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MR. BELL: I was telling you what we contemplated the last time we met. Now I am eliminating part of what we contemplated, namely the bills.

MR. ECCLES: Yes.

MR. BELL: But if you want bills any time in the three months, then your two billion dollar contemplated financing in June could be reduced.

H.M.JR: Well, the thing that I would like the advice of you gentlemen on is this. Should we make this issue - we would like to decide that this morning - seven hundred fifty million or a billion in the light of what Mr. Bell says.

MR. ECCLES: Well, I told Dan some time ago that I figured that any market issue ought to be a billion or over, that with the size of the financing job that it seemed to me inadvisable to make market offerings of less than a billion.

H.M.JR: How do the other members of the Board feel?

MR. DRAPER: I agree with that, Mr. Secretary.

MR. SZYMCAK: One billion.

MR. ECCLES: I wanted to say this. With reference to New York, Mr. Sproul - I didn't know of this meeting until yesterday. We had talked of a meeting Wednesday or Thursday, and Dan called up yesterday afternoon, and I got immediately in touch with New York, and Mr. Sproul said it would be absolutely impossible for him to be here today, that he had several very important meetings, and that he would send Bob Rouse down, and Rouse took a plane and--

H.M.JR: Grounded?

MR. ECCLES: He finally got grounded over at Newark.

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MR. BELL: He is right at home. (Laughter.)

H.M.JR: Well, I will explain as we go along why I pushed this up a little bit. I don't care very much, Dan. Do you care whether it is a billion or seven fifty?

MR. BELL: I would like to have a billion.

H.M.JR: George, do you care?

MR. HAAS: No, sir. I think I would prefer the billion.

H.M.JR: Piser?

MR. PISER: Yes.

H.M.JR: How about you, Goldenweiser?

MR. GOLDENWEISER: May I stick my neck out again once?

H.M.JR: Just once more?

MR. GOLDENWEISER: Once more.

H.M.JR: It will be a pleasure. (Laughter.)

MR. GOLDENWEISER: What I think is that you ought not to put any limit or any allotments. Just announce your issue and see what you get. I think this is a good issue to try that out on and really find where the demand for that issue is, and you won't get to alarming them much. You may get a billion and a half instead of a billion, but I think it is a good time to switch over from the easy money - relatively little demand for money, psychology of the thirties, to this present situation where you will need all the money you can possibly get; and as soon as you get on the basis of getting all the money you can get, the better it will be.

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H.M.JR: I think they call that table stakes, don't they? (Laughter.)

MR. GOLDENWEISER: So my neck is out,

H.M.JR: Well, let me just ask you this. Supposing we get - you say a billion and a half. We might get a great deal more, and it is a six months issue. You would have it hit you right back in the face six months from now.

MR. GOLDENWEISER: Well, you will still be here. There will still be the market, and there will still be your resources and our resources. There will be no difficulty about refunding it over. I can't conceive myself, and that is maybe a lack of my imagination, but I can't conceive of this Treasury having any difficulty about raising all the money it wants at any time in your lifetime.

MR. ECCLES: I agree with that last statement.

MR. GOLDENWEISER: In war time certainly. It was very different when you were fighting a depression and you had a hostile element of anti-New Dealers to contend with who would have been very glad to put you in the hole when you first came here, and you had that to fight. That was an entirely different situation. You are now at war, and that makes an entirely different picture.

H.M.JR: Well, the only difference in what you say and what I think is this. I would be willing to do that on a long issue. I mean, when I get around to talking five years or twenty years, I would be willing to leave it wide open and take all the money that is in sight, but I don't think I would want to do that now, Goldenweiser.

MR. GOLDENWEISER: All right, sir.

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H.M.JR: But I mean later on, when we get around to it, and it won't be too far off, we can get together and find out more about it. But I think at that time we will leave it open at both ends and take all they will give us.

MR. SZYMCZAK: I think you agree with that, don't you Doctor?

MR. GOLDENWEISER: Yes, that is all right.

H.M.JR: I hope to be ready with the help of you gentlemen to do this in May. Dan hasn't figured on increasing the bills, but that doesn't mean that that isn't open also.

MR. ECCLES: You might do this, instead of trying this bill issue twice in April as it was talked, I have thought that as a compromise to Doctor Goldenweiser's - he discussed this same idea with us, and it is rather difficult to argue against that point of view. It was one that we always used in the last war in financing. I mean, they never took limits. They took what they could get. They always took it and they always allotted according to districts. That was two things they did then. Now, instead of taking a billion now, we might, it seems to me, give consideration to taking what you want of this issue now instead of putting it out twice. If you want a billion and a half, make one offering and don't make two bites of it. It is a lot of trouble and expense, and I would certainly think that if you are figuring a billion and a half for the month of April in this issue, I wouldn't take two bites of it. I would take one bite and put a billion and a half out or two billion out. I wouldn't be afraid of a two billion short issue of this sort. It means very little in this present money situation. It isn't like you have got any secondary market problem in it. It is the sort of an issue that you want the banks to take. It is a sort that they need to take, because they have got so little short-term paper and it is the sort of an issue that would give fluidity to the reserve picture

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likewise, and I would sooner see us make one bite of this than two bites. I don't know whether you want - you only figured a billion and a half is what you need this month, so just take a billion and a half in one issue.

MR. WILLIAMS: It would call for some educational effort though, because the boat leaves only once; and if it is to be properly distributed--

MR. ECCLES: But if you are going to send out your notices several days before hand, the thing to do is to do the publicity that you expect to do through the press and to the - through the circularization that you expect to do, and then leave it open for three days. If you gave a couple of days' notice and then left it open two or three days so that everyone has a chance to get their subscriptions in, that ought to take care of it fully.

H.M.JR: Well, supposing - let me tell you what we had in mind doing here. We thought in circularizing this time that we would circularize Wednesday night all corporations that employed over five hundred people and all states, counties, and municipalities. You might say, "Well, why do it on this kind of a security? It isn't particularly designed for them." That is perfectly true, but we thought we ought to make a start on getting to these people. We have prepared a letter which I would like to read to you, and then in connection with that, in the circular, we thought we would refer these people not only to their banks, but to the investment bankers and to the stock exchange dealers, and get them interested in doing this, because in some cases these offerings are somewhat in conflict with the bank's own interests, and with the investment bankers and the stock exchange houses really interested and wanting to help, we think we are just overlooking a bet. As a matter of fact, we have got them downstairs now. We sent for them late last night. We wanted to talk to you about that. Let me read you this thing. This is the same kind of letter which would go to these corporations.

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It would be either a letter or a telegram. Well, this is the same thing. This would be the city, county, or districts. "The Treasury Department -" this would be on their desks Thursday morning if we go through with this. "The Treasury Department expects to make a public offering of about 'X' millions of dollars of Treasury certificates of indebtedness on Monday, April sixth. The certificate to be offered at par will bear interest rate 'blank' payable by coupon. Maturity will be about 'blank' months. Municipalities have indicated the desire to invest current accumulation of funds in this type of security. I am calling this issue to your attention since it occurred to me that your state, city, county, or district may wish to obtain some of these securities on direct subscription. If you will telegraph me not later than Friday evening, April third, indicating your interest, I shall be glad to have sent you before the offering date complete details of the terms of this issue and see that you are advised about subsequent offerings of Government securities. As the new offering may be open only one day, prompt action is necessary if you wish to participate."

MR. ECCLES: Why do you only leave it open one day?

H.M.JR: Well, that is a little argument between Dan and me, and we said only one so we could close it if we wanted to, but we could leave it open. We said, "It may be open only one."

MR. ECCLES: Oh, I thought you said it would be.

H.M.JR: No, "It may be."

MR. ECCLES: That is all right. Well now, this is the sort of a letter that you would expect to be sent out to all of these corporations?

H.M.JR: Yes.

MR. ECCLES: And it would be sent out from where?

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MR. ECCLES: And it would be sent out from where?

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H.M.JR: Here.

MR. ECCLES: You have got your list?

H.M.JR: All ready. At least I hope so.

MR. ECCLES: What would the Reserve Banks send out?

H.M.JR: Then the plan is, these names would go to the Reserve Banks tonight with a number; and as these telegrams came in, we would send them the numbers so that they could mail from the various Reserve Banks the circular--

MR. ECCLES: What telegrams do you mean?

H.M.JR: Well, this calls for a telegraphic answer. As the telegrams began to flow in, we would notify the twelve Federal Reserve Districts. We could use a number instead of a name to save time. They would have all of these, and they would mail the circular Saturday night to these people who said that they were interested. They would have it Monday morning.

MR. ECCLES: In other words, this letter now would go out immediately?

H.M.JR: We are planning, if you people thought it was all right, that it would go out Wednesday night.

MR. ECCLES: And the corporation that is interested in it would be expected to wire--

H.M.JR: To wire back.

MR. ECCLES: And you would send that out to the Reserve Banks so the circular could be sent to those concerns that are interested in the offering?

H.M.JR: That is right.

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MR. BELL: So they would have the official circular Monday morning the same as all banks.

MR. ECCLES: Yes, and in this letter would you expect to put in the terms? You don't?

H.M.JR: Well, the way the letter was written, we had to put in something, so we said, certificates would be offered at par, and would bear interest rate at whatever the interest rate is, payable by coupon. Then we say, "The maturity will be about six or seven months," or whatever it is. We would tell them how much the coupon would be, and then leaving it--

MR. ECCLES: Leaving the period--

H.M.JR: ... open.

MR. BELL: Everything there except the maturity date.

MR. ECCLES: Well, I feel that the whole question is, who do you want to reach with the issue. If you want to reach the corporation, then, of course, the thing to do is to send the letter out. I feel this security should be designed more for the banks than the corporation, because it is a money market security, and I expect that the banks have got, if anything, too many long securities, that they have got to do some financing, and that they should do it in so far as possible with bills and certificates and short bonds. In other words, that is the field that we should rely upon the banks for, depending upon the corporations and individuals and other funds for other types of financing.

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Now, the value of having this type of security in the banks, of course, is the fluidity that it gives to the market. It makes much more effective the existing reserves, so that a bank can adjust itself quickly and readily to any changed situation or any movement of funds. We all feel in the Reserve System pretty strongly that the banks should have a substantially larger amount of short term paper, whether it is certificates or bills.

Now, the New York market, of course, will take bills, and Chicago to some extent. As I thought, this was designed primarily - to get a lot of the banks outside of the two money markets that will not bid on bills because they don't want a discount security, but that would take a coupon short issue. Now, in order to meet that, I would like to suggest that we increase the allotment of the banks from the fifty percent of their present capital and surplus to a hundred, because you want them to take this issue. That is, if you do. Then that we likewise give allotments up to more than ten thousand, say up to twenty-five thousand.

MR. SZYMCZAK: Full amount.

MR. ECCLES: Yes, up to twenty five. The idea being that if we could get as many banks throughout the country that have got some of the - got reserves, and if we could get this - and that don't - do not - are not accustomed to buying short-term paper, if we get them to come in - and we need to sell them on the idea, because the banks throughout the country have not taken short-term paper. The rate has been low, and it has been largely bills, and they just haven't been in, and I think this is the type of instrument that we ought to get just as widely distributed as we can among the fifteen thousand banks.

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H.M.JR: Could I interrupt you a minute?

MR. ECCLES: Yes.

H.M.JR: I agree with everything that you say, and I realize I am being inconsistent, but my excuse for my being inconsistent is that I want to start the machinery going to interest the corporations. I want to start the machinery going, I mean, for getting the investment bankers and the stock exchange houses interested. They haven't had much notice. I want to make my mistakes now.

MR. SZYMCZAK: Couldn't you bring that up to a hundred and fifty million in that case and still increase the amount for the banks.

H.M.JR: Couldn't I do what?

MR. SZYMCZAK: A hundred and fifty million.

MR. ECCLES: You mean a billion and a half.

MR. SZYMCZAK: A billion and a half, yes.

H.M.JR: That is why I brought this in at this time, because Marriner raised the question of making it a billion and a half, and I wanted to explain everything that I had in my mind. I realize I am being inconsistent, that I shouldn't go after the corporations, but what we are very anxious to find out - now, from this letter, I don't know whether you have seen the report yet, but from the preliminary report that we sent out to people who hold the F and G Bonds, and we find that only - what is the percentage who would use current funds?

MR. BELL: Twenty-nine.

H.M.JR: No, I mean would sell securities.

MR. BELL: Well, there was forty-nine percent that would use idle balances, twenty-nine percent would use current funds, and about ten percent would liquidate securities.

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MR. GOLDENWEISER: To do what?

MR. BELL: To buy an additional fifty thousand of F and G Bonds.

H.M.JR: Which I think is good, and on the strength of that on July 1 we propose to increase the amount to a hundred thousand.

Now, this thing, what we are trying to do here, and unless you people feel very strongly about it, I would like to do it, this calls for a telegram back from the corporations and the cities and counties to me, and it will give us some indication how they feel, you see, so that when we come to the tap issues and so forth and so on, we will know better where we are.

MR. ECCLES: Well, I--

H.M.JR: I wanted to explain it.

MR. ECCLES: In other words--

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MR. ECCLES: In other words--

H.M.JR: You can say to me, "Morgenthau, you are wrong and you mustn't do this," and if you feel violent about, I won't do it.

MR. ECCLES: No, I am not saying that because I think that in your announcement you made this point, and I think there is something in it. There are corporations, certainly who prefer - which prefer a coupon - a short-term coupon issue to a discount security. Now, that is what was said and there are some of them. There likewise are some that would possibly prefer a market issue rather than a non-negotiable issue, such as was proposed. There is some market, likely, for this with the corporations. I do think, however, that the corporations that will take some of this would take the short-term tap issue that was

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discussed if that were available, but that not being available, they will take this.

Now, I would like to suggest that you go to a billion and a half, that you send out - send your letter out to the corporation, that you increase the allotment of the banks up to the hundred. I mean, you can do both here. Do what you are proposing here and let the corporations come in. Increase your allotment to the banks to the hundred percent and to the twenty-five thousand.

Now, you get your distribution - I mean, if you put it up high enough. You would get your distribution to the small banks through that twenty-five thousand, and by the hundred percent they would get a little better allotment than otherwise. You would likewise find out this way just what interest the corporations have, and they would likewise have an opportunity to get what they want of this issue, or at least get - you would have a chance to come in on it, and you would find out what the demand was for short issues from the corporations.

H.M.JR: That is right.

MR. ECCLES: You would find out.

H.M.JR: I know. Well, I will tell you what I would like to do. That is why I called this meeting this morning. Would it be convenient for you gentlemen to come back tomorrow morning at ten-thirty?

MR. DRAPER: That is Wednesday.

H.M.JR: What are you doing tomorrow?

MR. ECCLES: We have got all the Reserve Bank--

H.M.JR: What time?

MR. ECCLES: ... people coming in here. Nine o'clock.

MR. DRAPER: Coming in at nine and going to spend the day there.

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MR. ECCLES: I will tell you, I could come over, I think in the afternoon.

H.M.JR: No, we would like to do it in the forenoon and get it out, wouldn't you, Dan?

MR. BELL: We would like to get it started.

MR. ECCLES: What this meeting is--

H.M.JR: Can you give us an hour?

MR. ECCLES: The War Department are using the Reserve Banks in connection with making advances to these sub-contractors, and they have gotten a directive out to their field men in conjunction with the banks, and we have called a meeting, so we could go over with our field people their program of making these advances.

MR. DRAPER: Couldn't we come over about eleven o'clock.

MR. SZYMCAK: Yes, I know, but we start at nine o'clock.

MR. DRAPER: I think you could, any time after ten-thirty.

MR. ECCLES: I could possibly get away and leave you there, Ernest.

MR. DRAPER: Any time after ten-thirty.

MR. ECCLES: Let's make it eleven.

H.M.JR: We wouldn't take more than a half hour.

MR. DRAPER: If that is agreeable to you, it will help us a lot.

H.M.JR: You have always been very kind. I will adjust myself.

MR. ECCLES: We can adjust anything else except that

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these fellows are here.

MR. DRAPER: If the chairman agrees, it is all right.

MR. ECCLES: You can come over, Matt, and we will leave Ernest over there.

H.M.JR: We will say eleven and then we will settle it. This gives us time to digest this, Dan.

MR. BELL: Yes.

H.M.JR: Does that give us time enough?

MR. BELL: Plenty.

H.M.JR: Could Allan be down here then?

MR. DRAPER: Yes.

MR. ECCLES: Well, what is tomorrow? Is he coming anyway? You talked to him yesterday, Dan. What did he say?

MR. BELL: Well, I didn't--

MR. ECCLES: You remember that other meeting you were talking about?

MR. BELL: I am going to have the other meeting Friday, but he isn't going to be there.

MR. ECCLES: He can't make it?

MR. BELL: Yes, he only wanted somebody to come for him, Les Rounds, who knows the operating program.

MR. ECCLES: He is here on that financing for the War Department tomorrow.

MR. DRAPER: Rouse will be here tomorrow morning in case you wanted him over here.

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MR. ECCLES: Allan says on this thing you can get him on the phone. I think it may be well for Dan to talk to him on the phone. He can do that or I can talk to him, and I don't think it will be necessary for him to come down.

H.M.JR: Is there any difference? Here in the Treasury we feel it should be a half a percent. Is there any conflict between that and you fellows?

MR. GOLDENWEISER: Is it six months, Mr. Secretary?

H.M.JR: He would settle that--

MR. ECCLES: We all feel pretty strongly--

H.M.JR: ... Saturday morning.

MR. ECCLES: ... about that, that it would be much better to say a half of one percent and then fix the maturity than to fix the maturity and then adjust the rate, that to say four tenths or forty-five hundredths just isn't a good selling talk.

H.M.JR: Well, do I understand the Board is for a half a percent?

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MR. ECCLES: That is right. Well, I will tell you, you can't give - you simply can't give much of a premium on this. We are figuring that one or two thirty-seconds is the most that you can possibly give on it on account of the shortness of the maturity.

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H.M.JR: Our boys say if they had to do it today, they would say a half percent, six months, and it would be somewhere between two and three thirty-seconds.

MR. ECCLES: That is right. I would agree on that, especially if you are going to put a billion and a half out.

H.M.JR: How about you, Piser?

MR. PISER: I figured it would be about two thirty-seconds for six months.

MR. ECCLES: Don't you fellows feel that at six months, even with two thirty-seconds, especially if they put a billion and a half, that that isn't - that it would be preferable to give it a couple of thirty-seconds rather than price it at - any closer?

H.M.JR: Yes, that is all right. I like your suggestion of one issue for April. I like that.

MR. ECCLES: Well, I think so, because you can then take care of both the bank picture here, especially if you arrange this allotment and so forth, and take care of the other, I think, if you do that. If you take two piecemeal bites, seven hundred fifty, then it just doesn't seem to me to fit the picture at all.

H.M.JR: I like it, but I want to sleep on it.

Dan, what did you want to do now?

MR. BELL: Well, then we will settle the preferred allotment tomorrow, too.

H.M.JR: The question of preferred allotment and the question of that hundred percent reserve - hundred percent for the banks.

MR. BELL: Yes.

H.M.JR: We will settle that all tomorrow.

- 19 -

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MR. BELL: Yes.

H.M.JR: We will settle that all tomorrow.

MR. BELL: Yes, that is all. I have nothing else.

MR. SZYMCZAK: Increasing the amount from five to twenty-five, too.

MR. BELL: Well, that is preferred allotment.

MR. WILLIAMS: I would like to raise a question, Dan, as to whether some hint ought to be given in the preliminary letter to preferred allotment. A lot of people, especially the small country bank - he has been used to bills, and he has got some questions in his mind as to bidding, and if he can get some idea as to what he can be sure of, I think it will generate--

H.M.JR: It is a good point.

MR. WILLIAMS: ... favorable response.

H.M.JR: I said that last night. I think it is a good point.

MR. BELL: I think what we ought to do, if we decide to - whatever we decide to do with respect to allotments, we ought to announce that Thursday morning also. We will either say that we will stick to the bases set out in our December 3 press statement or we will abide by those except for the banks, which will be a hundred percent.

MR. ECCLES: And twenty-five percent - twenty-five thousand.

MR. BELL: Well, that wasn't in our bases.

H.M.JR: The twenty-five thousand was.

MR. BELL: Oh, yes, that is right.

MR. ECCLES: You could make the twenty-five a part--

MR. WILLIAMS: That will generate their curiosity and get the telegram in.

MR. ECCLES: If you want a wide distribution, that is the way to get it.

MR. BELL: That is right. It could go in the letter.

MR. PISER: In the letter you would also say, wouldn't you, that it would be a single issue of a billion and a half?

MR. ECCLES: That is right.

H.M.JR: I think the letter would practically have everything that the circular would be. It would be a non-technical circular.

MR. ECCLES: Except you leave it wide enough that you could change it if you wanted to, but you wouldn't.

H.M.JR: I would like to put the twenty-five thousand in so the fellow knows he isn't going to have to bid and get nothing.

MR. ECCLES: That is right. Well, I think if you do that I would feel a billion and a half, twenty-five thousand, a hundred percent with the banks, in the letter, I think you have got a much better--

H.M.JR: Let me just see how the other Board members feel. How do you feel, Draper?

MR. DRAPER: I think that is fine, Mr. Secretary. I would like to see the drive - if you have the drive on the corporations, I would like to see the amount raised.

MR. SZYMCAK: For banks?

MR. DRAPER: What is that?

MR. ECCLES: The amount of the offering.

MR. DRAPER: The amount of the offering raised.

H.M.JR: Well, I don't like to go to the market more

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MR. DRAPER: The amount of the offering raised.

H.M.JR: Well, I don't like to go to the market more

- 22 -

than once a month. That is pretty often.

MR. DRAPER: I didn't mean more offerings. I meant to have this offering, instead of having the seven hundred fifty or a billion dollars, to have it at least a billion and a half.

MR. SZYMCAK: A billion and a half, a hundred percent, capital surplus for banks and raise it from five to twenty-five thousand.

MR. GOLDENWEISER: Yes.

MR. WILLIAMS: Yes.

MR. GOLDENWEISER: That seems all right to me, Mr. Secretary.

H.M.JR: Well, if you gentlemen don't mind coming back at eleven tomorrow, we will settle it then.

MR. ECCLES: Yes, that is O.K. You said a moment ago about the Series G, raising it to a hundred. I hope you won't do that but will give us a chance to talk on that issue. We discussed that some a while ago in connection with these market issues - I mean these non-market issues and--

H.M.JR: Well, the only hurry is that - on account of the printing, but we will wait.

MR. ECCLES: I would like a chance to discuss that.

H.M.JR: All right, O.K.

MR. ECCLES: Because up to the present I know our Reserve System as a whole have been opposed to increasing the series, that that didn't meet the whole market, and it was sweetening beyond what was necessary.

H.M.JR: Well, all right. The first answer we got, as a matter of curiosity, was from Charles Evans Hughes who

- 23 -

said he would be very glad to take another fifty thousand out of current earnings.

MR. BELL: Out of the sale of - liquidation of securities.

MR. ECCLES: Anybody that can take it out of current earnings after this tax thing goes into effect has got to be pretty good.

H.M.JR: Liquidation of securities.

MR. ECCLES: That is more like it.

MR. DRAPER: You ought to frame that letter.

H.M.JR: Then we won't do anything on F and G until you have your day incourt.

MR. ECCLES: O.K.

H.M.JR: That you all.

March 31, 1942
2:12 p.m.

HMJr: Hello.

Secretary
Knox: Hello, Henry.

HMJr: How are you?

K: I'm fine.

HMJr: Frank, I have for the President the last two or three weeks been working, as you may or may not know, on the loading of these Russian ships.

K: No, I didn't know it, but I'm glad to hear it, Henry.

HMJr: Well, we've made real progress now until, oh, March 23rd we put a hundred and thirty-nine cars.

K: Well.

HMJr: And March 30th we actually loaded three hundred and forty-two.

K: Gee!

HMJr: Now, what I wondered, if I could get a little sort of view behind the curtain once these things are loaded. I mean, are they lying around somewhere after they leave Philadelphia, or are they really moving to Russia.

K: You mean the ships themselves?

HMJr: The ships themselves.

K: Well, I tell you, the fellow that can tell you that is our friend Jerry Land. He has charge of the dispatch of all the merchant vessels, you know. He's kind of a shipping czar.

HMJr: Well, no, but does he know what happens to them once they get to sea?

K: Oh, of course he does.

- 2 -

HMJr: Oh, does he?

K: Oh, sure.

HMJr: Oh, I thought that was you on account of convoys.

K: Well, we would probably have to tell him where a particular convoy was, but even though when it departed and under what circumstances and what route it's following and all that sort of thing, he'd have to know that because he has to know about the turn-around.

HMJr: It would be Jerry Land. He knows where - that they've not been hung up anywhere or anything else?

K: Yes, he ought to; I should think he would. I have never inquired, but he being the shipping administrator of the whole country, he certainly should.

HMJr: Well, I'll call him.

K: I can't tell you a thing about it, because I don't want to know about convoys. That's one of the things that a leak will be very dangerous; and when I don't know it, then I can't be the - under even a suspicion of having talked where I shouldn't.

HMJr: Well, all I want to know is, are they moving; and he's the man to tell me.

K: Oh, they're moving. I can guarantee you that.

HMJr: Well, I.....

K: As a matter of fact, there's damn little submarining going on up there, because almost all of them are right over here on our Coast.

HMJr: Yeah.

K: They've abandoned submarines around England and out in the North Atlantic.

HMJr: Yeah.

K: Well, they haven't abandoned - there's some up there - but they don't do much.

HMJr: No.

K: As a matter of fact, all the submarine sinkings are now almost entirely concentrated along our Coast.

HMJr: I see.

K: And I think we're getting that pretty well licked. I got a great boost last Friday. I called up the British.....

HMJr: Yeah.

K: Admiral Dorling.

HMJr: Yeah.

K:and I found out that he was getting a hundred OS-2U's - that's a two-seated bomber.....

HMJr: Yeah.

K:and I said, "Now, if I could only have those hundred ships for sixty days along the Coast, we'd give Mr. Hitler something to think about."

HMJr: Yeah.

K: And he said, "Let me see what I can do." In an hour he called me back and said, "You can have the hundred."

HMJr: Built here in U.S.A.?

K: Yes. Yes. They're being shipped out at the rate of eight a day.

HMJr: Good heavens!

K: And we're getting them now. We're already putting them into commission.

- 4 -

HMJr: Who makes those?

K: I think that Sikorsky plant.

HMJr: I see.

K: Vought Sikorsky.

HMJr: Oh, it's one - it's a boat.

K: No, it can be either - either pontoons or wheels. It's the type of ship we use on our cruisers and battleships.

HMJr: Oh, yeah.

K: It's a two-seater observation plane; fortunately for this business with a slow rate of speed of about - it can go down to a hundred miles an hour, which is a good deal slower than most of these fast ships, and carries two 300-pound depth charges. It can dive, so it will be a very useful ship, and I think it will help us tremendously in this patrolling of the water right along the Coast. It will fly about a thousand miles, so it's got a pretty good radius. Is that all?

HMJr: Well, okay.

K: That'll help like the devil.

HMJr: Righto.

K: Uh huh. All right, Henry. If there's anything further I can tell you, let me know.

HMJr: Thank you.

K: Good-bye.

HMJr: Thank you.

K: All right.

March 31, 1942

My dear Mr. Patterson:

At the Secretary's request, I am forwarding to you herewith a copy of Mr. Tickton's latest report concerning the transportation situation involved in the movement of Lend-Lease material for Russia from Philadelphia.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Robert P. Patterson,
Under Secretary of War,
Washington, D.C.

File n.m.c.
By Messenger *Sturges*

March 31, 1942
2:37 p.m.

HMJr: Okay.

Operator: All right.

HMJr: Hello.

James
Carey: Hello.

Operator: Go ahead.

HMJr: Yes. Morgenthau.

C: Hello. Mr. Secretary?

HMJr: Yes.

C: This is James Carey, Secretary of the C.I.O.

