CHAPTER IX

The Making of the Young Plan

Although Mr. Young was released at the end of 1924 from the responsibility of directing the machinery of the Dawes Plan he never was free of its problems. Speaking to the members of the Chamber of Commerce in May 1926 when the body was meeting in Washington, he quoted the familiar Kipling lines—

"When earth's last picture is painted,
And the tubes are twisted and dry,
When the oldest colors have faded
And the youngest critic has died,
We shall rest, and faith we shall need it,
Lie down for an eon or two,
'Till the Master of all good workmen
Shall put us to work anew."

"When all debt settlements are finished," he paraphrased, "when all currencies shall have been re-established; when all political activities in international economic affairs shall have disappeared and the youngest critic shall have died, politically then we shall rest and faith we shall need it."

But the day of rest from international troubles was still far away for him.
The Dawes Plan, said Mr. Young, soon after its
official reception in May 1924, was the first answer
machinery had been set to work is an "intermediate experiment."
We still have to find out what Germany can pay and how.
But he went on to say that in his judgment the problem
would be solved only by a succession of "careful experiments"
each a step towards the goal.

The Dawes Plan was an experiment that worked. The set-
up in the fall of 1924 by "King Owen," as Europe began to call
him, carried on with intelligence, boldness and far-sightedness
by S. Parker Gilbert was a success from the start. Once more
Germany had credit in the world, once more she was paying her
debts, once more she had money for her industries, to build,
to give to her towns scores of advantages which they never before
had enjoyed.

The very success of the Dawes Plan made Germany feel
less and extravagant. She began to resent foreign supervision
of her budget: foreign power over her industrial life. She
soon was over-borrowing, over-spending. Agent General Gilbert was
soon frankly warned that her continued prosperity depended upon
economies as well as production, that the economies were being
forgotten, credit overstrained. But in 1927 the world in general
had little patience with the words economy: over-spending,

Germany felt with reason that the uncertainty as to
how long she must go on paying must end. She must know the amount of her debt.

At the end of three years Mr. Gilbert told the powers that while Germany had carried out to the letter her obligations under the Dawes Plan the reparations problem would never be settled until she was given a definite task to perform and permitted to do it on her own responsibility. What that meant of course was that in his judgment the Dawes Plan must be closed down and a new plan substituted.

That meant another committee of experts and in September 1928 the nations concerned agreed to it—a committee on which Germany was to be represented. The task set this committee by France, England, Belgium, Italy, Japan, and the six nations concerned was: "drawing up proposals for a complete and final settlement of the reparations problem." This body was ready to work by February of the next year, 1929.

America was not included in the number of nations officially named and Washington was not friendly now as she had been in 1924 to an unofficial representation. It was Europe's affair. But both the Reparations Commission and the German Government knew that their problem could never be settled without the help of Americans and they invited as delegates to the new committee, Owen D. Young and J. P. Morgan— as alternates they named Thomas Nelson Perkins and Thomas W. Lamen.

The gentlemen accepted. They went without the blessing of Washington, recognizing as the United States still refused to
Intermarried diplomatic machinery was set in motion and the following is then appeared in the evening paper of Jan 17, 1929.
do that, as Mr. Young once said, there was no such thing as

It was known that Europeans intended to elect

Mr. Young Chairman of the new Committee. That is, the American
delegation left New York with the understanding, as Mr. Morgan
put it, that this was "Owen Young's party." And it was-

Mr. Morgan who led the way in recognizing him as the leader.

The group of men Mr. Young headed were not new to
the problems they were to tackle. Mr. Morgan and Mr. Lamont
had been in the thick of the after-war struggle to keep Europe
on its economic feet. They had helped stabilize currencies,
balance budgets, set men and women to work. Their power was
great, but their understanding and their human sympathy had grown
with their responsibilities. Mr. Young knew all this and had
profound confidence in the two men.

Thomas Nelson Perkins, Mr. Young's alternate, was his
friend from Boston days. They had been associates through the
war and in more than one big international enterprise since.

Mr. Perkins had served two years on the Reparations Committee,
an unofficial observer for Washington. "The American Citizen"
was the splendid title they gave him, a title that always stirred
Mr. Young.

Then there were the American secretaries; Mr. Young's
own personal assistant, Stuart Crocker, had been with him
through the meetings of the Dawes Committee and had followed with
195

He knew in Florida where he was in Florida where he was in Florida which Florida with his knowledge was in Florida where he was in Florida where he was in Florida where he was in Florida with his knowledge he had

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possibly real, an...
eager interest every step of that experiment, that is, he had a prepared man at his own right hand.

