

Oral History Interview

with

DR. ARTHUR N. YOUNG

An economist and financial expert, beginning in 1912, principally as an adviser to the U.S. Government and to the governments of various other countries, including service as an economic adviser in the U.S. Dept. of State, 1922-28; financial adviser to the Chinese Government and to the Central Bank of China, 1929-46; a member of the Chinese delegation to Bretton Woods financial conference, 1944; director of Point IV program in Saudi Arabia, 1951-52; and financial adviser and chief of financial mission to Saudi Arabia, 1951-52.

Pasadena, California

February 21, 1974

by James R. Fuchs, Harry S. Truman Library

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FUCHS: I thought we might begin, Dr. Young, with you giving a little of your background; where you were born, and some of your education up to the time that you went into Government service.

YOUNG: Well, I was born in Los Angeles in 1890 when it had about fifty thousand population, and graduated from Occidental College, and took postgraduate work at Princeton College, in economics and finance. And then later on in the twenties when I was in the State Department, I took a law degree at George Washington University by night school.

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FUCHS: I believe you had a rather close connection at Occidental College, you were telling me.

YOUNG: My father called the meeting that led to the founding of the college in 1887, and was a trustee all the rest of his life, and at one time was president.

FUCHS: Did you feel at an early age that you wanted to go into the economic field--has it always been...

YOUNG: Well, at the age of fifteen, when I was graduating from the old Occidental Academy, which was then preparation for college, because high schools weren't too good at that time, I had to make the valedictory speech. I suggested the topic of "Problems of the Twentieth Century."

And my father said, "Well, you'd better call it 'Some Problems of the Twentieth Century.'" I still have a copy of that speech and it dealt with various pending political and economic questions

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arising out of, pretty largely, President Theodore Roosevelt's drive for conservation and that sort of thing, It was perhaps significant as to attitudes of 1906 that it centered on, American problems, not international.

FUCHS: Yes.

YOUNG: So, I think at that age of fifteen, I manifested interest in public affairs and economics. I majored in economics at Occidental, where I graduated in 1910, but I didn't decide to go into economics definitely until I tried out teaching for one year after I'd had two years of postgraduate work at Princeton. I was offered a post of teaching in the Presbyterian College in South Carolina. I decided to go down there and teach for a year and see how I liked that, and I did. I got drafted into coaching athletics also at the same time, and was probably more successful in that than in teaching. But,

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in any case I went back to Princeton and finished my doctor's degree the next year, 1914, and was invited to stay on and teach at Princeton. And then, after the war came, I started officer's

candidate training. But, then I was asked to go to Mexico, because there was some trouble down there and there was a mission being organized to work on the Mexican finances, and I was asked to join that mission. So I was excused from the draft and went to Mexico, and worked on the Mexican tax system for several months; and then that mission ended, just before the World War I ended, because of some complication in relations between Washington and President [Venustiano] Carranza of Mexico.

I came back and, after work with the War Trade Board, joined the Department of Commerce for a mission in Spain at the end of the war, to look into the finances. After I came back from that I joined the Department of State.

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After a few months there, the Department asked me to go to Honduras as financial adviser. The President of Honduras had asked for a financial adviser, and I spent a little over a year there trying to reorganize their finances. I pressed rather hard on that, and finally after the Government passed the laws for carrying out the reforms on which we had agreed, they started to go back on the laws and depart from them in a way that was placing financial stability in trouble. I had to have a showdown, which I could not possibly win, and I knew I couldn't win it, so I left and came back to the United States.

Secretary [Charles Evans] Hughes then asked me to rejoin the Department of State, which I did in 1921. And, after a few months there, I became the Economic Adviser in charge of the Economic Office of the State Department. I stayed there until 1928, when I was asked to go to China. I went to China for a year, but managed to stay

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all through the war. And after that came back here, and after some recuperation have been engaged in consulting work, with various missions for the Government and for foreign governments, the last of which was in 1962 and '63, when I went to Argentina to advise on the tax system.

FUCHS: You had a long and distinguished career in the Department of State.

Just a little bit more about this Mexican mission. How did it come about that you went down there on such a mission?

YOUNG: It was arranged with Mexico by Henry Bruere who was, or had been, in the city government of New York, as the chief accountant--I think--comptroller of the City of New York. He also had mining interests in Mexico, and he got on very well with President Carranza. Mexico's finances were in trouble and at Bruere's suggestion he asked for an American mission to

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go down to Mexico. One of the members of that mission was Professor [Edwin W.] Kemmerer who had been my teacher and then my colleague at Princeton University. He was the rather famed "money doctor" who had worked on finances first of the Philippines. As a very young man he had charge of the currency reform in the Philippines, and then returned to academic work and had various other missions. He asked me to go down there as the expert on taxation. I had been teaching taxation--public finance at Princeton. And so, we went down there and had a very interesting experience in Mexico for several months.

FUCHS: Your mission to Honduras, is there anything that stands out in your memory about that? Anecdotes other than purely professional matters.

YOUNG: Well, it took twenty-one days to go from Los Angeles to Honduras in those days on the good ship

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Curaçao--about fifteen hundred tons. It put in at every little port along the coast of Mexico and Central America.

I remember we stopped at Acapulco, which was just a little muddy village. We called on the American consul there and walked up on the hill to the place where he was living--came back and we went on the boat.

We got to Honduras after twenty-one days, and we had a launch to take us from Amapala the port, which was on an island. We crossed to the mainland and traveled up the road at night to Tegucigalpa, and stayed in Honduras for thirteen months.

A really most interesting experience. It was very primitive at that time. The finances were in disorder because, although the government had larger revenues than it ever had, it was paying it out largely in graft and corruption to the Army and people who had phony claims for

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having organized troops to put through the great revolution for the benefit of the country and so forth.

The first thing I did was to get the accounts brought up to date. And then I called to the attention of the President the fact that these wasteful expenditures were eating up the revenues and the government would be in deep trouble unless things were changed.

I got him to call a series of cabinet meetings and I met with him and the cabinet for three days. We decided that they would issue instructions through the minister of finance, and through the minister of war, that such and such numbers of troops would be in each place throughout the

country, and such numbers would be paid. We reduced the expenditures for the Ministry of War to about forty percent of what they had been.

And, at that time, I found that the school teachers and many other employees had not been

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paid. Some of them were twelve months in arrears. Within a few months, by cutting military payments, we were able to save enough money gradually to pay those salaries, and they were up to date before I left. So that, after about a year, the government was up to date in its finances.

FUCHS: That's very interesting. Were those overtures made--of course the invitation came from the President of Honduras--but were these made solely at the initiative of that government, or did we have something to do...

YOUNG: As I understand it, the Department of State suggested through the American legation in Tegucigalpa that it would be helpful if Honduras would request the services of a financial adviser. But, I knew nothing about that at the time until one day I had a call from the Chief of the Latin-American Division of the State Department asking whether I'd be interested in going down there as

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financial adviser. I had been in Spain, as well as in Mexico, and was able to speak Spanish. And so, with my financial background and knowledge of Spanish, it seemed to be a natural. So, I came home one night and said that we were probably going to Tegucigalpa. It was cleared with the Honduras Government, and I went down there.

FUCHS: Did your wife welcome that journey?

YOUNG: Very much. She was always adventurous, and we had two small children at that time, ages one and three. When we came to this good ship *Curacao*, docked at San Pedro, we found that there was no protection on the deck except two lines of pipe railing all the way around the decks of this boat. So we hurried out and got some leather straps and got some harnesses made to put on these children. We never let them off leash all the time we were on board, and we didn't leave them alone in the cabin overnight

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even. One of us would sleep on a mattress on the floor at the entrance to the cabin so they wouldn't be dashing out and falling overboard. So, that was life in those days.

FUCHS: Very interesting. Acapulco wasn't full of "beautiful people" then like now?

YOUNG: No, it was not.

FUCHS: Well, do you think the same sort of thing occurred in connection with the Mexican and the Spanish missions in that...

YOUNG: In Mexico, things were so disturbed that I couldn't take the family with me. In fact, the train on which I went from the border to Mexico City had been shot up on the way north from Mexico City, and going down they sent an exploradora train ahead of us with a carload of soldiers at the end of our train. One exploring train going ahead; a carload of soldiers attached to the rear of the train to

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protect us from bandits, but we got through all right. But, when we were in Mexico City, at times there was no communication with the outside by train because all the lines were cut by various rebels, and Mexico City was not safe. At one time, bandits shot up a train on the outskirts of Mexico City and plundered the train, and killed scores of people. It wasn't safe to go out in Mexico City at night, except in a group and with arms. I remember I would go out carrying a loaded gun in the pocket of my overcoat, so it would be all ready to use, and others did the same.

FUCHS: Did the State Department--or was this the Department of Commerce? Did they provide any...

YOUNG: No, this was private arranged by Henry Bruere. He got Professor Kemmerer to help to organize this mission, which was favored by the American Government. We were engaged and

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paid by the Mexican Government, but with the approval of the Department of State to such extent that I was exempted from the draft to go down there.

FUCHS: Did they provide you with a gun?

YOUNG: Yes. And I also carried it in Honduras. At that time there, a part of every well-dressed gentleman's equipment was to wear a cartridge belt with a gun. But, I never had to fire the gun in anger in either country.

FUCHS: The mission to Spain, how was that arranged?

YOUNG: That was through the Department of Commerce, to investigate the financial and economic situation of Spain at the end of the war, and that lasted for about eight or nine months.

FUCHS: This was on the initiative of the Spanish Government, however?

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YOUNG: No, the American Government. The American Government was investigating conditions after the war in various countries including Spain, and I was asked to undertake the mission to Spain.

FUCHS: Then, what was your next principal job?

YOUNG: After my work in Honduras, I rejoined the Department of State, and after a short time became the Economic Adviser. At that time, we had one office in the Department of State concerned with economic matters. They now have, I don't know how many. I had about four or five experts and two or three clerks in that office. Where I had an expert, they now have a complete office with large personnel, maybe fifty or a hundred in some cases.

FUCHS: Whom did you report to?

YOUNG: I reported to the Secretary of State, and

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in many cases through Leland Harrison, who was one of the Assistant Secretaries, or the Under Secretary who was either Bill [William] Phillips or Joe [Joseph C.] Grew; but I had a good many direct dealings with Secretary [Charles Evans] Hughes, whom I got to admire very much.

FUCHS: Could you tell us a little bit about the type of man he was--your dealings with him?

YOUNG: Well, he was rather austere and everyone respected him and almost stood in awe. He had a wonderfully quick mind. He had the type of quickness that could enable him to look through a long document and pick out the essential things almost reading it by glancing at the pages. He had a great faculty for coming right to the heart of a matter, and he didn't suffer any fools or any long speeches or anything like that. He and I got on very well. I would

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often sit with him and he would question me about various things, and try out some of his ideas. For example, on reparations, before he came out with his proposal for a commission of experts to try to get the problem handled as a matter of practical economics. That led to a conference at Paris in 1924, and the [Charles Gates] Dawes plan to deal with reparations. I was handling the reparation question in my office in the State Department, and he was very much interested in that so he was often inquiring about it. I was sent to Paris in 1924 to help informally at the conference. Mr. Hughes said I had no instructions except not to sit on any committees, as the US was not a party to the Treaty of Versailles.

FUCHS: How did that plan as it evolved differ from what you might have wished?

YOUNG: Well, it placed a burden on Germany that was not practicable. But it was agreed to by those

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concerned, because it was the farthest to which the French could be pushed. The French were then a chief obstacle to projects of international collaboration, as they often continue to be. We had great difficulty with them because they wanted 'a pound of flesh'--quite understandably after their sufferings--and they weren't prepared to be economically reasonable as to what amount of reparations Germany should be asked to pay, and how. But the Dawes plan was a great success, as it eased tensions and was a somewhat flexible plan that gave a breathing space.

FUCHS: Yes. Well, then, your mission to China which was around 1929.

YOUNG: In the latter part of 1928 Professor Kemmerer had been asked to organize a mission to China--a financial mission. The Nationalists had taken over Peking in June 1928, and that pretty much completed, at least on paper, the conquest of China

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and the overthrow of the warlords. And so they sent Sun Fo to the United States. He was the son of the great Sun Yat-sen, who was the George Washington of China's modernization, you might say. Sun Fo came to this country and he wanted a loan. Of course, the New York bankers told him that there was no possibility of a loan when China was in default on half of its debts, and with its finances in disorder. And so, he had heard that Professor Kemmerer had helped on the organization of financial reforms in a number of countries. Incidentally, when I was Economic Adviser I had given him a recommendation to the Government of Colombia, who wanted a financial mission--I recommended him to Colombia's minister at Washington. Kemmerer went down there and was very successful in putting through some reforms.

And now, in 1928, he was asked by China to organize a mission to go to China. He asked me to join the mission. I didn't know whether I should resign from the Department of State because the

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economic office was quite influential, and the work was very interesting and constructive. But, I'd had experience in Latin America; I'd had experience in Europe when I was over there in Spain for most of a year and for six months during the reparations conferences with the Dawes plan. The prospects of useful work in China looked good, and I thought it would be interesting to have the experience of working on the finances of the oldest and most populous country in the world.

And also, I didn't see much future for staying in the Department of State, because at that time the salaries were not very large, and it was not possible to expect to advance in the Department or in the Foreign Service without having substantial financial resources. And so, all things considered, and the fact that there was a new administration, Mr. Hoover was coming up as President, and I'd had some arguments with him at one time and another in the past when he was

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Secretary of Commerce when I was representing the State Department. I didn't know quite what would happen. I finally decided it would be wise to go to China.

FUCHS: And you resigned from the State Department.

YOUNG: I resigned from the State Department.

FUCHS: Became an employee of the...

YOUNG: Became an employee of the Chinese Government.

FUCHS: How did you find the Chinese, economics-wise? Their economists there-- were they sophisticated?