HMJr: We're both a couple of secretaries.

C: Yes, sir, that's right.

HMJr: Yeah.

C: Well, this is the reason I called you, Mr. Morgenthau.

HMJr: Yes.

C: I understand that the broadcast "Star Parade", that's number seventeen.....

HMJr: Yes.

C:tomorrow night.....

HMJr: Yes.

C:has a pretty horrible section in it about labor.

HMJr: Oh, really?

C: And I was wondering if it had been called to your attention, because I know how much work

- 2 -

has been put into your whole program.....

HMJr: Yeah.

C:building up the relationship of the labor movement.

HMJr: Yeah.

C: I am advised that the Federation is just as disturbed as we are about it.

HMJr: Well, I - it's the first I've heard. I'll send for it right away.

C: I wish you would.

HMJr: It's number seventeen?

C: Yes, sir. And it goes on tomorrow night.

HMJr: Well, I'll send for it. And it has a reference to labor?

C: Oh, yes. And it's a pretty terrible piece. I think you'll recognize it immediately as soon as it opens.

HMJr: Well, I'm ever so much obliged to you, and I'll send for it at once.

C: I'd appreciate that.

HMJr: And I'll let you know what we do about it.

C: That'll be fine.

HMJr: Thank you.

C: Thank you.

March 31, 1942
4:28 p.m.

HMJr: Hello.

James
Carey: Hello, Mr. Secretary.

HMJr: Hello, Mr. Carey. I had them play that record
for me.

C: Yes, sir.

HMJr: Hello.

C: Yes, sir.

HMJr: And I didn't care for it.

C: Uh huh.

HMJr: So it's out to almost eight hundred radio
stations, but we've sent out a telegram and
we've killed it.

C: Well, that's fine. I certainly appreciate
that.

HMJr: Now, we're not giving any reasons or anything
else.

C: That's right.

HMJr: And as far as I'm concerned, I don't want any
credit; and I think the less said the better.

C: I think so, too. We certainly appreciate it,
however.

HMJr: I mean, I think the less said - I mean - of
course, if you want to tell Mr. Murray, of
course - but don't you think yourself the less
said the better?

C: Oh, I do. Very definitely.

HMJr: Because the Scripps-Howard people know all
about it, and they're going to ask why and

so forth and so on.

C: Uh huh.

HMJr: And we'll simply say, "Well, we want to do it over again."

C: Oh, I think that's the way to do it.

HMJr: But I wanted you to know I've had it killed.

C: Gee, I appreciate that.

HMJr: Yeah.

C: Okay. Thanks a lot.

HMJr: Thank you for bringing it to my attention, because I never would have known anything about it.

C: Well, I'm glad I did then. Okay. Thank you, sir.

HMJr: All right.

C: Good-bye.

TREASURY DEPARTMENT

312

INTER OFFICE COMMUNICATION

DATE

MAR 31 1942

TO Secretary Morgenthau
FROM Mr. Haas

1. Attached to this memorandum are tables showing (1) the number of agents qualified to issue Defense Savings Bonds, Series E, at the close of business on March 28, classified by type of agent, by Federal Reserve Districts, and (2) the number of such agents on selected dates since May 7, 1941.
2. Agents, other than post offices, qualified to issue Series E savings bonds numbered 20,790 on March 28, an increase of 129 since March 21.
3. On March 28, there were 931 corporations qualified to issue Series E savings bonds on payroll allotment plans in accordance with the instructions contained in your telegram of December 27 to the Federal Reserve Banks. This represented an increase of 46 corporations over last week.

Attachments.

Number of agents qualified to issue Series E
Savings Bonds, May 7, 1941
to date

	1941		1942		1942		1942	
	May 7	Sept. 30	Jan. 3	Jan. 31	Feb. 28	March 21	March 28	March 28
Commercial and savings banks...	7,676	11,571	13,688	14,097	14,240	14,309	14,331	14,331
Building and loan associations.	739	1,481	2,064	2,434	2,560	2,619	2,632	2,632
Credit unions.....	8	389	1,368	2,080	2,479	2,625	2,695	2,695
Other corporations <u>1/</u>	-	-	-	351	686	885	931	931
Investment industry.....	-	-	-	37	63	66	66	66
All others.....	<u>7</u>	<u>27</u>	<u>28</u>	<u>99</u>	<u>137</u>	<u>157</u>	<u>135</u>	<u>135</u>
Total other than post offices.	8,430	13,468	17,148	19,098	20,165	20,661	20,790	20,790
Post offices.....	<u>15,812</u>	<u>16,429</u>	<u>16,883</u>	<u>17,123</u>	<u>17,928</u>	<u>18,208</u>	<u>18,208</u>	<u>18,208</u>
Grand total.....	<u>24,242</u>	<u>29,897</u>	<u>34,031</u>	<u>36,221</u>	<u>38,093</u>	<u>38,869</u>	<u>38,998</u>	<u>38,998</u>

Office of the Secretary of the Treasury,
Division of Research and Statistics.

March 31, 1942

1/ In accordance with telegram of December 27, 1941.

Classification of the number of agents qualified to
issue Series E Savings Bonds, on March 28, 1942

	Banks	Building: and loan associa- tions	Credit unions	Other corpora- tions ^{1/}	Invest- ment industry	All others ^{2/}	Total
Corporations and associations: Federal Reserve District of:							
Boston.....	837	245	228	66	1	14	1,391
New York.....	1,167	257	423	67	17	68	1,999
Philadelphia.....	853	116	124	204	-	-	1,297
Cleveland.....	1,185	389	349	52	7	2	1,984
Richmond.....	1,028	196	146	41	8	1	1,420
Atlanta.....	1,030	164	190	27	-	-	1,411
Chicago.....	2,361	481	281	300	17	28	3,468
St. Louis.....	1,390	163	77	46	8	1	1,685
Minneapolis.....	1,283	60	84	7	-	3	1,437
Kansas City.....	1,784	195	209	24	2	6	2,220
Dallas.....	862	124	244	63	3	9	1,305
San Francisco.....	<u>551</u>	<u>242</u>	<u>340</u>	<u>34</u>	<u>3</u>	<u>3</u>	<u>1,173</u>
Subtotal.....	14,331	2,632	2,695	931	66	135	20,790
Post offices.....	-	-	-	-	-	-	18,208
Grand total.....	<u>14,331</u>	<u>2,632</u>	<u>2,695</u>	<u>931</u>	<u>66</u>	<u>135</u>	<u>38,998</u>

Office of the Secretary of the Treasury,
Division of Research and Statistics.

March 31, 1942

^{1/} In accordance with telegram of December 27, 1941.

^{2/} Except post offices.

315

D
The Secretary asked Mr.
Haas for this

- noted

stop -

TREASURY DEPARTMENT

316

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

MAR 31 1942

FROM Mr. Haas

Subject: The Oregon pledge campaign for regular investment in Defense Savings Bonds.

There is evidence that the pledge campaign in Oregon has not interfered with the payroll allotment plans. As of March 21, 1942, 100 percent of Oregon firms employing 500 persons or more had installed payroll allotment plans. The comparable average for the country is only 75 percent.

Sixty-five percent of Oregon firms employing from 100 to 499 persons had installed payroll allotment plans, whereas the average for the country was only 49 percent on March 21.

More than 29,000 of the 155,000 Oregon pledges which have been tabulated indicated participation in a payroll allotment plan.

The pledge form used in Oregon provides space for indicating whether or not the employee is already purchasing Defense bonds systematically under a payroll savings plan. A copy of the pledge form is attached hereto.

Attachment

Treasury Department
Defense Savings Staff

PLEDGE FOR REGULAR INVESTMENT IN DEFENSE SAVINGS BONDS

317
788601

NOTE—This is not an order form. The Signer will buy Defense Savings Bonds by one of the methods listed below:

ORIGINAL
Send to Treasury Dept.
(CONFIDENTIAL)

To aid the National Defense, I pledge that,
I will invest the sum of \$ _____ in Defense Savings Bonds (or Stamps) each
I will buy these Bonds:

week.
 month.

- From a post office, bank, or other sales agency.
- By mail from the Treasurer of the United States, Washington, D. C.
- Under a Pay-Roll Savings Plan (or other similar arrangement for regular purchasing) in effect at my place of employment:

If you are already purchasing Defense Bonds systematically, please indicate the type of plan when signing this agreement. Also check here.

(Employer's name) (Employer's business address)

Through a regular purchase plan installed by the following organization:

(Name of organization) (Address)

will faithfully fulfill this pledge for the duration of the War or so long as I am financially able to do so.



(Print) _____ (Given name) (Middle initial) (Last name)
 _____ (Street and number) (City) (State)
 _____ (Signature)
 _____ (Date)

D. S. S. 176

U. S. GOVERNMENT PRINTING OFFICE 16-28659-1 (Name of Organization and Agent Securing Pledge)

Daily changes in the stock of Series E savings bonds on hand ^{1/}

CONFIDENTIAL

(In thousands of pieces)

	: Number of : pieces sold : this day	: Number of pieces : manufactured : this day	: Stock on hand : at close of : day	: IBM : deliveries : this day
March 16	271	300	26,413	-
17	144	300	26,569	-
18	148	300	26,721	650
19	160	300	26,861	-
20	259	300	26,902	600
21	162	none-closed	26,740	-
22	none-closed	none-closed	26,740	-
23	312	300	26,728	-
24	129	300	26,899	750
25	186	300	27,013	-
26	211	300	27,102	-
27	181	300	27,221	-
28	132	none-closed	27,089	600
29	none-closed	none-closed	27,089	-
30	357	-	26,732	-

Office of the Secretary of the Treasury,
Division of Research and Statistics.

March 31, 1942

^{1/} Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

Daily changes in the stock of Series E savings bonds on hand ^{1/}

CONFIDENTIAL

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Office of the Secretary of the Treasury,
Division of Research and Statistics.

March 31, 1942

^{1/} Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

CONFIDENTIAL

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
Last Twenty-four Business Days of March, February and January 1942
(March 3-30, February 1-28, January 5-31)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March over February	February over January	March over February	February over January
	Series E - Post Offices	\$ 77,769	\$ 86,938	\$145,228	-\$ 9,169	-\$ 58,290	- 10.5%
Series E - Banks	<u>231,456</u>	<u>311,051</u>	<u>478,420</u>	- <u>79,595</u>	- <u>167,369</u>	- <u>25.6</u>	- <u>35.0</u>
Series E - Total	309,225	397,989	623,648	- 88,764	- 225,659	- 22.3	- 36.2
Series F - Banks	38,161	51,820	72,260	- 13,659	- 20,440	- 26.4	- 28.3
Series G - Banks	<u>166,501</u>	<u>253,391</u>	<u>294,739</u>	- <u>86,890</u>	- <u>41,348</u>	- <u>34.3</u>	- <u>14.0</u>
Total	<u>\$513,886</u>	<u>\$703,200</u>	<u>\$990,647</u>	- <u>\$189,314</u>	- <u>\$287,447</u>	- <u>26.9%</u>	- <u>29.0%</u>

Office of the Secretary of the Treasury, Division of Research and Statistics.

March 31, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS
Daily Sales - March, 1942
On Basis of Issue Price
(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	\$ 5,811	\$ 15,868	\$ 2,043	\$ 8,726	\$ 26,636	\$ 21,678	\$ 2,043	\$ 8,726	\$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
4	3,395	8,833	2,658	12,558	24,048	12,228	2,658	12,558	27,443
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
6	4,179	10,696	1,759	10,825	23,279	14,875	1,759	10,825	27,458
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
10	2,804	5,719	1,365	4,162	11,246	8,523	1,365	4,162	14,050
11	3,156	10,002	1,533	7,287	18,823	13,158	1,533	7,287	21,979
12	2,686	8,114	1,133	5,504	14,750	10,800	1,133	5,504	17,436
13	2,682	10,594	1,065	5,007	16,666	13,276	1,065	5,007	19,348
14	2,797	6,616	1,102	4,745	12,463	9,413	1,102	4,745	15,260
16	4,464	13,193	1,415	8,693	23,301	17,658	1,415	8,693	27,766
17	2,967	6,384	1,015	2,561	9,961	9,351	1,015	2,561	12,927
18	2,552	7,097	1,201	9,433	17,731	9,650	1,201	9,433	20,283
19	2,559	7,911	1,019	5,527	14,457	10,470	1,019	5,527	17,016
20	3,510	13,306	1,511	5,524	20,341	16,817	1,511	5,524	23,852
21	2,662	7,998	1,122	3,714	12,833	10,660	1,122	3,714	15,495
23	4,362	13,955	1,953	8,199	24,107	18,317	1,953	8,199	28,469
24	2,297	5,330	900	3,604	9,833	7,628	900	3,604	12,131
25	3,003	7,982	2,207	9,076	19,265	10,985	2,207	9,076	22,268
26	3,045	9,393	2,002	6,391	17,785	12,437	2,002	6,391	20,830
27	2,515	8,149	1,315	5,056	14,519	10,684	1,315	5,056	17,034
28	2,489	5,212	674	3,849	9,734	7,700	674	3,849	12,222
30	4,355	15,841	2,376	9,325	27,541	20,196	2,376	9,325	31,896
Total	\$ 83,579	\$247,324	\$ 40,204	\$175,227	\$462,754	\$330,903	\$ 40,204	\$175,227	\$546,333

Office of the Secretary of the Treasury, Division of Research and Statistics.

March 31, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

321

March 21, 1942

My dear Mr. President:

I have your note of March 27, transmitting a suggestion about the handling of joint returns.

In this suggestion the author indicated that he favors joint returns, including earned and unearned income, and proposed an additional exemption of \$1,500 or thereabouts where both spouses have earned incomes. This was justified on the ground that where both husband and wife work, someone ordinarily has to be hired to do the cooking and housework.

After studying this suggestion we have modified it somewhat and yesterday Mr. Paul presented the revised form to the Ways and Means Committee. He suggested that joint returns be required for all income but that a special tax credit be allowed equal to 10 percent of the wife's earnings (or the husband's earnings if they are less than the wife's) but not to exceed \$100. This credit would give a substantial measure of relief for the working wife. We hope it will meet with Committee approval.

Enclosed herewith is a copy of Mr. Paul's statement before the Committee yesterday on this subject.

Faithfully yours,

(Signed) H. HORNBACHMAN, JR.

Secretary of the Treasury

The President,

The White House.

M. W. C.

Copy to Mr. Hornbachman

By Messenger

Munday 5:50

Enclosure

Date 3/31/42

Statement of Randolph E. Paul, Tax Adviser
to the Secretary of the Treasury,
Before the Ways and Means Committee of the
House of Representatives on Mandatory Joint Returns

March 30, 1942

MANDATORY JOINT RETURNS

The question of requiring husband and wife who are living together to file a joint return and compute the tax upon their combined net incomes has been fully debated over the past year. The Treasury Department has given careful study to all aspects of this question. It has reached the conclusion that a mandatory joint return provision, applicable to all income of husband and wife who are living together, should be enacted into law.

OTHER MATTERS PERTAINING TO FAMILY INCOME

In connection with our study of the taxation of family income, we have re-examined carefully the entire problem of the exemptions and credits allowed under the income tax for the purpose of taking into account the family status. In view of the increases in tax rates which the present situation has necessitated, we feel that in some respects these exemptions and credits are now inadequate. We therefore suggest to the Committee that to achieve a more equitable distribution of the tax burden, it would be desirable to enact the following changes:

1. Medical Expenses--A deduction should be allowed for extraordinary medical expenses that are in excess of a specified percentage of the family's net income. The amount allowed under such a deduction should, however, be limited to some specified maximum amount.
2. Credit for Dependent Children--The credit for dependent children should be revised to allow a credit for children between the ages of 18 and 21 who are in attendance at school.
3. Additional Credit Where Wife Earns Income--Where the wife works outside the home, additional household expenses usually are incurred which are not present where

50

- 2 -

the wife is able to devote her full time to the maintenance of the home. For this reason, it is suggested that an additional credit be provided as follows:

There should be allowed as a credit against the tax upon the family an amount equal to 10 percent of the wife's earnings. Such credit, however, should not exceed \$100.

A similar credit should be allowed where a person occupying the status of head of the family, such as a widow, works.

-c0o-

Paul
324

THE WHITE HOUSE
WASHINGTON

March 23, 1942.

MEMORANDUM FOR

H.M. Jr.

Here is a suggestion from a good friend of ours:

"I have a suggestion as to how to handle the muss existing in regard to the filing of joint tax returns. I am for them, including earned or unearned income. Can't you sell H.M. a bill of goods to overcome the Doughton, et al, objections by providing that where both spouses have earned incomes, an additional exemption of \$1500 or thereabouts, shall be allowed for the home. This seems to me to be obviously just, since if both husband and wife work, somebody ordinarily has to be hired to do the cooking, etc. Doesn't this fully meet your objection with respect to the earned income situation?"

F.D.R.

MAR 30 1942

H.

C

Paul
324

THE WHITE HOUSE
WASHINGTON

March 23, 1942.

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F.D.R.

MAR 30 1942
H. C

325

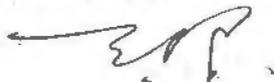
THE WHITE HOUSE
WASHINGTON

March 31, 1942

Dear Henry:

Thank you for sending me a
copy of your letter to Senator Thomas.

Affectionately,

A handwritten signature in dark ink, appearing to be 'E. A. Tamm', is written below the closing. The signature is fluid and cursive, with a long horizontal stroke at the end.

325

THE WHITE HOUSE
WASHINGTON

March 31, 1942

Dear Henry:

Thank you for sending me a
copy of your letter to Senator Thomas.

Affectionately,

A handwritten signature in dark ink, appearing to be 'E. A. Tamm', written in a cursive style.

326

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 19, 1942

TO Harry White
FROM Secretary Morgenthau

Please talk to me about this.

THE WHITE HOUSE
WASHINGTON

March 19, 1942

TO THE SECRETARY OF THE TREASURY:

FOR HIS INFORMATION.

COPY

THE WHITE HOUSE

Washington

March 18, 1942

My dear Mr. Administrator:

I have your memorandum of March 18 wherein you refer to the request of the Chairman of the Senate Committee on Education and Labor that you appear before that Committee to testify on S.2295, "A Bill, To provide for the termination of the National Youth Administration and the Civilian Conservation Corps."

You state that it would be desirable to have my views regarding this proposed legislation to place before the Committee. In this connection, I wish to call your attention to our conversations on other proposed legislation affecting the youth agencies. My opinion as expressed in those conversations has not changed.

I feel that the youth agencies have a definite place in the all-out war effort. The 1943 program of the National Youth Administration to train approximately 600,000 youth for war industries and for other essential work will be a definite and necessary contribution to our expanding labor requirements. The Civilian Conservation Corps work on Army reservations is needed to prepare those reservations for full utilization. Likewise, the remaining projects of the Corps which are now limited to those essential to the various phases of our war effort and so located as to provide protective services in vital areas should not be discontinued at this time.

It is unfortunate that it is not generally known that the employment of these youth in some cases releases soldiers for active duty and in others involves tasks which would require the employment of adult civilians. I also feel that it should be made clear to all our citizens that by far the greater number of those on the rolls are of pre-military age and that the training which they receive is preparing them for such service as they may be called upon to perform when they become of military age.

In view of the above, I cannot agree with those who take the position that these agencies should be terminated and, accordingly, you are advised that S.2295 does not meet with my approval.

Very sincerely yours,

/s/ FRANKLIN D. ROOSEVELT

Honorable Paul V. McNutt,
Administrator,
Federal Security Agency,
Washington, D. C.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

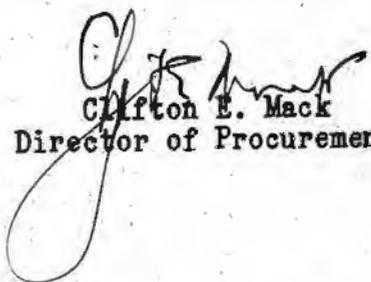
March 31, 1942

MEMORANDUM TO THE SECRETARY:

The reports concerning the tonnage of metals shipped from the mills yesterday gives us the following totals according to ports to which consigned:

Philadelphia	2643 tons
New York	1157 tons
Baltimore	<u>1384 tons</u>
Total	5184 tons

The above information has been furnished to George Haas together with the information as to expected requirements for each of the ports for the month of April and certain other information as to tonnage in transit representing shipments from the mills prior to March 30th.


Clifton E. Mack
Director of Procurement





OFFICE OF THE DIRECTOR

330

TREASURY DEPARTMENT

PROCUREMENT DIVISION

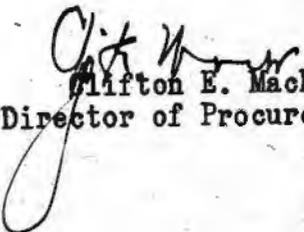
WASHINGTON

March 31, 1942

MEMORANDUM TO THE SECRETARY:

The new committee on shipping expects to start operating just as quickly as they have an over-all picture of available ships. Mr. Lewis W. Douglas, Chief Advisor, War Shipping Administration, is expected to have a tentative picture by the end of this week, and the plan is to establish schedules of available shipping for two months in advance from which allocations of space can be made according to urgency of requirements and freight movements to the ports regulated on that basis.

This sounds very hopeful and I think it will be of very great help.


Clifton E. Mack
Director of Procurement



TREASURY DEPARTMENT

331

INTER OFFICE COMMUNICATION

DATE MAR 31 1942

TO Secretary Morgenthau
FROM Mr. Foley

For your information, there is attached a copy of the preliminary report and recommendations on problems of evacuation of citizens and aliens from military areas made by the Tolan Committee (Select Committee of the House Investigating National Defense Migration).

Some of the items which should be of particular interest are marked in red.

8.14.76

NATIONAL DEFENSE MIGRATION

REPORT

OF THE

SELECT COMMITTEE INVESTIGATING
NATIONAL DEFENSE MIGRATION
HOUSE OF REPRESENTATIVES

SEVENTY-SEVENTH CONGRESS
SECOND SESSION

FURSUANT TO

H. Res. 113

A RESOLUTION TO INQUIRE FURTHER INTO THE INTER-
STATE MIGRATION OF CITIZENS, EMPHASIZING
THE PRESENT AND POTENTIAL CONSEQUENCES OF THE MIGRATION
CAUSED BY THE NATIONAL
DEFENSE PROGRAM

Preliminary Report and Recommendations on
Problems of Evacuation of Citizens and
Aliens From Military Areas

MARCH 19, 1942



See pages 5, 6, 7, 8, 10, 14, 15, 19, 20 and 26.

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1942

Union Calendar No. 681
House Report No. 1111

THE COMMITTEE ON

NATIONAL DEFENSE MIGRATION

REPORT

OF THE
SELECT COMMITTEE INVESTIGATING NATIONAL DEFENSE
MIGRATION

SELECT COMMITTEE INVESTIGATING NATIONAL DEFENSE
MIGRATION

JOHN H. TOLAN, California, *Chairman*

JOHN J. SPARKMAN, Alabama
LAURENCE F. ARNOLD, Illinois

CARL T. CURTIS, Nebraska
GEORGE H. BENDER, Ohio

ROBERT K. LAMM, *Staff Director*

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NATIONAL DEFENSE

REPORT

SELECT HOUSE COMMITTEE ON NATIONAL DEFENSE MIGRATION

SELECT HOUSE COMMITTEE ON NATIONAL DEFENSE MIGRATION

- JOHN H. TOLAN, California, *Chairman*
 CARL T. CURTIS, Nebraska
 GEORGE H. BENDER, Ohio
 ROBERT K. LAMB, Staff Director

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NATIONAL DEFENSE MIGRATION

MARCH 19, 1942.—Ordered to be printed

MR. SPARKMAN, from the Select Committee Investigating National
Defense Migration, submitted the following

PRELIMINARY REPORT

[Pursuant to H. Res. 113, 77th Cong., 1st sess.]

INTRODUCTION

In the following brief preliminary report this committee presents to Congress its findings and recommendations with respect to the problems of evacuation of the military zones on the west coast established by the Executive order of the President of February 19. These findings and recommendations are made as the result of a survey made by the five members of this committee in the three Pacific Coast States. The committee is planning a final comprehensive report on this subject at an early date.

This preliminary report is divided as follows: The events from December 7 until the appearance of this report are organized in a section which presents chronologically statements and actions of Members of Congress, and of the military and civilian agencies charged with responsibility for evacuation. The remainder of the report is divided into a discussion, first, of the evacuation of the Japanese and, second, of the evacuation of the Italian and German aliens. The section on the Japanese is, in turn, divided into "Statistics on Japanese citizens and aliens"; "Evacuation policy"; "Resettlement: Americanization or deportation"; "Property custodianship, reception centers, Federal assistance." The section dealing with the Germans and Italians includes a discussion of the number and distribution of German and Italian aliens on the west coast and throughout the country, and the evacuation of Italian and German aliens from areas in the Western Defense Command.

With the attack on Pearl Harbor on December 7, as the Nation's anger rose against the Japanese, those of Japanese origin residing in the United States were also the object of some resentment. Within a few days, moreover, the formal declarations of a state of war with the

NOTE.—On March 18, 1942, the President of the United States issued an order establishing in the Office for Emergency Management the War Relocation Authority and defining its functions and duties. The text of this Executive order is reprinted in full at the end of this report; see appendix C, page 32.

Axis Powers created a class of persons known as enemy aliens. For at least a month thereafter, however, the temper of the American people remained relatively calm toward these groups in their midst.

Meanwhile the Federal Bureau of Investigation was active in rounding up those enemy aliens (German, Italian, and Japanese) considered most immediately dangerous. These raids were made with the aid of information supplied by the military and naval intelligence services, and often with the collaboration of local police officials. Editorial comment praised these preventive measures, and there appeared no widespread demand for wholesale evacuation.

Following the appearance of the Roberts report on January 25, the public temper changed noticeably.¹ By the end of January, a considerable press demand appeared for evacuation of aliens, and especially of the Japanese from the west coast. On January 29, Attorney General Biddle announced the creation of certain limited military areas in the three coast States from which all enemy aliens were to be evacuated by February 24. A few hundred living in especially vulnerable areas were to be evacuated on February 15. To supervise these evacuations, a Coordinator of Enemy Alien Problems, Mr. Tom C. Clark, was appointed by the Attorney General.

This announcement was followed by an increase in newspaper stories and press comments. The order called for evacuation of limited areas and affected less than 10,000 persons along the entire coast. Most of the evacuees moved only short distances, usually doubling up with relatives in other parts of the city or in nearby places. An assistance fund of \$500,000 was earmarked by the Federal Security Agency, but only a very small part of it drawn upon for hardship cases arising from this move.

On Monday, February 2, a meeting of the entire west coast congressional delegation was held in the office of Senator Hiram Johnson of California, and as a result two committees were appointed by Senator Johnson. One of these, headed by Senator Rufus C. Holman, of Oregon, was to consider immediate plans for an impregnable defense of the Pacific coast. The other, headed by Senator Mon C. Wallgren, of Washington, was to deal with the question of enemy alien and sabotage control in the same area.

¹ One of the factors making for public antagonism toward persons of Japanese origin in the continental United States was the widespread reports in magazines and newspapers of instances of sabotage for which Japanese residents of Hawaii were allegedly responsible on December 7. The Roberts report does not make any statements with respect to such sabotage but only with regard to espionage. This committee is in receipt of telegrams from the Delegate representing the Territory of Hawaii in Congress, the Honorable Samuel W. King, and also from the chief of police of Honolulu. These telegrams appear in appendix B, p. 32. Both of them deny the reports of such sabotage. Because of these conflicting reports, this committee has requested the War and Navy Departments and the Department of Justice to inform us as to the true facts in this regard. The problems represented by the evacuation of the Japanese on the west coast involve approximately 1 percent of the population of the 3 Pacific Coast States. The total population of Hawaii at the 1940 Census numbered 423,330 of which 157,905, or 37 percent, were Japanese. Of this number, 37,553, or 23.6 percent, were Japanese aliens. It is clear from these figures that, whereas the movement of Japanese from the coastal areas on the mainland presents many problems, these in no way compare in magnitude with the difficulties which would be involved if it were seriously proposed to evacuate the Japanese from the Hawaiian Islands.

