

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, Mr. Young told the National Institute of Social Science in May 1925 is not the final answer. "We still have to find out what Germany can pay and how." But he went on to say, "We shall learn something from the experience. I venture the prediction that both the economists and the politicians of the world will learn something from it too, and when the results shall have been tabulated and the facts found, the good sense of the peace-loving peoples of the world will then be able to answer, and will require an answer to the all-important and final question - "What Germany can pay and how?" It will not be solved by the politician abroad advocating repudiation of obligations under some more polite term. It will not be solved by an appeal to the intense nationalist feeling of any country, nor will it be solved by the even more disastrous method of destroying nationalism - that cement of all democracies - in order that internationalism may be established. In my view the question will be solved only by small and simple and careful methods of experiment - wise and considerate action in small fields, each one a step toward the goal. These will be much more effective than the heated and controversial debates which, based on ignorance can lead only to misunderstanding, consequent irritation, and disaster."

The Dawes Plan was an experiment that worked. The set-up in the Fall of 1925^H 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 careless of expenditures. In 1927 the world in general, Germany included, had little patience with the words economy - over-spending. Agent General Gilbert was soon frankly warning that her continued prosperity depended upon economies as well as production, that the economies were being forgotten, credit over-strained.

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 the five nations calling it, France, England, Belgium, Italy, Japan, 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. International diplomatic machinery was set in motion and the following item appeared in the evening paper of January Nineteenth, 1929.

After a meeting of the Morgan Library this morning Sir Esme Howard, the British Ambassador, authorized the following statement:

"Mr. Owen D. Young and Mr. J. P. Morgan stated today to Sir Esme Howard, the British Ambassador, that they would accept the invitation of the Reparations Commission to serve on the Committee of Experts at Paris, designated to consider the matter of German Reparations.

"Mr. Thomas Nelson Perkins of Boston will act as Mr. Young's alternate, and Mr. Thomas W. Lamont as Mr. Morgan's."

It seems to have been a foregone conclusion with the Europeans that Mr. Young must act as chairman. His experience on the Dawes Committee - the confidence all felt in him - his personality which had won everybody's liking - all made him in their judgment the only man to direct the sittings. But Mr. Young fought the suggestion. He knew what it meant to serve in terms of hours of anxiety ^{and of doubt.} ~~and~~ If he took it he must fall or rise by the result. The possibility that, as many economists and statesmen insisted, the problem was impossible, insoluble for mortal men, was not lost on him. It was too much to ask of him. Probably it was nothing but the fear that unless he served the delegation would refuse to go on as began to be threatened which finally persuaded him to consent.

The group of men Mr. Young headed were not new to their present problems. 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 both.

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 eager interest every step of that experiment, that is, his chief, 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.

Mr. Smith, 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 they never worked and one of them wrote home to his paper:- "Their Club is the most exclusive in the world - J. P. Morgan can't get in - he works."

A popular member of the American group was Fred Bate, the Secretary of the delegation. Mr. Bate was an active member of the Bellhops Club, though hardly qualified since he worked - worked hard. He had had ^a long experience on the Reparations Commission having served there as the secretary of four successive "American citizens":- Roland Boyden, James Addison Logan, Jr., Thomas Nelson Perkins and Franklin W. Cutcheon.

A strength of the New committee, as the body was at first called, was that several members had served on the Dawes Committee. They understood ^{one} ~~or~~ another. This was of particular advantage to Mr. Young as chairman. He knew what to expect. 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." If he had spoken a little later he would have added, "a great railway man. Much more important than all," said Mr. Young, "Sir Josiah knows the sensitive spots of the human heart."

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

And there was Emile Francqui 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 has said of him. Mr. Franqui 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.

There was an incident in the Dawes Committee which served good purpose there and was to be no little use in the present committee. The highly inflammable subject of the amount Germany was to pay annually had been for two months in the hands of experts. They brought in their report. Nothing could have been more scientific - a diagrammatic solution - which couldn't be denied. After it was submitted the committee sat in silence not able to disprove, but knowing they could not accept it. It was Mr. Franqui who first spoke:-

"Mr. President, I have this to say and only this: I have a ship. She goes sea. She have two masts, one long and one short. She have a skipper and mate.

"Question: What is the age of the captain?

"Answer: Six Thousand Two Hundred Eighty-four feet."

And that ended the diagram.

Most important of the delegates with whom Owen Young had 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. He had been made president of the Reichsbank re-organized 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 had 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 met - had 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 act 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. But when they had made their pie how were they to cut the pieces to 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 raucous 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 minds work 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," Mr. 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, Francqui of the cattle on his Belgium estate, with the result that Francqui 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. Francqui 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 yield is given away by its owner, not often, however, in the interest of international co-operation more often to help out humble American citizens trying on small means to build up herds.

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 had 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 an all important delegate, angered by a figure which had been presented so much below what he believed his country had a right to expect, so ~~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 in the struggle to secure a gymnasium, who saw him 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 of an occasional moment when his leisurely mind exploded in a flash of decision.

That was what happened at the moment in the Paris Conference when the outraged delegate started for the door - everybody at the table knowing that if he passed it the Conference was at an end.

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

It was the committee that went out as a body - went out as if there had been no crucial incident.