Among the experts were other men prepared by experience; Leon Fraser who had acted as a legal advisor to a succession of American delegations interested in international co-operation; Jeremiah Smith, Jr., who had had ten years of experience as counsel with one or another phase of the European settlements. Mr. Jeremiah Smith, Jr. was to prove a consolation to the American delegation in the succeeding months as well as a valued counsellor.

He, himself, says that his chief service was as president of an organization known as the Bellhops Club. The bell hops ran errands for what Mr. Smith calls the "big boys" of the delegation.

The American reporters charged that one of them wrote home that the Club was the most exclusive in the world - J. P. Morgan can't get in - he works."

Mr. Young did his part in keeping the bell hops as happy as was possible through the long weeks of anxiety that came by making them every Saturday night his guests at a dinner dance.

A bit of consideration which they still speak of with appreciation.

War A single file of war correspondents had issued on Trenton. In taking the Chairmanship of the Committee of Securitizing Mr. Young had the decided advantage of having worked with several committees. He understood, each other America, half a dozen of the delegates on the Dawes Commission. There was Sir Josiah Stamp of England whom he thoroughly understood and admired. In
introducing him once to an American audience Mr. Young called him, "a great statistician, a great economist, a great budget maker, a great coal expert," but much more important than all, he knows the sensitive spots of the human heart."

There was Alberto Pirelli of Italy—heading the delegation as he did in 1924. Pirelli had an alert mind, a resourceful imagination, wide culture and a complete command of the four languages used by the committee.

And there was Emile Francoqui the Belgian, a man of big affairs, one of the richest in his country, a keen practical mind. "One of the best minds I ever came in contact with."

Mr. Young had said of him. Mr. Francoqui furnished the new committee as he had its predecessor, with much of the relief it so needed from its strains. He had a talent for shattering over-calculations, too-finely spun arguments, bringing them down to earth in homely illustrations clothed in a delightful pidgin English— he had learned his English in China as a child. Nobody ever forgot his phrases or the common sense behind them.

Most important of the delegates with whom he already worked was Dr. Hjalmar Horace Greeley Schacht—the head of the German delegation. When General Dawes and Mr. Young had gone to Berlin in 1924 to see and hear for themselves the man who had given them the most help was Dr. Schacht. He was a banker who had already done yeoman service in trying to keep German money afloat.
A "true" reason incident occurred when the commi-nelle left in the boat the cornella-
the Nipon influence made being - the cornelle, above had been pushed in the dray by the young men and women in a new and unique manner - a diagram made of the cornelle. The committee - collected the - the cornelle - collected in silence. Not even a whisper but knowing the concept was not impossible. Excerpts of Mr. Francisco Jesus spoke:

"Mr. President, I have this to say
and only this. I have a ship. She goes
and she has two masts, one long and
one short. She has a whipper and mate."
He had been made president of the Reichsbank reorganized by the Dawes Plan and its success had been due in no small degree to his co-operation.

Mr. Young had complete confidence in Schacht - his great mentality - and as well deep sympathy with the strains put upon him in the conflicts of the committee - five nations to one.

The Committee of Experts which gathered in Paris in February of 1929 - it was the first time that representatives of the six nations chiefly concerned had ever met - had the major problems to solve if they were to do the task set them. They must come to a decision truly terrible to face, the total amount Germany could and would pay and in what yearly sums. They must also devise a machinery for handling these payments. The machinery used under the Dawes Plan would not do. They must have an institution which would be free from all political, all national influence, something which would not purely as a financial machine so organized that there could be no suspicion of favoritism, no chance of interference, of exploitation.

Although the two problems ran together throughout the conference it was the amount Germany must pay that ran ahead always in the attention the world was giving to the settlement - in the time and strain demanded from the committee.

"How big a pie are we to make?" Mr. Young asked his intimates, and when we have made it how are we to cut the pieces which will satisfy the appetites of those at the table?
The creditors naturally wanted the pie as big as possible - Germany naturally fought to make it as small as possible, arguing that there were not materials in her larder and never would be to make a pie satisfactory to her creditors. Everywhere the world over economic experts figured on the size of that pie and raised raucorous voices each insisting that his estimate was the only one equitable and practical.