We wish to point out here that the committee heard testimony from Attorney General Earl Warren, of California, and others, urging that whereas there had been no sabotage on the west coast to their knowledge up to the time of their testimony, they believed that this constituted no guarantee against such sabotage in the future. Attorney General Warren went on to say: "Unfortunately, however, many of our people and some of our authorities and, I am afraid, many of our people in other parts of the country are of the opinion that because we have no sabotage and no fifth-column activities in this State since the beginning of the war that, perhaps, that means that none have been planned for us. But I take the view that that is the most ominous sign in our whole situation. It convinces me more than perhaps any other factor that the sabotage that we are to get, the fifth-column activities that we are to get, are timed just like Pearl Harbor was timed and just like the invasion of France and of Denmark and of Norway and all of those other countries."

REPRESENTATIVES } REPORT
No. 1911

SE MIGRATION

ered to be printed

Committee Investigating National
Migrations presented the following

REPORT

77th Cong., 1st sess.]

ATION

Report this committee presents to
congress with respect to the prob-
lems on the west coast established
since the beginning of February 19. These find-
ings are the result of a survey made by
the committee in the three Pacific Coast States.
This report is a comprehensive report on this sub-

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"Statistics on Japanese Citizens
Resettlement: Americanization
Schools, Reception Centers, Federal
Control of the Germans and Italians in-
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Italian aliens throughout the country, and the
evacuation of persons from areas in the Western

States. On December 7, as the Nation's
was shocked by the news of Japanese origin residing in
the United States. Within a
few days of a state of war with the
United States issued an order
Management the War Relocation
Authorities. The text of this Executive
order; see appendix C, page 32.

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 fifth-column activities that we are to get, are timed just like Pearl Harbor
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On February 13, 1942, the following letter and attached recommen-
 dations were sent to President Roosevelt by the Pacific coast dele-
 gation. These recommendations eventuated in the President's Execu-
 tive order of February 19.

Hon. FRANKLIN D. ROOSEVELT,
 President of the United States,
 White House, Washington, D. C.

FEBRUARY 13, 1942.

DEAR MR. PRESIDENT: By direction of the Members of Congress from the
 Pacific Coast States of California, Oregon, and Washington, we submit herewith
 the recommendations which were unanimously adopted by the members of the
 Pacific coast delegation present at a meeting held this morning.

Realizing the seriousness of the Japanese menace along the entire Pacific coast,
 the Members of Congress from that area have responded to the insistent demands
 for prompt action in handling this problem by holding several meetings at which
 the entire matter was thoroughly discussed with the Attorney General and
 members of his staff, as well as representatives of the War and other departments
 of the Government. To arrive at a satisfactory solution of the problem of
 handling not enemy aliens alone, but also disloyal and subversive citizens as well,
 has not been easy. However, we believe that the program suggested in these
 recommendations will effectively accomplish our purpose to safeguard the welfare
 and security of our people and the Pacific coast area.

Eliminating the question of citizenship and basing our procedure upon the
 question of loyalty alone, we feel that an effective means of reaching our potential
 enemies can be attained. By utilizing the military authority of the Army to
 effect the partial or complete evacuation of strategic areas, to be determined in
 size, scope, and location by the military authority, we feel that the Army or the
 Department of Justice may rightfully remove any or all persons whom they may
 select from such areas and prohibit their return. This might require the principles
 of martial law, it might inconvenience to greater or lesser extent many loyal and
 patriotic citizens, but we feel the critical nature of the situation and its latent
 subversive potentialities are so compelling as to justify the taking of extreme and
 drastic measures.

We are of the opinion that a complete program calling for the evacuation, re-
 moval, resettlement, and rehabilitation of undesirable persons can be effectively
 carried out without delay provided the various agencies of the Government will
 immediately cooperate in the utilization of all available facilities at their disposal,
 and realizing as do we, the seriousness of the present situation, if they will devote
 a competent staff to the exclusive work of developing a full solution of the problem.

We therefore urge, Mr. President, that you initiate the steps necessary to
 accomplish the purpose of these recommendations by calling upon such agencies
 of the Government as are able and capable of aiding in this program and directing
 them to utilize such facilities as are available to them in order that our ends may
 be attained and the people of the Pacific coast as well as of the entire Nation may
 be assured that no steps looking to the safety and security of this Nation from
 attack from within has been overlooked.

By direction of the Pacific coast delegation we submit herewith the recom-
 mendations adopted this morning.

Very sincerely yours,

- RUFUS B. HOLMAN.
- MON C. WALLGREN.
- CLARENCE LEA.
- HARRY ENGLEBRIGHT.
- RICHARD WELCH.
- JOHN M. COSTELLO.
- HOMER D. ANGELL.

RECOMMENDATIONS OF THE PACIFIC COAST DELEGATION REGARDING ALIEN
 ENEMIES AND SABOTAGE

We recommend the immediate evacuation of all persons of Japanese lineage
 and all others, aliens and citizens alike, whose presence shall be deemed dangerous
 or inimical to the defense of the United States, from all strategic areas.

In defining said strategic areas we recommend that such areas include all
 military installations, war industries, water and power-plant installations, oil
 fields and refineries, transportation and other essential facilities, as well as adequate
 protective areas adjacent thereto.

We further recommend that such areas be enlarged as expeditiously as possible until they shall encompass the entire strategic area of the States of California, Oregon, and Washington, and the Territory of Alaska.

We make these recommendations in order that no citizen, located in a strategic area, may cloak his disloyal, or subversive activity under the mantle of his citizenship alone and further to guarantee protection to all loyal persons, alien and citizen alike, whose safety may be endangered by some wanton act of sabotage.

After the letter of the west coast delegation went to the President, representations were made to the Select House Committee on National Defense Migration that an immediate survey of the current situation on the Pacific coast seemed desirable to the several Federal agencies charged with handling the evacuations including the War and Navy Departments, the Federal Security Agency, and the Departments of Agriculture and Justice. The committee's mandate from Congress as the Select Committee to Investigate National Defense Migration and its previous hearing experience were thought to make it the proper body for such a quick survey. It was believed that it would be valuable to have public hearings begin before the evacuation of the 24th, so that local communities could voice their attitudes toward the developing problem. The several Federal agencies pledged their cooperation.

Hearings opened in San Francisco on Saturday, February 21. That afternoon the committee met Lt. Gen. John L. DeWitt at the Presidio for an executive session. The Coordinator for Enemy Alien Control, Tom C. Clark, testified on Monday, February 23.

Subsequent hearings were held in Portland on February 26, Seattle on February 28 and March 2, and in Los Angeles on March 6 and 7. Three members of the committee returned to San Francisco for a conference with the Assistant Secretary of War, John J. McCloy, on Monday, March 9. At the request of the Coordinator, Tom C. Clark, who spoke as the representative of General DeWitt, we have designated two members of the committee's staff to remain on the coast to observe the progress of the evacuation program.

Throughout this series of hearings the committee took testimony from all interested groups who signified a desire to be heard and from public officials, Federal, State, and local, who were qualified to throw light on problems connected with evacuation. Approximately 150 witnesses were heard.² This extensive testimony will be organized topically and summarized in the final report on this subject which your committee hopes to present by April 7. In this preliminary report we present the highlights of our findings together with our immediate recommendations.

On February 19, the publication day of the President's Executive order, the chairman of this committee, in a press interview, pointed out the parallels between the order and the recommendations pre-

² Among these witnesses were Gov. Culbert L. Olson of California and Gov. Arthur B. Langlie of Washington; Mayors Angelo J. Rossi of San Francisco, R. Earl Riley of Portland, Earl Millikin of Seattle, Harry P. Cain of Tacoma, and Fletcher Bowron of Los Angeles; also, the mayors, city managers, and police chiefs. Mayor Rossi of San Francisco was accompanied by a panel which included Police Chief Charles W. Dulles, Mr. Florence M. McAuliffe, chief of the Morale Service of the San Francisco Civilian Defense Council, and Mr. Leland Cutler, chairman of the Subcommittee of the Morale Service on Racial and National Problems in San Francisco. Attorney General Warren of California also appeared in San Francisco. Testimony was also taken from the California Joint Immigration Committee, American Legion of the State of California, the State Federation of Labor, the Native Sons of the Golden West, and the California State Grange. In all four hearings the committee took testimony from authorized representatives of the Japanese-American Citizens League and other groups representing the Japanese, the German, and Italian communities, groups and individuals representing the Catholic Church and various Protestant churches.

Following letter and attached recommendations to the President by the Pacific coast delegation, and the President's Executive Order, February 13, 1942.

FEBRUARY 13, 1942.

Washington, D. C.
The Members of Congress from the Pacific coast, Oregon, and Washington, we submit herewith a report, adopted by the members of the delegation at the meeting held this morning.

The Japanese menace along the entire Pacific coast, and the fact that the Japanese have responded to the insistent demands for evacuation by holding several meetings at which they have discussed with the Attorney General and other representatives of the War and other departments a satisfactory solution of the problem of the evacuation of disloyal and subversive citizens as well as loyal citizens, believe that the program suggested in these recommendations will accomplish our purpose to safeguard the welfare of the Pacific coast area.

The insistent demands for evacuation upon the Pacific coast, and the fact that the Japanese have responded to the insistent demands for evacuation by holding several meetings at which they have discussed with the Attorney General and other representatives of the War and other departments a satisfactory solution of the problem of the evacuation of disloyal and subversive citizens as well as loyal citizens, believe that the program suggested in these recommendations will accomplish our purpose to safeguard the welfare of the Pacific coast area.

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JOHN M. COSTELLO.
HOMER D. ANGELL

COAST DELEGATION REGARDING ALIEN AND SABOTAGE

The insistent demands for evacuation upon the Pacific coast, and the fact that the Japanese have responded to the insistent demands for evacuation by holding several meetings at which they have discussed with the Attorney General and other representatives of the War and other departments a satisfactory solution of the problem of the evacuation of disloyal and subversive citizens as well as loyal citizens, believe that the program suggested in these recommendations will accomplish our purpose to safeguard the welfare of the Pacific coast area.

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that such areas be enlarged as expeditiously as possible to include the entire strategic area of the States of California, Oregon, and the Territory of Alaska.

Recommendations in order that no citizen, located in a strategic area, be engaged in any kind of espionage or subversive activity under the mantle of his citizenship, and that guarantee protection to all loyal persons, alien and citizen, who may be endangered by some wanton act of sabotage.

The west coast delegation went to the President, made to the Select House Committee on National Defense Migration an immediate survey of the current situation seemed desirable to the several Federal agencies including the War and Navy Departments, the Federal Security Agency, and the Departments of Justice and Education. The committee's mandate from Congress as to investigate National Defense Migration and the experience were thought to make it the proper subject for a special survey. It was believed that it would be desirable to have public hearings begin before the evacuation of the communities could voice their attitudes toward the problem. The several Federal agencies pledged their

cooperation in San Francisco on Saturday, February 21. That day the committee met Lt. Gen. John L. DeWitt at the Presidio in San Francisco. The Coordinator for Enemy Alien Control, Major General C. C. Brantley, was present and testified on Monday, February 23.

Hearings were held in Portland on February 26, Seattle on February 27, March 2, and in Los Angeles on March 6 and 7. The committee returned to San Francisco for a meeting on March 10. The Assistant Secretary of War, John J. McCloy, on March 11, 1942.

At the request of the Coordinator, Tom C. Blum, the representative of General DeWitt, we have requested that members of the committee's staff to remain on the west coast during the progress of the evacuation program.

During the series of hearings the committee took testimony from various groups who signified a desire to be heard and from representatives of Federal, State, and local, who were qualified to discuss the problems connected with evacuation. Approximately 100 testimonies were heard.³ This extensive testimony will be summarized in the final report on this subject which the committee hopes to present by April 7. In this report we will present the highlights of our findings together with our recommendations.

On the publication day of the President's Executive Order on National Defense Migration, in a press interview, pointed out the difference between the order and the recommendations pre-

³ Gov. Culbert L. Olson of California and Gov. Arthur B. Langlie of Washington were present at the hearing in San Francisco. Earl Millikin of Seattle, Harry Brown of Los Angeles, also, the mayors, city managers, and police chiefs, were present at the hearing in Los Angeles. Testimony was also given by a panel which included Police Chief Charles W. Dulles, of Los Angeles, and the Chairman of the Civilian Control Administration, and the Chairman of the Subcommittees of the War Relocation Authority on Racial and National Problems in California. General Warren of California also appeared in San Francisco. Testimony was also given by the Joint Immigration Committee, American Legion of the State of California, the National Japanese American Citizens League, the Japanese American Citizens League of the Golden West, and the California State Orange Association. In all the testimonies from authorized representatives of the Japanese-American community, the testimonies of the Japanese, the German, and Italian communities, groups representing the Catholic Church and various Protestant churches.

viously made to the President by the Pacific coast delegation. The order follows:

EXECUTIVE ORDER

AUTHORIZING THE SECRETARY OF WAR TO PRESCRIBE MILITARY AREAS

WHEREAS the successful prosecution of the war requires every possible protection against espionage and against sabotage to national defense material, national defense premises, and national defense utilities as defined in section 3, act of April 20, 1918, 40 Stat. 533, as amended by the act of November 30, 1940, 54 Stat. 1220, and the act of August 21, 1941, 55 Stat. 655 (U. S. C., title 50, sec. 104):

Now, therefore, by virtue of the authority vested in me as President of the United States, and Commander in Chief of the Army and Navy, I hereby authorize and direct the Secretary of War, and the military commanders who he may from time to time designate, whenever he or any designated commander deems such action necessary or desirable, to prescribe military areas in such places and of such extent as he or the appropriate military commander may determine, from which any or all persons may be excluded, and with respect to which the right of any person to enter, remain in, or leave shall be subject to whatever restrictions the Secretary of War or the appropriate military commander may impose in his discretion. The Secretary of War is hereby authorized to provide for residents of any such area who are excluded therefrom, such transportation, food, shelter, and other accommodations as may be necessary, in the judgment of the Secretary of War or the said military commander, and until other arrangements are made, to accomplish the purpose of this order. The designation of military areas in any region or locality shall supersede designations of prohibited and restricted areas by the Attorney General under the proclamations of December 7 and 8, 1941, and shall supersede the responsibility and authority of the Attorney General under the said proclamations in respect of such prohibited and restricted areas.

I hereby further authorize and direct the Secretary of War and the said military commanders to take such other steps as he or the appropriate military commander may deem advisable to enforce compliance with the restrictions applicable to each military area hereinabove authorized to be designated, including the use of Federal troops and other Federal agencies, with authority to accept assistance of State and local agencies.

I hereby further authorize and direct all executive departments, independent establishments, and other Federal agencies, to assist the Secretary of War or the said military commanders in carrying out this Executive order, including the furnishing of medical aid, hospitalization, food, clothing, transportation, use of land, shelter, and other supplies, equipment, utilities, facilities, and services.

This order shall not be construed as modifying or limiting in any way the authority heretofore granted under Executive Order No. 8972, dated December 12, 1941, nor shall it be construed as limiting or modifying the duty and responsibility of the Federal Bureau of Investigation with respect to the investigation of alleged acts of sabotage or the duty and responsibility of the Attorney General and the Department of Justice under the proclamations of December 7 and 8, 1941, prescribing regulations for the conduct and control of alien enemies, except as such duty and responsibility is superseded by the designation of military areas hereunder.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, February 19, 1942.

On February 23, following the San Francisco hearings, this committee had become convinced of the need for the establishment of a custodian for the property of evacuees, a recommendation made earlier by certain members of the California delegation. It thereupon dispatched the following telegram to Speaker Rayburn, with copies to the President, the Secretary of the Treasury, the Attorney General, and the Secretary of War:

We urge the immediate establishment of a regional alien-property custodian office for the Pacific coast area. We have learned of numerous sacrifice sales by

have existed before the evacuation of February 15. Before additional prohibited areas are evacuated. Many committee have urged this action.

Evacuated will require similar protection for their property, needed to set up such custodianship.

The need for an alien property custodian on the coast is a general need for advance planning for the civilian problems of the evacuation of aliens and will accompany any future program, after designating strategic areas, needs the planned agencies of the Federal Government in handling the actual evacuation of the evacuees. The need for advance planning and the agencies concerned with evacuation problems exists.

The chairman of this committee received the following report of the Treasury:

January 23 has been carefully studied by this Department; there is a general need for careful planning with respect to persons, both aliens and citizens, evacuated from strategic areas. It is one in which the Federal Government should assume the lead. While the Treasury Department stands ready to handle the proper sphere of operation, I am sure that you will agree that in national defense migration are primarily social problems of a large segment of populations from an area being moved to a new locality. The problem is very similar to the Dust Bowl migration or in the resettlement of families from the West Coast. As we see it, the same problem would be raised if a substantial area of all of its inhabitants in order to use a munitions dump, or a firing range. In any such case a person on short notice would have to be resettled in new areas, and liquidate at forced sale their immovable property. As the United States Government of the property of the world only further complicate an already aggravated social problem you pointed out in your telegram, the problems involved are not unduly complicated but undoubtedly will involve United States citizens as well as aliens. The Treasury Department that the social problems involved in such a program should be handled by one or more departments at handling similar social problems or, if need be, a new purpose of dealing with the problems of national defense.

The chairman of this committee received the following report of the Treasury:

The Federal Reserve Bank of San Francisco is working out a program to deal with the evacuation of evacuees from the Pacific coast military areas substantially as follows:

The evacuation on short notice of tens of thousands of persons on the Pacific coast raises serious problems in connection with their property holdings and the protection of the same against fraud, forced sales, and unscrupulous creditors. Such a program will cause financial loss to the group involved. However, a program is intended to accord to this group reasonable protection of their interests consistent with the war effort.

The program is one basically to assist the evacuee in the liquidation of his property. It is expected that in most instances the evacuee will be able to take advantage of the facilities afforded by this program. Government action is necessary to deal with creditors and others who seek to take advantage of the evacuee. There is ample legal authority now vested in the Treasury Department which can be delegated to deal with this problem without necessity of obtaining new Executive orders.

The program: The nature and urgency of the situation, coupled with the fact that transactions that will require prompt handling necessarily administered by an agency on the west coast cloaked with authority and reference to Washington. The over-all control of the evacuation must obviously rest in the military authorities.

Subject to this over-all control by the Army, the direct responsibility for the execution of the property aspects of the program should be placed in the Federal Reserve Bank of San Francisco, which has branch offices in Los Angeles, Seattle, and Portland. The Federal Reserve bank will be in a position to obtain the cooperation of other Government agencies, and all well-known and experienced individuals and institutions in the various communities throughout the west coast area. The cooperation, together with the established integrity and ability, of the Federal Reserve bank, will enlist the confidence of all of the affected groups and discourage gouging by creditors or other self-seeking interests.

The Federal Reserve bank will also work in close liaison with the Federal Security Agency, the United States Department of Agriculture, and other Federal, State, and local public agencies that can be of assistance in dealing with the property during the course of its liquidation. These agencies will undoubtedly be called upon by the military authorities to handle other aspects of the evacuation problem, such as the transportation and resettlement of the evacuees, and their reemployment in new areas.

The Federal Reserve Bank of San Francisco, which is the fiscal agent of the Treasury Department, will be clothed with ample authority to execute the program. The Treasury Department will lay down the broad principles and objectives of such program as well as the general procedure to be followed. The department will also furnish the San Francisco Bank by airplane with the requisite number of trained experts to assist in working out the details of the program in the field and to participate in its execution.

OUTLINE OF PROGRAM

A. Properly staffed offices under the direction of the San Francisco Federal Reserve Bank will be opened at once in the local communities from which evacuees will be moved.

B. Announcement will be made throughout the area by the Federal Reserve Bank of San Francisco that its representatives in these offices are prepared to assist evacuees with the problem of liquidating their property and protecting them against those seeking to take unfair advantage of their plight.

C. These representatives will assist in putting the evacuees in a position to obtain buyers, lessees, and other users of their property on fair terms. In cases where the evacuee is unable to select his own agent to dispose of his property, the Federal Reserve bank will be prepared to act as agent for the evacuee under a power of attorney or similar arrangement and take steps to liquidate the property on fair terms.

D. Evacuees threatened by creditors will be encouraged to come to the representatives of the Federal Reserve bank for advice and guidance. The Federal Reserve bank representatives will also discuss the matter with the creditor with the view to working out a fair settlement and limiting the remedies that may be pursued by the creditor who threatens unfair action. By and large the mere existence of this program of helping evacuees will eliminate or forestall most of the sharp practices that are now feared.

E. In some cases the property of the evacuee may be such that its real value can only be realized at a future time; e. g., Japanese novelties. In such cases the bank's representative will assist the evacuee in arranging for the storage of such property, if that is the wish of the evacuee.

F. On agricultural properties the bank's representative, with the assistance of representatives of the United States Department of Agriculture, will attempt to arrange for the leasing or sale of such property or if need be for the growing of the crops, with a view to preventing their loss through inattention.

G. The Federal Reserve Bank of San Francisco and its representative will be clothed with adequate authority to cope with problems arising on the basis of existing circumstances. The program will be flexible and at all times the bank will attempt to keep matters on a voluntary basis, satisfactory to the evacuee. Where these efforts fail it may be necessary for the bank's representative to step in and take the property over for the purpose of obtaining a fair and reasonable liquidation.

It is expected that the setting up of this program and the accordance to the evacuees of facilities for the liquidation of their property should greatly expedite the departure on a voluntary basis of the evacuees from the military areas.

This program is being put into effect at the request of the Secretary of War and will be carried out under the general direction of the local military authorities. Full authority has been delegated to the Federal Reserve Bank of San Francisco to carry out such a program.

I am asking John W. Pehle, assistant to the Secretary, who is in San Francisco for the purpose of helping the Federal Reserve bank to put this program into effect, to communicate with you and keep you advised as to the progress of the program.

By the time the committee had completed its hearings at San Francisco and Portland it had become apparent that whereas the great majority of the witnesses were in favor of immediate evacuation they had no definite proposals as to the relocation sites. There was a disposition to suggest that these people should be moved "beyond the Rockies." It seemed to this committee essential that the public representatives of those States west of the Mississippi and east of the Sierras and Cascades should be polled for an expression of opinion as to this resettlement of evacuees. Consequently, the telegram shown in appendix A, page 27, was sent to the Governors of 15 Western States. Replies to this telegram, received from 13 Governors, are published in the same appendix, pages 27 to 31, inclusive.

As the committee proceeded with its study of the evacuation problem it was strongly impressed with the need for a permanent, experienced, civilian coordinator. Sufficient testimony had also been received to indicate the desirability of local boards which could certify the loyalty of the great bulk of the Italian and German aliens, most of whom were over 60 years of age and parents of American citizens of good standing in the community. In many cases they had been delayed in securing citizenship by the excessive slowness of naturalization machinery in some west coast communities or by their inability to pass the literacy tests. Having these points in mind, the chairman of the committee dispatched the following telegram to President Roosevelt on February 28 and copies to Speaker Rayburn and other interested officials:

My understanding that evacuation order is imminent. Think it imperative that appointment of alien property custodian and also coordinator for enemy alien problems precede or at least coincide with announcement of order. Unnecessary to indicate to you that coordinator should be experienced administrator trained in handling community and family relationship problems, including welfare, health, resettlement. Coordinator's job will include reemployment and agricultural problems. Urge also that coordinator's office start at once making plans for creating boards similar to present enemy alien hearing boards or comparable local machinery for examining loyalty of Italian and German aliens and certification of status. Coordinator should keep local officials informed of developments and consult them as far as possible.

It is the committee's understanding that arrangements are being worked out for embodying these recommendations in a more permanent establishment now being developed for the coordinator's office.

On March 2, General De Witt, pursuant to the authority conferred on him by the President's Executive order of February 19, published public proclamation No. 1, which reads as follows:

PUBLIC PROCLAMATION No. 1

HEADQUARTERS WESTERN DEFENSE COMMAND AND FOURTH ARMY,
Presidio of San Francisco, California., March 2, 1942.

To: The people within the States of Arizona, California, Oregon, and Washington, and the Public Generally:

WHEREAS, By virtue of orders issued by the War Department on December 11, 1941, that portion of the United States lying within the States of Washington,

my, the direct responsibility for the program should be placed in the Federal branch offices in Los Angeles, Seattle, will be in a position to obtain the co-nd all well-known and experienced in-ommunities throughout the west coast established integrity and ability, of the lence of all of the affected groups and lf-seeking interests.

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ROGRAM

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able, assistant to the Secretary, who is in San Francisco at the Federal Reserve Bank to put this program into effect and keep you advised as to the progress of the

committee had completed its hearings at San Francisco and it had become apparent that whereas the witnesses were in favor of immediate evacuation proposals as to the relocation sites. There was no doubt that these people should be moved "beyond the Mississippi and east of the Mississippi" and the public should be polled for an expression of opinion on the subject of evacuees. Consequently, the telegram on page 27, was sent to the Governors of 15 States west of the Mississippi and east of the Mississippi. The same appendix, pages 27 to 31, inclusive, proceeded with its study of the evacuation problem and the need for a permanent, experienced administrator. Sufficient testimony had also been received on the desirability of local boards which could handle the great bulk of the Italian and German aliens, over 60 years of age and parents of American children in the community. In many cases they are acquiring citizenship by the excessive slowness of the naturalization process or by their illiteracy tests. Having these points in mind, the committee dispatched the following telegram on February 28 and copies to Speaker Rayburn and other officials:

An evacuation order is imminent. Think it imperative that a property custodian and also coordinator for enemy property should at least coincide with announcement of order. You that coordinator should be experienced administrator of community and family relationship problems, including employment. Coordinator's job will include reemployment and large also that coordinator's office start at once making similar to present enemy alien hearing boards or committees and examining loyalty of Italian and German aliens and Coordinator should keep local officials informed of them as far as possible.

Your understanding that arrangements are being developed for these recommendations in a more permanent way now being developed for the coordinator's

Mr. De Witt, pursuant to the authority conferred by the President's Executive order of February 19, 1942, published in Executive Order No. 1, which reads as follows:

PUBLIC PROCLAMATION No. 1

WESTERN DEFENSE COMMAND AND FOURTH ARMY,
Presidio of San Francisco, California., March 2, 1942.
The States of Arizona, California, Oregon, and Washington,
to-wit:

Orders issued by the War Department on December 11, 1941, and the Proclamations of the United States lying within the States of Washington,

Oregon, California, Montana, Idaho, Nevada, Utah, and Arizona and the Territory of Alaska has been established as the Western Defense Command and designated as a Theatre of Operations under my command; and

WHEREAS, By Executive Order No. 9066, dated February 19, 1942, the President of the United States authorized and directed the Secretary of War and the Military Commanders whom he may from time to time designate, whenever he or any such designated commander deems such action necessary or desirable, to prescribe military areas in such places and of such extent as he or the appropriate Military Commander may determine, from which any or all persons may be excluded, and with respect to which the right of any person to enter, remain in, or leave shall be subject to whatever restrictions the Secretary of War or the appropriate Military Commander may impose in his discretion; and

WHEREAS, The Secretary of War on February 20, 1942, designated the undersigned as the Military Commander to carry out the duties and responsibilities imposed by said Executive Order for that portion of the United States embraced in the Western Defense Command; and

WHEREAS, The Western Defense Command embraces the entire Pacific Coast of the United States which by its geographical location is particularly subject to attack, to attempted invasion by the armed forces of nations with which the United States is now at war, and, in connection therewith, is subject to espionage and acts of sabotage, thereby requiring the adoption of military measures necessary to establish safeguards against such enemy operations:

NOW THEREFORE, I, J. L. DEWITT, Lieutenant General, U. S. Army, by virtue of the authority vested in me by the President of the United States and by the Secretary of War and my powers and prerogatives as Commanding General of the Western Defense Command, do hereby declare that:

1. The present situation requires as a matter of military necessity the establishment in the territory embraced by the Western Defense Command of Military Areas and Zones thereof as defined in Exhibit 1, hereto attached, and as generally shown on the map attached hereto and marked Exhibit 2.

