PSF

Treasury Dept.: Henry Morgenthau, Jr.

1942
January 5, 1942

Dear Mr. President:

A short time ago you asked me if foreign property in this country was registered in dummy names and, specifically, what we knew about the ownership of the Westchester Apartments.

I am attaching a memorandum discussing both these matters which I think you will find interesting.

Sincerely,

[Signature]

The President
The White House.
MEMORANDUM FOR THE PRESIDENT

Some days ago you asked me what the Foreign Funds Control is doing to uncover foreign owned funds which are cloaked in names other than those of their true owners. As a specific instance you cited the case of the Westchester Apartments which is reputed to be owned by Queen Wilhelmina.

The devices used to conceal the beneficial owners of funds and other properties in the United States have been carefully analyzed by the Foreign Funds Control. The principal devices may be summarized as follows:

1. The trust device -- this technique consists of placing stock ownership in the hands of American citizens, with the beneficial interest in the hands of citizens of blocked countries.

2. The holding company device -- shares of stock representing ownership and control of American corporations have been transferred to holding companies incorporated in foreign countries, particularly Switzerland and Panama. The stock of these holding companies consists of either bearer shares or shares registered in "dummy" names, and thus do not provide any clue to the true ownership. Approximately one-half of some 350 Axis firms in the United States exhibit this ownership pattern.

3. Second generation device -- Japanese aliens have for some time been registering the ownership of property in the names of their children or other relatives who are American citizens.

4. Control by personal fealty and relationship -- this device is especially common in the chemical industry. Younger sons of families prominent in the German chemical industry came to the United States during the inter-war period, became citizens, and were placed in high positions with such firms as General Aniline & Film Corporation and General Dyestuffs Corporation. These individuals then elected each other to important directorial and managerial positions, and
conducted "wash" sales of stock among themselves at prices far below book value. A study of the personal histories and relationships of such individuals has enabled the Foreign Funds Control to bring under the freezing order many corporations with no apparent Axis ownership.

(5) Option device -- particularly in the chemical industry shares of new American corporations have been optioned to a foreign corporation, which would in turn transfer the option to other corporations within the integrated group, as for example, I. G. Farben.

As a first step in ferreting out the large amount of foreign owned properties held in the United States, the Treasury Department months ago required detailed reports to be filed with respect to all such properties. How these reports are being used is illustrated by the case to which you referred, that of the Westchester Apartments.

From the property census report filed by the Westchester Apartments, Inc. and from supplementary reports of Treasury investigators, we have been able to construct the following picture:

During 1938 and 1939 a Netherlands bank, the Nederlandische Standart Bank, transferred over $5,000,000 to the United States. This Netherlands bank was formed primarily to handle the investments of a family named Othenheim. The four known members of this family are said to reside in various parts of the British Empire. The funds of other persons in the Netherlands were, however, accepted for investment by the Nederlandische Standart Bank. The funds transferred to the United States were placed unconditionally under the control of Hans Christian Sonne, an American of Danish extraction who has a substantial interest in two New York corporations, Amainck, Sonne & Company, and Amsinck Sonne Corporation. Sonne formed the Neal Bancroft Corporation, a management corporation to handle the funds thus entrusted to him. This name has no significance but was compounded by selecting two names at random from the New York telephone directory. The assets of this corporation consist of various properties purchased with the $5,000,000. Sonne has stated
that a complete list of the owners of the funds transferred by the Nederlandische Standart Bank was never revealed to him or any one else in the United States. One of the investments of the Neal Bancroft Corporation consists of a substantial portion of the outstanding stock of the Westchester Apartments, Inc. Most of these shares are held by Amsinck, Sonne & Company for Neal Bancroft Corporation. Hans Christian Sonne filed a TFR-300 report setting forth that he held the majority interest in the Westchester Apartments, Inc. as nominee for interests "believed to be British". However, from our investigation it is clear that both the Neal Bancroft Corporation and Westchester Apartments, Inc. are nationals of a blocked country, the Netherlands. Mr. Paul F. Myers, attorney for the Westchester Apartments, Inc. has stated to a Treasury representative that he is completely convinced that Queen Wilhemina has no interest in the apartments. While this matter is still under investigation it is now established that Netherlands funds were being concealed by the "trust device" and the "holding company device".

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The total number of property reports filed is over 750,000, covering eleven billion dollars in foreign owned property, including over seven billion dollars in blocked property. These reports show the holdings as of two dates, June 1, 1940 and June 14, 1941. Those reports which show a significant increase or decrease between the two reporting dates are being segregated and special investigations are being made of such cases to trace the sources of increases or the dispositions made of unusual decreases. Thus, we are able to locate blocked funds which have gone under cover. Prompt and appropriate action will be taken in such cases.
THE WHITE HOUSE
WASHINGTON
January 9, 1942.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

In regard to the Chinese loan, I realize there is little security which China can give at the present time, yet I am anxious to help Chiang-Kai-shek and his currency. I hope you can invent some way of doing this. Possibly we could buy a certain amount of this currency, even if it means a partial loss later on.

F. D. R.
MEMORANDUM FOR THE PRESIDENT:

You have asked me for information concerning William L. Batt's connection with American Bosch Corporation.

1. In order to have a clearer picture it is necessary to mention briefly Batt's connection with SKF. Batt has been associated with American SKF and its predecessors since 1919. He was general manager from 1919 to 1923, when he became president, which office he still holds. His salary as president has ranged from $26,000 in 1935 to $60,000 in 1940. He customarily files a joint return. He and his wife have no significant income other than his salary from American SKF Corporation.

On January 1, 1939, Swedish SKF owned 76 percent of the outstanding stock of American SKF; certain other Swedish interests owned approximately 18 percent. These shares were transferred to Batt under voting trust agreements early in 1941. Batt himself owns a trifling amount of shares in American SKF (65 shares).
2. In 1938 Batt became a director of American Bosch Corporation at a salary of $2000 a year. The records of the company and the transfer agent do not reveal that he has ever owned any stock in American Bosch. He resigned as director of American Bosch on March 5, 1941.

The majority of the stock of American Bosch was re-acquired in 1931 by the German Bosch Company. In 1934 Mendelssohn & Co. nominally acquired the German Bosch interest in American Bosch. Shortly thereafter, George Murnane became director of American Bosch and represented Mendelssohn's interest in American Bosch. George Murnane is at present a member of the firm of Monnet, Murnane & Co. and formerly was a partner of Lee Higginson where he actively handled the Kreuger and Toll matters. Murnane's partner, Jean Monnet, formerly was chairman of the British French economic council, and is now a member of the British Supply Council. Murnane became chairman of the board of American Bosch in June 1937 and in 1938 effected a reorganization of the company. The financial reorganization left the stock in Mendelssohn & Co. and the managerial reorganization resulted in Donald P. Hess replacing Arthur T. Murray as president. At the same time Batt was made a director of American Bosch.

