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# The Federal Reserve's Interactions with Japanese Americans during WWII

1942-1945

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*This photo was captioned "A business man of Japanese ancestry confers with a representative of the Federal Reserve Bank at Wartime Civil Control Administration station to arrange disposition of his financial affairs prior to evacuation." National Archives and Records Administration Photograph No. [210-G-A79](#), Central Photographic File of the War Relocation Authority, 1942-1945; Record Group 210: Records of the War Relocation Authority, 1941-1989.*

During World War II, the United States government forcibly relocated and detained people of Japanese ancestry who were living on the west coast.<sup>1</sup> Eventually, the United States came to see these actions as a "grave injustice" that Congress apologized for "on behalf of the Nation" in 1988. The Civil Liberties Act, signed by President Reagan, declared that the detention was due to "racial prejudice, wartime hysteria, and a failure of political leadership" rather than legitimate security concerns as asserted during the war. The Act also established reparations.<sup>2</sup>

During the war, the Roosevelt Administration and the Army called for the assistance of several parts of the federal government, including the Federal Reserve, in carrying out the forced relocation. The Federal Reserve was tasked with aiding Japanese Americans in disposing of their property and dealing with creditors in the process of rapidly leaving their homes. The Fed's goals were to further the war effort by assisting the relocation and to protect the interests of detainees. In many cases the Fed provided valuable assistance to protect detainees from unfair and improper treatment. In many other cases, it could not do much beyond giving general advice about the limited options available.

The episode is an unusual one in the Fed's history. As part of the war effort, the Fed was assigned a duty well outside of its normal activities. Overall, it served a moderately helpful role in the midst of a grave injustice.

## **Responsibilities Assigned to the Fed**

President Roosevelt's [executive order 9066](#), signed February 19, 1942, set in motion the forcible relocation and detention of more than 110,000 people of Japanese descent, about 60 percent of whom were American citizens.<sup>3</sup> The order also applied to a smaller number of German and Italian non-citizens.

Several parts of the federal government were assigned responsibilities. For example, the Farm Security Administration sought to ensure ongoing agricultural production from farms operated by Japanese people. The Federal Reserve's task, of assisting detainees dispose of their property, was well outside of its normal duties, but the Fed had financial expertise and an existing presence on the west coast because of the Fed System's decentralized structure.<sup>4</sup>

The relocation took place largely from the end of March to August 1942. The San Francisco Fed, which had the task of carrying out these duties on behalf of the Fed System, employed 184 employees at the peak of its "Evacuee Property Program." Staff conducted nearly 27,000 interviews with about 10,600 people of Japanese descent requesting assistance, in addition to a large volume of correspondence.<sup>5</sup> The in-person interviews were conducted in cities and towns throughout the west coast.<sup>6</sup>

## **The Economic Challenges of Rapid and Forced Relocation**

Because detainees were limited to "what can be carried" when relocating to detention camps, physical belongings had to be stored, sold, or looked after by a friend or an agent.<sup>7</sup> The limited time afforded to dispose of property created a weak bargaining position in dealing with potential buyers even though the federal government warned that "Persons who attempt to take advantage of Japanese evacuees by trying to obtain property at sacrifice prices are un-American, unfair, and are deserving of the severest

censure."<sup>8</sup> In practice, storage was often a better option, though it carried risks of theft or damage, and not all property could be practically stored.

A second class of problems related to a large variety of small businesses run by Japanese Americans, commonly including laundries and cleaners, agricultural nurseries, hotels, wholesale markets, and restaurants.<sup>9</sup> Selling a business quickly was challenging, especially if the business was specialized, physically demanding, or primarily served the Japanese American community. In general, this preponderance of small businesses reflected a larger economic pattern in which, likely as a result of societal discrimination, many Japanese Americans were self-employed in jobs that required hard manual labor.<sup>10</sup>

A third class of problems related to ongoing contracts. Japanese Americans, like other Americans, had used mortgages or installment sales contracts in the 1920s and 1930s to buy cars, real estate, household durable goods such as refrigerators, and business equipment such as laundry machines. They also signed leases or utility contracts for specific time periods. Detainees faced the unfair prospect of having their property repossessed, forfeiting the value of payments they had made to date, or paying out the entire duration of a lease or utility contract. Detainees had few legal options if their contracts did not provide early termination provisions. US officials were not necessarily sympathetic, either; one Treasury official asked Japanese Americans to remember that landlords too would face losses from the forcible relocation.<sup>11</sup> Some contractual problems were quite complex. One example is a small town of Walnut Grove, California: Most of the town's land was occupied by Japanese residents on the basis of a long-term lease.<sup>12</sup>

These problems were compounded by discriminatory treatment. One instance of systemic discrimination was that fire insurance companies broadly refused business to Japanese Americans by March 1942, criticizing the "attitudes" of Japanese Americans and also citing the likelihood of sabotage to Japanese-owned property.<sup>13</sup> Other examples of discrimination include a Japanese American grocer, attempting to collect outstanding bills, being "told [he] would have to use White collectors,"<sup>14</sup> an automobile buyer refusing to deal with a Japanese American without proof of citizenship,<sup>15</sup> and wholesale agricultural cooperatives that refused to buy products from Japanese Americans.<sup>16</sup>

## **Nature of Assistance Provided by the Fed**

The Fed's first suggestion to many detainees seeking assistance was that they find an agent who could sell, lease, store, or otherwise look after their property on their behalf. Agents might be friends or relatives not being relocated, attorneys, real estate agents, or local banks. The Fed itself did not accept the role of agent in most cases.

