

PSF

CF

Treasury Dept.

PSF
CF Treasury

The following is a copy of the President's penciled note:

"H. M., Jr.

To talk with Will Alexander of Fed. Alcoh. to repeal
Sec. 5 for separate agency on Authority.

Keep in Treasury.

No appointments by me.

F.D.R."

Sent to Secretary, Treasury, 1/18/37.

x96-A
x796
x21

*Dr. F.
Treasury*

PSF
CF: Treasury



TREASURY DEPARTMENT

THE ADMINISTRATIVE ASSISTANT TO THE SECRETARY
WASHINGTON

CF.
Treasury

July 2, 1937.

Mr. Forster:

Mr. McReynolds directed the attached
be sent you for your files.

x 20 "State"
x 6 F.
x 48
x 203

TELEGRAM

Dispatched from White House
to President at Hyde Park
July 1st, 1937, 11:25 a. m.

FOR THE PRESIDENT OF THE UNITED STATES:

On my return from the wedding last night at 8:45 I found the following message awaiting me:

"Secretary of State,
Washington

Urgent and Rush

For Treasury from Butterworth

London
Undated
Rec'd 5:30 p.m.,
June 30, 1937.

Inasmuch as telephone connection was so poor and British Treasury has now informed me that they feel that a decision by Mr. Morgenthau tonight, regardless of the fact that it will not reach here until the early hours of the morning, is highly desirable (repeat highly desirable) I am putting on the direct wire the Chancellor of the Exchequer's message to the Secretary of the Treasury together with the Chancellor's proposed reply to Bonnet. The former reads as follows: 'I have received written reply from Bonnet together with further oral message today. Gist of his statements is that French equalization account can and will obtain gold from Bank of France for purpose of supporting franc and that it is not their intention to allow franc to fluctuate without control. On the other hand they

anticipate a drop when markets reopen. In their view pre-existing arrangements for technical cooperation between exchange funds can be resumed with sole difference that franc will not be held within previous gold limits. They pressed strongly for reply today as to whether we regard this new departure as coming within tripartite monetary agreement. While these explanations make position clearer in certain directions there is of course no certainty as to level of which franc will be allowed to fall or as to success with which they will control fluctuations thereafter. My feeling is that it will be desirable to continue arrangements envisaged in tripartite monetary agreement for present but it will be impossible to decide on our final attitude until we have some experience of what happens. I am anxious to avoid a position in which we should announce that tripartite monetary agreement continued in full force and then on finding that the situation was developing on unsatisfactory lines should ourselves be compelled to appear later as bringing agreement to an end so far as France is concerned. I should explain that it seems to us that the whole question whether the franc can be sustained and therefore whether France can continue inside the tripartite monetary agreement is mainly governed by the reality or otherwise of the budgetary reforms which the new French Government are now foreshadowing. Unless we have some

clearly defined point at which they can hold the franc, we should be powerless to intervene in the whole matter. With this in mind I propose to send following reply to Bonnet if you see no objection.' The draft reply to Monsieur Bonnet reads as follows:

" The Chancellor thanks Monsieur Bonnet for the messages communicated today by Monsieur Honzik. In view of the insistent demands made in the British Parliament for an immediate statement, and bearing in mind the representations which Monsieur Bonnet made, the Chancellor this afternoon made following statement in the House of Commons, of which he understands Monsieur Bonnet already has a copy. The Chancellor is glad to have the further indications given of the measures which the French Government propose to take in connection with the exchange value of the franc. He has noted that the French equalisation account both can and will obtain gold from the Bank of France for the purpose of supporting the franc henceforward. At the same time the Chancellor is not unnaturally anxious as to the immediate position which may arise following the reopening of the market when it is anticipated that a fall in the franc may take place. The Chancellor cannot conceal that a movement of this kind may cause considerable apprehension in this country and will render

His Majesty's Government's position difficult. The Chancellor has noted that it is Monsieur Bonnet's intention to continue the same type of practical arrangements for management of the franc as have recently been in force in cooperation with the British and United States authorities. In view of the general character of the decision reached by the French Government which, as indicated in his message yesterday, the Chancellor feels may have more serious repercussions than the French Government have assumed, the Chancellor cannot avoid apprehension both on the score of the level to which the franc may fall and on the difficulty of controlling it and he remains for his part uncertain how far and in what way the authorities in this country would be able to continue reciprocal arrangements on the lines which have been followed up to now. He can only suggest that the development of the matter must be carefully watched and further consultations take place as soon as it is seen how the exchange situation of the franc actually develops in the immediate future. So far as under the proposed arrangements the franc is kept relatively steady and not too far from recent level, he is willing that the practice under tripartite monetary agreement should continue but he would like to know before business opens on the 1st July to what precise level as compared with recent weeks Monsieur Bonnet will allow the franc to move."

BIRCHAM "

After three hours work with the assistance of the following people, Mr. Wayne C. Taylor, Mr. Herman Oliphant, Mr. Clarence Oppen, Mr. Archie Lochhead, Dr. Harry White, Dr. Jacob Viner, Dr. Winfield Reifler, and Dr. Herbert Feis, and the especially able representation on the part of Mr. Butterworth of the American Embassy in London, I telephoned at twelve o'clock Eastern Standard Time the following message to Butterworth for Sir John Simon:

"Thank you for the expression of your views transmitted to me on June 29 and 30. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet.

"Taking into consideration the limited time within which Monsieur Bonnet was able to operate and the extreme difficulties of the situation which faced him on his arrival, I feel that his failure to consult completely with our two Treasuries is understandable.

"I share your apprehension over the repercussions which might arise from an undervalued or unduly fluctuating franc, but I believe that we can best minimize these dangers by avoiding, in so far as possible, any move on our part which might add to any lack of confidence in the future of the franc.

"In the present juncture of world affairs it is of prime importance to preserve the beneficial effects which resulted from the Tri-partite Declaration and its ensuing arrangements.

It was thus demonstrated that great democratic nations could, with mutual confidence, create and carry out cooperative measures.

"In view of all these considerations, it is my conviction that every reasonable effort should be made to make it possible for France to continue as a participant in the Tri-partite Declaration.

"It is therefore my sincere hope and desire that you and I may present to Monsieur Bonnet similar messages somewhat along the following lines:

"Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the Tri-partite Declaration.

"May I express to you the sincere hope that France will soon emerge from the temporary difficulties with which she is now confronted!"

At seven o'clock this morning Butterworth telephoned me the following message from Sir John Simon which I took over the telephone and is consequently not letter perfect:

"I am most grateful for your message. I fully agree with you as to the importance of preserving the beneficial effect of the tripartite declaration.