YOUNG: No. They were pretty much illiterate in economics, and about eighty or ninety percent of the people were actually illiterate. I didn't find much in the way of economic knowledge, but what I did find was a very able and knowledgeable and understanding Minister of Finance in T. V. Soong. He had been educated at Harvard, and had worked

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for a time in what is now the First National City Bank of New York, and gotten a little banking experience there. And then he went back to China and became Sun Yat-sen's financial man in South China. And, after the Nationalists became established, he was a natural to become Minister of Finance, which he did in 1928. And, going there in 1929, I found him very sincerely anxious to do something for China, and very anxious to pick the brains of anyone whom he could and try to put the finances in order. So, it was a privilege to work with him when he had that attitude.

FUCHS: Was Soong's education largely in economics or did he just have a general education in college?

YOUNG: Well, strangely enough, his major was English. But, he had a natural talent for writing English; he was better in English, I believe, than in Chinese even. He could write English as very few who have it as their native tongue. So, he was able to express himself very clearly and accurately.

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He had a fine mind; a very quick mind; a very practical mind.

FUCHS: He acquired a knowledge of economics that enabled him to function in the...

YOUNG: Yes. He had a practical grasp of business and economic affairs.

FUCHS: Did you meet the Generalissimo in those early days?

YOUNG: Yes. I met him, but I didn't have as many dealings with him before the war as I did during and after the war.

FUCHS: I see. What were your views of the Generalissimo?

YOUNG: Of course, the present views on him in the minds of a good many people are largely negative, because of the difficulties that China encountered during and after the war. And also, American opinion about him has been very mercurial. The conventional view of him mostly overlooks his important accomplishments,

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especially before the war with Japan.

After re-establishing the government in 1928, he set out with the ideal of building a strong centralized government; putting down the warlords. And, of course, that meant a lot of friction, because the warlords had governed the regions of China for many years before the Nationalists succeeded in accomplishing unification on paper when they took over in 1928. And, for two or three years, he had to carry out some very bitter campaigns to eliminate these warlords as major factors, which he succeeded in doing for the most part by about 1931. Then, at that time, the Japanese jumped on China by seizing Manchuria through their invasion in September of 1931.

Perhaps I should give a little background on that.

FUCHS: Very good.

YOUNG: There is an episode that is now very commonly

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overlooked, and that is the confrontation between China and Russia in the summer and fall of 1929.

At that time in Manchuria, there was an agreement under which the Chinese and the Russians had joint management of the Chinese Eastern Railway, which was still in the hands of the Russians as Russian property, but within Chinese territory. It was a cutoff to cross Manchuria to get to Vladivostok without going a long way farther to the north.

Under the cover of this joint management agreement, the Russians were trying to introduce communism in Manchuria and Northern China. And, raids on Russian offices there, which technically the Chinese had no right to carry out, showed that they were hotbeds of propaganda in violation of the understandings under which they should have been operating. And so, the Chinese threw the Russians out of the management of the Chinese Eastern Railway.

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The Russians protested, and when they couldn't get anywhere by diplomatic negotiations they used force. And, in just a few days, by invading Manchuria from Siberia, they defeated the Chinese and forced the Chinese to agree to restore the old status quo for joint management of the railway.

That was only months after the [Frank B.] Kellogg-[Aristide] Briand Treaties by which all nations, including Russia, which was a signatory even though not then recognized by the United States, had agreed not to settle international controversies except by non-violent means. And here, within months, the Russians had violated that--under some provocation it must be admitted--by invading Manchuria and forcing the Chinese to make a rather humiliating settlement.

Well, that was not lost on the Japanese military. The Japanese Government had also signed these no-war treaties, but the Japanese military had their designs on Manchuria. Of course, they felt that after they had given their

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blood and treasure to drive the Russians out of Port Arthur and southern Manchuria, in the early years of this century, they had an interest there. They feared a threat from Russia, which was not too far across the Yellow Sea from Japan. And so the Japanese military started out, with some popular support, to encroach in Manchuria. They were encouraged by the fact that during this period before the Nationalists took over in 1928, China was in chaos. The Japanese militarists developed the idea that they had a mission to bring order in China, not merely in Japan's interest but also for the good of China which couldn't govern itself. And when they saw that the Russians had gotten away with the use of force, that of course encouraged them to plot the same thing, and so they probably began plotting right away to take over Manchuria, which is very rich in natural resources.

In 1928, after the capture of Peking by the Nationalists, the warlord who had previously

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controlled it was General Chang [Tso-lin], who was the warlord of Manchuria. And, when Chang was retreating back to Manchuria, the Japanese blew up his train and killed him. The Japanese Ministry of War wanted to discipline the Japanese officers that did this. But, the Japanese military intervened and would not allow the Ministry to discipline those who had blown up that train. That was probably the turning point for Japan's adventures that led to Pearl Harbor and the surrender in 1945.

FUCHS: Did you think that Japan's aggrandizement of their territory was really intended to stop with Manchuria in the beginning?

YOUNG: In the beginning it was perhaps that idea, but they also had the idea of a mission really to bring good government, as they saw it, to China; and also to make it a sort of a Japanese preserve and drive out or at least restrict other

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foreigners there. What it really amounted to, they were trying to make it a Japanese protectorate. That was the idea of the militarist faction and those young colonels and majors in Manchuria, and so they started right away to encroach more on China after they drove into Manchuria. They started expanding both south and west, and that expansion, especially to the west, led to rapprochement of China with Russia, because the Russians saw the Japanese moving in the direction of Siberia where they might outflank Russia, and strengthening themselves in Manchuria, all of which would be a threat to Russian interests. And so the Russians then changed their policy of hostility to China, and after two or three years they re-established diplomatic relations with Nationalist China.

FUCHS: What about the Generalissimo's early government? Do you think there was a lot of corruption there? He was doing away with the warlords, but what about his own government? How did you view

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that?

YOUNG: Well, in China they had a tradition that officials could squeeze and that for officials to benefit from their position was normal and ethical, as long as they didn't carry it to extremes. In other words, an official who took a cut of maybe five percent on taxes or revenues passing through his hands was a good official. He was paid almost nothing and he had obligations to his subordinates and to contribute upward to the throne; so that was regarded as ethical. Whereas, if he took fifteen or twenty percent or some larger cut that was unethical. That was the age-old ethical situation that the Nationalists were confronted with and had to try to change. And, of course, people were largely steeped in that tradition; but a great many of them were western-educated, the leaders at least, and they saw that that wasn't proper. And, so, the government did make a drive on that with some success. At least the official policy was no

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squeeze, but there was, of course, a perpetuation of much corruption, especially in the armies and the less modernized areas. But, I would say from my experience in quite a number of other countries, that during the Nationalist period before the war it was certainly no worse than in the other countries all over the world in which I worked, perhaps better, and the situation was improving. The government was really putting together a pretty good administration by 1937 at the national level.

They were able to carry out a lot of tax reforms, and tried to get rid of the old squeeze in taxation and abolished a lot of burdensome and corrupt taxes, such as the transit tax which gave a squeeze

to the guards at about 700 barriers to internal trade. The government got rid of that to a very large extent. They improved the tax system and made many financial reforms, budget reforms, controls in everything except the Army. The financial authorities were never able to put

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much control on the Army. The commanders were paid in lump sums, which then was distributed from the top down through different echelons, and we knew, of course, that they were carrying dead men on the rolls, and collecting pay for people that didn't exist, and that sort of thing. It proved hard to do very much about that.

FUCHS: Did the man in the ranks actually get what he was supposed to get in the days before the war?

YOUNG: Well, he got just a pittance--often hardly enough to live on, and to do a little fighting on. China had the heritage of all these huge warlord armies, and the warlords got power from their armies. Even when the warlords were brought under control many of them had to be allowed to keep armies. Of course, the government couldn't be fighting all over the place all the time, and especially after the Japanese were moving in with aggression against China it became very

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unpopular to fight against Chinese.

The Communists used the slogan that "Chinese should not fight Chinese but should fight the Japanese." Of course, they were a long way back and far off from the Japanese, and they could ritually declare war on Japan, because it didn't cost them anything; and they used that as propaganda. And, after they were losing out in other ways, they developed new tactics of moderation, that is they stopped killing landlords and money lenders, and foreigners, and confiscating all the land. They merely would confiscate some of the excess land, and try to leave the landlords and the gentry with at least a moderate living in order not to appear for tactical reasons as carrying out the extreme views that they really had. They deceived a lot of Chinese and a lot of Western observers by these moderate tactics, which began about 1935. They deliberately changed their tactics according to the orders of the Comintern in Moscow, to be moderate and to try to

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work with the National Government as far as they could in order to form a united front to oppose Japan. That was in Russia's interest because of fear of a two-front war with Japan and Germany. And, of course, that was very good politics for the Chinese Communists, taking advantage of the strong anti-Japanese feelings of the people. And also, it made it very hard for the Nationalists both to put down the Communists and to put down these warlords by force. And to resist pressure from students and many others for a premature stand against Japan, before China was more unified and strengthened.

FUCHS: I was wondering about two things just as a matter of interest. Of course, I imagine there was no typical warlord army, but what size might a warlord's army have been? Do you recall, in numbers?

YOUNG: Well, the warlords varied a great deal. There

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were some minor warlords without very many, but some of the big ones would have been one, two, or three hundred thousand men in their armies.

FUCHS: As many as that.

YOUNG: Chiang Kai-shek was very smart in calling for German help. One of the first things he did was to engage General [Hans] von Seeckt who had organized that German Army in which every private was highly qualified, almost to be a captain or a major. He had done that quietly when he was limited to a certain number of men. Until Hitler came in. Then Hitler, of course, invaded the demilitarized Rhineland and the French unfortunately didn't throw him out. Just about the time of much peace sentiments and also the depression. And the French political situation was then very confused.

FUCHS: I was wondering about the transit tax in China. How would that work?

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YOUNG: They collected the tax on movement of goods at barriers all along the line.

FUCHS: Any little border guard there would require payment?

YOUNG: Yes. There were certain points that were specified by the rulers there, and transit taxes were collected on the movement of goods. You could see what that would do to interfere with active commerce within the country; and that was a tax that had been carried on for a long time. That was abolished in 1930 but it took some time, of course, to make abolition effective.

FUCHS: One of our interviewees, a former State Department official--and I think he was speaking of T. V. Soong, who was talking of the Generalissimo--and he said that Soong greatly admired him, and of course, mentioned all the good things about the Generalissimo, but said he was, essentially, not a modern man. I'm not sure I understand all

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the ramifications of that. Could you comment on that?

YOUNG: Well, I would say that his background was essentially Chinese. He had not lived in Western countries; he was not educated abroad, except in Japan. He was trained as a young

military man in Japan; but his background was very much Chinese, old style Chinese. He gradually developed the idea that he was ordained by destiny to lead China into reforms and a strong unified nation. He had the drive, the ability, and the political skills to carry that out. So, I would say he was not modern in the Western sense, but he had the idea that China had to be modernized, so I would turn it around that way.

FUCHS: What would you say were the main faults of the Generalissimo--the main things that caused any lack of success that he had?

YOUNG: First, as to my own field of finance. I did

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not have much contact with him before the war--I worked mostly with the Ministry of Finance and the Central Bank. But, I had more contact with him during and after the war. I always found him ready to listen and wanting to do what he could in a difficult situation. I think he trusted me and at all times was courteous and well-disposed.

While defeating the warlords and fighting the Communists before the war, his costs were heavy. That led to friction about money with Finance Minister T. V. Soong, who resigned more than once in protest, but each time was recalled after winning concessions. As early as 1931, as I recall, Soong used harsh words about Chiang in talking with me. In 1932, after the Japanese bombed Shanghai, at the request of Chiang and Soong I negotiated an arrangement for an air mission of retired American air officers. Soong took so active an interest in aviation that apparently Chiang feared him as a possible rival. At one time, Chiang moved the air school from Hangchow near Shanghai to the northwest, and Soong retaliated,

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I gathered, by hampering supply at the new location--gasoline, etc. The matter was patched up, and the school returned to Hangchow. Another element of friction was Soong's developing the guards who protected salt-producing areas against smuggling into a strong force with modern weapons. That caused rumors that Chiang feared a coup by Soong.

A break with Soong came in a stormy meeting in October 1933. Soong had just returned from Washington with a \$50 million credit--as to which incidentally I handled the negotiation in Washington because everyone wanted to keep it secret which could not have been done had Soong been seen going to the Reconstruction Finance Corporation. Soong wanted to use the money for economic development. But, Chiang wanted more loans for strengthening the armies and fighting the Communists. Soong had stabilized the budget for well over a year without loans and did not want to start borrowing again. He felt that economic progress

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and reforms were the best means to fight communism.

The break between these two strong men was a great misfortune for China. Soong was their ablest administrator. Had he and Chiang been able to get along together, he would have managed the finances better than his brother-in-law, H. H. Kung, who succeeded him. Kung did very well in the remaining years to outbreak of war in 1937. In particular, he deserves credit for handling the monetary reform of 1935, the depression that preceded it, and the settlement of old defaulted debts. The war cut short the progress and made it impossible for anyone to manage the finances without relying on paper money financing, as the Japanese quickly overran the most modernized areas which provided most of the tax revenues.

Kung was compliant with the Generalissimo's calls for huge sums to fight the war, although he often tried hard to cut down military demands. But, Kung did not have a good understanding of the

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basic economics of finance, and Soong could have done better during the war--even though acute inflation was absolutely unavoidable. By the war's end, average prices were about 2500 times the 1937 level.

Chiang and his associates failed to plan adequately for handling postwar economic and financial problems, except that they did well in planning for physical rehabilitation and relief. Early in 1943, when it seemed clear that China was on the winning side, I started pressing for serious planning for recovery of the enemy-occupied areas and restoring the finances. But, I could not get much done despite repeated efforts. Nor could I make Washington see that checking catastrophic inflation in China was a major priority--Lenin said that the best way to overthrow capitalism and have a social revolution was by extreme inflation. Finally, hyper-inflation and collapse of the currency was a major cause

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of the Nationalists' downfall.

To summarize this point, Chiang would not let lack of revenue stand in the way of doing what he deemed necessary, which meant heavy borrowing from the public before the war--which was on the whole not inflationary--and from the government banks thereafter, which was of course very inflationary. That China could carry on so long with inflationary finance, and without collapse which I and others said was eventually inevitable, seemed to lead him to feel as time passed that predictions of collapse were wrong.

