Oral History Interview
with
DR. JOHN PARKE YOUNG

Chief of the Division of International Finance, U.S. Dept. of State, 1943-65, and a member of official delegations to several international conferences. Also attended the inaugural meeting of the International Bank for Reconstruction and Development and the International Monetary Fund in Savannah, Ga. (1946).

Pasadena, California
February 21, 1974

by James R. Fuchs, Harry S. Truman Library

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NOTICE

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RESTRICTIONS

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FUCHS: I wonder, Mr. Young, if to begin you might not give us a little bit of your background, where you were born and your education and then how you happened to become associated with the Federal Government?

YOUNG: Well, I was born in Los Angeles just before the turn of the century, and educated in Occidental College. Then I went to Princeton University for a Ph.D. in economics. After taking my degree I stayed there for a couple of years and taught. Then from there I became Director of the Foreign Currency and Exchange Investigation of the United

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States Senate. I spent about two years, part of it in Europe, studying the post-World War I currency problems, the hyper-inflation in Europe and the effect upon the United States. I visited 15 European countries interviewing leading economists, bankers and government officials. That was where I first became acquainted with Keynes. We had a staff of economists in Washington and published a two-volume report. This contained articles by leading economists and bankers, such as Keynes, Irving Fisher, Gustav Cassel, etc., who put their views in writing for our report.

After that I became chairman of the Department of Economics at Occidental College and in order to supplement my academic income organized an investment counsel firm, which turned out to be quite successful. And then I was invited by Professor [Edwin W.] Kemmerer of Princeton to join a Commission of Financial Experts to the National Government of China. The National Government wanted someone to come out there, a group of us, to help organize

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their finances.

FUCHS: What year was this, Dr. Young?

YOUNG: We spent the year '29, a little over a year, in Shanghai and traveling throughout China; traveling part of the time with T.V. Soong, the Minister of Finance, helping to organize the finances. After the year I became sick with hepatitis and my wife had typhoid, so we came home, back to Occidental College.

When the war broke out, the Second World War, I was invited to go to the Department of Commerce, as liaison with the Board of Economic Warfare. So, on about a week's notice I packed up and we moved to Washington right after Pearl Harbor, between Christmas and New Years.

I was with the Board of Economic Warfare for a short time. I found that very disillusioning; there was chaos and nobody knew clearly what his functions were or assignments. Leo Pasvolsky,

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Assistant to Secretary of State Hull, pulled me out of that mess. I had known Leo before and was telling about the mess in the Board of Economic Warfare and he said, "Well, why don't you come over to the State Department, we could use you here." So, I did; I was delighted to go.

Leo was organizing a group for postwar planning. There were two groups, one on political studies and one on economic studies, and I was in the group on economic studies. In that group I was concerned particularly with postwar financial problems. My early assignment, I guess the first one, was to work out something on what we would do about reparations after the war. We did not want reparations, but we knew other countries would, our Allies.

Julian Wadleigh and I worked together for a couple of months on this project. Later Julian left the Department and confessed to his Communist connections, which I believe had been broken some

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years earlier than my association with him. I think he was disillusioned with the Communists. But anyway he disappeared from the scene after his confession.

FUCHS: Did you have any idea when you were working with him prior to his confession that he had had Communist leanings?

YOUNG: No, none at all. Julian was very careless about his person. He would come to the office unshaven, with baggy clothes, and shoes that probably hadn't been shined for months; but he was an agreeable fellow and we got along very well. I never had any hints of his communism, and I think he had completely broken with the Communists at that time. But he did tell me once that when he first came to the Department he had almost nothing to do and he spent a lot of time going over documents, records and so on; but that gave no intimation that he was a Communist. I don't think he was at that time in fact.

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FUCHS: Was Leo Pasvolsky your immediate superior?

YOUNG: No, Leo Pasvolsky was the Special Assistant to Secretary of State Cordell Hull, and he was very close to Cordell Hull. He had an office next door, was in and out all day long. It was said that he was so close to Cordell Hull that Hull wouldn't lift a finger without first speaking to Leo. In other words, Leo was a very influential person in the State Department.

I had known Leo for a good many years. The immediate person in charge of our group was Leroy Stinebower and a very competent high type person. And my assignment became (after my work with Wadleigh), in the financial and economic development field. At that time the Treasury, under the direction of Harry White, had prepared a plan for

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an International Monetary Fund and a World Bank. They were combined into one document; later he separated the Fund document from the Bank plan. His main interest was in the Fund. He was chairman of an inter-departmental committee called the American Technical Committee, and we met, oh, I suppose once or twice a week over a period of a good many months. The membership of that committee changed from time to time. It had the senior people from different branches of the Government, Federal Reserve and so on, and we put together the original charter, or Articles of Agreement for the IMF and the Bank -- the International Bank for Reconstruction and Development.

Leo Pasvolsky was not satisfied with this committee's emphasis on the Fund, and the Treasury leadership. He asked if we could have a State Department plan for a Bank. Harry White's interest was in the Fund.

I was asked if I would put together a plan for an international bank. So I did. I spent quite a

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bit of time preparing plans for a Bank. It was designed to help finance postwar reconstruction, and also aid the less developed nations. It was called at that time in the State Department an International Investment Agency. My proposal was transmitted to Secretary [Henry, Jr.] Morgenthau of the Treasury by Adolph Berle, the Assistant Secretary of State, who was interested in the subject.

My plan was similar in some respects to the Treasury plan, but it differed such as in proposing a special fund for rehabilitation and reconstruction; a fund that would be available on different and more lenient terms from the normal lending terms of the Bank. We felt that the immediate need after the war was for funds, and that these countries were broke, devastated, and couldn't borrow on normal terms, as was provided in the Treasury plan. This was an important difference. The work of Harry White's committee went forward

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actively. I think I might say here a little bit about the personality of Harry White.

FUCHS: Yes, I'd like that.

YOUNG: He was very anti-State Department, as is well known. The story which I heard, which I gather was correct, as to the origin of this anti-State Department attitude was that soon after he joined the Treasury Department he persuaded Morgenthau to send him to London. He went over to London and was calling on the Bank of England people, the British treasury, and elsewhere, and not reporting or keeping in adequate touch with the American Embassy in London. He was independent operator, and the London Embassy couldn't control him. The upshot of it was the Embassy asked to have him recalled to Washington, which was done. And, of course, Harry White was furious about being recalled at the request of the Embassy. That was the story I heard and I believe it was probably

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correct.

Well, Harry White was a difficult person, a very rude person, and rather slippery. You couldn't rely on what he would tell you. You thought he'd agreed to something and a few days later he would deny that he agreed to that: "You must have misunderstood me." It was very difficult to do business with him. He was a very competent person, extremely competent and very good to his own people in the Treasury. So, my work on the committee with Harry White was interesting. Put it that way.

FUCHS: Do you have a personal view about the charges against him?

YOUNG: Well, I can tell you an experience I had in that connection, to depart from what I want to say more about the IMF.

After he left the IMF -- he was U.S. representative in the IMF -- and after he left that he

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went down to Chile. The Central Bank in Chile told the American Embassy in Santiago that they were considering appointing Harry White as an adviser to the Central Bank; would the Embassy recommend him. The Embassy sent a telegram to Washington informing us and asked if we would recommend Harry White. This telegram came to my desk for reply.

