

(Telephone conversation between Chairman Eccles in Washington and Governor Szymczak in Seattle - March 12, 1942 - 10:15 - 10:50 a.m.)

Gov. Szymczak: . . . understand everything that Treasury has with exception of frozen funds and Regulation W. So takes back some of the things that Treasury got and that is the thing that is going to make our program very limited, because certainly the Federal Reserve Bank of San Francisco is not going to stick its neck out under authority given by Secretary of the Treasury, who had no authority. Opening offices here this morning. San Francisco has already opened offices and going to open several others in Los Angeles. About 15 or 20 offices. People are being hired; lawyers, technicians, and clerical help. Space is being rented. Only thing out here, so this is first real thing that has really opened on evacuation program, and sure Japs will go along with it because everyone has confidence in Reserve Bank. Was not easy to sell idea to Day or Clerk. Wanted new interpretations. Wanted Secretary of Treasury to give them complete immunity for whatever may happen. Wanted powers that he himself did not have. They wanted same thing from War Department. Told them not to worry - to get whatever power Treasury had and whatever War Department had. After all this was a System matter and any losses on account of it would be System losses and not Bank losses because doing it in interest of country and, therefore, of System. Only way to get them to move. Otherwise would not budge. Then, too, Bill Day and Ira Clerk, particularly Ira Clerk, wanted to use member banks as agencies for Treasury and not Federal Reserve Bank so as not to open up any additional offices. Just use member banks, to which Treasury objected.

Chairman Eccles: Why would Treasury object to that?

Gov. Szymczak: How could we announce to the country that the private banks are going to take over and handle problems for you when, in many instances, the banks themselves are the creditors?

Chairman Eccles: There's some argument in that.

Gov. Szymczak: In other words, while would not always happen, it might occur, and banks might take advantage of fellows and the purpose of the program is not to take advantage of evacuees.

With regard to authority Crowley is being given, the primary thing for us to do is to see Bernstein, Foley and somebody in Budget. I think Foley should be contacted by Walter Wyatt and Wyatt should see counsel for Budget, because we will fall in the middle between Budget and Treasury. Budget put it over.

Chairman Eccles: Political set-up.

Gov. Szymczak: If Wyatt can talk to them about it and find out if his order that already in section 5b as given to Treasury by President and which Treasury has delegated to us and whether could be re-ordered so we do not have to have Crowley delegate some authority to San Francisco Bank. In other words, it may be that Crowley will have to say that San Francisco Bank act as his agent, and do not want that.

Chairman Eccles: What difference does it make whom we act for?

Gov. Szymczak: Does not make any difference, except we will be in the middle because there is so much bad blood between Treasury and Crowley, they will try to pull us in two different directions.

Chairman Eccles: All a question of who has authority under Executive Order. If Crowley has the authority to give this, then he can give us such authority as we need. If Crowley does not have it, then the Treasury can give it to us. If neither one has it, then we can get the President to give it to us by Executive Order.

Gov. Szymczak: Makes more sense than anything to get authority from President, under which the San Francisco Bank is already organizing set-up, offices being opened, people being hired, and announcements made to the press.

Chairman Eccles: Get straightened out and find out

Gov. Szymczak: Have Wyatt find out. Alien Property Custodianship and that Bank acting under authority. Press mixed up - announcement appearing that Federal Reserve Bank is Alien Property Custodian. Have sent you some of the clippings. At this end we are going right ahead, but will move very cautiously and slowly, especially on powers of attorney.

Chairman Eccles: I agree with that. Mark time for a day or two until we can see just where we are, and I certainly agree with you that we are not going to get in the middle of this thing.

Gov. Szymczak: Paley called me last night and said he talked to Bernstein, who is going to see Budget or Crowley and find out whether Crowley will not delegate power to Secretary of Treasury under this order so Secretary can delegate it to us. I told him, if you want to do it O.K., but why not have Crowley give it to us directly?

Chairman Eccles: Would like to have the President modify this order so these powers given by Secretary to us are continued in us. While we are fiscal agent for Treasury, under statute, what reason have we to be fiscal agent for everyone else? Do not know whether we can act as fiscal agent for Crowley.

Gov. Szymczak: Two things - either clarify order to be signed by President, or, if it is too late, Crowley should turn over whatever authority he has under this order so that Morgenthau can then redelegate it to us at San Francisco, or take it out of powers given to Morgenthau and Crowley and give directly to the Federal Reserve System. I mean the Board of Governors and not just the San Francisco Bank.

Chairman Eccles: Mean to have President give what to Board of Governors?

Gov. Szymczak: Powers under section 5b which we are doing out here on the West Coast with evacuees, and which may have to be done on East Coast and southern border. This would make more sense and then will have power to act and be indemnified.

