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December 12, 1941

MEMORANDUM FOR THE SECRETARY

The following persons met at my house last evening from 8 to about 10:30 p.m.:

Chairman Eccles of the Federal Reserve Board; Mr. Leon Henderson of SPAB; Mr. Harold Smith, Director of the Budget; Mr. Lauchlin Currie, Administrative Assistant to the President; and the following persons from the Treasury Department: Messrs. Daniel Bell, Blough, Buffington, Gaston, Graves, Groves, Lades, Kuhn, Morris, Odsegarde, Randolph Paul, Tarleau, Viner and Harry White.

I presented the general problem of the timing of the tax program and particularly the question of stressing the savings bond campaign, while postponing the introduction of taxes to be collected at source.

Mr. Paul said it was felt that some additional withdrawal of purchasing power through taxes would be necessary in dealing with the inflation problem. He said that in his opinion it was not desirable to pass a supplementary collection-at-source tax except as part of a comprehensive tax program, since the lower income groups should not be burdened unless the taxes are increased on the higher brackets also. He said that a comprehensive tax program could not be ready before January 15. In his opinion the only method of withdrawal through taxation of additional purchasing power prior to the passage of a comprehensive tax program would be through collecting at source in 1942 part of the income taxes which would be collected regularly in 1943. He suggested that in view of the uncertainty when such additional tax collections would be necessary as an anti-inflationary device and due to the desire not to impede the bond program unnecessarily, it would be desirable to have immediate legislation passed empowering the Secretary of the Treasury, with the approval of the President, to put in force the advance payment procedure, official rates ranging up to 10 percent.

Other members of the group were then asked for their points of view. Mr. Henderson said that due to the dislocations of industry, the pressure of incomes on prices would not be resumed until March and that increased prices between now and then would be due to events which have already taken place and could not be stopped by taxation. He felt, however, that beginning in March,

the pressure of incomes would increase and that larger withdrawals of purchasing power would be necessary. He thought that the plan for speeding up collections might be put in the regular tax bill and then passed separately in case the bill were delayed.

Mr. Currie appeared to be in harmony with this position. He thought that the case for a strong tax bill might be weakened if there was a prior request for discretion to advance the date of collection.

Mr. Harold Smith agreed. He felt that to ask for the authority to collect at source might have the result of dissipating the strength of the movement for a strong tax program and that if delay were feasible, it would be better to include the request for discretionary authority as part of the regular tax bill.

Mr. Eccles discussed the general situation at length, especially the necessity for restrictions on wages and prices to prevent taxes from increasing prices and thus failing to accomplish the desired purpose. However, he appeared to be in general harmony with Mr. Henderson's view. Mr. Eccles expressed the view that the people would not be willing to take a strong tax program until there had been some further inflation.

On questioning, Mr. Harold Graves said that he thought the savings bond program could increase the sales of E bonds from \$115 million to \$400 million a month. Everyone seemed surprised and gratified at this figure, although some pointed out that much of the increase might come from sources other than current incomes of the lower income groups where the effect would be most anti-inflationary. Mr. Graves said that he thought that the presence on the statute books of the discretionary power to introduce collection at source would not materially affect the savings bond program, but that as soon as the collection at source was put into operation, the savings bond purchases through payroll deductions would slump.

There were other elements to the discussion, of course, some of which were rather far afield. The unanimous sentiment appeared to be, however, that it would not be necessary to ask immediately for the authority to collect at source, but that it would be desirable to ask for such authority as part of the regular tax bill.

JRS

December 12, 1941
8:45 a.m.

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RE TAXES

Present: Mr. Paul
Mr. Blough
Mr. Tarleau
Mr. Bell
Mrs. Klotz
Mr. Sullivan
Mr. White
Mr. Kuhn
Mr. Viner
Mr. Graves
Mr. Kades

Paul: We had a very interesting conference last night, as a result of which I will state the result first; we changed our mind.

H.M.Jr: Your mind was fluid?

- Paul: Proving our fluidity, yes.

H.M.Jr: Very good.

Paul: I will tell you what made us change our mind. It is basically this.

H.M.Jr: Now the question is, is my mind fluid? (Laughter)

Paul: I think it will be. Our premises were somewhat shifted. Henderson gave us quite an account of the inflation situation and does not expect any really acute condition until at least March. Lauch Currie and Eccles and I think more or less that Smith agreed with that conclusion.

H.M.Jr: Harold Smith?

Paul: Yes, he was there. So that fact, coupled with the fact that it would be somewhat confusing to come in with an earlier bill, which wasn't the whole program made us feel that it would be

unwise now. Then there was also a feeling based on some estimates of possible sales up to four hundred million a month --

H.M.Jr: Of --

Paul: Savings bonds, that we might make very good use of that period, shooting out a lot of bonds.

H.M.Jr: Who gave you that estimate?

Paul: Graves.

Tarleau: Graves did, yes.

H.M.Jr: Well, if he said four hundred, I will make it five.

Blough: He said it was the first time anybody had succeeded in forcing an estimate out of him.

H.M.Jr: Was he there last night?

Paul: Yes. So that we felt - I have a memorandum here but to my mind it is academic now, because I don't think we ought to go ahead with this isolated bit of a tax program. I think we should concentrate on the bond selling and turn around to the whole tax program. Now, if you can change your mind --

H.M.Jr: Will you (Mrs. Klotz) get me the ammonia, please?

Paul: Here is a memorandum anyway.

H.M.Jr: On what?

Paul: Which you asked me to get in case you don't change your mind.

H.M.Jr: Let's take this fellow (Blough). You were the most active proponent of doing something now. Where do you stand, Mr. man?

Blough: I stand just where I did yesterday morning, with a slight change. Yesterday morning, as you recall, I said that if it wouldn't delay getting this tax, it seemed to me that we ought to give the bonds a chance. If it would delay getting it, that we ought to go after the tax now. Now, in the light of what Henderson said particularly, I gave in my own mind a great deal of weight to what he said, on the fact that we wouldn't have much trouble until March, and then Mr. Daniel Bell pointed out that in March the income tax collections would be extremely heavy, so that might take care of March, anyway.

Paul: Two billion seven.

Blough: And with Harold Smith pointing out that dividing the program would give you confusion in the public mind, I feel that to follow this along as Randolph Paul has pointed out, putting the request for this sort of thing in with the tax bill when the tax bill goes up - Harold Graves says that the adverse effects on the sales of bonds will not occur until the tax is actually collected, so that we have plenty of time to drop it if we want to drop it. In fact, it could be put in as an authority anyway. I am quite in harmony with what Randolph Paul says.

Paul: The point you have attributed to Smith was also made by Lauch Currie, that it would be confusing.

Blough: In fact, I believe he made it first.

H.M.Jr: What would be confusing?

Paul: It would be confusing to have this early bit of legislation and then another entire program. Henderson pointed out that there is going to be a great deal of dislocation in the first two months of the year, a tremendous amount.

H.M.Jr: Well, of course this takes away the biggest

argument that you used on me the latter part of yesterday's meeting, that if I didn't do this, what would Henderson say in three months about my not --

- Paul: That wasn't my point, but it does take that argument away.
- H.M.Jr: But you did say it, didn't you?
- Paul: No, somebody else said that, Mr. White or somebody else.
- Blough: White.
- Tarleau: I think it was Harry White.
- Paul: I don't think it was Mr. White, but it was somebody back in that part of the room.
- Blough: It may have been Viner. Mr. Secretary, Mr. Viner is completely in accord --
(Mr. Bell entered the conference.)
- H.M.Jr: Sit down and back yourself up with two cushions for a shock.
- Paul: He was there.
(Mr. Viner entered the conference.)
- Bell: Shock? I am in favor of it.
- H.M.Jr: Were you there last night?
- Bell: Yes, sir.
- Paul: There is one point that I would like to make. It is a point of detail. That is that in discussing any bond program, I do not think you should commit yourself to any definite date, certainly any date beyond March; and another

point is that this apparent abandonment of this idea we gave you yesterday is not - is only a temporary abandonment. We still feel that that mechanism ought to be part of the Revenue Act, but we don't think it is necessary to go ahead now, at this precise moment.

Viner: You have also raised the point, haven't you, that it ought to be put into our program to the House so that if they go slowly on the main bill we will say, "Well, then, put this through in a hurry."

Paul: That is right. It is a card up the sleeve.

Viner: That was one of the persuasive arguments last night. Who suggested that?

Paul: Henderson.

H.M.Jr: Are you through for the moment?

Paul: Yes.

H.M.Jr: Dan, give me a thumbnail opinion, after listening last night, please.

Bell: I think that the first thing to do is to go all out on a savings bond program, unrelated in any way to the tax program, and nothing to be said about a tax program whatever but to go all out on the savings bond program. Go ahead with your tax program as early in January as possible and not relate it to the bond program and include this flexible provision in the program in a separate title, so that it can be pulled out at any time that it is urgent to put through and put it through separately from the regular bill. Now, when the tax bill goes through, if it goes through in the regular manner, it may and it may not interfere with the bond sales. Certainly if you put the

flexible provision in it will interfere with the sales of bonds.

(Mr. Graves entered the conference.)

- H.M.Jr: Excuse me. Do you (Blough) remember who was there so you could give me a list?
- Tarleau: There were eighteen. I counted them.
- H.M.Jr: Write it down so I can give it to the President.
- Blough: I had it with me. I have dictated a memorandum on the meeting.
- H.M.Jr: No, just the people who were there.
- Viner: I would say it was unanimous, wasn't it?
- H.M.Jr: Put the non-Treasury people first, at the head of the list.
- Bell: As I say, a tax bill might interfere but the tax bill you put through last summer didn't interfere materially with your bond program, but when you put in the flexible provision I don't think there is any doubt --
- Graves: When you put it into effect.
- Bell: Put it into effect. Putting it into effect might interfere with the bond program, but so what? There isn't anything to do but to go ahead and put it in, I think, and use a little more pressure on the bond program. When you come around to collect your taxes, even though you don't put in the flexible provision for 1943, I think it might have some effect. I am not so sure that your March sales this year and your present bond program won't fall off and you might get some redemptions on your savings bonds. The people won't have the cash with which to pay their taxes. I think you will have that even

in greater volume in '43, if you go through with a regular tax program and the bond program. I think this is a good program.

H.M.Jr: Harold, give me - well, now, give me your opinion of last night's meeting.

Graves: I agree with Dan.

H.M.Jr: Was Kuhn there last night?

Graves: Yes, he was, and Odegard.

Viner: And Gaston and Kades.

Bell: Harry White.

H.M.Jr: Well, would you (Graves), while I am over with the President, you and Kuhn and Odegard get together beginning to write my outline for my statement.

Graves: At Chicago?

H.M.Jr: At Chicago, so when I come back from Cabinet or any time this morning after Cabinet I could see it. Do you see what I mean?

Graves: Yes, sir.

(Mr. Sullivan entered the conference.)

H.M.Jr: What happened to the Army truck?

Sullivan: Oh, that was here on time. That is all I agreed to, is to have the Army truck here. I am sorry I am late.

H.M.Jr: Did the machine gun freeze?

Sullivan: No, sir, it is working very well.

H.M.Jr: You know, John, all I kept watching this morning was the clock, and I said, "My God, I have got to get there before John." I just got here as the clock struck a quarter of nine.

Sullivan: They told me eight forty-eight.

H.M.Jr: It is all right. You are a slow arriver, but an early starter. Go ahead.

Graves: Well, I had finished. You had just told me to get together with Kuhn and Odegard.

H.M.Jr: But on last night, did that register, to have something for me?

Graves: Yes. I think I understand.

H.M.Jr: But as to last night?

Graves: Yes.

H.M.Jr: All right.

Jack, I will give you a chance to catch your breath. I will tell you what I would like you to do--

Viner: The lesson I drew from it is that it always pays to take another chance to listen to some other fellows because we were pretty set here, and yet the minute these other arguments began to be made they clicked with us, and they didn't have to persuade us. I think we all immediately saw that that seemed to be the right strategy.

H.M.Jr: Well, you didn't hear Paul make his report. I would like to get your impression, from your mind.

Viner: As to what they thought you ought to do?

- H.M.Jr: As to the arguments for changing your position yesterday. What impressed you, why you should change?
- Viner: After all, all that was changed was the question of Congressional strategy and of impact on the Defense Savings Bonds thing. They all accepted the idea as a good idea, but they didn't think we ought to introduce it now as a separate bill. Some thought it would affect the Defense Savings sales. Others thought that we mightn't be able to get it through quickly so that we would be taking up the attention of Congress with what, after all, is a small measure and then when we wanted the big measure we would have spent all our ammunition. That was one of the arguments used. Then somebody came along later with the idea, put it into the bill. Push them on the bill, mention the whole tax program. Push them on the whole tax program. If they are slow and if you are not getting results, then tell them, we will yank this Title 2 out, if that is what it is called, and pass that in a hurry if we need it to stop inflation, and then you might get it faster that way than if you submitted it in the penalty. Whereas if you submitted it in the penalty, Congress might say, "Is that what Treasury thinks is a tax program?"
- Paul: I wish you would explain to the Secretary the impact on the economy idea too, because you are better able to do that than I am.
- Viner: Well--
- Bell: Henderson's idea?
- Viner: Yes, Henderson surveyed the economic situation and he indicated that the present situation plus the impact of the transfer from civilian to military use will probably make a bad January and a bad February from the point of

view of employment, not a bad one but somewhat of a little slump. In any case, that in those two months there is no inflationary danger. He thinks that the danger may come in March or in April and at that time we may begin to need it, but that there isn't any immediate urgency, he thinks, in January and February. He says on the contrary the February sentiment, business sentiment, will not be inflationary. They will see the effects of the priorities, of the lack of metals in the civilian industries, of unemployment for that reason. He thinks that in March or April there will be a very big pickup and that then we may really see the inflationary forces working fast, but he doesn't see any very immediate urgency.

(Mr. Kades entered the conference.)

- Viner: He did make some comments in one way or another about how quick action you could get from Congress on any type of measure, and therefore I thought that on the whole he felt that you had better get your stuff in as soon as you can because you can't count on very quick action. I gathered from him that he would want us to push ahead on our tax program as soon as we can because he would want it in effect at least by April if it possibly could be. Wasn't that the impression you got?
- Blough: Distinctly.
- H.M.Jr: By April?
- Bell: Yes, by April he said. He thought that was about the deadline.
- Viner: That if you didn't get it then, then there would be a dose of inflation at that time which would be so much into the pot that you couldn't get back.

- Paul: I think one other point of strategy was made by Eccles, if I remember it correctly. It was that there might be a little inflation which would be a good thing to help you get the tax bill through, that you could take a little.
- H.M.Jr: We have got a little now. Maybe we have got quite a little now.
- Viner: I wouldn't plan to take it. I wouldn't be shocked if it occurs, but I would plan not to have it if you possibly can.
- Paul: Well, I don't think Henderson guarantees that we won't have a little.
- Blough: He said we would have price rises in January and February, but they would be due to conditions which have already occurred and not to the pressure of purchasing power.
- Viner: In other words, the retailers begin pricing on the basis of the prices they are now paying on their stocks and that will show up in the retail prices in February and March. That is already done.
- Bell: He also said that if we could increase Savings Bonds as much as a hundred million dollars a month, it would be a tremendous help in this next few months, and April and May.
- H.M.Jr: That is easy.
- Graves: He came to me afterward and told me that he was very much impressed with the possibilities of this bond program, and incidentally, he said that if there was anything in the world that his organization could do to help that program, he wanted us to call on them.
- H.M.Jr: John?

- Sullivan: I think the big thing I got out of it was that the four guest stars all agreed that there wasn't any gun to our head and wouldn't be.
- H.M.Jr: Who were they?
- Sullivan: Harold, Leon, Marriner, and Lauch.
- H.M.Jr: Currie, Eccles, Henderson, and Smith.
- Sullivan: And they were unanimous that there wasn't anything too bad that we had to fear for three months, maybe four.
- Now, as Randolph just indicated, Marriner, I think, would like to see a little inflation.
- (Mr. Kuhn entered the conference.)
- Sullivan: I didn't think the discussion on the strategy was any too brilliant, but that is entirely aside from the point. They were in accord that we had that much time to turn around in.
- H.M.Jr: Well, where are you this morning as to your recommendations to me?
- Sullivan: Well, I think that we have got to present the entire program, that whichever plan you decide to adopt must be a part of that and that you have got to recognize all the way along that a situation may arise in which this collection at the source may be separated from the rest of the bill and rushed through as a - one part which, because of conditions, has to be hurried ahead of the other part.
- H.M.Jr: Well, I am awfully glad I suggested having that meeting last night.
- Sullivan: Oh, it was a very good meeting.
- Paul: I hope it will--

H.M.Jr: Our yesterday meeting, the meeting last night, the President this morning, and these two men for lunch, it is a good program.

Paul: I hope it will teach us a lesson that we can get a great deal of help from those people. They are very helpful.

H.M.Jr: Tarleau?

Tarleau: Well, out of the meeting I was trying to glean what they would want you to do, what they thought was the best program for the next few months, and I was impressed by their reaction to the Savings Bond program and the importance that they attached to the Savings Bond program, and that even a moderate success from your standpoint of a hundred million dollars a month would mean a great deal to them. They seemed to feel that was much more important at the moment than going ahead with an immediate collection at the source in taxes. The next thing that impressed me was the fact that they felt - it was the general feeling that this flexible provision, if inserted in the general revenue bill, which ought to be part of the whole revenue bill, was a desirable instrument to have and consequently it seems that the course of action ought to be pretty clear, to push as much as possible on the bonds, because every hundred million dollars on the bonds seems to mean a great deal to them and for us to work on the whole tax program.

Viner: On the E Bonds. Isn't it E?

Graves: That is right.

Kuhn: And on the payroll deductions, specifically. That is the only think that really interested Henderson.

Viner: So it is not the figure of bond sales but in

this category.

Tarlean:

Yes.

Sullivan:

Incidentally, Mr. Secretary, some one asked how they felt about Social Security, and Harold Smith said he hoped it hadn't been abandoned, that just now it was pretty dead. Then I think Leon made some remark and it got off on another subject, and we never did get back to it, and I wonder if anybody here asked the other three fellows how they felt about Social Security. Did anybody?

