difficulty in the summer is that people do not regularly stay by their work, and there is about the thing a slight aura of amateur art. Whether this is a disappointment to Mrs. Young or not, and whether she would have preferred a more professional air, is hard to know on single acquaintance. In any event, Mr. Young considers this another effort for the town, and while it may not be economically profitable, nevertheless he regards it as worthwhile.

The family itself owns not only the two houses of Mr. Young and Mr. Case, but also a large house on the edge of the village which is used at times as a guest house. In addition, Mr. Charles Young has a house above and behind the village street and is building his children another house higher in the hills, with a wonderful view of the Adirondacks to the north. *The 'home farm', ODY's birthplace also commands this view; it is owned now by his son Philip. (SAC)* There is evidence that all during a long life Mr. Young has come back to the village when he could for summer living. It is probable that he owns a great deal of farmland in the vicinity. Also he owns a great many shares of the Herkimer Bank, the First National Bank of Herkimer, which is the nearest big bank. He has the welfare of the neighborhood very much at heart, and in these latter years he has spent most of his summers there, calling people to him rather than going to seek them out. It is a most interesting instance in American society of a continuation of the ancient *Scotch* pattern of the laird of the land. *(Young's ancestry is not Scotch but Palatine German)*

MA:IB

August 4, 1955

(pp. 2 + 3)  
as revised by EAC  
June 1955

(Visit July 28-29)  
EC#20

Mr. Young's own story of why and how he founded the Radio Corporation of America is pertinent to any knowledge of the man and any estimate of his value to the Federal Reserve Bank of New York. He told the story partly to show that he had been extremely busy about a great many other things than the Federal Reserve Bank itself, but as a matter of fact, the story starts in 1919, five years after World War I began. He had either talked with Woodrow Wilson or had a letter from Wilson discussing the future of the United States in the then post-war world. It was Mr. Wilson's opinion that if the United States was to take the leading position which seemed to be indicated for it after the war, it must recognize that dominance depended on three separate points: 1) Domination in international transportation by sea. In that field England was supreme, she had the shipyards and the skills, and there seemed very little likelihood that the United States could compete with her.

it was a message collected by General Dulles EAC

2) Dominance in international communications. There England dominated the cable which was the means by which nations communicated with each other. They owned the landing places where cables came up out of the sea, and there was no possibility that they could be dislodged from these points. 3) Domination in petroleum. There the United States had the unquestioned leadership, and in Mr. Wilson's opinion, would remain in that position.

Given these three points of domination, and granted that at that time the United States held only one of them, Mr. Wilson said that the problem was to see whether the radio could be made the successful competitor of the cable. If so, then the United States would have <sup>a position of least of equality.</sup> ~~two out of the three necessary points of dominance.~~

His word to Mr. Young was, "You will know whether this is possible or not, and I'd like to be informed whether or not it could be done."

In telling this story, Mr. Young, who was <sup>then vice-</sup> first president and <sup>(after)</sup> then chairman <sup>(EAC)</sup> of the General Electric, said that the G.E. had developed the Alexanderson Alternator,

↓ see Tarbell biog.

EC #23

Another anecdote was the story of Roxanna Druse, a buxom young farm woman married to a husband named Bill, whom she disposed of in a fashion that fascinated and horrified the surrounding country. The story, as told by Mr. Young, makes it sound like a murder mystery which would delight modern readers. Apparently, Roxanna Druse lost her taste for her husband, killed him and cut him up and burned the pieces in the kitchen stove one by one. The neighbors noted first that Bill did not seem to be around. Next they noted horrid smells coming from Roxanna Druse's kitchen, but it took a long time for the belief to spread that she had actually killed and tried to dispose of the body. She was finally arrested and a trial held in <sup>Herkimer</sup> ~~Utica~~ (at least the story is said to have appeared in the Utica paper). She was sentenced to be hanged, and, according to Mr. Young, was the first woman hanged in the state of New York (that is, hanged for murder).

Mr. Young told the story with great skill and delight, as one tells an old folk tale of a countryside in which one has lived. His daughter Jo said she had always intended to look it up in a local newspaper, but had never got around to it. Apparently it is one of the sagas of the Van Hornesville region.