The Fed listed property for sale if detainees couldn't find a better resolution and would circulate this list among contacts who had expressed interest.<sup>17</sup> The Fed also stored large volumes of property in warehouses and helped find creative solutions for items that were difficult to store; one example is a large shrine from a Shinto temple, which, in a sign of the fraught nature of the times, had been dedicated in a patriotic spirit to Presidents Lincoln and Washington.<sup>18</sup> Automobiles were one particularly common storage problem, as detainees could not bring them to detention camps. The Fed offered only open-air storage and was criticized in a Congressional investigation for being overly cautious in emphasizing the

risks of open-air storage to detainees.<sup>19</sup> Ultimately, the Fed helped detainees dispose of about 1900 autos, selling most of them to the US Army for the war effort.

In dealing with contracts, the Fed called for the "unselfish help" of creditors and others.<sup>20</sup> Some took up this call. In one example, the Fed helped a Building and Loan Association with many Japanese borrowers find a way to limit disruption by creating a standard contract that gave the B&L the right to manage the borrowers' properties until they returned.<sup>21</sup> Yet the Fed also found that some lenders had systematic policies of attempting to repossess property from Japanese Americans even if they hadn't yet missed a payment.<sup>22</sup> They also found that some landlords tried to extract concessions when Japanese Americans attempted to transfer leases.<sup>23</sup> In such cases, the Fed contacted the lenders or landlords, informed them that their actions were "improper and distinctly unfair," and attempted to secure a "reasonable" agreement.<sup>24</sup>

When lenders were still recalcitrant in their improper or unfair treatment of detainees, the Fed had one special legal authority: the power to freeze property, to prevent the property from changing ownership for any reason.<sup>25</sup> This power, originally created in the context of freezing assets that might be used to support military enemies, in this case was intended to be applied to protect assets owned by detainees.<sup>26</sup> This power leveled the playing field between detainees and their lenders. While the Federal Reserve never actually froze any property, it described the power as of "immense value" in convincing lenders to come to terms.<sup>27</sup> Its report describes several instances in which a "threat of a freezing order" brought about a new round of negotiation and a more equitable settlement.<sup>28</sup>

## Conclusion

The forcible relocation and detention of Japanese Americans during World War II created many severe hardships. The Fed, tasked with aiding Japanese Americans in dealing with one class of these hardships related to disposing of their property and resolving their financial affairs, took the official position that "No Japanese need sacrifice any personal property of value. If he cannot dispose of it at a fair price, he will have opportunity to store it."<sup>29</sup> Even as the Fed did try to prevent injustice and hardship and clearly assisted many detainees, many detainees nevertheless experienced losses. The Fed's assistance was something that Fed Chairman Marriner Eccles thought "that the Federal Reserve System can point to with pride" in part because the "Fed is doing something while everyone else is just talking."<sup>30</sup> Historian Sandra C. Taylor described the Fed's assistance as "taken for what it was—better than no help at all, and many people were grateful for it."

Congress later provided a process for compensation of losses in the Japanese-American Claims Act of 1948, though proving a claim was difficult since many no longer possessed the detailed financial records required to prove the losses.<sup>31</sup> Compensation totaling \$37 million was ultimately paid, out of 26,568 claims requesting \$148 million. Decades later, the Civil Liberties Act of 1988 and amendments in 1992 provided \$1.6 billion in "redress payments," enough for \$20,000 per detainee still alive.<sup>32</sup>

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## Endnotes

<sup>1</sup> This essay describes these actions as forcible relocation and detainment. They could also be described as incarceration. At the time, the United States described these actions as an evacuation and internment and sometimes also used the words concentration camp.

<sup>2</sup> [Civil Liberties Act of 1987](#), Pub. L. 100-383, 102 stat 93 (H.R. 442), August 18, 1988.

<sup>3</sup> United States. Army. Western Defense Command. "[Final Report: Japanese Evacuation from the West Coast](#)." July 19, 1943: viii; Sandra C. Taylor. (1983) "[The Federal Reserve Bank and the Relocation of the Japanese in 1942](#)." *The Public Historian*, vol. 5 no. 1, 1983: 10.

<sup>4</sup> The Treasury noted that it was delegating this task, and the power to freeze assets, to the Federal Reserve in its capacity as fiscal agent of the US.

<sup>5</sup> Federal Reserve Bank of San Francisco. "[Evacuation Operations: Pacific Coast Military Areas 1942](#)." 1942: 12.