Viner:

Currie said he hopes very much it will go through.

H.M.Jr:

Well, I will come to that, but I throw out the suggestion now, I think next week you might have another meeting like that and have the same people, but bring in the people who are interested in Social Security, see.

Paul:

I was terribly impressed with the value of that sort of meeting. I think we ought to have them regularly.

H.M.Jr:

I do. We could have another meeting and devote some night next week to Social Security. I am all for these meetings as long as I don't have to go. (Laughter)

Ferdie?

Kuhn:

Nothing else.

H.M.Jr:

Chuck?

Kades:

Well, apart from the considerations that Tommy has just mentioned, with which I agree, what struck me in what they said was that if you got this flexible instrument now, you wouldn't use it, in which case it would - it might materially

affect adversely the imminence of getting a tax program through in March or in April, because the Congressmen would say, "Well, you have had the power for two months to impose this withholding tax and you haven't done it, so what is the rush about it, whereas if you were going to use it in the next two months it would help get the program through but as far as they could foresee, January and February would be months where you wouldn't want to use the instrument if you had it. (Mr. White entered the conference.)

H.M.Jr:

Harry, you have got a minute and a half.

White:

Well, I am sure I have nothing to say. I didn't know there was a meeting.

H.M.Jr:

Well, all the better that you haven't heard. Give me a summary of what you would recommend to me this morning.

White:

Well, I felt that the conclusion that was arrived at last evening was a very happy one. I presume what it was has already been indicated to you, and I am in favor of that conclusion. I think that the fact that those who were closest to the problem seemed to feel that during the next two or three months the price situation was not likely to run away, but from then on there might be sharp increases, indicates at the same time that you ought to have something and that it could well be presented with the larger tax bill as a separate part. The only thing in retrospect that I was a little bit sorry about, we didn't ask them whether they thought there was anything specious, anything slick about that advance payments. It didn't strike anybody that way, but whether they would have had some worth while comments if it had been mentioned, I don't know, but that point was not brought up. No one else brought it up. I think that the opinion there was unanimous.

Paul: There was some discussion of that.

Sullivan: Yes, there was.

White: There was of that?

Paul: Yes, they didn't comment on it at all.

Sullivan: It came up in the way that whether or not having this on the books would adversely affect the sale of bonds.

White: No, that isn't what I had in mind. I had in mind the point that troubled the Secretary as to whether the Treasury - whether anybody would think the Treasury was being slick.

Paul: Well, Gaston made that point, don't you remember?

Viner: That argument is out of the window, because the general tax bill is already telling them what they are going to pay next year.

White: I guess that is right.

Viner: That would answer that.

H.M.Jr: Fortunately, my mind is also fluid, and I will take this over. Now, one suggestion I made, Harry, just before you came in, that there should be a similar meeting next week, same group, but add the Social Security group.

White: I would like to say that I thought that meeting last night was very worth while, very well handled, and there ought to be more like it at the proper occasions.

H.M.Jr: Did anybody act as chairman?

Bell: John.

Sullivan: No; I just made a general statement about our

principal concern being whether we should go ahead and intensify the Defense Bond campaign and if that didn't succeed, if we should try to go ahead with the withholding or collection at source tax, and that we had a couple of schemes for doing that, and we would like to present the general problem, and tell them about these two schemes and get their comments on the two schemes and find out if they had any alternative schemes, and I told them Randolph Paul had been doing quite a bit of work on that and asked him to describe it to them, and then he proceeded.

H.M.Jr: How late did the meeting last?

Sullivan: I guess the last fellow left a little after eleven.

White: Harold Graves gave a very good talk, and they were interested and it was new to them.

Sullivan: And they were very much encouraged by it. The way they rose to Harold's recital of what he thought could be done was - in fact, they discounted him.

Graves: They stabbed me in the back.

Viner: It is better not to promise them too much, you know.

H.M.Jr: Harold never does. What are your reports from the field, Harold, that I can take to the President.

Bell: Mr. Secretary, we couldn't get figures that were any good. Some of them are not reflected yet in the accounts.

Graves: Those are the general reports from the Federal Bank. Here are the only reports that we got in. The Post Office Department sent out wires to over

a hundred cities, but as I told you, on account of the congestion--

H.M.Jr: This isn't -

Graves: ... that is interesting.

H.M.Jr: This is good.

Viner: I would wait to see, even in giving him an impression, how long that lasts, on that basis.

Graves: I think Dr. Viner is right.

Viner: It may be a little flurry. And then what you may have to do is hard elbow grease to get it up slowly without jumps.

Graves: But there is no question that there is a tremendous increase in interest.

Viner: No doubt of it.

H.M.Jr: Harold, at eleven o'clock I would like to see you, Juhn and Odegard and Callahan and Mahan and I want them to tell me very briefly - I didn't get it the other day at all - the promotional stuff which you have been doing, new, and what they propose to do, new, you see.

Graves: I have it, if you would like me to get it now, a two page summary.

H.M.Jr: No, I would like to see those men at eleven.

Graves: All right.

H.M.Jr: Do you want to bring General Sloan too.

Graves: Sure.

H.M.Jr: Keep it down to that, will you? And then let those men be prepared to tell me at eleven what

what they have done and what they propose to do and I will have a few ideas of my own.

White: Is it clear that Mr. Smith, Mr. Eccles, and Henderson, and Mr. Currie all went on record as favoring this idea?

H.M.Jr: Yes.

White: If you want to check that up--

H.M.Jr: No, that is clear. I have got the list.

Sullivan: They were all warned that you wanted this kept right within the room.

H.M.Jr: Well, I am not worrying about Currie because Harry took care of him.

Sullivan: I know, he guaranteed the whole group, I think.

White: No, I am not worrying about him without that. One swallow doesn't make a night club. (Laughter) That is not bad.

H.M.Jr: Yes, but a night club sometimes makes a gutter snipe.

White: Yes, after while.

Graves: There is one observation I should make. I don't think the Director of the Budget is friendly to the bond program. He was a little skeptical in his comments, I thought, in the open discussion. He came to me afterward and told me he didn't think we were getting important money or the right kind of money. He doesn't like our publicity, the tone of our advertising. He says it is based on the defense note, not on the anti-inflationary note. He certainly is cold to this Defense Bond program. Were you there when he was talking with me, Dan?

Bell: No, but I got his remark in the general discussion.

White: That isn't quite fair, Harold, to what he said, and I think he has got a good point. You are speaking of Marriner Eccles aren't you?

Graves: No, about Smith.

White: I am awfully sorry.

Kuhn: No, Eccles was interested in the bonds and very friendly, but he thought that the publicity had been bad and wrong and that it stressed defense of the country, and we need your money, and didn't stress the anti-inflationary nature of Defense Bond buying, the need of getting payroll allotments. I think he is wrong, because we stressed it very heavily.

H.M.Jr: Well--

Bell: They hadn't read the literature all the way through.

H.M.Jr: O.K., this is good.

Handed to HM Jr by Randolph Paul on
12/12/41.

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1. Inflation

It is generally believed that there is a considerable danger of inflation in 1942. There is some doubt as to when inflation may affect the economics, but the general agreement is that it may very well do so early in 1942.

Fear of inflation is based upon increased purchasing power caused by defense expenditures at the rate of more than 2.5 billions per month average for 1942. Such expenditures will put a heavy pressure upon the price structure. The gap between purchasing power and the amount of available goods has been estimated at varying figures up to ten billion dollars. Tax payments are one of several mechanisms to absorb some of this increased purchasing power. Even if taxes are an insufficient mechanism and price control should be necessary, the absorption of purchasing power by taxes relieves pressure and aids the policing of control.

2. Comprehensive tax program.

The need of a reorganization of our tax system, apparent before the war has now become imperative. The policy and detailed problems involved in an entire program are many, and will require further consideration by the Treasury and a still longer period of consideration in Congress. This is true not only as to hundreds of technical amendments, but also in respect to basic matters of policy. It is doubtful if a satisfactory program can be put on the statute books until the middle of 1942.

3. The imposition of additional taxes as an instrument of inflation control.

To accomplish the control of inflation taxes must reach materially into the lower income brackets which have the mass purchasing power. If

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there is to be any instrument for the control of inflation previous to the adoption of a complete tax program, there must be some collection of taxes from low income groups.

It is believed inadvisable to impose additional taxes on the low brackets in any separate bill which would not also subject to increased taxes higher individual incomes, corporate incomes, and estates, and which would not also close all avenues of tax avoidance to the privileged few. Any such increased taxation would be regarded by the low income groups as discriminatory and would be intensely resented. It is, therefore, inadvisable to control inflation by imposing additional taxes.

4. Anticipated payments as an expedient

In lieu of immediate additional taxes upon the low income groups, it has been proposed:

- 1) In order to expedite larger tax collections, ask immediately for legislation authorizing collection at the source of a percentage of taxes on 1942 incomes, otherwise payable in 1943, the amount collected to be treated as an advance payment.

This point does not contemplate a separate or supplementary tax, but rather the advanced collection of part of one integrated income tax.

- 2) Let the Secretary of the Treasury, with the approval of the President, have discretion as to the date when the collection at the source begins.
- 3) Let the Secretary of the Treasury, also with the approval of the President, have discretion as to the rates of collection, or advance payment, within limits from, say, 2 to 10%.

The advantage of this proposal are:

- (a) The advance payments would immediately withdraw purchasing power;

- (b) The proposal would preserve intact the progressive rate structure;
- (c) While not ultimately solving the problem, such a mechanism would accomplish for 1942 the anti-inflationary objects of an additional tax, giving further time for the consideration of taxes particularly adopted to the war situation;
- (d) The proposal would accomplish the important objective of putting the income tax in a large part upon a current collection basis, thus integrating it with personal budgets;
- (e) The proposal would enable the setting up more immediately of an administrative system for collection at the source which will ultimately undoubtedly be necessary. This will make the income tax a more sensitive instrument of economic policy.
- (f) The proposal has the great advantage of flexibility in that it may be used only if it should be necessary. This is particularly important in view of many uncertainties as to the time of impact of inflation. It enables control of inflation if, as, and when inflation comes, but renders action unnecessary as long as there is no serious inflation.

The principal disadvantage of this proposal is that it merely postpones the problem. However, postponement is exactly what we need so that increased taxes on low income groups, if any, may be integrated into the entire tax program which reaches all taxpayers.

5. The public reaction

It may be asserted that some taxpayers, particularly those in the low income groups, will not understand this program and will erroneously think that additional taxes are being imposed. This will no doubt be true as to some taxpayers, though most taxpayers will undoubtedly favor such an advance

payment program as against an increased tax program. At any rate, the proposal seems the only available alternative to an additional tax if we are to be prepared to control inflation. In other words, the only alternative to the additional payment plan is to do nothing. Lack of preparedness for inflation may well be criticized by the public if inflation descends upon us before a complete tax program is enacted.

December 12, 1941
10:30 a.m.

RE AIR RAID SHELTERS FOR THE PRESIDENT

Present: Mrs. Klotz
Mr. Thompson
Mr. Wilson
Mr. Reilly

H.M.Jr: I spoke to the President. Well, in the first place, get this. Mrs. Helm stopped me in the street. She came out in the street to ask me whether I would back her up with Mrs. Roosevelt that the foreign students should not come to the White House reception, and I said I would. Could she use my name, and I said she could. Also, that the Army reception should be called off, for the Army and Navy on Christmas Eve and I said she could use my name on that. Of course, this is so everybody gets it. Then I mentioned to the President that we were going to go ahead and prepare an air raid shelter for him in the Treasury.

Thompson: That is right.

H.M.Jr: And he was very much pleased. I said could I have some of his secret funds if necessary to build this. He said I could have any amount that I wanted. Then he said he wanted a similar arrangement made in the State Department and also in the White House, and he said also that then - he kept thinking about this

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thing - that it should be done in the Capitol and some place at the Senate Office Building and some place in the House Office Building.

Now, what I thought was that you (Thompson) and the Chief could call on - I think it is Colonel - who is head of the Public Works?

Wilson: Reynolds.

H.M.Jr: No.

Wilson: McNutt.

H.M.Jr: No.

Thompson: Fleming.

H.M.Jr: And tell him in strictest confidence - we have got to have somebody to do this building.

Thompson: Reynolds is always helpful. We have had him before.

H.M.Jr: No, this is his superior. I think he should go to Fleming or I could ask Fleming if he could come over here. Supposing I ask Colonel Fleming whether he wouldn't come over here. Is it Colonel Fleming?

Thompson: Yes.

Wilson: And perhaps you would want Reynolds. Reynolds has given it study, and he talked with us about it just day before yesterday.

Reynolds, who is his subordinate --

H.M.Jr: Get it. The President has agreed on having one in the White House and also we can use his secret fund.

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Wilson: Reynolds, who is his subordinate, has tentative plans for building one right across the street, a seven story bomb proof structure that would take them five months to build.

H.M.Jr: You mean underground?

Wilson: No, above ground. He drew the plan out in my office for me roughly day before yesterday on the ground where the Customs Court is right now.

H.M.Jr: Well, an underground vault is what you would want.

Wilson: Well, as a layman, I don't know - he has made an extensive study for over here.

Thompson: Reynolds made a survey of the Treasury building, and he thought the thing we mentioned was the best thing in the city of Washington today as an emergency so we fixed that up immediately but the question is construction.

H.M.Jr: Is that what those men are doing down there now?

Thompson: Oh, that is all available.

Wilson: We had that open last night for use in the event it was necessary.

H.M.Jr: But you haven't put the channel through yet to the President?

Wilson: Oh, no.

(Telephone conversation with Colonel Fleming follows:)

December 12, 1941
10:33 a.m.

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HMJr: Hello.

Operator: Colonel Fleming.

HMJr: Hello. Colonel Fleming.

Colonel Fleming: Yes.

HMJr: Morgenthau speaking.

F: Yes, Mr. Secretary.

HMJr: Colonel, I've just left the President and there are some special arrangements he'd like me to make, but I need you to help me.

F: All right, sir.

HMJr: Do you suppose you and Mr. Reynolds could come over here at eleven-thirty to my office?

F: Yes, sir.

HMJr: To give you an idea what it's about, Chief Wilson of Secret Service will be here.

F: All right, sir.

HMJr: It's about bomb-proof - you see?

F: Yes, sir.

HMJr: I understand Reynolds has been doing some work on it.

F: Yes, he's right here with me now; and we'll be there.

HMJr: And if you'll come to my private entrance, I'll arrange that you can get in and get through the barrier.

F: All right, sir.

HMJr: See?

F: All right, sir.

HMJr: Will you - it will be just you and Reynolds.

F: Okay.

HMJr: Eleven-thirty.

F: All right, sir.

H.M.Jr: He laughed at the barrier, about him trying to get through. The usher had to show his pass six times to get in the White House this morning. And then I think you three gentlemen ought to be here.

Wilson: We will be here.

H.M.Jr: At eleven-thirty, because this other thing - I mean, I am not going to worry, but I am going to tell him that the President wants it and it is up to him to take care of the Capitol and those people, but State and the White House and Treasury, we will do that for the President. It is a good thing, because he can go in either direction. If we have one in the White House he will never come over here.

Reilly: That is a six months' proposition in the White House, Mr. Secretary.

H.M.Jr: How long for this one?

Thompson: This vault is available today.

H.M.Jr: But can he get here under ground?

Reilly: Yes, sir. Since Sunday night we have been set up to move him into the vault if necessary.

H.M.Jr: Under ground?

Wilson: Not under ground.

H.M.Jr: How long will it take to do this thing?

Thompson: Reynold was going to let us know today.

H.M.Jr: They ought to work day and night, three shifts.

Thompson: He said they were working twenty-four hours a day, three shifts and shove it through in a week probably.

H.M.Jr: They ought to do it tonight.

Reilly: I wish they would give some thought to putting in an arrangement like they have between the Senate Office Building and the Capitol.

Thompson: He doesn't approve of that. He says for a bomb-proof tunnel it ought to zigzag. If it was a straight line, it would shatter the whole thing.

Reilly: I am thinking about the President and the speed.

Thompson: I am going to talk to Reynolds about it. His idea is curves.

H.M.Jr: Supposing we talk about it at eleven-thirty.

Thompson: We had thought about an automobile going through it. He said it should have lots of curves in it.

H.M.Jr: I told the President, Chief. He was pleased with everything except about darkening the White House two nights.

Reilly: We did not order that.

H.M.Jr: I know, it was the usher, and I told the usher to stop it. He didn't like it, but everything else he likes.

Wilson: Fine.

H.M.Jr: I will see you gentlemen later.

December 12, 1941
10:44 a.m.

Operator: Go ahead.

HMJr: Hello, Mr. Eicher.

Mr. Eicher: Hello, Mr. Secretary.

HMJr: I'm sorry. I just got back from the White House. I called as soon as I got back.

E: Well, I know you're very, very busy.

HMJr: No, I've always got time.

E: Well, I'm very, very anxious to see you myself either today or tomorrow; but I'm ill, and the doctor won't let me get back to the office before Sunday.

HMJr: Oh, I'm sorry.

E: And I'm - I'm calling directly for this purpose, to see if you won't give Commissioner Ganson Purcell a few minutes of time either today or tomorrow.

HMJr: Who?

E: Purcell - Commissioner Purcell.

HMJr: Oh, surely.

E: Can you tell me the time now so I can let him know when to come over?

HMJr: Yes, I'll see him at a quarter of twelve.

E: At quarter of twelve?

HMJr: Yes.

E: This morning?

HMJr: Yes.

E: I'll have him there.

HMJr: Thank you.

E: Thank you very much.

HMJr: Good-bye.

December 12, 1941
10:43 a.m.

RE GOVERNMENT BOND MARKET

Present: Mr. Bell
Mr. Morris
Mrs. Klotz

H.M.Jr: I am sorry, I just got back from the White House.

(The Secretary held a telephone conversation with Mr. Eicher.)

Klotz: Who?

H.M.Jr: Purcell.

Well, you gentlemen be back at a quarter of twelve, SEC, Purcell. I don't know what it was. Go ahead.

Bell: The prices are up from one to five. The demand, both taxables and the tax exempts, but there is no supply available. The two's are five and the new two and a half's are three thirty-seconds premium.

H.M.Jr: What do you mean, no supply available.

Bell: It says no supply available of those securities, tax exempts.