2. Military Areas Nos. 1 and 2, as particularly described and generally shown hereinafter and in Exhibits 1 and 2 hereto, are hereby designated and established.

3. Within Military Areas Nos. 1 and 2 there are established Zone A-1, lying wholly within Military Area No. 1; Zones A-2 to A-99, inclusive, some of which are in Military Area No. 1, and the others in Military Area No. 2; and Zone B, comprising all that part of Military Area No. 1 not included within Zones A-1 to A-99, inclusive; all as more particularly described and defined and generally shown hereinafter and in Exhibits 1 and 2.

Military Area No. 2 comprises all that part of the States of Washington, Oregon, California, and Arizona which is not included within Military Area No. 1, and is shown on the map (Exhibit 2) as an unshaded area.

4. Such persons or classes of persons as the situation may require will by subsequent proclamation be excluded from all of Military Area No. 1 and also from such of those zones herein described as Zones A-2 to A-99, inclusive, as are within Military Area No. 2.

Certain persons or classes of persons who are by subsequent proclamation excluded from the zones last above mentioned may be permitted, under certain regulations and restrictions to be hereafter prescribed, to enter upon or remain within Zone B.

The designation of Military Area No. 2 as such does not contemplate any prohibition or regulation or restriction except with respect to the zones established therein.

5. Any Japanese, German, or Italian alien, or any person of Japanese Ancestry now resident in Military Area No. 1 who changes his place of habitual residence is hereby required to obtain and execute a "Change of Residence Notice" at any United States Post Office within the States of Washington, Oregon, California, and Arizona. Such notice must be executed at any such Post Office not more than five nor less than one day prior to any such change of residence. Nothing contained herein shall be construed to affect the existing regulations of the U. S. Attorney General which require aliens of enemy nationalities to obtain travel permits from U. S. Attorneys and to notify the Federal Bureau of Investigation and the Commissioner of Immigration of any change in permanent address.

6. The designation of prohibited and restricted areas within the Western Defense Command by the Attorney General of the United States under the Proclamations of December 7 and 8, 1941, and the instructions, rules, and regulations prescribed by him with respect to such prohibited and restricted areas, are hereby adopted and continued in full force and effect.

...ity of the Federal Bureau of Investigation with respect
...ed acts of espionage and sabotage are not altered by

J. L. De Witt,
Lieutenant General, U. S. Army,
Commanding.

...ication of this order there remained a number
...e public and press wished to see clarified. The
...the coordinator, Tom C. Clark, at the time of
...pearance on February 23, to hold himself in
...gain in Los Angeles. An invitation was issued
...appeared at the Los Angeles hearing on March 7.
...rred with the Assistant Secretary of War, Mr.
...isco on March 9.

15, General De Witt announced the organization
...n-control administration to be known as the
...of the General Staff. It was reported that "the
...aw offices in all areas from which Axis enemies
...supervise the myriad problems attendant on the
...n."

...endetsen of the War Department General Staff
...the new unit as assistant chief of staff responsible
...His headquarters will be in San Francisco.
...ease announcing this development reported that:

...n will be Lt. Col. I. K. Evans, deputy assistant chief of
...branch; Capt. Albert H. Moffitt, Jr., executive office;
...rol coordinator, as chief of the civilian staff; and Wallace

...the civil-affairs branch include:
...onal director of the Farm Security Administration, in
...gricultural property.
...ordinator of agencies for the Department of Agriculture,
...education authority.
...egional director, Office of Emergency Management, head
...strative services.
...onal director Federal Security Agency, heading Army's
...nent and matters of health and welfare.
...ief statistician for research, Bureau of the Census, director

OPERATIONS DIVISION

...ss, War Department General Staff, heading operations
...onal Work Projects Administration director for 11 Western
...n reception center division.
...Boekel, office of provost marshal, Fourth Army, heading
...nd licensing.
...on under Lawrence M. Benedict.
...under W. R. Thomas, Jr., Office of Price Administration.
...Capt. Phillip J. Sinnott of Fourth Army.
...gineers will have charge of the construction and equipment

PROTECTION UNIT

...ve bank is in charge of property protection, John Lawlor,
...ry of the Treasury, will direct conservation of all property
..., including business, residential, and intangible assets.

...rch 16, General DeWitt announced the extension
...a control program 1,000 miles inland from the

Pacific coast which he designated as military areas in 4 more States, Idaho, Montana, Nevada, and Utah, and set apart 934 more prohibited zones. Evacuation orders were reserved for later proclamations.

On March 17, the House Committee on Military Affairs reported out H. R. 6758 which had been introduced by Mr. Costello on March 10. The bill as reported to the House reads:

A BILL To provide a penalty for violation of restrictions or orders with respect to persons entering, remaining in, or leaving military areas or zones

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whoever shall enter, remain in, leave, or commit any act in any military area or military zone which has been prescribed under the authority of an Executive order of the President, by the Secretary of War, or by any military commander designated by the Secretary of War, contrary to the restrictions applicable to any such area or zone or contrary to the order of the Secretary of War or any such military commander, shall, if it appears that he knew or should have known of the existence and extent of the restrictions or order and that his act was in violation thereof, be guilty of a misdemeanor and upon conviction shall be liable to a fine of not to exceed \$5,000 or to imprisonment for not more than one year, or both, for each offense.

In submitting the report Mr. Costello made the following remarks:

The necessity for this legislation arose from the fact that the safe conduct of the war requires the fullest possible protection against either espionage or sabotage to national defense material, national defense premises, and national defense utilities. In order to provide such protection it has been deemed advisable to remove certain aliens as well as citizens from areas in which war production is located and where military activities are being conducted. To make such removal effective, it is necessary to provide for penalties in the event of any violation of the orders or restrictions which may be established, as well as to enforce curfews, where they may be required. The passage of this legislation will not only provide for the protection of the military areas or zones, but also be a means for preserving the safety and security of the persons who are to be removed.

At the time of the presentation of this bill, the first movement of evacuees under General DeWitt's evacuation order seemed imminent.

This committee is presenting the following preliminary report with the understanding that it intends to make a final report to Congress within the next 3 weeks, if possible. This preliminary report is intended to state the situation as we now see it pending the effects of the first movement of those affected by the order. As soon as possible after this pending evacuation, the committee proposes to make a more comprehensive report which will cover in detail the findings of the committee in its four west coast hearings and summarize and analyze its testimony. At the close of this preliminary report can be found our present conclusions as to the basic considerations which must govern the evacuation and resettlement of these groups. We have placed special emphasis in this preliminary report upon the evacuation of Japanese because the problems presented by their movement are most imminent according to the military authorities. The committee wishes to acknowledge at this time the full cooperation which it has received from Lt. Gen. J. L. DeWitt and all other military and naval authorities with whom we have had contact, from other members of Congress, from public officials, Federal, State, and local, and from interested groups directly concerned with the problems raised by evacuation in each of the three west coast States.

3 military areas in 4 more States, and set apart 934 more prohibited reserved for later proclamations. The Secretary of War reported out by Mr. Costello on March 10, 1940:

Orders with respect to persons entering, remaining in, or leaving military areas or zones

Representatives of the United States of America shall enter, remain in, leave, or come to a zone which has been prescribed under the authority of the President, by the Secretary of War, or by the Secretary of War, contrary to the order of the commander, shall, if it appears that he is guilty of a misdemeanor and upon conviction be liable to a fine not to exceed \$5,000 or to imprisonment for one year or both.

Mr. Costello made the following remarks:

On the fact that the safe conduct of the Nation against either espionage or sabotage of its premises, and national defense utilities, has been deemed advisable to remove certain war production is located and where. To make such removal effective, it is necessary to enforce curfews, where they are in violation of the orders or regulations. Legislation will not only provide for the removal but also be a means for preserving the property to be removed.

Under this bill, the first movement of evacuation order seemed imminent. The following preliminary report with a view to make a final report to Congress is being prepared. This preliminary report is now being prepared pending the effects of the order. As soon as possible a committee proposes to make a report which will cover in detail the findings of the past hearings and summarize and discuss the basic considerations which are involved in the settlement of these groups. We are submitting this preliminary report upon the problems presented by their evacuation to the military authorities. At this time the full cooperation of Mr. L. DeWitt and all other military officials we have had contact, from other officials, Federal, State, and local, are being secured with the problems of the three west coast States.

STATISTICS ON JAPANESE

Of the 126,947 Japanese, citizens and aliens, living in the United States April 1, 1940, 117,364, or 92.5 percent live in the prohibited and restricted military zones proclaimed by General DeWitt.¹ The three west coast States, California, Washington, and Oregon contain 112,353 Japanese practically all of whom are located in zone 1 from which all Japanese have been ordered vacated. Measures announced to date therefore provide for the evacuation of approximately 88.5 percent of all Japanese in the country and restrictions on the movements of an additional 4 percent. Of those to be moved 71,000 are American citizens and 41,000 are aliens. As a result of restrictions, legal and otherwise, the Japanese have remained concentrated near the points of immigration where they were originally brought to provide a cheap agricultural labor supply. Sixteen counties, for example, on the west coast contain 93,200, or three-quarters of all the Japanese in the country. Specializing in the production of fresh vegetables requiring immediate access to markets they have remained close to the major west coast cities. One-third of all the Japanese in California, or almost one-quarter of all the Japanese in the United States, live in Los Angeles County. Multnomah County (Portland) contains one-half of all the Japanese living in Oregon, and King County (Seattle) two-thirds of all living in Washington. The largest single community is in Los Angeles which contains 23,321, of whom 14,595 are citizens. Next in order of total number of Japanese comes Seattle with 6,975; San Francisco with 5,280; Sacramento with 2,879; and New York City with 2,087. Of the other cities with over a thousand Japanese, four were in California; Oakland, Berkeley, Stockton, and Torrance; the fifth was Portland, Oreg. Seven other cities had over 500 Japanese; Tacoma, Wash., was the only one outside California. The 10 cities with over 1,000 Japanese contained 47,779, or 37.6 percent of the total group in the country. Approximately the same percentage were aliens in these 10 cities as for the country as a whole, 40.3 percent. Foreign-born outnumbered the native-born Japanese only in New York City, where approximately 70 percent were aliens.

As a result of the acts restricting immigration the high ratio of males to females among recent immigrant groups has remained. This is more marked in the alien group. In California 62 percent were males. The corresponding figures for Washington and Oregon were 65 percent and 60 percent, respectively. Selective immigration from the Territories and possessions has contributed to an excess of males among the citizen group also, though the disparity is not so great as among the aliens.

As a result of selective forces affecting their participation in industry and trade the Japanese are highly concentrated in a few industries. In California, almost 20,000, or 50 percent, of the gainfully occupied are engaged in agriculture. During the past year alien and American Japanese produced 42 percent of all truck crops grown in the State. Just a little under 20 percent of the gainfully employed are engaged

¹ California, Oregon, Washington, Arizona, Utah, Nevada, Idaho, and Montana.

STATISTICS ON JAPANESE

nese, citizens and aliens, living in the United States, 17,364, or 92.5 percent live in the prohibited zones proclaimed by General DeWitt. The States of California, Washington, and Oregon contain practically all of whom are located in zone 1 from which they have been ordered evacuated. Measures announced for the evacuation of approximately 88,500 Japanese in the country and restrictions on the movement of 4 percent. Of those to be moved 71,000 are citizens and 41,000 are aliens. As a result of restrictions on migration, the Japanese have remained concentrated in those areas where they were originally brought to the United States as cultural labor supply. Sixteen counties, for example, on the coast contain 93,200, or three-quarters of all the Japanese in the country. Specializing in the production of fresh fruits and vegetables, immediate access to markets they have remained in the coastal cities. One-third of all the Japanese in the United States live in Multnomah County (Portland) and Clatsop County (Astoria), all the Japanese living in Oregon, and King County (Seattle) and Pierce County (Tacoma) in Washington. The largest concentration is in Los Angeles which contains 23,321, of whom 17,000 are citizens. Next in order of total number of Japanese are San Francisco with 7,500; Sacramento with 5,280; and San Jose with 2,087. Of the other cities with over 1,000 Japanese four were in California: Oakland, Berkeley, San Francisco, and San Jose; the fifth was Portland, Oreg. Seven other cities with over 1,000 Japanese were in Washington; Tacoma, Wash., was the only one outside the Pacific Northwest. About 10 percent of the total group in the country. Approximately 40 percent were aliens in these 10 cities as for the rest of the country. Foreign-born outnumbered the citizens in New York City, where approximately 40.3 percent.

acts restricting immigration the high ratio of Japanese among recent immigrant groups has remained. In California 62 percent of the Japanese are in the alien group. In Washington and Oregon 50 percent, respectively. Selective immigration and land possessions has contributed to an excess of Japanese in the coastal group also, though the disparity is not so great. Economic forces affecting their participation in industry are highly concentrated in a few industries. In California 20,000, or 50 percent, of the gainfully occupied Japanese are in agriculture. During the past year alien and American Japanese produced 2 percent of all truck crops grown in the State. 20 percent of the gainfully employed are engaged

in Arizona, Utah, Nevada, Idaho, and Montana.

in retail and wholesale trade, mainly in the distribution of vegetables and fruit, of whom about 6,000 are engaged in retail and 1,900 in wholesale trade. The United Citizens Federation (Japanese) estimated that the thousand Japanese retail stores in Los Angeles do 75 percent of the total retail fruit and vegetable business. Next in importance ranks domestic service in which 4,400 are engaged. Almost 2,400 are employed in the hotel and restaurant industry. The United Citizens Federation estimated that 80 percent of the Japanese-controlled restaurants and 75 percent of the Japanese-controlled hotels cater to white Americans.

In Washington, 30 percent of all gainfully employed Japanese were in agriculture as compared with 50 percent in California. In trade, retail and wholesale, an additional 20 percent were employed. Thirteen percent were employed in the hotel and restaurant industries. Approximately 5 percent were engaged in the laundry and cleaning industry, railroad express, and domestic service.

In Los Angeles 30 percent are engaged in wholesale and retail trade, 18 percent in agriculture, 11 percent in hotel and restaurant, 10 percent in domestic service.

San Francisco has the oldest Japanese community in the country, but its inhabitants have been severely limited in economic opportunity. Approximately 40 percent of the gainfully occupied are in domestic service, 18 percent in wholesale and retail trade, 10 percent in laundry and cleaning establishments, 7 percent in hotels and restaurants, and 5 percent in professional and related services.

EVACUATION POLICY

All witnesses before the committee were unanimous in the view that military considerations must be paramount in assessing the need for and the character of evacuation. These witnesses were equally opposed to cruel and arbitrary measures that would violate principles of equity and the constitutional guaranties afforded by our democratic government.

This committee does not deem its proper province to encompass a judgment on the military need for the present (and any subsequent) evacuation orders. In time of war the military authorities are obligated to take every necessary step and every precaution to assure the internal safety of the Nation. The need for these safeguards appears the more pressing when we consider that present-day warfare has developed the fifth-column technique in unprecedented fashion. It is naive to imagine that the enemy powers will not exploit these techniques to the full. The tragic events of Pearl Harbor have created in the public mind a consciousness, whatever the character of the evidence, that the dangers from internal enemies cannot be ignored.

Recognizing the duties and responsibilities of the military, this committee is also impressed with the fundamental fact that wartime does not automatically suspend the Constitution. Justice is still administered by the courts of our land and martial law has its justification only when these courts are removed by the practical exigencies of warfare. Cases of rebellion or invasion permit a suspension of the writ of habeas corpus under the Constitution, and perhaps it requires

ination or of the law to place within the latter predatory incursions of enemy submarines and invasion of this writ does not abrogate the fifth amendments, which provide for due process and the laws. Even aliens are guaranteed certain by the Constitution.

ing factor in the present situation is that two e ordered to evacuate from designated military ne United States by virtue of their birth in this order of the President empowering the military areas and to prohibit or limit the presence of does not declare that a state of martial law

It is silent on the constitutional rights of citizen expedient impelled by the critical situation Under our form of government, any questions tutional status of persons affected must ultia- the courts.

were adduced in testimony before the committee th citizen and alien, should be evacuated from at commonly it was said that homogeneity of aits made it impossible to distinguish between aloyal. Law enforcement officials were particu- enraged public sentiment and possibly mob reverses in the Pacific war theater, would work ad guilty alike. Protection for Japanese reside whole Nation was said to require the imme- l Japanese.

led out that evacuation of alien Japanese alone relationships and create numerous problems of roffessed a belief that the aliens (Issei), being to their status as perpetual noncitizens in our a menace than the American-born (Nisei) who ry treatment at the hands of fellow Americans. ortance of the Japanese to certain west coast ns was readily admitted. In agriculture for are expert vegetable growers and market garden- a major source of fresh food supply for the large have given employment to large numbers of al areas and in urban produce markets. But isruption to the economic life of the region, it was these dislocations are not generically different repercussions of war, and that in any event the s the prime and fundamental requisite.

l aspect of the demand for evacuation which the ater in this preliminary report. At this point, bserve that witnesses in each of our four hearings nce of groups and individuals who have been this situation to their own gain. The Japanese mulated considerable property, both real and ot fail to be a temptation to certain unscrupulous d below, the committee has heard a number of t no adequate safeguards have existed for the se awaiting evacuation. The committee has

therefore been prompt to recommend as an immediate and urgent necessity the appointment of Federal custodial officers for the protection of evacuated properties. This recommendation as well as others flows directly from the consideration that by Federal order these people and their children are being uprooted from established homes and occupations.

Witnesses before the committee who entered objections to the complete evacuation of the Japanese as a group held that this decision contained an invidious racial distinction. Moreover, thousands of American citizens were described as being treated on a par with, and in some cases worse than, technical enemy aliens. Recognition and maintenance of race distinctions were said to create unnecessary internal dissensions and play into the hands of the Axis Powers who wish to spread the ideology of a racial war. At the same time concentration of public sentiment and attention upon the Japanese as a group, it was pointed out, will give a freer hand to subversive and disloyal elements among the other alien populations whose physical and cultural characteristics permit readier participation in the general community.

Several witnesses indicated to the committee the importance of considering the effect upon the Japanese Government and the people of Japan of any policy taken by the American Government representatives or advocated by the American people toward the Japanese residents of the United States. They urge that we bear in mind the reciprocal treatment of American citizens, whether military or civilian, who are now held by the Japanese or who may be captured by them in the future. These witnesses also advanced the argument that such action as was taken here might be used for propaganda purposes by the Japanese in their attempt to reach the people of Asia. The committee notes these arguments while believing that there are other more immediately compelling considerations for employing a judicious attitude toward this whole matter.

A profound sense of certain injustices and constitutional doubts attending the evacuation of the Japanese cannot shake the committee in its belief that no alternative remains. The decision of the military, whatever the influence brought to bear by public demand, is a prima facie acknowledgment that threats of espionage and sabotage are real and present and not wholly preventable by the constituted authorities. We cannot doubt, and everyone is agreed, that the majority of Japanese citizens and aliens are loyal to this country. But the innocent ten in this time of war will perforce suffer for the guilty one. Every representative of the Japanese appearing before the committee pledged the willingness of citizens and aliens alike to faithfully obey the Government evacuation orders. We earnestly hope that every effort will be made by the Federal Government to protect the property and lives of these people, and to resettle them in normal and productive ways of living.

RESETTLEMENT: AMERICANIZATION OR DEPORTATION

Ultimately, there are two alternative national policies which may be followed with this large group of people, alien and citizen. One alternative is deportation; the other is Americanization. Observers

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ZATION OR DEPORTATION

tive national policies which may f people, alien and citizen. One r is Americanization. Observers

agreed that the process of Americanization has been going forward at an increasing rate since the first World War. Only one witness advocated the deportation of any Japanese. He favored voluntary evacuation for those who wished to return to Japan.³

The incarceration of the Japanese for the duration of the war can only end in wholesale deportation. The maintenance of all Japanese, alien and citizen, in enforced idleness will prove not only a costly waste of the taxpayers' money, but it automatically implies deportation, since we cannot expect this group to be loyal to our Government or sympathetic to our way of life thereafter.

Likewise, the use of these people under armed guard for agricultural gang labor leads ultimately to deportation. The danger of vigilantism will be ever present. The effect upon the spirit especially of those who are citizens cannot fail to be injurious. The legality of such a procedure is of course highly questionable. The social and economic consequences of enforced labor, which competes with those who seek their livelihood in these callings, will be the recreating of many of the past labor ills from which we are just recovering. Any subsequent agricultural depression will lead to an outcry for Japanese deportation similar to that which led to the repatriation of thousands of Mexicans in the early thirties.

Serious constitutional questions are raised by the forced detention of citizens against whom no individual charges are lodged. Such detention must lead logically to an attempt to withdraw citizenship and ultimately to deportation of all members of the group. If the Nation believes as the committee does that we must live with these people as loyal citizens when the war is over, then every consideration should be given to the question: What is to become of these people after they enter the reception center? As the date for the first large-scale, long-distance moves draws near, this question increasingly demands a satisfactory answer.

The Americanization of Japanese presents problems parallel to those involved in the Americanizing of any well-integrated group of alien immigrants having the common customs peculiar to the homeland. The difficulties of this process are accentuated by their low economic status on arrival in the new country. In the case of the Japanese, a racial barrier militated against physical assimilation and marked them as a group apart.

Nevertheless, the process of Americanization and acceptance within the American community has gone forward, especially among the native-born children of the aliens permanently excluded from citizenship. Today, two-thirds of all Japanese are citizens. However, these citizens may be divided into those who have received part or all of their education in Japan (Kibei) who number 10,000, and those who have never returned to Japan (Nisei) numbering 60,000. Some Kibei were said by witnesses to have been turned against the Japanese Government by their visits there, but the committee heard considerable testimony that among the Kibei are the most dangerous elements in the Japanese community.

³ It was his contention that he was the authorized spokesman of a sizeable group of aliens in Los Angeles, but when he was requested by the committee to supply (publicly or privately) the names of their leadership he refused, saying they feared reprisals.

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of the Japanese for the duration of the war can be deportation. The maintenance of all Japanese, enforced idleness will prove not only a costly drain on the Government's money, but it automatically implies deportation. We expect this group to be loyal to our Government for the rest of their way of life thereafter.

of these people under armed guard for agricultural purposes ultimately to deportation. The danger of this is ever present. The effect upon the spirit especially of the Japanese cannot fail to be injurious. The legality of this is of course highly questionable. The social and economic conditions of enforced labor, which competes with those of the American people in these callings, will be the recreating of our social ills from which we are just recovering. Any further depression will lead to an outcry for Japanese who are that which led to the repatriation of thousands of Japanese in the early thirties.

Legal questions are raised by the forced detention of these people when no individual charges are lodged. Such detention is legally an attempt to withdraw citizenship and nationality from all members of the group. If the National War Relocation Authority does that we must live with these people as aliens after the war is over, then every consideration should be given to their repatriation. What is to become of these people after they are released? As the date for the first large-scale, long-term repatriation nears, this question increasingly demands a

consideration of Japanese presents problems parallel to those of the Americanizing of any well-integrated group of alien immigrants. The common customs peculiar to the homeland and the social process are accentuated by their low economic status in the new country. In the case of the Japanese, a marked resistance against physical assimilation and marked

resistance to the process of Americanization and acceptance within the community has gone forward, especially among the Japanese. Many of the aliens permanently excluded from citizenship are of the Japanese. Of all Japanese are citizens. However, these are divided into those who have received part or all of their citizenship (Kibei) who number 10,000, and those who have not (Nisei) numbering 60,000. Some Kibei are known to have been turned against the Japanese Government there, but the committee heard considerable evidence that the Kibei are the most dangerous elements in the community.

³ He was the authorized spokesman of a sizeable group of aliens in Los Angeles, and the committee to supply (publicly or privately) the names of their leaders for reprisals.

The Americanization of the Japanese, like that of other immigrant groups, increases with the length of residence and the loss of contact with the homeland. The Japanese are comparatively recent comers. The first generation of citizens is just coming to maturity. For the most part these citizens have not yet succeeded to the economic headship of the household, which is still controlled by alien parents. With the war breaking up commercial and cultural relations with Japan, evacuation may push the younger citizen generation forward if the opportunity to prove its loyalty and develop its capabilities is provided by an adequate resettlement program.

Two barriers to Americanization of the Japanese have long existed: First, the Exclusion Act by which the alien parents were denied citizenship; and second, the dual citizenship of Japanese born in the United States or its Territories and possessions. The former barrier has thrown the alien back upon the Japanese Government, through the operations of the consulates. This relationship has been reinforced by the presence on the west coast of large numbers of mercantile establishments and banks tying the commercial groups in the Japanese-American community to Japan. This in turn has led to the practice of sending children to Japan to be educated in preparation for trade and banking. Thus, the leadership of the business community has fallen to those in close touch with the homeland and to their children whose education and commercial position has directed them toward the maintenance of dual citizenship. Communities of Japanese farmers have been more free of these influences, but the need to secure financing of their crops has combined with strong peasant ties of language and kinship to keep these rural people in touch with Japan. The successful operation of the evacuation reception centers as a means toward Americanizing the Japanese depends upon a thorough understanding of these lines of force in the Japanese-American community.

With the outbreak of war, trading with Japan has ceased, overseas banks have been taken over by the alien property custodian, remittances to families in Japan are cut off. Evacuation may accelerate the removal of the narrow limits of the Japanese mercantile community. It may throw up new leadership among the Japanese-Americans and place a premium upon professional training or manual skills.

But at present there is no assurance that plans for resettling the evacuated Japanese in self-contained communities will lead to Americanization. To date the committee has been unable to secure from anyone charged with responsibility a clear-cut statement of the status of the Japanese evacuees, alien or citizen, after they pass through the reception center.⁴

To date the committee has encountered a general disposition to treat the Japanese, whether citizen or alien, as a group, and to subject even the citizens to a scrutiny not applied to the alien German and Italian. The evacuation order of General DeWitt, for example, places greater restrictions upon the residence of Japanese citizens than upon German and Italian aliens. It is not clear whether this means that plans exist, either in the Army or in the civilian agencies now assisting the Army, for the segregation of all Japanese for the duration of the war.

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Preferably, the loyalty and dependability of all Japanese, alien and citizen alike, would be examined at the reception center. This would be followed by arrangements for job placement outside of the prohibited areas of all persons certified. However, if large numbers of these Japanese evacuees become wards of the Federal Government, adequate plan must be made for resettlement communities. An important element in the planning of resettlement will be the occupational census of evacuees. Only one-fourth of the total Japanese evacuees are agriculturalists. Of the remainder, many are proprietors of hotels, lodging houses and mercantile establishments, large and small, or clerks and employees of such family firms. Resettlement communities will require a diversification of tasks and a development of new skills by retraining. Industrial or handicraft shops should be considered in plans for such communities. In order that they do not become potential sweatshops every effort should be made to emphasize skilled craftsmanship or the use of small multipurpose power-driven machines.

It seems probable that many of the agricultural groups will not return to the west coast. Already efforts are being made to prevent their return by the enactment of local ordinances denying them the right to lease or own land. Whether or not these efforts are successful it seems probable that quite a number of the agriculturists will develop land in the new resettlement areas, provided they can find land suitable for their intensive type of agriculture, which they will be reluctant to leave when the opportunity to return to normal civilian life is presented to them. In addition to plans for maximizing the output of these resettlement communities toward the food-for-victory and war-production programs, these communities should be used as experiment stations in agriculture, and for the development of new handicraft and machine-made products.

To insure a maximum of traffic between these communities and the outside world, free access should be accorded to all religious organizations, as well as to public officials in agriculture and vocational education. Because of the importance which education plays in Americanization, every effort ought to be made to sustain the schooling of the children in these communities.