„ I am sending to Mr. Bonnet a message in the terms you suggested and I am telling him that I understand that you are sending a similar message and that I suggest that if Mr. Bonnet desires, and if you agree, the two messages should be released simultaneously at 5 P.M. London time, for publication. I should also like to have your consent to say in the House of Commons at any time after 3 P.M., that I have sent this message and that you have sent a similar message. At the same time I am sending to Mr. Bonnet a confidential, personal, message along the lines of the draft communicated to you yesterday with the substance of which I assume you are in general agreement. The possibilities of maintaining with the French authorities the full measure of cooperation envisaged in the tripartite agreement and prestige of that declaration in the eyes of the world must, I feel, depend on the franc being kept relatively stable at a reasonable rate, and I feel that you would agree for me to tell Bonnet frankly of my convictions on this.”

At 9:15 A. M., Eastern Standard time, I gave out the following message to the American Press:

“I have sent the following message to Finance Minister Bonnet of France which is identical with a

message being sent by the British Government:

'Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the Tripartite Declaration.

,May I express to you the sincere hope that France will soon emerge from the temporary difficulties with which she is now confronted.'"

I was sorry that I was unable to reach you on account of your being at the wedding. I sincerely hope that the action which I have taken meets with your entire approval.

HENRY MORGENTHAU, JR.

TELEGRAM

file

7/3/31/38 Confidential File: Treasury

The White House
Washington

BF
C. F. Treas
x 146
x 229

Washington, D.C. Mar 25, 1938.

The President:

~~Strictly Confidential:~~

I am in receipt of the following communication from the State Department: " In view of the decision of the Government of the United States to reexamine certain of its financial and commercial relationships with Mexico, the Treasury will defer continuation of the monthly silver purchase arrangements with Mexico until further notice".

Upon receipt of this request Mr Sumner Welles and I had a lengthy conference with Senator Pittman. Senator Pittman advised us that he felt that it would come within the spirit of the silver purchase act for the Treasury to notify the Mexican Government that until further notice we will suspend our silver purchase arrangement with them. Senator Pittman further stated that he felt it was in the interest of our foreign policy that this step be taken. We propose to comply with the request of the State Department unless you advise us to the contrary.

Henry Morgenthau Jr.

x 21

226PM.

DECLASSIFIED

By Authority of _____

T.O. 160

By *[Signature]* Date *9-1-68*

PSF
C. F.
THE WHITE HOUSE
WASHINGTON

Treasury
August 16, 1938.

RECEIVED
CONFIDENTIAL

MEMORANDUM FOR

THE ACTING SECRETARY OF THE TREASURY

x21

Dear Ross:

I enclose a confidential letter just received from Bullitt. I hope much, and I know Morgenthau agrees, that we should do everything possible.

Will you push this with State Department and Agriculture and, if necessary, R. F. C., Commodity Credit and Export-Import Bank and let me know as soon as possible?

20
1
643
786
971

F. D. R. ^{DDF 1124} * 799

Letter from William C. Bullitt, Paris, 8/8/38
(Personal and Strictly confidential) in re
financial resources of China.

150

Confidential File: Treasury

PSF

THE WHITE HOUSE
WASHINGTON

Treas.

~~CONFIDENTIAL~~
August 16, 1938.

MEMORANDUM FOR

THE ACTING SECRETARY OF THE TREASURY

Dear Ross:-

I enclose a confidential letter just received from Bullitt. I hope much, and I know Morgenthau agrees, that we should do everything possible.

Will you push this with State Department and Agriculture and, if necessary, R. F. C., Commodity Credit and Export-Import Bank and let me know as soon as possible?

UNCLASSIFIED
REGRADED

F. D. R.

Letter dated August 8th in re loans to China.



*file
personal.*

TREASURY DEPARTMENT

WASHINGTON

August 18, 1938

Dear Mr. President:

On receipt of your memorandum of August 16, 1938 enclosing Ambassador Bullitt's confidential letter to you on the proposed grey-goods and flour credit to China, I discussed the matter with Mr. Wayne Taylor, who has been keeping in touch with this situation. In accordance with your instructions, Mr. Taylor called on Secretary Hull this morning. Secretary Hull will explore the question further with members of his Department and with the Chinese Ambassador and will inform us of the Department's attitude as soon as possible. Mr. Taylor has already discussed various aspects of the situation with Secretary Wallace, and will speak to him further after we hear from Secretary Hull.

Our last information on Secretary Morgenthau's position was contained in a message which we transmitted to Secretary Wallace on August 8, 1938, and which he showed you at Cabinet meeting, August 12th. The full text of this message follows:

"Am not familiar with details of proposed loan to China. Before I left Washington you and I were waiting to hear from Hull. You know I favor making flour and cotton grey goods loan to China. If after President's return Treasury is the only stumbling block to Chinese loan will contact Taylor and ask him to state his objections. For your very confidential information, have invited K. P. Chen to come to Washington to discuss Chinese financial outlook early in September."

Incidentally, as I mentioned on Friday last at Cabinet meeting, we have received word that K. P. Chen is unable to accept Secretary Morgenthau's invitation and that his substitute has not as yet been determined. This information has been transmitted to Secretary Morgenthau and we are awaiting further instructions from him as to his preference in the matter of a substitute.

Faithfully,

Acting Secretary of the Treasury

The President,

The White House.

THE SECRETARY OF THE TREASURY
WASHINGTON



C. F.
Treasury

December 18, 1940

Dear Steve:

I am inclosing herewith a memorandum with accompanying charts from which you will note that employment in the aviation manufacturing industry has multiplied more than four times in the last twenty months and has doubled in the last nine months.

These figures were so interesting to me that I thought maybe you or the President might like to make them public.

Yours sincerely,

x 21

x 773
x 249 - official

Hon. Stephen Early,
Secretary to the President,
The White House.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

~~CONFIDENTIAL~~

DATE December 12, 1940

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Employment in the Aviation Manufacturing Industry

1. Employment in the aviation manufacturing industry has multiplied more than four times in the last twenty months and has doubled in the last nine months. In November 1940, manufacturers of airplanes employed approximately 120,700 factory workers, and manufacturers of airplane engines approximately 34,300 factory workers, a total of approximately 155,000 for the entire industry. Included in these figures are the employees of manufacturers of parts for airplanes and airplane engines.
2. For the industry as a whole employment rose by approximately 7,100 factory workers in November. The largest increase in employment -- approximately 2,150 factory workers -- occurred at the Lockheed Aircraft Corporation. Consolidated Aircraft Corporation added 1,300 factory workers to its rolls during the month, raising its total employment to 12,355. In January of this year Consolidated employed only 2,837 factory workers.
3. The increase in employment during November was not experienced by all plants in the industry, however, there being important decreases at two of the large plants. At the United Aircraft Corporation employment decreased by 800 during the month. At the Boeing Aircraft plant in Seattle there was a decrease of 1,040 factory workers. Boeing reported that this decrease in employment was due to "between contracts and lack of materials".
4. Two charts are attached to this memorandum. The first shows total employment in the industry and the employment of selected companies since January 1937. The attached tables give the figures plotted on the chart. The second chart presents total employment in the industry by geographic areas for December 1938, December 1939, and November 1940.