H.M.Jr: I have got some.

Bell: Have you?

H.M.Jr: Sure, and they are for sale.

Bell: Well, I wouldn't sell them yet, but I think they are for sale later on.

H.M.Jr: Don't hold on to them too long.

Bell: Let's let the market fluctuate a little. I agree with you that they should sell them later.

H.M.Jr: What do you mean, later?

Bell: When the market gets a little better tone. We may have bad news again.

Morris: Another five thirty-seconds.

H.M.Jr: What are the two and a half's selling at now?

Bell: Three thirty-seconds premium.

H.M.Jr: You mean a hundred and three thirty-seconds?

Bell: Yes, a hundred and ten cents.

H.M.Jr: And the two's?

Bell: Five thirty-seconds premium.

H.M.Jr: Well, I agree with you. When they get up a little bit more you would begin to--

Bell: Even if they kept this for a week and the demand is still there with no supply, I would let some of them go, but I would let the market get pretty well settled first, and be sure that we got the distribution through.

Parkinson called me yesterday and he said he wanted you to know that he had bought forty-five million dollars of our securities in the last four days and Bob Rouse said that he and Metropolitan and New York Life and the New York Trust had been very helpful, and Morgan's, also, Morgan's and Chase. Guaranty had been in

there also.

H.M.Jr: Parkinson is the best man down there. Is he sick?

Bell: I don't think he is sick, but I think he is getting along in years and he is just kind of drifting out. He still comes to the office two or three days a week or something like that, but I don't think he is as active as he was a year ago. I don't think he is as well as he was a year ago, either. But, on the other hand, I don't think he is what you would call sick.

H.M.Jr: All right.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 12, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 17, 1941, and will mature March 18, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, December 15, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 17, 1941, provided, however, any qualified depository will be permitted to make payment by credit for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its district.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from

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all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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December 12, 1941
11:00 a.m.

RE FOREIGN FUNDS CONTROL

Present: Mr. Thompson
Mr. Foley
Mr. Pehle
Mr. Bernstein
Mrs. Klotz

H.M.Jr: I have here a report from J. Edgar Hoover, the report of his man Piper with our man in San Francisco, confirming what I only sensed, that this man in San Francisco got a bad nerve and went off completely half cocked and Hoover was kind enough to show me this thing and that is that, that we weren't prepared and that the thing is being badly handled out there, and that this man that we are relying on is no good, this so-called expert in the Japanese business.

Now you men can read that thing. Now here comes - you read these telegrams out loud. They came to Mrs. Roosevelt. I knew this thing would descend on me personally sooner or later.

Foley: "RESPONSIBLE PEOPLE IN CALIFORNIA FEEL BANK ORDER PERMITTING AMERICAN FIRMS TO RECEIVE JAPANESE GROWN VEGETABLES AND RETURN MONEY NOT TO JAPANESE BUT TO CERTAIN BANKS WHO CAN LATER PAY BILLS INCURRED WILL WORK TOO SLOWLY TO SAVE VEGETABLE CROP WHICH CONSTITUTES SEVENTY FIVE PERCENT OF WINTER VEGETABLES FOR WHOLE COUNTRY. THIS CROP PERISHABLE AND INVALUABLE TO COUNTRY AS A WHOLE. PEOPLE HERE FEEL IF RECEIVER COULD BE APPOINTED TO RECEIVE MONEY AND

DOLE OUT TO JAPANESE NATIONALS AND AMERICAN CITIZENS JAPANESE EXTRACTIONS SUFFICIENT FOR LIVING EXPENSES THESE CROPS MIGHT BE SAVED."

"THE YMCA OUT HERE AND YWCA MUCH DISTURBED FOR AMERICAN BORN JAPANESE STUDENTS IN COLLEGE WHO CANNOT OBTAIN TRANSPORTATION. THEY WANT CLARIFICATION OF FEDERAL ORDER APPLYING TRANSPORTATION, ALSO BANK AND MONEY FOR AMERICAN BORN JAPANESE CITIZENS AND PARENTS LIVING WITH CITIZENS. THEY ARE ASKING FOR LIVING EXPENSES FROM THE BANKS. THEY SAY GENERAL ORDER FROM TREASURY DEPARTMENT IS INTERPRETED DIFFERENTLY AND IS CREATING GREAT HARDSHIPS.

ELEANOR ROOSEVELT"

H.M.Jr: Now, how are you going to answer those?

Pehle: Those were taken care of last night.

Foley: The first telegram--

H.M.Jr: It was?

Foley: Yes, sir.

H.M.Jr: Which one?

Pehle: Both of those were taken care of last night by two licenses which were issued last night, one of which allows living expenses and the other one takes care of the food situation.

Foley: "The Treasury Department today announced regulations governing living expenses and wages for Japanese nationals in United States and regulations governing Japanese nationals engaged in the production, marketing, and distributing of food and agricultural products within the United States.

"Under General License No. 11-A any Japanese national in the continental United States may receive up to \$100 per month for living and personal expenses for him and his family."

H.M.Jr: I saw one thing. In Honolulu we allowed them two hundred dollars.

Foley: They did that on their own. We delegated that to Poindexter.

H.M.Jr: Is this a release?

Foley: Yes, sir. It went out last night.

"This license permits such payments from either the national's bank account or from his employer in the form of wages. Banks and employers making such payments are required to make certain that the Japanese national is not drawing more than \$100 under the license. Thus a Japanese national cannot draw \$100 per month in the form of wages and at the same time withdraw \$100 per month from his bank accounts.

"Under General License No. 77 Japanese nationals engaged in the business of producing, marketing or distributing food or agricultural products may, with minor exceptions, engage in all transactions incident to the normal conduct of such business. However, under the license a Japanese national cannot withdraw from his accounts during any one week for such enterprises sums in excess of his average weekly withdrawals during the last six months. Moreover, the license covers only Japanese nationals who were previously licensed under General License No. 68. This action is intended to permit the orderly movement of fresh vegetables and other food in areas such as the Pacific coast in order to supply the needs of our civilian population and military forces."

H.M.Jr: When was that released?

Foley: Last night.

H.M.Jr: No paper carried it.

Pehle: It was very late at night.

H.M.Jr: Now, I will tell you what you do. Arrange with Vincent Callahan that this be put on all the West Coast radios, you see. Arrange with him that all the West Coast radios put it out. Callahan is in Graves' room. Let Chick Schwarz - he should be able to do this, so we don't get the two things crossed out. He ought to be able to get the West Coast radios to announce this thing.

Foley: I should think so. It would be pretty important to them.

H.M.Jr: Now, and then we will find out where Mrs. Roosevelt is.

Foley: That ought to take care of the transportation thing as well.

Pehle: Well, the transportation is not only freezing but the enemy aliens where they won't let them go from one point to another, but that is not our problem.

Foley: And CAA won't let them ride the airlines.

H.M.Jr: Let me tell you a little story for the first time. Never say that again, it isn't our problem, when somebody like the President or Mrs. Roosevelt brings me a complaint. It is my problem. Now, wait a minute. Get this thing straight. Just telling poor Mrs. Roosevelt who is out on the West Coast that it isn't Treasury doesn't help her any.

(Mrs. McHugh entered the conference.)

H.M.Jr: Take this telegram to Eleanor Roosevelt.

"Thank you very much for your two telegrams. I am sending you herewith a copy of the two press releases which were given out late last night. We hope that this will take care of the situation which you were kind enough to bring to my attention."

Now, what are the other things which will have to be taken care of by other people.

Pehle: Well, the transportation, Mr. Secretary, is caused by the proclamation which the President issued barring enemy aliens from moving from one place to another except under certain regulations. I should think that that is Biddle's problem, although I--

Foley: Biddle and CAA.

She says, "Japanese students in college who can not obtain transportation are disturbed. They want clarification Federal order applying transportation also bank and money for the American born."

That is taken care of.

H.M.Jr: Paragraph. "As to the transportation question, while that does not fall under - is not part of the Treasury's responsibility, we are contacting other Federal agencies and will hope to have a report for you on that shortly - hope to shortly have a report - hope shortly to have a report for you on that."

Now what else?

Klotz: Is this a telegram?

H.M.Jr: I will explain it.

Foley: How did the first of it start? Did he say releasing two licenses?

McHugh: "Thank you very much for your two telegrams. I am sending you herewith a copy of the two press releases which were given out late last night."

Foley: Just one press release, and there were two general licenses. The press release and the general licenses.

H.M.Jr: "The press release of the general licenses."
"The press release covering two general licenses."
Just say, "the press release." She doesn't know what it is.

Klotz: Just say, "the press release and two licenses."

H.M.Jr: Well, "the press release covering two general licenses." Is that technically correct?

Foley: Yes.

H.M.Jr: All right. Now read it again, please.

McHugh: "Thank you very much for your two telegrams. I am sending you herewith a copy of the press release covering two general licenses which were given - which was given out--"

H.M.Jr: "Which were released late last night."

Foley: "Which was."

H.M.Jr: Yes.

McHugh: "Which was released late last night. We hope that this will take care of the situation which you were kind enough to bring to my attention."

Paragraph. "As to the transportation question, while that is not part of the Treasury's responsibility, we are contacting the other Federal agencies and will hope shortly to have a report for you on that."

H.M.Jr:

Now, this is the thought that I had. It is very nice to do this release and all that. It is like what I originally told you, I sent a letter to the banks, do this stuff, and they don't do it. What would you gentlemen think if I could put W. I. Myers, who is both farmer and financier, on a plane to go out there to Los Angeles and watch this farm situation for us, you see, and have him stay there as our representative until this thing gets straightened up, Bill Myers, you see. Send him there amongst the farmers to see what the situation is.

What?

Foley:

Sure.

H.M.Jr:

If he would go and get on a plane tonight and go out there, he would know. He would do it. These men (Foley and Pehle) sitting at a desk can't tell. He will get the Farm Credit people, anybody he needs, to go out and see what is the matter and is it working. I want somebody on the ground whom I have confidence in.

Klotz:

It has been so far away from Washington and so removed from everything.

H.M.Jr:

But look, I want to know why aren't the crops - what is the trouble. There are few men in the United States who are both a financier and a farmer and to have a man on the ground would be very reassuring to me.

Klotz:

I think that is right, but I was wondering if he was your best bet.

H.M.Jr: Well, I will have him contact Helen Gahagan and between the two of them they can do it.

Foley: You told your people, didn't you?

Pehle: I told them to get in touch with the Agricultural people there.

H.M.Jr: Well, if I can get Bill and put him on a plane to go out there--

Pehle: We won't be crossing Agriculture by doing that?

H.M.Jr: He is there as a Treasury man. I will tell him to contact the Agricultural people. This is a serious thing. I mean, I think that - if I can get him out there. Do you think it would be crossing them up?

Pehle: It troubles me a little bit on that score because by the license we issued last night we took away all the financial controls so they won't stand in the way any more of the farm situation, so it becomes a disturbed farm situation caused by the attitude of the Japanese farmer.

H.M.Jr: Maybe you're right. This is the way this is to be handled, Mrs. McHugh. Sign it, "Affectionate regards." This is to go by Secret Service teletype at Seattle to be delivered by a Secret Service agent to Mrs. Roosevelt. From here by teletype.

McHugh: Our men down stairs will teletype it?

H.M.Jr: Tell Chief Wilson to teletype this thing to Seattle, and then the Secret Service agent will put it in the hands of Mrs. Roosevelt. Ask him to wait to see if there is any answer for me.

Klotz: She is with the Boettigers.

H.M.Jr: We have five men with the Boettigers so there should be no trouble.

Chief Wilson should get this thing, and they should contact Mrs. Roosevelt and put it in her hands and wait for an answer.

McHugh: Do you want this transcribed also, these general licenses, or just the first thing?

Foley: I think the press releases are enough.

H.M.Jr: Who is your man in charge there?

Pehle: Towson.

H.M.Jr: Read the last two pages of that. You know on your orders, I have got teletype all over the country and the telegraph wires are all jammed, you know, but you can get through on teletype. Don't forget about that. Did you know that?

Pehle: No.

H.M.Jr: Did you know I had teletype?

Pehle: No, I didn't.

H.M.Jr: Yes, I have teletype all over.

Pehle: Swell, because we can't get through on the telephones for so long--

H.M.Jr: No, I have teletype all over and the thing to do is--

Pehle: Secret Service?

H.M.Jr: I will show you. I will get a teletype directory.

Pehle: We have a teletype direct to New York, but the other one goes through the Treasury board and

Board of Governors and then it gets held up at Chicago and it takes an awfully long time.

H.M.Jr: I have a teletype upstairs. It is my own teletype. I set this thing in. I was a crank on this communication. It is upstairs with my own room, and I will show you the places you can send it to.

Pehle: Fine.

H.M.Jr: This does not - this is our own paid system.

Pehle: It is in the office that Secret - Secret Service Office?

H.M.Jr: No, this happens to be in our own telegraph room on the third or fourth floor.

Pehle: But I mean on the other end.

H.M.Jr: I will show you.

Now, let me ask you this. I want to write a letter to the Attorney General in which I say, on second thought we have decided that we are going to confine ourselves - where is Towson?

Pehle: Federal Reserve Bank in San Francisco. He may still be in the hotel.

(The Secretary held a telephone conversation with Mr. Hamilton of the Department of Agriculture as follows:)

December 12, 1941
11:18 a.m.

HMJr: Hello.

Operator: Go ahead.

Mr. Carl
Hamilton: Hello, Mr. Secretary.

HMJr: Mr. Hamilton, this is Morgenthau speaking.

H: Yes.

HMJr: We have been having a lot of trouble with the Japanese farmers in the Los Angeles District.

H: Uh huh.

HMJr: We think we've got them straightened out.....

H: Uh huh.

HMJr:but we're not sure. I want whoever your very top man is in the Los Angeles area - if Claude Wickard would ask him to get on this thing - whether your Farm Bureau Agents - whoever your best people are, you see?

H: Uh huh.

HMJr: We don't know whether it was the financial situation or whether they've just gone on a sit-down strike and don't want the food to go in, you see?

H: They're withholding food.

HMJr: That's the point.

H: I see.

HMJr: Now the excuse that they gave was - the excuse that they gave was that if they sold and got any money, we'd lock it up. Now, we've changed that situation and they have no excuse.

H: Uh huh.

HMJr: But the situation - the food situation around Los Angeles is very acute..

H: Uh huh.

HMJr: And I'm very anxious to get a first-hand report of what happened this morning - did the food move into the markets, and what happened, and so forth and so on.

H: Well, we'll get that for you right away.

HMJr: Now, if you want to find out about what our regulations are - now just a minute, and I'll tell you who to contact.

H: All right, sir.

HMJr: We have a man by the name of Joseph Murphy.

H: Joseph Mercy.

HMJr: Murphy.

H: Murphy.

HMJr: Murphy.

H: Yes, sir.

HMJr: At the Los Angeles Federal Reserve Branch.....

H: Uh huh.

HMJr: And he's there representing us.

H: Uh huh.

HMJr: So if, for instance, they say, well - they want any change, or what are the regulations - they go right to this man.

H: Yeah. These Japanese are, of course, citizens.

HMJr: Well, some are and some aren't.

H: Really?

HMJr: But there's about a hundred thousand of them down there.

H: Ye Gods. Why, I thought we were taking up the nationals as fast as we could.

HMJr: I think FBI took - oh, I don't know - less than a thousand.

H: Is that so.

HMJr: If they took that many.

H: Uh huh.

HMJr: So there's a hundred thousand of them in that district.

H: Uh huh.

HMJr: Now, I want the food to flow.

H: Yeah.

HMJr: And the hospitals are complaining and so forth and so on.

H: Yes.

HMJr: And if you could - I think it's important enough to get word to your various county agents and what have you.

H: That's right. Well, we've got our Defense Boards out there. They'll get right on this.

HMJr: Get right on this, and I'd personally like to be informed.

H: All right, sir.

HMJr: And don't hesitate, if you think we're wrong, if we haven't done anything, call a spade a spade.

H: All right, sir. Tell me this, from what sources have you gotten the complaint. That might help us.

Or do you want to.....

HMJr: Well, we get them from everywhere; and the last one that we got was from Mrs. Roosevelt, who's on the West Coast.

H: Well, that's good enough for us.

HMJr: It's good enough for me.

H: (Laughs) All right, Mr. Secretary, right away.

HMJr: All right.

H: Good-bye.

HMJr: Thank you.

H.M.Jr:

Your (Pehle's) suggestion was good. I am glad you made it, because that puts the whole organization to work.

Now, this is my impression, gentlemen, and you can come back at me. After reading that stuff there, I think I would like to write a letter to the Attorney General and to J. Edgar Hoover along these lines and simply say, "After giving this matter careful consideration we feel that all that we can attempt to do is to close the businesses on which we have these T. R. Forms. We feel that the situation is full of dynamite, that this is a responsibility - that this situation as we see it as brought now to your attention and we realize that you are fully aware of it and will take whatever steps are necessary, but we hereby want to serve notice on you that we are just going to take care of the businesses which we have these forms on or which you ask us to go into." I want to stop all this going helter skelter through a telephone book on the Japanese stuff and so forth, you see. I want to stop it.

Pehle:

Mr. Secretary, could we first be sure that we all understand this T. R. business, because it is a little confusing. The firms which were operating under license before Japan was frozen are the ones we are talking about. Those were the ones that were either owned by Japanese in Japan, such as the big enterprises like Mitsui, Mitsubishi, N. Y. K., or were owned by Japanese who came here after June 17, '40. It won't cover the bulk of the Japanese business in this country owned by people, (a), who are American citizens, Japs who are American citizens, or Japs who aren't American citizens who have been here since June 17, 1940.

H.M.Jr:

Now let's, for the time being, eliminate those who are American citizens.

Pehle: From the control altogether?

H.M.Jr: For the moment. I mean, for the next couple of days until we catch our breath. What about the aliens who have come here since June 17?

Pehle: We are controlling those.

H.M.Jr: You are controlling those?

Pehle: That is right.

H.M.Jr: That have come since?

Pehle: That is right.

H.M.Jr: What about the aliens that have come in before then?

Pehle: We are trying to control those. That is what the big problem is out in California. That is - in Little Tokyo in Los Angeles, it is just full of those people, a great many of whom are not citizens but have been here for several years.

