

UNITED STATES FORCES
EUROPEAN THEATER
CURRENCY CONTROL RECORD

SAMPLE



ISSUED UNDER THE PROVISIONS OF

Cir No. 50, Hq. USFET, 15 APRIL 1946

NOTICE: Execute Certificate in Ink.

I hereby declare that this CURRENCY CONTROL RECORD
Serial No. _____ was issued to me

this _____ 194
Day Month Year

and that I have no other CURRENCY CONTROL RECORD in my possession

Signature _____
First Name M I Last Name

Grade

ASN Military Personnel
AGO Reg No. Civilian Personnel

I certify that this CURRENCY CONTROL RECORD Serial No. _____
was lawfully issued by me to

First Last Name First Name
and that the initial entry of _____ is true and correct in
accordance with provisions Cir No. 50 Hq USFET, 15 APRIL 1946

The issuance was (1) to record a transfer (2) to provide a new
arrival with a CURRENCY CONTROL RECORD (3) to replace an old CURRENCY
CONTROL RECORD
(Strike out phrases not applicable)

Executed this _____
Day Month Year

Signature _____
First Name M I Last Name

Grade

ASN Military Personnel
AGO Reg No. Civilian Personnel

THIS RECORD IS NOT TRANSFERABLE

*Col Pforzheimer
Request*

WAR DEPARTMENT
CLASSIFIED MESSAGE CENTER
OUTGOING CLASSIFIED MESSAGE

RESTRICTED

PARAPHRASE NOT REQUIRED. HANDLE AS RESTRICTED
CORRESPONDENCE PER PARAS 51 (1) and 60 (a). AR 380-5.

Colonel Pforzheimer 2806
War Department Special Staff
Budget Division
Foreign Financial Branch

5 April 1946

CG USFMTO Caserta Italy

Nr: WAR 83568

CONGENMED signed WARBUD

War Department has completed study and preparation circular enunciating universal uniform foreign currency exchange control applicable to all affected theaters at earliest practicable date. Copies proposed circular enroute by air for your study. To insure feasibility and uniformity of implementation request you select 2 officers possibly 1 each from your G-1 and Fiscal Divisions for temporary duty in WARBUD to commence about 22 April for approximately 2 weeks. Those selected should be thoroughly familiar with all aspects of problem and qualified to speak for theater commander. Officers should also be prepared to discuss advisability of implementing proposed circular but with control books deleted therefrom and a War Department policy of exchanging no foreign currencies back into dollars or dollar instrumentalities from 1 July forward. Lt Colonel John Baldwin might be considered

Distribution of the proposed circular should be limited to the military establishment.

END

ORIGINATOR: Budget Div

DISTRIBUTION: ASF Fisc, OPD, G-1, CAD

CM OUT 83568

(Apr 46)

DTG: 002029Z jlp

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Appendix 'A'

COPY NO.

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*Bud Div
46*

WDSBU 123 Cur (23 Jan 46)

16 March 1946

MEMORANDUM TO COMMANDING GENERAL, ARMY SERVICE FORCES:
(Attention: Fiscal Director)

SUBJECT: Foreign Currency Conversion

1. Reference is made to memorandum dated 23 January 1946 for the Director, Budget Division, subject: Foreign Currency Conversion, wherein you forwarded reply to this office regarding the feasibility of investigating misuse of Army finance facilities by individuals stationed overseas who executed conversion of foreign currency acquired from other than United States official sources or in contravention of existing theater regulations.

2. The misuse of Army finance facilities in overseas areas as indicated by the survey reports of the Army Custodians of Personal Transfer Accounts, Soldiers' Deposit, and Army Postal Service records is believed to be of sufficient magnitude to require further study. Such study is believed to be especially appropriate on the remittances and investments of military personnel overseas during the months of October, November, December 1945 and January, February 1946.

3. The accompanying administrative workload involved in such a study is appreciated, especially in view of the reduced facilities and limited personnel presently available to the United States Army. In appreciation of this factor, yet in view of the fact that further inquiry is warranted, it is requested that a limited detailed investigation be made and the results forwarded to this office at the earliest practicable date.

4. The investigation, in detail, should be conducted along the following lines, providing the information indicated below:

a. Records of Personal Transfer Accounts, and Soldiers' Deposits should be reviewed for the months of October, November, December 1945 and January and February 1946.

b. Report should be made of all individual remittances or deposits of \$1,000 or more.

c. Full name, grade or rank, ASN, unit, station or APO, date, amount of transaction, serial number, whether transaction has

been investigated at a prior date, and any special remarks concerning each case should be supplied.

d. Recapitulation within each type of account (Personal Transfer Account, Soldiers' Deposit) should be accomplished and tabulation made of each individual account for which reports of transactions appear more than once. A summary of total money value involved in each case should be stated.

5. Reference War Bond transactions, it is requested that the possibility of acquiring the information indicated in paragraph 4 above be further investigated to the end of obtaining such information from central offices of record for this function.

6. It is further requested that the Post Office Department be requested to furnish the War Department with the statistical data indicated in paragraph 4 above, reference Postal Money Orders from military personnel in overseas areas.

7. It is desired that the reports requested herein be provided at the earliest possible date.

GEORGE J. RICHARDS
Major General, GSC
Director, Budget Division

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WAR DEPARTMENT
CLASSIFIED MESSAGE CENTER
INCOMING CLASSIFIED MESSAGE

SECRET TOP

URGENT

PARAPHRASE NOT REQUIRED. HANDLE AS SECRET CORRESPONDENCE
PER PARAGRAPHS 44g and 53a, AR 380-5.

From: CG, USFET Main, Frankfurt, Germany

To: War Department

Nr: S-3208

12 March 1946

Ref no S-3208 to for action AGWAR from Hq US Forces
European Theater signed McFarney cite ETGAP.

See your message signed WAREUD dated 10 March 1946,
No reference number, subject: British Government's proposal
concerning "Canteen Money". Unable to locate in our files copy
of your WX 80092 referred to in your cable. Request repeat
of contents so we may comply your wishes soonest.

End.

NOTE: WX 80092 retransmitted by WDSCB

ACTION: Bu6 Div

INFO : CG AAF, ASF, OPD, G-1, C of S

CM IN 2585

(13 Mar 46)

DTG 121955A meo

SECRET

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THE MAKING OF AN EXACT COPY OF THIS MESSAGE IS FORBIDDEN

TO: Budget Division
WDSS

FROM: CAD

DATE: 11 Mar 46

COMMENT NO. 2

Major Shaw/73766

1. The use of "military payment certificates" by the U.S. army overseas as proposed by the U.S. Treasury Department is for the purpose of avoiding the problems arising in the conversion of local currencies into dollars, and accordingly is considered primarily a budgetary matter not of primary concern to this division. However, certain observations relative thereto are noted below pursuant to request contained in paragraph 3 Comment No. 1. From the viewpoint of this division, a proposal such as that suggested by the Treasury Department may be considered from the standpoint of its effect on the local economy of an occupied area and from the standpoint of its effect on certain procedures employed in the operation of military government in occupied areas.

a. Any procedure which would lend greater stability to the local economy of an occupied area would be beneficial from the military government point of view. The Treasury proposal for the conversion of military payment certificates only into dollars, it is believed, would operate in this direction since it would

- (1) reduce the amount of local currency drawn by military and other authorized personnel;
- (2) lessen the desirability of obtaining through black market operations or through other practices the accumulation of local currency;
- (3) tend to concentrate expenditures of military and other authorized personnel to agencies within the framework of the military organization correspondingly limiting expenditures within the local economy which otherwise might be made.

Accordingly, through lowering the effective demand for supplies and services drawn from the local economy and through lessening the amount of local currency which would otherwise be placed in circulation, less pressure would be exerted on the price level in an occupied area.

b. The Treasury proposal for the use of military payment certificates, it is believed, would not eliminate the necessity for provision for a military currency for possible use in an occupied area. Military currencies were required in preparation for invasion of enemy areas to assure adequate supplies of currency for military needs and the needs of the local economy. It seems desirable that a reserve supply of such currency be maintained for emergency use in such areas. Military yen currency notes, for instance, have been held in reserve in event of an insufficient supply of Bank of Japan notes; further no final determination has yet been made of the possible additional need for A.M. mark currency notes. Since the Treasury proposal for the use of military payment certificates does not eliminate the use of local currency by military and other authorized

WDSM 193 Economy (7 Sep 45) 2250

personnel and since such certificates are not to be used within the local economy, the necessity for adequate supplies of local currency remains. If supplies of indigenous currency are inadequate, a military currency interchangeable with the indigenous currency is essential. Accordingly, the Treasury proposal does not avoid the burden placed on the War Department of providing for a military currency, and in fact places the additional burden on the War Department of providing for the military payment certificates.

e. Under current directives, the Financial Division of Military Government is charged with the control of all funds and the maintenance of such accounts and records as are necessary to indicate the supply, control and movement of all currencies and other funds; the Financial Division is also required to provide currencies for the pay and other cash requirements of military and naval personnel and for Military Government/Civil Affairs purposes. If Military Government were required to provide military payment certificates and make advances of such certificates to army and navy disbursing officers, an additional accounting burden would be placed on Military Government since accounting for advances to army and navy disbursing officers of local currencies as well as for advances of military payment certificates would be necessitated.

2. It is considered by this division that the acceptability of the Treasury proposal for the use of military payment certificates is a matter for final decision within the War Department on grounds other than those related directly to the operations of Military Government in occupied areas.

Incl
w/d

GEO. F. SCHULGEN
Brigadier General, USA
Acting Director, Civil Affairs Division

11 March 1946

CXC
Chronological
①

MEMORANDUM FOR GENERAL RICHARDS:

SUBJECT: Excess Foreign Currencies.

1. I wish to call to your attention, as a matter of information, that this branch has had great difficulty in ascertaining the exact status of the German Mark account, and in fact the correct figures as of 31 December are not known to us at the present time, despite repeated requests to OFD/ASF on this score. You will recollect that November 30th figures showed an excess of reichsmarks on hand of about \$26,000,000. It is my understanding that the figures now being sent up to us from OFD/ASF for December 31st show an excess on hand of approximately \$100,000,000. OFD believes there may be a substantial error in this latter figure, but if so, it has not yet been able to tract it down. They have cabled the theater but have received no reply. It seems quite possible that the excess on hand has increased substantially, largely due to redeployment, as the November 30th figures took into account only what was in the hands of finance officers. Assuming that every man redeployed turned in \$100 upon his redeployment, there would have been an increase during December of approximately _____ marks in the account as it is understood that approximately _____ troops left Germany in December. (In this connection, the significant figure is the number of troops that left and not the net decrease in the number of troops there.) In effect, therefore, it appears that the December 31st figures may show a substantial increase in the number of reichsmarks on hand. This increase, however, will be due, primarily to a transfer to finance officers of sums previously existing in soldiers pockets, and shown on their control cards, but which did not show up in November figures. In other words, what is now showing up is undoubtedly the result of the deficiencies in exchange controls of the months prior to adoption of the exchange control card. There are recognized deficiencies in the control card itself, which have already been called to the attention of the theater, but the increase resulting from such deficiencies should not be very large.