When Fritz Mannheimer, the head of Mendelssohn & Co. committed suicide in August 1939, Mendelssohn & Co. failed
and was liquidated. In May 1940, the Mendelssohn interests in American Bosch were sold to the Stockholm Enskilda Bank which is owned by the Wallenberg family. Murnane was then designated as the voting trustee of the Swedish interests in American Bosch.

At the present time, therefore, the Swedish interests in American SKF are represented by Batt, as voting trustee, and the so-called Swedish interests in American Bosch are represented by Murnane, as voting trustee.

* * * * *

3. In the course of our investigation of the personnel and records of American Bosch, which we started last Saturday, we have run across information which suggests that arrangements may have been made whereby the Germans would protect SKF holdings in German-occupied countries in exchange for efforts by the Wallenbergs to protect the German interests in American Bosch. Under such an arrangement the Wallenbergs would hold the Swedish interests in American Bosch until the end of the war when it would resell such interests to the Germans.

Murnane reported to one of our Treasury investigators that it was upon his recommendation that Batt was made president of SKF and that Hess who succeeded Murray in 1938 as president of American Bosch was suggested by Batt.

It has also been reported from another source that during the liquidation of the Mendelssohn (after the outbreak of war) English interests were asked to buy the Mendelssohn-
held shares in American Bosch with the understanding that at the end of the war the control would be resold at a profit to German interests; but the English exchange authorities refused to permit the transaction. Thereafter the Mendelssohn interests in American Bosch were sold to the present Swedish holders.

In view of the fact that our investigation of American Bosch has just begun we can not warrant the accuracy of the comments contained in section 3 of this memorandum.
THE WHITE HOUSE
WASHINGTON

February 13, 1942.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

FOR YOUR INFORMATION

F. D. R.

Sent copy of the Under Secretary
of State's letter of February 11th,
attached hereto.
My dear Mr. President:

Reference is made to your memorandum of February 9, 1942, transmitting a letter and its enclosures from the Secretary of the Treasury, dated February 6, 1942, relating to the continued shipment of gold from French North Africa to Germany.

You will recall that various shipments have taken place over a period of more than a year and in the past we have indicated to the French Government our opposition to these shipments and have transmitted protests from the Belgians in regard to the movement of their gold.

I agree that it would be desirable to stop, in so far as possible, the delivery of this gold to Germany.

A

The President,

The White House.
A copy of Murphy's telegram from Algiers, dated January 20, 1942, with the suggestion that the contraband traffic might be stopped if one of the planes were to be intercepted, has already been communicated to the British, and I shall make a copy of the further memorandum from the Secretary of the Treasury available to them with the same suggestion.

Faithfully yours,
My dear Mr. President:

I wish to call to your attention the continued shipment of gold from French North Africa to Germany. This gold is being delivered in accordance with the decisions of the Franco-German Armistice Commission at Wiesbaden. A brief sketch of how the gold came to be in North Africa and its subsequent disposition is given in the enclosed memorandum.

It would obviously be greatly in our interest to stop the delivery of this gold to Germany. The enclosed cable from our Consulate General in Algeria suggests that the delivery of this gold might be stopped if one of the planes carrying the gold were intercepted and forced to return to Algiers. Could we do anything in this connection?

I am bringing this matter to the attention also of Vice President Wallace and Secretary Hull.

Faithfully yours,

Secretary of the Treasury

The President,

The White House.

Enclosures (2)
TO Secretary Morgenthau
FROM Mr. White
Subject: Delivery of Gold from North Africa to Germany

1. In the spring of 1940, the French Government transferred about three-quarters of a billion dollars of gold to Dakar for safekeeping.

The danger of German occupation of French territory in May 1940 prompted the French Government to transfer to French West Africa a large part of its domestic gold holdings together with the gold held by the Bank of France for the central banks of Belgium and Poland.

After the fall of France, the German Government, on the ground that it had the responsibility of guarding the interests of the central banks of those countries under its "protection", demanded that the French return the Belgian and Polish gold stored in West Africa. The Vichy Government agreed in principle to the return of this gold, although, apparently, no date was set for final delivery.

2. Of the gold removed to Dakar about $184 million belonged to the Central Bank of Belgium and $68 million to the Bank of Poland.

The value of Belgian gold shipped to Dakar has been variously reported at from $184 million to $250 million with the former figure probably correct. The figure on Polish gold held by the Bank of France was given by the Polish Financial Counselor in New York.

3. Previous reports from France and Africa have indicated that the Vichy Government was delivering this Belgian and Polish gold to the Germans.

In January 1941, French officials admitted that they were handing over some of the Belgian and Polish gold to Germany.

In March 1941, it was reported from Dakar that the French commercial airline was carrying small amounts of Belgian and Polish gold to Europe.
On July 17, 1941, the American Consul at Algiers reported that about $75 million of Belgian gold had reached Algiers and was to be shipped to France by plane.

About $63 million of Belgian and Polish gold was said to have arrived at the Moroccan State Bank from West Africa during November 1941, in preparation for transfer to Europe.

On December 23, 1941, $3 million in gold was sent by plane from Algiers to Marseilles, and on December 26, 1941, another shipment of $6 million was made.

4. There is new evidence that the French are arranging for the shipment to Europe of the remaining Belgian and Polish gold now stored in French North Africa.

The American Consulate General in Algeria reports that the French authorities have arranged to ship to Marseilles by regular commercial airplane about $20 million of this gold a month. Presumably these shipments are destined for eventual delivery to the Germans.

5. The gold shipments might be stopped if one of the French planes were intercepted and forced to return to Algiers.

This method proved effective several months ago when the French sent a trial shipment of several tons of gold over the Mediterranean. British war planes intercepted and turned back the French transports without attacking them, and their gold cargo was again deposited in French Africa.

DECLASSIFIED
By Authority of T.O. 160

By [Signature] MAR 16 1972

STRICTLY CONFIDENTIAL
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Algiers, Algeria.
DATE: January 20, 1942, 4 p.m.
NO.: 47.

The following is from Murphy.