Attachments

Employment in Aviation Manufacturing Industry
(Airplanes and Airplane Engines)

1937-1940

	: 1937 :	: 1938 :	: 1939 :	: 1940 :
<u>Airplanes</u>				
January	22,100	23,700	25,251	58,000
February				60,500
March	24,100	24,200	27,875	64,500
April				67,000
May				73,000
June	25,200	22,800	35,973	80,000
July				90,000
August				97,448
September	23,400	22,050	41,425	105,362
October				115,241
November				120,650
December	23,800	24,450	52,800	
<u>Airplane Engines</u>				
January	5,500	6,500	6,989	13,900
February				15,800
March	6,000	6,600	7,825	17,300
April				18,600
May				20,800
June	6,600	6,900	8,727	22,900
July				25,400
August				27,019
September	6,400	6,772	9,289	28,981
October				32,633
November				34,314
December	6,600	6,847	12,600	
<u>Total Industry -- Airplanes and Airplane Engines</u>				
January	27,600	30,200	32,240	71,900
February				76,300
March	30,100	30,800	35,700	81,800
April				85,600
May				93,800
June	31,800	29,700	44,700	102,900
July				115,400
August				124,467
September	29,800	28,822	50,714	134,343
October				147,874
November				154,964
December	30,400	31,297	65,400	

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

Employment of Selected Aircraft Manufacturing Corporations
1937-1940

	: 1937 :	: 1938 :	: 1939 :	: 1940 :
<u>Bell Aircraft Corp.</u>				
January	615	222	654	859
February				865
March	850	290	912	896
April				840
May				873
June	808	440	1,410	1,192
July				1,480
August				1,963
September	718	235	703	2,413
October				3,355
November				3,449
December	213	606	799	
<u>Boeing Aircraft Co. - Seattle</u>				
January	1,834	1,493	2,380	5,137
February				4,942
March	1,726	1,700	2,749	4,759
April				4,198
May				5,190
June	1,249	1,736	2,989	5,882
July				6,571
August				6,926
September	1,109	1,798	3,985	6,940
October				6,391
November				5,351
December	1,380	2,285	4,749	
<u>Consolidated Aircraft Corp.</u>				
January	3,169	2,540	968	2,837
February				3,477
March	3,246	2,518	819	3,807
April				4,349
May				5,040
June	3,099	2,104	832	5,821
July				6,743
August				7,836
September	2,617	989	1,408	9,289
October				11,018
November				12,355
December	2,580	981	2,540	

Employment of Selected Aircraft Manufacturing Corporations
1937-1940
 (continued)

	1937	1938	1939	1940
<u>Curtiss-Wright Corp. - Buffalo</u>				
January	1,241	2,211	3,802	4,380
February				4,744
March	1,500	2,347	2,939	5,016
April				5,213
May				5,698
June	1,933	2,310	2,848	6,314
July				6,531
August				6,597
September	2,202	2,736	1,562	6,824
October				7,682
November				7,889
December	2,007	3,491	3,447	
<u>Douglas Aircraft Co., Inc.</u>				
January	5,591	6,328	4,334	11,952
February				12,077
March	5,961	6,173	4,177	13,119
April				14,033
May				14,656
June	6,653	4,672	5,445	14,957
July				14,662
August				14,898
September	5,532	4,028	6,318	14,219
October				14,158
November				14,787
December	6,771	4,110	10,362	
<u>Lockheed Aircraft Corp.</u>				
January	910	1,577	2,305	5,157
February				4,768
March	1,094	1,594	3,509	4,362
April				4,400
May				5,016
June	1,338	1,797	5,699	5,591
July				6,599
August				7,296
September	1,383	1,997	5,324	7,582
October				8,517
November				10,675
December	1,428	2,123	5,156	

Employment of Selected Aircraft Manufacturing Corporations
1937-1940
(continued)

	1937	1938	1939	1940
<u>Glenn L. Martin Co.</u>				
January	1,364	1,814	2,905	10,984
February				9,407
March	1,716	1,892	4,092	9,133
April				9,010
May				9,357
June	2,044	2,134	6,029	9,133
July				9,513
August				11,200
September	2,032	2,341	10,070	10,019
October				11,414
November				12,950
December	1,818	2,777	11,174	
<u>North American Aviation, Inc.</u>				
January	829	1,713	2,223	4,049
February				4,324
March	889	1,935	2,457	4,154
April				4,371
May				4,336
June	841	2,400	3,125	4,782
July				4,918
August				4,916
September	1,272	2,685	2,992	5,111
October				5,828
November				6,054
December	566	2,530	3,795	
<u>United Aircraft Corp.</u> (excluding Pratt & Whitney)				
January	2,350	2,245	1,826	2,757
February				3,051
March	2,444	2,168	1,766	3,468
April				3,735
May				3,912
June	2,497	1,972	1,952	4,282
July				4,823
August				5,016
September	2,439	1,880	2,123	5,445
October				6,010
November				5,251
December	2,338	1,774	2,588	

Employment of Selected Aircraft Manufacturing Corporations
1937-1940
(continued)

	:	:	:	:
	1937	1938	1939	1940
<u>Vultee Aircraft, Inc.</u>				
January			364	742
February				938
March			440	959
April				1,008
May				1,334
June		560	533	2,127
July				2,618
August				2,857
September		430	288	3,531
October				3,652
November				3,749
December		334	662	

Employment of Selected Airplane Engine Corporations
1937-1940

	1937	1938	1939	1940
<u>Allison Engineering Co.</u>				
January	218	262	454	1,114
February				1,261
March	229	297	466	1,610
April				1,958
May				2,766
June	238	339	558	3,254
July				3,917
August				4,595
September	238	382	642	5,282
October				6,280
November				6,295
December	266	439	901	
<u>Continental Motors Corp.</u> (Airplane Engine Division)				
January	151	153	134	288
February				344
March	153	152	138	358
April				368
May				378
June	162	144	171	388
July				398
August				382
September	135	146	203	567
October				732
November				855
December	152	142	243	
<u>Lycoming Division of Aviation Manufacturing Corp.</u>				
January	849	729	519	581
February				638
March	889	704	521	657
April				711
May				765
June	901	549	573	819
July				873
August				970
September	756	514	644	1,080
October				1,459
November				1,320
December	762	506	689	