Chairman Eccles: Should be a special order.

Gov. Szymczak: Yes, a special order. After you have talked to Crowley. Good thing to talk to Bernstein, Foley at Treasury and counsel at Budget and see what Crowley really has and see what you can get out of them from powers granted to Crowley by this order and see if cannot get it clarified.

Chairman Eccles: Mark time and get it clarified because there is no one else to do the job.

Gov. Szymczak: Only one in picture of evacuation that is really doing something out here. Everybody else just talking. Therefore, the Federal Reserve Bank of San Francisco should not be penalized for being first to do something. Crowley and Treasury should realize this.

Chairman Eccles: What I am afraid of is that Crowley will give us only what Treasury has. Wyatt has not seen order. In the meantime, mark time. Will take a day or two on this. I am going to be tied up and will get Wyatt on this.

Gov. Szymczak: We will keep opening up offices, keep hiring people, and keep talking to Japs, but will be very careful about taking powers of attorney and not sticking our necks out. Treasury can reimburse us first as fiscal agent and, second, under section 5b powers.

Eisenhower at Agriculture - father died and went out to Kansas yesterday but will be back in Washington shortly. Found out from McCloy, Assistant Secretary of War, that Eisenhower has an order that will be signed by the President when Eisenhower gets back to Washington this week, and in that order Eisenhower and his agency, which is a resettlement of evacuees agency, will have exactly same powers that Morgenthau has regarding property of evacuees. In other words, Eisenhower will have to delegate powers to us just as Morgenthau and Crowley. Three different people delegating powers to San Francisco Bank. Eisenhower's responsibility is to find place for them to live and work and beyond that will have overall authority to coordinate whole effort. However, there is no reason in the world why ~~that~~ should have anything in about property of Japs on coast. No reason for duplicating it. Reason why I should like Wyatt talk to counsel in Budget and ask him to let Wyatt see copy of order and see if change cannot be made before President signs it.

Chairman Eccles: Do not get this very clear. Cannot see why we are concerned with job Eisenhower has got to do.

Gov. Szymczak: The point I am making is that McCloy told me that Eisenhower, in his presidential order, will have power such as Morgenthau gave us over the property on the coast.

Chairman Eccles: If he has that power, then he can give it to us and then we will not have to get it from Crowley and take place of Treasury. That would mean we would be getting authority from Agriculture and . . .

Gov. Szymczak: Eisenhower steps out of Agriculture the minute order is signed and sets up new agency.

Chairman Eccles: I think we ought to say, the Treasury is out, and we are out, and you set up someone else. Either that, or have the President give us a special Executive Order to the Board, if President would issue a special Executive Order to Board to do these things. I do not like idea of these banks getting special instructions from Eisenhower and these individuals all over the lot. I am going to take the position that we are the fiscal agent for the Treasury and they can pay us as such; we have no business taking instructions from other agencies, and the banks are not going to. This idea of taking on the job of running it under them . . . Have Board back here and if we are going to run it we need Executive Order directly from the President to the Board. Or from the Treasury to us as fiscal agent. So far as the Alien Property Custodian's giving direct instructions to our banks, and Board over here, makes confused organization. They want to know who the hell they are working for. Now, that is the way the thing looks to me.

Gov. Szymczak: It makes sense to one who is out here on the coast.

Chairman Eccles: I'll approach it from that standpoint.

Gov. Szymczak: Organization is going, opening up offices, Japs are coming in, and we are very cautious and won't stick our necks out. Can depend on that. Have hired lawyers, clerical staff, etc. Press announcements have gone out through DeWitt, Commanding Officer in charge, and his aides.

Can say this truthfully, that the only element in this whole picture, that knows what it is doing, is the Federal Reserve Bank of San Francisco. Everybody out here has confidence in Federal Reserve and, therefore, glad they are undertaking this job, but unless we have authority to do job as it should be done - which is a tremendous job - and unless we get authority from Washington, my thought is to throw the whole thing over. This is the only thing done so far and if Washington is going to muddy it up to the extent it has, why should the San Francisco Bank keep on? Clerk not easy to convince. Had to talk to Day and Clerk for two hours, about public aspect. Told them if they did not want to do it for Treasury, they would tell them to do it by taking banks over under presidential order.

Met with Board of Directors here. Assistant Secretary of War McCloy, Eisenhower, DeWitt, and others gave talks. Board O.K.'d whole thing. Henry Grady talked to Day and Clerk about close cooperation with Treasury. Over here they don't like the Treasury, especially frozen funds fellows, but finally got over that and are going along.

Had meeting with Industrial Advisory Committee at San Francisco. Will be in Portland tomorrow; back to San Francisco Saturday, Sunday and Monday; Los Angeles Tuesday and Wednesday. Take train back to Washington on Thursday.