I had heard vaguely some charges against Harry White about pro-communism and Communist connections. At this time it hadn't come out in the open and it was just by chance that I happened to pick up a little gossip about it. So, when I had this telegram I began to think, "Now, what do I do?" I took it to Dean Acheson and said, "Now, I suppose it's all right, I've heard some vague rumors about Harry, what do you think I should say in this telegram?"

Dean Acheson said, "Let me have it, let me look into it." Dean Acheson later on replied, "I have looked into it; the situation is very unclear. Don't recommend him; send a noncommittal reply."

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It was clear to me that Dean Acheson had found some information that was not favorable to Harry White on his Communist connections.

Well, an interesting sequel to this. Some years later I spent eight months in Chile, loaned by the State Department as Economic Adviser to the Chilean Government to work particularly with their economic development agency -- the Corporation de Fomento. And at lunch one day with Arturo Maschke, manager of the Central Bank, whom I had known at Bretton Woods, Arturo said, "You know, we once were going to appoint Harry White as adviser to the Bank, and," he said, "I asked the Embassy if it was okay, if they would concur; it took them quite a while to reply," and he said, "they gave me a very strange reply, and I decided not to appoint him."

Since a good many years had passed I told Arturo Maschke that I had drafted that telegram to the Embassy. Of course, at this time everything was out in the open. Harry White had been accused

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of Communist connections. He had a heart attack and died before the thing really came to a complete conclusion as to whether he was or was not mixed up with communism. I do not know whether he was a card-carrying Communist, but I do know he was extremely pro-Russian.

In these meetings at the Treasury preparing plans for the IMF and the World Bank, we were inviting foreign countries to send representatives to discuss the plans with the United States. Harry kept talking about the Russians; he hoped that they would send somebody; he didn't know whether they would or not. But it was quite obvious that he was urging, wanting the Russians to come. Finally he announced that the Russians were sending a delegation to discuss the plans with us. He was elated. He was like a child with a new toy. And when the Russians finally came he was extremely close to the Russians.

I recall after one meeting when Will [William A., Jr.] Brown and I were walking back to the

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State Department we were discussing, "Why is Harry White so pro-Russian? What's it all about, why should he be so pro-Russian?" He had little interest in Latin-American people. He was quite rude to some of the Latin-American delegates that came there. We were aware of his extreme closeness to the Russian delegation, but at that time we didn't suspect his communism.

I have no information more than that, as to whether he was actively a Communist, but the evidence was certainly unfavorable to him. But I think we should recognize that Harry White was extremely able and deserves a lot of credit for the Articles of Agreement of the IMF and the IBRD, the World Bank, particularly the IMF.

FUCHS: Is it possible to briefly explain the main difference between the State Department plans for the Bank and what was coming out of Treasury preliminarily?

YOUNG: Well, there were differences in the amount of

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capital and, as I mentioned a moment ago, one of the differences was that we were more concerned with the immediate availability of money to the European countries that had been devastated on terms that were different and more lenient than those in the Treasury plan. That was an important difference in my plan over the Treasury plan.

FUCHS: Yes.

YOUNG: The Marshall plan later on recognized that the Treasury plan did not provide for loans on terms the European countries could afford. Another feature in my plan was that we felt the Bank should be able to make loans without the guarantee of the government of the borrower. The Treasury plan provided that any borrower in any foreign country must have the guarantee of the government of the country in which the borrower was located.

Now we felt that might discourage a lot of ready borrowers. They would hesitate to get mixed up with their government and be subjected

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to pressure and have the government, as we said, messing around in their activities. So, in our plan I left out that provision that they had to have the guarantee of the foreign government. Those were some of the differences.

FUCHS: Yes, I see.

YOUNG: But in general the philosophy of the two was similar. The reason we had a plan was Leo was not satisfied that the Treasury was moving along with their plans for the Bank, or that we would concur in the provision of their Bank plan.

FUCHS: I believe that there was a preliminary meeting prior to Bretton Woods in June at Atlantic City?

YOUNG: That's correct.

FUCHS: Can you tell us about that?

YOUNG: Well, we all went to Atlantic City about two weeks before the Bretton Woods Conference, a smaller number of countries. The leading countries were

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invited to Atlantic City to try and iron out differences regarding the charters of the Bank and Fund which could be done much more effectively in a smaller group than in a large conference. And the British sent a group over on the *Queen Mary*. Lord Keynes was chairman of their group.

Before we went to Atlantic City Harry White said he was confident we could get a Fund, but he wasn't sure we could get a Bank. He said if we got the Fund that would be a big accomplishment, and he thought that we could do that. He said he'd hope to get the Bank too, but he wasn't sure.

Well, in Atlantic City, the British right away came up with a proposal for the Bank that made it more feasible, and was accepted. They proposed that the capital of the Bank not be payable in full at the outset. Only 20 percent would be paid in initially; the remaining 80 percent of the capital subscribed by member countries would be callable, but only if necessary to prevent a default of the debt of the Bank.

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In other words, it was much more feasible than to ask countries to put up 100 percent of the capital. They put up 20 percent and the 80 percent is available if necessary to protect the loans -- the debt of the bank. You see, the Bank issues bonds and thus borrows money which is then loaned to member countries. The Bank, according to the plan which has worked out well, has a large amount of bonds outstanding If necessary the 80 percent capital is available to service those bonds.

Now, right away we recognized that the British proposal made the Bank plan feasible, and that we were going to get a Bank, which we did. We found considerable interest in the Bank, especially by the less developed countries.

An interesting sidelight at the Atlantic City Conference, referring back to the difficult personality of Harry White and his anti-State Department attitude, was this: I telephoned Dean Acheson or Leo Pasvolsky every day as to what had

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happened, how the conference was going, and reported to him what was going on. The Treasury had a girl, Janet Sundelson, who was taking down notes at the meetings and preparing a report. I asked Janet if I could have a copy of it to send to Dean Acheson. She said that Mr. White had told her not to give out any copies, I would have to speak to him.

So, I asked Harry. I said, "Janet has these minutes and says that she can't give them out to me unless you agree. Can you tell her to give them to me, authorize her to give them to me for transmission to Dean Acheson?"

Harry hesitated a little and said, "Yes, I'll tell Janet."

The next day I went to Janet and said, "I have spoken to Harry White and he said he was going to permit you to give me the minutes."

She said, "Well, he said not to give them to you." Just like that. He said that I couldn't give them to you or to anybody."

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Well, that is just a little illustration of some of the problems we had with Harry.

FUCHS: What did you say then?

YOUNG: I said, "Well, I'll tell Dean Acheson what you told me." I told Dean Acheson that. He just laughed; he knew Harry White.

FUCHS: He was what, Under Secretary at this time?

YOUNG: I think he was Under Secretary at that time. He was not Secretary until later.

FUCHS: Yes, he was not Secretary of State until '49.

YOUNG: Dean Acheson was very much interested in the IMF plan. He went to Bretton Woods and rolled up his sleeves and was a real hard worker there along with everybody else. He'd work late at night.

FUCHS: I guess he was Assistant Secretary at that time.

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YOUNG: He was in charge of our work at the top.

FUCHS: Yes, financial affairs.

YOUNG: At the Bretton Woods meetings the Articles of Agreement provided that the United States was designated to receive the signatures, approval, of the different foreign countries. When we had signatures representing 65 percent of the quotas to be subscribed, the Fund would come into existence. Similarly with respect to the Bank, the job of collecting the approvals from the foreign countries was placed on my desk after the conference. We kept in touch with the people at Bretton Woods, the governments, urging them to approve the Articles and notify us, and send the check which was required, the deposit, accompanying their agreement of approval of the Articles.