- H.M.Jr: Again I say, in the attempt to swallow this bad wolf, we are choking.
- Pehle: I agree.
- H.M.Jr: Now, we are taking on a lot of people that aren't used to this business.
- Pehle: That is right.
- H.M.Jr: The repercussions on us will be bad. I would much rather we got off to a - too quick a start. Now, what I want to do is just to stop for a couple of days and catch our breaths. I am telling you that I want to stop and I want to get out of this thing, this request I made of the Attorney General to arrest several thousand people, because I don't want to do it.
- Pehle: Do you want us to stop hiring guards in California? I talked to my people yesterday and Maloney, who is the coordinator out there, who might be - perhaps there are some doubts about his efficiency but that is beside the point. He is hiring guards in great numbers, according to our orders, but they have some question as to what kind of people he is hiring and whether he will load this thing up with friends of his or what.
- H.M.Jr: How many people have you got now out there, roughly?
- Pehle: I would say we have about five hundred.
- H.M.Jr: What I would do is, I would stop right there and let's see what we have got, see? Just stop hiring for a couple of days and let's just stop, look and listen. Is that all right with you?
- Pehle: Very good.
- H.M.Jr: Let's just stop. Now, what business is - can't

you confine yourself just to taking care of the aliens?

Pehle: Well, that is what we have been doing.

H.M.Jr: I thought you were taking anybody in the telephone book.

Pehle: Japanese citizens? Oh no. I think they have been going to the places and if they couldn't prove they are American citizens then we try to control them.

H.M.Jr: I want to get this even more - I mean, I am not satisfied. In the first place, I want a letter withdrawing that request that we recommended that the Army and Navy go in and arrest these - I am on record as making this request, you see. I want to make it perfectly clear that we are going to do the best we can. I haven't still satisfied myself. But I want to formally say that whatever the decision is in regard to alien property - alien population in America, I feel that having drawn it to the attention of the Attorney General it is his decision and that it is a separate matter and if he doesn't, we don't want him to do it in connection with freezing of the property. He has got to do it because he thinks it is a danger to the country. Make that very clear, you see.

The request we made was in connection with doing it to help us do this freezing. Now, I want to say, I withdraw that request, and if this thing is going to be done, he has got to decide to do this thing because he thinks they are a menace to this country and not because we want to freeze these businesses. That I am not going to argue about. That I want to get over.

Foley: I am not arguing about it.

H.M.Jr: No.

Foley: The only point I would argue about is that you made it in connection with freezing. I think that the whole thing was raised as something that we came across that was bigger than we could handle, that was beyond the scope of the freezing control.

H.M.Jr: That is all right. But I want to make it perfectly plain to them. I don't want them to do it solely because he thinks I want it done to help us in the freezing. If he wants to do it, he has got to do it in connection with the defense of the realm because he has got to decide that this is necessary in order to protect the United States, but not to do it because we here in the Treasury have got hysterical Monday night or whenever it was. Do you see what I mean? Is that clear?

Foley: Yes.

H.M.Jr: You agree with me on that?

Foley: Yes.

H.M.Jr: Let me do it once more.

Foley: I understand it.

H.M.Jr: I am going to do it once more. You have got to write the letter for me. "I have brought this to your attention, Mr. Attorney General. If you decide to do this thing, you have got to decide this thing solely on the ground, is this a menace to the safety of the United States. I don't want you to do it because - as an adjunct to the freezing." All right?

Foley: Right.

H.M.Jr: Have you any question on that?

Pehle: No sir, none whatsoever.

H.M.Jr: Have you?

Bernstein: No.

H.M.Jr: But I want that in writing and I want it soon. I would like to get it to him before Cabinet, in case he brings it up. Now --

Foley: It can be done.

H.M.Jr: Now, I am not yet satisfied, John, as to how you are going to restrict this thing. Can't you -- in the first place, I want to slow down.

Pehle: Well, there are a lot of ways of slowing down, Mr. Secretary.

H.M.Jr: Well, make some recommendations. How can we slow this down?

Pehle: What I recommend that we do is to allow Japanese people in this country who are operating small businesses to continue to operate them and not go up and down the streets slapping padlocks on their doors. If we do that, we are going to have to support those people for the duration of the war and I don't see any point in shutting down every Japanese concern in the United States and that is what we are trying to do in California. It is almost hopeless. The Japanese grocer, we have been trying to shut down. We have eased up a little bit on that, but it is not a problem that we are equipped to handle on the basis of issuing individual licenses.

H.M.Jr: All right. Are you raising a question or is this a recommendation?

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- Pehel: It is a recommendation. I haven't discussed it with anybody else. You asked for my recommendation and that would be it.
- Foley: Mr. Secretary, on Sunday night after the attack in Pearl Harbor and the declaration of war against us, the orders went out to freeze everything in so far as Japan was concerned, and we would take a look-see afterward. Now, that is farther than we have ever gone before, vastly farther than we have ever gone before. We shut down everything.
- H.M.Jr: I know.
- Foley: And now we have got to relax.
- H.M.Jr: That is what I am saying.
- Foley: We admit we went too far. That was the purpose, and now we are looking at it and we are getting the complaints. What John is saying is that what we did last night in so far as these food businesses is concerned and in so far as the hundred dollars a month for these families is concerned, is still too little. We have got to relax the controls even more. As you said yesterday afternoon, right now we have got to re-examine the whole thing and see if we have not gone far enough with the Germans and the Italians and we have gone too far with the Japs.
- Now, we are not together with the two problems. The Japanese thing was shut down entirely and then we backed off just a little bit --
- H.M.Jr: Now look, I can't keep this man waiting. You know now how I feel, see. Before I go to Cabinet I would like to send this letter so that he doesn't bring this thing up in Cabinet. I want to be on record and get it in his hands, my change of the request. As to the second

thing, think this thing over, how we can do this thing. Now, I told Ed a little story. I don't know whether he repeated it to you, (Pehle) but this is apropos. When I came in here we had this law enforcement. They said, "We want twenty-five hundred more men." I said, "Well, what for?" "Well, we have got to go after those people in the Tennessee mountains and North Carolina." I said, "I am not going to do it." We always get so many people killed, is the reason they wanted them. Well, I am not going to do it.

(Mr. Stone entered the conference.)

H.M.Jr: Are you in charge up there?

Stone: Just in Chick's absence. He is over at the White House.

H.M.Jr: Never mind, then. What is your name again?

Stone: Stone.

H.M.Jr: Thank you. That is all.

(Mr. Stone left the conference.)

I, with my eyes open, have left the little fellow who makes four or five gallons of alcohol to make it up and down the Appalachian chain. My men haven't got shot and I have half the enforcement people - I will leave them alone. There has never been a complaint. The stuff has never gotten into commercial channels. That is the same thing here. In other words, I was practical. I said, "I can not go after all of these people," you see, with the result that we have had good enforcement, but the little fellow with the little still we have left. It is the same thing as here. I want--

(Mr. Thompson entered the conference.)

Sit down, Norman. I want from you people a

practical recommendation what we can enforce well during the next ten days. And then as in extra cases, instead of five gallons, when the fellow jumps to a hundred gallon still, then we will take care of him; but I want from you fellows a practical suggestion written out so that order could go out if I approve it when I come back from Cabinet. That gives you from now until four o'clock. There is no question. That gives you time?

Foley: I don't know whether it gives us enough time.

H.M.Jr: It gives you plenty of time.

Foley: We won't do anything else between now and the time you come back.

H.M.Jr: Listen, Norman, I asked for Chick Schwarz. I said - they said he is at the White House. We want to get something out on the radio. I said, "Well, who is in charge?" They send this fellow Stone down here, who is a half-wit.

Thompson: Shaeffer is supposed to be in charge in his absence.

H.M.Jr: Look, Norman, I asked you two months ago to clean that thing up. Now, I want it cleaned up. You told me you were going to move these two or three men and so forth and nothing happened. Now, I want that press office cleaned up so that if Chick Schwarz is sick I can get somebody down here that isn't a half-wit.

Thompson: I will get right at it.

H.M.Jr: I don't want - you have had this assignment for fully two months.

Thompson: Yes. Of course, they have all told me that these men were all right.

Klotz: That is right.

Thompson: And I have just been --

H.M.Jr: You told me you were going to move three men out of there.

Thompson: That is right, a couple of weeks ago, and I was getting a report in --

H.M.Jr: Well, that was a couple of weeks ago.

Thompson: But Shaeffer is supposed to be Schwarz' assistant.

H.M.Jr: Well, he is not here.

Klotz: He is over in Procurement, isn't he?
Mr. Morgenthau, they have no teletype to Seattle.

H.M.Jr: Well, wait a minute, just a second; just tell them to wait a minute. Well, at Seattle, United States Treasury has Federal Office Building S. E. one hundred forty-six, U. S. Customs Agency.

Klotz: I will send it to Customs.

H.M.Jr: Who said that?

Klotz: Mrs. McHugh. She said Chief Wilson told her that.

H.M.Jr: Well, we will send it to the Customs office.

Klotz: Narcotics has one too.

H.M.Jr: Customs is all right. Tell them the number is S. E. 146. You see, Pehle, in this book you can look at any city. There is Seattle. Now we will look at San Francisco. Customs

is two eighty-four. It is mostly Customs, you see, instead of Coast Guard, but here is this book, you see.

Pehle: All these in San Francisco?

H.M.Jr: No, this is U. S. Government.

Pehle: Federal Reserve must have one there.

H.M.Jr: No, I don't think that they have - they have always been very funny about that. The Federal Reserve Bank, S. F. twenty. I will make you a present of this book.

Pehle: Thank you.

H.M.Jr: But you see, between them - and the one you want to use - Ed, you can do this thing. That is my number, one hundred sixty-eight, isn't it? It is Chief Clerk, Message Center. Isn't that upstairs?

Thompson: Yes.

H.M.Jr: We have messages coming there. What you do is, tell them to put one in your office and get a number, but until they come, use mine. I would keep that open, but get one and put it into yours, you see, and you will find, I think, Customs all over. But have one put into your office direct.

Pehle: Yes, sir. Thank you.

H.M.Jr: I sent that in a long time ago. Now cheer up, Ed, this is going to be all right.

Foley: Well, I have got a couple of other things that I would like to talk to you about in so far as --

H.M.Jr: Well, I have got --

Foley: ...a request that was made yesterday, and he certainly isn't helpful on this thing.

H.M.Jr: Well, I have got Colonel Fleming outside.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, December 11, 1941.

Press Service
No. 28-97

The Treasury Department today announced regulations governing living expenses and wages for Japanese nationals in the United States and regulations governing Japanese nationals engaged in the production, marketing and distributing of food and agricultural products within the United States.

Under General License No. 11-A any Japanese national in the continental United States may receive up to \$100 per month for living and personal expenses for him and his family. This license permits such payments from either the national's bank account or from his employer in the form of wages. Banks and employers making such payments are required to make certain that the Japanese national is not drawing more than \$100 under the license. Thus a Japanese national cannot draw \$100 per month in the form of wages and at the same time withdraw \$100 per month from his bank accounts.

Under General License No. 77 Japanese nationals engaged in the business of producing, marketing or distributing food or agricultural products may, with minor exceptions, engage in all transactions incident to the normal conduct of such business. However, under the license a Japanese national cannot withdraw from his accounts during any one week for such enterprises sums in excess of his average weekly withdrawals during the last six months. Moreover, the license covers only Japanese nationals who were previously licensed under General License No. 68. This action is intended to permit the orderly movement of fresh vegetables and other food in areas such as the Pacific coast in order to supply the needs of our civilian population and military forces.

TREASURY DEPARTMENT
Office of the Secretary
December 11, 1941.

GENERAL LICENSE NO. 77
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

(1) A general license is hereby granted licensing any person engaged, prior to December 7, 1941, in the production, marketing or distribution of food products within the continental United States and who is a national of Japan to engage in all transactions ordinarily incidental to the normal conduct of their business of producing, marketing or distributing food within the continental United States, Provided, however, that this general license shall not authorize

- (a) any transaction which could not be effected without a license if such person were not a national of any blocked country.
- (b) total payments, transfers or withdrawals from blocked accounts of any such person during any one week in excess of the average weekly payments from such account during the six months' period immediately preceding the date of this license, or
- (c) any transaction by or on behalf of nationals of Japan who were not generally licensed nationals under General License No. 68 prior to December 7, 1941.

(2) Any person engaging in business pursuant to this general license shall not engage in any transaction pursuant to this general license which, directly or indirectly, substantially

* Part 131; - Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, and Ex. Order 8832, July 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941; Ex. Order 8963, December 9, 1941.

diminishes or imperils the assets of such person within the continental United States or otherwise prejudicially affects the financial position of such person within the continental United States.

(3) Any bank effecting any payment, transfer or withdrawal pursuant to this general license shall satisfy itself that such payment, transfer or withdrawal is being made pursuant to the terms and conditions of this general license.

(4) Where any blocked account in a bank is debited in excess of \$500 per calendar month pursuant to this general license, such bank shall file with the appropriate Federal Reserve Bank a report for such calendar month setting forth the details of the transactions in such account during the calendar month.

E. H. FOLEY, JR.
Acting Secretary of the Treasury.

TREASURY DEPARTMENT,
Office of the Secretary,
December 11, 1941.

GENERAL LICENSE NO. 2, AS AMENDED,
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

General License No. 2 is hereby amended in the following respects:

- (a) Paragraph (2) thereof is deleted;
- (b) The following sentence is substituted for the sentence deleted by paragraph (a) of this amendment:

"(2) Any banking institution within the United States which during any quarterly period enters any single item in excess of \$50 to any account under the authority of this general license shall file with the appropriate Federal Reserve Bank at the end of such quarterly period a report showing the name of such account and the nature and amount of each item in excess of \$50 entered to such account under the authority of this general license during such quarterly period."

E. H. Foley, Jr.,
Acting Secretary of the Treasury.

* Part 131; - Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, and Ex. Order 8832, July 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941; Ex. Order 8963, December 9, 1941.

TREASURY DEPARTMENT,
Office of the Secretary,
December 11, 1941.

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GENERAL LICENSE NO. 11-A
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

(1) A general license is hereby granted authorizing payments out of the blocked account of any national of Japan in the continental United States for the living and personal expenses of such national and his household; provided that the total payments under this general license from all the blocked accounts of any one national shall not exceed \$100 in any one calendar month.

(2) Banks, employers and other persons making any such payments shall satisfy themselves, through affidavits or otherwise, that payments out of blocked accounts for living expenses for any one national and his household do not exceed \$100 in any one calendar month.

E. H. Foley, Jr.,
Acting Secretary of the Treasury.

* Part 131: - Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 379; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, and Ex. Order 8963, December 9, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

To:

Miss Chauncey

1/9/42

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Here are the papers you asked
me to locate. It took me much
too long. But here you are.

fn

MR. FOLEY



Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

December 11, 1941

Strictly Personal and Confidential

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
United States Treasury Department
Washington, D. C.

Dear Mr. Morgenthau:

With reference to our conference of last night, I am inclosing herewith a copy of the teletype message which I received from my Special Agent in Charge at San Francisco. I would of course appreciate your considering certain comments in this teletype confidential in view of the fact that the Agent in Charge of my office there was advancing them for my personal information. However, I did want you to have the complete picture and benefit of such observations as the FBI Special Agent in Charge at San Francisco saw fit to make. I have, of course, advised the Attorney General of the report which has been received, and have suggested to him that it might be desirable for some representative of the General Counsel's Office of your Department in Washington to proceed to San Francisco to survey thoroughly the present situation, if it is considered desirable to make any large number of arrests, either now or in the immediate future.

Please do not hesitate to call me any time if I can be of any assistance in this or any other matter.

Sincerely yours,

J. Edgar Hoover

Inclosure

BY SPECIAL MESSENGER

December 11, 1941

FBI SAN FRANCISCO 12-11-41 4-10 AM RHM
SPECIAL PLACE ON DIRECTORS DESK IMMEDIATELY.

