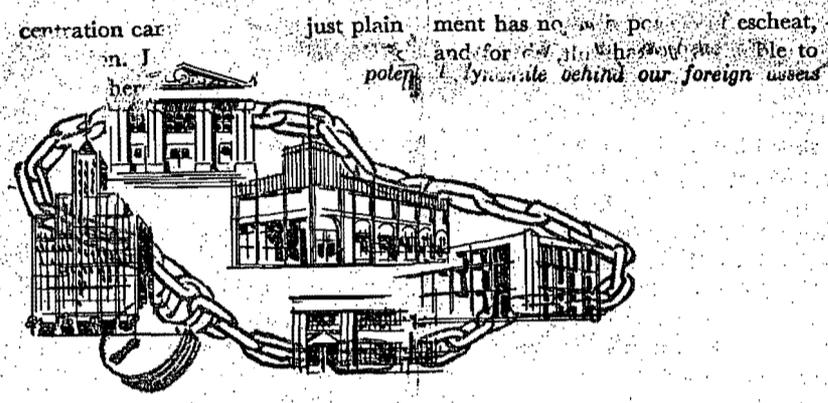


RG 56
Entry UD 25
File Foreign Funds Control
Box 5



\$7,000,000,000 on Ice

by H. EUGENE DICKHUTH

EUROPEAN CAPITAL BEGAN getting jittery around 1935. Every time Hitler made another speech affirming his undying devotion to the sacred cause of peace, a few hundred more Continental financiers and industrialists decided that America would be a far safer place for their holdings. Between 1935 and 1940 more than 7,600,000,000 dollars flowed into this country from Europe.

Nearly all of this overseas nest-egg is still around, for Uncle Sam has applied the biggest freeze in history to an incredible hoard of alien capital. You don't hear much about the money right now, but some post-war seers believe that these seven odd billions are going to make a terrific noise for Uncle Sam at the peace tables. You'll see just how in a little while.

It started officially on April 8, 1940, with President Roosevelt ordering Federal control over the funds of Den-

mark and Norway in this country. This was done to prevent the Nazi invaders from getting their hands on these resources. Similar control was extended to each of Hitler's victims as his military time-table rolled on.

Today Foreign Funds Control, an unobtrusive, little publicized division of our Treasury Department, is the supreme boss of more than seven billion dollars in foreign assets in the United States. These billions represent the private, bank and governmental holdings of 33 foreign countries—living and dead. Not a cent of the money can be touched without a Treasury license. And while it's possible to get such a license, the shrewd investigators of Foreign Funds Control must have A to Z credentials from every alien who applies.

Through this elaborate system of funds control Uncle Sam has been able to dry up the trade of the enemy, close

RG 56
 Entry UD 25
 File Foreign Funds
Control
 Box 5

its former American sources of cash and credit and, as a result, curtail its propaganda and espionage efforts throughout the world. And just in case Foreign Funds Control was overlooking any stray items, the President in July, 1941, established something which Wall Street lawyers love to describe, very loftily, as the "Proclaimed List of Certain Blocked Nationals," but which humdrum importers and exporters prefer to call "that blankety-blank Blacklist."

At present the list contains the names of thousands of individuals and commercial firms in Central and South America. Most of these are suspected of being under the control of the Axis powers. Trade with blacklisted firms is naturally forbidden to Americans, and the funds of these firms in this country have long since been frozen.

One of the obvious dodges tried by the Axis masterminds was to have Vichy French, Spanish and Latin Americans take over blacklisted businesses and thus give them a thin varnish of respectability. But our Board of Economic Warfare and Foreign Funds Control—they work closely together—caught on with commendable speed, and another enemy stratagem was blitzed. Since January, 1942, another 2,000 Axis affiliated firms in

Sweden, Spain, Turkey, Switzerland and Portugal have been added to the international Blacklist.

While Foreign Funds Control has built up a large staff of able investigators, the bulk of the work has fallen on the officers of America's 15,000 banks. Many of the larger banks, for instance, have had to set aside whole departments to handle the terrific amount of paper work involved in Foreign Funds Control. Any account over 1,000 dollars that has even a

tinge of a foreign connection has to be investigated closely by the bank, and a report filed with FFC. Even the accounts of native-born Americans, known to have spent recent years abroad, are given this careful scrutiny. In one large private bank in New York more than 50 per cent of

the accounts came under the "dubious" heading, giving the bank's officers a six months' headache of investigation.

One of the favorite banker's nightmares usually goes something like this:

An agent of Foreign Funds Control comes into the banker's office one fine morning and says casually: "What do you know about John Doe, Sr.?" And the banker replies: "John Doe, Sr.? Why, he's one of our wealthiest citizens. He's one of our best accounts. A fine businessman. As true and loyal an American as they come."

A "must" for every woman reader!

BUMS, BANDITS AND BURGLARS

Watch for it in the March issue.

RG 56
Entry UD 25
File Foreign Funds Control
Box 5

The Federal agent laughs nastily and says: "Well, that's just too bad. We have just discovered beyond all possible doubt that John Doe, Sr. is just an American stooge for Hermann Goering, and most of Doe's account in this bank is being held for fat Hermann. What do you think of that?"