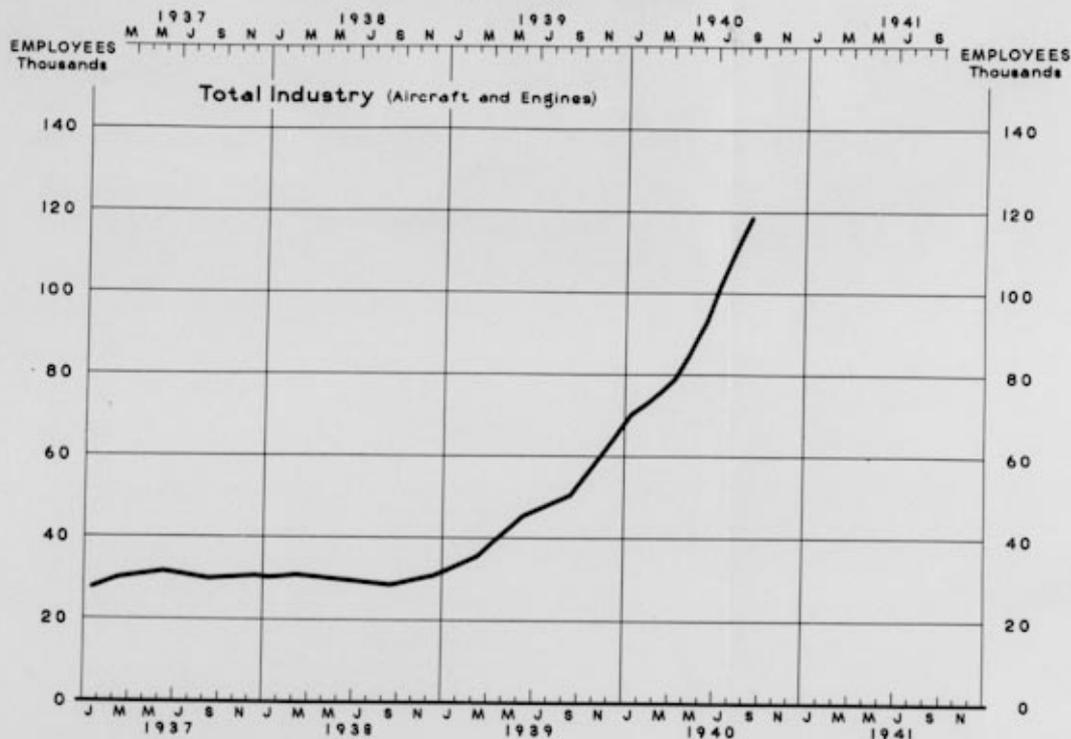
Employment of Selected Airplane Engine Corporations
1937-1940
(continued)

	1937	1938	1939	1940
<u>Pratt & Whitney Aircraft</u>				
January	1,931	2,567	2,264	5,642
February				6,549
March	2,119	2,489	2,659	7,158
April				7,541
May				7,765
June	2,384	2,555	3,066	8,504
July				9,121
August				9,449
September	2,471	2,384	3,394	9,406
October				9,794
November				10,377
December	2,618	2,227	5,022	
<u>Wright Aeronautical Corp.</u>				
January	2,254	2,607	3,398	5,411
February				6,081
March	2,515	2,705	3,771	6,537
April				6,984
May				7,882
June	2,800	2,930	3,997	8,682
July				9,491
August				10,151
September	2,690	3,184	4,026	10,726
October				11,240
November				11,950
December	2,608	3,374	5,141	

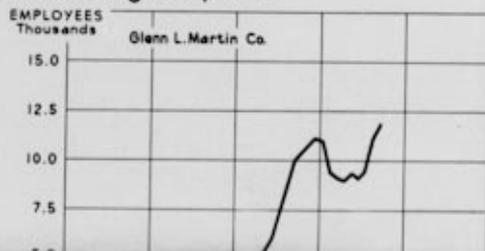
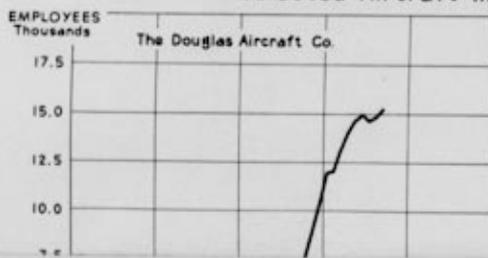
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MICROFILMED IN SECTIONS.

~~STRICTLY CONFIDENTIAL~~

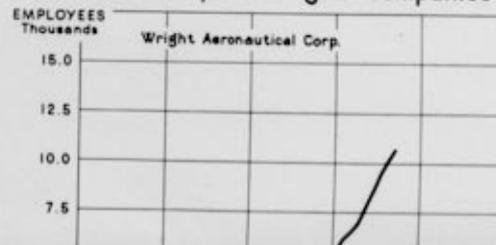
EMPLOYMENT IN AVIATION MANUFACTURING INDUSTRY Factory Wage Earners