Well, it turned out to be a rather active assignment. At the same time we were promoting approval by the United States Congress. The bill was in Congress and we were going around the country

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making speeches, and some were writing articles about the IMF and World Bank, explaining how it was in the United States' interest that Congress approve this agreement.

At another time I had in the back of my head some doubts as to whether it was legal for us to spend Government money to promote legislation in Congress, but no one ever seemed to pay much attention to that, and so we went ahead. I came out to Los Angeles, and also was up in Nebraska. We were all working to get the public behind the Articles of Agreement.

Well, Congress did approve, as is known. The Articles had to be approved not later than December 31st of 1945. It was touch and go for a while whether this would be possible. There was a good deal of doubt and uncertainty as to whether we would get enough signatures for the Bank and Fund to come into actual being, I was kept busy answering questions. Foreign countries

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would want to know what this article meant, what that article meant. I would refer to the Treasury's interpretation in difficult cases. Finally we were over the top, we had enough signatures, representing 65 percent of the quotas. I kept in close touch with Dean Acheson every few days, telling him we've got this country lined up, we have now 53 percent, and so on and so on. It was a great day when I was finally able to tell Dean with a good deal of enthusiasm, "We're over the top, we've got our 65 percent. There is definitely going to be a Fund and a Bank." Of course, he was greatly pleased, too.

Then we set up a signing ceremony. First it was suggested December 28th, and I said, "Let's put it December 27th, a day earlier, giving a little more time before the deadline, the end of December, for laggard countries to become original members."

So, on December 27th we had a signing ceremony set up in the old State Department, which is now the Executive Office Building. Dean Acheson

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presided. Vice President [Henry A.] Wallace was present and we invited various other Cabinet members and top officials from our Government. The Fund and Bank became legally in existence on that date.

The Danish minister was present but was unable to sign because of the status of his country. Denmark, occupied by the Nazis during the war, had not had a government in exile like other countries. The minister, having broken with his Nazi controlled government, was at Bretton Woods in his personal capacity. The minister and Dean Acheson both made comments explaining that Denmark would sign as soon as a few legal matters were straightened out.

Then, in March of '46 we all went to Savannah, Georgia, along with other signatory countries, and the Fund and Bank were actually organized. The executive directors were provided for. The big argument there was over the salaries of the Executive Directors. That sounds rather stupid

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for a big argument, but there was an important issue behind it, namely whether the two institutions would operate as independent supra-national authorities. The United States wanted strong institutions and therefore high salaries so as to get the most competent senior people throughout the world as Executive Directors. The British wanted a low salary schedule with the real authority to be the Treasuries and Central Banks in the home countries. The institutions would then be run by low-level administrators. The British didn't want much power in the hands of the Executive Directors. We did.

Well, Harry White made a very fine speech, a brilliant speech, in favor of the high salaries and the philosophy behind it. Lord Keynes took the opposite position and made a very impressive speech on the opposing view. But of course, the United States at that time was powerful in the world, our prestige was high, and the countries went along with us. The Latin-Americans sided

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with us, of course, and an interesting sidelight occurs to me.

There was a meeting on whether to extend the deadline for the Russians to come in as an original member; and in this committee Pete [Emelio] Collado was our representative. I went to this meeting and sat in the chair back of where Pete was supposed to sit. He was a little bit late in arriving and his chair was vacant. I had no authority to speak since I was not a member of that committee. The Honduran delegate made a strong plea, in favor of not giving the Russians the extra time. Pete arrived, finally, and came out with the reverse opinion, that we thought the Russians should be given more time. The Honduran delegate, [Julian R.] Caceras, was amazed and he turned to me and said, "Oh, I thought I was supporting your position, I didn't know that you didn't want this." And so after hearing the U.S. position, he got up and made a jovial remark. He said, "Who am I to oppose this distinguished

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body. If you all want it differently I'll go along." It shows the support we had from the Latin-Americans.

FUCHS: Yes. Well now, did the Russians participate in the Atlantic City meeting?

YOUNG: No, the Russians did not participate. They never did join the Bank and Fund. We were later quite glad they didn't join when we discovered their obstructionist tactics in most organizations.

FUCHS: Well, were they at Bretton Woods?

YOUNG: They were at Bretton Woods and that's why we thought they might join, and at that time we wanted them to join. But later on we realized it was fine that they did not join.

FUCHS: Weren't they given a quota at Bretton Woods?

YOUNG: Yes, they were given a quota at Bretton Woods and we had a big discussion with them about their

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Bank quota. The plan was to increase the Bank quotas to enlarge the borrowing capacity of the members. We discovered the foreign countries wanted a larger borrowing capacity and wanted larger quotas in the Bank. So, we wanted the Russians to increase their quota, and they wouldn't do it. This went on for several days and they were stubborn.

At the final closing banquet Secretary of the Treasury Morgenthau said that the Russians wanted to make an announcement. They had just gotten word from Moscow and were going to increase their quota in the Bank. It was dramatic. Well, everybody stood up and applauded and there was a very good feeling. Russia had finally come across and increased their Bank quota. One of the Russian delegates was at my table at this dinner and was very emotional about it. Tears rolled down his cheeks with all the approval and clapping, that Russia was finally coming across and increasing their Bank quota.

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FUCHS: What about the Fund? Were they recalcitrant about that?

YOUNG: There was no problem in the Fund; they had agreed to the quota.

I might insert another little incident at Bretton Woods. In one of the committees where we were going over the draft, word by word, in fact this was the Bank draft, we came to the provisions that said that the Bank should give special consideration to loans for reconstruction and rehabilitation of devastated areas. Well, in the drafting, I think it was Eddie Bernstein said that the words reconstruction and rehabilitation were synonymous. He just struck out one of them since we didn't need to have that extra word.

Well, the next day in the committee when this was presented, the Russian delegate said that he noticed that a very important word had

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been left out. He said the "reconstruction and rehabilitation" was reduced to just "reconstruction," and he wanted the word "rehabilitation" inserted.

Eddie Bernstein said, "Of course, you've lost nothing, the two words mean the same thing, and you'll get the same consideration whether there is one word or two there." Others around the table nodded their agreement.

The Russian got up again and made his little speech about the Russian devastated areas, and that they wanted those two words inserted. Everybody sort of smiled and it was again pointed out that they hadn't lost anything, that there was nothing to be gained by having those two words in there. He made his speech a second time, and a third time; and finally Eddie Bernstein smiled and said, "Well, what difference does it make, if he wants it in let's leave it in," so it's in there.

He had instructions and apparently he couldn't change his instructions.

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I might mention an interesting incident. One afternoon I told Will Brown that I was going to be out for a couple of hours and if he wanted a certain paper it was on the table in my room, number 373. At the desk he inadvertently asked for the key to 337 (these numbers are only illustrative). When he was in the room looking for the document Russians walked in from an adjoining room. They wanted to know what he was doing going through their papers. Will was very upset by this episode and thought he had creamed an international incident. Nothing happened. I am sure the Russians did not believe his explanations.

FUCHS: What do you think happened between the time of Bretton Woods and the time of the signing that caused the Russians to back out?