But in fairness to him, no good options in the field of finance were available to him during the war. As the war dragged on the financial situation and internal conditions generally became more and more difficult. He and some associates showed the strain. To illustrate the state of affairs in 1943, I include as an annex the text of a memorandum I made confidentially while in

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India. [See Appendix, p. 159] This concerns the difficulties of the China National Aviation Corporation, of which I was a director, and at times in active administrative charge with my Chinese opposite number.

After the war, in retrospect, the problems were in practice insoluble for him and the Nationalists, the wide-spread destruction, the shattered economy, the galloping inflation, and the mood of the people after over eight years of wartime suffering and loss of uncounted millions of lives. The lack of adequate plans, administrative and financial, to be carried out after the war was having its effect. Central control by the government was far from established. No amount of external help could then have saved the situation without adequate internal policies and action. Besides all those things there was the aggressive and ably directed aggression of the Communists. Chiang could see no way to compromise with them and no solution but to fight it out, even though that would almost certainly

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lead to financial collapse.

Throughout a fault was his undue reliance on the early colleagues with whom he had worked in the military school that he set up in South China before the Nationalists took over. He knew these men and knew that they would be loyal to him. Some of them were not very efficient and some of them were corrupt. But, in the uncertain conditions of the time he felt that loyalty was the essential quality. And, so he relied too much on the "old school tie," to use that cliché, and not enough on trying to broaden the base of the Government by bringing in men of good will. After the war, he made a number of poor appointments of men to take over the government in areas recovered from Japan--such as sending southern men to take over in North China, where they were viewed as "carpet-baggers."

What probably was his greatest weakness was that he didn't have the feel for getting the support of the common man. His training was so

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essentially military he didn't realize the need to do something about the poverty and the exploitation that was going on there. I think some people have exaggerated the effects of the exploitation. To a very considerable extent the bad conditions to which they point were due to many, many years of civil wars, in which the warlord armies marched all over the country and looted and robbed and destroyed property. That and the confusion, and the bad economics--these transit taxes and other such things--led to a very bad condition throughout the country. Besides, there was over-population, and some experts feel that China's average living standards were higher 200 years ago than in our time. Also, great harm was done by decades of inflation, by many local rulers debasing the copper coins that were the main money of the masses. Chiang didn't realize how bad things were, and didn't have the feel for trying to carry out social reforms.

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On the other hand, I think we have to say that he was a man for his times. When the Nationalists took over in 1928, the number one priority as he saw it, and it's pretty hard to argue with that, was to establish a strong and unified central government as the first thing. Then when he got a strong centralized government he could take account of some of these other things which he regarded as less urgent, such as economic and social reforms. He gave 'lip service' at least to those. I could quote you speeches that he made in which he said that he was in favor of land reform, and doing away with these abominable taxes, and doing something for the people and all that sort of thing. He just never could get around to it, he was too busy trying to make a government survive and get stronger. The government really was in a precarious condition for many years while it was fighting these battles with warlords and struggling against Japan. And

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so, as I say, he was a man for the times, and I think he deserves very high marks for the degree to which he was able to unify China by 1937, and preside over a government that carried out a great many financial reforms and also some economic reforms that began, for example, doing many good things about agriculture. While they adopted some good laws they never actually got around to enforcing them or doing anything much about the land system and land tenure in spite of repeated recommendations, including mine, that they should do something about that. Start in at least to reform the land system and have a cadastre and find out who owned the land--it wasn't clear always who owned the land or who was entitled to have it and all that sort of thing--and also to set up a proper system of land taxation that would get after the people that were not paying many taxes and exploiting those below them.

So, some reforms were adopted, others proposed and some beginnings made. But, after

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the war came with Japan, nothing much could be done. And before that, preparation to meet Japan and to arm against Japan to establish unity, by putting down the warlords, and then by putting down the Communists to strengthen their central control and as a prerequisite to carrying out reforms, had to have the priority. So, you can explain the fact that he did not give attention adequately to social reforms. But, he and China had to pay later for this failure. One man can't have all the talents and he didn't have all the talents.

In retrospect, despite his weaknesses and the wide-spread belittling of him, his leadership in turning China around from the chaos of the twenties, and putting her on the path of unity and emergence as a world power, was of historic importance. Only a strong leader with military and political skills could have done this. After leading China precariously through the war and meeting overwhelming difficulties

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in its aftermath, he led a remarkable resurgence on Taiwan. He deserves an honored place in history as one of the important leaders of the century.

FUCHS: Very good.

YOUNG: I would add one more thing. I don't think he was personally corrupt. He lived modestly and I don't think he put his hand in the till. He took what money was necessary for a modest living and for houses, and entertaining, and travel and that sort of thing, but I don't think he put his hand in the till. I think he was personally honest.

FUCHS: You stayed in China from 1929 to '46, is that correct?

YOUNG: I resigned at the end of the war in '46. I got caught in a situation in 1937. I was preparing to resign in 1937, because by that time the things I was concerned with had been advanced

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very considerably. We'd had a very successful currency reform on which I had been working, and in which we fought the United States because of its silver policy. I was in the strange position of writing notes to the American Government protesting the American policies, which was very curious, since I had been on the American side before.

My friends in Washington knew that and they sympathized with me, because they did not favor what the Treasury and the President were doing about silver. The State Department was opposed to it; but Roosevelt never understood it, and so forth. Well, that's a little by the way.

We accomplished currency reform very successfully. It was going very well. The Central Bank, which I was advising, was going very well. I had been helping the Government with the negotiation of the defaulted debts, and we had succeeded in settling probably eighty to ninety percent of them and the rest

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were on the way. [The fiscal and monetary developments are fully discussed in my book *China's Nation-Building Effort 1927-1937*, published by the Hoover Institution Press, Stanford, 1971.]

And so I felt that, as the Chinese were getting more skills in these fields and more ability to operate, I would be justified in leaving. So, I got the Government to change my contract in 1937 so that either side could terminate it on ninety days' notice, and I had planned before the end of 1937 to resign and return to the United States to take up other things. By that time I'd been eight years in China, which was seven years more than I'd contemplated.

Then the Japanese hostilities broke out in July 1937. The Government was in deep difficulties, and I felt an obligation to stay with them. I'd worked with them, and I had many good friends in the Government, and I felt an obligation to stay. So, I did decide to stay. I sent my family back to the United States, and I went with the Government into the interior and stayed with the Government all through the war, except for several trips to the United States to help with negotiations for financial aid and military supplies, and so forth.

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FUCHS: You were in Shanghai the whole time?

YOUNG: No. I left Shanghai after the outskirts were captured by the Japanese.

FUCHS: What year was that?

YOUNG: The war began in July. The Chinese put up a very bitter resistance and held on to Shanghai until November 1937.

In November the Japanese surrounded Shanghai, and shortly after that captured Nanking. And at that time there wasn't any use in staying in Shanghai, and so I left. The Government meanwhile had moved its capital to Hankow. I'd stayed in Shanghai to help with the financial emergencies that resulted. We had the Central Bank in the front line, so to speak, and the first bombs that fell blew in windows in front of the Central

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Bank. I was in the room, and they happened to be Chinese bombs, because they were trying to bomb Japanese ships in the river and there was a hurricane going on and the bombs were blown off course. They landed in the river and blew out the front windows in the front of the Central Bank. But, the Central Bank, of course, had to carry on to run the national finances and the currency and the foreign exchange situation. After the capture of Shanghai and helping with urgent financial problems there I felt the thing to do was to go to the interior, so I did. I joined the Government in Hankow, which was a temporary capital, and I stayed with them there and then went to Chungking when the capital was moved farther to the interior when the Japanese threatened Hankow.

FUCHS: What year was that they moved to Chungking?

YOUNG: In 1938. In the fall of 1938, in October I think

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it was, that Hankow was captured.

FUCHS: Did you have any difficulty getting out of Shanghai?

YOUNG: No, because at that time the port was open. After the city was captured the Japanese didn't interfere with international shipping and I took, I think it was, a Swedish boat to Hong Kong. And I remember very well, I decided just at Christmas-time that I would have to leave, and I remember sitting before the fireplace and telling Mrs. Young that I had to go to the interior--it was really hard.

Well, from Hong Kong we flew over the Japanese lines in some places or circled around them. The Japanese had airplanes nearby, probably on carriers, so it wasn't so good. At first there was no problem about that. But,

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later on the Japanese shot down an unarmed civilian plane flying from Hong Kong to Chungking. I was then again in Hong Kong on some Chinese business and was supposed to be a passenger on it. But, I had gotten a telegram from the Minister of Finance in Chungking that he wanted me to come quickly for a consultation. So, instead of going on that plane, I took the plane two days earlier. Our plane was spotted by Japanese planes, and the pilot saw them, but there were clouds nearby and he ducked into the clouds.

He came back later and said to me, "Did you see the Jap planes?"

I said, "No, I didn't see them, but I heard they were there."

And then he said, "When I saw them I got into the clouds. I didn't think they'd bother me, but I wasn't taking any chances."

Well, on his next flight he was shot down at just the same place. The Japanese I think were laying for certain Chinese officials (I

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don't think I was one of them), who were supposed to be on that plane. I didn't know that, but they had word that some Chinese high officials were going to be on that plane. They weren't on the plane, but they shot it down just the same, and it made a forced landing on the river. It wasn't a seaplane, but it made a landing there, and then they machine-gunned the plane on the river. Only the pilot and two or three of the passengers were able to be saved. The pilot told me that he had to dive under water when the planes were making a pass and stay under water and swim under water until they passed, and then come up again, because they were machine-gunning the plane and swimmers in the river. So, it wasn't all sweetness and light being in the interior in those days. Then of course, at Chungking we had a rough time with the bombing for a good many years--especially the first two or three years.

FUCHS: Mr. Truman, as President, pointed out and then

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he reiterated in 1945 and later, that we weren't going to provide aid to China unless they instituted some of the reforms, and did away with some of this corruption. How did you view that at that time, do you recall? Did you think he really could have done much more than he did, the Generalissimo?

YOUNG: Well, I think it was unfortunate that the Chinese Nationalist Government didn't set in well before the end of the war to carry out reforms. The whole thing is very complicated. I described it at great length in my book called *China and the Helping Hand*. [East Asian Ser. No. 12; Cambridge, MA: Harvard Univ. Press, 1963] There was a lot of friction with the United States. I think that perhaps it would serve no purpose for me to rehash that here, because it is all a matter of record in my book and elsewhere. I think that the Generalissimo and the Government were at fault in a good deal of that friction with the United States.

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But, be that as it may, in 1943 I started in pressing for planning for the end of the war. At that time it seemed pretty clear that, while the war would drag on for an indefinite time, the Japanese were sure to lose, and that China should be ready for doing things at the end of the war. And, I tried very hard to get them started on planning a program of rehabilitation--a concrete program.

Well, with the help of a couple of very good American experts who came over, they did carry through a plan for a program of relief and physical rehabilitation. But where they fell down was in not making a realistic plan for taking over the occupied areas after the Japanese were driven out, that is, planning for rehabilitation of the Government and of administration and the finances. In other words, what kind of a government was going to be restored there? How should it be administered? Who would be the people who would be qualified and trained

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to take over, to collect taxes, and to distribute relief and to get the economy going? What new laws should be adopted? They never would really set their teeth in those problems, because they were more interested in trying to turn China into a great economic power to take over at the end of the war and supplant Japan. They never would realize that the thing to do first was to put the national finances and administration in order and to check the inflation, which was beginning to get out of hand. And, I must say that they had some encouragement in that attitude from the United States.

The United States sent a procession of people over there, some of whom were not competent in economics. I'm thinking particularly of Donald Nelson, who had the idea that all China needed was production, never mind the cost. Let them print all the paper money that was necessary to get production going, and inflation would then

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take care of itself. I tried to explain about the inflation to Donald Nelson before he went over there on his mission and I got absolutely nowhere with him. He almost--well, acted as if he wanted to throw me out of the office--because I tried to bear down on the need for getting the finances in order, and not meanwhile going in for a big program of fresh spending.

FUCHS: Were you back in the States?

YOUNG: This was in Washington. I was over here on a mission for the Chinese Government. It was before Nelson was going there that I talked with him and I couldn't get anywhere.

FUCHS: That was the Chinese Government's Commission on Relief and Rehabilitation?

YOUNG: No, Nelson was concerned with wartime production in China. That commission had done its work and the plan was good and eventually was carried out

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to a considerable extent. The program prepared was realistic in considerable part. But, it went to extremes in some things which my Chinese associates and I were not able to get thrown out. For example, one of the things I remember was that the public health people in their zeal to have a real program of public health in China wanted a postwar budget which in real terms was equal to the entire free revenues of the Government before the war. The Chinese who with me were negotiating this thing saw that that was perfectly hopeless, and so we tried to get it taken out of the plan, but we couldn't get Chungking to take it out.

And then they wanted to move immediately, Chungking wanted to move immediately, into a program of economic development; to big factories, and great expenditures on railroads, and communications, and airlines, and military, and everything else, before they had stopped the inflation.

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They had no realistic ideas as to how to go about raising the money within China. In other words, if you spend a million dollars of foreign aid for rehabilitation and reconstruction in China to build factories or railroads or what not, you've got to spend another million, or something of that order, in Chinese money for local materials and labor, and so forth. How were you going to raise that without printing more paper money at a time when inflation was going haywire? Well, I told that to the Chinese many, many times. I told the same thing to my contacts in Washington, but I couldn't get a real hearing in either quarter, and that was one of the chief reasons why I resigned after the end of the war.

That combined with the fact that I told T. V. Soong, who was then representing the Chinese in Washington, that--there was talk of a financial mission from the United States to go back there and work on the problems after the war--and I said that in view of my experience in China, and all

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the experience I'd had, that I couldn't continue to serve China unless I were asked to organize and head that mission. He was noncommittal on that, because he felt that his mission there was to get great loans from the American Government, and that he'd stand a better chance of getting them and advancing his cause politically if he got people from the American Government; and so we had a not always too polite showdown over this. I pointed out that I couldn't possibly keep face

in the Oriental sense by staying with China, if after I had been their chief financial adviser all through these hard times, and performed what I thought some good services for them, they would turn to somebody else. It was just as clear as that.