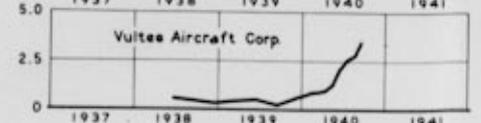
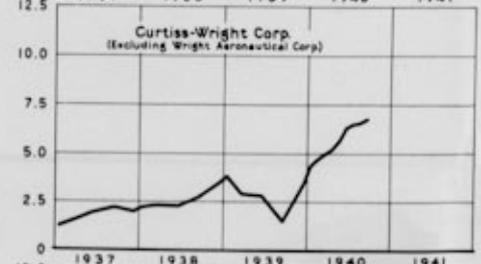
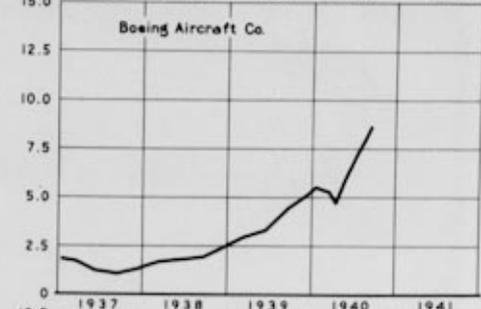
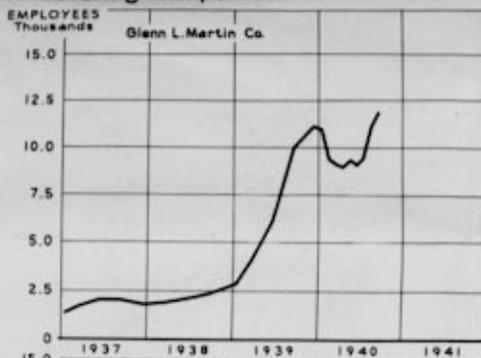
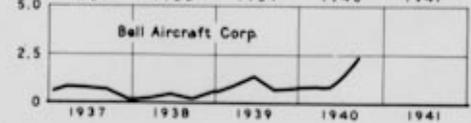
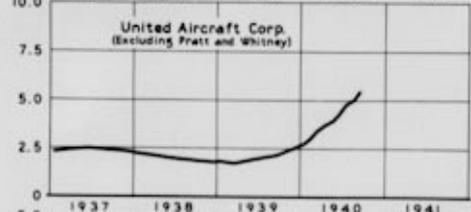
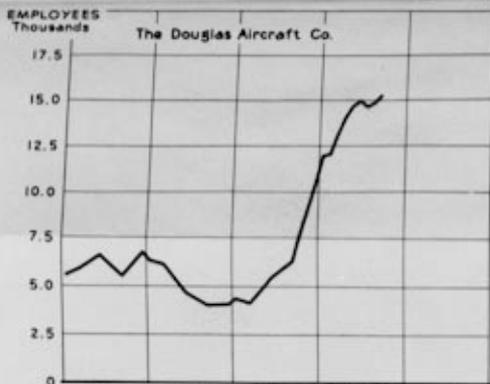
Selected Aircraft Manufacturing Companies



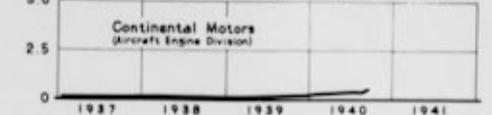
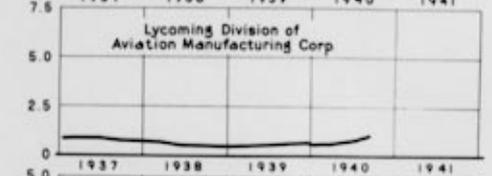
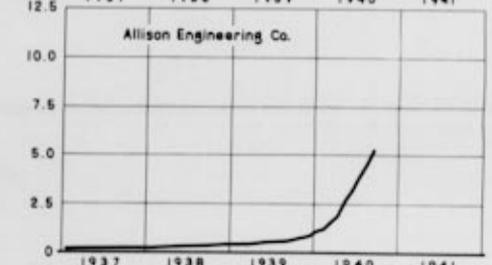
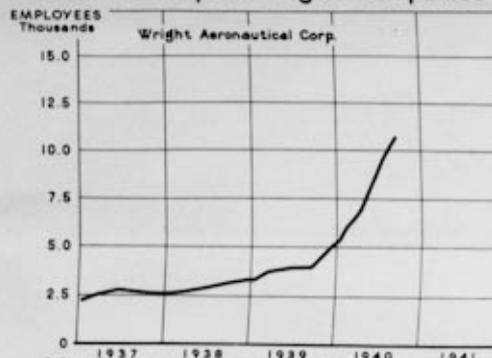
Selected Airplane Engine Companies



THIS OVERSIZE ITEM HAS BEEN
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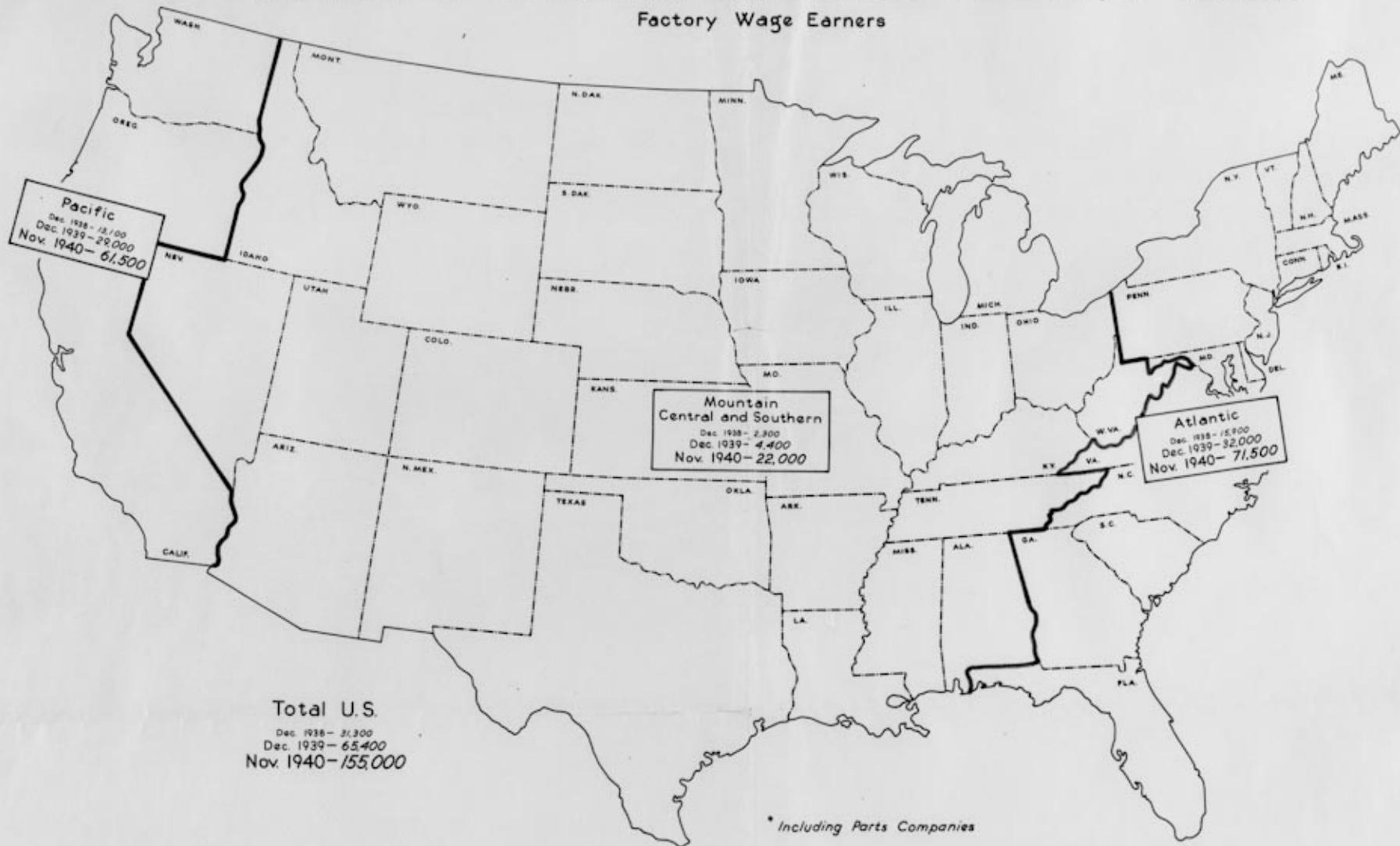


Selected Airplane Engine Companies



EMPLOYMENT IN THE AVIATION MANUFACTURING INDUSTRY* BY REGIONS

Factory Wage Earners



* Including Parts Companies



CH.