2. Major Kelly mentioned informally that the accounting in ETO is now being done by German prisoners of war who cannot speak English and that as a result it is practically impossible to get any complete reports out of the theater.

3. With reference to previous conversations on this subject, all excess balances now on hand could be turned over to the Treasury under the procedures established between OFD/ASF and the Treasury for handling surplus property currencies. This procedure is expressed GAO Accounts and Procedures letter 8844. It is considered that the Treasury would reject such an interpretation of this procedure, as it was originally established for use in taking up currencies received from sales of surplus property.

T. G. UPTON
Lt. Col, GSC
Foreign Financial Branch

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PARAPHRASE NOT REQUIRED. HANDLE AS RESTRICTED CORRESPONDENCE
PER PARAS 44 g and 53 a, AR 380-5

Hq ASF, OFD, Fiscal Control Br,
FPA Section, SPFBC, 6053,
Capt. John H. Neill, Jr.

7 March 1946

COMGENUSFET, Main, Frankfurt, Germany

COMGENMED, Caserta, Italy

COMGENAMET, Cairo, Egypt

Number: WARX 80196

SERVFIS SPFBC reourads 78516 and 71871.

1. Subj this cable is foreign exchange controls for civilian personnel. (Reourads apply USFET only). Prior to theater implementation of these instructions your comments requested earliest.

2. A. Controls referred to in paras 3 and 4 below do not refer to official transactions between Army disbursing officers and disbursing officers of other US governmental and semi governmental agencies but only to transactions between US disbursing officers and individual civilian employees.

B. Transactions between individual civilian employees and disbursing officers of the employing agencies will be governed by instructions to be issued by the agency concerned. However all such transactions should be limited to those which are in accord with the spirit and practice of Army currency exchange procedures.

3. Different classes of civilian personnel will be subject to currency exchange controls as indicated in para 4 below. Countries where adequate commercial banking facilities

CM-OUT-80196 (Mar 46)

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Number: WARX 80196

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are available will be so designated by your theater and the War Dept will be informed of such designation. For purposes of this cable such countries are referred to as "A" countries. Countries where adequate commercial banking facilities are not available are referred to as "N" countries.

4. A. US civilian personnel of War Dept and Red Cross.

Personnel falling within this category regardless of country in which stationed should be subj to same controls as govern for mil personnel in your theater.

B. Other civilian personnel.

(1) Disbursing officers and Army postal authorities in "A" countries will not engage in any type of currency transactions whatsoever with other civilian personnel. Such civilian personnel will use commercial banking facilities for all currency exchange transactions.

(2) Exchanges of currency by Army disbursing officers for other civilian personnel in "N" countries will be limited to the following types of transactions.

(a) Exchanges of currency for other civilian personnel will be limited to sales of foreign currencies at official rates for dollars on dollar instruments. However in the case of a civilian employee of an agency other than UNRRA who is in receipt of a signed statement by the administrative officer of the agency employing said civilian stating that subj individual is leaving the country concerned on permanent change of station and when the individual requesting the exchange signs a certificate stating that currency of

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(Mar 46)

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Number: WARX 80196

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the "N" country presented for exchange has been received by him as his cash pay and allowances Army disbursing officers will be authorized to exchange a maximum of \$25 for currency of "N" country presented by the civilian employee.

(b) No foreign currency will be accepted from UNRRA personnel in exchange for dollars or dollar instruments. This procedure is necessary since UNRRA foreign currencies are obtained primarily as contributions from respective foreign countries and therefore no dollars are available to War Dept for purchase of such currencies.

End.

ORIGINATOR: ASF-Fiscal

DISTRIBUTION: CG AAF
OPD
G-1
CAD
Navy
Budget Division
Mr. Petersen

CM-OUT-80196

(Mar 46)

DTG

120015Z

Jjf

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COPY

5 March 1946

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

I wish to acknowledge your letter of February 18, 1946, which the Secretary of War has referred to me for reply. He has also asked me to assure you that the War Department completely shares your desire to see all existing loopholes in Army exchange controls eliminated and is constantly working towards this end.

With respect to your letter of November 9, 1945, recommending that an investigation be made concerning transfers of excessive amounts of foreign currency by military personnel, I can report that an investigation has been made into the feasibility of such an undertaking. This has disclosed that records of personal transfer accounts and soldiers' deposits are sufficiently centralized so that with an outlay of considerable time, personnel and expense, such an investigation could be made. The records of postal money orders are not centralized and the problem of investigating excess remittances through this channel appears to be an unusually difficult one. Likewise it would be extremely difficult to analyze on the basis of Army records, the total purchases of war bonds by an individual. The matter is still under investigation by the War Department and I believe it would be desirable for representatives of this office to discuss further with representatives of the Treasury, the feasibility of such an investigation and just how it should be pursued under existing circumstances.

An immediate analysis is being made of the question of using military payment certificates, as described in your letter, to reduce foreign exchange transactions. You will recall that a parallel suggestion was made some months ago by the War Department with respect to the use of military payment orders. At that time it was understood the Treasury Legal Counsel felt such a mechanism (i.e. a bearer instrument in fixed denominations) would, in effect, amount to the printing of money by the War Department and, therefore, be illegal. Should this difficulty be overcome, a new approach to the field of exchange control appears to be opened up. A detailed description of the military payment certificate plan suggested by you has been wired to all theaters concerned with a request for their recommendation. In addition, the Fiscal Director has been asked to look into the question

of its acceptability by the General Accounting Office with respect to the handling and accounting for the certificates, and also to investigate the technical question of printing this medium of exchange. You will understand, I am sure, that a thorough analysis must be made of a medium of payment, which presents such a departure from established precedent. This analysis will, however, be pressed.

Pending a decision on this question, and Fiscal Officers of the various theaters, who are now present in Washington, have been called together for a discussion of existing exchange controls. The problem of excess exchanges has been thoroughly presented to them, and methods of effectively closing apparent exchange loopholes have been discussed. In addition, further direct instructions on this matter have been dispatched to the theaters.

I sincerely hope these steps will achieve the desired effect during the period when the military payment certificate plan is being further examined.

Sincerely yours,

GEORGE J. RICHARDS
Major General, GSC
Budget Officer for the War Department

30927

WAR DEPARTMENT GENERAL STAFF
MEMO ROUTING SLIP

TO <u>General Richards</u>		DATE <u>8 Mar</u> 1946
OFFICE 1.	BUILDING	
ATTENTION	ROOM	
2.	4	
3.	5	

REMARKS

Attached is an article from the current
AMERICAN magazine dealing with the black market
situation in ETO. Believe you will be interested
in reading this article.

[Signature]
CPAF

Request this be returned to F.F.S.

Returned by General Richards
9 March, 1946
[Signature]

FROM: NAME	OFFICE	
PHONE	BUILDING	ROOM

GI GOLD RUSH

Our correspondent explores

Europe's fabulous black market . . . An easy-money paradise where fortunes, large and small, are made in food, clothing, cigarettes, watches, or anything salable

by *Gordon Gaskill*

BY COURIER FROM BERLIN



AN AMERICAN lieutenant I know in Britain was ordered to Germany for a week's temporary duty. It was his first visit to the Continent, and he had heard what seemed fairy tales about the black market there. So, for the fun of it, he decided to make an experiment: He set out with \$1, to see how far he could run it up.

Nine days later he was back in London—with \$375!

"And there was nothing to it!" he told me, still a little dazed. "No trouble, no hunting for customers. They came running after me. I carried everything in my musette bag. Why does anybody work for a living?"

Europe today is an easy-money paradise. On every hand American soldiers are finding quick profit opportunities that make Get-Rich-Quick Wallingford look like a cautious investor in 2 per cent bonds. British, French, and Russian troops are likewise raking in all the profits they can.

The fact is that probably 9 out of every 10 Americans in Europe today have had some kind of dealing, large or small, with the black market. That is the estimate made for me by a man who knows what he's talking about: Col. E. G. Buhrmaster, Provost Marshal of Paris, queen of black markets.

Only a small minority of these GI's, of course, are engaged in the criminal activity of "liberating" U. S. property and selling it on the European black markets. Some pick up "souvenirs" lying around—as Americans are wont to do—and resell them. But the vast

majority, including me, simply sell personal property, such as wrist watches and cigarettes, at inflated prices to eager natives and Allies.

But the profits will make your head spin. Since D-Day in Normandy, GI's have sent home to America an estimated \$60,000,000 gleaned from the black market, and at least an equal amount has been made and spent in Europe. One lieutenant has succeeded in banking close to \$300,000 in the United States. Countless others have "nest eggs" in five digits waiting for them. Some, unable to get their money home, have bought farms, hotels, cafés, in Europe.

TO SEE how the black market works, let's examine the lieutenant's experiment which magically produced \$375 from \$1, a fairly satisfactory profit.

In Britain itself, he doubled his \$1 by buying at the army post office a sheet of 100 one-cent U. S. stamps, selling it for \$2 to a British stamp dealer. During the war Britons could not get our stamps in complete sheets, which adds to their value for collectors. With the \$2 he bought 5 pounds of coffee, unrationed in Britain, which doesn't drink much of it.

In Paris, a coffee-starved Frenchman gladly paid him \$6 a pound for his coffee. With this \$30 the lieutenant bought 2 cartons of PX cigarettes from a franc-short American GI who was selling them on the streets to eke out his pay, which the artificial exchange rate cut by two thirds.

In Berlin, a German (Continued on page 16)

Curry, St
Continued
Page

(Continued from page 14) civilian eagerly gave \$150 for the 2 cartons, actually a rather low price. With this, on his way back, the lieutenant bought, in Paris, 25 small bottles of perfume. In London, which hasn't had good perfume in 6 years, he sold them to a single purchaser at a sacrifice price of \$15 each.

His eventual \$375 wasn't extraordinary. In fact, if he had spent a little more time dickering, it could easily have been \$600.

Basically, he did two things: Like a good bridge player ruffing trumps, he bought in countries where things are plentiful, sold where the same things were scarce. Mostly, he was selling his military privileges. As an American soldier, he could buy APO stamps. He could travel freely and no customs official examined his baggage. He could convert marks, francs, shillings at army finance offices at unchanging rates. No civilian could do any of these things.

SMALL wonder that, with such amazing opportunities, the men who conquered the Wehrmacht have surrendered, by the millions, to the siren calls of easy money. Rank means nothing—except, perhaps, that a colonel has better opportunities than a corporal.

Some time ago, in Berlin, plain-clothes men from the Army's Criminal Investigation Division set up a concealed camera in the swarming Tiergarten black market. The developed pictures showed, among other things, an American brigadier general selling his wrist watch and a colonel peddling cigarettes.

A pilot who recently flew a group of congressmen around Europe told me, in disgust: "We were in one country where there are plenty of watches, and the honorable gentlemen spent almost all their time buying up all they could. Then, a couple of days later, in Berlin, they passed their time at the Tiergarten, selling them to the Russians. I don't know how much they learned about European conditions, which was what they were supposed to be doing, but they must have cleaned up 5,000 bucks each."