YOUNG: Well, I think they probably realized that, there was not a great deal in it for them. Their system

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of a socialist economy was somewhat inconsistent with the plans of the IMF which were based upon the free market. But I think probably the main consideration for the Russians was the requirement of information. The members are required to give the Fund a lot of detailed statistics about their economic condition and so on. The Russians would not tell much and particularly about gold; they were very close-mouthed on the amount of gold they had. I think it was probably the information provision that discouraged the Russians as much as anything.

FUCHS: I see. Was it possible to be a member of the Fund and not the Bank or vice versa?

YOUNG: No, a country had to be a member of the Fund in order to be a member of the Bank. That meant that the Russians would have to give information if they wanted to get access to the Bank, and I think that probably was the determining factor for the Russians.

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FUCHS: I see.

YOUNG: Another angle of the IMF episode that occurred, was where the IMF was to be located; it was to be in Washington, but just where. After the Savannah meeting, Bud [Roman L.] Horne, the secretary, opened a little office in the Washington Hotel, and that was the headquarters of the IMF. Until then I guess that my desk was as much the headquarters as anything. I got a lot of mail directed to the IMF care of the State Department, which came to my desk asking for jobs and employment, and one thing and another. I turned these all over to Bud

Horne. I was asked if I wanted a job with the Bank or Fund, but decided to stay with the State Department where the field was broader.

A question was what kind of a building could we find for the IMF and the World Bank. The United States came up with a building at 18th and Pennsylvania Avenue, the southeast corner, an old building, not very attractive, and they

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were assigned space somewhere on the upper floors.

Harry White was not very happy about this building and he and Morgenthau went to call on President Truman. They told him this was no way to treat an international organization, to give them second-rate quarters, and Truman agreed. They were going to open up in a few days. Time was short. President Truman said, "Well, what's the best building in town that we can give them?"

And Harry White quickly spoke up, "Well, that building at 1818 H Street, the State Department has the top three floors; that's really the finest building. It was built just before the war, an air-conditioned, modern building, and we should give them that." In view of Harry's dislike of the State Department I think he was glad that it was a State Department office to be vacated.

Well, Truman said, "Yes, that's a good building, we'll do that." And the order went out to vacate the top two floors of the 1818 H Street

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building. My office was on the 10th floor, the top floor. I had a very fine office there with a private lavatory and so on. This was about the middle of the week. If my recollection is clear, the IMF was to open up Monday, and I came down Friday morning and found my furniture out in the hall. I said, "What's going on?"

A mover said, "Well, the President has ordered us to clear out this floor and make way for the IMF. We have an office for you down on the 9th floor." I went down and found it was all right, a nice office. Some people on that floor were required to double up.

So, the IMF opened up there in the 1818 H Street building, and of course, since then expanded in that block and across the street. That was how they happened to be located at that particular place.

FUCHS: Now, was this after Savannah or...

YOUNG: This was after Savannah. I might add that this

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story about the meeting with President Truman came to me by word of mouth. I think it's accurate and that the, meeting between Harry White and Morgenthau and the President took place as I described.

FUCHS: Yes. I think that Lord Keynes outlined a somewhat larger plan for development, didn't he, at the time, and I wonder how you and your contemporaries viewed that.

YOUNG: You may be referring to the clearing union plan of Lord Keynes. This provided in its original form, for almost unlimited drawing rights by any member country on the Fund. We felt that the United States, being the principal source for money at that time, couldn't go along with that. So, later on it was whittled down. We had these arguments with the British during many sessions, and finally it was whittled down to the present provision that each country has a quota, and its drawing rights are based on the quota.

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And there were some provisions at that time that I didn't really care for, the provision on exchange rates, for example, that flexibility was outlawed, floating rates were not possible. But by and large, I think most of us were pretty well pleased at that time, and satisfied with the provisions.

FUCHS: Aside from the ones that you just mentioned, in hindsight to what extent do you think the Bank and the Fund were too small, too limited for the job that was to be done then?

YOUNG: Well, in retrospect, they were. At that time they were pretty sizeable institutions, but as time went on it became clear that they needed more funds, and so the quotas were expanded several years later. The quotas were increased. There was provision in the Articles for such increase. And now the Fund is again needing an adaptation to changed conditions. At that time, the fear was

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more of a postwar depression than inflation.

Some of us did not agree to that prospect; we didn't feel that a 1932 depression was in the cards. But the general feeling was we should be guarding against a postwar major depression, which of course, did not come about. I think the Articles reflect concern over historical conditions more than looking ahead. The memories of the thirties were still pretty fresh in people's minds. But on the whole, of course, I think the Fund was a very progressive move forward. It represents an accomplishment in international cooperation, which up to that time seemed almost impossible.

Here we got the major countries to agree to put up a large sum of money and sign off on certain sovereign rights which were given to this international organization, such as they couldn't do this, or that, without the approval of the Fund. In that respect it was really a significant milestone in international cooperation. You can do things in an emergency that you can't do in

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normal times. I don't think that we could possibly have gotten the Fund in normal times.

FUCHS: I see. Did you feel that in view of the conditions in Europe that there could have been more haste in getting the Fund underway, or do you think that they made just about as good a time as was possible.

YOUNG: Well, the Fund couldn't do much in the first years after the war, there was so much chaos in the monetary field in Europe, and the philosophy of the Fund was really based on more normal conditions. So the Fund in the early days was rather inactive. It had little to do, and there was even criticism whether there should be a Fund.

In getting the Fund articles approved by Congress, we encountered the opposition of the banking fraternity in this country. Of course, the banking fraternity opposed creation of the Federal Reserve System very vigorously. The major banks agreed that the World Bank was all

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right, but they didn't like the Fund. A delegation of major bank officials came down to talk to Morgenthau at the Treasury (I was at that meeting). They opposed vigorously the United States committing itself to the Fund. But in spite of the opposition we put it over. Of course, the banks now are thoroughly behind the Fund; they recognize that it's a very useful institution.

FUCHS: Did they put forth quite a bit of propaganda in other ways about this?

YOUNG: I don't think they were unusually active. They were opposing it; it wasn't a life or death matter, but they were positively opposed to the Fund, and were actively opposed to it. But we put it over anyway.

FUCHS: Well, there was, I don't know whether you would call it a counterpart organization, called the International Settlements...

YOUNG: The Bank for International Settlements.

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FUCHS: The Bank for International Settlements. Were the principal banks and financiers in this country pleased with the operation of that?

YOUNG: Well, the Bank for International Settlements, headquartered in Switzerland, during the war was taking actions favorable to Germany, particularly in regard to gold. They turned over to Germany assets of the countries overrun by Germany, like Czechoslovak gold. These were assets that these countries had with the Bank for International Settlements, the BIS, in Switzerland. That was particularly objectionable to Harry White; and at Bretton Woods he forced through a provision for the liquidation of the BIS, against the opposition of the Europeans. But the BIS was never liquidated. At that time the United States was so strong internationally -- we had tipped the scales in winning the war, were the wealthiest country, not devastated by the war, politically powerful -- that anything we wanted, practically

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anything, we got. So the provision to liquidate the BIS was adopted. Although some of us didn't agree with Harry White, we let it go by; not much we could do about it anyway.

FUCHS: From what you've said the principal, you might say, opponents we had in the early meetings were Russia and Great Britain. Were there any other countries that caused some consternation?

YOUNG: Well, I wouldn't say the Russians were excited about it. They took an interest in the proposal. Our main discussions were with the British. They were very worthwhile discussions and solid, cooperative. The British had a lot of good ideas, and contributed much to the final document. One of the main differences between the British and the Americans was that the British visualized the Fund more or less as an automatic fund. Member countries would have a right to draw, write a check and draw the money out like you do in a bank. We visualized the Fund as a discretionary

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Fund. It would operate like a bank in denying credit and supervising, seeing that the country lived up to the conditions.