Treasury

THE SECRETARY OF THE TREASURY
WASHINGTON

China folder 1-44

file

[11/28/44]

MEMORANDUM FOR THE PRESIDENT

Subject: Settlement of our negotiations with
China on our Army expenditures.

I. I am happy to report that our negotiations with China on our Army expenditures in China have at last been successfully terminated. The War and State Departments in consultation with the Treasury first handled these negotiations which began last year but which Secretary Stimson asked me to take over on June 26. I finally got Dr. Kung to agree to the offer I made him on October 6 of \$185 million, in addition to the \$25 million already paid, in liquidation of our yuan obligations for U. S. Army expenditures in China. This offer of October 6 was substantially that we made to Dr. Kung at Bretton Woods on July 16 as reported in my appended cable to you of July 17, except that we added \$25 million to induce the Chinese to settle, as the American representatives at Bretton Woods had agreed among themselves we should do, should it turn out to be necessary.

II. The text of the agreement is as follows:

- (1) The War Department shall transfer to the account of the National Government of China or the account of such agency of the National Government of China as the National Government of China designates a sum of One Hundred and Eighty-five million U. S. dollars (US\$185 million), in addition to the Twenty-five million U. S. dollars (US\$25 million) already transferred, making a total of Two Hundred and Ten million U. S. dollars (US\$210 million), in settlement of all U.S. Army obligations incurred up to September 30, 1944.
- (2) This settlement does not include the yuan expended by the Government of the Republic of China for



board and lodging of American armed forces in China. This sum will be credited to the National Government of China as reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942 at the request of the National Government of China.

- (3) As stated in paragraph (1) above, this settlement liquidates all our obligations for U. S. Army expenditures in China up to September 30, 1944 (with the exception of paragraph (2) above), with the understanding that as the appended minutes of conversations at Bretton Woods on July 16, 1944 and in Washington on November 25, 1944 indicate this settlement is without prejudice to the Chinese contention that the cost of the Chengtu airfields is not included in the amounts referred to in paragraph (1) but should be treated as an item of reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942.

III. We have always made it clear that our offer has included the cost of the Chengtu airfields, our commitment for which we have invariably acknowledged. The second paragraph of page 1 of Dr. Kung's letter to you of November 16, 1944, is thus an error on this issue. Our offer was in fact based on the figures supplied us by the Army, which it insists, include the cost of these airfields. But Dr. Kung stood out for a higher figure by consistently refusing to accept our position with respect to Chengtu. He based his case on your cable to the Generalissimo which was transmitted to him on January 28. Our interpretation of this cable gives Dr. Kung no ground for any additional demand except for payment for board and lodging of American troops in China - totalling about 3 billion yuan. We have stated our willingness to pay for this item in U. S. dollars but the Chinese indicated their preference for treating it as reverse lend-lease. They feel that the political advantage of having this item on the reverse lend-lease side of the ledger outweighs the gain from the dollars they would otherwise obtain. General Clay and I expressed our appreciation

of the position the Chinese have taken on this matter at Bretton Woods, and it is no longer a point at issue.

In order to facilitate settlement we informed Dr. Kung at Bretton Woods - and I repeated it on Saturday - that we have no objection to his putting in a claim for the cost of the Chengtu airfields on reverse lend-lease, making it clear, however, that we regarded the lump sum settlement we were offering as a final settlement of our outstanding obligations. Such claim as the Chinese would choose to make for credit to Reverse Lend-Lease would presumably be based on a re-examination of the figures bringing additional information to light showing, or purporting to show, that part or all of the cost of the Chengtu airfields had not been included in the figures submitted to us by the Army.

There are, in fact, some discrepancies between our Army figures and the Chinese figures. These are not substantial enough to have justified any revision in our offer. We asked the Army to check on the Chinese figures. They report back that they stick to their own figures, including their figures on the cost of the Chengtu airfields, adding that there is no satisfactory way of checking on the Chinese figures, as the Chinese have failed to fulfill their agreement to submit itemized lists of their expenditures for the Army's account.

Henry Myrthran I.

Nov. 28, 1944.

TELEGRAM TO THE PRESIDENT

(1) We held lengthy discussions Sunday with Dr. Kung in an endeavor to reach agreement regarding payment for expenditures in China by and on behalf of U. S. Army. State was represented by Vincent, Chief of Division of Chinese Affairs, who accompanied Wallace on his recent trip to China, and Luthringer of the Financial Affairs Division, and War was represented by Major General Clay, Director of Materials, Army Service Forces, and Major General Carter, Fiscal Director.

(2) Clay offered cash settlement of US\$125 million (25 million of which has already been paid) for five-month period February-June covering outlay for that period of approximately 12-1/2 billion yuan. Clay also offered to pay for maintenance and housing construction costs of U.S. troops but Kung stated that Chinese Government would prefer to bear this cost because U. S. troops were "guests" in China.

(3) The figure of US\$25 million a month for 5 months (total \$125 million) is based upon your telegram of January 26 to Generalissimo Chiang in which you stated that "our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of 25 million U. S. dollars each month." Without reference to the artificial rate of 20 to 1 and without endeavor to suggest a realistic rate of exchange, Clay argued that US\$125 million had a close

relation to what it would have cost our Army in the United States to obtain services and construction similar to those obtained in China.

(4) Disagreement arose over whether the figure of US\$25 million a month mentioned by you in your telegram to Chiang was intended to include construction costs of airfields (in particular those in the Chengtu area). We maintained that it did. Kung maintained that it did not, arguing that the 25 million mentioned by you was for "ordinary" Army expenditures. He mentioned your conversation with Chiang at Cairo in support of his position but presented no written evidence. We pointed out that we were not informed regarding those conversations but that your telegram to Chiang in January was subsequent to the Cairo meeting.