MA:IB

## Post script

Ida Tarbell tells the story of bringing electricity into Van Hornesville, but Mr. Young added details not in that tale. A motivating reason for many things seems to have been his desire to free his mother from the drudgery with which he saw her surrounded in all his young life. One point of drudgery was the cleaning of kerosene lamps, and the care of them. He said that the night electricity was turned on for the first time in Van Hornesville the town burst into light just as his mother was coming downstairs with a kerosene lamp in her hand, and it was a marvel that she did not drop it. The switch for turning on lights in the village

Internal Memorandum

Owen D. Young Papers

EC-424

Box 264 - Memo 2

A long letter of February 17, 1927 from Owen D. Young to Edmund Platt goes into the matter of the power of the Board to fix compensation and regulate it. "If the Federal Reserve ~~Bank~~<sup>Board</sup> is to fix compensation as distinguished from

(SAC)

Washington

regulated from Washington

so that they function in the unified system. It is this latter that I always supposed was the intent and purpose of the act."

unable to  
locate out  
omission

then go on to detailed suggestions as to what the Federal Reserve Board might well be interested in with regard to the New York Bank. This whole letter of February 17, 1927 from Mr. Young to Mr. Platt reflects the tension between the Board and the Bank and goes into some detail as to what it is in operating tensions that they are trying to cure. It constitutes a valuable commentary on the situation as it then existed. The closing paragraph is as follows. "I am speaking of this quite frankly and at length because I think it goes to the root of the functioning of the System. I believe in the New York Bank we are on our way, under the wise leadership of your Board, to get the very ablest men in the community to serve both as officers and directors of the Bank. We can do that and keep that policy going provided we make it clear that they have real responsibilities to perform but that in executing them they must always act in cooperation with and in harmony with the Federal Reserve Board which has the larger duties and responsibilities of seeing that the System as a whole functions properly in the interests of the country as a whole."

EC-25

Owen D. Young papers, Box 264, Memo 3

impossible to have developed a situation where McGarrah finally felt he could not conscientiously refuse. I have great admiration for his decision. He comes at great personal financial sacrifice in response to the call of duty. I admire that trait. We ~~are~~ <sup>have</sup> altogether too few such men. We must have more, and every example of this kind means that we will have more. It might even become more fashionable than to make money ..."

The next paragraph goes on to say that the situation is much clearer from every point of view. "Our board is functioning wonderfully. Everyone is devoted and interested, and I think that the officers of the Bank including yourself among them should feel proud that you succeeded in developing a ? in that institution from the directors down which enables it to work so well at present and promises so much for the future. I understand that the Reserve Board with these precedents before it is now going to try to move in on certain other Federal Reserve Banks and endeavor to straighten the personnel of their set-up."

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A personal letter dated March 3, 1927 from Mr. Strong to Mr. Young has to do with the Polish loan and very importantly. On page 2 Mr. Strong says, "I explained (to Mr. Waddell representing Mr. Dillon) that it was the invariable rule of the Reserve Bank never to make suggestions or recommendations to foreign governments or to banks of issue as to whether bankers in this country should be, that after a foreign government had decided upon what banks should represent it, if the concern was responsible ~~was~~ and reliable, we would be glad to collaborate in these matters by dealing with the foreign bank of issue if we were requested to do so; that I would therefore not undertake to make any recommendations to the Poles, but if I found that the American banking houses could among themselves agree upon a merger of their interests upon some basis, I felt that we might go so far as to endeavor to reconcile the Polish government through the National

Internal Memorandum

Owen D. Young Papers

15-17  
September, 1955  
EC-26 9

Box 265

Melvin  
Morgan

Morgan Traylor of Chicago, President of the First National Bank of Chicago, on July 26, 1928 writes Mr. Young "that the President in the last few days has been furnished with some illuminating statistics calculated to convince him that in view of the large refunding operations which the Secretary of the Treasury contemplates this fall the policy of the Federal Reserve Board with regard to open market operations is a great detriment to the government.

"It is claimed that the facts presented His Excellency are certain to be convincing and that by the middle of August or not later than the first of September the banks will begin accumulating outside investments and will continue that policy until there is a marked relief of the credit situation, the prediction being a reduction in the Federal Reserve discount rate to at least 4 1/2% and possibly 4% by the middle of September." Mr. Traylor is alarmed.

Mr. Young replies on August 3, 1928 saying, "That the Federal Reserve System has more credit in the market than the business of the country needs is to my mind clear. The use of the excess amount has been to overstimulate buying of stocks and bonds. Our policy of cheap money a year ago I think was sound then to strengthen the foreign exchanges and stimulate the buying of our surplus for export and to make money cheap for the movement of our crops. After that was over, we should have stiffened our rates and discouraged further extension of credit by actions, say, in November instead of February. We delayed too long, and we did not drive with quite stiff enough hand after we started on the program of restraint. As a consequence we have two things to do; one is to discourage the further use of credit, and the other is to get considerable liquidation of the volume outstanding. Through the action of the last few months the Reserve Banks, I think, have put a stop to further extensions but they have not succeeded in getting much liquidation. They hoped for rather quick liquidation in the stock market, but they hoped in vain



Internal Memorandum

Owen B. Young Papers

EC # 27

Box 265

Cable of March 11, 1929 to Harrison concerns the probable raise in the British bank rate and the rate in Amsterdam.

This was followed by a cable from Harrison to Young dated March 13th. This must be in the New York Bank.

Situation was as follows, "February 28, our directors with Mr. Woolley absent unanimously agreed conditions still made an immediate increase advisable, especially in view of approaching Treasury financing which was to be announced on the following Thursday, March 7th.