Obviously, with such examples of "leadership," the rank and file feel no qualms about dipping likewise into the golden trough. The vast majority of them do it on a small scale—not to make fortunes, but merely to eke out their pay, which is whittled down to almost nothing by unfair exchange rates and inflated European prices.

Thus, a captain I know has his mother mail him a dozen tennis balls a month, which he sells for \$10 each. This gives him enough extra money to visit a Paris night club about twice a month, if he is reasonable. A sergeant friend of mine has quit smoking so he can raise pocket money by selling his PX ration of cigarettes. A hard-up major sold 2 old pairs of trousers for \$50 each, to a Frenchman who dyed them.

Such cases, although mere peanuts, form the bulk of black-market violations—in number, if not in cash. The really vast sums are made by a relatively small group of smart operators who devote much thought and time to it. . . .

You can divide the black market, roughly, into two main kinds. The first is in food, clothing, and various commodities now precious to a continent bled white. The second is in "security." With Europe already spiraling upward to crazy inflation, people are scrambling to invest their crumbling money wealth in something that looks solid.

Diamonds, as always, are in great demand. Soldiers who "picked them up" in Germany

or bought them from German civilians (paying food or cigarettes in return) can sell them at fantastic profits.

Gold is still king. Anything made of gold—bracelets, chains, rings, watches—command enormous prices, but the favorite items are such coins as the American \$5 gold piece, the British gold sovereign, the French gold 20-franc piece, or the German 20-mark coin. All are no longer legal currency, but are sought merely for their gold content, roughly the same.

One of the richest deals I know concerns an American pilot who was able to fly rather frequently to Syria, where gold is quite cheap. He took with him Parisian perfume, which sells in Syria for about 15 times what he paid for it. And there he bought gold pieces for about \$20, later selling them in Paris for \$90. On each round trip he made, roughly, \$65 for every \$1. He banked \$120,000 in America before regulations made it more difficult.

Recently I flew to England to be in on a raid made by the Criminal Investigation Division, which handles most of the Army's black-market investigations. Here was the background:

An American pilot had been approached in a bar by a Polish refugee, who swapped drinks with him and finally made him a proposition: "Just fly me to France and back, so that nobody will know, and I'll give you \$1,000." The cagey pilot pretended to agree—but secretly went to the C.I.D. They laid a skillful, simple trap, and one morning I drove out with them to an airdrome near London to watch it snap shut.

"Everything's working fine," the C.I.D. captain, formerly a New York State trooper, explained to me. "The Flying Fortress took off about 30 minutes ago from a field in southern England. The Pole's aboard, all decked out in GI clothes he got somewhere. The poor dope still thinks he's going to France. But over the Channel the pilot's going to monkey with the engines and develop 'trouble' that'll make them put back here. They're due at 11."

Sure enough, a few minutes before 11, the great bomber roared low over the field (as a signal) and the C.I.D. men boarded her as soon as she stopped rolling. They arrested everybody, even the crew, to make it look right. The pilot winked at me as he passed. The crestfallen Pole had nothing to say; his musette bag said it all. It was unnaturally heavy—with 500 gold sovereigns.

"That guy could afford to tip the pilot \$1,000," the C.I.D. captain said. "He'd have made \$25,000 on these if he had got to France."

FACE value of the sovereign is about \$5, like our gold piece. The official call-in price is about \$8, but black-market demand has raised its value, in Britain, to about \$40. Even so, 20 miles across the channel, it sells for \$90.

British one-pound notes are almost as good a deal, and much easier to find. British law forbids anybody to take more than \$2 in British money out of the country, but it's a rare soldier that obeys. It's too easy to slip a wad of them in a hip pocket, and almost nobody is ever searched. The temptation is great, for, instead of the official 200 francs per pound, Frenchmen gladly pay 400, and the price is rising. Just after D-Day it was as high as 800, four times the official rate.

The American dollar is even better, because Europe shrewdly (Continued on page 18)

(Continued from page 16) realizes that the United States, untouched by the war, is in a sounder financial position than battered Britain. The Army pays only 50 francs for a dollar—a ridiculously low price that makes soldiers swear and foreigners laugh. It is worth about three times as much.

Almost unanimously, the Army feels resentful about this, and considers itself justified in rectifying it, even by dubious means. Perhaps the commonest works like this:

"I increased my wife's allotment until I don't draw much of anything in Europe," one man explained to me. "But every month my wife mails me one \$100 bill. I sell it on the black market for \$300 worth of francs, at official rates. That evens things up."

But this same money-by-mail method can be used also to pile up profits back home, at the expense of the Treasury. Receiving this \$100 bill, changing it for \$300 worth of francs, he could have then bought, at an army post office, \$300 worth of money orders and mailed them home. Untold thousands have done just that, and the American taxpayer takes the loss for the extra \$200.

Best prices, curiously, are paid for \$50 and \$100 bills which are absolutely new and clean.

Even the slightest pinprick or pencil mark cuts the black-market value sharply; wary Europeans fear this might be some police marking. Most sought after of all are our old gold notes, which still circulate on the Continent. You can't convince Europe that the magic word "gold" on them means absolutely nothing back home.

In some countries, particularly Central Europe and the Balkans, you simply have to resort to this illegal traffic in dollars. It is either that, or pay about \$1,000 a day to live, at official rates. Some U. S. Government agencies wink at the illegality, frankly give their men actual dollars, and expect them to use the black market. Otherwise, the expense accounts would be out of this world.

Take Poland. The dollar is officially still worth only 5 zlotys (prewar price), but on the black market it brings about 300! Thus, if you are strictly law-abiding, you must pay \$50 for a cup of coffee. Illegally, it costs a mere 80 cents. Hungary is even worse. Officially, you get only 10 pengös to a dollar; actually you can get 1,000. . . .

THE second great category is the black market in butter, coffee, flour, thread, shoes, gasoline—and almost every conceivable commodity. This is inevitable in a continent which has been blasted bare. A shivering man will pay any price for a warm woolen army shirt. And, as one black marketeer told me cold-bloodedly, "Anything near to the stomach is very easy to sell."

Great quantities of supplies disappear daily from army dumps and warehouses, only to bob up in the black market at outrageous prices. Far from feeling guilty about their thefts and sales, many GI's actually defend them, saying, "It's one way to get food to hungry people."

This is shallow thinking. It benefits only the rich, who can afford to pay unheard-of sums. The poor are actually hurt even more, for prices are made higher.

There's no use trying to list the things Europe will buy. It's anything and everything. Cigarettes are always stable items, with prices varying according to supply, which usually means how many Americans are in the area. France pays only about \$2 a pack, Holland

and Denmark about \$4, while Germany is the peak at \$10, although \$15 is sometimes possible.

Penicillin is a gold mine bringing \$500 for a tiny ampoule, and supplies disappear steadily from even the most strictly controlled medical warehouses. Europeans with venereal disease don't care what they pay for penicillin's miraculously quick cure, as opposed to the old slow, uncertain, and painful methods.

Gasoline varies sharply. It is worthless in Germany, where civilians can't run cars, but valuable in most Allied countries, where they can. During the war Frenchmen paid a steady \$5 per gallon, and a full truckload of jerricans was worth \$5,000. This was irresistible to too many drivers who drew \$40 a month in pay, and they sold vast quantities. They merely drove on to the next dump and reloaded. Sometimes they even sold the truck itself, for another \$5,000.

Paris laughed about the Montmartre brothel which charged soldiers no fee, but merely asked each to bring a can of gasoline. Delighted swarms of GI's poured in the front door. At the back door, madame sold the gasoline to waiting lines of French civilian cars, at \$30 per can.

Paris laughed, but General George Patton didn't. His tanks were stalled near Germany, for lack of gasoline.

PRICES fluctuate enormously, and it's hard to know what the best "trade goods" will be from one day to another. If a French newspaper publishes a story that a shipment of coffee is en route from Brazil, the black-market price of coffee drops by half. If the Bank of England announces it's going to make a new 5-pound note, the old ones suddenly become drugs on the market. Watches were wonderful investments in Belgium until the morning the government signed a trade agreement with Switzerland for millions of them. Thus, the sooner Europe returns to normal, the sooner the black market will disappear.

Goods looted from German homes turn up frequently in the black market. During the fighting there was a real flood of them. Trucks drove into battle zones with supplies and, instead of returning empty, drivers often stripped deserted German homes of anything that would sell back in France, Belgium, Holland.

I saw one man get 20 radios from a palatial German residence. "They'll bring 100 bucks each in Belgium," he said, with satisfaction. It was a rare truck that didn't pick up one or two bicycles, worth \$250 each in Belgium. Accordions, plentiful in Germany, brought \$400 in France. Often German civilian cars were driven back, sold for \$1,000 in France. . . .

Dizziest of all European capitals are Berlin and Vienna—dream worlds apart, where money had become mere gaudy paper to be spent in handfuls, signifying almost nothing. This is partly because these two great enemy capitals, mostly destroyed, are jammed with cold, hungry people who will pay almost anything for a pound of butter or a warm coat. A friend of mine once descended into Berlin's Tiergarten black market with a couple of pounds each of coffee, sugar, cocoa, and a carton of stale English cigarettes. He emerged 15 minutes later with glassy eyes—and \$1,500.

But principally it is the Russians who make these two cities such giddy, golden whirls. Uncle Joseph has, with a perfectly straight face, pulled one of the neatest financial tricks in history. All during (Continued on page 126)

GI Gold Rush

(Continued from page 18)

the war most Soviet troops have drawn no pay while they've been outside Russia. Now, in Germany and Austria, they're getting all this back pay in a lump, a fantastic sum.

The catch is that they're paid in Russian-printed occupation marks, which, unlike Americans, they cannot send home or exchange. Every pfennig must be spent in Germany or Austria.

So today Russian soldiers are like children suddenly turned loose in a toyshop, with unlimited money to spend. They will buy anything. If they ever get near Brooklyn, watch out for the bridge. They'll buy it, crate it, and have it halfway back to Moscow before you can call a cop.

They have bought untold quantities of U. S. army jeeps (about \$1,000 each) from American soldiers who later innocently report them "stolen." The classic Berlin story tells of the American officer idly standing by a lake on which there happened to be moored about a dozen German rowboats.

A Russian truck convoy rolled up, stopped, and its commander asked, "How much for the boats?" The startled American jokingly replied, "\$5,000." With no further ado, the Russian counted out the money from a sack-

ful of marks, loaded the boats on his trucks, and drove off eastward.

But mostly Ivan wants a watch. It's easy to carry, and apparently rare or unheard of in many parts of Russia. Rumor says that back home he can buy a horse for 1 watch, a farm for 4. True or not, he is certainly hunting watches with the same vigor he once used to hunt Germans. Occasionally he simply waylays an Allied soldier, knocks him down, and runs off with his watch. Generally he buys it, after a ceremony unquestionably unique in this world.

I've been through it myself, like perhaps 100,000 other Americans. With a \$40 watch on my wrist, I walked near Berlin's Brandenburg Gate, around which swarmed civilians and soldiers of 4 armies. Then I simply shot back my left cuff, and, within seconds, was engulfed by a dozen jabbering, gesticulating Russians—a somewhat disturbing situation if I hadn't known it was their usual trade approach.