DIRECTOR

RE TELEPHONIC INSTRUCTIONS TENTH, CONFERENCE WITH TREASURY OFFICIALS JOSEPH B FRIEDMAN AND RICHARD AIKEN REGARDING JAPANESE SITUATION DISCLOSED THAT APPROXIMATELY TWO HUNDRED AND FIFTY JAPANESE BUSINESS PLACES HAVE BEEN CLOSED IN THE SAN FRANCISCO AREA SINCE DECEMBER SEVENTH. FRIEDMAN WAS SPOKESMAN. OBVIOUS THAT THEY ARE PROCEEDING ON NO WELL PLANNED PROGRAM. ADMIT NO REAL KNOWLEDGE OF JAPANESE SITUATION, PROBLEMS, OR SETUP. ADMIT THEY ARE RELYING ON ONE JOHN E. ANDERTON FOR GUIDANCE. MANY PLACES CLOSED NOT GUARDED BEING MERELY POSTED AS UNDER CONTROL OF THE US TREASURY. FRIEDMAN SAYS HE HAS BEEN GOING AHEAD ON THE STRICTLY TREASURY PROGRAM BUT BEGAN TO FEEL THAT THEY WERE NOT ACCOMPLISHING PURPOSE BECAUSE IT IS PHYSICALLY IMPOSSIBLE TO COVER ALL JAPANESE TRANSACTIONS THROUGH PRESENT PROCEDURE. FEELS GOVERNMENT SHOULD CLOSE OUT EVERY ALIEN AND CITIZEN JAPANESE BUSINESS OR FUNDS WILL BE DISSIPATED. EXPRESSED BELIEF THAT THIS IS NOW A PROBLEM FOR WHOLE GOVERNMENT RATHER THAN JUST TREASURY. STATES HAVE NO EVIDENCE NOW TO SUBSTANTIATE CONVICTIONS BUT BELIEVES IF WE RANSACKED PLACES OF ALL JAPANESE MIGHT FIND EVIDENCE. ADMITS NO SPECIFIC FINDINGS, HAS ONLY GENERALITIES WHICH IN HIS OPINION SHOW CLOSE KNOT RELATIONSHIP OF ALL JAPANESE AND GENERAL FANATICISM OF JAPS. BELIEVES

IT WORTH WHILE TO EXECUTE HIS PLANS IF ONLY THING ACCOMPLISHED IS TO SHOW THESE GENERALITIES. FRIEDMAN WANTS TO TAKE EVERY JAPANESE IN THE UNITED STATES INTO CUSTODY. THIS IS HIS IDEA QUOTE "HOW CAN WE PICK OUT THE DANGEROUS JAPANESE ALIENS OR CITIZENS WITHOUT PICKING UP THE WHOLE LOT AND LETTING THEM WORK THEIR WAY OUT OF DETENTION. CAN WE AFFORD TO LET EVEN A MINORITY BE AT LIBERTY EVEN THOUGH IT MEANS DETAINING A LARGE NUMBER OF LOYAL JAPS." END QUOTE. HE REPEATEDLY EXPRESSED VIEW THAT ALL JAPS REGARDLESS OF LOYALTIES, POSITION, AGE OR LOCALITY SHOULD BE DETAINED AND THAT WE COULD START FROM THAT POINT AS TO WHICH JAPS WOULD HAVE THEIR LIBERTY. RELATIVE TO NAVAL CODE HAVE ASCERTAINED THAT IMPRESSION GIVEN SECRETARY MORGENTHAU BY FRIEDMAN IS NOT SUBSTANTIATED BY FACT. JOHN HALLY, JOHN OKANE AND JOHN L. ANDERTON MAKING CURSORY EXAMINATION FILES IN OLYMPIC PRESS, FOUR FORTY SANSOME, SAN FRANCISCO. SOJIRO HORIKAWA, PROPRIETOR, FOUND SEVERAL SLIPS OF PAPER IN AMONG SOME INDEX CARDS. THESE SLIPS BORE CHINESE IDIOGRAPHS WHICH ARE SIMILAR TO JAPANESE. UNDER IDIOGRAPHS WERE FIGURES IN NUMERICAL ORDER. ALPHABETICAL LETTER FOLDER FILE WITH BOTH LETTERS AND NUMBERS ON GUIDE TABS ALSO FOUND IN PREMISES. IT WAS ANDERTONS BELIEF THAT IDIOGRAPHS AND NUMERALS ON SCRAPS OF PAPER

-3-

CONFORMED WITH THOSE ON GUIDE TABS OF ALPHABETICAL FOLDER FILE. ANDERTONS EXAMINATION CURSORY. HE SAYS HE WAS NOT PARTICULARLY INTERESTED. HAS NO EXPERIENCE IN CODE WORK. EXPRESSED IDEA THAT SOME CODE EXPERT WOULD HAVE A GOOD TIME WITH IT AS HE BELIEVES IT POSSIBLE TO WORK OUT SOME SUCH CODE IN JAPANESE CHARACTERS. REASON TOOK TO NAVY WAS BECAUSE CONCLUDED WAS NAVAL CODE IF CODE SINCE A PICTURE ON THE WALL PORTRAYED THREE JAP NAVAL OFFICERS AND CIVILIAN JAP PICTURE POSSIBLY TAKEN NINETEEN TWENTY TWO. HE CONCLUDED CIVILIAN MUST HAVE BEEN OWNER OR PICTURE WOULD NOT HAVE BEEN THERE, ALSO BECAUSE PRINTING COMPANY HAD DONE SOME WORK FOR JAP STEAMSHIP LINES FELT PROPRIETOR MUST BE FAMILIAR WITH JAP NAVAL MEN. ADMITTED TO ME THAT DESPITE HIS PROFESSED THOROUGH KNOWLEDGE OF WHOLE JAP SETUP HE HAD NEVER HEARD OF PROPRIETOR BEFORE NOR HAD HE EVER SEEN HIM. ONI, WHOSE MEN GOT SLIPS PAPER EXAMINED AND STATED THAT THEY COULD BE A CODE BECAUSE OF THE PECULIAR E COMBINATION OF CHARACTERS AND NUMBERS BUT ADDED THAT IT COULD LIKEWISE BE MERELY EXPERIMENTING AS THE WRITINGS WERE ONLY SCRIBBLINGS. ONE PAPER BROUGHT IN AND THROWN AWAY WAS A CHINESE POEM. ONI ADVISES SHEETS SEEMED SIMILAR TO COPY PAPER USED BY NEWSPAPERMEN. THAT CHARACTERS THEREON DID NOT MAKE SENSE, NOTHING LIKE ANY KNOWN JAPANESE CODE IF A CODE. ONI SAYS NOT JAP NAVAL CODE. EXPRESSES OPINION KNOWING ANDERTON THAT SCRIBBLINGS WERE BROUGHT TO THEIR ATTENTION IN A MAGNIFIED MANNER. THEY DO NOT THINK IT A CODE.

-4-

ONLY DOCUMENTS AVAILABLE WERE SEVERAL JAPANESE TELEPHONE DIRECTORIES AND TWO TYPEWRITTEN MEMOS LEFT AT YAMATO HOTEL BY ONE FUKUSHIMI CONSULAR EMPLOYEE AT LOS ANGELES WHO HAS NOW RETURNED TO JAPAN. THESE MEMOS DISCUSS RELATIVE MERITS VARIOUS WAYS TO GET JAP PROGRAM TO THE PEOPLE. DISCUSS WHETHER NEWSPAPER, RADIO OR LECTURES MIGHT BE BEST. MENTION TWO HUNDRED FIFTY FIVE THOUSAND DOLLARS APPROXIMATE AMOUNT TO BE EXPENDED. WE RECOGNIZE MEMOS AS PART OF PLAN USED IN YEARS OF NINETEEN THIRTY SEVEN THRU THIRTY NINE AND APPARENTLY HANDLED BY LEE AND PERKINS. PERKINS IDENTIFIED AS SUBJECT OF LOS ANGELES ORIGIN PERCIVAL DENSMORE PERKINS, INTERNAL SECURITY - J. FILE REFLECTS SUBJECT REGISTERED IN WASHINGTON AS REPRESENTATIVE OF JAPANESE FOREIGN OFFICE. ALSO MENTIONED THEY HAD FOUND LISTS OF SOCIETY MEMBERS NOT KNOWN BY THEM TO BE SUBVERSIVE, AT THE NIPPON CLUB, JAPANESE CHAMBER OF COMMERCE, JAPANESE ASSN OF AMERICA, JAPANESE AMERICAN NEWS AND NEW WORLD SUN NEWSPAPERS. THESE LISTS WERE NOT AVAILABLE. FRIEDMAN FIRST MENTIONED PHOTOGRAPHS WHICH WERE SUPPOSED TO HAVE BEEN FOUND CONCEALED. KNEW NOTHING ABOUT NATURE OF PHOTOGRAPHS OR WHERE FOUND AND CHECK UP AT OUR REQUEST FAILED TO DISCLOSE WHERE, WHEN OR BY WHOM FOUND. FRIEDMAN COULD NOT FURNISH US WITH ANY EVIDENCE OTHER THAN MENTIONED WHICH WOULD SHOW JAPANESE ENGAGED IN SUBVERSIVE ACTIVITIES OR ESPIONAGE. ONLY SABOTAGE CLAIM IS INDEPENDENT JAPANESE FARMERS PURPORTEDLY REFUSING TO HARVEST OWN CROPS AND CLAIM SABOTAGE BECAUSE PRODUCE PRICES IN LOS ANGELES AREA GOING UP DUE TO LOWER PRODUCTION OF GARDEN PRODUCTS.

-5-

FRIEDMAN AND AIKEN AND ONE NORMAN TOWSON, FOREIGN FUNDS DIVISION, DIVIDED ON THIS QUESTION. FRIEDMAN CLAIMING JAP FARMERS MIGHT BE WANTING TO SAVE CROPS FOR OWN CONSUMPTION SINCE CANNOT BE PAID IF THEY DO HARVEST UNDER PRESENT SETUP. THEIR PROPOSED PLAN OF HANDLING THIS SITUATION IF ALL JAAPS TAKEN IN CUSTODY WAS TO HAVE ARMY TAKE OVER AND HARVEST THE CROPS. THEY HAVE NO PLAN FOR A SLECTING PROCESS IF AUTHORIZED TO TAKE SMALLER NUMBERS OF JAPANESE INTO CUSTODY. HAVENT THOUGHT ABOUT SELECTIVITY BUT BELIEVE BUSINESS MEN, FRATERNAL AND RELIGIOUS LEADERS WOULD BE FIRST CHOICE. HAVE TAKEN NO CONSIDERATION FOR DIVISION OF CITIZENS OR ALIENS. FRIEDMAN STATED QUOTE JUST RAISING QUESTIONS FOR BETTER BRAIN THAN MINE TO FIGURE OUT END QUOTE. G-TWO ADVISED THE FORCE FOR PROMPT APPREHENSION, TRANSPORTATION TO PLACES OF DETENTION AND CUSTODY UNDER CONDITIONS OF MINIMUM FACILITIES FOR DETENTION OF TWENTY THOUSAND PERSONS ARE THREE REGIMENTS OF INFANTRY APPROXIMATELY NINE THOUSAND MEN. ONLY THE WAR DEPARTMENT CAN ESTIMATE TIME REQUIRED TO MAKE ABOVE TROOPS AVAILABLE SINCE NONE HAVE BEEN ALLOTTED FOR THIS PURPOSE IN NINTH CORPS AREA. BASED ON THE THREE REGIMENTS TWENTY FOUR HOURS WOULD BE REQUIRED FOR ACTUAL APPREHENSION AFTER THE NAMES AND ADDRESSES ARE SUBMITTED BY FBI. AFTER RECEIPT OF ORDER A MINIMUM OF ONE WEEKS TIME WOULD BE NECESSARY TO MAKE MINIMUM SUITABLE DETENTION FACILITIES AVAILABLE. GENERAL J. L. BENEDICT, CORPS AREA COMMANDER REQUESTED THAT THE FOLLOWING COMMENTS MADE BY HIM BE CALLED TO THE DIRECTORS PERSONAL ATTENTION.

PAGE SIX

QUOTE "I HAVE DISCUSSED THIS MATTER WITH THE COMMANDING GENERAL OF THE FOURTH ARMY AND WE ARE IN AGREEMENT ON THE FOLLOWING POINTS. IF ANY SUCH LARGE NUMBER OF PERSONS ARE TO BE TAKEN INTO CUSTODY, IT COULD NOT BE ACCOMPLISHED PRECIPITATELY, BUT WOULD HAVE TO BE GRADUAL, PROBABLY BY TAKING THE LEADERS FIRST, KEEPING THE REMAINDER SEGREGATED IN JAPANESE AREAS BY STATE AND MUNICIPAL AUTHORITIES AND MOVING THEM TO RAILWAY TRAINS GRADUALLY. WE BELIEVE THAT UNDER NO CIRCUMSTANCES SHOULD ANY SUCH LARGE NUMBER OF JAPANESE BE DETAINED IN THIS CORPS AREA. THEY SHOULD, IF TAKEN INTO CUSTODY, BE TRANSPORTED INTO THE INTERIOR. WE ARE FURTHER OF THE OPINION THAT IF ANY SUCH CONDITIONS AS ALLEGED EXIST IN THE SAN FRANCISCO AREA, AN INVESTIGATION SHOULD BE MADE IN OTHER AREAS, PARTICULARLY THE LOS ANGELES AREA, FOR THE DETERMINATION OF WHETHER OR NOT SIMILAR CONDITIONS EXIST THERE AND A GREATER NUMBER OF PERSONS THERE SHOULD BE TAKEN INTO CUSTODY" END QUOTE. FOR YOUR INFORMATION WITH REGARD TO JOHN E. ANDERTON, I RECEIVED A CONFIDENTIAL LETTER FROM CAPT. R. P. MC CULLOUGH, DISTRICT INTELLIGENCE OFFICER OF THE TWELFTH NAVAL DISTRICT, DATED AUGUST TWELFTH, NINETEEN FORTY, WHICH ADVISED THAT ANDERTON WAS EMPLOYED BY THAT OFFICE AS A TRANSLATOR FROM SEPTEMBER FIRST, NINETEEN THIRTY FIVE TO SEPTEMBER TWENTY, NINETEEN THIRTY SEVEN, WHEN HE RESIGNED DUE TO DISAGREEMENT AS TO COMPENSATION. THE LETTER STATES ANDERTON IS AN UNUSUALLY WELL QUALIFIED LINGUIST BUT IS TREMENDOUSLY EGOTISTICAL AND HAS INFLATED IDEAS AS TO THE VALUE OF HIS SERVICES. IT FURTHER MENTIONS THAT AFTER ANDERTON LEFT THE EMPLOY OF ONI HE RESUMED

PAGE SEVEN

PRACTICE OF LAW AND RECEIVED RETAINERS FROM JAPANESE GROUPS, ONE OF WHICH RETAINERS HE INDICATED WOULD MAKE HIM FINANCIALLY INDEPENDENT FOR LIFE. CAPT. MC CULLOUGH'S LETTER STATED ONI WAS CONCERNED THAT POSSIBLY ANDERTON HAD CONFIDED TO THE JAPANESE THAT ONI HAD BEEN ABLE TO OBTAIN RECORDINGS OF CERTAIN JAPANESE TELEPHONE CONVERSATIONS. ANDERTON HAS REPEATEDLY OFFERED HIS SERVICES TO US BUT I HAVE HAD NO CONFIDENCE IN HIM BASED ON THE NAVY'S EXPERIENCE. FROM ACTIONS TONIGHT I FEEL HE IS TRYING TO IMPRESS TREASURY SO THAT HE CAN GET CONNECTED WITH THE GOVERNMENT IN SOME WAY ON JAPANESE MATTERS. I FEEL YOU SHOULD HAVE MY PERSONAL OPINION OF FRIEDMAN. FRIEDMAN, AN ATTORNEY IN GENERAL CONSUL'S OFFICE TREASURY SINCE NINETEEN THIRTY FIVE, HAD JUST COME FROM DENVER TO TIE IN WITH A SPEAKING TOUR OF TREASURY MEN EXPLAINING TREASURY REGULATIONS TO BANKERS, EXPLAINED WAS SENT TO DENVER BECAUSE OF ILLNESS. THINKS ASSIGNMENT HERE WAS JUST TO GIVE HIM TRIP. ADDED THAT THINGS BROKE SUNDAY, SOMEONE HAD TO TAKE OVER, AND HE DID. ADMITTED THAT UNTIL SUNDAY HAD NO KNOWLEDGE OF JAPANESE SITUATION, AND SINCE THEN IS DEPENDING UPON THE ADVICE OF AIKEN AND ANDERTON. HE DID NOT IMPRESS ME AS BEING STABLE, DID NOT SEEM TO KNOW WHAT HE WAS DOING, HAD NOT EVEN THOUGHT OF THE RAMIFICATIONS OF HIS PROPOSALS. HE SAID LET WASHINGTON FIGURE THEM OUT. HE EVEN IMPRESSED ME AS BEING A BIT HYSTERICAL DUE TO OUR AIR RAIDS AS EVIDENCED BY HIS MANNER OF REFERENCE TO THEM AND HIS DESIRE TO NOT TAKE ANY CHANCES WITH ANY TYPE JAPANESE, EVEN WOMEN. HE IS A YOUNG MAN WITH AN ASSIGNMENT BIGGER THAN HE CAN HANDLE. HE DOES NOT SEEM TO KNOW WHERE HE IS GOING OR HOW HE IS GOING TO GET THERE. THE FACT

THAT HE IS UNDER PRESSURE IS OBVIOUS WHEN YOU TALK TO HIM. HE IS A
THEORIST AND CERTAINLY DOES NOT APPEAR TO UNDERSTAND PRACTICAL
REALITIES.

PIEPER

END ACK PLS

C
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P
Y

December 12, 1941.

My dear Mr. Attorney General:

On Wednesday night, after talking to J. Edgar Hoover, I discussed with you over the telephone certain matters in connection with the Japanese situation on the West Coast that had been brought to my attention by our Freezing Control people at San Francisco.

At that time our people were endeavoring to cope with a most difficult situation caused by a desire to control all Japanese-owned business enterprises in that area pending clarification of the Government's policy with respect to Japanese nationals in this country. Our people found that even with all of the Treasury personnel in the area they were only able to deal with about twenty percent of the business concerns in San Francisco and Los Angeles.

I raised with you the desirability of dealing on a more comprehensive basis with such enterprises. To carry this out we also discussed the desirability of detaining large numbers of Japanese nationals until the

Government could be satisfied as to their loyalty and the desirability of unblocking their businesses and unfreezing their funds.

Since talking to you I have continued to study the problem and have been in almost constant communication with the West Coast. I believe that the situation from the point of view of Foreign Funds Control can now be stated as follows:

1. When the war broke out on Sunday, I thought it desirable to freeze completely assets and business enterprises of Japanese nationals in this country. This enabled us to take a look at the situation and determine more adequately what forms of control should be continued over these Japanese nationals.

2. In view of the situation that began to develop with regard to the shipment of food to Los Angeles markets, a General License was issued last night which removed the financial restrictions from the production, marketing, and distribution of food by Japanese nationals. At the same time, in order to enable Japanese nationals to obtain minimum living expenses, a General License was also issued permitting Japanese nationals to obtain \$100 a month from their blocked

funds for their living expenses and also permitting the payment of wages and salaries to Japanese employees in a similar amount. A copy of the release explaining these general licenses is enclosed.

3. I have reached the conclusion that Freezing Control should not be employed to shut down all Japanese businesses without regard to size or length of residence in this country of the owners or the lack of specific evidence of disloyalty. I am taking steps to permit the reopening of most of the Japanese enterprises since we have no evidence in those cases that the policies of Freezing Control are being violated. However, should F. B. I. desire us to continue to freeze any particular Japanese concern I shall be happy to cooperate.

Accordingly, I withdraw any suggestion that large numbers of Japanese nationals be detained as an adjunct to the Freezing Control, and any decision you make in connection with the problem of detaining Japanese nationals who might be regarded as a threat to the safety of the country should not be influenced by Freezing Control considerations.

Sincerely yours,

Secretary of the Treasury.
(Signed) H. Morgenthau, Jr.

The Honorable

Secretary's handwriting "Copy to F.B.I."
The Attorney General.

BHF:BB:JWP/mp 12/12/41

TREASURY DEPARTMENT
Washington

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FOR IMMEDIATE RELEASE,
Thursday, December 11, 1941.