Nevertheless I went back after the war, and started working on some of these matters with them and couldn't get too much success, because things were beginning to get out of hand. Then, as

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soon as an announcement was made that a certain Mr. [John R., Jr.] Blandford, was coming from the United States to China to work on Chinese budget and financial problems, I submitted my resignation, and that was that. And they, of course, welcomed Mr. Blandford as a high official. I think he had been Assistant Director of the Budget, but I pointed out that before I came to China I had been in charge of the Economic Office of the State Department, and that was probably as responsible a position as Assistant Chief of the Budget. I couldn't help pointing out that I had something going for me that way, but I did that indirectly to people who I knew would tell it in the right quarters.

FUCHS: Well, you dealt primarily with Soong over there then?

YOUNG: Here with Soong, and in China with Kung and from time to time with the Generalissimo. I

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sometimes would see him in the critical times when there were certain recommendations that had to be made to him. He would send for me occasionally to discuss certain things, but, of course, as the head of the Government, I wouldn't be seeing him all the time. The administrative work was through the Minister of Finance.

FUCHS: While you were in China at the time of the Marshall mission...

YOUNG: Yes, I was.

FUCHS: ...did you come in contact with that in anyway?

YOUNG: Yes. I saw General Marshall several times when he came to China; and perhaps I should say one or two things about that. I think that, and this may be of some concern because of your interest in President Truman, my feeling was that the China policy was pretty much in the hands of John Carter Vincent, who at that time was head

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of the China office in the Department of State.

FUCHS: Yes.

YOUNG: I remember that in the fall of 1945, after the war, Vincent made a speech in New York to some organization in which he was very critical of the Chinese Government, and very outspoken, and said that the Chinese Government ought to carry out certain reforms. And in a way he was right on that, although it was rather unusual for that to be said by him. He probably had the approval of higher offices in the Department of State for doing that. But being a China specialist who had been in China for a great many years he was the one who was probably most influential in making the policy. And, although I haven't seen the records, I would imagine that he had a great deal to do with the plan that led to General Marshall's going to China, and recommended it through channels to the Secretary of State to President Truman.

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And President Truman, of course, had not at that time been in office very long, and had had practically no contact with China, and he would naturally rely on the specialists at that time. So that, I think, is the origin of the mission. It proved to be pretty much a hopeless mission because things had gone too far.

As I said a little while ago, if a plan had been started in 1943, before the end of the war, with intelligent Chinese backing, and with full support from the United States and Great Britain, in particular, to carry out reforms after the war with a really concrete realistic plan the situation might have been gotten in hand. And although--perhaps by nature I am over optimistic--I wasn't convinced that at the end of the war that somehow we couldn't "pull a rabbit out of a hat," and that the situation couldn't be saved, looking back it's pretty clear that it was already too late by 1945. There was the neglect of these

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things and the advances that the Communists had made by their great skill in organization, and also the failure of the Chinese and the Americans to realize that priority had to be given to checking the inflation. You know, Lenin once said that, "the way to overthrow a social system was through acute inflation," and in that he was doubtless right. You can't overthrow a government and put in communism by general consent, but only during a very severe and acute national crisis. Well, the war brought that crisis, and looking back it seems pretty clear now that by 1945 it was already too late.

FUCHS: Do you recall feeling at the time that the Marshall mission would probably not accomplish much, when you heard that it was coming over?

YOUNG: Well, I had mixed feelings. It wasn't entirely clear what the Communists were up to. I didn't have the background that some of the specialists on communism had. How communism had a single

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objective of taking full control, and how the Communists were willing to subordinate objectives for the time being to changes in tactics to pursue that objective. I wasn't steeped in that.

I had a feeling that it would be very difficult but it might be possible to have some sort of a *modus vivendi*, some sort of a temporary accommodation between the Communists and the Nationalists, that might give time for doing something. But always conditioned on the fact that the Chinese would carry out reforms and have the necessary American and other foreign help. I'm speaking now of the time when Marshall first went there about the beginning of 1946.

I had a feeling that if we could gain some time throes something of that sort, and if there were the necessary pressure, that the situation might still be saved. But I can see now that I was unduly optimistic, because these conditions did not exist, and that the Communists were just dallying along. They knew that they had the momentum, and that the Government with the inflation was in deep difficulties, and they were

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doing all they could to increase those difficulties by forcing the Government to fight to keep open the railways, and to fight to bring relief supplies to the people, and all that sort of thing.

And then, of course, Generalissimo Chiang made a serious mistake in not following General Marshall's advice to have more limited military objectives. Instead he started right in to take over Manchuria, which from the military and logistic point of view was a serious blunder. So, I think that move in Manchuria was headed for failure from the beginning. It greatly weakened Chiang and the Nationalists for their continuing struggle.

General Marshall as a good soldier, although with no great background in China, was ready to undertake his mission, and I think he did what was humanly possible. So far as I could see he was doing all that anyone could have done in China for the months that he was there, trying to bring this thing about. I resigned and left China before he had concluded his mission. But I saw him a number of times and came to have quite an admiration for him as a man.

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FUCHS: Do you think if the Generalissimo had limited his objectives, as some say he should have, and tried to reach a political instead of a military settlement, that he might have reached an accommodation with the Communists?

YOUNG: Not without a drastic reform of the economic situation, which wasn't his *métier*. And, as I said, a program for that should have been started much earlier during the war. The inflation had to be checked by strong measures. He couldn't have done that alone; he would have needed foreign support, and neither the Chinese or American governments realized the necessity of checking inflation as a high priority. One of the reasons I resigned was that I wasn't able to sell that idea in China, or in Washington to the people in the State Department and the Treasury. Some in the State Department were the most understanding, but the Treasury was not too understanding of that. Mr. [Henry, Jr.] Morgenthau and Harry Dexter

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White were always suspicious of China. I think Harry White was undercutting China at that time. He had been for some time trying to get billions of loans for Russia and blocking aid to China. So there wasn't any coordination on the American side, with some people like Donald Nelson urging large expenditures for projects that at least should have been postponed until inflation was controlled. Also, some of our military leaders wanted China to have a military establishment more costly than could have been afforded, especially in face of unchecked inflation.

What I had hoped for was that after the war we might put on foot some sort of a rescue mission to China similar to what was done for Austria and Hungary in the twenties after World War I. I was very familiar with that because the Economic Office, when I was the head of it in the twenties in Washington, had supervision over American relations to the rehabilitation of the economy and the finances of Austria and Hungary.

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And so I was very close to what was done through the League of Nations with international backing in the way of financial support and internationally appointed experts. And if the governments at the end of World War II had been willing to have a financial mission and put up financial backing for trying to rescue China, and put the finances and the economy in some order, I would have been very glad to withdraw and let somebody else take on the responsibility. That sort of program was what I hoped for all through the war.

But Roosevelt had recognized China as one of the "Big Four," and how can one of the "Big Four" call for United Nations help, and turn over vital aspects of its internal policies to an international body? How could that be done? And that I think queered any possibility of some sort of an international rescue commission.

But even then something could have been done if--well this, again, I've covered at some length in my book *China and the Helping Hand*. [See pages 372-376]

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China had a part, together with Harry White of the Treasury, in destroying the so-called Stabilization Board, which had American and British members. If it had been kept to the end of the war it might have been a framework for some form of international help for China. I tried to point that out at the time to my Chinese associates, that they should keep this Board alive, but for various reasons which I stated at length in my book the thing failed. A combination of the fault of the Chinese and of Harry White and the American Treasury, in spite of the fact that the British were pressing to have it done, and some in the State Department were pressing to have it done. So, that's a little bit of the rather complicated background; but in summing it up I would stress the economic and financial failures as basic--the failure to start in time to put these things in order, which couldn't easily be done.

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FUCHS: In other words, you might say you feel that if Roosevelt had not accorded China this high status of being one of the "Big Four," we might have utilized the United Nations and Chou En-lai might have been less suspicious of our motives--if it came through the United Nations, there might have been a chance for a better accommodation there, between the Communists and the Nationalists.

YOUNG: Well, I don't know that it would have worked that way. I don't think that you can fault Roosevelt too much for his making China one of the "Big Four," especially when he wasn't in any position to give any immediate military help. In the early stages of the war the Chinese were more successful than, for example, the British at Singapore, in their resistance to the Japanese in China. They defeated a Japanese attempt to capture Changsha.

For some time the Japanese had not pressed very hard when they were getting ready to start

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their campaign at Pearl Harbor and against the Western powers. So things in China before 1941 looked better than they really were. And that and the strong resistance of the Chinese right after Pearl Harbor, and the success of [Col. Claire Lee] Chennault and the Flying Tigers, built up the idea that China was stronger than it proved to be.

The rot was there and it hadn't been fully realized. The rot was a combination of various things. The Japanese had overwhelming might and China was in no position to resist it. Chiang and the Nationalists had had only a few turbulent years to try to build a stronger and more modern country. They were then increasing their control throughout the country, except where the Japanese were encroaching in the north. But they had not had time to do much for change of the backward and largely corrupt administration of most provinces and local governments. Before the war they had been preoccupied with the tremendous problems

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of the rebellions of warlords and the Communists and with Japanese aggression. They had failed to do much about the evils of the land situation and acute rural problems. Then there was the unwillingness of the Generalissimo to broaden the basis of his government; to use the Americans as he might have; to put in Army reforms; and relying too much on the incompetent and sometimes corrupt generals that were there. Not that he was personally corrupt, but that he tolerated them for reasons of loyalty, because he was not sure of the loyalty of others, and perhaps partly because he was sheltered from learning the real facts by people around him. That was commonly suspected in China at the time. He had some advisers who were very weak on economic and political questions.

FUCHS: Well, do you think that there was any sincerity in Chou En-lai and Mao Tse-tung that they would form a coalition government and have had their consultative meetings and so forth, if Chiang had not gone ahead and tried to be so strong militarily?

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YOUNG: It was possible that something could have been worked out if Chiang had a strong enough bargaining position. But his bargaining position was very weak, because of the abuses that had not been done away with in the military organization of China. The Communists had a much sounder military structure than the Nationalists, except for the specially trained divisions, and those were lost to a large extent, first at Shanghai, then in Burma, and after the war in Manchuria.

But the weaknesses in the whole structure were such that the Communists must have known that the, Nationalists were in a weak position, and that their own organization was pretty strong. They had taken advantage of the confusion during the war while the Nationalists were carrying by far the greater part of the brunt of the fighting.

That's something that has been misrepresented; the Nationalists not the Communists carried the great brunt of the fighting during the war. During most of the war they kept about a million Japanese

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troops occupied in China, which had to be supplied, and according to official Japanese reports nearly 400,000 men were killed in China during the war, and many more wounded. China's war effort undoubtedly saved a multitude of American and other lives during the Pacific war.

While the Nationalists were doing that, they couldn't try to control the regions which were occupied by the Japanese very thinly, and so the Communists moved in on those regions and organized them. They built up their manpower and captured weapons by raids on the Japanese and sometimes from the Nationalists. They built up their strength in very cleverly executed campaigns, and that with their professions of moderation put them in a pretty strong position. But as I said, going back to the idea that the reforms had to start and be prosecuted earlier with major external help, I think in the absence of that it was too late by 1945, although I was too optimistic at that time.

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FUCHS: Do you think that President Truman's pronouncements in 1945, '46 and '47 about aid to China, and so forth, were consistent or were they realistic, in that he felt we should not give aid to China (at the same time we were planning on giving aid to China) unless they instituted reforms. Do you recall any thoughts about him at that time?

YOUNG: Well, nothing very specific. No, I don't recall anything very specific. Of course, I was out of the Chinese Government most of that time. I was trying to recuperate from the very great strain in China during that period, and I wasn't in very close touch. I did go back in 1947 for two or three months to help them change the foreign exchange system. I don't remember that I had

any special reaction to Truman's pronouncements on China. I think he was probably following the ideas of John Carter Vincent and the Department of State at that time.

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FUCHS: Did you know John Service?

YOUNG: Oh, very well. His mother was Mrs. Young's high school teacher in San Bernardino High School many years ago, and we've known the Services since the boys were growing up.

FUCHS: Do you have any reflections about his service as far as it went in China, and also what happened to him?

YOUNG: Well, I think Jack Service was a very sincere and honest fellow, and completely loyal to the United States. At one time it looked as if he had been indiscreet in passing certain information to Communists, but in a recent publication he has put out another view of that, which I think tends to put him in a much better light. There was never any question in my mind but that Jack Service was a patriotic American. He was never a Communist or a fellow traveler or anything of that sort. He merely had a different view of what was in the interest of the United States,

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and I think that to some extent he has been vindicated as being more perceptive--having a more perceptive view of the situation than many others.

FUCHS: What is the publication you were thinking of?

YOUNG: Just a minute. It's a recent publication through the University of California, and I can put my hand on it. *The Amerasia Papers: Some Problems in the History of US-China Relations*, published by the Center for Chinese Studies, University of California, Berkeley in 1971.

FUCHS: Yes. Very good. Well, do you feel the same about John Carter Vincent?

YOUNG: John Carter Vincent, he was always perfectly loyal. You can't call a man like that a fellow traveler. He was unjustly persecuted during the McCarthy era--very unjustly persecuted. And I have always deplored the fact that high officials in the executive branch of the Government let

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McCarthy get away with what he did.

I remember one incident on this McCarthy thing, perhaps I should put this in here. When I was in Saudi Arabia during an interlude I went up to Greece and Turkey, and I was at a dinner at the American Embassy in Istanbul at which two Senators were present. One of them was Wayne

Morse, and Wayne Morse, whom I'd known before, said to me that--this was during the political campaign in the summer of 1952--he said that he was fed up with Eisenhower for not clamping down on this McCarthy business. He said, "Eisenhower has the prestige to do it--clamp down on McCarthy--and he hasn't done it." Eisenhower was soft on McCarthy, and Wayne Morse as good as said to me that he couldn't tolerate that and was going to jump the party. Not in so many words, but that he was going to do something about it if Eisenhower didn't come around and do something more to put McCarthy down.