That was the main difference in the philosophy. The British wanted the main authority to reside in the capitals of the countries, and we visualized the Fund as having a lot of authority and discretion and not an automatic agency.

YOUNG: That refers again to the salary situation you see.

FUCHS: Do you recall much about the composition -- how did you happen to be selected for the Savannah delegation, and who else was on it?

YOUNG: Well, I think most of us who had been working with the Fund from the early days on Harry White's committee, went to all of these meetings: Atlantic City, Bretton Woods and Savannah, and then the

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annual meetings in London and so on for years afterwards. The meetings were very worthwhile and brought the countries together, the principal officials of the countries. I think that was in itself a fine thing, to get these high officials meeting face to face and getting acquainted with each other, and discussing things at lunch and so on.

FUCHS: Well, the Atlantic City meeting, did that really iron out most of the substantive matters before you met at Bretton Woods?

YOUNG: Yes, I think the things were pretty well settled there. The Savannah organizational meeting settled the question of the salaries and the automaticity of the Fund. The two speeches there, opposing speeches by Harry White and Lord Keynes, were brilliant speeches. After the closing meeting there, we went into the dining room for lunch, and when Lord Keynes came in we all stood up and sang, "For He's a Jolly Good Fellow."

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The feeling was very fine at the end of the meeting.

FUCHS: There's some indication in the papers of Secretary of the Treasury John Snyder which we have at the Library, that the annual meetings of the Fund were largely social affairs and that not too much was accomplished.

YOUNG: Yes, I think that's correct in the early days. The meetings were largely social affairs. They served the purpose of helping these people get acquainted with each other. But it was pretty much routine as to what happened; approval of the actions of the directors, and so on. Little by little over the years major questions were brought up. But in the early days the annual meetings -- well, you see, during the early days the Fund was not doing very much, because the European countries were so devastated and the exchange rates were so chaotic that there wasn't much the Fund could do. The Fund was designed to operate in more normal

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times. Its resources were not for reconstruction, which was the job of the Bank.

There was a gap in the planning of the two institutions. The need after the war was for grants since the countries were devastated and unable to service loans on conventional terms. Neither the Fund nor the Bank could meet this need. The need was later met by the Marshall Plan. My plan for a bank had provided a special fund available for reconstruction on lenient terms. But Harry White threw it out.

FUCHS: Was there a feeling that most of the decisions that were made and made beforehand, were made by the United States?

YOUNG: Yes, the United States really controlled the Fund and the Bank. We had about one third of the voting quotas. Later on that became somewhat objectionable to the Europeans -- the French, and so on. The Fund was located in Washington, two

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blocks from the White House. The United States was really running it, but little by little that was changed.

In regard to the Bank, the Bank was not making any loans to Latin America, and the Latin-Americans were not very happy about it. At the London annual meeting, that was in 1946, the Latin-Americans were getting together. They had a little meeting among themselves, and were going to propose that there be a policy committee organized among the governors; the idea was to increase the interest of the Bank in Latin America. They felt that the Bank was not interested in Latin America.

Well, I got wind of this meeting and told Will Clayton, who was our representative (I was alternate to Will Clayton at that meeting), what was going on, and he talked to Lew Douglas who was our ambassador to the UK at that time, and to Jack McCloy who was president of the Bank. So they got together personally with the Mexican –

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Monteros -- who was organizing the Latin-American group, and told him that if they would call of their plans the Bank would make a loan promptly to a Latin-American country; and they did call it off. Subsequently, McCloy went down and toured Latin America, and a loan was made to Chile; so the Latin-Americans felt a little more happy about the situation.

FUCHS: Why hadn't they been getting loans?

YOUNG: Well, I can't really answer that. I suppose the Bank was concerned with other things, especially Europe, and had just not gotten around to realizing that the Latin-Americans needed loans and wanted loans, and when it was called to their attention the Bank immediately remedied the situation. The Latin-Americans had wanted an Inter-American Bank. The U.S. had supported the plan in the late thirties, but dropped support in favor of the World Bank after we were in the war. The only reason there was not an Inter-American Bank

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established before the war, was because Senator Carter Glass, who was chairman of the Senate committee, asked that action be deferred until his return. He was ill and I believe never did return.

FUCHS: What was happening, or going on in your Division of International Finance when Kennan and his Policy Planning Staff were working on the Marshall Plan? Were you consulted?

YOUNG: Yes, I attended a series of meetings at the Treasury on the Marshall Plan. There was very little liaison, as I recall it, between the Marshall Plan people and the IMF -- the U.S. people who were planning the Marshall Plan. Dean Acheson of course, was the real author of the Marshall Plan, and the IMF was quite inactive, and the World Bank was not particularly active. I think the Fund and Bank on the one hand, and the Marshall Plan on the other, were pretty much separate operations at that time. The Fund

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decided at U.S. initiative that countries participating in the Marshall Plan should borrow from the Fund only in exceptional circumstances. The idea was to conserve the Fund's resources for later use. The Marshall Plan was largely politically motivated, to help Europe get on its feet without going Communist.

FUCHS: Well, what was your position in the Division of International Finance? Were you directly working on the IMF and the Bank or...

YOUNG: Yes, I was given the title Adviser to the Department on IMF Affairs, and so I really was the contact between the IMF and the State Department, and this went on for several years. Then later on I became chief of the International Finance Division and my title was changed. But I was the principal State Department officer concerned with IMF affairs.

FUCHS: Did you at any point get rather involved in

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ERP plans?

YOUNG: I attended meetings at the Treasury, but was not very actively involved.

FUCHS: How did the Marshall Plan affect the IMF, do you feel?

YOUNG: Well, the IMF agreed not to make any loans to European participants while the Marshall Plan was going on; later on the IMF became active. But it was clear that there was no role for the IMF at that particular moment according to the purposes of the IMF, so the IMF was really quite inactive. They weren't earning enough money to pay their administrative costs for a while.

FUCHS: I believe that Secretary Acheson, probably then Assistant Secretary, eventually came to feel that trade and not aid was really the appropriate means to restore some sort of health to the international community. To what extent do you think that that was true, and at what point did he arrive at this?

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YOUNG: Well, I think it was very logical and correct, within limits, a correct philosophy that trade is much better than aid if you can get trade going. There's no question about that, if you can support yourself by trade it's better than having a handout. But at that point trade was not very feasible for some countries and aid was essential; it was necessary that we come to the aid of these countries even though it was much better if it could have been through a trade basis. But the aim should be to end the need for aid. That is what Dean had in mind.

FUCHS: Yes. The advent of the Korean war, how did that affect your position in the Division of International Finance?

YOUNG: Well, I don't recall any major changes. Our work went on pretty much as before. Nor did the Korean war have any great effect on the operation of the IMF.

Several years after the war I went out to

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Korea and helped them work out a reform of their foreign exchange system. It was in a mess, full of corruption and a serious drag on their economy. The reform, which devalued the currency to 1300 won to the dollar, was a major turning point in the Korean economy.

FUCHS: You felt European reconstruction was really going forward even in spite of the outlays of the Korean war and NATO, too, I suppose.