Press Service
No. 28-97

The Treasury Department today announced regulations governing living expenses and wages for Japanese nationals in the United States and regulations governing Japanese nationals engaged in the production, marketing and distributing of food and agricultural products within the United States.

Under General License No. 11-A any Japanese national in the continental United States may receive up to \$100 per month for living and personal expenses for him and his family. This license permits such payments from either the national's bank account or from his employer in the form of wages. Banks and employers making such payments are required to make certain that the Japanese national is not drawing more than \$100 under the license. Thus a Japanese national cannot draw \$100 per month in the form of wages and at the same time withdraw \$100 per month from his bank accounts.

Under General License No. 77 Japanese nationals engaged in the business of producing, marketing or distributing food or agricultural products may, with minor exceptions, engage in all transactions incident to the normal conduct of such business. However, under the license a Japanese national cannot withdraw from his accounts during any one week for such enterprises sums in excess of his average weekly withdrawals during the last six months. Moreover, the license covers only Japanese nationals who were previously licensed under General License No. 68. This action is intended to permit the orderly movement of fresh vegetables and other food in areas such as the Pacific coast in order to supply the needs of our civilian population and military forces.

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funds for their living expenses and also permitting the payment of wages and salaries to Japanese employees in a similar amount. A copy of the release explaining these general licenses is enclosed.

3. I have reached the conclusion that Freezing Control should not be employed to shut down all Japanese businesses ~~regardless~~ ^{without regard to} of size or length of residence in this country of the owners ~~and regardless of the lack of specific~~ ^{or} evidence of disloyalty. I am taking steps to permit the reopening of most of the Japanese enterprises since we have no evidence in those cases that the policies of Freezing Control are being violated. However, should F. B. I. desire us to continue to freeze any particular Japanese concern I shall be happy to cooperate.

Changes made in this copy by Attorney General

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Sincerely yours,

Secretary of the Treasury.

The Honorable

The Attorney General.

EHF:BB:JWP/mp 12/12/41

GENERAL LICENSE NO. 11-A
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

(1) A general license is hereby granted authorizing payments out of the blocked account of any national of Japan in the continental United States for the living and personal expenses of such national and his household; provided that the total payments under this general license from all the blocked accounts of any one national shall not exceed \$100 in any one calendar month.

(2) Banks, employers and other persons making any such payments shall satisfy themselves, through affidavits or otherwise, that payments out of blocked accounts for living expenses for any one national and his household do not exceed \$100 in any one calendar month.

E. H. Foley, Jr.,
Acting Secretary of the Treasury.

* Part 131: - Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 49 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, and Ex. Order 8963, December 9, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Office of the Secretary
December 11, 1941.

GENERAL LICENSE NO. 77
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

(1) A general license is hereby granted licensing any person engaged, prior to December 7, 1941, in the production, marketing or distribution of food products within the continental United States and who is a national of Japan to engage in all transactions ordinarily incidental to the normal conduct of their business of producing, marketing or distributing food within the continental United States, Provided, however, that this general license shall not authorize

- (a) any transaction which could not be effected without a license if such person were not a national of any blocked country.
- (b) total payments, transfers or withdrawals from blocked accounts of any such person during any one week in excess of the average weekly payments from such account during the six months' period immediately preceding the date of this license, or
- (c) any transaction by or on behalf of nationals of Japan who were not generally licensed nationals under General License No. 68 prior to December 7, 1941.

(2) Any person engaging in business pursuant to this general license shall not engage in any transaction pursuant to this general license which, directly or indirectly, substantially

* Part 131; - Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, and Ex. Order 8832, July 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941; Ex. Order 8963, December 9, 1941.

diminishes or imperils the assets of such person within the continental United States or otherwise prejudicially affects the financial position of such person within the continental United States.

(3) Any bank effecting any payment, transfer or withdrawal pursuant to this general license shall satisfy itself that such payment, transfer or withdrawal is being made pursuant to the terms and conditions of this general license.

(4) Where any blocked account in a bank is debited in excess of \$500 per calendar month pursuant to this general license, such bank shall file with the appropriate Federal Reserve Bank a report for such calendar month setting forth the details of the transactions in such account during the calendar month.

E. H. FOLEY, JR.
Acting Secretary of the Treasury.

TREASURY DEPARTMENT
Washington

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December 12, 1941
11:50 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Mrs. Melvyn
Douglas: Hello.

HMJr: Mrs. Douglas.

D: Yes, good morning.

HMJr: This is Henry Morgenthau.

D: Yes.

HMJr: How are you?

D: Fine, thank you.

HMJr: Mrs. Douglas, we're trying our best to get
that food situation straightened out in
Los Angeles. Hello.

D: Yes. What do you mean?

HMJr: Well, I mean we've issued licenses so that
there's no reason why these Japanese farmers
shouldn't bring in the food, you see?

D: Yeah.

HMJr: And I wondered if you could make inquiries
around and see whether the situation has - is
any better or worse today. Hello.

D: Yes, I will.

HMJr: And then if you would, if you'd call me back
collect.....

D: All right.

HMJr:my number is District 2626.

D: Two six two six.

HMJr: Yes.

D: All right, fine.

HMJr: But we've issued the licenses; and now, if they don't come in, it's because they don't want to.

D: Uh huh.

HMJr: And the Department of Agriculture is making a survey for me out there.

D: Yeah.

HMJr: But I did want to see what you thought and what you found out whether the hospitals, particularly, were getting the food.

D: Yes, I see.

HMJr: You see?

D: Yeah. And you think that they didn't get in? I was in bed all day yesterday.

HMJr: Yes.

D: So I didn't hear. I was talking about other things on the phone.....

HMJr: Yes.

D:and I didn't get any word about the food at all.

HMJr: Well, maybe it isn't as bad as they say it is; but I thought.....

D: No, because nobody mentioned it to me. It seems to me I would have heard it, because I talked to the defense thing.....

HMJr: Well.....

D:the defense people. But I'll check today.

HMJr: You check, and particularly the hospitals.

D: Did they tell you that the hospitals weren't getting it?

HMJr: Yes.

D: They did?

HMJr: Yes.

D: Well, I'll call the Red Cross and have them find out.

HMJr: And I had a telegram from Mrs. Roosevelt also, asking me to look into it.

D: Uh huh.

HMJr: That came in this morning. But we got out all these licenses last night.

D: That came from San Francisco, didn't it?

HMJr: Pardon?

D: She was in San Francisco yesterday.

HMJr: I don't know where the telegram came from.

D: Yes. You see it might have been up in San Francisco that this happened.

HMJr: No, I - I think it - no, she was mentioning Los Angeles, I think. I'll check it, anyway.

D: She wasn't here yesterday.

HMJr: She wasn't there yesterday?

D: No. She left - yesterday she was in - let me see now - San Diego.

HMJr: Yes.

D: No, San Francisco. And the day before she was in San Diego.

HMJr: Oh.

D: You see, there's been two days that she hasn't been here.

HMJr: Well, she just mentioned Japanese farmers; she didn't mention the locality. But the other telegrams we've had have definitely mentioned hospitals in Los Angeles.

D: They have? Well, I'll check.

HMJr: Thank you so much.

D: District 2626.

HMJr: Collect.

D: Yeah, all right.

HMJr: All right.

D: Thanks.

HMJr: Thank you.

Copy to Mrs. McHugh

December 12, 1941 5:45 PM

T
 OPR SE 146 OK M BL
 CG
 CG OPR SE MY TIME 2-21 PM OK RING AGAIN FOR INWARD PLS OKM
 CG SE NC OK VCKTS BY WILL CALL U OK THANK UK TRFX

RDY WITH SE 146 PLS ANNOUNCE SE
 SEATTLE 146 OK GA

SECRET SERVICE WASH FRANK J WILSON CHIEF CALLING

PLEASE DELIVER THE FOLLOWING MESSAGE TO SUPERVISING AGENT WILLIAM R
 JARRELL, U. S. SECRET SERVICE, SEATTLE WASHINGTON, TO BE DELIVE M

T GA PLS
 R U READY TO RECEIVED
 THIS IS SEATTLE 146 I HAVE ANNOUNCED TWICE ALREADY GA PLS

THIS IS WASH 194 MY MEAXXX MESSAGE FOLLOWS

PLS DELIER THE FOLLOWING MESSAGE TO SUPERVISING AGENT WILLIAM R.
 JARRELL, U. S. SECRET SERVICE FOR DELIVERY IN PERSON TO MRS.
 ROOSEVELT

*DECEMBER 12, 1941

MRS. FRANKLIN D. ROOSEVELT
 C/O MR. JOHN BOETTIGER
 MERCER ISLAND
 SEATTLE, WASHINGTON

IN REGARD TO TRANSPORTATION AMERICAN BORN JAPANESE STUDENTS,
 JUSTICE ADVISES ME THAT NO PROCLAMATION OR OTHER DOCUMENT OR LAW
 FORBIDS AMERICAN BORN JAPANESE STUDENTS FROM OBTAINING TRANSPORTATION.
 TRANSPORTATION RESTRICTIONS ON JAPANESE SUBJECTS IN SECTION 3 B OF
 TRADIN

O MY I CONTINUE PLS
 TRADING WITH ENEMY ACT ARE NOT APPLICABLE TO TRANSPORTATION BETWEEN
 POINTS IN UNITED STATES EXCEPT WHEN TRANSPORTATION IS BY VESSEL OF
 AMERICAN REGISTRY.

IS THERE ANY ADDITIONAL INOXXXXX INFORMATION I CAN GET FOR
 YOU ON THIS SUBJECT. AFFECTIONATE REGARDS.

HENRY MORGENTHAU, JR."

THANK YOU WILSON END

WILL DEVLV. THIS MESSAGE AT ONCE END R

December 12, 1941

Mrs. Franklin D. Roosevelt
c/o Mr. John Boettiger
Mercer Island
Seattle, Washington

In regard to transportation American-born Japanese students, Justice advises me that no Proclamation or other document or law forbids American-born Japanese students from obtaining transportation. Transportation restrictions on Japanese subjects in section 3 (b) of Trading with Enemy Act are not applicable to transportation between points in United States except when transportation is by vessel of American registry.

Is there any additional information I can get for you on this subject? Affectionate regards.

Henry Morgenthau, Jr.

Mrs. Eleanor Roosevelt
Civilian Defense Headquarters
San Francisco, California

In regard ^{to} ~~re~~ transportation American-born Japanese students, Justice advises me that no Proclamation or other document or law forbids American-born Japanese students from obtaining transportation. Stop. Transportation restrictions on Japanese subjects in section 3(b) of Trading With Enemy Act are not applicable to transportation between points in United States except when transportation is by vessel of American registry. Stop.

Re bank and money for American-born Japanese citizens and parents, situation is as follows:

Is there any additional information I can get for you on this subject - affectionate regards

Wm. J.

DEC 15 1941

My dear Mr. Attorney General:

Thank you for your letter of December 12 with regard to the telegram which I had received from Mrs. Roosevelt asking for clarification of the Federal order applying to transportation of American-born Japanese students on the West Coast.

I sent her a telegram which explained the difficulty and clarified the situation for her.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Attorney General.

EHF Jr/fm
12/13'41

By Messenger

S. id +



Office of the Attorney General
Washington, D.C.

December 12, 1941.

The Honorable

The Secretary of the Treasury.

My dear Mr. Secretary:

The following inquiry was received by the Attorney General from the office of the General Counsel of the Treasury:

"The Secretary of the Treasury received a telegram this morning from Mrs. Roosevelt asking for clarification of the proclamation preventing aliens from traveling on railroads, etc. Mrs. Roosevelt was particularly inquiring about the difficulty American-born Japanese students were having."

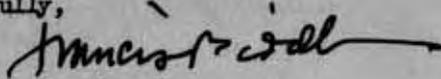
This I understand refers to the following telegram from Mrs. Roosevelt:

YWCA AND YMCA OUT HERE MUCH DISTURBED FOR
AMERICAN BORN JAPANESE STUDENTS IN COLLEGE
WHO CANNOT OBTAIN TRANSPORTATION. THEY WANT
CLARIFICATION OF FEDERAL ORDER APPLYING
TRANSPORTATION.* * *

There is nothing in the Proclamation of December 7 which prevents American-born Japanese students from obtaining transportation. Nor indeed is there anything in the Proclamation which prevents Japanese nationals from obtaining such transportation. See my opinion to you dated December 11, 1941. Paragraph 10 of the regulations prescribed by the President in con-

nection with the Proclamation gives the Attorney General power to prescribe regulations concerning the movements of alien enemies within the continental United States, but no regulations have been prescribed. Section 12 forbids enemy aliens to enter upon railroad premises which are not open to the public, but of course that would in no way prevent securing transportation.

Respectfully,

A handwritten signature in cursive script, appearing to read "Francis B. Will", with a long horizontal flourish extending to the right.

Attorney General

OPR OPR MV DO U WISH TO PLACE A CALL PLS
SE 146

12/17/47 1220P 287

OK
CG SE OK
SE 146 GOVT REPEAT 146 GOVT XOK
QIC OPR DA OK M DA WILL CALL U
DA WILL CALL U OK THANKS O WA 194
OK TY G OVT

OK ARE YOU ABLE TO GET SE 146 YET VERY URGENT MESSAGE
BCY GA
TO SE PLS ANNOUNCE ONCE AGAIN FOR WA

SEATTLE CUSTOMS AGENCY GA

U S SECRET SERVICE WASH WILSON
PLEASE DELIVER THE FOLLOWING TO SUPERVISING AGENT WILLIAM R. JARRELL,
U S SECRET SERVICE, 220 U S COURTHOUSE, SEATTLE, WITH INSTRUCTIONS
TO GIVE PERSONALLY DIRECT TO MRS. FRANKLIN D. ROOSEVELT

MRS. FRANKLIN D. ROOSEVELT
CAREMR. JOHN BOETTIGER
MERCER ISLAND
SEATTLE, WASHINGTON

THANK YOU VERY MUCH FOR YOUR TWO TELERRAMS. I AM SENDING
YOU HEREWITH A COPY OF THE PRESS RELEASE COVERIN G TWO GENERAL
LICENSES WHICH WAS RELEASED LATE LAST NIGHT. WE HOPE THAT THIS WILL
TAKE CARE OF THE SITUATION WHICH YOU WERE KIND ENOUGH TO BRING TO
MY ATTENTION.

AS TO THE TRANSPORTATION QUESTION, WHILE THAT IS NOT PART OF THE
TREASURYS RESPONSIBILITY, WE ARE CONTACTING OTHER FEDERAL AGENCIES,
AND WE HOPE SHLRTLY TO HAVE A REPORT FOR YOU ON THAT.

AFFECTIONATELY,
HENRY MORCEN THAU, JR.

COPY

TREASURY DEPARTMENT
WASHINGTON

105

FOR IMMEDIATE RELEASE, THURSDAY, DECEMBER 11, 1941.
PRESS SERVICE NO. 28-97

THE TREASURY DEPARTMENT TODAY ANNOUNCED REGULATIONS GOVERNING LIVING EXPENSES AND WAGES FOR JAPANESE NATIONALS IN THE UNITED STATES AND REGULATIONS GOVERNING JAPANESE NATIONALS ENGAGED IN THE PRODUCTION, MARKETING AND DISTRIBUTING OF FOOD AND AGRICULTURAL PRODUCTS WITHIN THE UNITED STATES.

UNDER GENERAL LICENSE NO. 11-A ANY JAPANESE NATIONAL IN THE CONTINENTAL UNITED STATES MAY RECEIVE UP TO \$100 PER MONTH FOR LIVING AND PERSONAL EXPENSES FOR HIM AND HIS FAMILY. THIS LICENSE PERMITS SUCH PAYMENTS FROM EITHER THE NATIONALS BANK ACCOUNT OR FROM HIS EMPLOYER IN THE FORM OF WAGES. BANKS AND EMPLOYERS MAKING SUCH PAYMENTS ARE REQUIRED TO MAKE CERTAIN THAT THE JAPANESE NATIONAL IS NOT DRAWING MORE THAN \$100 UNDER THE LICENSE. . THUS A JAPANESE NATIONAL CANNOT DRAW \$100 PER MONTH IN THE FORM OF WAGES AND AT THE SAME TIME WITHDRAW \$100 PER MONTH FROM HIS BANK ACCOUNTS.

UNDER GENERAL LICENSE NO. 77 JAPANESE NATIONALS ENGAGED IN THE BUSINESS OF PRODUCING, MARKETING OR DISTRIBUTING FOOD OR AGRICULTURAL PRODUCTS MAY, WITH MINOR EXCEPTIONS, ENGAGE IN ALL TRANSACTIONS INCIDENT TO THE NORMAL CONDUCT OF SUCH BUSINESS. HOWEVER, UNDER THE LICENSE A JAPANESE NATIONAL CANNOT WITHDRAW FROM HIS ACCOUNTS DURING ANY ONE WEEK FOR SUCH ENTERPRISES SUMS IN EXCESS OF HIS AVERAGE WEEKLY WITHDRAWALS DURING THE LAST SIX MONTHS. MOREOVER, THE LICENSE COVERS ONLY JAPANESE NATIONALS WHO WERE PREVIOUSLY LICENSED UNDER GENERAL LICENSE NO. 68. THIS ACTION IS INTENDED TO PERMIT THE ORDERLY MOVEMENT OF FRESH VEGETABLES AND OTHER FOOD IN AREAS SUCH AS THE PACIFIC COAST IN ORDER TO SUPPLY THE NEEDS OF OUR CIVILIAN POPULATION AND MILITARY FORCES.

WILSON END

WE WILL DELIVER THIS MSG TO CAPT JARRELL AT ONCE END

December 12, 1941

Mrs. Franklin D. Roosevelt
c/o Mr. John Boettiger
Mercer Island
Seattle Washington

Thank you very much for your two telegrams. I am sending you herewith a copy of the press release covering two general licenses which was released late last night. We hope that this will take care of the situation which you were kind enough to bring to my attention.

As to the transportation question, while that is not part of the Treasury's responsibility, we are contacting other Federal agencies, and we hope shortly to have a report for you on that.

Affectionately,

Henry Morgenthau, Jr.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, December 11, 1941.

Press Service
No. 28-97

The Treasury Department today announced regulations governing living expenses and wages for Japanese nationals in the United States and regulations governing Japanese nationals engaged in the production, marketing and distributing of food and agricultural products within the United States.