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Eventually McCarthy was put down but it should have been done long before. Eisenhower and Dulles should have said this is demagogic, it has no foundation in fact. Most of these people he's trying to jump on are good loyal Americans. They have different views as to what's in the interest of the United States, but they are not pro-Russian or pro-Communist in any sense whatever.

FUCHS: I was thinking Morse did jump the party.

YOUNG: He jumped the party a little later.

FUCHS: Yes. Very interesting.

Did you have any acquaintanceship with Ambassador Hurley--Patrick Hurley?

YOUNG: No real acquaintanceship. I had only one interview with him, which was in Washington at the time when he was named as Ambassador, and so I was not in China at any time when he was

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Ambassador so far as I can recall. But he was in Washington for a time and John Carter Vincent, who was my very good friend, arranged an interview with Hurley although he confided to me that I was not likely to have much success in talking with Hurley, of whom he apparently didn't think much. I tried to tell Hurley what the inflation situation was in China, and how it should be major American policy to try to help to get something done about that. But my impression of Hurley was that he was a senile old man who couldn't keep his mind on any subject. He couldn't grasp what I was saying; he would constantly interject something that was immaterial to my line of argument, and ask questions. For example he said, "Do you think we are going to have that kind of inflation in the United States?" or something like that. Well, I would say "no" and then go back to talking about China. My impression of Hurley was very adverse--as a man who at that time had

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no real competence--there was no justification for having a man like that representing us in China, and I can be quoted on that.

FUCHS: Someone will. You were out of China by the time of the [Lt. Gen. Albert C.] Wedemeyer mission, but do you have any reflections on that?

YOUNG: No. Let's see, I was out when Wedemeyer was named to succeed [General Joseph] Stilwell. But I went back just after the war, and I got pretty well-acquainted with Wedemeyer, and in fact I negotiated with him for the turnover of some of the surplus American materials that were left in China. And I had a feeling that Wedemeyer would have been a far better choice than Stilwell to have gone there in 1941 and '42, when World War II broke out. But Stilwell, whom I knew very well and respected, was in no way the man for the job he was asked to do. They needed

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someone like Wedemeyer who was more diplomatic and not so crude. You can't use Stilwell's sort of crude tactics in dealings with the Chinese. Once Roosevelt told Stilwell, as I recall it, "Chiang came up the hard way to lead 400 million people. You can't talk sternly to a man like that."

I deplore this book by Barbara Tuchman, which glorifies Stilwell. It's a very one-sided thing and, I think, has unjustly done damage to the reputation of the Generalissimo and done much damage, because the book was one of the Book-of-the-Month Club's selections and was widely circulated. Barbara Tuchman referred in her bibliography to my book *China and the Helping Hand*, but it's obvious she hadn't really read it. If she had read it she wouldn't have made some of the mistakes that are in her book. Also her experience in China was brief, and in North China, where people were not

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very well-informed about the constructive accomplishments of Chiang and the Nationalists in other parts of China before the war. [As to prewar developments see my book, *China's Nation-Building Effort 1927-1937*, published by the Hoover Institution Press, Stanford, California, 1971.]

Chiang Kai-shek had his faults, there's no question about it; but as I said before, one can't have all the talents. He was a man for his times, especially the times before the war when he made a very good record. During the war he faced insuperable difficulties. The Japanese quickly seized most of China's more modernized areas and sources of taxes and forced him back into almost medieval West China. He lost his best armies and many leaders early in the fighting. He had to leave behind most of the government's trained personnel. He had to rely mostly on financing by printing paper money.

He tried hard, but he became very worn. It was really an impossible situation for anyone successfully to confront the Japanese and the

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Communists and the galloping inflation. A large degree of inflation was unavoidable, and made it impossible to govern well. There is nobody that I can imagine who had all the talents to handle a situation like that. Chiang Kai-shek had great talents in some lines, but he didn't have them in others. That's the situation, that's my view.

FUCHS: Did you know why the Wedemeyer report was suppressed at the time?

YOUNG: No, I was not connected with China at the time; but I gathered that this suppression had to do with Korea more than with China. I wasn't close enough to that situation to have any sure view on it. But I learned later that General Wedemeyer recommended that China ask me to return to help, which I did briefly in 1947,

FUCHS: I see. Did you ever meet John Paton Davies?

YOUNG: Oh, I knew him very well.

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FUCHS: Do you have any comments about him?

YOUNG: Well, John is a good friend of mine. I haven't seen him very often lately, but I used to see him quite often. He is a very able fellow. I think he doesn't have as much stability, I should say, as Jack Service. He's more the brilliant type. Service is more the steady, plodding type.

But I knew John Paton Davies. I don't agree with some of the things in his last book but it's good reading.

FUCHS: I see.

YOUNG: I think he was very unjustly treated by John Foster Dulles, who incidentally was also a good friend of mine. I had known him for twenty or thirty years.

FUCHS: What did you think of his tenure as Secretary of State?

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YOUNG: I was disappointed. I hadn't seen the--what shall we say--the dogmatic qualities, the lack of cooperation, and the lack of consulting with the experts and the people that he had in the Department that took place there. But I was on first name terms with him and also with Dean Acheson, two successive secretaries, so I knew them both quite well.

FUCHS: And Dean Acheson?

YOUNG: I give Dean Acheson higher marks. I don't agree with everything that he did, but he was a very devoted and sincere man, and I think the country owes him a debt of obligation for

many of the things that he did. I didn't like the way his China White Paper was done. Parts of it were slanted, especially the introduction. Of course, he couldn't have written it himself. Let me see who was in charge of that--it was Philip C. Jessup, a former legal adviser to the Department.

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FUCHS: What was the principal way in which you feel it was a distortion of the facts?

YOUNG: Well, I'm thinking more of the covering letter of transmittal. There are a lot of documents that were put in the report and that was good, but they should have covered the prewar situation better. But I think the letter of transmittal--the summing up of the thing--didn't do justice to the economic and political difficulties and the impossibility of the situation. It tried to place undue blame, as I recall it--I haven't read it for years--the letter of transmittal which Dean Acheson signed was not very fair to what had really taken place in China. They didn't give the Nationalists sufficient credit for turning China around and throwing out the war-lords and building up an organization; and didn't take sufficient account of the tremendous difficulties in trying to fight Japan, and being forced into the interior suddenly without being able to

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take an administrative organization with them. And the fact that the Government had not had time to carry out reforms in the Army system and the political system within China, and that the Communists were taking advantage of the whole situation to make their drive and take advantage of the preoccupations of the Government with the Japanese. In other words, it didn't take fairly into account those aspects of the situation, and that is my criticism of the White Paper. But Dean Acheson, of course, was not a China expert. I had seen him a number of times and discussed some things with him, but his interests were more in Europe.

FUCHS: Now that you mention it, I believe Dr. John Leighton Stuart in his book (I think that's where I read it) pointed out that they didn't even take notice of the fact that the Chinese Government was established around 1928--in the White Paper.

YOUNG: No. That was one of the things that I didn't like about Dean Acheson's tenure there. But on

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many other things when I read his book I came to admire him even more. I think he has done a good job in his book, *Present at the Creation*.

And I think that President Truman relied on him a great deal.

One point on which Acheson differed from Truman, and I think Acheson was one hundred percent right, was in the Middle East policy. I give President Truman very high marks for many of the things that he did; for his aid to Greece and Turkey; for intervening in Korea; for starting the Point IV program, although on that I think Dean Acheson deserves quite a lot of the credit for

really putting the thing over in the first instance, and selling it to Marshall and getting Marshall to get back of it. I give Truman high marks for all those things.

But his Middle Eastern policy I think was

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a disaster, and will probably rank as one of the most serious blunders in American diplomacy and foreign policy--in backing Israel the way we have done. Our real interests lie more with the Arabs, who not merely have the oil, and the geography, and the numbers, but they have the ethics on their side, because they were robbed of their homeland quite unnecessarily. And I think the United States getting in on the wrong side, for which we are now paying so heavily, will rank as a major blunder. It is hard for Americans to get at the facts, because of the media being so slanted on the thing, and our people have been brainwashed. Right now most people blame the Arabs, and the oil companies, and almost everybody else for this crisis, when really they should look back and blame the policy, starting right at the end of World War II, to back Israel and not have an evenhanded policy.

We've lost much of the Arab friendship, they wanted to be friends with us and we had high

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prestige in the Middle East. We couldn't have done more if we had tried, so far as I can figure it out, to help Russia to gain its ambitions of an entry into the Middle East. It's been a disaster, and those in authority will not come out and say that because they are afraid of the media which are partly Jewish controlled and they are afraid of losing the votes and political contributions of Beverley Hills and New York City; but someone in authority should come out and say just about what I have said. Not as a matter of anti-Semitism - 've got many Jewish friends, and...

FUCHS: Which is the charge you get right away.

YOUNG: That's right. I'm not anti-Semitic. I have many Jewish friends. But the interests of the United States are not the interests of Israel. Somebody should come out and say all these things; and sooner or later there is a severe risk that anti-Semitism in the bad sense of the word will come out of this thing, if and when people

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get to realize what has been the American policy--that we've asked for this. The Europeans know that. It hurts our cooperation with Europe. It gives the Russians an opening. It's bad from so many points of view, but people just won't come out and recognize that.

FUCHS: What do you think Lord [Arthur] Balfour really intended in his declaration in respect to a home-land?

YOUNG: The part that has been ignored in the Balfour declaration is that the home for the Jews should be done in a manner consistent with the rights of the people living in the area.

My parents on their honeymoon visited the Holy Land in 1889 and they told about the Jews and the Arabs living together in harmony there in Israel, in the letters that my mother wrote, which we have. If you go back to the time of the Balfour declaration the Jews were

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only about a fifth of the population of the area, and they were getting on fine with the Arabs. The Arabs had most of the business then. They had, I think it was 95 percent of the olive groves, and 50 percent of the orange groves, which were the biggest things there. They had thousands of businesses in Jerusalem and in the area, and they greatly outnumbered the Jews in their economic weight and their numbers.

Now that thing has been completely turned around. It is now mostly forgotten that the Jews relied much on terrorism in their drive for an independent Israel after World War II--terrorists assassinated the UN representative, and their violence contributed to the British giving up their mandate. Now Israel denounces terrorists (quite properly) when used against them, but they forget their past.

For the first twelve or fifteen years of the State of Israel, in effect for every Jewish

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refugee taken in an Arab was driven out as a refugee. And nothing has really been done effectively yet for these Arab refugees. The Arabs are partly at fault, because they've tried to use them as a bargaining point and many Arab governments have resisted doing anything for the refugees apart from a settlement of the whole Middle East situation, so you can fault them for that. But it is a sore spot there, and we had better get on with doing something now, and bring the necessary pressure on Israel. We've got means of pressure on Israel through the arms and finances, and if we don't put the pressure on them and tell them they've got to make a reasonable settlement, and that soon, if we don't do that we will be in trouble. We'll never have a better chance than we have right now, and it really ought to be done. Time works against Israel and they can have no long-time security from a purely military solution. Of course things have gone so far now

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that Israel should be assured of security in the pre-1967 territory.

I hope that the Watergate business doesn't put the Administration in so much trouble that they can't sufficiently press Israel. Perhaps if Mr. [Henry] Kissinger sees the light on it, and I imagine he may have, maybe he can do it. But it is hard because our people have been so brain-washed by years of propaganda and seem still to want to back Israel, although almost all the rest of the

world does not like our policy. And the oil embargo has made it harder to see the basic justice of the Arab cause--not to speak of the terrorism.

FUCHS: It's a strange situation.

YOUNG: It's a terrible situation, and if I should write anything about it, it wouldn't be published. It would be rejected by the media, because of their fear for the advertisers and the support of the Jews and their sympathizers. The only way it could be

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done would be by someone in high authority coming out and saying these things. Some of the professors have said it. There is a very good article in the current *Reader's Digest* by Professor Griffith of MIT on this situation. That has wide circulation, and perhaps will do some good. You'll find the State Department people--at least the Middle East experts--probably agreeing substantially with what I've just said. But repeatedly they have been rebuffed at the White House.

I have been told that Mrs. Roosevelt had Loy Henderson of the State Department removed from handling Middle East matters and Russian matters. I think it was Russian matters at that time, because she thought he didn't have sufficient trust of the Russians--he knew them all too well. Loy Henderson also had trouble in having influence under Dean Acheson, although Dean Acheson trusted him.

The people in the State Department who try to get these things done if they are too active

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risk being removed. There were indications that we almost lost Assistant Secretary [Joseph J.] Sisco for that reason. He was going to become president of Hamilton College, I don't know the ins and outs of it, but it looked as if he was unhappy about the failure to bring sufficient pressure on Israel. It was a good sign that he stayed in the Department and became Under Secretary. A very able man who understands the situation very well.

FUCHS: I wonder what would have happened if in '48 when we so, you could almost say, precipitately, recognized Israel, if Dean Acheson had been Secretary as he was the following year?

YOUNG: Well, he couldn't get anything done because it was done unilaterally by President Truman. As I understand it, what took place was that they were debating this thing at Lake Success, and someone brought in word that the United States

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was in the course of recognizing Israel. And the American delegates who were trying to negotiate a plan for Palestine said, "Well that can't be. That isn't in line with our instructions or our policy." And then they went out to check and found out it was true. That was most

unfortunate. So with all my admiration for the good things that President Truman did I think that this is a very dangerous minus on the record.

FUCHS: You mentioned Donald Nelson's mission in '44 to China. His aide Eddie [Edwin A., Jr.] Locke, then set up a China War Production Board, so to speak. Do you have any further reflections on all of that? You have already given some.

YOUNG: Nothing much came of it. It was a question of

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spending more money than they should have spent, and that, of course, added to the inflation. One of my good friends, T. F. Tsiang who was later ambassador at Washington, understood the financial situation and got some of the spending projects eliminated.

I think Eddie Locke is competent. I knew him slightly. Not in connection with China, as we did not overlap there, but when he was in the Middle East.

FUCHS: Later on.

YOUNG: I don't think he was in China at any time that I was, or at least not for long.

FUCHS: Well he went over with Nelson...

YOUNG: He went over with Nelson it seemed like...

FUCHS: ...and went back on his own mission I believe in '45.