At this point the banker wakes up in a cold sweat. It's only a bad nightmare, of course, but tomorrow old man Doe's account is going to be gone over good and proper. He'll feel awfully foolish doing it, but you just can't be too careful nowadays.

COMPLICATING these checkups are oddities of international finance such as these: many refugees leaving Germany with an American visa had been given large sums of money by their less fortunate friends. The outward bound Germans were told to hold this money in trust until their friends could also come to America.

Upon their arrival the refugees put their friends' money in separate accounts under phony names, in order to protect those still in Germany from Nazi reprisal. When Foreign Funds Control regulations required the newcomers to reveal for whom they were holding the money, the refugees found themselves in an awful quandary.

If they didn't reveal the real names of the owners of the special accounts they would be breaking the law of their newly adopted land. But if they did, and there was a leak some place with word getting back to the Nazis, those still in Germany would never be permitted to leave until they had paid

their ransom—usually every cent they held in foreign banks.

The deadlock was finally broken by a little E. Phillips Oppenheim technique. The refugees made sworn and very secret statements as to the true identities of the people for whom they were holding the money. Only one officer of the bank witnessed the statement and only a very few top-ranking administrators of FTC were allowed to peek at them. So far there has been no leak.

One of the paradoxes encountered by many of the New York bankers who were receiving funds from foreign clients before the outbreak of the war was known as the system of "Sealed Envelopes." Every large bank had a file of these, separated according to country of origin. When word of that land's invasion was received, the New York banker was supposed to open the envelopes and follow the exact and detailed instructions contained therein. Sounds simple, but this system causes some very real financial confusion, as in the case of the rich old German lady.

"PLEASE CABLE FORTY-FIVE THOUSAND DOLLARS ZURICH ACCOUNT EMMY BENNINGER" read the coded message received by a New York bank from Lisbon. Signature and test key showed the radiogram was dispatched by a brother of a wealthy woman client who was last known to be in a Nazi concentration camp. The banker made a careful search of his files. There was a note there, signed by the client's brother. It read: "Whenever you should re-

RG	56
Entry	UD 25
File	Foreign Funds Control
Box	5

ceive instructions from me to pay an unusually large amount out of my sister's funds, please do not hesitate to act upon it immediately. It may mean the difference between liberty and death." The requested sum was cabled to Switzerland that very afternoon. A week later Emmy Benninger phoned the banker from Portugal, highly elated about her release and gratified over the prompt attention of her American bankers.

There was something else on her mind, though. Two companions of concentration camp days, set free with her, were anxious to come along to the United States. Would her bankers please wire the State Department in Washington any necessary bond out of her account so that all could leave Europe together as soon as the necessary arrangements had been made? Again Miss Benninger's instructions were carried out to the letter, and in due course the three refugees arrived in New York. The bankers felt that they had really done a good deed in this matter.

But oddly enough, after a few weeks, a Federal agent was at the bank inquiring into the background of the Benninger family. He wouldn't say for what purpose the information was required. Several weeks later the agent paid a return visit. The case had been solved. Emmy Benninger's travelling companions had been arrested. Since their arrival they had hounded scores of wealthy European expatriates here. On their persons had been found detailed lists of names containing nearly every important refugee in the U. S.,

his background, business and fortune, as well as the exact amounts it would cost him to redeem members of his family from concentration camps. The Federal investigator had found that Miss Benninger's "friends" were in reality accredited Gestapo agents. Simple Emmy Benninger had been duped into helping the two Nazis.

SOME SMALL PART of the seven odd billions being supervised by Foreign Funds Control will be paid out, under license, to friendly aliens in this country for living expenses, but the greater bulk of it will remain untouched until the end of the war.

Then what? That question will bring many different answers in Washington's so-called "informed circles." It is known that many of the United Nations have politely hinted that they would like to take over from Uncle Sam the task of supervising directly their nationals' frozen funds. Some think the billions should be used as a diplomatic weapon at the peace tables, where money is always a loud speaker and an efficient bargainer. Other post-war planners hold that the money should be redeemable only in terms of American goods and materials for shipping to countries whose funds we've frozen. And then, of course, there are the die-hards who still want to know when the debts of World War I are going to be paid.

Incidentally, a good part of the money is likely to remain unclaimed because its original overseas owners have already, or will in time, become the victims of Gestapo kindness, con-

RG 56
Entry UD 25
File Foreign Funds
Control
Box 5

centration camp culture or just plain starvation. In that case, New York State, where much of the money is sequestered, is likely to get its hands on a real windfall. The state escheat laws provide for it taking over banked funds and deposit box holdings which remain unclaimed after a certain number of years. The Federal government has no such powers of escheat, and for decades has been unable to touch more than \$100,000,000 ~~million~~ dollars in unclaimed ~~bank~~ ~~acc~~ accounts in various national banks throughout the country."

Meanwhile keep your eyes on the seven frozen billions. When it's unfrozen this money won't talk—it will shout!