Mr. Young's business was to hold together these interests so widely separated, bring them gradually nearer and finally, if such a thing were possible, make it clear to them that any settlement was infinitely better than no settlement - "too dear to take, too cheap to leave."

Mr. Young has a well developed technique for handling negotiating groups, the outcome of long experience in big and little matters. To avoid premature conclusions, hasty decisions, he keeps the members working in small groups - informal conferences - where they can become acquainted with one another - learn something of how one another's mind works and most important learn to trust one another. At the start in Paris he set the members working in small committees on specific questions, he working now with this group, now with that. It was soon apparent that prejudice was breaking down - confidence developing.

He wanted Mr. Morgan and Émile Francqui to know each other. A conference was arranged between them. Meeting Mr. Francqui the next day he asked him what sort of a conference they had.

"Fine, Owen Young," Francqui said. "I say, wow wow to
Mr. Morgan, Mr. Morgan say wow wow to me and we go home."

Something else must be devised so he invited them both to tea and before either had had an opportunity to say, "wow wow" he had them both talking about their blooded stock; Mr. Morgan of the hogs he raises in England, Francoqui of the cattle on his Belgium estate with the result that Francoqui went off jubilant:- Mr. Morgan had promised to send him two prize hogs.

Prize animals indeed seem to have played a considerable part in the deliberations as far as recorded. Mr. Francoqui was most successful in securing animal loot for not only did he receive the hogs from Mr. Morgan but a prize bull from Mr. Young's own herd at Van Hornesville - a gift which almost broke the heart of his manager who sees his budget unbalanced year after year because its most profitable is given away by its owner.

But this is only one of several ways in which Van Hornesville, New York contributed to the solving of the Reparations Problem.

The day came when each of the allied countries finally decided what it would ask but when their figures were put together the sum was such a size that even they saw that it was beyond the capacity for Germany to pay. They must try again.
There came a day when Dr. Schacht put before them what he believed his country could manage. The sum was so small that settlement on that basis was out of the question. Then came the long struggle - one side down and the other side up.

"The moment has not yet come," says Dr. Leon Fraser, "to recount the trying developments and dramatic episodes of the ensuing four months during which the Committee, their alternates and assistants, toiled beyond measure in an effort to reconcile irreconcilable viewpoints and to harmonize conflicting economic tenets, all earnestly held and zealously maintained."

There were dramatic episodes that did reach the public and gave it a sobering sense of the human struggle that was going on. Thus there was the day when the head of the French delegation, General-Vermeau, angered by a figure which had been presented to him so much below what he believed France had a right to expect, and far below what he dared politically to consider, feeling that he had reached the limit of his sacrifice as he had of his patience, sprang from his chair crying, "I'm done, I'm done," and made for the door.

Men who remember Owen Young at St. Lawrence when he led who saw him in the struggle to secure a gymnasium, re-organizing bankrupt public utilities for Texas towns, negotiating labor settlements in the days after the war, who were with him in that Second Industrial Conference or on the Dawes Committee, all tell of the serene, patient, leisurely fashion in which he conducts a
deliberating body; but they also tell occasionally of a moment when his leisurely mind exploded in a flash of decision.

That was what happened at the moment in the Paris Conference when General Boreau started for the door — everybody at the table believed that if he passed it the Conference was at an end.

Owen Young was instantly on his feet. "The Committee is adjourned," he said quietly.

"It was the committee that went out as a body — not out of France as if some had been no especial incident."

He was skillful in anticipating breaking points. There was Dr. Schacht, powerful of mind but weak in control at times.

"Whenever I saw Schacht's neck getting red or his hands trembling I adjourned the conference," he will tell you.

Realizing at one juncture that Schacht was nervously exhausted, he said to him,

"Don't you want to do something for me, Dr. Schacht?"

And the emotional German replied, "I would do anything for you, Owen Young."

"Well, what I want you to do is go out to Versailles alone, forget this conference, sleep, walk, ride, see nobody from here, give nobody your telephone number, no one is to know but myself where you are. If it is necessary at any point I'll send for you."

Schacht did it and came back restored to carry on the rest of the sessions. That is, he looked out for the others.
guarding themselves against their own weaknesses.

"But I had to watch myself all the way through," I heard him say once. "When I felt irritation at a man's prejudice rising, lack of confidence beginning, I arranged for a day off, changed work until I had overcome the feeling. Any lack of confidence in me was bound to reflect on the conference. They would not trust one another if I did not trust them."