I unstrapped the watch and handed it to the nearest Russian. First, he put it in his mouth and closed his lips, apparently to make sure it was waterproof. I don't know how that proves it, but he seemed satisfied. Next, he tried to remove the back, to see the shiny wheels go 'round; this is not easy in a waterproof watch and was, in this case, impossible. Frowning, he held up fingers and I discovered he was asking how many jewels. My fingers told him 17 and he nodded sagely.

Then he held it to his ear. This was most important. It had to be a loud tick. The faint sound of a really good watch is not for Ivan, and can, in fact, knock as much as \$100 off the price.

Every man repeated this test, and then the bidding started—at \$200. Using fingers, it climbed to \$500. The winner counted out my five 1,000-mark notes and walked off happily.

I could have done better with certain \$20 watches. I think mine didn't tick quite loud enough. By now, the Russians have evolved rigid standards of the kind they want. It must be waterproof, with a black face, luminous numerals, sweep-second hand, and a tick like a \$1 alarm clock. Such watches bring the best prices. In Vienna, one (which cost \$25 originally) sold for \$1,300.

It's safe to say that the day after army censorship of mail ceased, 9 out of every 10 homebound letters from Germany and Austria read something like this: "Dear Mom: Send me a wrist watch quick. I don't care how much you pay, but send me a watch . . ."

This must have puzzled loving homefolks, who were further puzzled when sheafs of money orders began flowing back. The Berlin APO, for example, during one month wrote out over \$3,500,000 in money orders, considerably more than the entire U. S. Army pay roll in the area. Most of it was from watches.

THE joker (and the Kremlin must snicker about this) is that after shelling out good American dollars on these money orders, we have nothing to show for it except bales of Russian-printed marks. They are as good as the ones we and the British issue—or as worthless. They look exactly the same, except for a hyphen in the serial number.

Theoretically, all these marks, like our own, will be redeemed at some vague future date by some vague future German government. Nobody really thinks they will—certainly not in cash. Meanwhile, we go on paying dollars for Uncle Josef's marks, thus indirectly financing part of the Red Army pay roll ourselves. And all our financial wizards can't figure out a way to stop it. Obviously, in an Allied zone all money must be interchangeable. Uncle Josef (who must be amused by capitalistic finance) can always retort, with justice, "My marks are just as good as yours."

Thousands of watches are still funneling into Germany and Austria—by mail from America, or by pilots or air passengers who can visit Sweden and Egypt, where watches are plentiful. Many more come from Switzerland. Don't think all GI's take that army-sponsored visit to Switzerland just to look at the Alps. The price has naturally fallen, and today a \$20 watch will bring only about \$200, although a \$1 watch with a helluva tick will bring at least \$100, probably more.

Despite this flood of watches, hardly an American in Germany or Austria has one. One army base has been forced to announce the time over loud-speakers.

The Army, of course, is trying to stop this illegal gold rush which is all over western Europe. It is like trying to shoot mosquitoes with a rifle. For every man caught, at least a thousand get by.

Soldiers are court-martialed daily for such offenses as selling army tires at \$200 each, or 100 pounds of army cocoa for \$600, or 300 pounds of army butter for \$1,500. Two soldiers once loaded 9,900 pounds of army coffee into trucks and sold it for \$60,000, the largest single haul I found in C.I.D. records. A few gangs or rings have been turned up. A recent one, involving a lieutenant colonel and five other officers in Britain and France, was caught smuggling English money and gold into

When government property is involved, the Army frequently hands out stiff penitentiary sentences. Otherwise, it's inclined to be fairly lenient. If a GI is caught selling his own wrist watch, he is usually only reprimanded or fined, under an army directive which forbids any soldier to engage in business of any kind. If he sells German binoculars, he is likewise fined, under another directive which forbids selling enemy property.

Neither directive is taken very seriously. If they were really enforced, the Army would need more MP's than it has soldiers—and who is going to watch the MP's? As far as the black market is concerned, they've succeeded in proving something they've vainly contended for years—that MP's are just like anybody else.

C.I.D. works hard, but under great handicaps. Recently it discovered a certain major had sent home \$28,000 worth of money orders in 5 weeks. Two C.I.D. men called on him for an explanation.

"I won it gambling," he said.

"Gambling with whom?"

"That's my business," the major smiled. "I'm not talking. You're trying to prove the case, not me."

In a somewhat similar incident, another officer said he'd made his \$50,000 at the Paris race track on a certain day. Agents checked up, found that if this were true, he got four fifths of all the winnings that day. Confronted with this, the officer merely said, "Is that so?" and refused to make any other statement.

Both cases had to be dropped, for want of evidence. Mere possession of vast sums of money isn't considered sufficient proof for a court-martial.

One shining snag is that the Army considers gambling a legitimate way of acquiring money. So, of course, everybody says "I won it gambling." Nobody ever seems to lose in the E.T.O.

DESPITE raids, arrests, and court-martial, the black market kept mushrooming, and finally, in August, the Army tried a different tack. It decided to make it harder to send black-market profits back to America. With this weapon it has had more luck, although it has been like a 300-pound cop trying to catch a gang of small, spry kids. They were always one step ahead, and the smart ones still are.

But regulations have become increasingly strict, and each new turn of the screw discourages more thousands. Until last August you could walk into any APO in Europe, plank down practically any amount of money, and have money orders written, with no questions asked. That is now known among GI's as the Golden Age.

New rules for August said your commanding officer had to okay your money order. By September he had to certify that your money came from legitimate sources.

Today every soldier is given a "pay control book," not unlike a bankbook. In it was entered all money that he received legitimately, and a running balance was kept of money sent home, money exchanged, etc. It was hard to beat. The soldier must prove the money he's sending home comes from "official sources."

But it's naïve to hope the black-marketing of American soldiers will ever completely stop until Europe returns to something like normal.

THE END ★★

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FOREIGN CURRENCIES HELD
IN
OFFICIAL U. S. ARMY ACCOUNTS

General.

The U. S. Army in overseas areas, through the use of various foreign or occupation currencies as mediums of exchange during the war, accumulated quantities of such currencies which in certain instances appear to be more than required for the immediate future. The State, Treasury, War and Navy Departments are now solving the problem of the disposition or use of these foreign currencies in a manner whereby the dollar equivalent of the holdings can be recouped in the official accounts of the U. S. Army. The problem has already been partially solved; the goal for the remainder is in sight.

Accumulation and Use of Foreign Currencies.

Decision to use

The decision to use foreign currencies in overseas areas for U. S. Armed Forces purposes was made following detailed consideration by various agencies of the United States Government which took into consideration--

1. The recommendations of the Supreme Commanders in overseas theaters;
2. The insistence of Allied Governments in exile; and,
3. The calculated impact on the already war torn areas to be liberated or occupied in the then not too distant future

The need for use.

The liberation or occupation by the U. S. Armed Forces of foreign countries devastated by years of war quickly resulted in the U. S. Armed Forces, and particularly the U. S. Army, becoming the international banker within these areas. The internal banking systems of these foreign countries had little, if any, official contact with the banking systems of outside Allied nations. For a considerable period following the liberation and occupation of these countries, the U. S. Army provided many of the much needed civilian imports for these nations. The Army further provided an immediate outlet for much of the civilian production within each of these countries. The absence of exchange rates, other than the military rate, in the occupied areas plus the many needed commodities held by the U. S. Army and its personnel, provided ample opportunity for business transactions between Allied military personnel and civilians of occupied countries.

In most instances, however, the U. S. Army in its role of the international banker ultimately came into possession of the foreign currencies originally involved in many of these extra curricular business transactions due to the fact that it, of necessity, provided finance facilities for the exchange between foreign currencies, for the reconversion of foreign currencies into dollars, and for the acceptance of foreign currencies resulting from sales of military supplies and services within the foreign countries.

Manner of accumulation.

The manner of accumulation of the present holdings of foreign currencies was quite similar in the various overseas areas.

Similar types of transactions by American soldiers, other American "authorized" personnel, attached foreign personnel and agencies were evident in France, The Netherlands, Belgium, Czechoslovakia, Germany, Austria, Japan and Korea. A limited number of these type transactions are described in the following paragraphs:

Individual transactions.

Individual transactions between American military or civilian personnel and nationals of the countries concerned, it is believed, account for a considerable portion of the accumulations of foreign currencies held by the U. S. Army. The very understandable desire of citizens of either liberated or occupied countries for a few of life's material comforts provided a great temptation to military and other "authorized" personnel who had considerable personal equipment as well as access to Post Exchanges, Quartermaster stores and commissaries. In fact, quite a psychology developed in the mind of the soldier that official rates of exchange were unfair to him; and that as a matter of right as an American citizen, he was entitled to engage in these transactions. These extra legal transactions between military and civilian personnel were many times at a premium over the official or military rates of exchange. In any event, all of these types of transactions resulted in a substantial "value received" on the part of the populations concerned, and represented enhancement of the liberated or occupied areas for which a certain amount of dollars would have to be spent. Foreign currencies accumulated in this manner by authorized personnel were in many cases remitted to the United States through U. S. Army finance facilities with an equivalent dollar outpayment in the United States

by the U. S. Army. Ever increasing stringent controls were applied to this sort of transaction by the Army in overseas areas. However, considerable foreign currencies were remitted over and above the original pay and allowances provided individual persons by the Army.

Plates to Russians.

In the specific case of Germany, the printing and distribution of Allied Military marks by the Russians, through the use of plates provided them by the U. S. Government, after consultation with the British Government, increased considerably the circulation of Allied Military marks in and between the various occupation zones of Germany.

1. The question of giving these plates to the Russians was the subject of much discussion in U. S. Government circles. The matter was taken up with the British Foreign Office and the British Treasury by the appropriate agencies of the U. S. Government, and a final decision reached to give the plates to the Russians.

2. The U. S. Army undoubtedly accumulated certain quantities of the marks which were printed by the Russians and which could not readily be identified from the dollar backed marks issued by the other occupying forces. United States "authorized" personnel did indulge in certain individual business transactions directly with Russian soldiers in the limited areas where both forces were simultaneously stationed, or indirectly through German civilians and the German economy. Army fiscal officers were able to restrict the acceptance of the larger 1000 Allied Military mark notes in U. S. Army facilities due to the fact that no notes of this denomination were ever issued by the U. S. Army to its personnel.

Allied military and civilian personnel.

In addition of the foreign currencies accumulated from its own personnel, the U. S. Army acquired foreign currencies from many other foreign sources in its role as international banker. Typical of these were allied military personnel who used U. S. Army facilities, civilians of liberated countries who worked for the U. S. Army and accordingly were permitted to use certain Army facilities as an incentive to work, foreign refugees and UNRRA personnel. British, French, Polish and other military personnel, for example, were allowed U. S. Army facility privileges in combat zones. A sample cumulative cross section of personnel other than those paid by the U. S. Army, who used Army facilities over a six months period (October 1945 through March 1946) have been estimated as follows:

	<u>ETO</u>	<u>MTO</u>	<u>WESPAC</u>
U. S. Civilians	6,700		1,750
Red Cross	19,500		10,500
U. S. Navy	9,500		
Allied Military	4,500		2,200
U. S. UNRRA	7,500		50
Non-U. S. UNRRA	15,200		
Polish Nationals	<u>30,000</u>		
	92,900	<u>32,200</u>	<u>14,500*</u>

*Note: Figure above are approximations based upon information provided by the theaters concerned. Figures for PACIFIC include only a small portion of that Theater, namely AFWESPAC.