Little or no thought has been given to the welfare of evacuated children. These children should be fitted to assume a place in the average American community. Children of senior high school and college age should be given opportunity for study outside the Japanese community in preparation for their return to normal participation in the average American community when the war has ended. Because of local community resistance, this may be difficult for high-school students; it should prove feasible for those of college age.

To summarize: Plans for resettlement depend upon a determination to Americanize the Japanese-American community. The mere decision to resettle does not, however, insure Americanization. These communities will require the maximum in flexible management, in understanding, and in freedom compatible with the national security, if they are to produce families equipped to return to life in the average American community after the war.

loyalty and dependability of all Japanese, alien could be examined at the reception center. This by arrangements for job placement outside of the all persons certified. However, if large numbers evacuees become wards of the Federal Government, it be made for resettlement communities. An in the planning of resettlement will be the occupancies. Only one-fourth of the total Japanese ruralists. Of the remainder, many are proprietors houses and mercantile establishments, large and employees of such family firms. Resettlement require a diversification of tasks and a development training. Industrial or handicraft shops should be for such communities. In order that they do not sweatshops every effort should be made to craftsmanship or the use of small multipurpose ones.

It is that many of the agricultural groups will not coast. Already efforts are being made to prevent enactment of local ordinances denying them the land. Whether or not these efforts are successful that quite a number of the agriculturists will in new resettlement areas, provided they can find their intensive type of agriculture, which they will leave when the opportunity to return to normal is granted to them. In addition to plans for maximizing these resettlement communities toward the food-production programs, these communities should not stations in agriculture, and for the development and machine-made products.

The maximum of traffic between these communities and free access should be accorded to all religious as well as to public officials in agriculture and vocations. Because of the importance which education plays in every effort ought to be made to sustain the children in these communities:

Attention has been given to the welfare of evacuated children should be fitted to assume a place in the community. Children of senior high school and should be given opportunity for study outside the Japanese preparation for their return to normal participation in the American community when the war has ended. Because of community resistance, this may be difficult for high-school-age should prove feasible for those of college age.

Plans for resettlement depend upon a determination of the Japanese-American community. The mere presence does not, however, insure Americanization. These measures require the maximum in flexible management, in order to be in freedom compatible with the national security, and to place families equipped to return to life in the average community after the war.

Those public officials charged with resettlement will encounter serious difficulties in their search for satisfactory land, water for drinking and irrigation purposes, climate, means of transportation, communication, and power supply. The availability of such facilities will vary, of course, with the size of the community to be created. And the size of the community will be determined in part by the response of the public and their representatives to the greater or smaller risks involved in proposals for certifying the loyalty and reliability of members of the Japanese community.

It is our intention to explore the problems of resettlement in greater detail in our final report.

PROPERTY CUSTODIANSHIP

Responsibility for the conservation of the property and property rights of evacuees must be squarely assumed by the Federal Government. Respect for this principle is dictated not only by standards of equity, but by ordinary business sense. The cost to the Federal Government for resettlement will be appreciably decreased if the assets of the evacuees can be transferred to the new location without loss.

In the absence of such a policy, gross abuse has occurred and many instances were brought to the attention of the committee. A typical practice was the following: Japanese would be visited by individuals representing themselves as F. B. I. agents and advised that an order of immediate evacuation was forthcoming. A few hours later a different set of individuals would call on the Japanese so forewarned and offer to buy up their household and other equipment. Under these conditions the Japanese would accept offers at a fraction of the worth of their possessions. Refrigerators were thus reported to have been sold for as low as \$5. It was upon the report of such abuses that the committee as its first act upon reaching the coast urged the immediate appointment of a property custodian.

The urgency of this step has already been recognized by empowering the Federal Reserve banks to assume certain responsibilities upon grant of the power of attorney by the evacuee, or by assuming the power to act on behalf of the evacuee without such authorization. This step may serve to prevent such abuses as have occurred, providing energetic steps are taken to advise the Japanese as to their rights. The committee, however, believes that the measure is only one of many steps needed. The committee wishes to stress the necessity for having ample local agents of the property custodian, empowered to act immediately to conserve the property, who can avoid as far as possible the red tape of securing approval from some far-distant point before they can act.

The mechanism to protect the property of the evacuees must be based on the recognition of two important factors: First, by far the largest assets of the Japanese are in the form of farm property, land, buildings, equipment, and above all, growing crops. One-quarter of all gainfully employed in California, for instance, are either farmers or farm managers. It would appear, therefore, that some agency in the

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Department of Agriculture should be designated to work in coopera- tion with the Federal Reserve banks on property in agricultural enter- prises. It was reported to the committee that some Japanese sur- rendered their leases before removing their buildings and irrigation equipment and thereby forfeited their right to them. To prevent such future occurrences all surrender of leases should be scrutinized by the property custodian to see that the rights of the lessee have been protected.

Secondly, nearly all schemes for resettlement envisage the resettle- ment of the evacuees on agricultural projects. As far as possible, sale of equipment and livestock should be deferred until final resettle- ment, at which time it will be possible to determine how much of this can be used on the new location. In this way, cost to the Federal Government of reestablishing such families can be kept to a minimum.

In the committee's estimation the connection between property disposal and resettlement reinforces the need for a director whose duties embrace all phases of the forthcoming evacuation. Provision should be made for the care of growing crops. In these cases the present owners and tenants should have the complete return, less the cost of additional care and harvesting. Lack of a plan to preserve their equity in growing crops has already resulted in a reduction of 80 percent in normal planting in Los Angeles County, according to evidence presented. It was estimated that in prohibited area No. 33 crop losses to date are \$250,000. Movable assets there are valued at \$250,000. On 733 acres in the thermal area the crop loss is estimated at \$237,000 out of a total value of \$323,000. Such losses in vital food production cannot be tolerated.

The responsibility of the Federal Government does not end with the provision of a formal custodian. There is the responsibility for protecting the full value of land and crops. Some system of valuation might be constituted to make up deficits. Consideration should be given to the appointment of valuation boards with representation granted to evacuees.

RECEPTION CENTERS

No sites for the resettlement of the Japanese evacuees have been announced as yet. However, a reception center has been located in Owens Valley, Calif. This will serve as a gathering point for evacuees. It is intended that reception centers will serve two functions: First, by classifying the evacuees it will be possible to organize more effective community resettlement projects; second, such centers can be used as temporary evacuation sites when certain areas are evacuated before plans for resettlement have been made. Under present plans, the Army controls the evacuee up to the reception center; at that point the civilian director with resettlement plans is supposed to assume control.

FEDERAL ASSISTANCE

The prime consideration governing the evacuation procedure is that most of the evacuees are loyal to this country; that they are being moved because of the Government's inability to separate those who are loyal from those who are not; that they are being moved in the

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FEDERAL ASSISTANCE

consideration governing the evacuation procedure is that the evacuees are loyal to this country; that they are not a burden on the Government's inability to separate those who are not; that they are being moved in the

interests of national security; and they would not be moved if the Government were in a position to fulfill its obligation of discriminating between the innocent and the guilty.

Under such conditions it follows that the cost of transportation for the family, and its movable equipment, should be borne by the Government. From the time the evacuee leaves his home en route to a designated reception center or resettlement project he should be considered the ward of the Government, which shall be responsible for his health and safety. Families should be moved as units, and insofar as possible community groups should be preserved. In view of the problems of health, family organization, etc., it would appear that the actual evacuation should be under the direction of a permanent, experienced, civilian director.

NUMBER AND DISTRIBUTION OF GERMAN AND ITALIAN ALIENS

In the three west coast States there are a total of 57,878 Italian nationals distributed as follows: 52,008 in California, 3,910 in Washington, and 1,960 in Oregon. The largest community on the west coast is San Francisco, where there are 12,000. In nearby Oakland County there are 7,300. The third largest group is in Los Angeles, with 6,731. Over 36,000 are over 45 years of age. The overwhelming majority, 97.5 percent, are over 25 years of age. Of the 28,000 males in California 6,400 are in agriculture, of whom 3,700 are farm operators; 4,500 are skilled or semiskilled workers, 4,800 are laborers, and 7,600 are unemployed or without occupations.

There are approximately 22,000 German nationals on the west coast. Of these, approximately 17,000 are in California, 2,000 in Oregon, and 3,000 in Washington. More persons fall in the age group 55-64 than in any other 10-year interval. All but a few—9 percent—are over 25 years of age. The largest single occupational category is agriculture, in which almost 20 percent of the males are engaged. About a third are classified as no occupation or unemployed. Approximately 20 percent are skilled or semiskilled workers.

Two important differences are to be observed as between these national groups and the Japanese. First, these are not communities in the same sense as the Japanese. Generally speaking these groups are the remainder of a much larger group, who have become citizens. Literacy tests have been an important factor in preventing naturalization. The Germans and Italians do not have the original stratification of the immigrant group such as the Japanese which has been kept intact by legal and social restrictions.

The second important distinction is in the matter of occupational distribution. Whereas the Japanese have only one main economic base, vegetable production and distribution, the Americanization of second generation Italians and Germans has permitted the original immigrant group to become absorbed in a great variety of occupations and industries. The Italians on the west coast are heavily represented in agriculture and fishing, two industries which immigrant groups usually enter in large numbers.

The anti-Fascist and anti-Nazi refugees who came over in the last few years are distinct from the earlier group occupationally. They

als and professionals who are trying to adapt in conditions. They were a highly urbanized are trying to reestablish themselves in the country. The committee is informed that there anti-Nazi refugees in the city of Los Angeles all on the entire west coast.

OF ITALIAN AND GERMAN ALIENS

fecting German and Italian aliens will be less ease of the Japanese, according to present proposed that the millions of second generation born in this country, be treated differently citizens. The military orders setting up restricted area 1-B on the west coast will require alien aliens be evacuated from area 1-A but, will restrict but not prohibit their presence in ements by Mr. Tom C. Clark, civilian coord of the general evacuation order, indicate that ars of age, as well as those with immediate forces, will be exempt from the order.

instituted for German and Italian aliens on direct Nation-wide import because there are se aliens in other parts of the country.

ly people, 50 to 60 years old, on the average. families, and frequently one or more of their armed services of the United States. Inability ndered many of them from acquiring citizen- case presented to the committee was an alien o Monterey. One of her sons was killed at wing day a second son enlisted in the United t a policy of exemptions, the widow would ome in Monterey, where she has lived for the

not doubt that fifth-column elements have in heir way among the Germans and Italians as anese. We believe, however, that adequate e elements among the Italians and Germans is ble policy providing exemptions in hardship

infirm and those with sons in the armed forces, many thousands of aliens who today are techni- ther than citizens because of delays in the re.

of the Immigration and Naturalization Service committee testified that the San Francisco s 12 months behind in acting upon applications than a thousand persons in that office still cause there is lacking sufficient personnel to Alameda County, Calif., naturalization cases behind. The division of functions and of reve- und Federal offices has also prevented smooth

and rapid operation of the naturalization machinery. The costs of providing increased facilities will be far outweighed by the costs of evacuating these people as enemy aliens.

The tragic hardships and injustices of evacuation are most evident in the present plight of German and Italian anti-Axis refugees on the west coast. Many of these are in the process of becoming citizens, which process has been lengthened in the case of enemy aliens since the war. Although anxious to prove their loyalty and to join in the fight against the Axis, these people are being classed in the same status with the enemy they have fled. England has resolved this anomalous situation through special hearing boards created to grant exemptions from the enemy alien status upon individual examination. Persons so exempt carry certificates stamped: "Refugee from Nazi oppression."

To effect a flexible policy in the evacuation of German and Italian aliens the committee recommends that special civilian hearing boards be established by the Director of the War Resettlement Board. These hearing boards should include local citizens. They should examine all cases of German and Italian aliens on an individual basis, both before and after evacuation. Consideration should be given to the various factors that make evacuation an undue hardship and that demonstrate the allegiance of the aliens to their adopted land. Ex- empt persons should be properly certified. Decisions should of course be subject to approval by the military authorities and the Federal Bureau of Investigation.

Having in mind the fact that many evacuation cases could be eliminated by expediting naturalization procedure, the committee recommends that the personnel and facilities of the Bureau of Immi- gration and Naturalization be increased, and that persons in advanced stages of naturalization be granted a grace period for completion of their citizenship, upon certification by the local hearing boards.

For persons evacuated, an integrated public employment service and welfare program is essential. Special funds should be appropri- ated by the Federal Government and administered by those author- ities which the Director of the War Resettlement Board has designated to assist evacuees in need. The facilities of the employment service should be geared to finding jobs and referring applicants after verifi- cation of employer demands.

No evidence was presented to the committee that Italian and Ger- man aliens constitute a major resettlement problem. Provided there is adequate Federal assistance and protection, it is not anticipated that there will be special hindrances to fitting them into new com- munities. To a much greater extent than the Japanese, they have become assimilated into the normal American ways of living. No proposals have been made to segregate German and Italian evacuees in special communities, nor has there been manifest any organized opposition to receiving these people in other areas.

SUMMARY

In general, the problem which we have surveyed during the last few weeks divides into two parts: the evacuation of Japanese, whether citizen or alien, and the evacuation of German and Italian aliens.

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Each of these mass movements of people from certain prohibited areas on the west coast is assertedly made necessary by the military problem of defending the coast from attack. Never before in its history has this country undertaken such a moving of its residents. The evacuations of February 15 and 24 offer no real basis for comparison with the movement about to be carried out, since the numbers involved were relatively small, the move was made by individual families, and the distance to the new destination was short.

It is well, therefore, that the Army, with its equipment and organization for mass movement, should be charged with the new large-scale evacuation. It is encouraging to this committee that General DeWitt proposes to postpone the movement of Germans and Italians until his organization has gained experience with the Japanese. It is equally encouraging that there is no intention to evacuate all Japanese on the same day, since a partial movement will provide experience for later evacuation of other areas.

The prevailing demand for speedy evacuation is the ruling factor in the decision to create reception centers. Ideally, the evacuees should be moved from their present location to their ultimate resettlement area. There seems to be a growing opinion that such resettlement will require a considerable period of time for the choice of sites, the taking of title, the construction of adequate community facilities of all kinds, and the determination of what groups shall comprise these new communities. Speedy evacuation must, therefore, be tied to the completion of adequate temporary shelters and facilities for accommodating all Japanese evacuees. Because of possible delays in later movement to resettlement areas, care must be taken to render the reception centers habitable for a considerable number of families for a period of weeks or even of some months.

Now that Presidential authority has been conferred on the military to carry out wholesale evacuation, and now that public opinion as voiced by the press and elected public officials has gone on record for the complete evacuation of all Japanese from designated military areas, the question of permitting any of this group to return to the prohibited zones for the duration of the war may be considered closed. The immediate problems are those of safeguarding their property, providing adequate facilities for transporting them to reception centers and caring for them in these temporary quarters, and developing a plan for their resettlement. Many of the essential details of the programs noted above remain to be worked out. Indeed, the committee's opinion is that most of the job involved still lies ahead. The machinery for temporary movement of these people is still being organized; the machinery for permanent resettlement has not yet been created.

If the Japanese evacuation creates serious questions, it is because an entire group out of our population is being bodily removed, family by family. This is in the nature of an exodus of a people. The numbers involved are large, but they are by no means as large, for the whole country, as those who will be involved if we generalize the current treatment of the Japanese to apply to all Axis aliens and their immediate families. Indeed, this committee is prepared to say that any such proposal is out of the question if we intend to win this war.

There are in the three Pacific Coast States about 85,000 German and Italian aliens, of an average age approaching 60 years old. Their average length of residence in this country is 24 years. Taken

movements of people from certain prohibited areas is assertedly made necessary by the military to protect the coast from attack. Never before in its history has the Government undertaken such a moving of its residents. The evacuations of January 15 and 24 offer no real basis for comment about to be carried out, since the number of persons to be moved is relatively small, the move was made by individual families, and the distance to the new destination was short.

It is the opinion of the Army, with its equipment and organization, should be charged with the new large-scale evacuation. It is encouraging to this committee that General MacArthur's experience with the Japanese and Italians has gained experience with the Japanese. It is the opinion of the committee that there is no intention to evacuate all Japanese from the Pacific Coast. A partial movement will provide experience for other areas.

The primary factor in the speedy evacuation is the ruling factor in the selection of reception centers. Ideally, the evacuees should be moved to their ultimate resettlement location as soon as possible. It is a growing opinion that such resettlement should be made in a reasonable period of time for the choice of sites, the construction of adequate community facilities of the evacuation of what groups shall comprise those to be evacuated. A speedy evacuation must, therefore, be tied to the construction of temporary shelters and facilities for accommodation of evacuees. Because of possible delays in later areas, care must be taken to render the evacuation of a considerable number of families for a period of some months.

Authority has been conferred on the military for the evacuation, and now that public opinion as reflected by elected public officials has gone on record for the evacuation of all Japanese from designated military areas, it is the opinion of the committee that permitting any of this group to return to the United States during the duration of the war may be considered closed. The primary concern is those of safeguarding their property, processing for transportation to reception centers, and developing a program for these temporary quarters, and developing a program for their resettlement. Many of the essential details of the evacuation must remain to be worked out. Indeed, the most important of the job involved still lies ahead. The primary movement of these people is still being organized, and the program for permanent resettlement has not yet been

worked out. The evacuation creates serious questions, it is because our population is being bodily removed, family by family, the nature of an exodus of a people. The evacuation is not a simple matter, but they are by no means as large, for the most part, as those who will be involved if we generalize the evacuation of the Japanese to apply to all Axis aliens and their families. Indeed, this committee is prepared to say that the evacuation of the Japanese is the least of the question if we intend to win this war. The Pacific Coast States about 85,000 German and Italian aliens, average age approaching 60 years old. Their average age in this country is 24 years. Taken

together with such citizen members of their families as would need to move with them for family reasons, they might number 145,000. To move this group outside the prohibited areas will tax the facilities of public agencies even though these persons remain at liberty to move with a minimum of restriction outside the prohibited areas. To incarcerate these persons for the duration of the war would be a major undertaking, especially because of the age of the evacuees.

Taken against the background of the national problem implied, this becomes an even more unmanageable proposal. There are 300,000 German aliens in this country and 675,000 Italian aliens, or about a million combined total. Together with their immediate relatives who are citizens they are an army in themselves. It is doubtful whether our war effort could bear the consequences of shifting them all from their present residences to new settlements, even on a voluntary basis. Their incarceration for the duration of the war is unthinkable to this committee.

This is a Nation of alien peoples. Side by side with the unnaturalized Germans and Italians are 923,000 naturalized Germans and 929,000 naturalized Italians. Their children in turn number in the millions. By blood and by marriage they are related to these aliens and the aliens' citizen children as well as to millions of other citizens. There are approximately 7,000,000 persons in families of whom at least one parent was born in Germany or Italy. Surely some more workable method exists for determining the loyalty and reliability of these people than the uprooting of 50 trustworthy persons to remove 1 dangerous individual. Yet a generalization of the treatment now being proposed for German and Italian aliens on the Pacific coast leads only to this logical conclusion. Making special exceptions for those above the age of 70 or of those having children in the armed forces is no adequate substitute for a well-developed program for removing those individuals considered dangerous by competent Federal authorities, and of allowing all others to remain. If there are certain strategic areas which require special attention, we believe it best to evacuate everyone resident there and allow visitors only on permit.

The committee presents the following conclusions in the form of recommendations. It will be observed that several of these have already been made, in whole or in part, in communications made from the west coast to various responsible Federal officials. Recommendations made prior to our return were sent with such dispatch because we were of the opinion that a critical situation required immediate action. It is our opinion, as set forth in this preliminary report, that many of the preparations for operation of reception centers, and most of the plans for resettlement of the Japanese are still in the paper stage. The preparations as to evacuating of Germans and Italians are equally delayed. We believe that suggestions put forward in this preliminary report could expedite the development of such plans. We expect to report on the further progress of the program in our final report.

SUMMARY OF RECOMMENDATIONS

1. The committee is in full agreement with the President's Executive order of February 19, 1942. The designation of areas to be evacuated is a military matter to be decided by the Army. The

¹ General DeWitt's exceptions.

their families as would need to they might number 145,000. These areas will tax the facilities as long as the sons remain at liberty to move into the prohibited areas. To end the war would be a major objective of the evacuees.

The national problem implied, this proposal. There are 300,000 Italian aliens, or about a million of their immediate relatives who are in the United States. It is doubtful whether it is possible to shift them all from the prohibited areas, even on a voluntary basis. The war is unthinkable to this

to be side by side with the unnaturalized 1,000,000 naturalized Germans and their children in turn number in the United States. They are related to these aliens as are millions of other citizens. They are in families of whom at least one is a citizen. Surely some more workable method of handling the loyalty and reliability of these aliens is worthy persons to remove from the United States. The organization of the treatment now being given to the aliens on the Pacific coast is making special exceptions for those having children in the armed forces. A well-developed program for handling those dangerous by competent Federal agencies to remain. If there are any special attention, we believe it is possible to handle them and allow visitors only on

reaching conclusions in the form of recommendations. It is noted that several of these have been mentioned in communications made from the Federal officials. Recommendation with such dispatch because of the situation required immediate action. In this preliminary report, that the establishment of reception centers, and most of the Japanese are still in the paper stage. The handling of Germans and Italians is a matter of suggestions put forward in this report. The development of such plans. We believe the success of the program in our final

RECOMMENDATIONS

in accordance with the President's Executive Order. The designation of areas to be prohibited should be decided by the Army. The

committee commends the work of the Army, the Department of Justice, the Army and Navy Intelligence Services, and the Federal Bureau of Investigation on the evacuation problem.

2. The committee recommends that a single agency to be known as the "War Resettlement Board" be established under the Office for Emergency Management to coordinate and to determine all civilian activities connected with the evacuation and resettlement of enemy aliens.

3. This agency should be headed by a civilian experienced in welfare and resettlement problems.

4. This evacuation must be considered as a completely Federal problem. It has been ordered by the military and is carried out as a matter of military necessity. It is essential, therefore, that the Federal Government recognize its responsibility to care for these people in every necessary way. This includes the provision of immediate assistance, free transportation, medical care, and other burdens attendant upon forced evacuation.

5. Offices of an alien property custodian should be placed in every major center from which aliens are being evacuated. Arrangements should be made with agricultural agencies to handle the lands and crops of evacuees which are now under cultivation. The past experience of the Farm Security Administration qualifies it for this task.

6. A system of hearing boards should be constituted by the Director of the War Resettlement Board with representatives of local and Federal agencies, with the concurrence of the military authorities, to issue certificates for all Italian and German aliens whose loyalty can be established beyond reasonable doubt. Final decisions as to the return of these persons to areas declared prohibited should, of course, rest with the military. The emphasis of these boards should be toward the early return to civil life of all certified persons. Responsibility for recommending internment should remain as at present with existing enemy alien hearing boards, to whom the new boards would refer all doubtful cases.

7. Every effort should be made to resettle the evacuees in such a way that the process of Americanization can be expedited.

8. The committee recommends that the Department of Justice immediately review the situation regarding enemy aliens who are awaiting their second papers, with a view to expediting their applications.

Upon certification of the local hearing boards, a grace period for completion of their citizenship should be granted. It should be observed that all cases of enemy alien applicants are now investigated by the Federal Bureau of Investigation before citizenship can be granted.

The personnel of the Immigration and Naturalization Service should be immediately increased.

Numerous other matters having to do with the problem of operating reception centers, undertaking the relocation and resettlement of these evacuees, and operating of hearing boards to determine which Italian and German aliens can safely be trusted to reside within the prohibited areas will be taken up in the committee's final report to be published within the next 2 or 3 weeks.

NATIONAL DEFENSE MIGRATION

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alien property custodian should be placed in every area in which aliens are being evacuated. Arrangements should be made with agricultural agencies to handle the lands and other property which are now under cultivation. The past experience of the Security Administration qualifies it for this task. Hearing boards should be constituted by the Director of National Defense Migration Board with representatives of local and State authorities and with the concurrence of the military authorities, to hear all Italian and German aliens whose loyalty can be questioned without reasonable doubt. Final decisions as to the removal of these aliens to areas declared prohibited should, of course, be made by the military. The emphasis of these boards should be on the return to civil life of all certified persons. Responsibility for internment should remain as at present with the military hearing boards, to whom the new boards would refer all cases.

should be made to resettle the evacuees in such a way as to expedite their Americanization.

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on of the local hearing boards, a grace period for the processing of citizenship should be granted. It should be the policy of the Bureau of Investigation to investigate all cases of enemy alien applicants are now investigated by the Bureau of Investigation before citizenship can be

of the Immigration and Naturalization Service should be increased.

matters having to do with the problem of operating and undertaking the relocation and resettlement of enemy aliens and of operating of hearing boards to determine which areas in which enemy aliens can safely be trusted to reside within the United States will be taken up in the committee's final report to be issued in the next 2 or 3 weeks.

APPENDIX A

The following telegram was sent by the committee to the Governors of the States inland from the Pacific Coast States.

FEBRUARY 26, 1942.

This congressional committee holding hearings concerning evacuation enemy aliens, west coast at request several Federal agencies including Army, Navy, Justice, Social Security Board. Many witnesses here urge sending all aliens, German and Italian origin, all Japanese whatever citizenship, to areas east of borders California, Oregon, and Washington. What is response of your State to this proposal? How many of these people could your State assimilate? What opportunity would there be for employing these people in useful work? Under what plan would you consider such movement feasible? What do you think is attitude of people of your State towards such a movement? Thanks for prompt reply, room 203, Henry Building, Seattle.

The following replies to the telegram addressed to the Governors of all the Western States¹ which might serve as evacuation areas for enemy aliens removed from the west coast region had been received as of the date this report was presented to Congress.²

PHOENIX, ARIZ., February 23.

JOHN H. TOLAN,
Chairman, House Investigating Committee on
National Defense Migration,
Seattle, Wash.:

The enemy alien problem is equally as serious in Arizona as it is in California, Oregon, or Washington. We have repeatedly demanded of Federal authorities that these aliens be evacuated from this State and the western defense command has listed 18 Arizona areas from which they are to be removed. We do not propose to be made a dumping ground for enemy aliens from any other State. We not only vigorously protest but will not permit the evacuation of Japanese, German, or Italian aliens to any point in Arizona. I cannot too strongly urge that such aliens be placed in concentration camps east of the Rocky Mountains. They should be removed entirely from the danger belt which comprises all of the States on the Pacific slope.

SIDNEY P. OSBORN, Governor.

STATE OF ARKANSAS,
OFFICE OF THE GOVERNOR,
Little Rock, February 27, 1942.

HON. JOHN H. TOLAN,
Chairman, House Committee Investigating National Defense Migration,
Seattle, Wash.

MY DEAR MR. TOLAN: This acknowledges receipt of your telegram of February 26 in regard to the evacuation of enemy aliens from the west coast area.

Our people are not familiar with customs or peculiarities of the Japanese. There will not be any way to employ these people in Arkansas. The only way I can visualize where we can use them at all would be to fence them in concentration camps under wire fence and guards.

¹ Arizona, Gov. Sidney P. Osborn; Arkansas, Gov. Homer M. Adkins; Colorado, Gov. Ralph L. Carr; Idaho, Gov. Chase A. Clark; Kansas, Gov. Payne H. Ratner; Missouri, Gov. Forrest C. Donnell; Montana, Gov. Sam C. Ford; Nebraska, Gov. Dwight Griswold; Nevada, Gov. E. P. Carville; New Mexico, Gov. John E. Miles; North Dakota, Gov. John Moses; Oklahoma, Gov. Leon C. Phillips; South Dakota, Gov. Harlan J. Bushfield; Texas, Gov. Coke Stevenson; and Wyoming, Gov. Nels U. Smith.
² March 19, 1942.

s to cooperate in any way we can, but our people, being native born, are in no manner familiar with their customs or had any of them within our borders, and I doubt the
Arkansas.

HOMER M. ADKINS.

BOISE, IDAHO, February 27.

mistake to send enemy aliens to Idaho area on account of reservoirs along Snake and tributaries. If they were western coast from eastern section. Farmers here are doing this labor. I am fearful such labor would get hurt. That if enemy aliens brought to Idaho they be placed in military guard.