YOUNG: Yes, I think so. The IMF became increasingly active as the countries of Europe and the world in general recovered from the effects of the World War. Then there was a real need for the IMF and the countries' return to more of a free enterprise system, not completely, but enough of it to permit the philosophy of the IMF to be valid.

FUCHS: Dr. Young, you have told me that you also attended the U.N. conference of organization in San Francisco.

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YOUNG: Yes. Charlie Taft was to be a delegate. One day -- he was in the State Department at that time -- he called me and said he couldn't go, would I like to take his place. So I went to San Francisco, as a member of the U.S. delegation. I found the situation there completely overstaffed, an enormous herd of people from the United States, an unwieldy organization. I was on a committee that met with representatives of various national organizations, to hear their views and William Green, president of the American Federation of Labor (AFL), James Carey, chairman of the Congress of Industrial Organizations (CIO), people from the U.S. Chamber. of Commerce, etc, to discuss polishing up economic provisions of the Charter of the U.N.; we were concerned in particular with the economic provisions.

When I was working in the Economic Studies Division of the State Department during the war, I was working on plans for economic provisions in the U.N. Charter. I drafted a proposal for an economic and social council of fifteen members. This was later

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changed to eighteen members. I believe that was the first proposal for an economic body within the U.N.

The political studies group in the State Department were the ones primarily concerned with the overall Charter, and our economic studies group was concerned principally with economic provisions for the Charter. The original proposal for an Economic and Social Council was turned over to the political studies group. I wanted the Council to have power to make recommendations to individual countries. But Leo Pasvolsky felt this was going too far. He was afraid of it. He did not want the Council telling us what to do. I think he was afraid of Congress opposing the Charter. He solved the problem by inserting the word "the" in front of "members" to read "the members" and said this meant that recommendations could be made only to members as a group. This is the way it stands in Article 62(1).

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FUCHS: What was the name of your committee in San Francisco?

YOUNG: I'm not sure what the committee's name was. We were meeting with various private groups who had an interest in different provisions of the U.N. Charter. But the whole situation there was rather confused. Leo Pasvolsky was the one who, of course, was representing the major U.S. interest at the top; he and Secretary Stettinius. Some of us didn't like the veto provision in the U.N. in the Security Council, but as Leo pointed out, and we couldn't disagree, the Russians would never come in without the veto. It was doubtful also whether the United

States would accept it without the veto, and maybe we shouldn't accept it without the veto. Leo's position was that the United States would not accept it without the veto.

So, while none of us liked the veto, we recognized that it was necessary to have the veto in the Security Council, or we wouldn't get

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the U.N. and almost certainly wouldn't get the Russians into it. So, that question was not very active.

FUCHS: Any anecdotes? Some of your anecdotes have been very enlightening. I wonder if you recall any at San Francisco?

YOUNG: Well, I don't recall anything special. The Russians took a few of us to lunch at the St. Francis and then showed us some pictures of the Russians resistance to the Nazi's attack on Stalingrad, a very vivid, brutal picture of the battle to protect Stalingrad.

FUCHS: Did you get the impression that by exposing you to these pictures, they were trying to just entertain you, or rather give you some idea of their might?

YOUNG: Well, I think perhaps a little of both. They wanted our goodwill, and to impress us with the power and importance of Russia; what they had

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done in stopping the Nazis. I think that was a factor. We had friendly relations there with the Russians. We didn't have very intimate contacts with them, but they were cordial.

A matter of possible interest is that at the Hotel Sir Francis Drake, where I was staying, Norman Ness of the Treasury had a room down the hall. Norman was an old friend of mine from California for 20 years or more. Harry White had previously occupied the room Ness had. One day a letter addressed to Harry White was delivered to Ness there. Ness also being from the Treasury opened the letter. Ness was shocked to find that the letter contained some highly sensitive top secret information entirely out of White's field. Ness told me it was information White had no right to know. He gave the letter to the security people and not to White. Ness was very disturbed about it.

FUCHS: Did you have occasion to see President Truman when he came out them for the signing?

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YOUNG: No, I was recalled to Washington before the conference was concluded. I got a telegram that there were some matters pending and could I come back. So I did. I was not at San Francisco for the final conclusion. Ralph Bunche offered to send a telegram that I was needed in San Francisco, but I felt I better go. I flew in an old DC-3 with three stops for refueling. This was when commercial flying in this country was just beginning to be developed. There was a lot of bureaucracy at that time and loose spending of Government funds for travel and so on.

FUCHS: You've already remarked that the delegation was vastly overstaffed. Where did you think they might have trimmed some fat away?

YOUNG: I wouldn't want to name names or particular areas, but apparently anybody of any standing in Washington who wanted to go was allowed to go. We had a special train which went from Washington

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to San Francisco. I recall how the foreigners were impressed. It took us five days to cross the country and these foreigners were impressed with the length and breadth of the United States. At the various stations out West where the train would stop, the local town people came out en masse at the station to greet the train; and as we got off to stretch our legs for a few minutes, we were besieged with all kinds of people who wanted our signatures and so on. The foreigners enjoyed it thoroughly I think, the experience of traveling across the United States on this train.

You asked for anecdotes. I was unable to attend the London inaugural meeting of the U.N. in October 1945 due to a bout with the flu, which kept me in Washington. But I was told that the debate over whether the U.N. was to be located in San Francisco or New York was settled in the committee in favor of New York by one vote; that a Latin-American member who favored San Francisco

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failed to appear because he had a big night on the town the night before.

FUCHS: Now, Roman Horne I believe had the principal responsibility of setting up the Savannah meeting which organized the IMF and World Bank. Do you have any observations about him or anything you recall particularly about the Savannah meeting that might be of interest?

YOUNG: On the way back from Savannah Lord Keynes had a heart attack on the train, and at breakfast in the diner I was told that Lord Keynes had had a heart attack that night on the train. That was from Savannah not San Francisco. He died not long thereafter.

Horne, as you recall, was a competent person, did a good job in starting the Fund and stayed with it for a good many years. He was very active in the early days of the Fund in a good many ways.

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FUCHS: Do you think the Fund has had the support it should have had over the years?

YOUNG: I think it has. I think the Fund has been recognized as a vital agency. Some of the foreign countries, Latin American, and some of the underdeveloped countries, were not very happy with its rather rigid standards for countries that wanted to borrow. They wanted to borrow money with loose financial policies and the Fund insisted on their doing certain things if they wanted access to the Fund's drawing rights beyond the first tranche as it was called. The quota was divided into tranches and the first 25 percent, which was paid largely in gold, was more or less automatically available to the country. They could borrow that, but beyond that as they borrowed more and more the Fund got more and more strict as to the financial

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policies being carried out by the members. The less developed countries were not happy about that.

The question of the appropriations of Latin-American exchange rates was a sensitive matter. The IMF was faced with the problem of whether to accept these rates as the official par values. I made a swing through Latin America in 1946 to look into these exchange rates. We wanted to know what position the U.S. should take on individual countries.

FUCHS: What about Point IV? Did you become involved in expenditures or plans for that in any way?

YOUNG: To a limited extent. It was centered in the State Department and [Samuel P., Jr.] Hayes was made the focal point for it. I was in close touch with Sam in many matters about the program and its concept, but I would not say that I was very active in the Point IV program. I thoroughly approved of it, and in fact was delighted when

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President Truman announced it in his inaugural address. I heard it with strong approval.

FUCHS: Do you think that the comparatively few millions that we have invested in it have yielded good returns?