The net result was that the Army acquired foreign currencies, in many instances not dollar backed by the U. S. Army, from sales of meals, clothing, equipment and services furnished such personnel. The requirement that this personnel pay in dollars was obviously impossible in view of the Allied policy of using the currencies of the local foreign governments. An equally impossible situation would have existed in the event

such services and facilities were provided without charge to attached personnel; while U. S. "authorized" personnel were required to pay for identical facilities. Typical was the group of over 30,000 Polish displaced persons employed by the U. S. Army in Europe. This group of civilians were paid with non-dollar backed occupational currency. They, however, of necessity were given certain limited privileges to use Army facilities and post exchanges for minimum essentials with which to maintain their health.

United States governmental personnel.

United States governmental personnel and agencies (such as State, Treasury, Commerce Department, U. S. Coast Guard, U. S. Maritime Commission, War Shipping Administration, FLC, USO Shows, American Red Cross, United States Commercial Corporation, etc.) within the liberated or occupied areas were allowed the use of U. S. Army facilities. While currencies used were in most instances acquired with United States dollars, such currencies were often acquired in the local economy with U. S. dollars at a more favorable rate of exchange than could be afforded by the U. S. Army finance facilities. The result was the entrance of United States dollars into the economies of the foreign countries concerned, and the resultant accumulation of the equivalent foreign currencies spent in Army installations.

As a specific example, certain U. S. government employees in Paris, France, were paid by their parent U. S. government agency in the form of dollar Treasury Checks. These checks were normally cashed in the "open" market in view of the fact that a rate was obtained which was substantially better than could be obtained at the U. S. Army finance office. The dollar accordingly went into the French economy. The francs,

however, were in many cases spent at Army exchanges, messes, clubs, etc.

United States commercial institutions.

Many American commercial institutions were also present in the liberated and occupied areas working with and supporting the Allied war effort. A few specific examples of such companies were the Radio Corporation of America, International Telegraph and Telephone Company, Western Union, MacKey radio, United Air Lines, Pacific Ocean Air Lines, Pepsi Cola Company, Coca Cola Company, Japan Oil Supply Company, American Express Company, etc. These commercial companies accepted foreign currencies from authorized personnel, and in certain instances other than U. S. authorized personnel, for services and facilities provided. They did, however, use the U. S. Army finance facilities to exchange these acquired foreign currencies into U. S. dollars to be paid to their home offices in the United States.

American news correspondance.

American news correspondents were always designated as "authorized" personnel. Agencies such as the New York Post, International News Service, United Press, Associated Press, New York Times, New York Herald Tribune, Chicago Sun, Chicago Tribune, Scripps Howard, Detroit News, Acme News, New York Daily News, Liberty Magazine, Wall Street Journal News Week, Army Air Forces Magazine, Readers' Digest, Time Magazine, Saturday Evening Post, Christian Science Monitor, National Broadcasting Company, International News Pictures, etc., were ever present with their personnel attached to the United States Armed Forces in overseas areas.

Personnel of these agencies used Army facilities in many cases with foreign currencies other than those acquired from U. S. Army sources.

Sale of scrap and salvage.

The U. S. Army in overseas areas disposed of scrap, salvage and garbage or settled claims in favor of the United States within the local foreign economies, accepting foreign currencies in settlement thereof. This resulted in a further accumulation of local currency of occupied and liberated areas. The dollar equivalent of such foreign currencies was immediately deposited by the Army to the Miscellaneous Receipts of the United States Treasury in accordance with normal accounting procedures, while the Army held the equivalent foreign currencies. A loss to the United States would have resulted, if the theater authorities had not been permitted to accept local currencies of these areas as collections for these sales.

Courses of corrective action.

Except where the U. S. Army accumulated foreign currencies from authorized personnel as a result of original disbursement as pay and allowances or the encashment of dollar instruments, such accumulations of foreign currencies were not originally dollar backed insofar as the U. S. Army was concerned. Accordingly the unneeded portions of the accumulations of foreign currencies in U. S. Army accounts cannot be transposed into dollars until they can be paid out in lieu of the expenditure of dollars or exchanged for U. S. dollars directly or indirectly. The Secretaries of State, Treasury, War and Navy are united in seeking to accomplish as soon as practicable, this transposition into dollars or dollar equivalent.

Currency Exchange Controls by the U. S. Army.

Combat Phase.

Controls not an immediate problem.

During the Combat Phase of World War II, the control over the reconversion of foreign currencies held by individuals of the Armed Forces into U. S. dollars or dollar instruments was not considered an immediate problem to the U. S. Army by virtue of--

1. The controls already in effect by and within the allied and neutral foreign countries,
2. The additional controls effected by the U. S. Army and,
3. The scarcity of time in which the members of the Armed Forces had opportunity to deal in currency transactions involving relationship between foreign currency and the United States dollar.

Earliest controls.

Even as early as October 1944, however, the European Theater of Operations Commander issued instructions prohibiting personnel of the Armed Forces from participating in illegal currency transactions in foreign liberated and occupied countries.

Inducement to save.

In an especial effort to have American Armed Forces personnel overseas save a goodly portion of their pay and allowances, the Army afforded many means whereby funds, not to be readily spent overseas, could be saved or remitted to the United States. Instrumentalities such as Military Payment Orders, War Bonds, Soldier Deposits, Personal Transfer Accounts and Army Postal Money Orders were offered, and "authorized" personnel were admonished to utilize same to the maximum extent.

Reasons for degrees of control.

In the areas of the world where U. S. Armed Forces were stationed, and where stable currency and economic conditions existed, such as the South American countries, our own United States, Canada, the Canal Zone, and even India, the normal currency controls in effect within these countries were sufficient and adequate to offer little opportunity to either the local citizens or the visiting soldiers for illicit currency transactions. Rates of exchange were set and cross-rates between currencies were reasonable and complementary.

However, in areas where the havoc of war or occupation by our enemies had actually disturbed the stability of the currency, an opportunity extended itself to the Allied soldier, with his unusually fine governmental and personal equipment, to benefit through extra legal business transactions. Moreover, the local civilians were especially in need of clothing, blankets, food, cigarettes, and other necessities or conveniences too numerous to mention. Battle discipline was excellent, in most cases, but in spite of the best command precautions, certain infractions of regulations resulted.

Results of control during early period.

The currency controls effected on a quantitative basis during the combat period were effective in preventing no more overall dollar value being returned through and to the Army than were originally disbursed by the Army to its military and authorized civilian personnel. On a country by country basis, however, certain currencies were returned in excess of original disbursements. This resulted from the rapid movement of troops into and through these and other countries necessitating conversion between currencies. Absolute currency exchange controls were impossible

and the Army did accumulate considerable holdings of these currencies during this period.

Differences in the relative values of certain currencies resulted in currency dealings between local nationals and American personnel. One currency, for example, sold in its own country at a discount from the currency of a nearby country because the Government of the latter had stabilized its currency at an early date after the liberation, while the former Government waited many months before it was able to reduce the circulation of the former German occupation currencies in its own country. Because the Army converted freely from one currency to the other, it accumulated the less desirable currency and disbursed an equivalently large quantity of the more stable currency. On a dollar settlement basis between governments, these exchanges accounted in part for one Government being paid a relatively large sum on a net troop pay basis for the use of their currency while the other Government received no net troop pay; and in fact owed the United States Government for its currency held by the U. S. Armed Forces. This amount has been collected.

Growing need for control.

In March 1945, when it was noticed that foreign currencies were commencing to accumulate in Army accounts, the European Theater of Operations Commander issued strict instructions directing commanders of all echelons to take continuing and vigorous steps to--

1. Adequately safeguard all captured enemy funds.
2. Prevent the securing of currency from prisoners of war.
3. Effect the immediate exchange of any United States or British currency to appropriate continental currencies.
4. Insure that offenders in this category are made the subject

The transmission of funds to any point outside the theater utilizing means other than the United States Army Finance Officers, Army War Bond Officers, or through the Army Postal Service was prohibited. Unit commanders were directed to examine the unit record of fund transmittals in conjunction with individual deposits and individual records of currency exchange transactions of a less valuable for a more valuable currency.

Care was to be taken, however, that proper and authorized transmissions of funds from legitimate sources were not discouraged and that other pertinent aspects of the soldiers' Savings Program were not prejudiced. The prerogative of the United States soldier to send all of his pay and allowances to the United States, if he so desired, was always safeguarded as a matter of prime importance.

When it was more definitely determined that certain authorized personnel in overseas areas were remitting all, and in certain cases more than 100% of their pay and allowances home each month, rigid controls administratively feasible were effected. Allowances had to be made, however, for soldiers or other authorized personnel who had not drawn their pay and allowances for many months and who, following payment, would present unusually large amounts of foreign currency for conversion and remittance to the United States. It must be emphasized that during this period the Army, of necessity, acted as depositor and remitter of funds of all American personnel in the overseas areas. The Army was, in effect and in practice, the International Bank.

During the period from December 1944 thru July 1946 each remittance made by or conversion made for military personnel was scrutinized by unit commanders and/or unit personnel officers. Unusually

large amounts were investigated prior to allowing same to be converted into United States dollar instruments. Many such conversions were denied, and in certain cases, the individuals were prosecuted where evidence supported the contention that the currency had been obtained in black market transactions or illegally.

The remittances of other than military personnel were observed and controlled to the extent possible. However, the strict control attempted with military personnel through unit commanders was not always possible. Further, the freedom of movement of individuals of this group was conducive to the making of unusually large and numerous remittances through Army channels.

Redeployment Phase.

Problems resulting from redeployment.

From approximately 1 July 1945 to 30 June 1946 in the European and Mediterranean Theaters, and from 15 August to 30 June 1946 in the Pacific Theater, the Army passed through a financial phase which can now be referred to as the "Redeployment Phase" of World War II. At the termination of hostilities in Europe, troop redeployment began from the European and Mediterranean Theaters to the Pacific. Some was direct and some was by staging through the United States. Later redeployment was from all overseas theaters to or through the United States of America. Currency-wise, this involved redemption of foreign currencies held by our soldiers in one area for dollars or dollar instruments or exchange into foreign currencies of another country or area. This reconversion, to say the least, involved intricate currency transactions on a scale never before realized.

The rapid redeployment of American troops to the Pacific, involved the conversion of millions of dollars worth of foreign currencies into dollars or dollar instruments. Following the end of the war in Europe and early in the "Redeployment Phase", large quantities of foreign currencies were accumulated by the Army from its personnel as well as other "authorized" civilians and attached Allied military personnel. "Authorized" personnel, leaving the European and Mediterranean Theaters, presented for reconversion all of the foreign currency held by themselves at that time. The amounts presented for exchange represented in many instances, accumulations of many months pay and allowances. On a quantitative basis, large amounts were to be expected, especially due to the fact that soldiers leaving the theaters were turning in their holdings prior to their return to the United States. Holdings of several months pay were to be expected in many of the normal cases, and no precise means existed of distinguishing currency properly acquired, from that illegally acquired.