CHAS. A. CLARE,
Governor of Idaho.

TOPEKA, KANS., March 3.

Investigating Committee on National Defense Migration,

of our "arsenal of democracy," with many vital defense s, and with vast resources for more, must in all patriotism it oppose proposals that enemy aliens be sent into this as suggested by witnesses before your committee.

ing her advantages as a State with strategic military resources, great industrial capability, and an abundance of management, Kansas has climbed to an important place in on.

my aliens into our loyal Kansas communities would dis- ity of our war industries, and would weaken the advantage Nation as an area with maximum safety against attack ge from within.

simulation of enemy aliens into Kansas life is neither opportunities for employing such people in jobs for which or which they could be trusted, are almost nonexistent.

State, such enemy aliens would have to be cared for from which are already too overburdened to permit additions ships upon our own citizens. Safety operation requires Investigation keep close surveillance over enemy aliens.

out the country will make an almost impossible burden ened staff of that great organization, the Federal Bureau

PAYNE RATNER, Governor of Kansas.

HELENA, MONT., February 28.

Committee Investigating Defense Migration,
Seattle, Wash.

grieved opinion here opposed to inportation of enemy be used as agricultural workers.

SAM C. FORD, Governor of Montana.

LINCOLN, NEBR., March 2.

Hon. JOHN H. TOLAN,
Chairman, House Committee Investigating National Defense Migration,
Seattle, Wash.

Your telegram of February 26 relative to movement of aliens to Nebraska is difficult to answer as I do not understand just how it is planned to handle them. The people of Nebraska would not want these aliens released in this State, but it might be possible for them to be kept in camps under guard but where they might do some constructive work. Several flood-control and irrigation projects are under consideration in the Republican River Valley in southwestern Nebraska and another irrigation project is being constructed in northwestern Nebraska. You must remember that these aliens, if transported to the Middle West, will be among strangers who will distrust them and they will have to remain in custody of guards. Nebraska might use a few thousand on work projects as outlined but they should not be adjacent to important defense plants.

DWIGHT GRISWOLD, Governor of Nebraska.

CARSON CITY, NEV., February 27.

Hon. JOHN H. TOLAN,
Chairman, House Committee, Seattle, Wash.

Retel February 26, think attitude people this State not opposed to sending all German, Italian, and Japanese aliens to areas east of California, Oregon, and Washington under proper supervision. Recent survey by me shows that great majority people would not employ enemy aliens, especially Japanese, because Nevada citizens would not work with them. Only plan I consider feasible this State would be Federal Government concentration camps and/or designated areas set aside for groups of them to work under proper supervision and guard at Federal Government expense. People here do not want enemy aliens coming into State promiscuously or being allowed to drift to all parts of State without proper surveillance and supervision.

E. P. CARVILLE.

SANTA FE, N. MEX., February 27.

JOHN H. TOLAN,
Chairman, House Committee Investigating National Defense Migration,
Seattle, Wash.

Retel proposal to move enemy aliens and Japanese of whatever citizenship to areas east of California. We in New Mexico take the position that, as a border State, New Mexico may become a strategic area and we therefore oppose such migration to New Mexico. New Mexico could not assimilate any large group of labor. Since New Mexico does not have defense industries we still have a labor surplus. And except for seasonal harvest in small areas there would be little or no opportunity for employment. We concur in the desirability of moving enemy aliens from the coast area but feel such migration should be desired to place them in inland areas completely away from all strategic defense industry, and outside of areas that are now or may later be considered strategic areas.

C. R. QUINTANA, Acting Governor.

BISMARCK, N. DAK., March 4.

Hon. JOHN H. TOLAN,
Chairman, House Committee Investigating National Defense Migration,
Seattle, Wash.

Reply telegram 26th delayed owing absence from State. North Dakota will cooperate to the extent of our ability with the Federal Government in every manner possible. Our State now has some 1,700 enemy aliens interned at Fort Lincoln, Bismarck. Our State cannot assimilate any of these people. It may be possible to afford opportunity for employment but only during harvest season. No employment available any other time. Further consideration will be given your telegram as promptly as possible.

JOHN MOSES, Governor.

NATIONAL DEFENSE MIGRATION

OKLAHOMA CITY, OKLA., February 27.

February 26, our people believe should be brought inland in camps. Would not be inclined to use them in camps.

LEON C. PHILLIPS, Governor.

PIERRE, S. DAK., February 27.

Committee Investigating National Defense Migration, Seattle, Wash.

Dakota do not want evacuated enemy aliens within our will be assimilated in useful work.

HARLAN J. BUSHFIELD, Governor.

CHEYENNE, WYO., February 27.

Committee Investigating National Defense Migration,

On February 21 I wired Attorney Biddle and the War

at plans are being made to move west coast Japanese into information of any kind relative to this move has been in fairness to the citizens of Wyoming we should be fully of any such plan.

being while willing to render every assistance in our war see to the importation of these Japanese into our State. War Department proceeds to evacuate the Japanese from the thing it will be imperative that they be kept under strict vision, and Federal maintenance.

be brought into Wyoming in accordance with War Department fully expect that the proper Federal authorities will State upon the termination of the emergency."

re I have received many responses from Wyoming citizens e unanimous in their support of the position taken in the red opinion that it would be most unwise to send aliens making proper Federal provisions for controlling and

accepting these aliens on the basis that the State supervise, and provide them with employment. The citizens of our opposed to such a plan but will if necessary accept them t under Federal control and maintenance and provided l be removed after the war.

NELS H. SMITH, Governor of Wyoming.

APPENDIX B

FEBRUARY 25, 1942.

HON. JOHN H. TOLAN, Chairman, Select Committee Investigating National Defense Migration, San Francisco, Calif.:

Am informed your committee is investigating fifth-column activities as pertinent to west coast evacuation problem and hope committee can extend hearings to include Hawaii. In justice to reputation of Hawaii and to loyal citizens my community press stories and other statements often from irresponsible sources regarding fifth-column activities there should be substantiated from authoritative sources or definitely refuted. If committee not able proceed Honolulu for hearings in person may I urge committee ask for statements regarding current stories of alleged specific instances of such activities from Federal and Territorial officials such as Governor Poindexter, Lieutenant General Emmons, commanding general and military governor, Col. Kendall J. Fielder, head of Military Intelligence, Admiral Claude C. Bloch, commandant, Fourteenth Naval District, Captain Mayfield in charge of Naval Intelligence, Federal Bureau of Investigation Branch Director Shivers, Mayor Petric, Police Chief Gabrielson, Maj. Gen. Briant H. Wells, United States Army, retired; Roy A. Vitousek, Chairman, Citizens Council, Leslie A. Hicks, president, Chamber of Commerce, newspaper publishers and editors and other qualified spokesmen for local community.

DELEGATE SAM KING.

MARCH 3, 1942.

HON. JOHN H. TOLAN, Chairman, Select Committee Investigating National Defense Migration, San Francisco, Calif.:

Reurtel appreciate prompt reply. Have phoned Honolulu and was informed community quite concerned at character testimony offered your committee purportedly describing conditions in Hawaii. Following your directions have wired for statements from responsible officers but believe such request should more properly emanate directly from committee itself. Honolulu citizens have asked me to urge you either hold hearings in Honolulu or if unable do so to designate Federal agency representing committee to accept sworn statements from officials and representative citizens. As Hawaii is under martial law and military governor is in charge believe military intelligence section of Hawaiian Department, United States Army, could act in this capacity or as alternatives local office of Federal Bureau of Investigation or United States district attorney at Honolulu. Important point is that such statements should be submitted to committee directly and made under oath to committee or Federal official authorized by committee to act for it. In matter of such vital importance to Hawaii believe committee would be justified in requiring sworn statements which will have more weight than those solicited by me.

DELEGATE KING.

HONOLULU, March 14, 1942.

HON. JOHN TOLAN, Chairman, Committee Investigating National Defense Migration, House of Representatives, Washington, D. C.:

Pursuant request Delegate King advise you there were no acts of sabotage committed in city and county of Honolulu December 7 nor have there been any acts of sabotage reported to police department since that date. Police department had charge of traffic on Pearl Harbor Road from Pearl Harbor to Honolulu shortly after bombing started with several officers on duty there. There was no deliberate blocking of the traffic during December 7 or following that date by unauthorized persons.

W. A. GABRIELSON, Chief of Police, Honolulu.

APPENDIX C

1942, pursuant to an investigation of the problems arising from military areas currently being undertaken, Congressman Tolson dispatched a telegram recommending the immediate appointment of a custodian and a coordinator for enemy alien profiting their functions and duties. The full text appears on page 8 of this report.

The Executive Order of the President, issued which follows the lines of the above-mentioned, a permanent coordinator.

EXECUTIVE ORDER

RELOCATION AUTHORITY IN THE EXECUTIVE OFFICE OF THE PRESIDENT AND DEFINING ITS FUNCTIONS AND DUTIES

Authority vested in me by the Constitution and statutes of the United States and Commander in Chief of the Army and Navy, in order to provide for the removal from designated areas where removal is necessary in the interests of national security,

I have appointed the Director of the Office for Emergency Management of the Executive Order of the War Relocation Authority, at the head of which I have placed and responsible to the President.

The War Relocation Authority is authorized and directed to carry out a program for the removal, from the areas designated in Executive Order No. 9066 of February 19, 1942, of the persons designated under such Executive Order, and for their care and supervision.

In carrying out this program the Director shall have authority to—
 (a) necessary evacuation not undertaken by the Secretary of War, provide for the relocation of such persons, provide for their needs in such manner as may be necessary to carry on their activities.

(b) as feasible and desirable, for the employment of such persons in industry, commerce, agriculture, or public projects, under such conditions of such public employment, and safeguard the private employment of such persons.

(c) provide transportation, assistance, or services of any governmental agency, and such other means necessary or desirable to promote effective execution of such program as a means of coordinating evacuation and relocation activities.

(d) coordinate with the Secretary of War with respect to regulations issued and

(e) exercise such powers and functions of authority as he may deem necessary.
 (f) employ such personnel, and make such expenditures, including the purchase of real property, as may be necessary for the execution of such funds as may be made available to the Authority.
 (g) consult with the United States Employment Service and other agencies and other problems incident to activities under

(h) cooperate with the Alien Property Custodian appointed under Executive Order No. 9095 of March 11, 1942, in formulating policies for the management, and disposal by the Alien Property Custodian of the property of foreign nationals removed under this order or under

Executive Order No. 9066 of February 19, 1942; and may assist all other persons removed under either of such Executive Orders in the management and disposal of their property.

6. Departments and agencies of the United States are directed to cooperate with and assist the Director in his activities hereunder. The Departments of War and Justice, under the direction of the Secretary of War and the Attorney General, respectively, shall insofar as consistent with the national interest provide such protective, police and investigational services as the Director shall find necessary in connection with activities under this order.

7. There is established within the War Relocation Authority the War Relocation Work Corps. The Director shall provide, by general regulations, for the enlistment in such Corps, for the duration of the present war, of persons removed under this order or under Executive Order No. 9066 of February 19, 1942, and shall prescribe the terms and conditions of the work to be performed by such Corps, and the compensation to be paid.

8. There is established within the War Relocation Authority a Liaison Committee on War Relocation, which shall consist of the Secretary of War, the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, the Secretary of Labor, the Federal Security Administrator, the Director of Civilian Defense, and the Alien Property Custodian, or their deputies, and such other persons or agencies as the Director may designate. The Liaison Committee shall meet at the call of the Director and shall assist him in his duties.

9. The Director shall keep the President informed with regard to the progress made in carrying out this order, and perform such related duties as the President may from time to time assign to him.

10. In order to avoid duplication of evacuation activities under this order and Executive Order No. 9066 of February 19, 1942, the Director shall not undertake any evacuation activities within military areas designated under said Executive Order No. 9066, without the prior approval of the Secretary of War or the appropriate military commander.

11. This order does not limit the authority granted in Executive Order No. 8972 of December 12, 1941; Executive Order No. 9066 of February 19, 1942; Executive Order No. 9095 of March 11, 1942; Executive Proclamation No. 2525 of December 7, 1941; Executive Proclamation No. 2526 of December 8, 1941; Executive Proclamation No. 2527 of December 8, 1941; Executive Proclamation No. 2533 of December 29, 1941; or Executive Proclamation No. 2537 of January 14, 1942; nor does it limit the functions of the Federal Bureau of Investigation.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE, March 18, 1942.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE MAR 31 1942

TO Secretary Morgenthau

FROM E. H. Foley, Jr.

Re: Banque Worms and Franco-German Collaboration

Attached is a report covering an investigation initiated by the Foreign Funds Control of Banque Worms. I believe the report is worth your reading in its entirety. The following are some of the significant facts which have been uncovered:

(a) We now have indisputable proof that Banque Worms has over \$6,500,000 in the United States in liquid funds, all of which are frozen. \$2,500,000 is held in its own name and \$4 million was concealed in the name of Eastern Provinces Administration, Ltd.

(b) Eastern Provinces Administration, Ltd., is a Canadian corporation for which Professor Georges F. Doriot acts as agent. Doriot is now Chief of the Division of Industrial Mobilization and Production, Quartermaster Corps, U. S. Army, with the rank of Lieutenant Colonel. He admits being a "front" for the Worms group.

(c) The Worms group, many of whom have sub-accounts with Eastern Provinces, Ltd., containing substantial funds, now occupy prominent governmental posts in the Vichy government and are, of course, active collaborationists.

(d) All of the funds of the Banque Worms in the United States have been effectively immobilized by the Foreign Funds Control.

(e) The Office of the Coordinator of Information has been furnished with the information in our possession with reference to this matter. At the appropriate time we will convey this information informally to Military Intelligence.

(f) We are actively continuing our investigation.

S. H. F. L.

STRICTLY CONFIDENTIAL

Re: Banque Worms and Franco-German Collaboration

On January 8, 1942, Foreign Funds Control initiated an investigation of Lazard Freres, designed to uncover, among other things, the relationship between Lazard Freres and Banque Worms, prominent supporter of French Fascism.

We now have indisputable proof that Banque Worms has over \$6,500,000 in the United States in liquid funds, all of which are frozen. \$2½ million is held in its own name and \$4 million was concealed in the name of Eastern Provinces Administration, Ltd. We have now laid bare the relationship between Eastern Provinces and Banque Worms.

As background, it is important to realize the immense political power and influence held by the group of French reactionaries for whom Banque Worms serves as a focus. These men, who have assumed a controlling role in the Vichy government, have pledged themselves and the industries and services they own or control to the furtherance of French economic collaboration with Germany and the establishment of German hegemony in Europe. Included among the industrial enterprises controlled by the Worms group are coal mines, manufacturing plants, shipyards and shipping lines, and banking firms.

The most important and influential of the Worms partners and directors are Hypolite Worms, Jacques Barnaud, Mathieu Goudchaux, Pierre Pucheu, and Gabriel LeRoy-Ladurie. Of these, Worms and Goudchaux are old and, so far as is known, politically impotent. On the other hand, Barnaud is Delegate for Franco-German economic collaboration (with the rank of Minister) and Pucheu is Minister of the Interior (a post which in France is particularly powerful because it carries with it the direction of the police).

Pucheu is a study in reaction. He is rumored to have been implicated in the abortive Cagoulard-fascist plot in 1937, actively took the side of Franco in the Spanish Civil War, was a member of the Fascist Croix de Feu, and later a member of the Parti Populaire Francais of Jacques Doriot, who recently organized and is leading a division of French Fascists fighting with the German armies on the Russian front. In his present post Pucheu

- 2 -

is a representative of steel and banking interests and has called for exploitation of French North African raw materials by the Germans.

Barnaud, reportedly a more intelligent and cultured man than Pucheu, is the chief liaison officer, both among the Worms group and between Vichy France and Germany.

LeRoy-Ladurie is probably the most dangerous of the three. He, like, Pucheu, was a member of the Croix de Feu and the Parti Populaire Francaise, but has never allowed himself to be thrust forward. Instead he has preferred to "advise" those in power. Baron Guy de Rothschild describes him as the dominant personality of the Worms group and "very dangerous". He is a friend of the Comte de Paris (the Bourbon Pretender to the throne of France), Paul Reynaud, formerly Prime Minister, General Weygand, and Rene de Portes, whose wife, Helene de Portes (now dead) was widely believed to be Reynaud's mistress and to have played a decisive role in the days just preceding the fall of France and assumption of power by Petain.

In addition, the Worms group has installed a number of lesser men in the Petain government. A complete list of these is attached to this memorandum as Appendix A. Two examples of the network of associations that binds this group together may be cited. Yves Bouthillier received his appointment through the influence of Helene de Portes, and Paul Baudoin, though not a member of the Cabinet, has shared prominently in Worms councils and aided Helene de Portes in influencing Reynaud. Baudoin espouses a neo-catholicism which is a blend of mysticism and Fascist discipline, and no doubt rejoices in the Petain formula of "Work, Family, Country", as a substitute for "Liberty, Equality, Fraternity".

It is now clear that Banque Worms, fearing a European war or a powerful, determined Left government on the Popular Front model, established in the years just prior to the outbreak of war in 1939 a number of corporations through which Worms' assets could be held abroad in neutral countries. These "cloaks" included:

- 3 -

- (1) Imafiza - the Netherlands
- (2) Fininvest - Switzerland
- (3) Sofinot - Luxembourg
- (4) Eastern Provinces - Canada
- (5) Boston Corporation - United States

It was through our investigation of Eastern Provinces and its president, Professor Georges F. Doriot, that we were able to establish the fact that Eastern Provinces holds Banque Worms' assets in the United States.

Eastern Provinces Administration was organized in Canada in 1939 with \$100,000 remitted by Sofinot. The capital stock, which has now been vested by the Canadian Enemy Property Custodian, was entirely owned by Colonel Doriot.

Professor - now Colonel-Doriot was born in France and became a naturalized American citizen in 1939. He taught industrial engineering at the Harvard School of Business Administration from 1926 to 1940, when he was made Chief of the Division of Industrial Mobilization and Production, Quartermaster Corps, U. S. Army. From 1926 to and including the summer of 1939, he spent each summer in France as an industrial consultant for the many Worms business enterprises. We have made discreet inquiries among persons who know Doriot, including Emil Despres of Colonel Donovan's office, and the composite picture indicates that Doriot was, at least prior to December 7, 1941, isolationist and pro-Vichy. He is also said to have travelled to France on French destroyers by virtue of his important contacts.

Georges Doriot was personally interviewed by Lane Timmons, assistant to John Pehle, and members of the Foreign Funds Control investigative staff on March 18, 1942. Doriot was disarmingly frank about his long and intimate association with the Worms group. He stated that he knew well all of the Worms partners and that his closest confidant was Gabriel LeRoy-Ladurie; although he said he had not heard from the latter for over a year. Doriot described Barnaud as a genuine French patriot who had the interests of France at heart. Pehle's men gathered Doriot thought that our present attitude toward Vichy France, which he described as "silly" would soon pass away and that our old relationships would be resumed.

- 3 -

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- 4 -

Doriot professed to know no details of the collaborationist policy of the Worms group and implied that if it existed it must be because events had left these men no choice.

Soon after the fall of France in June 1940, Doriot said that he was advised of the imminent arrival of the two children of Helene de Portes. The children remained with Doriot for over a year and are now back in France.

In answer to a direct question, Colonel Doriot said:

- (a) he had no doubt that he was holding the stock of Eastern Provinces for the real beneficial owners, the partners and directors of Banque Worms;
- (b) he felt sure that the other "dummy" corporations mentioned previously were Worms creations. For example, Doriot was suddenly notified that he had been elected Vice-President of Fininvest, the Swiss corporation, with power of attorney, and he naturally assumed that he had been placed in this post by his Worms friends.

Over 200 sub-accounts are maintained on the books of Eastern Provinces in Canada and the assets represented thereby are on deposit in banks in the United States, effectively frozen. These sub-accounts were transferred to Eastern Provinces from Imafiza in 1939. Doriot submitted to us photostatic copies of the list of beneficial owners of these sub-accounts. Doriot has in his possession a number of sealed envelopes bearing numbers corresponding to those of the accounts. (Doriot indicated he had no objection to our making an investigation of these envelopes and his correspondence file). Colonel Doriot said he could not be sure whether the lists he submitted came in that form from Holland or had been made up from the sealed envelopes.

Among those listed as carrying sub-accounts with Eastern Provinces are H. Worms, P. Baudoin, M. Goudchaux, and J. Barnaud. Colonel Doriot stated that so far as he knew, the 200 odd sub-accounts were owned by associates, friends and employees of the Worms companies. One especially large item, over \$600,000 held in the name of "Miss O'Donnell", was revealed by Colonel Doriot to be the property of an order of Catholic sisters.

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Colonel Doriot stated categorically that the only agreement, written or oral, existing between him and his European principals is the verbal one that he will hold in safekeeping the Worms property in this country. We have in our files two letters written to Doriot by LeRoy-Ladurie concerning the disposition of Eastern Provinces accounts. These letters are signed with only an illegible scrawl, but this was readily identified by Doriot as LeRoy-Ladurie's signature.

Doriot asserted that it is his intention not to attempt in any way to touch Eastern Provinces' assets in this country until after the war, as he does not feel that he has sufficient authority. This question is one between Doriot, the Worms partners, and the depositors in Eastern Provinces, for there is no doubt that Doriot has a power of attorney over Eastern Provinces accounts in the United States that would be recognized by the banks concerned. These accounts are now immobilized by the freezing control and will remain so.

At the conclusion of our interview with him, Doriot stated:

(a) that so far as he knows he is the only financial representative of Worms in this country;

(b) that he has no knowledge of any financial or commercial transaction in this hemisphere, contemplated or in process, in which any of the Worms group have an interest.

(c) that he is not related to the Fascist leader Jacques Doriot.

To sum up: we have no evidence that the Worms group, with Doriot as a front, has been able to free any of its funds in the United States for undesirable uses. Yet, as is pointed out in a report by Colonel Donovan's office, "the peculiar usefulness of the Worms group to the Germans probably lies in the extensive international connections of the Worms people. The Germans no doubt hope to make use of these connections in organizing espionage, political intrigue, evasion of Allied exchange restrictions, and evasion of the Allied blockade of strategic materials".

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This report is based on extensive investigation by our field force, conferences with Doriot and his lawyers and exchange of information with Colonel Donovan's office.

We intend to push this investigation on all fronts.

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APPENDIX A

Government Posts Presently Occupied by Worms Group Members

Minister of the Interior	Pierre Pucheu
Minister of National Economy and Finance	Yves Bouthillier
Secretary of State for Industrial Production & National Equipment	Francois Lehideux
Secretary of State for Communications	Jean Berthelot
Secretary of State for the Presidency of the National Council	Jacques Benoist-Mechin
Secretary General for Electric Power	Henri Lafonde
Delegate for Economic Franco-German Relations (with rank and prerogatives of Secretary of State)	Jacques Barnaud
Governor, Bank of France	Yves Breart de Boisanger
Secretary of State for Labor	Rene Belin
Secretary General for Industry and Domestic Commerce	Jean Bichelonne

APPENDIX A

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Secretary of State for Labor	Rene Belin
Secretary General for Industry and Domestic Commerce	Jean Bichelonne

Treasury Department
Division of Monetary Research 341

Date March 31, 1942 19

To: Secretary Morgenthau

From: H. D. White

Appended is a decision by the Legal Division with reference to the use of free silver for industrial purposes.

The War Production Board is pressing me for an answer because they wish to complete some contracts. I don't think we should keep them waiting.

If you approve the idea, the Legal Division wishes to get the opinion of the Attorney General, inasmuch as this involves an interpretation of the President's powers under the War Resolutions.



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

MAR 30 1942

To: Secretary Morgenthau

From: Mr. Foley

The question has arisen whether there is authority to permit the use of the available silver stocks^{1/} of the Government in industrial defense plants, both Government and privately owned, in substitution for copper. The silver is to be used in such manner that it will not become a part of the product or be used up, but will be made a part of the plant equipment and will be returned at the termination of the war. There may be some small loss from conversion and reconversion of the bars of silver.

The authority of the Secretary of the Treasury to sell silver pursuant to section 4 of the Silver

^{1/} The only silver which is considered in this connection is the so-called "free silver". Section 5 of the Silver Purchase Act of 1934 requires the maintenance, as security for outstanding silver certificates, of silver bullion and standard silver dollars of a monetary value equal to the total face amount of silver certificates issued both before and after the passage of the Act.

- 2 -

Purchase Act of 1934^{2/} can be exercised only when the market price of silver is in excess of its monetary value or silver stocks exceed 25 per centum of the value of the monetary stocks of both gold and silver, neither of which conditions presently exists. However, the Joint Resolution of December 8, 1941, declaring a state of war between the United States and the Imperial Government of Japan (Joint Resolution of December 8, 1941, c. 561, 55 Stat. 795), provides:

"* * * the President is hereby authorized and directed to employ the entire naval and military forces of the United States and the resources of the Government to carry on war against the Imperial Government of Japan; and, to bring the conflict to a successful termination, all of the resources of the country are hereby pledged by the Congress of the United States."^{3/}
(Underscoring supplied.)

^{2/} Act of June 19, 1934, c. 674, sec. 4, 48 Stat. 1178, (U.S.C., 1940 ed., title 31, sec. 734b).

^{3/} The identical language is contained in the Joint Resolution of December 11, 1941, c. 564, 55 Stat. 796, declaring a state of war between the United States and the Government of Germany, and in the Joint Resolution of December 11, 1941, c. 565, 55 Stat. 797, declaring a state of war between the United States and the Government of Italy.

- 3 -

That language is identical with the language of the Joint Resolutions of April 6, 1917, 40 Stat. 1, and December 7, 1917, 40 Stat. 429, which respectively declared a state of war to exist between the Imperial German Government and the United States and between the Imperial and Royal Austro-Hungarian Government and the United States.

That broad powers were granted to the President by the Joint Resolutions of April 6, 1917, and December 7, 1917, has been recognized both by the Supreme Court and the lower Federal courts and in proclamations and executive orders issued by President Wilson during the first World War. Thus, the Supreme Court in Highland v. Russell Car Company, (1929) 279 U.S. 253, sustained the fixing of the price of coal under the Lever Act (Act of August 10, 1917, c. 53, 40 Stat. 276, as amended), and in so doing, cited, among other applicable statutes, the Joint Resolution of April 6, 1917, as follows:

"The Joint Resolution of April 6, 1917, 40 Stat. 1, declaring war with Germany directed the President to employ the entire naval and military forces and

- 4 -

pledged all the resources of the country to bring the conflict to a successful termination."

The Court in that case held that " * * * the Congress and the President exert the war power of the nation, and they have wide discretion as to the means to be employed successfully to carry on." See also Virginian Railway v. Mullens, (1926) 271 U.S. 220, 224. Again in United States v. Wells, (D. W.D. Wash. 1917) 262 Fed. 833, the court stated that since the President was directed by the Congress to employ the entire naval and military forces to carry on war against the Imperial German Government, it was immaterial, in a prosecution for conspiracy to prevent the enforcement of laws relating to mobilization of the Army, whether the Selective Draft Law (Act of May 18, 1917, c. 15, 40 Stat. 76) had been passed or not at the time of the alleged conspiracy. Finally, in United States v. McIntosh, (D. E.D. Va. 1932) 2 F. Supp. 244, app. dismissed (C.C.A. 4th, 1934) 70 F.(2d) 507, cert. denied (1934) 293 U.S. 586, the court, in an

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obiter dictum, recognized the right of the Government to condemn land by virtue of the powers granted in the Joint Resolution of April 6, 1917.