YOUNG: Yes, I would say so, I don't recall any particular waste of money; there probably was some, but by and large the, whole thing was good, and I was glad when it was later expanded and given resources to lend, that is the AID program, which came out of the Point IV program. The AID program, however, has had a number of shortcomings, although the objective is right.

FUCHS: Would you care to comment on the proposition that "dollar diplomacy" was not really an appropriate approach to political problems after World War II, as some people have characterized our policy.

YOUNG: Well, when you say "dollar diplomacy," I wonder what in particular you have in mind. I would

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question whether there really was much dollar diplomacy as it had occurred much earlier in this country's history, toward Nicaragua and so on.

FUCHS: Yes.

YOUNG: I was familiar with it in Nicaragua and in fact I wrote my doctor's thesis at Princeton on the monetary currency system of Central America, and spent a lot of time in Central America during the so-called dollar diplomacy period. Many years later I was adviser to the Central American Common Market on plans for monetary union. But the earlier dollar diplomacy in Nicaragua and Haiti, and so on, I think was quite different than what you referred to pertaining to the post-World War II period.

I would question whether there really was much dollar diplomacy in that earlier sense, when Nicaragua was sometimes called the Republic of Brown Brothers and Company (New York bankers).

FUCHS: Apparently in a different sense...

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YOUNG: Yes.

FUCHS: You felt that most of our postwar expenditures were more altruistic?

YOUNG: Well, our political and financial power were used quite differently in the post-Second World War period. They were not used so blatantly for the benefit of private corporations, incidental to legitimate and altruistic goals. It was our economic power, and we were influential in the GATT, for example, setting up the GATT, the IMF, the World Bank, and other international agencies, but it wasn't in a narrow sense on a dollar basis; it was because we felt it was right. In spite of benefits to American business the Marshall Plan was a humanitarian effort aimed at reconstruction and the blocking of Communist expansion in Europe.

The Export-Import Bank loan of 100 million dollars to Italy was at a time when a Communist takeover there was a real threat. I attended a meeting at Treasury where Bill Martin, president

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of the Bank, questioned the legal authority of the Bank to make such a loan. Cabinet officials present argued that there was too much at stake not to make the loan. I understand that the decision to make the loan was made by President Truman.

And it wasn't helping the New York banks like we did in Nicaragua. We helped Nicaragua in a material way; there are two sides to the question.

FUCHS: Do you have any comments about the loyalty program that came out of the Harry Dexter White case and others? The employee loyalty program, which of course, affected the State Department?

YOUNG: Well, the McCarthy period was pretty disgraceful; and the way they assumed that the State Department was full of Communists. Also, the way Secretary Dulles felt he couldn't support the State Department, perhaps for political reasons he considered necessary of keeping on good terms

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with the Congress; he did not support State Department employees against unfound allegations. That's a period that's not very pleasant to remember -- and Alger Hiss. Of course, the evidence was pretty damaging against Alger Hiss, so that that's a separate matter.

FUCHS: Did you know him?

YOUNG: Yes, I knew him. I wasn't an intimate friend of his, but we had contacts in the State Department. I think the evidence against him was pretty impressive. But he's a very competent fellow.

FUCHS: Have you any comments about Secretary of the Treasury [John W.] Snyder and his handling of financial matters?

YOUNG: Secretary Snyder was a very agreeable person, and competent. I wouldn't say he was the most competent around Washington, but he was adequate for his job and with the help of others he was a

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satisfactory Secretary of the Treasury during that period.

FUCHS: Going back a bit to the Morgenthau plan, which I imagine largely came out of Harry Dexter White. Do you have any reflections on that?

YOUNG: We didn't like it of course in the State Department. It was a reflection, I think, of Harry's attitude on the Nazi's -- Harry was a Jew, and his pro-Russianism. He wanted to make a cabbage patch out of Germany apparently, which to most of us didn't make any sense at all; and I think it was very fortunate that Harry didn't manage to put it over. His giving the currency plates for printing German currency to the Russians was a matter that was discussed and disliked thoroughly. The point was, and I think it was true, he turned over the plates for printing German currency to the Russians, enabling them to flood Germany with currency, and promote inflation. Harry's idea was to wreck the German economy through inflation.

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He did that on his own; I don't think he had authority to turn over those currency plates to the Russians.

FUCHS: Going back a long way -- you were in China a couple of years after the country was more or less unified under the Generalissimo. Do you have any reflections about conditions there and about the Generalissimo?

YOUNG: Yes, it was a very interesting period in China's history. The Nationalists had thrown out the Communists and were organizing the country on a centralized basis. The Generalissimo was in charge, and T.V. Soong was his right hand man in the financial field. He was American educated and worked in a New York bank for a couple of years. They wanted to borrow some money in New York and were told that to float a loan they had better reorganize their finances. So they invited Professor Kemmerer of Princeton to bring a couple of people with him to do this.

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I had been a student of 'Kemmerer and had taught there on the faculty at Princeton, and he invited me to go along. He also invited my older brother, Arthur Young, who was also a student of Kemmerer, took his Ph.D. under Kemmerer at Princeton, and who at that time was the economic adviser in the State Department. So, a group of about a dozen of us in different fields, accounting, customs, and taxation -- that was my brother Arthur's field, public credit -- and my field was currency and banking, went out there. We were very cordially received by everybody in Shanghai. Government officials were anxious to reorganize the whole economy. Our experience there was a very pleasant one. When the Nationalists took over the south, the Canton area, I accompanied T.V. Soong to that area to take over the Central Bank and currency system. If it hadn't been that I later got sick with hepatitis, and my wife had typhoid, I think I would have stayed on. I was invited to stay on. My brother Arthur did stay on for a good many years

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and China made a lot of progress. The Nationalist Government was doing very well until attacked by Japan and then they had to devote their energies to fighting Japan, including during the World War. Inflation got out of hand and the rest of the story is pretty well-known, but I don't think the Nationalists have been given enough credit for what they accomplished in that period until the war took over.

FUCHS: Did you feel that there was a great deal of corruption in the Government, initially?

YOUNG: Well, of course, historically China has lived on corruption. It is commonplace in most countries. The squeeze they talk about; it was accepted that every official was probably squeezing, taking something on the side. The story went around that one of the governors of the provinces told his people not to squeeze more than 10 percent, that that was the limit. So, it's hard to say that corruption sank the government, there was corruption, no doubt about it. But it was pretty universal at that

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period throughout the Far East; and the Nationalist Government on the whole did a good deal for their country.

FUCHS: How sophisticated were their economists at that time, did they have many European trained economists?

YOUNG: No, they didn't have many Europeans. And, of course, most educated Chinese were trained in the U.S. The British had been helping them, but the British didn't seem to get along too well with the Chinese. I recall that we rented a house from a Britisher who went home to London for an extended vacation. We took over the servants. And one night we invited a Chinese general, General Wu, who was educated in the United States, I think he was a West Point graduate. When I told the house boy we were going to have a Chinese general for dinner, he was amazed. He said, "Master Andrews never have any Chinese at his table," He said, "You mean Chinese man sit down at your

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table?"

I said, "Yes."

He said, "Chinese man coming?"

I said, "Yes."

Well, when the general came for dinner the servants were all peeking out the door trying to see him; they just couldn't believe that Americans would have Chinese at their table.

FUCHS: When you were with the Board of Economic Warfare, who was the head of it and what was their main problem?