More stringent controls.

As it was noticed that unusual accumulations were resulting, the European Theater Commander effected a more stringent control than he had previously placed in effect. The new revised controls applied to all Army and Navy personnel and all civilian personnel in and under military establishment.

These controls prohibited any individual from transmitting funds to any point outside the theater in a single calendar month in any amount equal to or amount aggregating a sum in excess of the sender's unencumbered pay plus 10%.

All persons desiring to transmit funds by Personal Transfer Accounts, Postal Money Orders or by purchase of War Bonds were directed to submit applications in writing to the appropriate company or regimental commander. This commander was charged with assuring himself, by such inspection of pertinent records as was necessary, that the funds sought to be transmitted by the applicant concerned, did not exceed the individuals unencumbered pay plus 10%. The commander in turn was charged with processing the applications to and through the appropriate Army agency responsible for the final processing thereof. Officers of field grade (majors and above) were required to execute a signed certificate to the same effect prior to transmitting funds to the United States via Army channels.

These controls added to the already overburdened administration of units overseas, and were effected only after full deliberation and consideration by the authorities within the European Theater. The rapid and full scale redeployment gave ample opportunity for clerical mistakes, negligence and willful fraud. Inexperienced fiscal replacements from the United States were not equipped to readily search for and detect loopholes in the existing currency exchange controls.

Adoption of "Currency Exchange Control Books"

The European Theater commanders continued strenuous study on the problem and in November 1945 placed "Currency Exchange Control Books" into effect in the European Theater. A similar procedure was effected in February 1946 in the Mediterranean areas. The delay in the Mediterranean Theater was due to the expected closing of the Theater which did not materialize. The pay and allowances drawn by individuals overseas

were recorded in this book. As foreign currency was used, deductions were made in the book. The principle applied in this type of control limited the amount of foreign currency any one person could convert into dollars to the amount he had originally received as pay and allowances from the Army. A quantitative control was desired and obtained from this method.

This type of control was successful for a period of months, after which time it was necessary, profiting by experience, to revise the book into a more voluminous record in which all transactions over \$5.00 were entered.

A system of certifications was used in the Pacific Theater during this entire period. Due to the few foreign currencies involved as well as the more stable currency situation in Japan and Korea, the certification procedure worked sufficiently well until the latter few months of this period. In these few months, an accumulation took place which warranted imposing controls which were effected shortly after the end of this period.

Protection of the soldier's dollar.

The controls offered during the "Redeployment Period" were designed to give the American soldier the greatest possible "freedom of action" with his funds, and to recognize that he was receiving his pay and allowances in the equivalent of United States dollars and could reconvert the currency received into dollars or dollar instruments at any time. Being unable to pay him directly in United States dollars, the theater commanders felt strongly that, in any type of control necessary

the soldiers' dollar pay and allowances must be protected. Absolute refusal to convert his foreign currencies into dollars would have undoubtedly resulted in thousands if not hundreds of thousands of individual claims against the United States Government.

Infractions of discipline.

It was found that during this period many circumventions of the currency controls were prevalent. A certain percentage of the officers and soldiers alike participated in transactions with local civilians in liberated or occupied countries and in many instances the proceeds from the imports flowed back into the Army international banking system.

Persons found to be guilty of infractions of the currency control rules and regulations promulgated by the theater commanders were punished and disciplined. Cases found where duplicate control records were held and used or where untrue certifications were made, were disciplined severely.

Occupation Phase.

Early detection of violations.

Even before the end of the Redeployment Phase, the War Department noticing the indicated circumvention of exchange controls in overseas theaters of operation, conducted an extensive conference in April of 1946 on the subject of Currency Exchange Controls. This conference was attended by representatives of the War Department, European, Mediterranean and Pacific Theaters, and it explored the possibilities of all types and methods of controls which could be designed to prevent the further accumulation of foreign currencies in the official accounts of the U. S. Army

in overseas areas.

Four major control procedures were discussed in detail at these conferences. They were:

1. Pay of personnel of the military establishment overseas in U. S. dollar currency and coins.
2. Use of a single special medium of exchange within the military enclave and no foreign currency reconversions.
3. Use of currency exchange control books and a system of a single medium of exchange or of coupon books within the military enclave.
4. Use of control books as was presently being used at that time in ETO and MTO.

While the procedure in 1 above was most desirable to the U. S. Army, its adoption was not possible due to the necessity of complying with foreign governmental controls over the circulation of dollars, and the possibility of the presence of large quantities of U. S. dollars in these economies tending to destroy confidence in the local currency. Inasmuch as the second method of control was as effective as the first, the representatives agreed that it constituted the most advisable means of control for the more stable "Occupation Phase of World War II" in foreign countries.

Proposed Use of Military Payment Certificates.

The Military Payment Certificate was an entirely new concept. Never before had the Army and Navy issued a medium of exchange with such freedom of use within the military enclave, yet so completely restrictive as to its use elsewhere. The whole proposal required exhaustive and intensive research and exploration.

Except for the counterfeiting possibility, this means of control offered the U. S. Army protection from the further accumulation of foreign currencies in its official accounts. The security of the new type of medium, the Military Payment Certificate, is protected by the conversion, at unstated intervals, of the old certificates into new certificates, with different colors, series and serial numbers.

A drastic change was also inherent in the agreed upon method of control, due to the proposal which allowed no further conversion of local currency back into U. S. dollars and/or dollar instruments. The Army payrolls are and always have been computed in U. S. dollars; reserving the right of the individual to draw, when stationed overseas, as much or as little of his pay in a foreign currency as he desired. Concurrently, authorized personnel had the right to reconvert foreign currencies drawn by them, deemed excess to their needs, at any time at the same rate of exchange as acquired, into U. S. dollars.

The Type "A" Yen.

For undertaking to permit and utilize Military Payment Certificates, a new world-wide medium of exchange with its advantages, it was necessary to move with prudence.

The Pacific Theater was used as a testing ground for the new type of currency control inasmuch as an occupational currency, printed exclusively in the U. S. and not previously used, was immediately available for introduction within the U. S. Army military enclave. This Type "A" yen currency was accordingly introduced in the Pacific area in lieu of

the "Military Payment Certificates" which were still being printed. The Type "A" yen currency was introduced in the Pacific Theater on 19 July 1946; its use being restricted to the American military enclave.

The use of Type "A" yen in the Pacific, under identical rules and regulations planned for the "Military Payment Certificates", was successful and met with little if any criticism against the U. S. Army. Accordingly, following approval by the Secretary of War, and the concurrences of the Bureau of the Budget, the Controller General and the senior majority and minority members of the House and Senate Appropriations Committee, the similar plan using the "Military Payment Certificates" was effected in the European and Mediterranean Theaters on 16 September 1946. The Type "A" yen in the Pacific was replaced with Military Payment Certificates on or about 1 October 1946.

As it entered the permanent Occupation Phase of World War II, the U. S. Army had solved its problem of accumulating foreign currencies and was divesting itself of its function as an international banker as rapidly as possible.

Procedures Available for the Disposal of Foreign Currencies.

Individual treatment required.

The War Department must consider the disposal or use of each of the respective foreign currencies on an individual basis. This is necessitated by the fact that the respective currencies involved essentially can eventually be disposed of only in the countries in which they are legal tender. These currencies, especially the German mark and the Japanese yen, are not of value as foreign exchange outside their

respective countries at this time; nor is it expected that they will be of value outside their respective countries for some appreciable time in the future.

Most recent information received from the European Theater indicates that the U. S. Army presently hold 249 million dollars worth of German marks, against which a credit of approximately 145 million dollars exists. In other words, the U. S. Army in Germany holds approximately 104 million dollars worth of marks for which the dollar equivalent has already been paid out through various procedures. Accordingly, until the equivalent amount of dollars are realized from these marks held in its official accounts, the U. S.

Army holds German marks which are in excess of immediate Army needs and which are carried at their dollar equivalent in its official disbursing officers' accounts.

Similarly, Japanese yen to the extent of approximately \$63,000,000 are held in the official accounts of the Army.

Settlements in the cases of all other foreign currencies either have been made or their consummation is imminent.

Utilization of Remaining Balances

While the utilization of each of the remaining balances of these currencies represents a problem in itself, it appears that somewhat similar means have been or are being used in all.

Outpayments to Prisoners of War

The Army, however, has approximately 144 million dollars for the ultimate outpayment to repatriated prisoners of war. Outpayment is normally made in the local currency of the enemy country or countries. Accordingly, respective foreign currencies held in official U. S. Army accounts are being used to make payment. The dollar equivalent in this case is being transferred to the official accounts of the U. S. Army in exchange for the currency expended.

Exchange by Authorized U. S. Personnel

Personal uses within the economy of the occupied areas should result in the sale of foreign currencies from the official accounts of the Army to individual "authorized" personnel in these zones at the military rate of exchange. A further decline in the long position in these currencies will result as exchanges of these currencies for dollars are consummated.

Official Use by Military Personnel

Certain personnel operating in the United States occupation zones will have a requirement and need for foreign currencies. These currencies will be purchased from official accounts of the United States Army.

Use by UNRRA

Over the extended period since V-E Day, UNRRA in Germany has been advanced German marks (against receipt by the U. S. Army) to spend in the local economy and to pay for UNRRA use of U. S. Army facilities in Germany. Reimbursement in dollars is presently being requested of UNRRA.

Use by Army Exchange Service

The Army Exchange Service procures goods and services in the occupied areas for resale in post exchanges in the respective theaters. The Army Exchange Service purchases its currency requirements for this purpose from the U. S. Army finance officers in exchange for dollars. This is another means of reducing the long currency positions.

Sales to Commercial Concerns

Sales to commercial concerns, operating in the occupied areas and under the military authorities, of foreign currencies in exchange for U. S. dollars, to pay for the native personnel as well as the miscellaneous indigenous expenses of the concerns, will result in a further reduction of the overall excess currency position of the U. S. Army.

New Issue of Military Payment Certificates

At intervals of approximately six to eight months, the Military Payment Certificates in use in overseas areas are replaced with Military Payment Certificates of a new series and of different colors than those

presently used. This action is primarily for security reasons, although when all Military Payment Certificates in the hands of "authorized" personnel will be converted for the new type of Military Payment Certificates, it is anticipated that the U. S. Army will realize a profit due to the fact that certain quantities of the original Military Payment Certificates will be--

1. Held by "authorized" personnel for souvenirs;
2. Be caught in the hands of speculators within the local economy of the occupied area; and,
3. Will be lost or destroyed by unknown means.

Sale of Currencies for Needs of Business

Sales of currencies to American business men to meet their individual needs while traveling in the occupied areas, as well as the sale to them of currencies for procurement purposes in exchange for dollars, is a means of disposal of another portion of the excess marks.