Under General License No. 11-A any Japanese national in the continental United States may receive up to \$100 per month for living and personal expenses for him and his family. This license permits such payments from either the national's bank account or from his employer in the form of wages. Banks and employers making such payments are required to make certain that the Japanese national is not drawing more than \$100 under the license. Thus a Japanese national cannot draw \$100 per month in the form of wages and at the same time withdraw \$100 per month from his bank accounts.

Under General License No. 77 Japanese nationals engaged in the business of producing, marketing or distributing food or agricultural products may, with minor exceptions, engage in all transactions incident to the normal conduct of such business. However, under the license a Japanese national cannot withdraw from his accounts during any one week for such enterprises sums in excess of his average weekly withdrawals during the last six months. Moreover, the license covers only Japanese nationals who were previously licensed under General License No. 68. This action is intended to permit the orderly movement of fresh vegetables and other food in areas such as the Pacific coast in order to supply the needs of our civilian population and military forces.

WAF9 92 GOVT NT

GERBER CALIF DEC 11

THE SECRETARY OF THE TREASURY

TREASURY DEPT

1941 DEC 12 AM 8 59

RESPONSIBLE PEOPLE IN CALIFORNIA FEEL BANK ORDER
PERMITTING AMERICAN FIRMS TO RECEIVE JAPANESE GROWN
VEGETABLES AND RETURN MONEY NOT TO JAPANESE BUT TO
CERTAIN BANKS WHO CAN LATER PAY BILLS INCURRED WILL WORK
TOO SLOWLY TO SAVE VEGETABLE CROP WHICH CONSTITUTES
SEVENTY FIVE PERCENT OF WINTER VEGETABLES FOR WHOLE COUNTRY
THIS CROP PERISHABLE AND OF VALUE TO COUNTRY AS A WHOLE
PEOPLE HERE FEEL IF RECEIVER COULD BE APPOINTED
TO RECEIVE MONEY AND DOLE OUT TO JAPANESE NATIONALS AND
AMERICAN CITIZENS JAPANESE EXTRACTION SUFFICIENT FOR LIVING
EXPENSES THESE CROPS MIGHT BE SAVED

ELEANOR ROOSEVELT.

858A

TELEGRAM

109

WAF10 66 GOVT NT

SANFRANCISCO CALIF DEC 11

THE SECRETARY OF THE TREASURY

TREASURY DEPT

1941 DEC 12 AM 9 07

THE YWCA AND YMCA OUT HERE MUCH DISTURBED FOR AMERICAN BORN
JAPANESE STUDENTS IN COLLEGE WHO CAN NOT OBTAIN
TRANSPORTATION THEY WANT CLARIFICATION OF FEDERAL ORDER
APPLYING TRANSPORTATION ALSO BANK AND MONEY FOR AMERICAN
BORN JAPANESE CITIZENS AND PARENTS LIVING WITH CITIZENS
THEY ARE ASKING FOR LIVING EXPENSES FROM THE BANKS THEY
SAY GENERAL ORDER FROM TREASURY DEPARTMENT IS INTERPRETED
DIFFERENTLY AND IS CREATING GREAT HARDSHIPS

ELEANOR ROOSEVELT

900A

December 12, 1941

I told Foley to tell Gaston to send out the new regulations about the Japanese that we sent to Mrs. Roosevelt to every Customs Agent on the Pacific Coast, and ask them to take it to the local radio station and have them put it on.

December 12, 1941
11:25 a.m.

RE AIR RAID SHELTERS

Present: General Fleming
Mr. Reynolds
Mr. Reilly
Mr. Wilson
Mr. Thompson
Mrs. Klotz

H.M.Jr: General, the President gave me a job to do which I said I would do, having you in mind all the time. That was this morning. I said he could forget it and we would take care of it. He wants a bomb proof shelter in the White House, the State Department and the Treasury, and he will give us out of his secret fund the money to do that, if necessary.

He also said we ought to fix one up at the Capitol and the Senate Office Building and in the House Office Building. That is pretty far removed from me, but you know how to take care of that. I mean, I would like it if you would be willing to say, "Forget it, Morgenthau. I will take care of that."

Fleming: We will take care of it.

H.M.Jr: Will you?

Fleming: Yes.

H.M.Jr: Because, I mean, it is pretty far removed in these times.

Fleming: You mean he wants three here, one for the White

House --

H.M.Jr:

One here, one in the White House and one at the State Department. The Capitol and Senate Office Building and House Office Building.

Now, the one here, I don't know whether they have told you, but they think we can fix one here for the President almost immediately, and whoever is on that, I haven't heard the details. I am interested for him. He strictly said that what we were doing here was for the Treasury and not for him, but I am doing it for him and expecting him to use it, not myself. What is the situation on the one that we can do here within a week, somebody said?

Fleming:

You have looked into some of these vaults down here.

Reynolds:

The new vaults that were built in the north court have very excellent protection at the present time.

H.M.Jr:

In the Treasury?

Reynolds:

In the Treasury, that is, in the lower vault. There are two thicknesses of concrete. One is two feet and then there is another little room above that and then three feet of concrete over that with three inch steel over that, and that is protection against at least a five hundred pound bomb and there are several sections in that vault. The safest place in Washington that we know of at the present time is right there.

H.M.Jr:

How can we get the President from the White House over here?

Reynolds:

By car only, and we are figuring on a tunnel

going over to the White House.

H.M.Jr: Well, how long would it take to make this tunnel?

Reynolds: Well, I think you would want to just simply bore it as a tunnel and not expose the street.

H.M.Jr: That is right.

Reynolds: I think it would probably take a month to go across there. It is a slow and laborious process when you do it that way.

H.M.Jr: I thought, Norman, they said we have a sort of a conduit now.

Thompson: Well, a pipeline is all it is.

Reynolds: We checked that and it is almost impossible to use that.

Fleming: Is there any way of expanding that present run instead of driving a tunnel all the way through? Couldn't you work off of that and save some time?

Reynolds: It might save a little time. It might save a week.

H.M.Jr: Well, that is a lot.

Wilson: How much time would be saved if you built a tunnel by the open trench method, if you used the subterfuge that we had to have duplicate heating conduits for the White House? That would save a lot of time, would it not?

Reynolds: That will save time.

Fleming: I don't see how you are going to hide the fact that you are digging a tunnel there. With all the workmen that will be on it and the dirt and

stuff coming out, it can't be hidden. It seems to me there is an element of speed involved that we might as well go ahead and say it is connected up with the heating plant. Make an open trench and be perfectly frank about it.

H.M.Jr: Well, to show you, for instance, how - there hasn't been one line in the newspapers about all these machine guns here and the fire truck right outside my window. There hasn't been one line. Let me show you. Here is this equipment down there. There is a radio station and machine gun and fire truck and not a word.

Wilson: The press are cooperative. They called me up last night at midnight. We have two guns on the roof here. They wanted to know if they were there. I said I could tell them off the record they are there, but they don't publish the stuff.

H.M.Jr: I think you are right, General. I would do it the quickest way.

Fleming: What is the soil here?

Reynolds: Soil conditions are not too bad at the level we could go through. You see, we would start practically at this ground floor level down here. So that comes in to all levels.

Fleming: Any rock?

Reynolds: No rock.

H.M.Jr: Were you here when they put in that heating plant? We went way, way down and there was no rock.

Reynolds: It is no problem.

H.M.Jr: Well, it is just a question of getting the money,

isn't it?

Reynolds: Getting the money and getting a steam shovel down there and --

H.M.Jr: Well, fix it and the President will give it to us out of his secret money. He agreed to that this morning.

Fleming: Have you any idea as to the size, the capacity that you want?

H.M.Jr: What I would like to do for the Treasury, you see, we have got this plaza outside here and I think - once we get the President fixed up, I am not worried. It seems to me that under this plaza out here you could build a place big enough to take care of a thousand people and there are not many places in Washington that you can do that. I just offer the suggestion, the possibility of doing one big enough there that a thousand people might go in and stay there and work. How many people are there in the building?

Thompson: About two thousand.

H.M.Jr: Well, enough for two thousand people. You asked me.

Thompson: We probably could squeeze two thousand into the space.

Reynolds: What about White House people?

H.M.Jr: We have got to study that.

Reynolds: You have this proposition which I think you should understand.

H.M.Jr: You have got to study that. The only thing that I am going to put the pressure on is some place just as promptly as possible to bring the President

to. I hope within a week, you see.

- Fleming: Well, we can move fast on that. We can go to work on it today, can't we? Do we need to wait for funds?
- Reynolds: I haven't had to wait for funds on a lot of things lately.
- H.M.Jr: You haven't?
- Reynolds: No, I have gone on property I didn't even own.
- H.M.Jr: He has the money he said we could draw on.
- Fleming: Two thousand is an awful big place if you put in a place for the people to work.
- H.M.Jr: Well that, General, I wouldn't expect you to - you can study it and after you have a day or two, if you wouldn't mind coming back and seeing me again, I would like to see you. If I did nothing else today but to get you to agree to start on this tunnel business, I think that is a good day's work.
- Fleming: We will start on it right away.
- H.M.Jr: And if you want to drop in Monday I would be delighted. Would you like to do that?
- Fleming: Yes.
- H.M.Jr: You could say --
- Fleming: You have made some notes, haven't you?
- Reynolds: We have a bomb proof shelter designed for the White House. I have been working on it for six months.
- H.M.Jr: Do you want to drop in at 10:30 Monday morning, as far as you know? By that time you would

have a chance to look at the thing. I mean, that is something that I want to - whatever you men recommend. Can you get a steam shovel to start this thing right away?

Reynolds: I think so.

H.M.Jr: Think you can get going by tomorrow?

Reynolds: Yes.

H.M.Jr: And Norman Thompson, you give him the money and he will fix it up.

Thompson: We have already had two of his engineers over this morning.

H.M.Jr: We can start tomorrow. Have you got desks fixed up in there for the President and telephones in the vault and all that?

Thompson: I don't know if we have completed all those details.

H.M.Jr: But you will by the time he has got his tunnels fixed.

Thompson: Oh, today.

Reynolds: Well, you have moved out of that other place, haven't you?

Thompson: Yes, the vaults are all ready. We have even got food in there today, one hundred dollars worth of food.

Fleming: I am just wondering what we will run into when we start this steam shovel business.

Reynolds: We have most of that data in our office.

H.M.Jr: How about an emergency lighting plant for this vault for the President?

Thompson: We are running a power line in from --

H.M.Jr: But I mean a little --

Wilson: Delco.

Fleming: That can be easily arranged.

Then, I think, we will start immediately in operations on this tunnel and we will probably get in there tomorrow and then we will make these other studies for these other - for the six bomb proofs.

H.M.Jr: I see.

Fleming: And Monday we will be prepared to discuss the three over here.

H.M.Jr: That is right.

Fleming: And then the others --

H.M.Jr: The Capitol I will leave with you, if I may. I will tell the President that this afternoon in Cabinet, that I am going to leave the rest with you, that I am not going to worry about it.

Fleming: You have nothing to worry about.

H.M.Jr: Thank you very much.

TREASURY DEPARTMENT

119

INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau
FROM Mr. Thompson

CONFIDENTIAL

(1) Arrangements for sleeping 40 men and 3 officers in the basement have been made.

(2) Fifty-calibre aircraft guns were mounted on the Treasury roof last night. We slept 15 additional men in Room 81. Will conclude sleeping quarters on the fourth floor for this detachment today.

(3) Main Treasury vault No. 1 on the Subbasement level has been selected for housing President in an emergency. The safety of this vault has been checked with Commissioner Reynolds. This vault was available last night. Equipping will follow at once. Time locks were detached and men knowing the combination are available on three minutes' notice on a 24-hour basis.

(4) Narcotics will be moved to Comptroller's vault cleared earlier this week for emergency use.

(5) Commissioner Reynolds will come over today to advise on necessary facilities for vault, including living quarters, bath, kitchen, phones, air conditioning, etc.

(6) Two bullet-proof cars, a 1937 Lincoln and a 1932 Cadillac, have been located and are being reconditioned to the last word by our Treasury garage. The Lincoln will be available today; the Cadillac in about two weeks. Herman Klotz made the arrangements for the cars, but did not know the purpose.

Ami

December 12, 1941

This morning General Watson told me that as a result of my inquiry in regard to the anti-aircraft gunds, he has gotten ten anti-aircraft guns. There will be two on the Treasury, two on State and two on Commerce, and I believe the rest will be around the Capitol.

I am under the impression that these are the first anti-aircraft guns in the whole capital.

December 12, 1941
11:55 a.m.

John
Sullivan: The bill goes onto the Floor of the Senate at noon today.

HMJr: Yeah.

S: They refuse to give the Bureau anything at all.....

HMJr: Yeah.

S:for the collection of auto use.

HMJr: For the collection for what?

S: The automobile use tax.

HMJr: Yeah.

S: They apparently want the Post Office to sell them and they don't want any enforcement.

HMJr: Yeah.

S: But we will have to pay the Post Office a million and a half.

HMJr: Yeah.

S: And Norman Kann called me and asked if you or I would be willing to call McKellar or Glass and ask them to provide at least that million and a half we have to pay the Post Office.

HMJr: Yeah. Well, you do it.

S: All right, sir. I will.

HMJr: You carry the ball.

S: Righto.

HMJr: Thank you.

S: Thank you.

December 12, 1941
12: ~~AM~~ P.

RE OFFER OF S.E.C. ASSISTANCE

Present: Mr. Purcell
Mr. Morris
Mr. Bell
Mrs. Klotz

Purcell: I am coming over, as you know, in behalf of the Chairman, because apparently his cold isn't very well and he feels he ought to stay out a little longer, but he didn't think that we should delay giving you our message any longer and that is to say that we want to report to the Chief Financial Officer of the Government and say that we are ready to do whatever we can to assist.

As you know, we have an organization built up over there which is probably the best unit in the Government from the point of view of corporate affairs.

H.M.Jr: That is right.

Purcell: And that organization and our facilities are at your disposal at any time.

H.M.Jr: That is fine.

Purcell: We hope we have given good service in the past --

H.M.Jr: You have.

Purcell: ...and we will do our best to do so in the future.

H.M.Jr: You are useful because we need all the help we

- 2 -

can get.

Purcell: Well, we want to give it.

H.M.Jr: You know, we haven't thought of S.E.C. in connection with carrying out some of those freezing things, but they might have some people in some of these banks and businesses that could help us.

Bell: I think Ed has talked to you on one or two occasions, hasn't he, Ganson?

Purcell: - Ed has. He mentioned about two or three weeks ago to me that he would like to use our services if he found that the occasion should arise where we want that kind of men and he thought it was going to come. I think Joe O'Connell has also spoken to us more recently, although I understand that something has put off an immediate decision on the matter, but we stand ready to help you in any way we can.

H.M.Jr: Well, I just wondered whether he had thought of S.E.C. because we are so short of men on the West Coast.

Bell: I think he has had it in mind, but I think --

H.M.Jr: Well, you might --

Bell: ...I think it rests to some extent on this larger decision of custodians and so forth.

H.M.Jr: That is right.

Purcell: I understand that is why there is some delay at the moment.

H.M.Jr: Well, you tell the Chairman and the rest of the board members that I appreciate this very much and I will be delighted to avail myself of it and that goes two ways, if we can be of

any service to you.

Purcell: That is fine, sir. I think you will need our services more than we will need yours. I would like to mention one specific thing, and that is the question of capital funds control, which, of course, you have been thinking about and which we have been talking to you about since Jerry Frank, I believe --

H.M.Jr: The summer of '39.

Purcell: ...had that conversation with you in the summer of '39 and I believe you sent the proposed - according to Ed - the proposed Executive Order to the Budget, and I guess that is where it is at the present moment. Also, as you know, I made some remarks in Detroit about three weeks ago on the subject, which was the speech I asked Ed Foley to look over.

H.M.Jr: That was explained. That wasn't your fault.

Purcell: I understand, sir.

H.M.Jr: You know, that was - but I mean, you did yours but my people didn't bring it to me.

Purcell: Well, I learned that afterward, after I had gotten back. I didn't intend to raise that point.

H.M.Jr: I just want to say for you that I am sorry I raised it, because it was my own people who were at fault, not you.

Purcell: Not at all, sir. But what we have done, I have had that Executive Order and letter revised, and I should like to leave copies for you and really would like to urge upon you our sincere feeling that something ought to be set up as rapidly as possible.

- H.M.Jr: Well, we will take it and --
- Purcell: The only further change which I haven't made which occurs to me might well be made for the purposes of simplicity and efficiency as to perhaps leave out two of the five suggested agencies, namely, the Secretary of Agriculture and the Federal Reserve Board, leaving in as the chief head the Secretary of the Treasury and then with the loaning agency and the S.E.C.
- H.M.Jr: I see.
- Purcell: I don't know; I just make that suggestion as possible in the interests of simplicity and efficiency.
- H.M.Jr: Well, if you would leave it with me, we are all studying it.
- Purcell: Surely, sir.
- H.M.Jr: And we will see if the people think it is urgent.
- Bell: You think it is urgent now?
- Purcell: Well, personally, yes, I do, and I think the Commission - I am quite sure the Commission agrees with me that we ought to set it up so that you can begin obtaining the pertinent facts. I am afraid sometimes we have started too late in things of this kind, in getting the background so we can act at a time when important questions come up. I am, of course, not a judge of whether it is the appropriate time. I merely make the suggestion that it be undertaken, if possible.
- H.M.Jr: You leave it with these two men and we will go to it.
- Purcell: I won't take more of your time.

H.M.Jr: Thank you very much for coming over. Sort of look to Dave Morris as liason so that if you want something, he is here.

Purcell: Fine.

H.M.Jr: And I mean Bell may be busy and so forth, but I mean Bell is operating and Dave is here to help Bell and me, so if there is something particular any time, if you would sort of --

Purcell: Anything we want to get through quick.

H.M.Jr: ...if you would look to Dave Morris.

Purcell: And of course, we are continuing on as far as the actual markets are concerned discussing those matters with Ed Foley and Bernie.

H.M.Jr: On the markets?

Purcell: On questions relating to the securities markets.

H.M.Jr: Yes.

Purcell: From time to time. For instance, the Jap and German and Italian bonds were questioned.

Bell: They are not worrying about freezing right now.