From a reliable official source I have learned that for each departure during an indefinite period the French authorities have reserved accommodations for 600 kilos weight for special confidential shipments on the Algiers-Marseille Air France plane. Each day at 8:15 a.m., except on Wednesdays, the Algiers Air France plane leaves Algiers for Marseille. The official source in question says that this arrangement is made for the shipment of gold to Europe. It would permit shipment of gold to Europe. It would permit shipment of approximately six tons of gold every ten days.

This story was confirmed to me by a recent passenger on the Air France Line to Marseille who saw one consignment of gold loaded on the plane in which he was traveling. The gold in question is believed to be Polish and Belgian gold which was heretofore stored in French West Africa, now destined for Germany and Belgium under the Wiesbaden agreement. (See my strictly confidential despatch of September 11, 1941.)

This contraband traffic, it was suggested to me, might be stopped if one of these planes were intercepted and forced to return to Algiers.

The foregoing telegram was repeated to Tangier and Vichy.

COLE

Copy: bj:1-27-42
Copy: gp:2-4-42

STRICTLY CONFIDENTIAL
THE WHITE HOUSE
WASHINGTON

February 9, 1942

MEMORANDUM FOR

SECRETARY HULL

For preparation of reply.

F. D. R.

Enclosures

Letter to the President from Secy Morgenthau 2/6/42 re continued shipment of gold from French North Africa to Germany. Encloses brief sketch of how gold came to be in North Africa and its subsequent disposition is given in enclosed memo. Asks if could be stopped.
THE WHITE HOUSE
WASHINGTON

April 11, 1942.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

What do you think of
Paul Shields?

F. D. R.
THE WHITE HOUSE
WASHINGTON
April 8, 1942

MHM TO TAKE UP WITH THE PRESIDENT

Leo Crowley wanted me to speak to you about Paul Shields. He is considering using him as President of the Schering Drug Company. This company holds a lot of German patents and the whole matter is closely related with South American affairs.

Leo wants to be sure the man he puts in charge is in step from the Administration standpoint.

Shields, I think, has been down here as advisor to SEC.
My dear Mr. President:

I thought you would like to know that at my request Mr. Donald Nelson is furnishing me today with the names of 36 corporations having contracts with the Army, Navy or Maritime Commission.

All of the tax returns of these companies for the years 1939 and 1940 are now available. Normally we would not complete audits on the 1941 returns until about the middle of 1943. However, we propose to send Internal Revenue auditors into the home offices of these various businesses tomorrow and to make immediate audits on the 1941 returns.

We shall then apply to the 1941 profits of these 36 corporations the income and excess profits tax rates under the Treasury's pending proposal. We will then know definitely whether the Treasury's proposed legislation is adequate to take the profits out of war and whether it will limit the net salaries of individual officers to a reasonable degree or whether some other technique will be required.

Mr. Sullivan and Mr. Helvering assure me that I can have this information not later than Tuesday next.

Yours sincerely,

The President,
MEMORANDUM FOR THE PRESIDENT:

The Secretary of the Treasury would like to see you. He suggests Thursday morning. He has a lot of very interesting figures on the 1941 income tax returns for corporations and individuals -- 53 companies which have war contracts. He would like to bring Paul and Sullivan with him. However, if you give him a bedside appointment he will come alone; otherwise he will come to the office.

G.
A good friend of mine sent me the following:

"I understand that within the last two years, the Customs Bureau picked up an item running well over a million dollars in additional pulp tax due by the Chicago Tribune on the importation of pulp paper which had not come up to the grade permitted under the free importation provisions. What happened in the Customs, according to my tale, sounds at least a little screwy. As a matter of fact, I understand that the Regulations or the Law were later fiddled with to purge the Chicago Tribune situation. This latter information I cannot vouch for, but that there is something to look into I am confident. I thought you might want to pass it along. If I pass it along, it will probably die because it would get into the very hands of the people who might have acted with less than propriety."

Would you have someone you trust look into it and let me know?

F.D.R.
MEMORANDUM FOR THE PRESIDENT:

Recently you inquired as to the present status of the De Laval Separator Company, which has an office in Poughkeepsie. The information available to us with respect to this company may be summarized as follows:

This company, which has assets of about nine million dollars, has been blocked as a national of Sweden since June 14, 1941, and is presently operating under a Foreign Funds Control license. It is engaged in the business of manufacturing cream separators, milking machines, oil purifiers, and other industrial centrifugal machinery. Since 1939 it has been producing substantial quantities of machinery and equipment for the War and Navy Departments and for the Maritime Commission. The De Laval Separator Company has several subsidiaries in the United States and Canada.

The officers and directors of the De Laval Separator Company are all Americans residing in the United States except one Axel Wastfelt, who is residing in Sweden. There have been no significant changes in the officers or directors of the company since 1927.

Our records indicate that 10 percent of the stock of the De Laval Separator Company is owned by F. J. Arend, an American citizen who has been president of this company since prior to 1927. Five percent of the stock is held by two other American citizens. The remaining 85 percent of the stock of the De Laval Separator Company is owned by Aktiebolaget Separator, a Swedish company. In July, 1941, this stock was placed in a voting trust held by three American citizens who are officers of the De Laval Separator Company.
Aktiebolaget Separator has a small branch office located in New York City which is presently operating under a Foreign Funds Control license. The primary function of this branch office is to collect the earnings of De Laval Separator Company and its affiliates for transmittal to Sweden. A representative of this New York office indicated in a sworn statement to the Foreign Funds Control that all of the owners of Aktiebolaget Separator are believed to be residents and nationals of Sweden. Other than this sworn statement, we have no definite information as to the ownership of Aktiebolaget Separator. However, we have established that in 1938 J. Wallenberg was one of the directors of the company. He is no longer a director. Two of the present directors of the concern were minor employees in 1938.

We will keep you advised of any significant developments.
THE WHITE HOUSE
WASHINGTON
May 11, 1942.

MEMORANDUM FOR H.M. Jr.

1. In regard to the American Bosch ownership, I think you should continue to keep Donald Nelson in touch.

2. After reading your memorandum, I am extremely doubtful as to the free and clear ownership of these shares by Swedes.

As long as this question is in doubt, I think the U. S. Government should in some effective way (a) take over the shares in escrow or in trust and (b) place our people in the company in such a way as to have complete information as to operations, personnel, etc.

F.D.R.

No papers accompanied the original of this memorandum to the Secretary of the Treasury.
MEMORANDUM FOR THE PRESIDENT:

During our discussion of the American Bosch matter, you asked whether dividends paid on the stock of the American Bosch Corporation which George Murnane is holding as voting trustee could be transferred to Sweden under the Swedish general license and made available to the German owners of American Bosch.