<sup>6</sup> "[Communities Visited](#)." Federal Reserve Bank of San Francisco, 1942, exhibit 26.

<sup>7</sup> [Final Report materials, Reel 6, part 9](#). *Records of the War Relocation Authority*, National Archives and Records Administration: 200.

<sup>8</sup> "[No. 5 - Subject: Disposition of Household Effects, Storage, Etc.](#)" Federal Reserve Bank of San Francisco, 1942, exhibit 53.

<sup>9</sup> "[Head Office Zone Classification of Interviews by Types of Businesses as of May 22, 1942](#)." Federal Reserve Bank of San Francisco, 1942, exhibit 56.

<sup>10</sup> Federal Reserve Bank of San Francisco. "[Economic Implications of Japanese Evacuation](#)." *Monthly Review*, April 1, 1942.

<sup>11</sup> W.B. Pollard. Memorandum to Files: "[Evacuee Property Program](#)." March 13, 1942. Marriner S. Eccles Papers, Box 38, Folder 18, Item 13, University of Utah, J. Willard Marriott Library.

<sup>12</sup> "[Summary of Cases of Interest](#)." Federal Reserve Bank of San Francisco, 1942, exhibit 59: 4.

<sup>13</sup> [\[Correspondence, April 1942\], Reel 3, Part 5](#). *Records of the War Relocation Authority*. 120-127.

<sup>14</sup> [Final Report materials, Reel 6, part 9](#). *Records of the War Relocation Authority*: 433.

<sup>15</sup> "[\[Interview record for Ito Sumi.\] Los Angeles Branch Interview Reports: S](#)." [Reel 4, part 6](#). *Records of the War Relocation Authority*: 184.

<sup>16</sup> Pollard, 1942.

<sup>17</sup> "[Functions Performed by the Federal Reserve Bank of San Francisco in Administering its Phase of the Program](#)" and "[Summary of Cases of Interest](#)." Federal Reserve Bank of San Francisco, 1942: 12; and exhibit 59: 9.

<sup>18</sup> [Final Report materials, Reel 6, part 9](#). *Records of the War Relocation Authority*: 53.

<sup>19</sup> United States. Congress. [National Defense Migration: Fourth Interim Report of the Select Committee Investigating National Defense Migration](#). House of Representatives, 77th Congress, 2d Session, May 1942. US Congress (1943).

<sup>20</sup> [Final Report materials, Reel 6, part 9](#). *Records of the War Relocation Authority*: 72.

<sup>21</sup> "[Summary of Cases of Interest](#)." Federal Reserve Bank of San Francisco, 1942, exhibit 59: 3; 9.

<sup>22</sup> "[Summary of Cases of Interest](#)." Federal Reserve Bank of San Francisco, 1942, exhibit 59: 3.

<sup>23</sup> "[Summary of Cases of Interest](#)." Federal Reserve Bank of San Francisco, 1942, exhibit 59: 20.

<sup>24</sup> "[Summary of Cases of Interest](#)." Federal Reserve Bank of San Francisco, 1942, exhibit 59: 5.

<sup>25</sup> The Fed set out the use of this authority in Special Regulation 1, issued March 18, 1942. This power was delegated to the Fed by the Treasury department, which in turn was granted this power by the Trading with the Enemies Act.



<sup>26</sup> See the [press release](#) accompanying special regulation 1, Federal Reserve Bank of San Francisco, 1942, exhibit 23.

<sup>27</sup> "Functions Performed by the Federal Reserve Bank of San Francisco in Administering its Phase of the Program," Federal Reserve Bank of San Francisco, 1942: 10.

<sup>28</sup> "Summary of Cases of Interest." Federal Reserve Bank of San Francisco (1942), exhibit 59: 13-14.

<sup>29</sup> [Final Report materials, Reel 6, part 9](#). *Records of the War Relocation Authority*: 436.

<sup>30</sup> A complete discussion of Eccles' views on the Detention of Japanese Americans would also examine his beet sugar business's employment of several hundred Japanese American detainees as field workers in the mountain west. See Mark Wayne Nelson. *Jumping the Abyss: Marriner S. Eccles and the New Deal, 1933-1940*. University of Utah Press, 2017: 355-357.

<sup>31</sup> See Commission on Wartime Relocation and Internment of Civilians. *Personal Justice Denied*. Report for the Committee on Interior and Insular Affairs, U.S. House of Representatives, 102d congress, 2d session, March 1992: 118-121.

<sup>32</sup> An estimate that Japanese Americans suffered \$400 million in losses has been attributed to the Federal Reserve in the past. However, historians have found little to substantiate the attribution of this estimate to the Federal Reserve or on what basis the estimate might have been made (Commission on Wartime Relocation and Internment of Civilians, 1992: 120).

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*Published August 15, 2023. Jonathan Rose contributed to this article. Please cite this essay as: Federal Reserve History. "The Federal Reserve's Interactions with Japanese Americans during WWII." August 15, 2023. See [disclaimer](#) and [update policy](#).*