H.M.Jr: But something like this, if you want to get it through either Bell or me, Dave Morris is available.

Purcell: Fine. Thank you very much.

Through the Bureau of the Budget
Attorney General
Division of the
Federal Register

My dear Mr. President:

There is transmitted herewith for your consideration a proposed Executive Order creating a Capital Funds Committee* in order effectively to utilize, conserve, and coordinate the Nation's financial resources for the conduct of the war and for national defense. The Committee would consist of the Secretary of the Treasury, the Secretary of Agriculture, the Administrator of the Federal Loan Agency, the Chairman of the Securities and Exchange Commission, and the Chairman of the Board of Governors of the Federal Reserve System.

Such a Committee would provide the means for the proper coordination of the various existing agencies of the Government having functions relating to public and private financing, and would maintain continuous channels of information concerning the supply and use of our financial resources. The Committee would also take appropriate measures to insure and foster effective utilization, conservation, and coordination of the financial resources of the nation for the conduct of the war and for national defense in connection with any financing, and the financial integrity of enterprises engaged in or affecting production for the conduct of the war and for

* Deleted portions are indicated by a dashed line, ~~thus~~; inserted portions are indicated by underscoring, thus.

national defense. It is believed that the Committee would be of substantial assistance in connection with the defense war effort, and that some such device is desirable essential to help in directing the flow of capital funds.

The plan embodied in the proposed Order has the advantage that it would require no additional governmental machinery or new legislation.

Faithfully yours,

Secretary of the Treasury

The President,
The White House

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Draft of 12/4/41ESTABLISHING A CAPITAL FUNDS COMMITTEE
AND DEFINING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me as President of the United States and in order effectively to utilize, conserve, and coordinate the Nation's financial resources for the conduct of the war and for national defense and for other purposes, it is hereby ordered as follows:

1. There is hereby created a Capital Funds Committee which shall consist of (1) the Secretary of the Treasury who shall act as Chairman, (2) The Secretary of Agriculture, (3) The Administrator of the Federal Loan Agency, (4) The Chairman of the Securities and Exchange Commission, and (5) The Chairman of the Board of Governors of the Federal Reserve System. Each member may act through a designee. The members shall serve without additional compensation but shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of their duties.
2. Subject to such policies, directions and regulations as the President may from time to time prescribe, the Committee shall take all lawful steps necessary to:

a. Obtain, assemble and analyze all pertinent information from private or public sources for the purpose of utilizing and conserving the Nation's financial resources for the conduct of the war and for national defense, for the purpose of coordinating the flow of capital and the Nation's requirements for the conduct of the war and for national defense, and for related purposes.

b. Insure and foster effective utilization, conservation and coordination of the financial resources of the Nation for the conduct of the war and for national defense in connection with any financing, and the financial integrity of enterprises engaged in or affecting production for the conduct of the war and for national defense.

c. Determine the adequacy of existing facilities for financing business enterprise and Government needs and foster the expansion and creation of such financial facilities as may be appropriate to increase, aid and expedite production for the conduct of the war and for national defense.

d. Plan and take all steps necessary to facilitate and coordinate financing in accordance with needs for production and deliveries of material required in connection with the conduct of the war and the defense program.

e. Utilize and coordinate for the purpose of carrying out this Order the power and facilities available in the

several departments and other agencies of the Government which-are-concerned-with-financial-activities represented on the Capital Funds Committee and such other departments and agencies as are concerned with industry, finance, the conduct of the war, and national defense.

f. Establish and maintain liaison with the financial, fiscal and monetary, defense-and military and defense agencies of the Government and with such other departments and agencies of the Government and with such individuals as the Committee may deem necessary to carry out this Order.

g. Keep the President informed with regard to progress made and problems encountered in carrying out this Order, advise him upon proposed or existing legislation, and recommend to him such additional legislation or Executive Orders as may be necessary or desirable, relating to financial activities or resources which affect the use of all such resources required for the conduct of the war and for national defense.

3. The Committee may provide for its internal organization and for the conduct of its business in such manner as it deems necessary or appropriate to the performance of its functions and duties.

4. Within the limits of such funds as may be allocated for that purpose by the President on the recommendation of the Bureau of the Budget, the Committee and the Government

Departments and agencies represented on it are authorized to employ necessary personnel and make provision for the necessary supplies, facilities, and services to carry out the provisions of this Order. However, the Committee shall use insofar as practicable such statistical, informational, fiscal, and other services and facilities as may be made available through other departments and agencies of the Government.

THE WHITE HOUSE

April,-----1941
December, 1941

December 12, 1941
4:00 p.m.

RE FOREIGN FUNDS CONTROL

Present: Mr. Foley
Mr. Pehle
Mr. Bernstein

Foley: We have got this memo all ready. This is a program that we would like to talk to you about. We haven't had a chance to get the benefit of the suggestions of the fellows on the Coast about it. We put it on the teletype and haven't gotten one reply.

H.M.Jr: Are you having one put in your office?

Pehle: We are having one put in. We have already used this one and we have gotten the reply.

H.M.Jr: This one works all right?

Pehle: Yes, very good.

H.M.Jr: You get quick replies?

Pehle: Right away.

Foley: This program is agreeable, but we would like to work out the details and not put it into effect until Monday morning.

H.M.Jr: More than a thousand dollars?

Foley: We have to start with the title there. We are dealing with these Japanese nationals who have lived here continuously since the 17th of June, 1940, prior to Sunday.

H.M.Jr: How about those who lived here before?

Pehle: These are the ones that lived here before and not the ones that have come in here since.

H.M.Jr: Oh, because those that have come since - how do you treat those?

Pehle: We have been handling those specifically and are continuing to do so.

Foley: There are not so many of them.

H.M.Jr: I see, so that this is - leaves it prior to the 17th?

Foley: That is right, who have lived here continuously.

H.M.Jr: You don't think a thousand dollars is too low?

Pehle: This is just for reports. That is the same dollar limit as we used on all the reports that we got.

Foley: You see, this group didn't have to report before.

H.M.Jr: Well, of course I don't understand this, but can you give me a thumbnail sketch of what percentage this would eliminate of the people you are trying to handle now?

Pehle: I would say it would eliminate at least ninety percent.

H.M.Jr: It would? Are you all together on this?

Pehle: Yes.

Foley: Yes.

H.M.Jr: Are you, Bernie?

Bernstein: Yes, sir.

H.M.Jr: Well, if it will eliminate ninety percent of your troubles, I am for it, without going into the formula, see. Why do you say - oh, blocked assets of more than a thousand. I see. And the assets five. That is all right. I mean, if the assets of their business is five thousand.

Bernstein: Yes.

H.M.Jr: Well, as to principle, I agree with you, and if it is all right, put it into effect Monday. This will eliminate ninety percent?

Foley: Oh sure, it will take care of this terrific burden. We are trying to do something about these little businesses that - where you have got to put a guard in and you don't know what they are doing.

H.M.Jr: The Germans you just handle just --

Foley: Well now, I think as to the Germans and as to the Italians, that he may want to suggest something to parallel this, because of the war.

H.M.Jr: Why not - why wouldn't this apply the same way?

Pehle: Well, we never took the tightening up action on the Germans.

H.M.Jr: Well, I am willing to give you until Sunday night to think it over. You would like to put this into effect Monday morning?

Foley: Yes.

Pehle: We would like to notify the Federal Reserve before then.

H.M.Jr: I am satisfied.

Foley: We will get the papers up tonight and notify

the Federals and they will have over the weekend to get it ready and put it into effect Monday morning. Then I think next week we will want to come in and talk to you about tightening up on the Germans and Italians and perhaps bringing them into line with this so we will have more of a uniform program than we will have now, because we are dealing with the different groups of nationals in a different way at the present time and creating a problem for the State Department in so far as South America is concerned.

- H.M. Jr: As far as I am concerned, I really would be excited if I found that certain people were allowed to escape, so I would much rather have you ~~err~~ on the side of having gone too far than not far enough. This is much easier to undo. If, for a week, there is - somebody told me this afternoon that you can't get any laundry done out there, the laundries are locked up. Those are things temporarily --
- Foley: Well, I think we discovered one thing, Mr. Secretary, and that is the potency of this instrument.
- H.M. Jr: Good.
- Foley: It can tie up a whole area, --
- H.M. Jr: O.K.
- Foley: ...very, very quickly.

Program re Japanese Nationals Who Have Lived Here
Continuously since June 17, 1940, and Business
Enterprises in the Continental United States Owned
by Such Japanese Nationals.

1. Such Japanese nationals and their business enterprises will be generally licensed and they and their banks will be required to file a TFR-300 report within 30 days if their total blocked assets are more than \$1,000.

2. Business enterprises in this country belonging to Japanese nationals who have been residing here continuously since June 17, 1940, will be allowed to do business on the following conditions:

(a) If their assets are in excess of \$5,000 they will file a comprehensive report comparable to the reports (Form TFBE-1) required of other blocked business enterprises in this country.

(b) Such businesses must conduct themselves so as not to substantially diminish their assets in the United States.

(c) Periodic reports will be required if payments, transfers, or withdrawals are in excess of \$1,000 a month.

3. Federal Reserve Banks will be authorized to exclude from these benefits any person or enterprise known to be dangerous to our national interests.

4. All guards and supervisory personnel will be promptly removed from business enterprises having the benefits of this program.

5. We will put this program into effect Monday morning but will tell the Federal Reserve Banks about it Saturday morning so that they will have over the week end to prepare.

December 12, 1941
4:20 p.m.

RE GOVERNMENT BOND MARKET

Present: Mr. Bell
Mr. Morris
Mr. Haas
Mrs. Klotz

H.M.Jr: What do you know?

Bell: Well, the market was very good. The new bonds are - the market is generally up nine to eighteen thirty-seconds. The news two's are five to eleven. I guess that is what he means, new bonds. They made no purchases today at all. I haven't heard from the Open Market Committee, but I know they did discuss the question of selling. I think they have given New York the authority to sell.

I think they feel - at least New York feels that we shouldn't do any selling this week, but certainly Monday. If this keeps on we should let them dribble out a little, not too heavy but just a few at a time. You called Allen Sproul and he was at the board.

Morris: I think you will have to talk to Bob Rouse.

H.M.Jr: You saw the results on the ticker of our lunch?

Bell: Not yet. Complete harmony?

H.M.Jr: They are going to hold - both the Senate and the House are going to hold simultaneous meetings.

Bell: Again?

(The Secretary held a telephone conversation with

Mr. Rouse, as follows:)

December 12, 1941

4:18 p.m.

HMJr: Bob, I hear you've gone Scotch on me.

Robert Rouse: What do you mean, "Scotch"? Oh, yes, I'm not spending your money. (Laughs)

HMJr: Yeah.

R: Well, I'm very happy to report that it was entirely unnecessary.

HMJr: Good.

R: And I - Allan's down there today, and I talked with him and also wanted to get a clearance from you through Dan on looking to the sale of securities if this worked out, and it appears to.

HMJr: I'll tell Allan to stay in Washington. I save money that way.

R: (Laughs) Well, the way the thing shaped up, we've had a market for these new bonds - a broad market in a small way. I think that would be the fairest way to state it.

HMJr: Good.

R: People feeling their way along, buying fifties, hundreds, and pretty well over the country.

HMJr: Good.

R: The big people who were supporting the thing naturally didn't follow it up. That is easily understood.

HMJr: Well, it's the little fellows that we want.

R: Yeah. It really works out very well. Of course, there's been a number of switches that wanted to be done in a substantial way, but that solved the selling of the when-issued securities and the purchase of the outstanding; and we've

discouraged that, because we didn't want to see any big supply of the new issues come in.

HMJr: Good. Now, you.....

R: The insurance market also, in view of the tax notes and so on, I was more concerned about fundamentally for the time being than the long, so it's finally straightening itself out.

HMJr: I'm glad. Now, did you see that Gregory of the Tribune used your story on the financial page?

R: No, I haven't had a chance to read the clippings today.

HMJr: Well, read Gregory - right on the first financial page about - I used the story about the bond dealer said he'd take care of the bond market if we'd take care of the air raid alarms.

R: Fine, I'll take a look.

HMJr: Yeah, right on the front page of the financial page by Gregory.

R: Also, while you're on the wire, I want to thank you for the invitation to Toscanini tomorrow night. Mrs. Rouse and I are both anxious to go.

HMJr: Good. Good.

R: It's a real privilege.

HMJr: You might tell Sproul that at Cabinet I reported how excellent the cooperation was under his leadership in New York with the financial community.

R: Yes, sir, I shall.

HMJr: Will you tell him that?

R: I will the first thing in the morning.

HMJr: Thank you.

R: Thank you very much.

HMJr: Good-bye.

H.M.Jr: Sufficient unto the day.
Bell: Pretty good. I feel better.
Morris: Almost happy, too.
H.M.Jr: Who, you?
Morris: The market.
Haas: Oh, it didn't decline much.
Morris: It went up.
Haas: I mean even at the bottom it handled itself
 very well.

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C: Yeah.

HMJr: And we fussed around all morning and we couldn't reach him. I told Ed, "Let them go."

C: Yeah.

HMJr: And we got a swell telegram from John E. Mack saying we want this and this and that. Now, I know now how you feel, but I don't think that everybody else in the Attorney General's office, frankly, feels the same way.

C: That was the reason why - when Biddle talked to me he said that Shea wasn't getting along well and he said that he thought that I could work with Ed and wanted to know if I wouldn't do it for him; and I said, "Now, Francis, I'll do that providing that I don't get mixed up in any squabbles between the Attorney General's office and the Secretary of the Treasury regarding jurisdiction." I said, "Now, I've worked with Henry Morgenthau ever since I came to Washington and came here with him."

HMJr: That's right.

C: "And as long as you don't put me down the middle on any quarrels because my relationships and my friendships certainly are with those fellows over there."

HMJr: Yeah.

C: And the reason that I told Ed was that I thought that Ed would get things cleared through a fellow like me quicker than he would through a fellow like Shea.

HMJr: No question about it; but, Leo, I don't understand what's the matter and the Attorney General sent me a memo which I don't know whether you have seen or not, which I understand Shea has written, which to put it mildly, I think if he'd have read it at all, I don't think he'd have signed it.

C: Well, let me say this to you - I don't think Francis read that memo. Now, here's the situation. I

didn't go over there after Francis talked with you - I didn't go over there to take charge of the thing, because I didn't want to do it until after I talked with you. In the meantime, why Shea, of course, kind of got his neck bored, and what we've got to do tomorrow is to sit down and talk the thing over and then let Shea go back to his office; and then after the President gets the legislation, why we've got to sit down and work it out and you and I'll have no - we'll have no trouble.

HMJr: Well, look, we got just one enemy and that's the Nazis.

C: And that's the way I feel about it.

HMJr: And I just haven't got time to have any inter-departmental fights.

C: Well, now, I think you know me well enough.....

HMJr: See? I just haven't - I haven't got time.

C: I think you know me well enough that any influence that I can bring to bear won't be against anything that you want.

Now, I don't think that Biddle feels that way. I talked with Biddle yesterday.....

HMJr: Well, I don't quite understand the way Biddle's acting on this. I just don't understand it.

C: I told Biddle yesterday noontime, I said, "Now, Francis, I want you to tell the boss that I'm not going to get into this thing here and get into any personal squabbles, that it's got to be on a basis that's going to be congenial and then if I can help you I will, but I'm not going to row with fellows that have been friends of mine for eight years."

HMJr: Well, at Cabinet, the President brought up this thing and said - this is what he said, that he'd asked you to go over there to study this thing.

C: Yeah.

HMJr: And have a little organization so that later on in the question of running these businesses that the organization would be there; but he left the distinct impression with me, certainly, that for the time being he didn't want to do it; but - you know, take them over - have Justice take them over.

C: Yeah.

HMJr: But, as I say, I'm going to start - as far as I'm concerned - I'm going to settle it at lunch tomorrow, because that's all the time I can give to it.

C: Fine. That's perfectly all right.

HMJr: See?

C: The thing that.....

HMJr: And all I'd like to do is see that the thing is well done and that these people aren't able to be spies or do something or not turn out the stuff or something else.

C: Yeah.

HMJr: And I'm tickled to death you're there, because I know that you're my friend and, as I say, one luncheon is all that this is worth.

C: That's right. And let me say this to you, that if it isn't worked out satisfactory to both you and myself, then I'm not going into it.

HMJr: Swell.

C: Because our friendship is worth more than my getting mixed up with this over in the Justice Department on some damn little jurisdictional squabble.

HMJr: Well, I couldn't fight with you, Leo, especially over who's going to do something. I mean, I think

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there are certain things that the Treasury should do and I think there are certain things that Justice should do.

C: The thing that I had back - have you got a moment?

HMJr: I've got all the time you have.

C: The thing that I had back in my mind that I thought maybe that coming from out in the middle of the West and knowing the German-American situation and things like that, that I could be helpful to you. I don't - I think the thing is being administered perfectly all right; if the Justice Department would let us cooperate together, there isn't much reason for any of this squabble at all.

HMJr: Well, this committee of which Ed has been chairman has done a swell job for months now.

C: Well, you remember I told Ed to tell you that I was afraid that there was an Executive Order. That's the reason that I confidentially wanted you to know that.

HMJr: Yeah.

C: Because I won't be a party to anything that you don't know.

HMJr: . Right.

C: I want you to know this, that in this thing here, that you've got my friendship and that whatever's done is going to be done the way we've always operated.

HMJr: Fine.

C: And we'll talk it over tomorrow noon. I'm sure we'll work it out together.

HMJr: Yes. But just take a look at that letter that Biddle wrote me and - can you get hold of it?

C: Yes, I'll ask him for it in the morning.

HMJr: Yeah, because he may want to withdraw it.

C: Well, I think that I can get.....

HMJr: He may want to withdraw it. He may not want it on the record.....

C: Here's what I didn't want to.....

HMJr:because it certainly gets you off to a bad start.

C: That wouldn't have happened had I gone down there, but I didn't want to go down there until I talked to you.

HMJr: Well, Leo, after you've read it, you may - and Biddle may read it for the first time - he may decide that before he comes to lunch, he may want to withdraw that letter.

C: Fine. I'll talk to him about it.

HMJr: Okay.

C: Good-bye.

HMJr: Good-bye.