In view of the investigation made by the Foreign Funds Control of the American Bosch Corporation, this company has been blocked not only as Swedish, but also as German and Dutch. As a consequence, the American Bosch Corporation can not pay dividends or make any other payments under the Swedish general license.

Recently the American Bosch Corporation applied for a license to make a dividend payment. The license, when granted, required that the dividends in the amount of $120,000.00 on the stock held by Murnane be paid into a special blocked account in his name as voting trustee.
No payments can be made from this account under the Swedish general license. An application has recently been filed by Murnane to transfer such funds to the account of the Stockholms Enskilda Bank. Once transferred to such account, the funds could be used under the Swedish general license. This application is being denied.

It is important to note, however, that if the Treasury Department had not uncovered the German interest in the Swedish-held stock of the American Bosch Corporation, the Swedish general license might have been used to transfer to Sweden the dividends paid on such stock.

It is true that the Swedish government has assured us that it would not use its general license for the transfer of funds in which the Axis had an interest. However, the Swedish government insists that there is no German interest retained in the Swedish-held shares in American Bosch. Sweden would therefore say that it has not violated its assurances to us by transferring abroad the dividends paid by American Bosch on shares held in Swedish name.
This situation is comparable to what might have happened with regard to the General Aniline and Film Corporation and the I. G. Chemie if the Treasury had not been convinced of the German interest in that company and blocked the company as German as well as Swiss. The Swiss insisted that General Aniline was Swiss owned and would therefore have considered transfers to Switzerland by the General Aniline and Film as coming within the Swiss general license.

The foregoing shows one way in which the general licenses held by Sweden, Switzerland, Spain and Portugal provide a channel through which funds may be transmitted to our enemies.

Secretary of the Treasury.
May 11, 1942.

MEMORANDUM FOR
H.M. Jr.

The American Bosch and other cases impel me to study foreign ownership of American corporations.

In 1919 and 1920, for example, Owen Young presented to me a plan to organize an R.C.A. to buy the Navy controlled radio patents and stations. His corporation was to be tied up to the British Marconi Company, the latter to put up about 40% of the capital and to be given radio control in Europe, Asia and Africa, the radio control in North and South America to be given to R.C.A.

I objected strongly to the set-up and when the R.C.A. was actually formed, very nearly all of the capital was American and the exclusive arrangement with British Marconi was abandoned.

I wish you would have some study made to some form of law which would cover the following points:

(a) All American corporations which we have taken over to be divested of 90% of their foreign ownership.

(b) Not more than 10% of the stock of any American operation to be held by foreign citizens.

The above is just something to study and there may be many other ways of accomplishing the same objective.

For example, I do not want to forbid individual foreigners from owning stock or bonds in American companies as individual investments on the basis of wide diversification, but I do want to prevent any foreigner or any foreign corporation from owning large blocks of stocks or bonds in American corporations.

At the same time, it may be worthwhile studying the general subject of interlocking corporations with the object of doing away with all subsidiaries.

F.D.R.

No papers accompanied the original of this memorandum to the Secretary of the Treasury.
MEMORANDUM FOR THE PRESIDENT:

You asked me to bring up to date my memorandum to you of January 30, 1942, concerning William L. Batt's connection with American Bosch Corporation.

In that memorandum, a copy of which is attached, I pointed out the following:

(1) Batt has been with SKF since 1919; practically all of his income is from salary as head of that company; and under a voting trust agreement executed in 1941, he acts as trustee for the stock in SKF owned by Swedish interests, which amounts to 95% of the stock of SKF.

(2) When Mendelssohn and Co. nominally acquired the German Bosch interest in American Bosch in 1934, George Murnane of Monnet, Murnane and Co. was designated to represent Mendelssohn's interest in American Bosch. In 1938, Murnane reorganized American Bosch
and put in as President, Donald P. Hess, who had been recommended to him by Batt. At the same time Batt was made a director of American Bosch. (Murnane stated that it was upon his recommendation that Batt was made President of SKF.)

(3) After the failure of Mendelssohn and Co., its interests in American Bosch were sold in May 1940 to Swedish interests dominated by the Wallenberg family, which family also owned a dominant interest in American SKF. Murnane was designated as the voting trustee of the Swedish interests in American Bosch.

The investigation of American Bosch which the Treasury Department has recently concluded reveals the following:

(1) In 1934 German Bosch, desiring to protect itself against the Nazi foreign exchange control, transferred its interests in American Bosch, British Bosch and French Bosch to Mendelssohn of Amsterdam, retaining an option to repurchase the stock. Officials of German Bosch went along to Amsterdam with the transfer of these shares to insure continued German Bosch control over these companies.
(2) Mendelssohn, contrary to its agreement with German Bosch, pledged the stock of American Bosch with the New York Trust Co. to secure some loans. When Mendelssohn failed in the Summer of 1939, German Bosch was very fearful lest the stock in American Bosch be sold by the New York Trust Co. to competing American interests who would refuse to resell the shares to German Bosch. George Murnane and his partner Jean Monnet participated in negotiations to prevent the sale of the American Bosch stock to interests that would not be friendly to German Bosch.

(3) Negotiations took place between Chemical Bank and the German Reichsbank for the acquisition by Chemical of the American Bosch stock against payment of $1,000,000 in cash to be put up by Chemical, together with $2,200,000 of standstill credits acquired by Chemical on option from British banking interests. Under the proposal, Chemical was to agree to resell the American Bosch stock to German Bosch after the war. For some reason these negotiations fell through. The Reichsbank official told Kollmar, the representative of Chemical, that there had been too long a delay in concluding these negotiations and
also that the German Government, to the embarrassment of the Reichsbank, found out that enemy-owned German standstill credits would have been used to effectuate the purchase by the Chemical.

(4) In May 1940, the shares of American Bosch which had been held by Mendelssohn were purchased by The Stockholms Enskilda Bank. Kollmar of Chemical Bank was thereafter told by the official of the Reichsbank that the stock had been sold to "Swedish friends", the Wallenbergs, on terms similar to those discussed with him, namely, on the basis of the stock being resold to German Bosch within two years after the war. Kollmar stated that if the "Reichsbank makes any deal in Sweden it is with the Wallenbergs, because I know who their confidential bankers are."

(5) It is my judgment that the Swedes in acquiring the stock in American Bosch have agreed to resell it to German Bosch after the war.

The remainder of this memorandum relates to the interrelated roles played by George Murnane, Jean Monnet and William L. Batt in the American Bosch picture.
George Murnane has disclaimed knowing that there was any German interest in the American Bosch stock when that stock was held nominally by Mendelssohn. In that connection the following testimony by Arthur T. Murray, President of American Bosch through 1937, is of interest:

"... Dr. Mannheimer further told me that it was his desire and intent to hold the shares in all of these companies as Agent for the German owners until such time as the Nazi Regime no longer existed, when they would be returned to the real owners.