(5) Clay in conclusion, with my concurrence, suggested that Kung might wish to make a claim for airfield construction (Kung had mentioned the figure of Chinese 4 billion yuan) under reverse lend-lease if and when a reverse lend-lease agreement is reached with China. I pointed out that this suggestion, while agreeable to me as a generous gesture, did not prejudice our position that the lump sum offer of 125 million, according to our knowledge of the matter, should be considered as full

payment for all expenditures by and on behalf of the U. S. Army in China for the period February-June, exclusive of troop maintenance costs.

(6) Clay repeated his offer of a lump sum payment and also requested, as he had done earlier in the conversation, that the Chinese Government agree to a payment of US\$20 million per month for the period July-September to cover all expenditures for and on behalf of the Army for that period exclusive of troop maintenance costs.

(7) Kung said he would have to refer the matter to the Generalissimo.

(8) We feel that the terms offered are more than fair, are generous in fact, and we recommend a firm stand. We do not feel that there will be political repercussions in China which would warrant material deviation from the stand we have taken.

Excerpt From Minute of Conversation at Bretton Woods on July 16, 1944:

"General Clay: Well, Doctor, going back to what we have been discussing, and this view which you have just stated, if we paid you a gross of one hundred and twenty-five million now - a lump sum of a hundred million with twenty-five million having been paid - that would leave remaining the food and lodging and the four billion dollars would be presented by you as a claim under Reverse Lend-lease. It would have no effect on the twenty million dollars for the next three months, which would be paid in cash, and for which you would provide us with the yuan that we need and would not prejudice that arrangement in any way; that we would pay you the lump sum of a hundred million dollars immediately, and in any Reverse Lend-Lease agreement to be effected, you could, in addition to the food and lodging which you would put forward as a claim, include also this four billion dollars.

"Dr. Kung: I wish I could do it, you know.

"H.M.Jr.: Excuse me. May I add one thing that we talked about, that in admitting this Chengtu four billion dollars, the claim, we in no way prejudice or go back on the cable of the President, which we interpret was all inclusive. I would like to make that clear.

I mean, we claim that this telegram of the President's meant twenty-five million a month, and included the construction of everything.

Now, what we are saying in view of what you have said - but not in any way going back on that - we still hold to this cable. But if you wish to put that claim under Reverse Lend-Lease for four billion dollars, we would raise no objection. Do you mind my making that suggestion?

"General Clay: That is right, sir. And we would do it in the interest of harmonious relations and appreciation of the co-operation which you have given to us."

Excerpt from Minute of Conversation in
Secretary Morgenthau's office, Treasury Department
November 25, 1944

Secretary Morgenthau: Now let me see if I understand it correctly. You will accept how many U.S. dollars for how many months in payment, so we get that clear?

Dr. Kung: To the end of September, October first, 185 million.

Secretary Morgenthau: That you will take \$185 million until October first. And that is in full payment with the understanding with respect to the claim. Is that right?

Dr. Kung: Yes.

Mr. Chi: In addition to that the claim for the Chengtu air fields can be put in.

Mr. White: I want to make certain, Mr. Secretary, that you and Dr. Kung are in agreement. I presume that you are both using the word claim in the sense which we use it in the United States, namely, that the Chinese Government could advance the cost of the Chengtu air fields as a claim in mutual aid on the basis that such cost had not been included in the figures submitted to us by the Army. Whether that claim will be recognized or not is a matter to be determined by subsequent examination of the data. In other words, the word "claim" does not mean a charge but rather the right to claim that a charge should be made for credit to reciprocal aid.

Secretary Morgenthau: To go a step further so that there can be no misunderstanding - when we pay over this \$185 million we will state that that is in full payment for all obligations incurred by the United States Army from the first of March to the first of October.

Mr. Pei: I beg your pardon, Mr. Secretary. With the understanding that the Chinese Government will put in a claim.

Secretary Morgenthau: May put in a claim....
That if subsequently additional information comes to
light, furnished either by our Army or the Chinese
Government, the Chinese Government may submit a claim
as reciprocal aid.

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

November 16, 1944.

President Franklin D. Roosevelt
The White House
Washington, D.C.

Dear Mr. President:

I wish to thank you most sincerely for the interview this noon. It made me very happy to see you look so well. I am reporting to President Chiang your concern over China's difficulties and your sincere desire to help her.

I am glad that, in the course of our conversation, we touched upon the question of U.S. Army expenditures in China and you confirmed that the Chengtu airfields, which were specially built for the use of the Superfortresses (B-29), constitute a separate project and that the advances which China have made to cover the cost for their construction will be paid separately as stated in your telegram of January 12th. These airfields are now being made good use of by the U.S. 20th Air Force to bomb Japan which task they have carried out successfully from time to time.

As for the U.S. \$25 million per month estimate for the general maintenance and construction expenses of the U.S. Army in China, which we referred to in our conversation, I wish to call your attention to the fact that the estimate was made in order to limit your burden of general military expenditures in China, because in the month of February alone U.S. Army expenditures in China had already reached U.S. \$59 million, if calculated at the

Secretary of Treasury
to read & return
for my files
FDR

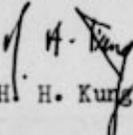
official rate. Of this sum, the equivalent of U.S.\$9 million in Chinese currency was secured by selling it to the Central Bank at the official rate. For the rest of U.S. Army needs for Chinese currency in that one month, that is, CN\$1 billion, the Central Bank of China advanced it and accepted U.S.\$25 million for its repayment, which is at the rate of 40 to 1.

Since then, the National Treasury and the Central Bank have advanced all the funds needed to cover expenditures of the U.S. Army in China. Secretary Morgenthau has been very sympathetic and helpful in the negotiations for the settlement of the question but he said the scope of possibilities for the settlement has been limited by the estimate of U.S.\$25 million per month which you have indicated. The monthly advances for U.S. Army expenditures, however, has been increasing since June. I shall leave it to your generosity to settle this question in any way you deem fair.

I wish also to take pleasure to inform you that China has paid for the food and lodging of U.S. armed forces in China for which no claim for repayment will be made. Had China's financial condition permit, we would be glad to pay all the expenditures of the U.S. Army in China without having to bother you for repayment. Unfortunately, inflation has already gone so far in China that to continue to issue notes without strengthening our reserve would threaten to break China's battle line at the economic front and weaken our common war effort. A satisfactory settlement of this question would strength China's currency reserve and contribute to hasten our victory.