His sensitiveness to antagonism was a marvel to his colleagues.

"He would steer clear of a danger point before anybody had realized one was near," I heard one of the members of the body say once. "There is where he was superior to the rest of us. The greatest thing in Owen Young is his superior emotional sensitiveness."

The conditions under which the Young Plan was formulated were complicated by the necessity of every man present outside of the Americans to consider the political opinions of his own country. The Dawes Committee had been practically free from that interference. But this was a final settlement. In Germany extremists declared that the responsibility for the war must be erased from the treaty of Versailles and with it the recognition of a debt. In France extremists of the same political color which in Germany were fighting for no reparations fought against any cut of the impossible thirty three billion dollars named in 1921. A settlement which would upset the young republic in
Germany, would be a fatal settlement. A settlement which would turn France over to the communists would be equally a fatal settlement. So from the opening of the Conference politics was there behind every speaker. Mr. Young's job was to prevent politics smashing the whole undertaking.

His vigilance, his sympathy, his mastery of each calculation and its relation to every other calculation seem never to have relaxed, his courage never to have failed. When the Conference was on the very eve of failure because finally the creditor nations agreed that Germany would never accept their figures, nor they here, it was to Mr. Young they appealed to set a scale of payments which he thought just and reasonable and it was the figures worked out by him and his American colleagues and so built up that they could resist every reasonable argument against them that finally were adopted - adopted in all friendliness.

They were gigantic figures to be sure. Beginning in September of the year the Plan was signed Germany was to pay annually for thirty-seven years some four hundred and ninety five million dollars. A third of it was unconditional - payments to meet the war damages the allies had suffered - two thirds of it was to be paid subject to certain conditions. A new International Bank was to be set up to handle the monies. This Bank was to take care of war debts. In total it meant that in these thirty-seven years Germany must pay to allies and America a
The crucial point in the discussions was the amount to be paid. It was agreed there were some timber claims that should be considered. The subject was already under discussion.

As already said, it was recognized at the start of the committee, the amount of money Germany would pay for the cession of Alsace-Lorraine must be determined. The committee agreed to this proposal. Mr. Schacht defended the idea of an international bank being established. The committee was pleased to hear such proposals, and the members of the committee were well disposed concerning the matter. The money would then be carried in the balance sheet.
capital sum of about nine billions of dollars instead of the thirty-two billions fixed in 1921 by the Reparations Committee. With interest the settlement unrevised will mount in the fifty-eight years it is calculated it will take to clear it up finally, to around twenty three billions.

Under this new plan Germany was free of all the controls which had come so to irritate her under the Dawes Plan. There was to be no further foreign supervision. She was left, said Dr. Fraser, a free peer among the great powers in the same independent way that other major governments discharge their debts. On the Bank of International settlement created for handling her payments she herself was represented. So far as possible every irritation possible had been removed - every humiliation erased.

The terms of the settlement worked out - accepted - then came the drafting of the new Plan as it was called at the start - the Young Plan as it now was named. Long and tedious business this final drafting in which men haggle over a word - a phrase - a comma - a period. What else can be done if you are trustees for a people and the document you are to sign must mean in French what it does in English, in Germany, in Italian?

June was approaching, Mr. Young had two engagements in America he wanted to keep - the wedding of his son on June 15th - a degree to be given him by Hamilton College on the 17th, so he told his colleagues.

What happened he explained at Hamilton for he was there
to take the degree—

"I told them the thing which I should most like to do was to get home for those two ceremonies. And I said that the latest ship would sail on the eighth of June. From that time on there was no need of my urging that committee. Whenever small differences of opinion came, someone would say, 'We must get Mr. Young home for his son's wedding. We must get him up to Hamilton College to get his degree.' And they ended the proceedings at seven o'clock of June seventh, and at ten o'clock on the eighth of June I left for the United States. What finer evidence of the warmth of human feeling and co-operation could you have than that? How much more helpful to the committee and me than any arbitrary statement that I must sail for home on a certain day?"

What did Mr. Young himself think of the settlement?

He believed that if Germany continued to be as prosperous as she had begun to be under the Dawes Plan if she regarded the payment of the debt as a matter of national honor, that is kept her will to pay, she could do it.