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"I was talking with Mr. Murnane and I suggested that some day both of us might find ourselves being asked by the Government who really owned the Bosch stock, because I felt then that sooner or later a war between Germany and the United States and the rest of the world was inevitable. Mr. Murnane replied that he was going to see to it that he never made any inquiry as to how the Bosch shares came into the hands of Mendelssohn & Co. because he always wanted to be in a position to say honestly that so far as he knew the shares were the property of Mendelssohn & Company. This conversation took place some time during 1936 or 1937.

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"Stuttgart wanted to be very certain that there wasn't anything going through the mails that the Nazi Regime might get ahold of to indicate that they were the real owners of United American Bosch shares."

* Dr. Mannheimer was the head of Mendelssohn & Co. and his suicide in August, 1939 led to the liquidation of Mendelssohn & Co.
When Hess was being considered in January 1933
for the Presidency of American Bosch, he wrote a letter
to Batt, a copy of which is attached, in which he stated
in part as follows:

"Dear Bill:

"Just returned to Columbus yesterday so
this is the first chance I have had to tell
you that Mr. Murnane is in my opinion all
that you stated and was most willing to give
me all necessary data re United American
Bosch. While this statement is somewhat pre­
mature, I am satisfied that he and I could
get along in a most satisfactory manner.
The general setup is exactly as you described
it with control (70%) in Mendelssohn & Co.,
Rotterdam—which means German Bosch and
Murnane acts for them. He has apparently
as much authority as could be expected under
such circumstances."

The foregoing would clearly indicate that Hess
understood from Murnane as well as Batt that Mendelssohn
was acting for Bosch.

In 1939 Murnane was in communication with
Rassbach, who was an official of German Bosch. They were
discussing National City Bank's effort to acquire the
shares in American Bosch in exchange for blocked German
assets owned by National City. Murnane pointed out that
since National City was prohibited from retaining common
stock even though acquired in settlement of debts, National City would be compelled within a reasonable period to sell the shares of American Bosch and that there would then be a repetition of the existing situation. By this Murnane meant that the National City Bank, like the New York Trust Co., might sell the shares of American Bosch to interests unacceptable to German Bosch.

Murnane has said that in response to a question he asked Marcus Wallenberg during a visit to this country in the Fall of 1940, Wallenberg stated that Swedish interests alone owned the shares in American Bosch transferred from Mendelssohn, and therefore, Murnane believed that there was no German interest in American Bosch. At the same time Murnane stated that he believed that where money matters were concerned the Wallenbergs were the coldest-blooded people he had ever met.

When Marcus Wallenberg was in this country in the Fall of 1940, he was making very substantial purchases of German municipal and industrial bonds owned by Americans at prices from 20 to 25 cents on the dollar. Wallenberg
was making these purchases with funds transferred to the accounts of the Stockholms Enskilda Bank from the accounts of the German Gold Discount Bank. Wallenberg admittedly was acting for the benefit of German authorities in making these purchases. These activities by Wallenberg were widely known in this country and must have been known by Murnane.

It is also interesting to observe that Marcus Wallenberg admitted to an official of the Treasury in the Fall of 1940 that Sweden had been negotiating with the Germans in order to protect itself from a German invasion.

It is my belief that after the German invasion of Norway, German and Swedish financial and industrial interests drew closer together. Swedish interests were used by the Germans to hold title to German owned property in the United States during the period of the war and Swedish interests were also used by the Germans to engage in other financial transactions here and elsewhere for the benefit of Germany. In exchange therefor the Wallenbergs and other Swedish interests obtained protection for their property holdings in Germany and German occupied territories. Needless to say, Germany also held the Swedish properties as a hostage to compel Swedish interests to act on behalf of Germany.
Jean Monnet

I called in Jean Monnet, who is the partner of George Murnane, who shares in Murnane's earnings as Chairman of the Board of American Bosch and who is at present a member of the British Supply Council. I told him that our investigation of American Bosch indicated that German Bosch retained an interest in the stock of American Bosch even though the stock had been transferred first to Mendelssohn and thereafter to the Swedish interests.

Monnet said that he did not believe that the Germans retained any control over the shares in Swedish hands and that if George Murnane was aware of any such tie-up he would have made such information known to Monnet. However, Monnet said he would question Murnane about the situation and report back.

At a second conference which I had with Monnet a couple of days later, Monnet said that he had talked the matter over with Murnane, that Murnane had corroborated his impression that the sale from Mendelssohn to the Swedish interests was without any strings whatsoever in favor of the Germans.
I was not satisfied that Monnet was telling all that he knew. Monnet unquestionably knew all of the aspects of the Bosch situation. On August 17, 1939, a telegram was sent to Hess, the President of American Bosch, by Dr. Otto Fischer, one of the watch-dogs of German Bosch who worked out of the Mendelssohn's office. In that telegram Fischer indicated that thanks to urgent representations by Mendelssohns and Murnane, the investment in American Bosch had been kept intact and that it looked as though desirable interests were going to be able to raise the amount required for release of the American Bosch shares which were held as collateral by the New York Trust Co. Dr. Otto Fischer then stated:

"I am going to see Mr. Monnet tomorrow in connection with this project."

In a memorandum in the files of the New York Trust Co., signed by C. E. Hunter, a Vice President, he said that Murnane had told him on August 21, 1939, that Monnet had gone to Amsterdam to investigate the
situation respecting Mendelssohn and the American Bosch shares. Monnet's report is stated in substance to have included the following:

"Third parties have rights in those shares, this right consisting of privilege retained by Robt. Bosch G.m.b.H. to meet any potential buyer's price within 30 days of the bid.

"A group in Amsterdam representing Stuttgart--very responsible people, are working feverishly to present a proposition to us. They are fully able to buy all these shares we hold."

Monnet also told me that up until the latter part of 1938 he was a believer in rapprochement between France and Germany."
William L. Batt

I had a talk with Batt last Tuesday. I told him I believed that German Bosch had retained an interest in American Bosch even though the shares were owned first by Mendelssohn and later by the Swedes. Batt stated that he did not know that German Bosch continued to have such an interest while the shares were in Mendelssohn's name, but that if the Treasury had come to that conclusion, he would not question it.