SUMMARY

Decision to Use Foreign Currencies

The decision that the U. S. forces would use foreign indigenous currencies in the countries which the Allies were to liberate or occupy was not of itself conducive to ready and effective currency control. However, it was necessary in view of the political considerations involved, and the economies of the foreign Allied countries which were soon to be liberated and occupied. Unquestionably the wholesale introduction of U. S. dollars into war-torn areas would have created abnormally unfavorable reactions within the already strained economies.

Administrative Burden Resulting

The administrative burden connected with the use by the Army of currencies other than the U. S. dollar, was unusual. Wholesale conversions from one currency into another became a necessity, such conversions being made initially under combat conditions as Army units moved from one country to another. Extreme caution was practiced in assuring, during such conversions, that the American soldier was afforded the opportunity to convert all foreign currency he had originally received as pay and allowances. Although unit commanders and unit personnel officers were, on the whole, conscientious about the conversions which were permitted during all financial phases of the war, conversions were many times permitted which accumulated excess currencies in the accounts of the Army.

Quantitative Controls

A quantitative type of control over the conversion of foreign currencies was originally desired by the Army. This was to be accomplished through the control of major transactions. This was administratively feasible and technically practical assuming that a considerable portion (15%-20%) of the pay of troops would be spent in the local economies of the countries. On a dollar basis, this type of control was effective until the late stages of the Redeployment Phase. Because of dealings between foreign currencies however, the scarcity of items which the soldier could use from certain local economies, and the opportune black markets in the occupied countries, the quantitative control resulted in an unbalance of the dollar control and an abnormal accumulation of several foreign currencies which the Army thus far has been unable to use or convert to dollars.

Loopholes in Exchange Controls

The operation of many special services such as post exchanges, service clubs, Red Cross facilities and motion picture services for the morale of troops overseas opened loopholes to the quantitative currency controls. Loopholes in the 5¢-\$5.00 type transactions developed; but were administratively impossible to close during the combat and redeployment phases. At the time this was realized, immediate action was taken to change to another more effective type of control.

Foreign Personnel Serviced

The large number of foreign personnel attached to the American Army units in overseas areas was necessary to the successful completion of the war. The use of American facilities was in many respects a relative luxury for most Allied military and civilian persons. The use of American Post Exchanges, commissaries, picture shows, clubs and messes was at times excessively pursued. Currencies thus acquired were not dollar backed by the U. S. Army, although in most cases they were original pay and allowances of our Allied soldiers.

Civilian Personnel Serviced

Similarly, the American civilian personnel being attached to the Army in overseas areas was a necessity inasmuch as the normally required facilities were non-existent except through Army channels. As in other cases, the Army was burdened with the welfare of numerous persons from without the Army and, in addition, collected large sums of foreign currencies into its accounts.

Savings Program Vs. Controls

The zealous efforts of Army officials and the much publicized program to have military personnel remit the largest possible share of

their pay and allowances home each month from overseas stations, were in direct conflict with the currency exchange controls required to prevent the accumulation in Army accounts of large amounts of foreign currencies. Combat commanders were prone to favor large remittances by their personnel through the various channels open to them such as Soldier Deposits, Money Orders, Personal Transfer Accounts, War Bonds, etc., without realization or understanding of what effect it would have on the overall accounts of the U. S. Army.

Exchange controls were effected to the extent administratively feasible during the Combat and Redeployment periods. A complete control was effected shortly after the start of the Occupation Period.

The Army as International Banker

Conclusively, the U. S. Army accumulated its foreign currency holdings as a result of its being required to assume the role of international banker in overseas liberated and occupied areas. Its accumulations represent goods and services delivered in the country concerned. These accumulations are dollar backed and the dollar value thereof must and will be realized.

2. Czechoslovakia - The Meeting with Czech Representatives:

A meeting was held on 2 March at the Treasury, between representatives of the Czech Government enroute to Savannah for the Monetary Conference, and Mr. Glasser, Treasury Department, and Lt. Colonel Upton, BOWD. There was a general discussion of the problem of the excess crowns held by U.S. Army disbursing officers. In this connection the Czechs pointed out the serious political implications of non-payment by the U.S. Army for its use of Czech currency, combined with the necessary admission that the U.S. Army had not only lived off the land but had actually left Czechoslovakia richer than when it went in. Czech representatives said that the excess crown problem was not known to opposing factions of the Government and that they were attempting to keep the problem from becoming generally known until such time as some type of settlement might be worked out. There was also discussion of the amount of AM marks used by the U.S. Army in Czechoslovakia and for which the Czechs anticipated some reimbursement. This amount was anticipated to be approximately 1,500,000 marks. Finally the Czechs discussed briefly some of the serious problems facing Czechoslovakia with respect to the decision to sell German products only in terms of U.S. dollars, Mr. Glasser indicated that it was hoped that the Treasury and War Departments would have a more definite statement to make on the Czech crown situation by the time the Czech delegation returned from Savannah late in March.

5. Foreign Exchange Control Problems:

a. Exchanges for Veterans.

Discussions have been taking place this week between OFD, BOWD and the Treasury Department, as to whether the War Department has the authority to make exchanges of currency for veterans who can properly show that they were not given the opportunity to make exchanges before leaving the Army. Both the question of legal authority and of policy in this respect are under consideration.

b. New Exchange Controls for Non-War Department Civilians.

After several months discussion and clearance between agencies, the Office of the Fiscal Director is now dispatching a cable to interested theaters strictly limiting the exchanges that can be made for civilians. In effect, this cable indicates that no further exchanges of any sort will be made for U.S. Government civilian employees, and others, in countries where adequate banking facilities exist. In countries where adequate banking facilities do not exist, exchanges will be limited to a one time amount of \$25.00 on proper certification and upon the individual leaving the theater. War Department civilians and the Red Cross will continue to operate on the exchange card system.

This represents a considerable tightening up of existing exchange controls for civilians who are now given the same privileges as military personnel in ETO.

6. Military Payment Certificates:

An analysis of the military payment certificate plan has been cabled to all theaters and their comments have been requested. The Treasury Department is most anxious to see the military payment certificate plan adopted in the near future.

Recap # 66 - 22 February 1946

4. North Africa - Excess Moroccan Francs:

The Office of the Fiscal Director has been requested to make an immediate investigation of the reported refusal of the French Government to adjust the equivalent of approximately five million dollars in Moroccan francs to the new rate of exchange. The Treasury Department received a cable from its French representative indicating that the French were awaiting a further statement concerning the source of these Moroccan francs before taking a decision on their acceptability for adjustment to the new rate. From fragmentary information available at the present time, it appears that these Moroccan francs are in excess of the amounts originally drawn by the theater. Colonel Pforzheimer is reported to have looked into the situation but reached no conclusion in the matter. It has been suggested that these francs were acquired through the exchange by military personnel being redeployed from France through Africa of French francs unexchangeable by them in France (as being in excess of the amounts on their control cards) and exchanged by them in Moroccan banks for Moroccan francs. These Moroccan francs were then turned in to finance officers for dollars. On the other hand, there may be an excess of North African Colonial francs over the amounts drawn, arising from the same type of transactions which give rise to excesses in other countries. An investigation of this matter is being pressed; at the present time there is no reliable information whatsoever in the War Department on North African operations.

6. Exchange Control Problems:

a. Proposed Use of Military Script.

The Treasury has proposed to the War Department that it adopt a form of military script for all payments abroad. Such script would be disbursed to military personnel and acceptable from military personnel in exchange for all obligations at quasi-official installations and also in exchange for foreign currency. Foreign currency so paid out, however, would not be taken back in exchange for dollars. The suggestion is under consideration.

b. The War Department has cabled the theater a copy of the teletype conversation with Colonel Pforzheimer, requesting him to discuss with the theater the proper action to be taken in conjunction with the exchange of reichsmarks held by the cable companies, by the Red Cross and by post exchanges and commissaries. The theater has indicated that it has under advisement, a plan for deducting amounts expended by military personnel at quasi-official installations from the amounts transferable into dollars by such personnel. However, no specific information is available concerning the theater's proposal.

(Recap #63) - 1 February 1946

3. b. Application of Exchange Control Book to MTO:

Simultaneously with the application of the new rate of exchange military expenditures in Italy, the theater is instituting an exchange control book identical to that now in use in ETO. This provides for the recording of all legitimate receipts by the individual and all approved transfers with the balance shown in the book as the amount eligible for further transfer.

Recap # 64 - 9 February 1946

2. Czechoslovakia - Excess Crowns:

The theater has reanalyzed its position in Czech crowns and reported this to the War Department. Although OFD/ASF has not yet submitted on the basis of the theater report new figures in the matter, it is apparent that there exists an excess of crowns over and above the amount obtained from the Czechoslovakian Government of several million dollars. No report has yet been received with respect to the extent of local procurement or shipments of coal. The State Department continues to press urgently, a settlement with the Czech Government.

6. Revised Currency Exchange Control Book:

ETO has presented to the War Department for approval, a new simplified type of control book to replace the existing one. ETO has also suggested that the new currency control book be made applicable throughout the world.

Recap # 65 - 15 February 1946

4. Netherlands - Excess Guilders:

The State Department has addressed a letter to the War Department inclosing a copy of the note from the Dutch Government proposing that excess guilders held by U.S. Finance Officers be not reimbursed by the Netherlands and that likewise the Netherlands will make no claim for payment of amounts presumably expended for troop pay. The War Department position in this matter is still under discussion.

Recap # 62 - 26 January 1946

2. Czechoslovakia - Inability of Theater to Reconcile Accounts:

The theater has been urgently requested to clarify the status of United States Army accounts for kroner both for troop pay and for procurement obligations in Czechoslovakia. The theater has replied that it cannot furnish the information requested at this time, but will do so as soon as possible. Failure of the theater to report the information required is presumably due to shortage of administrative personnel. It does, however, place the War Department in an embarrassing position as no payments have been made whatsoever to the Czechoslovakian Government despite the continued pressure of the State and Treasury Departments and the United States Ambassador in Czechoslovakia on the War Department to reconcile its accounts and make at least a partial payment.

5. Netherlands - Excess Guilder Position:

A cable is being dispatched to USFET (Main) giving a resume of the War Department's understanding on present situation with respect to excess guilders and the administrative arrangements made by the theater for use of guilder balances. The theater is being told specifically that it should fund the embassy, and that it may absorb a fractional differential in the exchange rates.

Recap # 61 - 19 January 1946

3. Curacao and Surinam - Excess Guilders:

Reference is made to this item in last weeks recap. A conference was held with Mr. Dietrich of the Treasury in this matter, and it was decided that further information concerning the source of guilders in these countries should be obtained before action is taken. Mr. Dietrich tentatively held the view that if this information confirms the fact that such guilders are actually excess amounts picked up from military personnel, rather than amounts received as cash advances under reciprocal aid, a New York draft should be purchased at once and the two percent commission paid. However, until information is received from the theater there are no adequate facts upon which to base action.