Censorship of telephone and telegraph lines and submarine cables was established by President Wilson pursuant to the authority of the Joint Resolution of April 6, 1917, supra. Thus, by Executive Order No. 2604, dated April 28, 1917, he prohibited the transmission by companies or persons owning, controlling, or supplying telegraph and telephone lines or submarine cables from transmitting messages without the United States and from delivering messages received from such points except under rules and regulations established therefor. The only authority cited for the action was:

"* * * the power vested in me under the Constitution and by the Joint Resolution passed by Congress on April 6, 1917, declaring the existence of a state of war, * * *"^{4/}

^{4/} Executive Order No. 2967, dated September 26, 1918, which modified Executive Order No. 2604, was predicated upon the same authority.

Executive Order No. 2605A, dated April 30, 1917, authorizing the Secretary of the Navy to take over radio stations, was stated to be issued upon the authority of the Joint Resolution of Congress dated April 6, 1917 and the Act to Regulate Radio Communications, approved August 13, 1912.^{5/} In addition, President Wilson issued three proclamations taking over various rail and water transportation systems. Proclamation of December 26, 1917, 40 Stat. 1733; Proclamation of April 11, 1918, 40 Stat. 1769; Proclamation of June 22, 1918, 40 Stat. 1808. In all of those proclamations the President cited as authority for the action taken not only the Act of August 29, 1916, empowering him to assume control of the systems of transportation, but also the Joint Resolutions of April 6, 1917 and December 7, 1917.

^{5/} It is to be noted that the order was originally issued as Executive Order No. 2585, dated April 6, 1917. The two orders are identical except that the latter order inserted as an authority for the action taken the Joint Resolution of April 6, 1917.

- 7 -

It is apparent, therefore, that the direction contained in the Joint Resolutions of December 11, 1941, and December 8, 1941, authorizing and directing the President to employ the resources of the Government to carry on the war, vests in him broad discretionary powers concerning the use of the Government resources. The "resources" of a county have been defined to include "land, timber, coal, crops, improvements, railways, factories, and everything that goes to make up its wealth or to render it desirable." Jefferson County v. Peter, (Ky. 1907) 105 S.W. 887, 888. And in Moore v. State Social Security Commission, (Mo. App. 1938) 122 S.W.(2d) 391, 394, the word "resources" was defined as "money or any property that can be converted into supplies; means of raising money or supplies; available means or capability of any kind."

My conclusion, therefore, is that it is within the President's powers under the Joint Resolutions of December 8, 1941, and December 11, 1941, to direct that "free silver" contained in the available stocks of the

- 8 -

Government be transmitted to industrial plants engaged in defense production for use by such plants in that production in a manner which will permit substantially all of it to be returned at the termination of the war.

E. J. Felton
General Counsel.

For Miss Chauncey

TREASURY DEPARTMENT

350

INTER-OFFICE COMMUNICATION

DATE March 31, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
Mar. 16	-	-	-	-
17	-	-	-	-
18	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
<hr/>				
Sales from Feb. 22, 1940 to Mar. 14, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
Sales from Feb. 22, 1940 to Mar. 21, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>

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Mar. 16	-	-	-	
17	-	-	-	
18	-	-	-	
19	-	-	-	
20	-	-	-	
21	-	-	-	
Sales from Feb. 22, 1940 to Mar. 14, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to Mar. 21, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold Mar. 9, 1942 - Mar. 14, 1942			300,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - Mar. 7, 1942			<u>244,700,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - Mar. 14, 1942			<u>245,000,000</u>	<u>245,000,000</u>
			GRAND TOTAL	<u><u>564,332,979</u></u>
Jan. 7, 1942 - Cash Dividend on 156 Shares				\$ 61
Jan. 9, 1942 - Partial Liquidating Dividend				125
9 Units sold from Aug. 18, 1941 - Mar. 21, 1942 for				42
11 Shares Stock Dividend sold Aug. 18, 1941 - Mar. 21, 1942 for				123
56,007 Rights sold from July 24, 1941 - Mar. 21, 1942 for				102,938

For Miss Chauncey

TREASURY DEPARTMENT

352

INTER-OFFICE COMMUNICATION

DATE March 31, 1942

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FROM Mr. Dietrich

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Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
Mar. 23	-	-	-	
24	-	-	-	
25	-	-	-	
26	-	-	-	
27	-	-	-	
28	-	-	-	
<hr/>				
Sales from				
Feb. 22, 1940				
to Mar. 21, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from				
Feb. 22, 1940				
to Mar. 28, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold				
Mar. 16, 1942 - Mar. 21, 1942			600,000	
\$ proceeds of non-vested securities sold				
Sept. 1, 1939 - Mar. 14, 1942			<u>245,000,000</u>	
\$ proceeds of non-vested securities sold				
Sept. 1, 1939 - Mar. 21, 1942			<u>245,600,000</u>	<u>245,600,000</u>
			<u>GRAND TOTAL</u>	<u>564,932,979</u>
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[Handwritten signature]

2,979

10,000

32,979

61
125
42
123
32,938

March 31, 1942

Mr. Liversy

Mr. Nichols

Will you please send the following cable to the American Embassy, Chungking.
"For Allen from DC."

The documents mentioned in No. 210, March 24, 7 p.m. forwarded to
you by diplomatic pouch."

D:lar-3/31/42

PH

PLAIN

London

Dated March 31, 1942

Rec'd 5:27 p.m.

Secretary of State,
Washington.

1540, Thirty-first.

FOR TREASURY FROM CASADAY

The Embassy has received from the British Overseas Airways Corporation a bill in the amount of thirty-five pounds, fifteen shillings and sixpence for my transportation from Lisbon to England on August 27, 1941. It had been assumed that this bill was paid at the time for transportation was arranged by or through the American Legation in Lisbon. Since this appears not to have been the case the Embassy requests telegraphic authorization from Treasury to pay the bill and to charge same to the Treasury's account.

M. T. THEY'S

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FD

March 31, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 230, dated March 31, 1942, from the American Consulate, Bombay, India, reporting the total amount of United States Treasury checks cashed by the National City Bank of New York at Bombay and delivered to the Consulate.

Telegram No. 68 was transmitted to the Secretary of the Treasury in this Department's letter of March 2, 1942.

Enclosure:

From Consulate, Bombay,
No. 230, March 31, 1942.

eh:copy
3-31-42

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357

MEV

Bombay

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Dated March 31, 1942

Rec'd 11:21 a.m.

Secretary of State,

Washington.

230, March 31, 4 p.m.

Department's 68 to Calcutta.

Total amount of United States Treasury checks cashed by National City Bank of New York at Bombay and delivered to this Consulate is \$41,312.32.

INFORM TREASURY.

DONOVAN

WSB

eh:copy
3-31-42

LM
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

Bern

Dated March 31, 1942

Rec'd 4:06 p.m.

Secretary of State,
Washington.

1282, March 31, 7 p.m.

FRANKFURTER ZEITUNG states American Government gave proof of manner in which United States fights for rights and freedom when middle 1941 not only assets of Axis powers but also of neutral European countries were frozen. Ultimate value of these assets just as questionable as hoped for Anglo-American victory. For Switzerland this American breach of law created precarious situation. Although country suffered one billion loss of capital through devaluation of the dollar huge amounts continued to flow from Switzerland and Europe to the United States during first war year. No official figures available but reliable sources estimated five billion Swiss francs were sent to America for safety. This works out at 1,250 Swiss francs per capita and not only involves Swiss capitalists but Socialist trade unions and their hard earned membership

-2- #1282, March 31, 7 p.m., from Bern.

membership contributions. United States will one day claim this money as "Switzerland's contribution" towards America's war for "European freedom". Zurich tax officials who are not guided by same sentimental restrictions as politicians have assessed risk of loss and ruled that for every \$1000 of frozen assets in the United States tax payer may consider \$300 as total loss and therefore exempt of taxation.

HARRISON

CSB

INCOMING CABLEGRAM

From: Ankara
Date: March 31, 1942

Federal Reserve Bank of New York

New York

#29

Please buy for our account 142,500 ounces fine gold*
to be held with you earmarked for the purpose of increasing our reserves. Debit our dollar account with the equivalent and cable result.

(Signed) Banque Central de la
Republic de Turkey

*At \$35 an ounce, equivalent to \$4,987,500

Received by telephone from the Federal Reserve Bank of
New York, April 1, 1942, 9:55 am

kma

TREASURY DEPARTMENT

361

INTER-OFFICE COMMUNICATION

DATE March 31, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£68,000
Purchased from commercial concerns	£41,000

Open market sterling held at 4.03-3/4, with no reported transactions.

For account of the Central Bank of China, the Federal Reserve Bank of New York purchased £1,000,000 yesterday from the Bank of England at 4.03-1/2.

The Canadian dollar discount widened to 13-1/8% by the close. The quotation has been 13% during the past few days.

In New York, closing quotations for the foreign currencies listed below were as follows:

Argentine peso (free)	.2372
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2815
Cuban peso	1/8% premium

In order to increase the Stabilization Fund's gold balance, we purchased \$1,700,000 in gold from the General Fund through the New York Assay Office.

The Federal Reserve Bank of New York reported that the Central Bank of Chile shipped \$511,000 in gold from Chile to the Federal for its account, disposition unknown.

The State Department forwarded a cable to us reporting that the New Goldfields of Venezuela, Ltd. shipped \$144,000 in gold from Venezuela to the New York agency of the Royal Bank of Canada, for sale to the New York Assay Office.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 105

Information received up to 7 A.M., 31st March, 1942.

1. COMBINED OPERATIONS

ST. HAZAIRE - 27th/28th. Our casualties were - Naval 104 missing; Military, 172 missing, 4 officers and 13 other ranks wounded. 10 light naval craft did not return.

2. NAVAL

H.M. Cruiser arrived at MURMANSK on the 30th. During her action with enemy destroyers, she was hit by a torpedo and will require docking. H.M. destroyer engaged an enemy destroyer which was hit and stopped about 150 miles north-east of NORTH CAPE. (German press admits one destroyer lost). Destroyer sustained some above-water damage and was driven off by the arrival of two more enemy destroyers.

A Russian submarine torpedoed a U-boat in VARANGER FJORD on the 28th/29th. H.M. submarine obtained two hits on a north-bound convoy off the West coast of GREECE on the 28th and two hits on a merchant ship south of GREECE on the 30th.

A British ship was torpedoed south of CEYLON on the 21st but has reached COLOMBO. During the attack on the convoy to Russia, one medium-sized British merchant ship was hit by bombs.

3. MILITARY

BURMA. TOUNGOO Front: 29th. Japanese, with Artillery and air support, attacked strongly from the south. On the morning of the 30th, the Chinese although outnumbered, were still holding TOUNGOO and in counter-attacks had captured some mortars and machine guns. North of TOUNGOO, the Chinese attacking through the jungle killed 300 Japanese in close fighting. KYUNGON has been re-taken by the Chinese in a surprise attack.

PROME Front: Japanese advance guard made contact with our forward troops on the 28th at PAUNDE. Fighting continues with part of our armoured forces engaged. On the 24th, one F.A. heavy anti-aircraft battery shot down three enemy aircraft. Confirmed.

4. AIR OPERATIONS

BURMA. 29th. Enemy aircraft bombed our landing-grounds at NAMSANG and LOIWING. At the former, a petrol dump was hit, buildings destroyed and runways damaged.

5. There are indications that a French convoy will be leaving MADAGASCAR for French West Africa and France about the middle of April. Ships now at MADAGASCAR are the CONDE, a Naval tanker reported having 9,000 tons of fuel oil for DAKAR, and one of the armed merchant cruisers BOUGAINVILLE or QUERCY. It is possible but less likely that the German "WARTENFELS" which has been loading leather, graphite, coffee, etc., will join this convoy.

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counter-attacks had cap-
e Chinese attacking

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BRITISH MOST SECRET

(U.S. SECRET)

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March 31, 1942

Dear Archie:

Thank you for sending me a copy of "Divide and Conquer", which has just been issued by the Office of Facts and Figures. I am looking forward to reading it with great interest.

Yours sincerely,

(Signed) Henry

Hon. Archibald MacLeish,
Director, Office of Facts and Figures,
Washington, D.C.

magazine sent to home

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT

March 28, 1942

Dear Mr. Secretary:

I am pleased to send you the attached copy of
"Divide and Conquer", which has just been issued by
the Office of Facts and Figures.

Faithfully yours,

Archibald MacLeish

Archibald MacLeish
Director, Office of Facts and Figures

Enclosure

The Honorable
The Secretary of the Treasury
Washington, D. C.



DIVIDE AND CONQUER



"At the bottom of their hearts the great masses of the people are more likely to be poisoned than to be consciously and deliberately bad. In the primitive simplicity of their minds they are more easily victimized by a large than by a small lie, since they sometimes tell petty lies themselves but would be ashamed to tell big ones.

"An untruth of that sort would never come into their heads, and they cannot believe that others would indulge in so vast an impudence as gross distortion. Even after being enlightened, they will long continue to doubt and waver, and will still believe there must be some truth behind it somewhere. For this reason some part of even the boldest lie is sure to stick—a fact which all the great liars and liars' societies in this world know only too well, and make base use of."

ADOLF HITLER, *Mein Kampf*

OFFICE OF FACTS AND FIGURES
Washington, D. C.



The Story of Nazi Terror....

Soon after Pearl Harbor, a Nazi broadcaster to America shouted: "British naval circles are finding encouragement in the defeat suffered by the United States!"¹

Calculated to create distrust of our allies, this Nazi lie, like all Nazi lies, was part of a vast strategy of terror. Hitler knows that in order to conquer the world he must first enslave the mind of man, and toward that end he is carrying out a program of propaganda, blackmail, and death. Because he fears truth, he has tried every means of wiping it off the face of the earth.

¹ For sources see end of pamphlet.

"Mental confusion, indecisiveness, panic," Hitler once said, "these are our weapons."² The United States is now subject to a total barrage of the Nazi strategy of terror. Hitler thinks Americans are suckers. By the very vastness of his program of lies, he hopes to frighten us into believing that the Nazis are invincible. In carrying out that program he takes it for granted that decent people here—as they have elsewhere—will say: "Such evil cannot be." But Hitler is wrong. For Americans, reading the story of the Hitler terror, will neither be

blinded nor afraid. As free men, they will say to Hitler, "Don't pull any of your tricks on us. *We're wise to them.*"

Pre-Invasion Tactics

Before Hitler attacks any country, his agents carefully sow seeds of hate and disunity, turning people against their own governments, governments against their allies, class against class.

Before the invasion of Austria, young Nazi hoodlums were sent onto the streets to play schoolboy pranks on the police and make them appear ridiculous in the eyes of passersby.³ In the early days of the war, before France was invaded, morale was lowered by professional weepers, clothed in deep mourning and wailing loudly, who wandered into subways and onto buses in Paris spreading the false belief that French casualties were enormous. Mothers received mysterious postcards informing them that their sons, at the front, had either been killed or were deathly ill. Soldiers received anonymous notes saying that their wives or sweethearts were unfaithful and had run off with British soldiers.⁴ Palm readers and crystal gazers in the pay of Hitler gloomily predicted to their clients that in the days to come France would lie prostrate at the feet of Germany.⁵ Nazi agents combed the gossip columns of Paris newspapers for items that could be used as blackmail against prominent persons. Armed with scraps of personal dirt, they would force the victim to act as a Hitler agent, and help spread rumors to confuse and demoralize the public. Rumors of secret weapons spread like wildfire: Hitler had electrical mines, nerve gas, deadly germs that could be dropped over an entire countryside.⁶

Edmond Taylor, in his authoritative

and valuable book, *The Strategy of Terror*, has said that these rumors, planted by Hitler agents, were often passed on during casual conversations. "I heard today," a young Frenchman whispered to a group of friends at a sidewalk cafe, "that Hitler has a secret weapon that will destroy Paris in 2 minutes. This machine is so terrible that even Hitler is afraid to use it." By nightfall each of his friends had told several other friends, and the story soon blanketed Paris.

The Poison Takes Hold

These rumors and thousands like them gradually accomplished their purpose. Circulated day after day, worming their way into the minds of Frenchmen, Norwegians, Danes, Belgians, Austrians, Dutch, Czechs, and Poles, they created a feeling of fear and frustration, a loathing of the war, and a certainty of defeat. Having weakened the resistance of his enemies, Hitler was quick to find outlets for their discontent.

For most evil, the Jews were to blame. Business is bad? Labor is to blame. Wages are low? Capital is to blame. War is hell? The British are to blame. Everybody was to blame *except* Hitler, the common enemy who would crush them all. National unity was destroyed by setting group against group. In Belgium, Nazis told the French-speaking Walloons that King Leopold was pro-German and was preparing to sell out Belgium to the Nazis; they told the Flemish that King Leopold had a secret treaty with the Allies and was ready to declare war on Germany.⁷ "Why should Frenchmen die for Danzig?" read elegantly printed propaganda tracts mailed to Frenchmen in hand-addressed envelopes.⁸

Slowly, Hitler tried to deaden the com-

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bative spirit of the French soldier and make him distrust his British ally. When the French first crossed into German territory, the Germans retired without firing a shot, leaving behind placards and posters saying that they had no quarrel with the French. When French scouting planes swooped over the German lines, the Germans stood up and waved handkerchiefs. During the first week of the war, French soldiers, unloading barges at Strasbourg, were suddenly blinded by German searchlights. "Do not be afraid, French Kamaraden," cried a German officer through the loudspeaker. "We just turned on the light so you could see better. We have had the same work on our side and we know how it is." Working in the glare of German lights, the French accomplished two nights' work in one." Hitler convinced the French the war could be waged without fighting. "Defense" would triumph. Bloodshed was futile, offensive military action against Germany unnecessary. One had only to sit and wait, safe and snug, behind the Maginot Line.

Often, when German guns were about to fire, loudspeakers warned the French to take cover, even announcing where the shells would land.¹⁰ And if the Germans were so friendly, why should one die? The Germans had an answer for that, an answer calculated to separate the French from their British ally. "Frenchmen!" cried one tract, dropped over the front, "We want nothing from you, neither your land nor your lives. You don't want to fire on us; we don't want to fire on you. Who are the only ones who want this stupid war? The English alone. The English will fight once more to the last Frenchman. P. S. This is not propa- ganda. This is an exposé of the facts."¹¹

Comic strips were tossed over the Maginot Line, picturing a French poilu and an English Tommy about to dive into a swimming pool marked "Blood Bath." At the last moment the poilu dove in, but the Tommy, calmly smoking his pipe, walked away. "The English will fight to the last drop of French blood," said the caption.¹² Special trench mortars shot beautifully colored postcards into the French lines, bearing pictures of a wounded poilu lying amidst the ruins of a town. "Where are the Tommies?" read the simple caption. Held to the light, the postcard revealed a Tommy—well-fed and prosperous—courting the poilu's wife.¹³

The Death Litany

The Germans played monotonously upon the fear of death. "Frenchmen!" cried a leaflet, shaped like a coffin, "Prepare your coffins." Tracts shaped like leaves swirled over the front. "Next spring when the offensive comes," they read, "you will fall as the autumn leaves are falling now—and for what?"¹⁴ Night after night during the long winter of 1939-40, when the armies of France and Germany were lined up facing each other, German loudspeakers blared forth their propaganda: false lists of French "prisoners" were periodically announced; French dignitaries, visiting the front with elaborate secrecy, were greeted by the German loudspeakers; several minutes after a French infantry unit arrived at the front, the Germans announced the name of every member of the unit, his home town, and the names of his officers. This so demoralized the group that it had to be "instantly removed."¹⁵

Hitler's war of nerves in neutral countries, such as Holland and Belgium, was

the mails, while Nazi agents distributed Belgian flags bearing swastikas. "Keep this flag," they warned. "When the Germans arrive sew it onto your coat. Then you will surely be well treated." But the Germans did not arrive for 5 months—months of hideous suspense.¹⁸

The Or-Else Technique

Hitler's terror was often less than subtle. The night before the invasion of Norway, the German Ambassador invited many prominent Norwegians to his home and showed them "Baptism by Fire," a movie taken during the invasion of Poland. Bombed cities, raging fires, and crushed bodies were pictured in harrowing detail. Later, over champagne and a midnight supper, the German Ambassador quietly observed that the Poles could have been spared this tragedy had they granted Hitler's demands. Other nations, he suggested, would do well to remember Poland's fate.¹⁷

For years the Nazis bloodlessly invaded the Balkans, sending countless German agents armed with brief cases and impeccable manners to cultivate the friendship of business and professional men. Countless German commercial travelers abroad were Nazi agents. From 1933 the Germans worked assiduously at their game, often staying on the job 15 to 18 hours a day, rising early and finishing breakfast in their hotels while the other guests (doing business as usual) were still snoozing. Spreading the gospel of Hitler, some agents wormed their way into the confidence of cabinet ministers, others worked on newspapermen, still others on persons high in financial or military circles. No layer of society was neglected. Different words were chanted to different groups, but always the tune was the same:

"Hitler cannot lose. There will be no room in southeastern Europe for those who refuse to do business with Hitler. A smart man would climb on the bandwagon now."¹⁸

German importers lured Balkan traders into the trap by agreeing to buy surplus products of these nations, in exchange for German machinery. At one time more than 70 percent of the wheat crop in one or more of the Danubian countries went to Germany. On the surface this appeared to be a profitable arrangement, but once Germany controlled this market she could close it at will, and thus plunge these nations into economic chaos.¹⁹ If Balkan businessmen refused to knuckle under to Hitler, the Nazis resorted to blackmail, bribery, and assassination. The price of doing business with Hitler not only brought economic strangulation but political suicide. To keep in the good graces of their German masters, Balkan businessmen were ordered, as a mere starter, to adapt themselves to Nazi ways, to fire all anti-Nazi employees, and to stop doing business with Jewish firms and Jewish customers.²⁰

The Fifth Columns

"National socialism were worthless if limited to Germany alone," Hitler has said, "and if it would not seal the rule of the superior race over the entire world for at least one thousand to two thousand years."²¹ To extend national socialism, he is spending \$300,000,000 each year to organize Germans abroad, and to spread German propaganda. Directing this subversive activity is the *Auslands Organization* (Germans Abroad) of the Nazi party, with headquarters in Berlin, 600 agencies in foreign countries, and a membership of 4,000,000.

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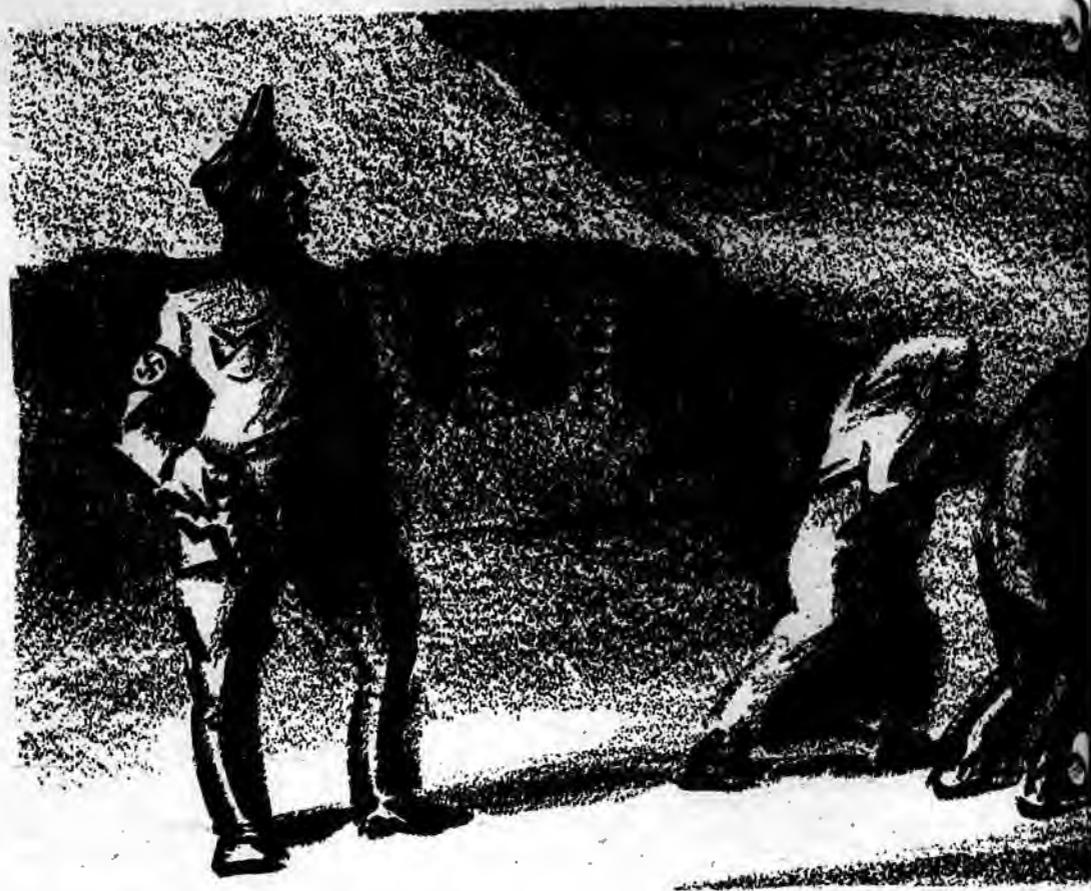
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Although it is the largest group working for Hitler abroad, the *Auslands Organization* functions in close conjunction with the Gestapo, the propaganda ministry of Dr. Goebbels, the Labor Front, the intelligence services of the German Army, Navy, and Air Force, and the foreign office with its embassies and consulates in all parts of the world.²² A minority of perhaps 1,000,000 Germans in Poland worked for a Hitler victory. In special German camps, 10,000 of these were trained to guide the invaders to strategic spots when they arrived. Posing as waiters, barbers, cab drivers, organized in singing societies, drinking clubs, and cultural groups, they were deeply entrenched

in everyday Polish life. Sudeten Germans in Czechoslovakia actively engaged in destroying the Czechoslovakian Republic. They adopted Nazi emblems, sang Hitler songs, celebrated Nazi holidays, learned Nazi techniques of treachery, and practiced the whole rigmarole of Nazi blood and terror. Dissatisfied Flemings in Belgium, as well as members of the pro-Nazi Rexist party of Léon Degrelle, resolutely undermined the Belgian nation, and prepared to create panic and aid the enemy on the day of invasion.²³ *Strength-through-Joy* visitors and *Wandervögel* (young hitchhikers)—outwardly German tourists enjoying the sights—carefully mapped the Polish and



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Norwegian countrysides with notebook and camera and turned their information over to the German Army.²⁴

In this country, the activities of organizations like the German-American Bund have served to embarrass and disgust millions of loyal German-Americans. Federal investigative agencies have demonstrated the fact that they are aware of, and are dealing with, such activities.

Invasion Tactics

Hitler invades only when he feels his groundwork of treachery has been well laid. During actual invasion, the strategy of terror creates untold confusion and panic, among both civilians and soldiers.

During the battle of France, German bombs and planes were equipped with screaming sirens and whistles, turning the battlefield into an inferno of sound.²⁵ Obsolete planes with schoolboy pilots, as well as every outmoded training tank in the Reich, were thrown into battle in some areas to convince the French that resistance was futile against such overwhelming odds. Germans wearing French uniforms parachuted behind the lines to issue false orders, tap military lines, and misdirect traffic. Often they spread panic in the villages merely by rushing through, crying, "Get out, the Germans are coming." Seizing French wave lengths, Germans broadcast false

less culture than a superior race," Dr. Ley, the Nazi Head of the Labor Front, declared in February 1940. Where Germans in Poland receive 8½ ounces of margarine and 1 pint of milk a week, Poles receive none. To demoralize the Poles, alcohol is distributed to peasants in exchange for grain. No classical or patriotic music is permitted. Every monument, every document, every trace of Polish culture is being destroyed.³² The Polish press has been entirely wiped out. Poles cannot mingle with Germans in public conveyances. There is no longer a single Polish school.³³ Jews in Warsaw have been packed into a ghetto in the center of the city, surrounded by an 8-foot wall, topped by broken glass or barbed wire.³⁴

One million Poles have been shipped into Germany as laborers. Once in Germany, they must wear a yellow marker embroidered with a large P. Poles are not considered citizens of the Reich, but are forced, nonetheless, to pay all ordinary German taxes. In addition, they pay a 15 percent supertax (for being "inferior people"), as well as a 2 percent tax for the Labor Front (to which they are not admitted), and make constant contributions to the Winter Help Fund (in which they do not share).³⁵ Nearly 2,000,000 Poles have been lifted bodily from their homes in the western provinces and shipped to the Government-General of Poland in the center of the country. These deportations are carried out between 1 and 4 in the morning. The Gestapo surrounds a section of the town without previous warning, ropes off all exits, and awakens the inhabitants. Given 3 hours to pack one suitcase or parcel, they are locked in cattle cars, and taken to central Poland, food being

thrown into the car by guards. Before leaving, the Gestapo makes them prepare for the arrival of people who will live in their homes (Germans imported from the Reich) by leaving the keys hanging on the doorknob.³⁶ They never see their homes again.