During my talk I showed Batt a copy of the letter that Hess had written to him in January 1933 in which he said with respect to American Bosch:

"The general setup is exactly as you described it with control 70% in Mendelssohn & Co., Rotterdam - which means German Bosch and Murnane acts for them. He has apparently as much authority as could be expected under such circumstances."

I also recalled to Batt that in his letter of reply to Hess, he had not denied the German Bosch interest in American Bosch.
Batt said that he had never told Hess that he believed the Mendelssohns were acting for the Germans and this part of the letter was Hess' personal conjecture.

I asked Batt if he would have accepted membership on the Board of Directors of American Bosch in 1938 had he known at that time that the Germans retained an interest in the Dutch-held American Bosch shares. He replied that he would have accepted the directorship at that time even if he had been aware that the Germans continued to dominate the affairs of the company. Batt then pointed out that he always believed there was a difference between German industrialists and the Nazi party and that he had always entertained the highest admiration and affection for German industrialists.

I then asked him if he believed that the Swedes were holding the shares in American Bosch for the Germans in consideration of an agreement on the part of the Germans to protect the Wallenbergs and other Swedish interests in German SKF. Batt denied that such an agreement existed, stating flatly that he believed the sale from Mendelssohn to the Enskilda Bank was without any reservations and that such an inference had never even entered his mind. I then asked
him if it was not possible for such an arrangement to exist without his knowing about it, and he said it was possible although he did not believe it. In response to another question, Batt stated that so far as he knew there had been no interference by Germany with SKF properties in German-occupied Europe, and he assumed that these properties were being used to assist Germany in its war effort.

He then asked me what reason I had to infer that the transfer of the Mendelssohn shares to the Enskilda Bank included an agreement to resell to German Bosch after the war. I told him of the information which had come to the Treasury's attention, particularly the negotiations and discussions between the Chemical Bank and the Reichsbank. Notwithstanding that, Batt did not think it was conceivable that the Wallenbergs could be acting on behalf of the Germans.

I then told Batt that we had information to the effect that during the Fall of 1940 Marcus Wallenberg had come to the United States for the purpose of purchasing for the Reichsbank German municipal and industrial bonds at a discount and had told certain people that he had a free hand in the purchase of these securities.

Batt confirmed what we had previously been told by Murnane, namely, that the Wallenbergs were hard and cold in matters of money, but that he had the highest regard and affection for them.
Batt said that he could understand the reasons for our apprehensions and thought that if he were in our position he would require the Enskilda Bank to warrant that the American Bosch shares would not be transferred for at least 10 years after the war.

I told him that I appreciated his frankness, but I wanted to think the matter over and would let him know my conclusions later this week.

Henry M. H. M.

I have given copy of this letter to Mr. Donald Nelson.
MEMORANDUM FOR THE PRESIDENT:

Jan 30 1942

You have asked me for information concerning William L. Batt's connection with American Bosch Corporation.

1. In order to have a clearer picture it is necessary to mention briefly Batt's connection with SKF. Batt has been associated with American SKF and its predecessors since 1919. He was general manager from 1919 to 1923, when he became president, which office he still holds. His salary as president has ranged from $26,000 in 1935 to $60,000 in 1940. He customarily files a joint return. He and his wife have no significant income other than his salary from American SKF Corporation.

On January 1, 1939, Swedish SKF owned 76 percent of the outstanding stock of American SKF; certain other Swedish interests owned approximately 18 percent. These shares were transferred to Batt under voting trust agreements early in 1941. Batt himself owns a trifling amount of shares in American SKF (65 shares).
2. In 1938 Batt became a director of American Bosch Corporation at a salary of $2000 a year. The records of the company and the transfer agent do not reveal that he has ever owned any stock in American Bosch. He resigned as director of American Bosch on March 5, 1941.

The majority of the stock of American Bosch was re-acquired in 1931 by the German Bosch Company. In 1934 Mendelssohn & Co. nominally acquired the German Bosch interest in American Bosch. Shortly thereafter, George Murnane became director of American Bosch and represented Mendelssohn's interest in American Bosch. George Murnane is at present a member of the firm of Monnet, Murnane & Co. and formerly was a partner of Lee Higginson where he actively handled the Kreuger and Toll matters. Murnane's partner, Jean Monnet, formerly was chairman of the British French economic council, and is now a member of the British Supply Council. Murnane became chairman of the board of American Bosch in June 1937 and in 1938 effected a reorganization of the company. The financial reorganization left the stock in Mendelssohn & Co. and the managerial reorganization resulted in Donald P. Hess replacing Arthur T. Murray as president. At the same time Batt was made a director of American Bosch.

When Fritz Mannheimer, the head of Mendelssohn & Co. committed suicide in August 1939, Mendelssohn & Co. failed
and was liquidated. In May 1940, the Mendelssohn interests in American Bosch were sold to the Stockholm Enskilda Bank which is owned by the Wallenberg family. Murnane was then designated as the voting trustee of the Swedish interests in American Bosch.

At the present time, therefore, the Swedish interests in American SKF are represented by Batt, as voting trustee, and the so-called Swedish interests in American Bosch are represented by Murnane, as voting trustee.

***

3. In the course of our investigation of the personnel and records of American Bosch, which we started last Saturday, we have run across information which suggests that arrangements may have been made whereby the Germans would protect SKF holdings in German-occupied countries in exchange for efforts by the Wallenbergs to protect the German interests in American Bosch. Under such an arrangement the Wallenbergs would hold the Swedish interests in American Bosch until the end of the war when it would resell such interests to the Germans.

Murnane reported to one of our Treasury investigators that it was upon his recommendation that Batt was made president of SKF and that Hess who succeeded Murray in 1938 as president of American Bosch was suggested by Batt.

It has also been reported from another source that during the liquidation of Mendelssohn & Co. (after the outbreak of war) English interests were asked to buy the Mendelssohn-
held shares in American Bosch with the understanding that at the end of the war the control would be resold at a profit to German interests; but the English exchange authorities refused to permit the transaction. Thereafter the Mendelssohn interests in American Bosch were sold to the present Swedish holders.

In view of the fact that our investigation of American Bosch has just begun we can not warrant the accuracy of the comments contained in section 3 of this memorandum.

H. Morgenthau, Jr.
Columbus, Ohio
January 3, 1938

Wm. L. Batt,
SKF Industries Co.,

Dear Bill:

Just returned to Columbus yesterday so this is the first chance I have had to tell you that Mr. Murnane is in my opinion, all that you stated and was most willing to give me all necessary data re. United American Bosch. While this statement is somewhat premature, I am satisfied that he and I could get along in a most satisfactory manner. The general setup is exactly as you described it with control (70%) in Mendelssohn & Co., Rotterdam - which means German Bosch and Murnane acts for them. He has apparently, as much authority as could be expected under such circumstances.