YOUNG: Yes. I think he left before I went back at

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the end of the war. I don't think much came of that, and as far as I could make out Nelson's mission was disadvantageous. But he got the ear of the Generalissimo, who didn't understand these things very well, The Generalissimo, as I said, was weak on economics. Nelson tried to promote the idea of this Yangtze Dam. Have you heard about that?

FUCHS: I can't say that I have.

YOUNG: The Yangtze River goes through deep gorges and there's the possibility of damming the gorges and, producing huge amounts of electric power there. Some Chinese and Americans wanted to go ahead at the end of the war and make a survey and plan for this dam, and develop a great industrial complex in West China. I think the Communists haven't yet gotten around to do that, although probably they will sooner or later, because it is a natural source of power. I haven't heard of

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their doing anything there. I may be mistaken in that, I don't know.

The idea was to produce millions of kilowatt hours of power there, and in an area that had practically no electric power and no factories and no facilities. It would cost not merely many, many hundreds of millions in foreign aid, but also roughly the equivalent of that in Chinese materials and Chinese labor to do it. And to add the costs of that sort of thing on top of the catastrophic inflation and spend that much more money would have been perfectly silly. But Nelson recommended the Yangtze Dam; he recommended the survey for it; and finally there was an inter-departmental squabble on the thing and the dam people (I can use that word in two senses) in the Department of the Interior finally put over the survey, which they personally wanted to do.

T. V. Soong to his discredit agreed with it--that they would have a survey, which was,

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of course, silly because it would hold out hopes. Probably he felt he had to do it for political reasons. What they should have had was concrete measures to deal with the economy and the finances, before they could dream of any such thing as that, and then many, many things had higher priority.

FUCHS: Did you envisage Chiang and the Nationalists returning to China after they once went to Formosa?

YOUNG: No. I thought it was a "pipe dream" from the very beginning. There was never a realistic chance that they would return to the mainland. Governments in exile don't return. The situation is taken in hand by the people that stayed in the country. I never felt it was realistic.

FUCHS: You, I believe, were a delegate to Bretton Woods on the side of the Chinese.

YOUNG: I was a member of the Chinese delegation.

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FUCHS: That's quite interesting. Do you recall anything about that?

YOUNG: In 1943 two plans came to China and to other governments for reform of the international monetary system--the [Lord John Maynard] Keynes plan and Harry White's plan. The Chinese Government asked me to study them and make my recommendations. I gave them very thorough thought and prepared a full study of them, I think forty or fifty pages in making my recommendations.

My chief recommendation, so far as China was concerned, was that both plans were defective in that neither one provided for the rehabilitation of the finances of the countries that had suffered

from the war. The White plan in particular, which seemed to be having the inside track, wanted to go right away to a system of fixed exchanges, whereas China in particular and other countries that had suffered from the war, and from severe inflation, would not be in any position to

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join in a system of fixed exchange rates until they had put their finances in order. Therefore, these plans did absolutely nothing immediately for China or for the other war torn countries. Because what they needed was not a fixing of the rate of exchange at the end of the war, but they needed rehabilitation of their currencies and their financial systems so that at some later time, after that had been accomplished, they could then have a fixed rate of exchange or definite stable exchange rate policy.

Help was being planned for relief and physical rehabilitation when the war ended. But restoration of the financial systems and currencies of war torn countries was of comparable importance, and financial and technical aid should be provided to that end.

And so I said that the Chinese Government should take the position in these negotiations that were coming up, that something should be

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done to provide for transitional measures and also to give help to the war torn countries. It was all fine to set up an international monetary system, and that should be worked out, and there was a lot of good in the White plan and the Keynes plan, although I did think that some modifications should be made, which were technical and which I suggested. But the big thing for China was to struggle to get a transitional system, and financial and technical aid, for the purpose of allowing the war torn countries to put their finances in order. And so when I went to Bretton Woods with the Chinese delegation it was my main purpose to try to put that over.

The Chinese agreed with that, but Finance Minister Dr. [H. H.] Kung who headed the delegation from the very beginning said, "Well, don't press too hard on the Americans with this because we've got to rely on American aid. They have been helping us now, and we have got to have American aid after the war; so we'd better try to go along

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with them." Yet I got instructions sent to the Chinese, who went over in the preliminary stages, to try to negotiate it, but the instructions were watered down so that they didn't really do anything effective.

Before that the Chinese Government sent in its comments, which I drafted. The ambassador at Washington sent them in, saying that changes should be made to take account of the need for financial rehabilitation of war torn countries. Apparently these views got no consideration in Washington. Much later when I got to see the *Morgenthau Diaries* and Treasury papers at the

Roosevelt Library at Hyde Park, I found only a simple letter of acknowledgment to the Chinese, and apparently the proposals were filed with no consideration whatsoever.

Also, I sent a memorandum analyzing these matters informally to the State Department through my brother there. This is quoted in my book on China's wartime finance. [Arthur N. Young: *China's Wartime Finance and Inflation 1937 - 1945* (East Asian Series No. 20), Cambridge, Mass., Harvard University Press, 1965.] The State Department

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people, as far as I could tell, agreed with me as to what would be desirable. But the matter was in the hands of Harry White, and he was very difficult to deal with, besides being anti-Chinese. And so I went to Bretton Woods knowing that, of course, there were many things that would have to be discussed and negotiated there. But my prime mission as I saw it was to get some transitional measures in the final agreement. And so I talked with the American delegates.

Harry White was too busy running the conference--for which he deserves a lot of credit--and he was too busy to go into it. The Secretary of the Treasury was there--Morgenthau. I talked with him; and I didn't get very far. But I did talk with Dean Acheson. I remember that Pete [Emilio G.] Collado, who is now a chief officer of the Exxon Company, was then head of the State Department's economic work. Pete Collado and I had dinner one evening with Dean Acheson, who was a member

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of the American delegation. I think we sold the idea to Dean pretty well.

Also I talked with the British delegates, Lord Keynes, Lord [Lionel] Robbins, and Dennis Robertson--later Sir Dennis Robertson--and they all agreed with me; Robertson was particularly interested.

What happened was that Dennis Robertson and I sat up till three o'clock one night drafting the transitional measures. We got them adopted so that it became possible for China and other countries to join by taking advantage of the transitional measures.

FUCHS: China didn't peg its currency until they had a chance to stabilize?

YOUNG: They never had a chance to peg it, because the inflation was running the country downhill. They never had a chance; but they did join the Fund--taking advantage of the transitional measures.

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FUCHS: Well, was the par value of most of the other countries currencies pegged then, other than China?

YOUNG: Many of the others were pegged, yes. It took, of course, some months for the thing to get operating and some of them were pegged. The British had to change. Some countries had to change several times.

FUCHS: Were you at the preliminary meeting at Atlantic City?

YOUNG: Yes.

FUCHS: You were. Do you recall anything about that? Was that where, really, all the substantive work was done?

YOUNG: No. A lot of the preliminary work was done very usefully there. But I couldn't get the Chinese delegates to speak up on this question of the transitional measures at the Atlantic City

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meeting. I couldn't participate in that directly, because I was adviser to the Chinese delegation and not a delegate. The Minister of Finance was not there, but two of the specialists were there; but I couldn't get them to do anything, because they were, acting on Dr. Kung's idea of not doing anything to offend the Americans or Harry White. So, I had to have an 'end run' there by interesting Dennis Robertson and Dean Acheson. We had no argument on it when we got it done. They all saw it was reasonable, but it wouldn't have been done, I think, if we hadn't pressed for it there.

FUCHS: Lord Keynes originally, I think, thought we ought to have a larger program for development than what came out of the Bank.

YOUNG: Yes. He wanted really a World Bank. I think he said that the International Monetary Fund should have been called a Bank and the Bank should have been called the Fund; and I think a good many others have agreed with that since. He wanted a

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real World Bank; but the situation wasn't right for that. That never could be put over with--well, say Congressman [Wright] Patman, and a lot of others in this country and other countries as well.

FUCHS: We took something 'short of a full loaf'.

YOUNG: Yes. Harry White had something that was more practical for the situation. I will give Harry White, in spite of the fact that I disliked him, and he was probably a fellow traveler, nevertheless, I give him full marks for his part in putting over the Bretton Woods agreements. It looked as if it would have been impossible, but they could take advantage of the "together" feeling at the end of the war to get agreement on that. The spirit at Bretton Woods was really very good. Even the Russians were brought in. At the end the Russians agreed to sign, reserving whether they would ratify. They signed the

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documents at Bretton Woods. I remember when Morgethau came in one day and announced at a meeting that the Russians would sign, everybody was very pleased and the group applauded.

FUCHS: But then later, by the time of Savannah, they backed out of all this, didn't they?

YOUNG: They backed out of all this, but it didn't hurt them to sign.

FUCHS: What do you think was the principal thing in their reneging, so to speak?

YOUNG: Well, they got into friction right away after the war by--perhaps the most conspicuous case was their attempt to take over part of Iran, as to which Truman put his foot down, and the American Government said in effect that we were going to use force if necessary to prevent that. And the Russians knew that we were in a position to do that. We had force still in Europe and around,

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and force much superior to theirs, and they backed down and got out of Iran. That was one of the fine things that was done in the Truman administration. I don't know the details, as to what the President's personal part in that was. It was one of the very great things that was done.

When the Russians were in that kind of friction with us they started the cold war. All this revision of history to say that we started the cold war is a lot of BS. It's a revision of history by these fellow travelers, who--I don't know if they'll now say that the Russians or [Alexander] Solzhenitsyn is right. I don't know whether they would go so far as to side with the Russians against him, but they are trying to rewrite history in favor of the Russians and against the United States. A curious quirk in American policy, I can remember, going back to the twenties when I was in the State Department, noting and saying to my associates at the time that a considerable

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faction of the American people seem to get great delight in trying to prove that the United States is worse than any other country in the world in its international policies.

FUCHS: Yes.

YOUNG: A queer thing there, that there's a faction of people that seems always to get delight in doing that, and not giving the United States credit. We've got, of course, plenty of things to regret, but to compare our policy with that of the other countries--I think it probably has been much cleaner than that of any of the others.

FUCHS: I've read that one of the principal tenets of the revisionists is that it was really the United States trying to aggrandize its economic position in the world. You might speak about that.

YOUNG: No. I would say that's complete nonsense.

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The United States is trying to get equality of opportunity but no special privileges. I was fighting that battle in the State Department in the twenties when I had charge of the Economic Office. One of the things that our office was most concerned with was to get equal opportunity. For example, the Dutch wouldn't let American oil companies operate in the Dutch East Indies. It was a closed door. I had the rather sardonic pleasure of participating with some help of others in getting Congress to pass a law, which gave the administration the authority to deny privileges in access to American oil reserves to nationals or companies of countries that didn't give equivalent privileges to Americans. And so, I remember one day sitting at my desk in the State Department, with the General Counsel of what's now the Exxon Company at my elbow, and dictating telegraphic instructions to the American minister in the Hague telling him to tell

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the Dutch that the United States had such and such a law under which the Dutch Shell could be denied the privilege of operating in American oil lands, unless the Dutch gave equivalent privileges to American companies that had been trying for years to get access to the Dutch East Indies; and it worked. And they gave them access to the Dutch East Indies. I got a very nice letter from the company saying if I ever got out to the Orient and got to Sumatra that they would welcome me with open arms.

So, that was the kind of thing we were doing then. We were trying to get equal opportunity; we weren't trying to get special economic privileges, and I would say that's basically what we are still trying to do. I don't think the Department's policy has changed; I don't agree with this talk of neo-imperialism, and so forth. Of course, we should try to prevent companies from doing things that are to the real detriment of the

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countries where they operate. We did a lot of that in the twenties.

I remember telling a good many Americans who sought projects or concessions in various countries that we thought particular things were unfair--that the Department of State considered them unfair; we wouldn't support them and we thought they ought not to go ahead. And I imagine a lot of that is still going on and it should go on. By and large I think the world is interdependent and multi-national companies, well, they have to be regulated in some ways. But in a way they are trying to bring the whole world together, and there is always even the possibility that if they operate in Russia and in China that they will establish such a network of interest that those countries will have an interest in seeing that they need to have a political accommodation.

FUCHS: How did you become associated with the Point

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IV program in '51 in Saudi Arabia?

YOUNG: Well, early in 1951 I got a telephone call one day from the Department of State saying that the Saudi Arabian government had asked for a financial mission to help them with their finances. They were beginning to get all this revenue from oil and didn't know how to handle it--didn't know what should be done. They knew that they needed some improvements in their financial system, and I was asked whether I was interested in heading that mission. Saudi Arabia had a difficult currency situation from the use of silver and gold, which were the currency of the country, but not at any fixed rate of exchange, and that was a problem. And the State Department knew that I had handled problems of silver and gold in connection with the reform of the Chinese currency, so they felt that perhaps I was the logical person to head this mission to Saudi Arabia.

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I said I would be interested, and asked them to tell me more about it and I got more information. Then I went to Washington with Mrs. Young and I found out right away that they wanted me to do this thing. But the Point IV program was just beginning to get underway, and Saudi Arabia then was not in a very good financial position because they were spending all the oil money and hocking the future revenues, because the king's family--the crown prince and many of his brothers--the other princes were just wasters. Saudi Arabia didn't have much money and they wanted the United States to pay for this mission. So Washington said, "All right, under the Point IV program we will pay for the financial mission." And then comes Senator McCarthy. Any American was presumed a Communist unless he could prove to the contrary, so I was presumed a Communist and I couldn't be taken on by the Point IV program without a long investigation by the FBI, who

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already were over their ears and behind for months investigating people for various appointments.

Saudi Arabia wanted the mission right away, but I couldn't be cleared for several months, if I had to be investigated by the FBI before I could be engaged under the Point IV program. And so discussing this at the State Department we decided the thing to do was to ask Saudi Arabia if they would take me on and pay my salary and expenses until the other arrangement could be cleared. A telegram was sent out there and Saudi Arabia replied right away, "Yes, we will. We will pay Mr. Young's expenses and his salary until he can be taken over by the Point IV program." So, all right. That was arranged and I signed a contract with the Saudi Arabian ambassador in Washington that I would go.