"But," he warned, "the only problem is not whether Germany can and will pay, there is another, whether the creditors can receive, because, after all, however we may disguise the payments by loans and other financial operations, ultimately these vast sums will have to be met by goods and services flowing out of Germany and coming directly or indirectly into the creditor countries. It may be as serious a problem to accept the inflow
as it is to produce the outgo. Only time will tell."

But leaving the outcome to time he was convinced, whether it was really final or not, that "a settlement was better than no settlement." It was a step towards stability - another experiment.

In one feature of the settlement he had great confidence. That was the new Bank created by the committee out of a plan Sir Josiah Stamp had worked out before the gathering met. He saw in it one of the new economic mechanisms he is convinced must be devised if our present industrial and financial systems are to meet the strains of the world's needs. He made a deep impression on his colleagues in Paris in pleading for these new "set-ups."

"You cannot build a turbine in a blacksmith's shop. Modern civilization demands stronger and nearer perfect tools. Modern industry and economy must have closer international cooperation. In some countries the leadership of industry and capital has been a great boon; in other countries this leadership is more open to criticism. What the world bankers and business men must consider seriously is not merely whether their economic order works fairly well in their own country, but whether or not it harmonizes rightly with the economic order in other countries.

"While people are starving in one part of the world and wheat is rotting in the Dakotas, we can never pride ourselves on our economic system. We have got to devise means to move that wheat to the place where it is needed."
Whatever doubts of the results achieved he carried away;

one compensation was worth it all. His Editor

"The one fact that I delight in remembering," he said after his return, "is that all through the storm and stress, long hours running into long days, long days into long weeks, and long weeks into long months, there never was a time when the American group did not think, speak, and act as a unit. If one stumbled or fell from exhaustion the other picked up the flag and went forward. Certainly, if devotion to a cause and loyalty to each other are essential to such an undertaking, then the American group deserved to succeed. And I may say, gentlemen, as the largest personal beneficiary of the effort, that we could not have succeeded and there would be no reparations plan had it not been for the kind of cohesion which I mentioned - not merely sticking together for appearances' sake, but acting together with every ounce of energy because nobody wanted to do anything else."

He had another great reward and that was the intelligent and affectionate recognition of his work that came to him and still comes from those who labored with him in one capacity or another through the hard months. The American press believed in him and it was press in Paris whose confidence and respect it was an honor to have. At the close of the negotiations one of the Le Pain quotidien wrote:

"Like every other great achievement Mr. Young's has been one of character. His past record was enough to prove his..."
No letter of this sort could be due to Mr. J.P. Morgan
without the name of the individual who called and
named the undated letter: "Silver, Mildred, Pa."
and the name of the great public benefactor.
I never had an opportunity to recognize
Mr. as the leader of
my party will all the force of his great power.
ability. But ability alone would never have been sufficient to straighten out this tangle in which were involved not only gigantic problems of finance, but national issues, international interests, personal ambitions, political prejudices and finally human justice. Consciously or unconsciously, it has been the last of these considerations which throughout these long weeks has been Mr. Young's guiding principle. He never framed it in words and never uttered a sentence which would seem to put the task in any dramatic light. He is essentially a modest man. But what he has been seeking amid a multitude of technical considerations has been a settlement which was just as well as practicable, and fair as well as acceptable. And that is what he has achieved."

Mr. Thomas Lamont in analyzing the settlement for Foreign Affairs said of Mr. Young's part in the work what every one of his colleagues have said, "in private or in public:"

"To Owen D. Young, more than to any other one man, the settlement at Paris was due. The task which he undertook bristled with difficulties. On every side lay pitfalls, not dug for the Chairman, but inherent in the situation. His work was a work of infinite understanding and infinite patience. I mention understanding particularly because at the conference all the dregs of distrust and enmity that had been eddying about since the days of the Armistice and the writing of the Versailles Treaty were finally drained off; they all came to the top and had to be dealt with and dispersed. All the bitterness that had lain
in men's hearts, all the hard things said, and all those that men had not dared say, came creeping forth and had to be met. To understand these men and these things took great understanding, deep wisdom. Mr. Young had them both. And patience, to meet the trying ups-and-downs of negotiation, of point and counter-point; patience in the face of bitter personal criticism against him and his methods that successively filled the French, the Belgian, and even the British press. To meet all these situations the Chairman had patience, sagacity, resource. His was a leadership that was never demanded by him, but was freely accorded to him by all his associates, because of their clear recognition of his fairness, his character, and his eminent capacity to be a leader of both affairs and men."