From the standpoint of operations, i.e., manufacturing and merchandising, it looks good to me with real possibilities even in view of a very erratic performance over the past seven years. The financial picture is not good - which is probably to be expected in view of past earnings, or rather lack of earnings, and it is giving me a good deal of concern. In analyzing the last monthly statement it indicates current assets and liabilities about balance with a small amount of cash on hand. In this I am considering all notes payable as current although the statement does not show as such do (due?) to certain arrangements as to payments, etc. This year should show a small profit, but even this is questionable as present inventories look high to me.

Mr. Murnane told me that the bankers are willing to convert the notes into stock and he has additional funds to put into the company to help the cash position. Summarizing the whole thing Bill, I am much inclined to take it on, but the financial setup bothers me, and I want to give it considerable thought. Hope to give Mr. Murnane something definite within the next two weeks. Incidentally if you hear anything from him as to his feelings in my regard would greatly appreciate your so advising me.

Sincerely yours,

/s/
Donald P. Hess

DPH-V
MEMORANDUM FOR THE PRESIDENT:

You asked me to bring up to date my memorandum to you of January 30, 1942, concerning William L. Batt’s connection with American Bosch Corporation.

In that memorandum, a copy of which is attached, I pointed out the following:

(1) Batt has been with SKF since 1919; practically all of his income is from salary as head of that company; and under a voting trust agreement executed in 1941, he acts as trustee for the stock in SKF owned by Swedish interests, which amounts to 35% of the stock of SKF.

(2) When Mendelssohn and Co. nominally acquired the German Bosch interest in American Bosch in 1934, George Murnane of Monnet, Murnane and Co. was designated to represent Mendelssohn’s interest in American Bosch. In 1939, Murnane reorganized American Bosch
and put in as President, Donald P. Hess, who had been recommended to him by Batt. At the same time Batt was made a director of American Bosch. (Murnane stated that it was upon his recommendation that Batt was made President of SKF.)

(3) After the failure of Mendelssohn and Co., its interests in American Bosch were sold in May 1940 to Swedish interests dominated by the Wallenberg family, which family also owned a dominant interest in American SKF. Murnane was designated as the voting trustee of the Swedish interests in American Bosch.

The investigation of American Bosch which the Treasury Department has recently concluded reveals the following:

(1) In 1934 German Bosch, desiring to protect itself against the Nazi foreign exchange control, transferred its interests in American Bosch, British Bosch and French Bosch to Mendelssohn of Amsterdam, retaining an option to repurchase the stock. Officials of German Bosch went along to Amsterdam with the transfer of these shares to insure continued German Bosch control over these companies.
(2) Mendelssohn, contrary to its agreement with German Bosch, pledged the stock of American Bosch with the New York Trust Co. to secure some loans. When Mendelssohn failed in the Summer of 1939, German Bosch was very fearful lest the stock in American Bosch be sold by the New York Trust Co. to competing American interests who would refuse to resell the shares to German Bosch.

George Murnane and his partner Jean Monnet participated in negotiations to prevent the sale of the American Bosch stock to interests that would not be friendly to German Bosch.

(3) Negotiations took place between Chemical Bank and the German Reichsbank for the acquisition by Chemical of the American Bosch stock against payment of $1,000,000 in cash to be put up by Chemical, together with $2,200,000 of standstill credits acquired by Chemical on option from British banking interests. Under the proposal, Chemical was to agree to resell the American Bosch stock to German Bosch after the war. For some reason these negotiations fell through. The Reichsbank official told Kollmar, the representative of Chemical, that there had been too long a delay in concluding these negotiations and
also that the German Government, to the embarrassment of the Reichsbank, found out that enemy-owned German standstill credits would have been used to effectuate the purchase by the Chemical.

(4) In May 1940, the shares of American Bosch which had been held by Mendelssohn were purchased by The Stockholms Enskilda Bank. Kollmar of Chemical Bank was thereafter told by the official of the Reichsbank that the stock had been sold to "Swedish friends", the Wallenbergs, on terms similar to those discussed with him, namely, on the basis of the stock being resold to German Bosch within two years after the war. Kollmar stated that if the "Reichsbank makes any deal in Sweden it is with the Wallenbergs, because I know who their confidential bankers are."

(5) It is my judgment that the Swedes in acquiring the stock in American Bosch have agreed to resell it to German Bosch after the war.

The remainder of this memorandum relates to the interrelated roles played by George Murmane, Jean Monnet and William L. Batt in the American Bosch picture.
George Murnane

George Murnane has disclaimed knowing that there was any German interest in the American Bosch stock when that stock was held nominally by Mendelssohn. In that connection the following testimony by Arthur T. Murray, President of American Bosch through 1937, is of interest:

"... Dr. Mannheimer further told me that it was his desire and intent to hold the shares in all of these companies as Agent for the German owners until such time as the Nazi Regime no longer existed, when they would be returned to the real owners.

"I was talking with Mr. Murnane and I suggested that some day both of us might find ourselves being asked by the Government who really owned the Bosch stock, because I felt then that sooner or later a war between Germany and the United States and the rest of the world was inevitable. Mr. Murnane replied that he was going to see to it that he never made any inquiry as to how the Bosch shares came into the hands of Mendelssohn & Co. because he always wanted to be in a position to say honestly that so far as he knew the shares were the property of Mendelssohn & Company. This conversation took place some time during 1936 or 1937.

"Stuttgart wanted to be very certain that there wasn't anything going through the mails that the Nazi Regime might get ahold of to indicate that they were the real owners of United American Bosch shares."

*Dr. Mannheimer was the head of Mendelssohn & Co. and his suicide in August, 1939 led to the liquidation of Mendelssohn & Co.*
When Hess was being considered in January 1938 for the Presidency of American Bosch, he wrote a letter to Batt, a copy of which is attached, in which he stated in part as follows:

"Dear Bill:"

"Just returned to Columbus yesterday so this is the first chance I have had to tell you that Mr. Murnane is in my opinion all that you stated and was most willing to give me all necessary data re United American Bosch. While this statement is somewhat premature, I am satisfied that he and I could get along in a most satisfactory manner. The general setup is exactly as you described it with control (70%) in Mendelssohn & Co., Rotterdam—which means German Bosch and Murnane acts for them. He has apparently as much authority as could be expected under such circumstances."

The foregoing would clearly indicate that Hess understood from Murnane as well as Batt that Mendelssohn was acting for Bosch.