YOUNG: The head of the Board of Economic Warfare I can't name offhand, I was only there a short time. Frank Coe was one of the top officials I knew Frank and worked with him. For example, one day I said to Frank, "If you have any overseas assignment for a short period that you need somebody, I might be interested in taking a short

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assignment overseas."

He said, "Well, the thing to do, decide where you want to go and drum up some project and we'll approve it."

I said, "No, that isn't the idea." I said,

"I don't want any make work. Just if you have a real serious job overseas for a couple of months or something like that, I'll be interested."

He said, "Well, if you want to go, just tell us where you want to go and what you want to do and we'll fix it up." Soon after this Leo Pasvolsky asked me to join the State Department, which I did.

You know, Frank Coe later became Secretary of the Fund, the IMF,, and was apparently a Communist; he took the fifth amendment and then disappeared and went to China. I believe he's still there. He was a close friend of Harry White.

FUCHS: Do you recall any of the other international conferences you attended, anything about any of

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them?

YOUNG: Yes, I attended a number of conferences and annual meetings of the IMF and World Bank. I went out to Morocco twice for conferences.

FUCHS: What years were they?

YOUNG: That was, 1950 was the first one. The problem there was an old treaty that we had with Morocco which provided exemption for Americans from tariffs and other restrictions, exchange restrictions and so on. After the war some of the GIs stayed there and were importing a lot of American washing machines and appliances, and ignoring exchange restrictions under the authority of this old treaty; it was causing a good deal of friction within the government there. I went on rather short notice. One Friday afternoon, I got a call, "We're having a meeting in Casablanca Monday, can you go?" I was told what the problem was. They thought we ought to have an economist there at this meeting.

Well, I went to this meeting and recall that the American consul had all of the principal American businessmen at the consulate one morning sitting around there discussing the problems. The consul said, "I don't know how you do this -- violating the law -- but," he said, "I know it's causing a lot of problems for us."

An American spoke up and said, "I'll tell you how we do it." He said, "I will sell some washing machines here and get Moroccan francs; I'll call up my banker in Tangier and I'll deposit some dollars to my account and there's no paper involved. There's no evidence of anything. I get the dollars in Tangier and he gets the Moroccan francs here; and that's the way we do business."

The second time I was in Morocco was when we turned Tangier over to the Moroccan Government. It had been an international enclave and run by a committee of eight countries, the United States and a number of European countries. The Russians

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were on it, but never sent anybody. We had this conference to turn Tangier back to the Moroccans. We had meetings working out some of the financial problems.

FUCHS: Any problems that arose of significance that you recall?

YOUNG: No, it had been pretty well agreed in advance what the answers to these problems were, and this was more or less a formality in agreeing to certain things which were pretty well worked out in advance. The undercover money which for years had used Tangier as a haven had largely moved out. Tangier was economically depressed. The Moroccans treated us very royally. They took us on a two-day trip by plane throughout Morocco, spent the night in Marrakech and so on, and visited some of the sights in Morocco. When I asked the Moroccan secretary if wives were invited on this junket he said, "Yes, one wife."

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FUCHS: One wife.

YOUNG: He had a twinkle in his eye.

FUCHS: In the conclusion of an article that you wrote in the *Department of State Bulletin* back in '44, you mentioned other actions of the Bretton Woods Conference, and I wonder if you have any other reflections about how these things were worked on or resolved in later days. One was to be a study of the wide fluctuation of the value of silver, a study by interested nations. Was much ever done on that?

YOUNG: I believe nothing was done on that; it was a political question and I'm not aware that anything was done on that; I think I would have known had it been active. Of course, the silver problem came up well before the Second World War, in the London meeting, and the United States took a position to support the price of silver with which most economists thoroughly disagreed. It was a political

[80]
move entirely. I was Economist to the Senate Commission of Gold and Silver Inquiry much earlier. The chairman of the Commission was Senator Tasker L. Oddie of the silver state, Nevada. My work had nothing to do with silver, I was working on the gold and currency problem, but I was in touch informally with the silver people in that work. Fortunately, I had no responsibility for silver. I think if I had been asked to, I would have had to resign from the work.

I was Director of the Commission's Foreign Currency and Exchange Investigation during the period after World War I, when inflation was rampant in Europe. In Germany it took millions of marks to buy a newspaper. My two-volume report contains views of the leading Europeans, including Keynes, on what should be done about gold and the monetary problem.

FUCHS: There was also to be a consideration of the property that was looted by the enemy being

[81]
restored to its rightful owners, and that neutral countries should take measures to keep them from transferring or concealing such property. Was that handled the way you thought it should have been?

YOUNG: Yes, I think that was handled pretty well. The meetings in Brussels were carried on by the Gold Commission there, to try and work out a return of gold to the original owners. Germany took over gold from occupied countries during the war; this work of the Gold Commission went on for a good many years. The Czechoslovak gold was a complicated problem. I think the results on the whole were satisfactory. The U.S. work was carried on in my division; we had a very competent man handling it and I didn't get into it very deeply. Treasury was, of course, active in it too.

FUCHS: Do you think there was enough effort put forward in reducing obstacles to international trade at that time?

[82]
YOUNG: Well, we hoped that the GATT would become a real organization like the IMF and the World Bank, but Congress didn't approve the original Havana Charter, as it was called,

which was finally put into shape in Havana. The business community disliked some of the investment provisions, especially the provision regarding compensation in local currency for properties expropriated. This weak provision was slipped in by our delegation in Geneva without Washington clearance. I was chairman of a group in Washington working on investment and other provisions and was shocked when this was done. So, the GATT was organized by executive agreement and it worked fairly well.

The State Department hoped at various times that we could get a more formal international organization; but the GATT accomplished a good deal in the trade field; the non-tariff barriers turned out to be a main stumbling block. We have succeeded in getting tariffs reduced quite well under the GATT, but the non-tariff barriers are

[83]
still a very important barrier to trade. It's hoped that sooner or later we can deal effectively with those. Measures are underway, as you know, to do that right now.

FUCHS: You mentioned that prior to the U.N. organization conference you had been working on an economic and social council plan, how early was that?

YOUNG: That was in 1943; I was working on that during the spring and summer of 1943; my report was turned over to the other group in the State Department, the political studies group, who were working on prospective political problems after the war, setting up the U.N. and so on. I was in close touch with the U.N. work and was invited to go to London to the inaugural U.N. meeting, but I couldn't go because I had the flu.

FUCHS: Oh, I see.

YOUNG: It was October 1945.

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FUCHS: Were you at the Chapultepec Conference?

YOUNG: No, I had some speaking commitments which conflicted; also my work was mostly in Washington in connection with U.N. economic matters; I was on the fringes of political matters being considered at Chapultepec, which was referred to as a junket.

FUCHS: Were there any other international conferences, such as the one at Morocco, that you recall?

YOUNG: Well, I went to most of the annual meetings of the IMF, which were very interesting. They dealt largely with routine matters, and were mostly social gatherings. We had a good time. That was about all that happened in the earlier days. Later the meetings began considering more serious subject and were significant; but there wasn't much to do in the earlier meetings. The IMF was not very active. It was helpful for officials of the different countries to get acquainted with each other.

[85]
FUCHS: Were there any other things that I should have asked about or touched on?

YOUNG: I don't recall any, at the moment, I think you've covered pretty comprehensively that period. There probably are things that will occur to me, but I don't think of anything offhand that you've omitted.

FUCHS: Well, very good, sir, thank you very much.

YOUNG: Well, thank you.

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