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

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

"But I had to watch myself, as well, 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. My lack of confidence in a man 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 obligation 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 debts. In France extremists of the same political color

which in Germany were fighting for no reparations fought against any cut of the impossible thirty two 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.

At critical points in the debates on the amounts to be paid Mr. Young showed a fine sense of the value in a hot discussion of changing the subject. As already said it had been recognized at the start that if the committee reached an agreement in how much Germany was annually to pay there must be a non-political mechanism devised for handling the moneys. The idea of an International Bank taking care of the settlements and perhaps performing other services for the nation had been slowly growing especially in the minds of the men who had been concerned in the making and the carrying on of the Dawes Plan.

Sir Josiah Stamp, Dr. Schacht, Mr. Francqui, seem to have come to the New Committee with more or less well formulated plans. When things grew tense Mr. Young could always re^{lieve}/the strain, freshen the jaded interest by bringing up the Bank. It is so much easier to make a new plan than repair an old and battered one!

As the weeks went on a bank for International Settlements took form which had as a first duty taking care of the yearly payments and which they all began to see might in the future look after various international economic needs not now taken care of.

The final structure worked out many wise bankers are inclined to believe will be as Mr. Thomas Lamont says, the "most constructive accomplishment of the Conference."

Throughout the weeks of negotiation Mr. Young's vigilance and sympathy, his mastery of each calculation and its relation to every other calculation seem never to have relaxed, his courage never to have given out. When the Conference was on the very eve of failure, because finally the creditor nations agreed that Germany could never accept their figures, nor they hers, 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, built^{up}/so that they could resist every reasonable argument against them, that finally were adopted - adopted in all friendliness.

They were gigantic figures to be sure, but by this time Mr. Francqui had helped dispel the fear of seige in the committee. He and Mr. Young were at tea. "Owenyoung," (Jeremiah Smith says that Mr. Francqui evidently thought that was Mr. Young's name) "Owenyoung, we neglect our own business; we sit here one week, two weeks, three weeks. What do we talk? We talk about fifty million

marks a year, one hundred million marks a year. We talk about two hundred million marks a year, four hundred million marks a year. Your great grandmother still alive?"

"And when I told him, 'No,' at which he seemed surprised, he said, 'She come to life; she say, Owenyoung, how much you pay at the Ritz today? You tell her; she drop dead.'"

After this Mr. Young's grandmother helped break up the ^{and} scene of big figures.

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, "to pay her external obligation as 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. Moreover, the Young Plan as it now was called carried with it as every mechanism for handling great human affairs must ~~carry~~ contrivances for its own relief, correction in time of need. Germany has the right in a period of depression like the present to declare under her own motion a partial moratorium for two years. There is an arrangement for a special advisory committee to be called by the bank to investigate and report on her condition and advise what in its judgment should be done.

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The terms of the settlement worked out / accepted - then came the drafting of the Plan. 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 himself 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 Mr. Young was convinced, whether it was really final or not, that "a settlement was better than no settlement." It was a step toward stability - another experiment. Whatever the future, he hoped that the settlements would never again be thrown back into politics. When the great depression revived the cry for re-adjustments, cancellations, he pled for a continued effort to work out the problem through non-political agencies and to do it with consideration and sympathy.

"It is quite natural," said Mr. Young at a dinner given him by the Lotos Club in December 1930, "in times of depreciated commodity and security prices that debtors should ask for a re-adjustment of their debts. I would be glad to do so myself."

Unfortunately, it takes twice as many securities to pay my debts as it did when I incurred them. I could make a very good moral argument, if anyone would listen to me, that my debts should be reduced, but I would not expect to get a hearing unless my creditor was satisfied of my incapacity to pay. If he was, then it would be for the creditor to say, not for me, what he wished to do about it. And as between great nations, I should hope for a breadth of view and a sympathy of understanding, in dealing with problems of this kind, greater than an individual has any right to expect from his own creditor. He, I found, is very hard-hearted. Let America not be so. But under any circumstances, let her not through indecision or the exigencies of politics, precipitate us back into the conditions which existed before. Whatever her action may be, if any, and it lies in the mouth of no private citizen to say, let it always be definite. Let us avoid in all nations the dreadful uncertainty which is worse than the heaviest payments. That is all I have to say on debts and reparations. You will notice that I make no comments upon their amounts. You will see that I have nothing to say about debtors' capacity to pay. These are questions which can only be settled in the light of situations as they arise, and I hope that my country of all countries may not be wanting in a proper appraisal of any such situations."

In one feature of the settlement he had great confidence. That was the new Bank. He saw in it one of the new economic mechanisms that must be devised, he is convinced, 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 co-operation.

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 at heavy cost to him, Mr. Young aged perceptibly under the strain of these months, he carried away one compensation worth ~~N~~ all his labor.

"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."

No little of this solidary was due to Mr. J. P. Morgan who from the time the delegation sailed had called the expedition, "Owen Young's Party" and had never lost an opportunity to recognize Mr. Young as the leader. That is, he had backed Mr. Young with all the force of his great prestige.

Mr. Young 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 a press in Paris whose confidence and respect it was an honor to have. At the close of the negotiations one of the best Paris reporters wrote:—

"Like every other great achievement Mr. Young's has been one of character. His past record was enough to prove his

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 ^{Lafayette} 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, 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."