In 1939 Murnane was in communication with Rassbach, who was an official of German Bosch. They were discussing National City Bank's effort to acquire the shares in American Bosch in exchange for blocked German assets owned by National City. Murnane pointed out that since National City was prohibited from retaining common
stock even though acquired in settlement of debts, National City would be compelled within a reasonable period to sell the shares of American Bosch and that there would then be a repetition of the existing situation. By this Murnane meant that the National City Bank, like the New York Trust Co., might sell the shares of American Bosch to interests unacceptable to German Bosch.

Murnane has said that in response to a question he asked Marcus Wallenberg during a visit to this country in the Fall of 1940, Wallenberg stated that Swedish interests alone owned the shares in American Bosch transferred from Mendelssohn, and therefore, Murnane believed that there was no German interest in American Bosch. At the same time Murnane stated that he believed that where money matters were concerned the Wallenbergs were the coldest-blooded people he had ever met.

When Marcus Wallenberg was in this country in the Fall of 1940, he was making very substantial purchases of German municipal and industrial bonds owned by Americans at prices from 20 to 25 cents on the dollar. Wallenberg
was making these purchases with funds transferred to the accounts of the Stockholms Enskilda Bank from the accounts of the German Gold Discount Bank. Wallenberg admittedly was acting for the benefit of German authorities in making these purchases. These activities by Wallenberg were widely known in this country and must have been known by Murnane.

It is also interesting to observe that Marcus Wallenberg admitted to an official of the Treasury in the Fall of 1940 that Sweden had been negotiating with the Germans in order to protect itself from a German invasion.

It is my belief that after the German invasion of Norway, German and Swedish financial and industrial interests drew closer together. Swedish interests were used by the Germans to hold title to German owned property in the United States during the period of the war and Swedish interests were also used by the Germans to engage in other financial transactions here and elsewhere for the benefit of Germany. In exchange therefor the Wallenbergs and other Swedish interests obtained protection for their property holdings in Germany and German occupied territories. Needless to say, Germany also held the Swedish properties as a hostage to compel Swedish interests to act on behalf of Germany.
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He then asked me what reason I had to infer that the transfer of the Mendelssohn shares to the Enskilda Bank included an agreement to resell to German Bosch after the war. I told him of the information which had come to the Treasury's attention, particularly the negotiations and discussions between the Chemical Bank and the Reichsbank. Notwithstanding that, Batt did not think it was conceivable that the Wallenberg family could be acting on behalf of the Germans.

I then told Batt that we had information to the effect that during the fall of 1940 Marcus Wallenberg had come to the United States for the purpose of purchasing for the Reichsbank German municipal and industrial bonds at a discount and had told certain people that he had a free hand in the purchase of these securities.

Batt confirmed what we had previously been told by Murnane, namely, that the Wallenberg family were hard and cold in matters of money, but that he had the highest regard and affection for them.
Batt said that he could understand the reasons for our apprehensions and thought that if he were in our position he would require the Enskilda Bank to warrant that the American Bosch shares would not be transferred for at least 10 years after the war.

I told him that I appreciated his frankness, but I wanted to think the matter over and would let him know my conclusions later this week.

(Signed) H. Morgenthau, Jr.

I have given a copy of this report to Mr. Donald Nelson.
MEMORANDUM FOR THE PRESIDENT:

You have asked me for information concerning William L. Batt's connection with American Bosch Corporation.

1. In order to have a clearer picture it is necessary to mention briefly Batt's connection with SKF. Batt has been associated with American SKF and its predecessors since 1919. He was general manager from 1919 to 1923, when he became president, which office he still holds. His salary as president has ranged from $26,000 in 1935 to $60,000 in 1940. He customarily files a joint return. He and his wife have no significant income other than his salary from American SKF Corporation.

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2. In 1938 Batt became a director of American Bosch Corporation at a salary of $2000 a year. The records of the company and the transfer agent do not reveal that he has ever owned any stock in American Bosch. He resigned as director of American Bosch on March 5, 1941.

The majority of the stock of American Bosch was re-acquired in 1931 by the German Bosch Company. In 1934 Mendelssohn & Co. nominally acquired the German Bosch interest in American Bosch. Shortly thereafter, George Murnane became director of American Bosch and represented Mendelssohn’s interest in American Bosch. George Murnane is at present a member of the firm of Monnet, Murnane & Co. and formerly was a partner of Lee Higginson where he actively handled the Kreuger and Toll matters. Murnane’s partner, Jean Monnet, formerly was chairman of the British French economic council, and is now a member of the British Supply Council. Murnane became chairman of the board of American Bosch in June 1937 and in 1938 effected a reorganization of the company. The financial reorganization left the stock in Mendelssohn & Co. and the managerial reorganization resulted in Donald P. Hess replacing Arthur T. Murray as president. At the same time Batt was made a director of American Bosch.

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and was liquidated. In May 1940, the Mendelssohn interests in American Bosch were sold to the Stockholm Enskilda Bank which is owned by the Wallenberg family. Murnane was then designated as the voting trustee of the Swedish interests in American Bosch.

At the present time, therefore, the Swedish interests in American SKF are represented by Batt, as voting trustee, and the so-called Swedish interests in American Bosch are represented by Murnane, as voting trustee.

* * * * * * *

3. In the course of our investigation of the personnel and records of American Bosch, which we started last Saturday, we have run across information which suggests that arrangements may have been made whereby the Germans would protect SKF holdings in German-occupied countries in exchange for efforts by the Wallenbergs to protect the German interests in American Bosch. Under such an arrangement the Wallenbergs would hold the Swedish interests in American Bosch until the end of the war when it would resell such interests to the Germans.

Murnane reported to one of our Treasury investigators that it was upon his recommendation that Batt was made president of SKF and that Hess who succeeded Murray in 1938 as president of American Bosch was suggested by Batt.

It has also been reported from another source that during the liquidation of Mendelssohn & Co. (after the outbreak of war) English interests were asked to buy the Mendelssohn-held
shares in American Bosch with the understanding that at the end of the war the control would be resold at a profit to German interests; but the English exchange authorities refused to permit the transaction. Thereafter the Mendelssohn interests in American Bosch were sold to the present Swedish holders.

In view of the fact that our investigation of American Bosch has just begun we can not warrant the accuracy of the comments contained in section 3 of this memorandum.

(Signed) H. Morgenthau, Jr.
Don L. Batt,
SKF Industries Co.,

Dear Bill:

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I have had to tell you that Mr. Murnane is in my opinion, all that
you stated and was most willing to give me all necessary data re
United American Bosch. While this statement is somewhat premature,
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