Mrs. Young and I got on the boat. I said I wasn't going to fly, that I had been working very hard, and I was still feeling some of the

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strains of the China work. Going by boat would take a couple of weeks longer than flying, but they agreed to that. So we got on the boat and we went out to Egypt and then flew to Saudi Arabia.

The financial mission was moving along pretty well, and after a few months the question came of setting up a Point IV aid program directly for Saudi Arabia, to aid them in road construction, and water surveys, and possibly agriculture and one thing and another. And a man from Washington came out and said to me, "Would you be director of the Point IV program as well as head of the financial mission?" I thought it over for a day and said, "No, I don't think I should do that." I said, "What I will do, I'll be an Acting Director until you can get somebody else to come out." I'd be Acting Director, but not to continue there, because I wanted to give main attention to the financial mission. So I was Acting Director of the Point IV program.

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Incidentally, before I went to Saudi Arabia, when I was in Washington, before this thing was signed up, the aid people got a hold of me and offered me a job in Indonesia, as Director of the Aid Program in Indonesia, with the rank of minister. But I had gone so far in talking with Saudi Arabia, and also had a feeling that probably more could be done in Saudi Arabia, that I turned down going to Indonesia. Some of the State Department people thought that I should be given the rank of minister in going to Saudi Arabia to increase my prestige there, as I had been offered it for Indonesia, but the aid people wouldn't do that. It later proved a little unfortunate, I think, because what happened was that after a few months the aid mission sent out a director to take over from me, President [Samuel S.] Stratton of Middlebury College, to be the Director of the Point IV program. Well, since I was in the Point IV program the question

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arose as to whether I should be subordinate to him. Before I went to Saudi Arabia, I had an understanding (which unfortunately I didn't have in writing) with the people in Washington that I would be the ranking person in financial and economic matters in Saudi Arabia, and directly responsible to the Ambassador as long as I was in that capacity, and they all agreed to that. And then the question came whether I would be subordinate to a new Director out there. Well, I insisted that I would not be--that it would interfere with my prestige, that I couldn't go to the government through him. I was having direct contact with the finance minister, and with the king. Of course, if I were in a subordinate position then that would prejudice my work.

FUCHS: Yes.

YOUNG: And I tried to smooth that thing over. It was a little bit awkward--so that we wouldn't have any

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friction, because I was coming to the end of my mission, and I just went ahead and acted as I had before. And I had direct access to the minister and the king and so forth. Mr. Stratton was very reasonable on all that, but at the same time there was a little bit of a sore situation there. The aid people, when the thing came to a showdown, backed up Stratton. I called attention to the understanding. I said I wouldn't do that--I was getting ready to leave anyway--and I was going to continue my own way--in effect. All this as politely as I could, and I did go ahead and continue my own way. But the thing was left more or less unsettled at the time. It was a sort of sour ending on the personal side, because I would have been in an intolerable situation out there if I had had to go through somebody else. But the Saudi Arabian work ended in very good spirits so far as the Saudis were concerned, because the mission I think was, if I could say so, very successful. The Saudi Arabians

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gave me a fine send-off and a dinner in my honor. They needed help and they knew it.

I arranged for them to set up new financial machinery right away. There had been several other missions that had been out there before I'd been there--a British mission, a Dutch mission and an American mission in previous years, and none of them had really accomplished anything. But we got them to set up a central bank which came to be called the Saudi Arabian Monetary Agency.

I made a recommendation that they should have a central bank. The Minister of Finance was very interested in that, and he agreed with my report, Then the thing went up to the capital, Riyadh, to the king. And the king said, "Well, we should have something like that."

But his advisers said, "You can't call it a bank." The thing was delayed and delayed.

Finally I asked what was going on and the

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Vice Minister of Finance said, "Well, we'd better arrange for you to go up to the capital to Riyadh and see what's going on."

So, I got on the plane and went up to Riyadh, and the Minister of Finance met me at the plane and took me to lunch, and he said that (all this through an interpreter) King Ibn Saud likes the general idea, but he says we can't call this thing a bank, because a bank suggests the idea of interest. And according to the strict interpretation of the Islamic law interest is wicked--we can't have interest.

I said to the minister that there's no reason to worry about that, either calling it a bank or about interest. I said, "Let's call it a monetary agency."

And the minister said, "Well, that's fine." He said, "We'll go to see the king."

And we went to see King Ibn Saud. An audience with him was like a scene from the Arabian nights.

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He sat on a throne in the corner of a large hall, with rich oriental rugs, and with retainers with pistols and daggers lining the walls. He motioned me to a seat at his side, while the Finance Minister and interpreter knelt before him. He was a large man, well over six feet and strongly built--but lamed by more than twenty wounds from his desert wars. Of course, in that country the king takes the initiative. The minister had said, "The king may bring up this question of the bank; if he doesn't bring it up, you bring it up." And so we went on and I exchanged a few pleasantries with the king and the king didn't bring it up.

And then I opened the subject and I said, "Your Majesty, we've been working on a project for setting up a financial institution to help with the currency and finances."

The king said, "That's fine."

I said, "I think we might call it a monetary agency."

He smiled and he said, "Yes, I think that's good."

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And then I said, "I suggest that we should also put in the charter a clause to the effect that nothing should be done contrary to the Islamic law."

And then the king--this was all done through the interpreter kneeling in front of him--said that he agreed. He spoke for five or ten minutes on the Islamic law, showing that he was very deeply religious, and that he really believed in the Islamic law.

And so I left in good spirit and came back to Jidda, which was where we were living, a port on the Red Sea. In just a little while I had a call from the Vice Minister of Finance. He came to see me early one morning and he said, "The king wants to issue a decree right away. We need to issue a decree to create this institution, right away this afternoon."

I said, "All right, I'll do my best." And

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so I got in my secretary and wrote a charter of twelve articles for this central bank, or monetary agency. I'd write an article and it would be translated into Arabic. I produced the whole thing by the middle of the afternoon, a complete charter for the central bank; and really a surprise because ordinarily when you set up a central bank you have hearings and expert studies and all that sort of thing, and it takes months or years. Fortunately I had prepared a report in which I explained just what I thought the institution should be and what its powers should be, and what it should do

and not do. I had that right before me, and so it was just a question of drafting, of getting these things in the form of a simple charter of about twelve articles.

So we produced that charter and then it was taken to Riyadh and the king approved it with hardly a change. Then they said, "We want to set up this institution as soon as we can in

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Jidda, and you have the authority to take any building that you like in Jidda, and get it ready for the opening--of the bank."

Of course, we had to have security there, and have a vault, and get safes, and equipment, and supplies, engage staff and all that sort of thing. They wanted me to be the first governor of the "Monetary Agency," and I appreciated the compliment. But I said, "No, I've been here a year and a half and I think I ought to go back. I have a family in the United States, but I'll try to get you a good governor."

So, I managed to get a very good man to come out to be the governor. And when we were just going ahead--we had the decree in order, and I was working on the bank building--we got George Blowers, who had been governor of the National Bank of Ethiopia, to come out. He was then working with the International Monetary Fund. He came out for an interview and I introduced him to the

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finance minister, and the minister embarrassed him when we were talking about this thing by saying to me, "I wanted you to be the governor," even though I thought it all had been settled before.

Then I said, "No, I think Mr. Blowers would be an excellent governor for you, and I ought to withdraw and go back to the United States after we get this thing underway."

So the minister finally agreed, and we got the Monetary Agency started. We had a ceremony; we got the building set up; the crown prince came from the capital to dedicate it and made a speech, and we all made speeches, and drank tea--no liquors because they didn't approve of that--and opened the building. The poet laureate came and gave a poem on the whole situation, including great praise of the king and the crown prince, and so the agency was opened. And the official Mecca paper said, "We take from the

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Islamic world what is good and from the external world what is good in setting up this institution, this agency."

With George Blowers there to take over and manage it I could leave. We had the plans all made to stabilize the currency, which had to await the opening of the Monetary Agency. I had

controlled the rate of exchange for about a year, by certain operations that I was able to do in the management of the funds that were being paid by the oil company, and by the paying out of certain silver reserves that they had. So we had stabilized the rate of exchange pretty well for about a year at the rate that I thought should be adopted, and then the new institution took over and has handled it ever since. So, that was the Saudi Arabian Monetary Agency. We started it with a capital of about ten million dollars, and now it has billions. So, I helped to let the genie out of the bottle.

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FUCHS: What about real accomplishments of Point IV, at least in Saudi Arabia? What do you feel about them; how do you view them?

YOUNG: Well, it didn't last very long, because they soon developed the capacity to engage experts on their own. And after I withdrew I wasn't very closely in touch with Point IV. The people in Washington were very much pleased with what was done in Saudi Arabia--when I went back I called on the Director, who was then Mr. Andrews, and he was very pleased. He wanted me to stay and said, "I would like to have you as a country director in some other country."

But I said, "No, I think that I'd better go back to California." So I withdrew from the Point IV program. I said, "From time to time if you have some special things where I could be useful I'd be glad to consult," and I did do some later jobs for them, and that was that situation.

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I think I might give one or two other experiences on Point IV since you asked about that,

FUCHS: I'd be glad to have them.

YOUNG: When I agreed to become Acting Director in Saudi Arabia this fellow who came out said, "Here's a blueprint of the organization of offices in foreign countries." And they provided for an assistant director, a program director, a budget officer, a property officer, and a personnel officer or something like that. And I said, "We don't need all that out here." I said, "I think what we need is just certain experts. You have a director and then you have the experts and the director will work with the experts and they will work out the programs, and that's all you need." I said, "If we need more paper clips, why, we'll get them from the Embassy," And so, I scotched that right away. But during a trip before I left, when I was in some of the

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other Near Eastern countries, I found that they were all filled up with administrative personnel. They had generally speaking at least as many administrators as they had experts--in one or two cases more. That was the burgeoning of administration--one of the great faults of that program. They tried to expand it too fast with a cut-and-dried administration without having adequate personnel. So, I spared Saudi Arabia that by insisting that that should not be done. And also, one

or two nice little touches: I got a telegram one day from Washington that they would like to assign to me so and so, I don't remember the name, as legal adviser, I more or less blew up. I said, "I am a lawyer myself. I have a lawyer on my staff and no lawyer could deal with any legal questions here because it's a matter of Islamic law." And that was that. They wanted to give a job to somebody.

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FUCHS: You don't recall whom they wanted to send?

YOUNG: No, no. Then another thing I rebuffed them on, because I wasn't making any career--I got a message saying that you have in your budget (this came about the early part of June)--you have in your budget until June 30th such and such monies that are not expended. Can we do something about using it? I sent back a message saying, "no." I had no intention of doing that, that we had all that we needed there. More or less implying that as a taxpayer and as an administrator I didn't approve of that sort of thing. Of course, they wanted to build the budget up so that they could ask for more.

FUCHS: Yes.

YOUNG: I think a trouble with the program, which in principle I approved, was that they tried to expand it too fast and too much according to formula. They sent too many administrators,

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and that's just one aspect of the ascendancy of administrators in Washington in the Government. I think that the Government would work a whole lot better if they could get rid of a lot of the administrative organization, which is obstructive often, and interferes with policy, and wasteful--at least my experience with them. So, I had that contact with them and I was able to keep the Saudi Arabian situation in reasonable order, but only because I was making no career. I remember I had a mission for them out in Southeast Asia, and the aid director in Cambodia sent a telegram saying--when the budget was coming up--that the tentative budget that had been sent to him called for a certain number of people. He said he thought that was not necessary, that their number should be less, that he only needed so and so, and that was disapproved. So, I had that little contact with it.

Then another contact that I had in Argentina.

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My work on the tax situation there was through Stanford Research Institute, which had a contract with them. But the setup was such that I didn't have the contact that I needed with the top officials in Argentina.

FUCHS: What year was this?

YOUNG: In 1962 and '63. That was to work on the tax system. At one time, I remember, I couldn't get the information I needed about the finances, and I went to the Vice Minister of Finance and asked for it and got it. Well, I was called down by the Argentine liaison officer for not going through him. That pointed up the fact that if a person is to be useful and have influence in such capacities he has to have access to the higher officials, and enough status to give him prestige and position.

FUCHS: This was a special mission to Argentina at their request?

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YOUNG: At their request. They wanted to study the tax system and contracted with the Stanford Research Institute to do it, and Stanford Research Institute engaged me.

FUCHS: Did you go alone or did you have...

YOUNG: No. I had two colleagues. One colleague for a short time and another for the time I was there, for several months.

FUCHS: I see.

YOUNG: And I don't know whether anybody could have done anything at that time. We did our best to give them some good recommendations. But I don't think very much came of it, because the Argentine situation was just too confused.

FUCHS: You had some experience with the Foreign Operations Administration.

YOUNG: I forget when the alphabet soup changed from

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one to the other.

FUCHS: It was 1954 I think you said you investigated the problems of private foreign investment.

YOUNG: That was in Latin America. I went to Panama and Haiti and six countries of South America to look into the problems of foreign investment. That was an interesting mission. I think I did some useful things in two or three countries. I think probably in every country I had some useful effect.

And I also had some rather interesting friction with the United Nations experts who were in two of those countries, Ecuador and Paraguay. I went first to Panama and then to Columbia and then to Ecuador. When I got to Ecuador I was working on the total situation.

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I found that some United Nations experts had proposed some alleged tax reform to the Government of Ecuador, which badly needed tax reforms, because they were all compartmentalized with the--well, the sort of thing that we are doing with gas taxes and special funds here and there. They had the Government of Ecuador so tied up that certain branches of the activities were getting far more money than they needed, because the designated taxes were very productive, and others were starved because there were not enough general revenues. Well, this tax mission of the United Nations had made some pretty good recommendations in principle, but the whole system that they devised was so complicated that poor little Ecuador with its state of administrative progress couldn't possibly have operated the thing. The Ecuadorians asked my opinion on this thing and I had to recommend that it should be scrapped. I said it was completely impractical for the

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Government of Ecuador to adopt this and give it effect--well, I got them to scrap it, but the United Nations people were not very happy.