With warmest personal regards,

Sincerely yours,


H. H. Kung

DECLASSIFIED
By Deputy Archivist of the U.S.
By H. J. Stewart Date JAN 28 1972

CONFIDENTIAL

C. F.
Treasury

EXECUTIVE ORDER

MAKING CERTAIN METALLIC CADMIUM AVAILABLE FOR
THE USE OF THE ARMY *x W.C.*

x25
x161
x289

WHEREAS the Procurement Division of the Treasury Department has acquired by purchase, pursuant to the act of June 7, 1939, 53 Stat. 811, stocks of metallic cadmium; and

WHEREAS the Chairman of the War Production Board has reported to me that there is need for 400,000 pounds of metallic cadmium by the Army:

NOW, THEREFORE, by virtue of the authority vested in me by section 4 of the said act of June 7, 1939, it is ordered as follows:

1. The Procurement Division of the Treasury Department is hereby authorized and directed to make available for the use of the Army, upon such terms of sale and delivery as may be mutually agreed upon between the Procurement Division and the Army, 400,000 pounds of metallic cadmium acquired by the Procurement Division pursuant to the said act of June 7, 1939.

x21
x21-2

2. This order is confidential and shall not be filed in the Division of the Federal Register, the National Archives, or published in the Federal Register or made public in any manner until expressly authorized by or at the direction of the Secretary of War.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE

June 21, 1944.

*original of this order sent to Hon. J. P. Bailey
Bureau of the Budget 6/21/44 (3155)
(2) lms.*



Office of the Attorney General
Washington, D.C.

June 16, 1944

~~REDACTED~~
The President,
The White House.

My dear Mr. President:

I transmit a revised draft of a proposed Executive order entitled "Making Certain Metallic Cadmium Available for the Use of the Army."

The proposed order is presented by the Chairman of the War Production Board with the concurrence of the Army and Navy Munitions Board and the Procurement Division of the Treasury Department. It has been considerably revised in this Department in the interest of form and language but its purpose has not been changed.

The revised draft of the order has my approval as to form and legality.

Sincerely yours,

Attorney General.

Declassified per letter from S.A. Andretta, 12-13-61

JUN 14 1944

My dear Mr. Attorney General:

Herewith is the draft, as revised as to form in this office, of a proposed Executive Order prepared by the War Production Board and forwarded to this office by the Procurement Division of the Treasury Department, authorizing and directing the Procurement Division of the Treasury Department, when directed by the Army, to make use of 400,000 pounds of metallic cadmium acquired by it pursuant to the Act of June 7, 1939, 53 Stat. 811, by transferring the same to the use of the Army upon such terms of sale and delivery as may be mutually agreed upon between the Procurement Division and the Army.

The Chairman of the War Production Board states that the Army decided recently to convert the metallic cadmium acquired by the Procurement Division under the Act of June 7, 1939, into the finished product, stockpiling the finished product rather than the material itself, and that the proposal is concurred in by the Army and Navy Munitions Board. The Procurement Division states that it has no objection to the issuance of the proposed order.

As you will note, the proposed order and accompanying papers are marked "Secret". The Army and Navy Munitions Board has informally advised this office that it would prefer that the order not be published or otherwise made public. The following paragraph has accordingly been added to the revised form of order: "This order is confidential and shall not be published in the Federal Register or made public in any manner except upon prior authorization by or at the direction of the Secretary of War."

The proposed order, as revised, has the approval of the Director of the Bureau of the Budget.

Very truly yours,

(Signed) F. J. BALLEW

Assistant Director,
Legislative Reference.

The Honorable,

The Attorney General.

Enclosures.

REGRADED
UNCLASSIFIED

HHT/rtd 6/13/44



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



~~SECRET~~
June 8, 1944

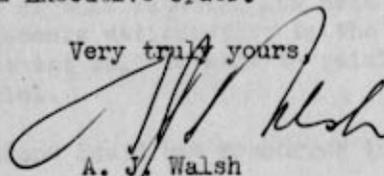
Mr. Harold D. Smith
Director, Bureau of the Budget
Room 252, State Department Bldg.
Washington, D. C.

Dear Sir:

Subject: Release of Metallic Cadmium

Enclosed you will find a letter dated June 5, 1944 from Mr. Donald M. Nelson, Chairman of the War Production Board, addressed to the President, together with a proposed Executive Order covering the release of 400,000 pounds of metallic cadmium purchased under Public Act 117, 76th Congress, which is now in the Treasury Department, Procurement Division Stock Pile. The Treasury Department, Procurement Division has no objection to the issuance of the enclosed Executive Order.

Very truly yours,



A. J. Walsh
Deputy Director of Procurement

Enclosures

REGRADED UNCLASSIFIED

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WAR PRODUCTION BOARD

WASHINGTON, D. C.

June 5, 1944

OFFICE OF
DONALD M. NELSON
CHAIRMAN

~~SECRET~~

My dear Mr. President:

This letter is occasioned by the necessity of making available to the Army for processing in the third quarter of 1944, 400,000 pounds of metallic cadmium in order to fulfill partially a portion of the Army's requirements for this material for the year 1944.

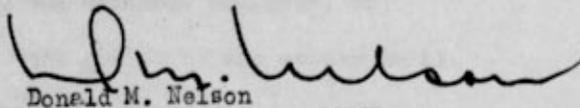
At the request of the Army and Navy Munitions Board, the War Production Board recommended on October 1, 1943, that 400,000 pounds of metallic cadmium be made available to meet an important requirement, then contingent, of the Chemical Warfare Branch of the Army. The reason for this request was the necessity of having a certain amount of this material available for processing into the finished product on short notice should the need for using the finished product materialize. Accordingly, 400,000 pounds of this material was purchased under Public Law No. 117 and is now stored in an Army arsenal.

The Army decided recently to convert during 1944 metallic cadmium into the finished product, stockpiling the finished product rather than the material itself. To carry out in part this decision, the War Production Board has now recommended and the Army and Navy Munitions Board has agreed that the 400,000 pounds of metallic cadmium purchased under Public Law No. 117 be released so as to be made available for processing in the third quarter of 1944. It is proposed, therefore, that the necessary action be taken to obtain the release to the use of the Army of the 400,000 pounds of this material now held in Treasury Procurement stockpile. Arrangements satisfactory to the Procurement Division of the Treasury Department will be made to reimburse it for the cost of the released material.

The Army and Navy Munitions Board has concurred in this proposal.

I enclose a draft of an Executive Order which, I believe, will effect the desired action.

Respectfully,


Donald M. Nelson

x 4735



The President
The White House

Enclosure

x 6. F. War Production Board

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