'But Roy Young had advised me officially on telephone that Federal Reserve Board would not approve increase that day even though it meant probably delay of three or four weeks on account of Treasury operation.

'Directors therefore voted no change, not desiring to make futile gestures merely as a matter of record.

'Still believing urgency so great, I went to Washington Saturday, March 2nd, hoping that through <sup>[Roy]</sup> Young and Mellon it might still be possible to procure approval before announcement of Treasury program March 7th.

'Both Mellon and <sup>[Governor Roy]</sup> Young appeared to agree to continuing hardening of all outside rates would make our increase inevitable sooner or later. They questioned how much good it would do and felt it might probably just as well wait until Treasury operation is over.

'... But my best judgement is that a majority of Federal Reserve Board will probably be ready to approve by time Treasury operation makes it proper, that is, March 28th, or even possibly through March 21st."

Internal Memorandum

Owen D. Young Papers

September 13, 1955

EC-28

Box 264

April 16, 1929 - wire from <sup>W. R. S.</sup> Mr. Russell to Stuart Crocker in Paris saying that Representative Frank Reed of Illinois, Republican, will introduce a resolution providing for investigation of Federal Reserve System covering

- 1) influence of foreign banking and financial conditions in formulation of Reserve policies,
- 2) causes of export of more than half billion gold from America in last years,
- 3) relation of System to International Reparations Bank proposed by Owen D. Young as medium space for controlling flow of gold throughout the world. Etc. Etc.

Box 264

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Note letter of March 13, 1930 from Mr. Case to Mr. Harrison announcing Mr. McGarrah's resignation, the fact that the Board had unanimously voted to appoint Mr. Case as Mr. McGarrah's successor, and saying at the end, "We are all keeping on the job and things are running nicely. Our new secretary, Mr. Sproul, arrived today and has made a favorable impression."

MA:IB

EC-#29

won't let the gold standard work."

1932

The Lausanne Agreement of July, 1932 laid down a plan for an economic conference late in 1932. The American government agreed. Young was invited to meet with Ogden Mills in September. (Was this the forerunner of the ill-fated economic conference of the summer of 1933?)

December 12, 1932

(This was after the Republicans had been swept out of office by the election of Franklin D. Roosevelt, but before Roosevelt was installed in office.) A five-page letter from Ogden Mills to Owen Young in regard to the Federal situation after the election of Roosevelt sets forth the economic, financial and monetary conditions of the country as it appeared to a Republican who was ~~Assistant~~ Secretary of the Treasury. Mr. Mills gives a vivid and gloomy picture. He says that Congress is "living in a little world of their own without genuine realization of the gravity of the fiscal problem and of its relationship to the general economic situation." For himself he would like the United States budget balanced and the British back on the gold standard, but he does not see how either goal can be achieved. (Young must have replied, but I cannot find his reply.)

As a postscript to and commentary on this letter from Ogden Mills, I saw Everett Case at Colgate on Sunday and mentioned the letter. He doubts that it ever was answered in words. Mr. Case himself was in Washington at that time as an assistant to Mr. ~~Mills~~ <sup>Henry M. Robinson (Sec. Mills providing office space & help)</sup>, trying to pull together what would, had it worked, have amounted to a voluntary program for private employment measures. Long <sup>industrial leaders + such bankers as the</sup> conferences were held with needs of Chase Bank, National City Bank, etc., men who controlled great quantities of capital, in an effort to plan slum clearance, improvement of private property, and whatever other measures would give employment to vast numbers out of work. It was in those days that Mr. Case came to realize the limits of what private enterprise could do. He said that in every instance

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, *- Bertrand Boyd, a friend of Thomas Nelson*).

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. (SEC)

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. Honore<sup>x</sup>, 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 <sup>Reparations Committee</sup> ~~Dawes Committee~~, <sup>which had appointed the Dawes Committee.</sup> ~~who was the then President of France.~~ 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. (SAC)

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 <sup>the American</sup> ~~the American~~ Ambassador) or American Secretary of ~~State~~ <sup>(SAC)</sup>, who "knew nothing about the Dawes Plan" was the American representative.

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 flags 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 <sup>South American Radio Consortium in 1921,</sup> RCA in 1919, when he went to Paris to confer with German and French heads of electrical companies, Siemens, and so forth. Thus he had the cooperation of the financiers, the politicians (rather, the political leaders), and the heads of the <sup>electrical</sup> ~~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. (52)

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

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 manic 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

9 1924 - EMC

- JYC says once - pro forma -  
in 1927 when ship docked  
briefly in Bremen, en route  
to ICC Stockholm Conference

September 16, 1955

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



EC #35

September 17, 1955

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 board 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 sanitariums. 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 ~~President of~~ <sup>President of</sup> Chancellor of Cornell.

D&amp;IS