Then when I went to Peru, the Peruvians asked my advice on the tax system, and I gave them a memorandum on that, which they seemed to like. And the American Embassy reported that my efforts in Peru were helpful, although I was not there long enough to know just what happened. And then I went on to Paraguay after Bolivia--through Bolivia and then to Paraguay.

In Paraguay I found that, again, the United Nations had a mission that had proposed a foreign investment law, which, again, was drafted by people who had no practical knowledge of the situation. In fact, I think one of the people who drew it was a socialist, who probably didn't believe much in foreign investment anyway. It proposed to set up a rather elaborate organization and to have a lot of permissions required,

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and a lot of red tape, instead of handling the thing through such administrative organizations as poor little Paraguay already had. There was no need to have any such organization to deal with this.

The Minister of Finance in Paraguay said, "What is your opinion of this?" And he said, "Give me a memorandum," which I did. I gave him a memorandum on it.

I said, "I think that you need no elaborate organization--just consider each case that comes up on its merits." Investment can help Paraguay if it comes in the proper way, and I said he should consider each case on its merits and not set up any such framework, which if a prospective investor comes in and sees it he'd say right away, "No, that's not for me." So, they agreed and they threw that plan out.

The United Nations financial officers didn't like me for that, and the reason I suspected

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it is what happened a little bit later when I returned to the United States. One of my friends, Harry Price, had been appointed to be the United Nations representative in Nepal which had some currency problems with India. He wanted me to come out there and try to help on that, and he recommended to the United Nations they should get me to do it. Well, I heard nothing further about it, and felt it was because I'd been in wrong with the head of the United Nations' fiscal and financial office for these things I had done to block their programs in Ecuador and Paraguay.

FUCHS: Persona non grata to the whole United Nations?

YOUNG: Yes. I'm in favor of the United Nations. But of course, the United Nations has to do as every government does. They couldn't staff their missions with Belgians, and Swedes, and Americans, and Frenchmen, British, and so forth, who were the most competent in some of these fields. They have

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to bring in others. And they brought in, in this South American thing, a Republican Spaniard and a Socialist Mexican, and I think someone from the Dominican Republic. None of whom were competent to advise on taxation or investments.

FUCHS: Were you involved in any way with the Chinese Government at the UN organization conference at San Francisco?

YOUNG: No. There was some talk of my going there with T. V. Soong who was their delegate. John [P. Young] went as a member of the State Department delegation. T. V. Soong said that he wanted me to go, and then just before he left something came up in Washington and he said, "You'd better stay in Washington and work on this." So I missed the chance to go to San Francisco, which I wanted to do.

FUCHS: Too bad.

Well, let's see; then you went on into some

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work--of course, you were back in Occidental College for a year lecturing--but you were also involved earlier as a financial consultant to the ICA--International Cooperation Administration, Do you have any memories of that?

YOUNG: I think that was in Southeast Asia.

FUCHS: 1957 and '58.

YOUNG: Yes. That was in Laos and Cambodia.

FUCHS: I see.

YOUNG: And I did go to Vietnam, too; but my main work was in Laos and Cambodia. I was out there for several months mainly to work on questions of rates of exchange and currency reform. I couldn't get anywhere in Laos. We worked out a plan with the State Department before leaving, but I couldn't get anywhere because the Government, the ministers were too corrupt. They were personally benefiting from an exchange rate of thirty to the dollar,

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when actually it should have been--we were trying to get a hundred for the dollars the US provided as aid. They would buy dollars with thirty of their currency and sell them in the black market for a hundred, in effect, and they were making too much of a good thing on that. But we couldn't get it changed. We got the general substance of reform worked out. Before we left Washington we had a scheme and then we worked at it further out there. Finally it was put over by Mr. Malek of the International Monetary Fund, who became their representative, I think, in Paris. But he was out there when I was--he's a Czechoslovak National who became an American citizen, and speaks, of course, perfect French; and he put the thing over later. When I was there he and I worked on it, but we couldn't do anything because of the corruption we ran into. But providentially the chief obstructor had a stroke after that, and so it became possible to put over the main substance of the reform after I had left. The

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rate was 80 kip to the dollar.

In Cambodia we couldn't do very much because the Cambodians were very secretive, but I did gather a certain amount of information. I did a little snooping, and I think I learned pretty well what their financial situation actually was, and put it in my report, and also recommendations to what their exchange rate policy should be. But I think nothing much came of that.

FUCHS: What about Vietnam?

YOUNG: I didn't do anything there except gather information as to the financial relations with the other two countries. I learned there that nothing much could be done in Vietnam because Diem was too stubborn. The Americans wanted to reform certain things and he wouldn't agree. This is in the financial realm, I don't know about the other fields. But I recall seeing huge pictures of Diem in public places--like Mao

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in China. It may have been a blunder to replace Diem.

FUCHS: Did you have any discussions with the French before you went there?

YOUNG: No. The French were very standoffish. Some of them were distressed because they'd had influence in Indochina before, and they didn't like to see the Americans moving in with more influence than they had.

FUCHS: Yes.

YOUNG: But they were pretty much quiescent while I was there. I didn't have any problems with them, some French officials and businessmen were very helpful to me. In China I had good relations with the French Embassy people and they were pretty good people. I think generally on the right side of the questions as they came up.

FUCHS: By '48 you were, of course, out of China, but

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I'm sure you were a very interested observer in the attempt to get financial aid to China, and in China's situation.

YOUNG: I was in China for a few months in the latter part of 1947. I prepared a telegram on the situation, which I remember I worked out on Thanksgiving Day in 1947. I was out there to work with the Chinese Government, and I remember that Secretary of State Marshall was very uncertain as to whether anything really useful could be done for China. But I remember sending through Ambassador Leighton Stuart a very full telegram--it is among the papers I gave to Stanford--in which I made a full recommendation in support of financial aid. Then the Generalissimo wanted me to go to the United States to work on this thing, and so I did in December of 1947.

I came to the United States and stopped overnight in California with my family, and then went

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right on to Washington. I presented this program, which had been telegraphed, and discussed it with the State Department and the Treasury. That led to the loan, which I think Mr. [Roger D.] Lapham, the former mayor of San Francisco, administered. But we worked this thing out and it was more or less agreed.

About two days before Christmas when I was shortly to leave Washington to return to California I was sent for by [Walton] Butterworth who was then head of the Far Eastern office. And he said, "We think this thing is all right, but we think that the Chinese Government should put forward a pronouncement as to a program of reforms that it's going to adopt in order to give us hope, so that we can justify trying to do something--justify it in the situation."

"All right," I said, "I'll try to get some recommendation on them." He wanted me to recommend it to them. This is just at the last minute. I

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had a reservation to take a plane at five o'clock or something like that when he sent for me. All I could do was to speed up my preparations and go to his office for a conference and then leave for the plane.

The plane had engine trouble and landed at Las Vegas. I was very tired and very worn after many strenuous weeks. But I sat there in the waiting room at Las Vegas, got some papers out and scribbled a program, about two or three pages, as to the reforms and the promises that the Chinese Government should make to carry out this program in China and to justify the aid. They got the plane fixed after a couple of hours, and so I came home here.

At Christmas I was just worn out. I tried to telegraph this message to China and get it coded. I found myself so exhausted that I could hardly code, and I had to get my son to come in and help me with it. I worked very slowly. I

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found I was just completely worn out from strain. I'd never had any real recuperation from the war, and I just flopped; and I could hardly even draft a telegram of resignation. But the project had gone so far that I thought that my Chinese associates in Washington could carry on with it.

So, I just dropped out and went to the hospital; and had to have a long rest. Fortunately, I didn't have any organic impairment, I had a sound heart and sound organs and all that. The doctor said, "You must take a long, long rest; don't do any business; don't read any papers; but you'll probably be a hundred percent if you follow out that program." Well, I did--that was the end of '47, beginning of '48, and here over twenty-five years later I'm still around. I went down to our beach house and stayed there for several months. I did nothing, I think it was months before I even read a paper, following the doctor's instructions.

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So, I wasn't conversant with the negotiations that led to the setting up of the loan. I merely helped to start it by getting the framework set up with the State Department and the Treasury. I imagine if my health had held out they might have asked me to go back and take charge of it; but I was completely gone.

FUCHS: Do you think that money just all went down the rat-hole, or did some good come of it?

YOUNG: I doubt it. The situation was too far gone. They were fighting a losing battle. My considered judgment afterward was, as I said, if we'd started in 1943 and had full cooperation of the Chinese Government in trying to work out a program, and full cooperation from the United States and Great Britain it might have been possible to do something. But when that was not done--that's hindsight--when that was not done the situation was out of control. Although--being a constitutional

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optimist--I hoped that we could continue to keep things going as best we could, and that conditions would turn in such a way that the situation could be saved. It didn't prove practicable, but I think it was worth a try.

FUCHS: Well, I think that's about all I have unless there is something you think we might add.

YOUNG: No. I don't think offhand of anything further, except to say that after the collapse in China, following years of strenuous effort, the success in Saudi Arabia was particularly gratifying.

FUCHS: It's been very interesting. I appreciate it very much and thank you, Dr. Young.

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Appendix

On September 8, 1943, I was in India to deal with CNAC's problems. Aided by the facilities of the American diplomatic mission in New Delhi I made a secret memorandum entitled, "Sidelights on affairs in China (as shown by recent difficulties of the China National Aviation Corporation)". It is worth quoting from this at length because of what it reveals about the situation.

On Sunday afternoon, July 4, 1943, Madame Chiang Kai-shek returned to Chungking from the United States in a DC-4 transport plane of the U.S. Army. The Generalissimo expected her that day, but had no advice of time of arrival. He had thought she would land at Chengtu whence she had departed, since four-motored transports land at Chungking only rarely. He, therefore, left Chungking for Chengtu in a Douglas two-motored transport of the Chinese Commission on Aeronautical Affairs, with Captain Yu (No. 2 pilot of the Commission). In the air near Chungking, according to one witness, his plane nearly collided with hers.

Upon reaching Chengtu the Generalissimo learned that Madame Chiang had already landed at Chungking. He was angry that he had no advance word -- which apparently was withheld as a matter of her security. He then instructed Pilot Yu to return to

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Chungking as soon as possible, which he did. Pilot Yu approached the Ku Lung Po field at Chungking from the down river side along the hills, and down wind, and landed without circling -- thus violating regulations in two respects, presumably because the Generalissimo had urged him to hurry. Meanwhile another Commission plane, with Captain Lin (their No. 1 pilot), came in simultaneously to land after circling and approached in the proper direction, i.e., against the wind from up river. Just before or after touching the ground he saw the

other plane landing toward him, and fortunately was able to “give it the gun” and raise his plane in the air and barely avoid a head-on collision. This plane was bringing the Generalissimo’s son from Kweilin for the family reunion.

The Ku Lung Po Airfield is and has been under control of the Commission. It is used by CNAC only when the island field opposite Chungking is flooded. CNAC maintains a representative there, but has no control over movement of Commission planes. Clearly CNAC had no responsibility whatever for the near-accident.

The Generalissimo was very angry, and the next day (July 5) in the evening he sent for General Chow, head of the Commission, and colonel C. F. Wang, Managing Director of CNAC. The former had learned of what took place, and when summoned he had his servant say he was at his place outside the city, which is hard to reach at night. But Colonel Wang had not heard of what happened. He at once went to see the Generalissimo,

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whose first question was, “Who is your man at Ku Lung Po Airfield?” Wang said, “Mr. Tsai.” “What sort of man is he?” said the Generalissimo. “He has been with the company 10 years and we consider him a good man,” said Wang. The Generalissimo then became enraged and said that if Tsai, who almost caused him to lose his life, was regarded as a good man, what sort of men did CNAC have? He [Chiang] said the company was a hotbed of smuggling and corruption; and that Wang, who is the responsible head, ought to be shot. He threatened to call in his guards at once, but finally said he would be arrested at noon the next day and court-martialed.

Colonel Wang is one of the most upright and efficient men in Chungking. He is perhaps the best Chinese aeronautical engineer, and was educated at M.I.T.. He has made a good record in his 18 months with CNAC. Any punishment of him would have been the greatest injustice.

The case was really serious. Madame Chiang and Madame Kung interceded with the Generalissimo later that evening, as did also Dr. Kung and Minister of Communications Tseng Yang-fu. Finally, just before noon the next day, the order of arrest was commuted to his being given one “great demerit,” and while he continued in his post till August 15, he was then forced to retire.

On the morning of July 6 before the threat of arrest and court-martial (apparently

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believed equivalent to death sentence in view of the charges) was removed, Colonel Wang was reading in his office the article on Magna Charta in the

Encyclopedia Britannica. He called attention to the Article which stated that no free man may be detained or set upon without lawful judgment of his peers.

I was prepared to go to Wang's defense, whatever the consequences for my future work with China. Fortunately such action did not become necessary.

The memo continued:

Meanwhile the unfortunate Tsai had been arrested and was held for several days before being released. Furthermore, the Commission fully took over Ku Lung Po Airfield. CNAC had built large dugouts there for storage of its precious stock of aviation gasoline, following the outbreak of the Pacific War. But a day or two after the incident CNAC was ordered by the Commission to remove the gasoline immediately upon pain of seizure, and it was necessary to put on a big force of men and work all night and remove it to outdoor storage at the Socony-Vacuum installation.

CNAC has made a fine record under war difficulties and dangers...It has shown the way for the U.S. Army...In August 1943, each CNAC plane averaged 22 round trips from India to China. Several of its flight crews and some other

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personnel have lost their lives while engaged in the vital work of maintaining communications.

Why should CNAC have all this trouble? Partly there was jealousy on the part of the leaders of China's military aviation, and also narrow nationalistic feeling about any Sino-foreign enterprise. But the immediate cause of the trouble was the loose talk of a single disgruntled pilot. He was a good pilot who often had flown top officials and their families. Coming to know them socially he had talked loosely and they took at face value his strong criticism of CNAC's operations manager and his charges that the company was deeply involved in smuggling and corruption. My investigation showed that the charges derived from a personal vendetta and had little merit -- this was confirmed by an official commission of inquiry of which I was a member. The pilot also had difficulties with the Indian authorities and was indicted. I got the proceedings quashed on condition that he be sent home, after being discharged by CNAC.

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