According to Cardinal Hlond of Poland, the Catholic church has been practically wiped out in western Poland. Three-quarters of the population have been deprived of the services of the church, even on their deathbeds. In the archdioceses of Poznań and Gniezno, alone, 631 churches, 454 chapels, and 253 convents and religious edifices have been destroyed or closed.³⁷

Thus has the "New Order" polluted Europe.

Tactics in America

"America is permanently on the brink of revolution," Hitler has said. "It will be a simple matter for me to produce revolts and unrest in the United States, so that these gentry will have their hands full."³⁸

Simple matter? That depends on us, and on how well we profit from the lessons of Europe. We have seen how Hitler's strategy created internal distress in every nation he planned to attack. We have seen how he undermined civilian morale, separated governments from their allies, set group against group. We have seen the extent of his subtlety and the depth of his terror—before invasion, during invasion, and after occupation.

The United States is still intact, but Hitler hopes to destroy that unity, physically and mentally. All his tricks are now being directed against us. Our job today is one of individual awareness, in order to avoid falling into Hitler's trap.

Hitler propaganda wears a thousand false faces. It never announces itself as "Nazi." It appears where least expected, and under the most innocent auspices, often turning up as the latest funny story told during lunch.

German propagandists first told the story—widely circulated some months ago—about the Englishman, Dutchman, Frenchman, and Greek who were flying toward England in a crippled plane. To lighten the load and save the plane, advised the pilot, some people would have to jump. Both the Frenchman and Dutchman promptly dove out the door. "For our countries!" they cried. The plane still faltered, and the pilot called for one more man to sacrifice his life. The Englishman arose, his face grave. "For England!" he said solemnly—pushing the Greek overboard.⁹⁹ Many people innocently repeated this story without realizing its aim: to create contempt for our ally, and leave the impression that other people fight his battles.*

We must not fall into the trap of assuming that, since the closing of the German consulates, German propagandists have been silenced. Transocean News Service, posing as a legitimate news bureau, spread Hitler propaganda throughout North America. The German Library of Information and the German Railroads Information sent out tons of attractively printed "white books" and "news letters" of German propaganda to businessmen, clergymen, editors, and

*In this connection, it is significant that to December 31, 1941, 71.3 percent of British Commonwealth casualties (both dead and wounded) were United Kingdom troops from England, Scotland, and North Ireland; 18.2 percent were Dominion troops (Canada, Australia, New Zealand, South Africa); 5.5 percent were from India (including many United Kingdom troops); 5 percent were Colonials. (*British Ministry of Information.*)

others. Using huge mailing lists, they flooded the country with pamphlets discussing the "German side." Heavier fare was dispensed by the American Fellowship Forum, which ostensibly tried to foster better German-American relations by weighty discussions, but actually presented Hitler's views in sugar-coated form to many loyal, unsuspecting Americans.⁹⁹ Although these organizations no longer function in the United States, many of their ideas are still being spread by publications and groups, often unconsciously and without knowledge of the source.

Before Pearl Harbor

For several years before Pearl Harbor, Hitler propaganda in this country attempted to paralyze our thinking—to give the impression that the war was none of our business; that no one would dare to attack us; that our two oceans would protect us; that, anyway, Hitler had no interest in the Western Hemisphere; that if we would only refrain from doing anything Hitler didn't like, Hitler would leave us alone; that anyone who warned us that Hitler meant what he said was a warmonger; that anyone who urged us to gain time for our own defense by helping those who were already opposing Hitler was trying to lead us into war.

The line is familiar enough. It didn't fool the American people. But it was picked up and repeated by many groups of Americans—people who would have been shocked to learn that they were carrying the Nazi message.

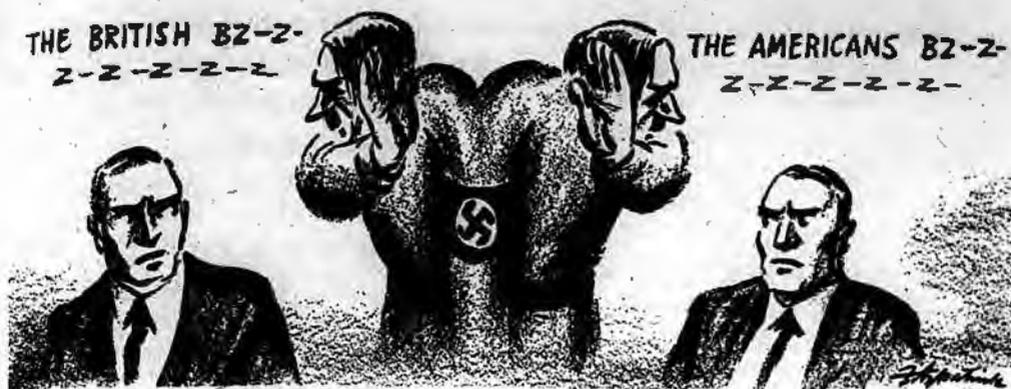
Today most of these Americans have recanted publicly or in private. A few mumble, "I told you so"—and hope no one will remember what it was they really

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told. The rest see very well and understand very clearly that history has caught up with the words they uttered. They understand now the cynical dishonesty of the Nazi opiates. They remember the words which said: if the Nazis can't cross the 20 miles of the English Channel, how can they cross the 3,000 miles of the Atlantic? There are dead men in the waters off New Jersey and Hatteras who can answer that question. They remember the words which said: "The Western Hemisphere, by itself, possesses all the materials necessary for American industry in war or peace. Large stocks [of rubber] on hand, plus a growing synthetic industry, will prevent any real emergency, whatever happens in the Netherlands Indies and British Malaya." The tire rationing boards will appreciate that statement now that Singapore has fallen. They remember the words which said: the Japs and the Nazis will leave us alone if we'll only negotiate with them, try to get on well with them. Pearl Harbor knows the answer to that—Pearl Harbor and the office of Cordell Hull where the Axis diplomats bowed and smirked and negotiated while the bombs fell.

With this strategy of deceit, Hitler succeeded in duping many loyal Americans. Many rumors, all of them false, were

spread throughout the country to demoralize not only the draftees but their parents at home. Stories were circulated of epidemics in Army camps, bad food, and numerous desertions. According to rumors, maneuvers were being held in localities so infested with rattlesnakes that thousands of soldiers were dying of snake bites. As in France, postcards were mailed to parents, painting false pictures of conditions in the camps. The British, the Jews, and the Roosevelt Administration were accused of driving the country into war.

War has only intensified the barrage of propaganda. Day after day, the Axis short waves pour falsehoods into the United States. Hitler communicates with his agents here by these short-wave broadcasts. Listening to the programs, they learn the current propaganda line and immediately act upon it, spreading rumors that will leave the impression on American minds that Hitler wishes to leave. Since the war began, German short waves have shouted of barricades in the streets of Washington, of panic on the stock market, of exaggerated losses at Pearl Harbor and throughout the Pacific.⁴¹ German short-wave stories of losses at Pearl Harbor, for example, gave the signal for the Hitler agents to spread

rumors that we had lost our fleet, and that our naval officials were traitors.

Hitler short-wave broadcasts have charged that landing of American troops in North Ireland was timed "to coincide with Roosevelt's gradual absorption of Australia and Canada." Via short wave, Hitler tells us that "American foreign policy is dictated from Downing Street rather than from Washington, and will leave America holding the bag." To England, however, he cries, "The British Empire is dissolving like a lump of sugar into Roosevelt's teacup." Every sign of doubt and confusion is magnified a thousand-fold and sent back over the air.

What Hitler Wants Us to Believe

To destroy our national unity, create unrest in all groups of the population, and deflect us from our major purpose—the defeat of the Axis—Hitler is trying to set capital against labor, white against Negro, Catholic against Protestant, Christian against Jew. He knows that prejudice, in any form, plays his game. Controlling the sources of news in every occupied country, and often in neutral nations, he releases only such news as he wants us to read. He will try to play upon our fears, raise our hopes, confuse and bewilder us. Through statements from "authoritative sources" he will present false and misleading pictures, often leading us to believe that he is weak when he is strong; napping when he is preparing to spring.

His strategy will follow no set pattern. One line will be pursued today, another tomorrow. But always his broad aims will be the same: to separate us from our allies by arousing distrust of them; to create friction within the United States in

order to divert us from our true enemy—the Axis; to paralyze our will to fight.

Hitler wants us to believe that:

Democracy is dying.

Our armed forces are weak.

The "New Order" is inevitable.

We are lost in the Pacific.

Our West Coast is in such grave danger there is no point in fighting on.

The British are decadent, and "sold us a bill of goods."

The cost of the war will bankrupt the nation.

Civilian sacrifices will be more than we can bear.

Stalin is getting too strong, and Bolshevism will sweep over Europe.

Our leaders are incompetent, our Government incapable of waging war.

Aid to our allies must stop.

Our real peril is the Japanese, and we must join Germany to stamp out the "Yellow Peril."

We must bring all our troops and weapons back to the United States, and defend only our own shores.

The Chinese and the British will make a separate peace with Japan and Germany.

American democracy will be lost during the war.

To spread these and other lies, Hitler will pull every trick in his black bag. But Americans will not be fooled. We know that Hitler, who acts like a terror, is really the most frightened man on earth. The upraised arm, the shouting voice, the mighty bluster, all mask a mortal dread of the weapon that makes men free: the truth. We are armed with the truth, and we will crush the tyrant.

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D. R. Fitzpatrick of the St. Louis Post-Dispatch illustrated this pamphlet as a contribution to the war effort.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

March 31, 1942

The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Henry:

Attached is the British MEW
Weekly Propaganda Digest.

Sincerely,

WJ
William J. Donovan.

Enclosure

MEW Weekly Propaganda Digest is the source for the following.

Increasing evidence that native governments in Nazi influenced or occupied countries are growing more courageous in attitude toward conquerors includes: (a) Belgium: stopping cash advances to Belgium with credits in clearings, and instead, in exchange for Belgium treasury certificates, taking over credits; (b) Slovakia decreed that shares held by foreigners in Slovakian companies must remain deposited with Slovakian National Bank, without consulting with the Germans on the matter; (c) Vichy is directing French food into French mouths by allowing, as a concession to peasants and relatives, family parcels to contain rationed goods.

With exception of Milan Fair, which runs April 2nd to 27th, all Italian trade fairs cancelled. Budapest International Fair and Florence Artisans Exhibition are also cancelled. Great discontent aroused in Sweden, Balkans, and Finland by cancellation of German trade fairs, for goods had already been shipped by these countries. Cancellation of fairs caused by: (a) transport shortage; (b) consumers goods shortage; (c) dangers resulting from visitors of doubtful reputation circulating around.

In Germany reduction of train travel now placed on compulsory basis instead of a voluntary one. Before obtaining tickets all travelers must explain reason for travel.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 31, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Highlights of O.C.I. Report on German Morale

(The attached summary of the 60-page report prepared by the British Censors contains some of the most interesting excerpts on German conditions from letters cited in the report.)

1. German morale began to stiffen during the autumn of 1940, from the low level reached in August. The recognition of the difficulties of the war in the East brought a growing fortitude.
2. In October, the announcement of annihilating victories in Russia caused a new high in morale.
3. From November on, the spirit became one of grim and unhappy tenacity and resolution.
4. During the winter, staunch resolution began to be replaced by a spirit of desperate resistance, in which fear of the consequences of defeat played an important part.
5. The early summer feeling of gallant invincibility among the soldiers appears pretty well to have vanished by winter. Information from a Swiss medical mission on the Eastern Front mentions the indescribable suffering of the wounded German soldiers who were dying like flies from the lack of supplies in the field hospitals and the terrible cold.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 31, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Summary of O.C.I. Report on German Morale

(This is a British report on German morale, based mainly on censorship interceptions of letters at Bermuda. Most of these letters were subject to the German censor and, therefore, cannot present a complete picture of feeling in Germany. While the German people have been carefully schooled in what they may and may not say in letters, nevertheless, ordinary hum-drum troubles and worries are irrepressible. In some cases, letters were smuggled out of Germany and posted in neutral countries, or the German censor by mistake forwarded letters which were marked for return to sender. On the whole, the report is illuminating.)

1. September

German morale appeared to reach a low ebb during the last weeks in August and the beginning of September, but it began to stiffen as the autumn progressed. Recognition of the hazards and grimness of the war in the East seem to have brought with it a growing fortitude. One German wrote:

"The Eastern Campaign is terrible. It is certainly the worst yet. The Russians do not know what honorable warfare is. They are the biggest band of murderers that exist. Thousands of our brave soldiers are being brutally slaughtered. It is simply indescribable. If you can still see the German newsreels, please do go. Many of our friends have already fallen. It makes one so desperately sad. This is a question of our Fatherland and we shall fight to the last man."

Another writes to his brother in America:

"You write that you believe that we have no idea of the sacrifices that the East is costing us. Unfortunately, I must tell you that we know only too well. Through the radio we hear of the frightful battles and listen to descriptions of the Eastern front - often one cannot listen, it's too gruesome, and our soldiers when they come home are ordered to keep their mouths shut. They say it is like a living Hell on the Russian front. Every foot of ground is fiercely contested and our soldiers fight resolutely like lions against those brutes. But England will one day get her reward - That is the wish of all of us - then only can there be peace."

2. October

The High Command communique of October 10 announcing great victories in Russia, created a new high in German morale. Headlines in the press of October 10 read: "Campaign in the East decided". "The Whole Soviet Front Shattered." People wrote as though they believed the war in the East was virtually over:

"They will finish off Russia before the winter begins. The fact that all preparations have been made and that the coming winter will afford no obstacles reassures us. Then the most fearful reckoning with England will follow, more terrible than anything in the history of the world and rightly too, for never has a government gambled with the lives of millions in so despicable a fashion."

That there are still civilized Germans is shown by another letter, significantly marked by the German censor to be returned to sender, but which was forwarded in error:

"If only the war would soon end. Such wholesale destruction and yet nothing can be done. How can such things come to pass between civilized nations? I hope America does not join in all this warring; everywhere hatred spreads and the people must bleed because things are not left in peace to take their natural course. Has one nation any greater or lesser right to its place in the sun in this world than another?"

3. November

Towards the end of October, the letters began to revert to the familiar strain of willing sacrifice. This tendency becomes increasingly marked throughout November and in the last weeks, it is characterized by a grim and unhappy spirit of tenacity and resolution. A German nurse, working in a hospital in Hungary writes:

"I went to the memorial services on All Souls Day...All the Germans were there; the Hitler Youth sang; a storm trooper made a speech; the district leader of the Bacska read the names of those who had fallen and the Hitler Youth answered 'Here!' to each name. They they sang, 'Ich hat' einen Kameraden' (I had a comrade). I could not see for the tears in my eyes. Six volunteers from Verbasz have been killed - and more and more are volunteering. Germany and all she stands for are at stake. We are a truly united people and we must and will vanquish any opposing power. We have no fear."

A new campaign was at this time started against the Jews. A Mexican attached to the Embassy, described the situation as follows:

"It has been learned from a very reliable source that in order to solve the problem of new lodging for all the Jews who are to be turned out of the principal German cities, the Reich lunatic asylums have been emptied by a very simple method: all the lunatics in them have been killed ...The houses which the Jews are obliged to leave will be occupied by the friends of Herr Himmler, and will be considered as their property."

At this time, all of the Jews were made to wear Stars of David. A number of non-German reports state that this move excited considerable sympathy on the part of large sections of the non-Jewish population:

"A man patted a child on the head, pointing to its badge saying 'better times soon coming.' A Catholic priest stopped a Jewish family and pointing to the badge, said 'Wear it with dignity.'"

The Censorship intercepted a report on conditions in Germany, written on November 25 by a German working for the downfall of the Hitler Regime within the Reich. The Censorship feels that this gives an accurate picture of conditions. The letter was sent from Switzerland by an engineer released from the army, owing to the intensive efforts of German industrialists.

"General morale" (in Germany) "is sorely tried but unwavering. Up to the present, even among relatives of the fallen, there is no war weariness. There is a general disinclination to think, especially among the working classes. Both employees and officials are too tired for mental exertion after the day's work is over; this is particularly the case with officials after their enervating work in the various departments of the Party. In fact the subtle and well-calculated tactics of Adolf. Morale in the bombed regions of North Germany is better than in South Germany. The results of England's bombing attacks are laughable - they appear senseless. Only the shipbuilding yards of the North Sea and the coast of Holstein have suffered serious damage, apart from the residential quarters of the Rhineland towns - but this has not affected morale. On this point I have no great opinion of the tactics of the English, for they provide a subject of internal propoganda which would not exist if military objects alone were bombed.

"Strange to relate, or perhaps logically so, people attack the Hitler regime openly in Munich without running any danger of being reported...Alone the Catholic Church in Germany is openly opposing Adolf in his home policy. All the others remain on the defensive and trust no one. Food supplies at the moment are still sufficient, though for single people, barely enough. Families still do well. Certain things are, of course, non-existent, as the capitalists behind the scenes have driven prices up to astronomical figures, for instance every kind of fruit, and this will have a very bad effect on the young, and discontent among the womenfolk is mounting - clothing organizations are as before, i.e., wangling is rife. The Party bosses are

despotic. Shoes are inconceivably scarce. Materials are rotten and rations insufficient.

"In spite of everything, the man in the street believes in the infallibility of Adolf. The propaganda 'Conquer or perish' is successful.

"Goebbels will be able to master the situation with lies and strategy, until hunger makes itself felt. Industrial production is, whatever may be said to the contrary, still at its height and in cases even on the increase. Have no Anglopropaganda illusions about this."

4. Winter Morale

In different letters on a variety of different subjects, the central theme is always the same: "Hold out". A growing number of letters called the war a struggle for existence or extermination, in which no matter how long it may last, Germany must prevail:

"Now for the third time, we must face a winter at war, but what awful sufferings the soldiers have still to endure. We must stand firm and hope that 1942 will bring victory and peace."

Extreme cases of depression are more often to be found in letters from old people than from the young and middle-aged. One letter-writer described her existence:

"The war brings so much trouble and worry that you can't settle to anything: If you have a member of your family at the front, you can't get the thought of it out of your head - it is with you early in the morning and when you go to bed at night, and if you wake up during the night the first thought that enters your head is: Where is he? How is he? If only they could get away from Russia this year!"

An old mother writes: "It is frightful to have winter so early. Quite soon we shall have Christmas. What a miserable thought it is."

"I don't know if we will decorate the Christmas tree. I don't think so. Who is there to enjoy it? Let us hope and pray God that He may protect our dear soldiers and above all those who are fighting against the greatest enemy of humanity, Soviet Russia. You cannot understand and would not believe what our poor fellows go through. It can be described only as inhuman. I wish you could talk to a soldier who has fought against these beasts - one is horror-stricken."

Towards Christmas, it became an accepted fact that hardly any soldier would get leave until the end of the Russian War. This seems to have given rise to many heartaches and there are a few open expressions of discontent among the women:

"What kind of Christmas will it be again, when one knows one's dear children to be in constant danger. George hasn't been home for a year. He wants to get home to his dear ones and all of them long to get away from that awful Russia. I don't think its right that they cannot get away if they've been there since the beginning.

"We are so grieved that Gerda has lost her fiance in Russia. We have always been so proud to hear of our soldiers' successes in the war news and on the radio, but now it is a torture to us. Nothing one can say can bring any comfort to those who are left behind. Their lives are desolate and empty. Oh, often I am so sick of life."

There is some evidence to suggest that the former staunch resolution of the German people is giving place to a spirit of desperate resistance in which fear plays an important part.

A Chinese observer writes from Geneva:

"But the morale that keeps people going is an unhealthy one, based largely on fear - fear of the consequences of defeat and the torrent of revenge that they expect will sweep over Germany from every quarter of the occupied territories. It is a morale backed up by desperation which tells the people that, however unpleasant it may be, there is no going back; it is either victory or annihilation."

Air-raid morale has hardened. The Russian War has caused all other fears to fade into the background. The people have become more accustomed to air raids. There is growing confidence in the anti-aircraft defenses as propaganda regarding the number of British bombers brought down has been skillful.

There is less evidence of genuine fear of air raids than there was last winter, and there is less talk about people being exhausted from sleepless nights.

5. The German Army

Practically all comment speaks of the sacrifice and heroism of the German army. There seems to be little room for doubt of the keenness of youths waiting to be called into battle. The picture of those actually taking part in the war in Russia is rather a different one. It has changed a good deal from the gallant spirit of invincibility of the early summer. Some of the comments are:

"Werner has been in the East since the beginning of September - he's rather miserable I'm afraid...He must have to endure hard times, he was so delighted to become a soldier."

"Karl came back terribly thin from Russia, and they all look so old, the airmen have a frightfully hard time of it. We dared not speak at all about the war - they must go through so much in Russia. The Bolshevik fights like a wild beast...and those brutes of women."

"The Russians fight like beasts and savages, not human beings."

Some interesting information comes from a Swiss medical mission of thirty-five doctors who were sent to the Eastern Front. It may be reasonably supposed that the members were not violently prejudiced against Germany, otherwise they would not have volunteered their services to Germany.

"We have now received the first reports from private sources as to how horribly the people there are dying," writes a doctor from the Bernese Oberland. "How the Swiss doctors

are doing nothing but amputating day and night in incredible dens and damp cellars, terrible wounds and horrible mutilations; how the German soldiers are dying like flies thanks to the dreadful conditions and lack of accommodation."

A Swiss professor writes:

"We have had a report from a high source of the Swiss Red Cross Mission that the greater number of the sisters came back...They could not stand it on the Eastern front. The hospitals in the interior may be good, but those behind the front are indescribably disorganized. Operations are performed without anesthetics. It is pure butchery. The slightly wounded soldiers are lost because the most necessary medical supplies are lacking in the terrible cold."

Another Swiss comments:

"Recently I spoke to someone who had interviewed a member of the commission of doctors which has already returned from Russia...It must have been really frightful. This man had thought he would be able to use modern war surgery there and extend his own knowledge, since the Germans have the reputation of being so very modernly equipped with the very latest achievements in this sphere. But nothing like that was possible, simply because the most necessary things were lacking. Supplies were so concentrated on weapons and munitions that field hospital needs were not satisfied.

"There was nothing with which to deaden pain. He tells how a doctor stood in a room surrounded by 15 shrieking soldiers, whose arms and legs he had to amputate while they were fully conscious. It was enough to drive one crazy...When I imagine the cold, which sick and wounded naturally feel worse than well people, I can easily understand that a great number of German soldiers who go off on leave (e.g. to France) do not want to go back again and prefer to commit suicide."

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 31, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Intelligence Reports

Malta

Reinforcements of seven Spitfires, two Beauforts (torpedo bombers), and three Blenheims (medium bombers) arrived safely in Malta on March 29. (This is the first time, so far as our information goes, that Spitfires have been sent outside of England. Evidently, the Spitfires have now been outmoded by the new British Typhoons and Whirlwinds, and the American Lightnings and Mustangs.)

(U.K. Operations Report, March 30, 1942)

Siberia

From the standpoint of terrain and weather alone, the period between March 15 and April 15 would be usually the most favorable for a Japanese attack against Siberia. During this period, temperatures have risen above the winter temperatures, but the ice still remains on the rivers, constituting broad highways over which an offensive can travel. On April 20, the ice on the rivers usually breaks up and the ground thaw begins.

Another favorable period is in early May, after the spring ground thaw. However, at this time, operations are limited to the dry ground approaches.

Weather during the summer is not favorable for fighting. Rainfall becomes increasingly heavy in June, reaching a maximum in late July and early August. The rivers become swollen and the low areas near the rivers are virtually impassable. The final favorable period for operations is in the fall; September is the best month as summer rains have subsided and the extreme cold of winter has not yet arrived.

(C.O.I., "The War This Week", March 12-19, 1942)

The Chief says that the "dogs of the S.S. covet the positions of the military commanders in all the occupied territories for their own henchmen. Already, they have made much headway towards this goal".

"This spring offensive of the S.S. pigs is in full swing...." Several General Staff officers have lost their posts by "slander and the most invalid causes." In Norway, Lieutenant Colonel von Harwig, Chief of Staff to General von Falckenhausen, the conqueror of Norway has been relieved. And "the position of Falckenhausen himself in Norway has been so undermined that he might be obliged to go any day".

A similar situation exists in the Protectorate, where Colonel Longin, Chief of Staff to Major General Toussaint, the military commander there, already has been edged out. "And now Toussaint himself is to be shoved off as military attache to Copenhagen."

The S.S. is now gunning for General von Stuelpnagel, military commander in occupied France. Earlier charged with responsibility for all the notorious corruption on the part of the S.S. in France, Stuelpnagel "is now being made responsible by these dogs for the failure of the Paris anti-aircraft defenses. They lament that Stuelpnagel has permitted anti-aircraft guns from France to be taken to Russia. As a matter of fact, Stuelpnagel did it because he thought it more important to protect his comrades fighting in the East than the dirty French factories which aren't worth much anyway" (This controversy between the Army and the Nazi Party was mentioned earlier in one of the British Intelligence reports.)

"Leading in the libel slander campaign against Stuelpnagel are Otto Abetz and his S.S. policeman Kuhn. These two steal everything they can lay their hands on and then charge it to the General. On top of that a scoundrel like Abetz is bold enough to charge Stuelpnagel with having pursued the wrong policy towards the enemy population.

"Behind this is Stuelpnagel's refusal to...kiss the hand of the brothel pig Decolle in Bordeaux, one of Abetz' whores. Surely, that would have been the limit for a German general.

"The uncounted and cowardly attacks against our Wehrmacht are directly responsible for the bad frame of mind of our troops which are shifted to the Eastern front. There is the terrible case of the 23rd Panzer Division, which was recalled from Paris and transported to the East with barbed wire around the door latches."

(Source: Federal Communications Commission, March 20, 1942)

OF POSSIBLE INTEREST

Cooperation between Nazis and Trotskyites

One of the most controversial issues of the purge carried out in Russia several years ago was the charge that the Trotskyites in Russia were working in cooperation with the Nazis and the Japanese. The following information appears to corroborate Ambassador Davies' judgment of the trials.

1. The Office of the Coordinator of Information reports that "A Group of foreign Trotskyites, linked with the Socialist Labor Party of the United States and the Gestapo, has recently appeared as another pro-Nazi alien element in Mexico."

(C.O.I., "The War This Week", March 19-26, 1942)

2. In a memorandum of April 9, 1940, M.R. Nicholson, U.S. Treasury Attache in China, reported the details of the connection between the Chinese Trotskyites and the Japanese puppet, Wang Ching-wei, as follows:

"National Socialist Party (Trotsky)
to Join Wang Ching-Wei Puppets"

"On April 1st Mr. Chen Tu-siu, leader of the Nationalist Party (Trotsky gang) [received a message to come to a conference with Wang Ching-wei]...." "The result of their conference is reported to be as follows:

- "(1) That Wang Ching-wei will grant a monthly subsidy of \$200,000 to the Nationalist Party to enable the latter to carry on its activities.
- "(2) That the Nationalist Party...should not participate in Wang's new regime for the time being.
- "(5) That the secret intelligence information of the Nationalist Party should be supplied to Wang's Group."

(Memorandum of M.R. Nicholson to the Treasury, April 9, 1940).