6. Germany - a. Request by Cable and Radio Companies for Transfer of Accumulated Proceeds:

A meeting was held in the Office, Chief of Finance attended by State, Treasury and War representatives and representatives of American Cable and Radio Companies. These companies have requested that accumulated reichsmarks balances, amounting to approximately 1 million dollars half of which represent flower remittances, and half of which represent messages, be transferred into dollars by the United States Army. The companies pointed out that transfer of local currency proceeds into dollars have been, and continue to be made in Austria and in Italy, and were made in Germany up to November 10, 1945 when the exchange control system went into effect. They also pointed out that their operations were undertaken in Germany at the request of the Joint Communications Board, and have always been under theater control. The situation was thoroughly discussed at the meeting, but no decision was taken. After the meeting, informal discussion took place between Army representatives. It was the consensus of opinion, based on statements from the theater, that the Army did have responsibility of transferring these balances, as the failure to enforce adequate exchange controls rest on the theater rather than on the cable companies. It would seem that failure to exchange these amounts for the cable companies would lead to serious repercussions in the Army's relations with the companies supplying such services to troops throughout the world.

b. Deficit in Reserve Account in Treasury:

November 30 figures show that if reichsmark balances held by United States finance officers were turned back to the currency section, a deficit of approximately 26 million dollars would be created in the Treasury reserve account. Assuming reichsmarks held by troops would be eventually turned back rather than spent in Germany, it is roughly estimated this deficit will be doubled.

Recap # 57 - 21 December 1945

4. Netherlands - Excess Guilders:

Teletype conversation with Colonel Pforzheimer indicated that his efforts to negotiate with the Netherlands authorities for disposition of excess guilders have been unsuccessful. These guilders are now in a free account with the Netherlands Bank, but the Army has undertaken not to use them except for normal Army purposes. The Netherlands authorities have indicated they would afford adequate protection to these guilders in case of devaluation, but have refused to make a written statement to this effect.
(Action: BOWD)

Recap #60 - 11 January 1946

1. Curacao and Surinam - Excess Guilders:

It is reported from the Caribbean Defense Command that strong rumors exist that Surinam guilders will be devalued about 50%. The Finance Officer, British Guiana Base Command, recommends he be authorized to purchase a New York Draft for his official balance from the Surinam bank which will charge his account two percent for the New York Draft. Apparently a somewhat similar condition exists in Curacao. The theater is being queried concerning the source of these guilders before a decision is taken in the matter. The question appears a very complex one insofar as certain guilders were apparently received as advances against net troop pay and certain guilders were received as advances under reciprocal aid.

3. Germany - Currency Accepted by ATC for Transport of Russian Personnel:

Some months ago, ATC was given instructions that in transporting Russian personnel on ATC lines with the approval of the theater commander, payment should be accepted in rubles. It is believed also that these instructions may have provided for acceptance of reichsmarks in case of emergency. The ATC has just made available figures of the total amount of rubles and reichsmarks accepted in Germany for ATC transportation during the period 1 September to 19 December. The sum was \$5,614, all in reichsmarks.

6. Analysis and Disposition of Military Pay for October:

Attention is called to subject analysis attached. It is to be noted that on the Continent approximately 36 million dollars more were returned through official channels than were drawn for total pay and allowances. In the Mediterranean Theater almost seven million dollars more were returned through official channels than were drawn for pay and allowances. Although a considerable portion of these excess returns may have been due to redeployment of troops during the period, it is also probable that a substantial amount can be explained by the lax exchange restrictions which governed in ETO during the month in question.

Recap # 56 - 15 December 1945

3. Germany - Query to the Theater on Handling of Reichsmark Balances of Commercial Firms: As a result of requests of commercial firms, such as Western Union and RCA, to the War Department for conversion of Reichsmark balances handled by them, the theater has been queried on what action it is presently taking in this respect, and what arrangements have been made with commercial companies. It was pointed out to the theater that unless arrangements have been made to enter on currency control cards of individual soldiers, the marks paid by them to such commercial companies for services rendered, any transfers to dollars of mark balances held by these companies would, in effect, mean a loss to the United States Government of this amount.

7. Restriction of War Department Facilities for Commercial Transfers: As a result of the action of the Treasury in unblocking most foreign accounts in the United States and with the reestablishment of commercial bank facilities in most countries throughout the world, the War Department is now restricting transfers of non-War Department funds, generally speaking, to those made for other departments of the United States Government. Commercial organizations and foreign governments are being told that War Department facilities are no longer available for this type of transaction and that they should use commercial channels. The only exception to this is in the case of Germany, Austria, and Japan.

Recap # 57 - 21 December 1945

2. Germany - Black Market Problems:

Colonel Pforzheimer in his letter of 5 December reported at length on black market problems. He recommended that no further action should be taken, as urged by CAD, to force the theater to accept Reichsmarks on the same basis as AM marks as it was felt that this would negate the efficacy of the exchange control book. In this connection, it is reported that a very substantial premium has developed in the black market of the AM marks over the Reichsmarks.

Figures were inclosed showing substantial deficit in the net troop pay account for the Continent for October and November (i.e., returns substantially in excess of disbursements), but it was felt this could not be tied in with the German situation until further information was available. (Action: BOWD-CAD)

Recap #55 - 7 December 1945

4. Germany - Difficulties Due Through Failure to Establish Exchange Rate for Other Than Military Purposes:

Cases continue to arise which require the Army to assume the responsibility for converting Reichsmarks for civilian organizations, due to the failure of the interested groups to establish a rate for the German mark which will apply to general transactions, as compared with the existing 10¢ conversion rate for military purposes. Full details concerning these situations are not available except in the theater, but it is none-the-less apparent that, to a greater and greater extent, civilian transactions are becoming merged with War Department transactions in this respect. For example, undesirable German aliens are being deported from the United States with dollars in their possession. These dollars are presumably either being taken up by the theater against payment of Reichsmarks by Army finance officers, or else (and the latter is believed to be the case) the deportees are simply being given receipts in Germany for these dollars. It is reported that U.S. commercial telephone, telegraph and cable companies are all beginning to operate in Germany, primarily, it is presumed, for the convenience of military personnel. The War Department has been approached concerning the conversion of Reichsmarks into dollars which they have acquired through current operations, including wireless transmission of flowers. It is not known here what arrangements the theater has made in this respect in Germany and it is also not known how these companies acquired Reichsmarks for their initial operations, although it is presumed this must have been from Army finance officers.

In effect, such civilian operations by the Army mean, exchange-wise, that insofar as Reichsmarks are sold to these organizations by the Army, the amount of dollars in the Treasury Reserve is increased, rather than having these dollars credited to an account for the benefit of the German Government. Since the Treasury reserve account will presumably eventually be disposed of, on the basis of its origin in War Department appropriated funds - quite probably going to Miscellaneous Receipts - it is incorrect for funds to be included in this reserve account which should be applied for payment of German imports. It is understood that the Treasury Department is investigating licensing German banks to undertake such transactions themselves so that all purchasers of German marks other than "authorized personnel" will have to purchase these from German banks, with the dollars to go into a blocked account to be eventually used under quadripartite directions for payment of German imports. However, action in this matter has been continuously delayed.
(Action: CAD - Treas)

Recap #54 - 30 November 1945

7. Black Markets and Foreign Exchange Control:

Details of the exchange card control system are being forwarded to all theaters for their information and adoption of the same system, if desirable. There has been a certain amount of outside inquiry, both through the Bureau of Public Relations and by outside writers, concerning the exchange card system at present in effect in the European Theater; no statement, however, has been made for publication by this office. In this connection, a basic letter has been prepared for use in answering Congressional inquiries and complaints, as well as those from other authoritative sources. Such a letter was specifically requested by the Treasury Department with respect to inquiry received by it from the Veterans of Foreign Wars. Generally speaking, however, since the inception of the exchange card system, there has been little press comment on the black market situation in the European Theater.

Recap # 52 - 17 November 1945

1. Excess of Currency in "Net Troop Pay" Countries:

b. Informal report from a Civil Affairs officer, formerly on duty in ETO, indicates that the British Army (inclusive of R.A.F. but exclusive of Royal Navy) has at the present time in the hands of its paymasters approximately 500 million French francs in excess of those drawn from the old Shaef Currency Section for France. If the net drawings of the Royal Navy are consolidated, the British position relative to French francs is reported to be an excess of some 350 million French francs over total net drawings from Shaef. The two major factors contributing to this excess are alleged to be fairly widespread looting and rather extensive black market operations by the British military during their sweep across Northern France and during the period the 21 Army Group Headquarters were located on French territory.

Recap # 53 - 23 November 1945

3. GI Remittances from Berlin:

Newspaper accounts indicate that for the month of October, American soldiers in Berlin sent home \$7,740,203 against payments in the Berlin area to military personnel alleged to be \$2,412,293.

Recap #54 - 30 November 1945

4. Holland - Excess Guilders:

The Treasury Department has recommended that every means be taken to "work off" these guilders on other government agencies or for Army purposes other than for pay and allowances. Treasury has also requested that, in view of the imminent arrival of a Dutch delegation to discuss defrosting, and perhaps excess guilders, information on the exact status of these guilders be made available. In accordance with the Treasury suggestion, an arrangement is being made with the Navy to assume in exchange for dollars its guilder debts to CCALA amounting to about \$75,000. Also, a cable is being dispatched to the theater requesting information as to the present status of the excess guilders. A cable has been received from the theater stating that arrangements have been made (presumably by Colonel Pforzheimer) for handling the excess guilders and requesting, therefore, that permission be given to discontinue the Netherlands Currency Section of CCALA. However, the theater has not furnished any details whatsoever as to what arrangements have been reached with the Netherlands authorities.

Recap #46 - 6 October 1945

6. War 71871 has been dispatched to USFET Main, outlining in great detail all controls that should be exercised in the theater, with regard to foreign exchange in the hands of members of United States Armed Forces. Likewise, the wire from USFET Main (CM-IN-8112 11 Sept), and War 71871 has been sent as a book message to all Army headquarters outside the continental United States, with a request for comments. Based upon these comments and the experiences of ETO in implementing a foreign exchange control system, similar regulations will be promulgated in whatever theaters are affected by the same problems. The first reaction from ETO indicates that the instructions contained in 71871 are feasible of implementation. One officer in that theater has already been caught with various foreign currencies of which the source is a bit vague, aggregately \$38,000.

Recap #50 - 3 November 1945

2. Excess Netherlands Guilders: Monthly report of the Currency Section of the British and USFET Mission to the Netherlands Government (successor to SHAEF Mission) for 30 September 1945 reveals:

- a. Advances to U.S. Army - \$0
- b. Advances to the U.S. Navy - HFL 200,000
- c. Various minor advances to the Australian, Norwegian, Czechoslovakian and French forces and a substantial advance to the Netherlands Armed Forces.

It is noteworthy that there is no outstanding advance to the British Army, Navy, nor to the RAF.

As at 30 September 1945, excess Netherlands guilders in the hands of various Allied armed forces stood at:

Polish Army	HFL	10,248,050.24
Belgian Army		170,031.60
British Armed Forces		164,744,354.65
United States Army		21,646,379.40

No firm guidance on the disposition of the U. S. Army excess has been received from the State Department. A tentative scheme for the ultimate disposition of this excess has been discussed informally with the Treasury Department.

Recap #44 - 22 September 1945

SPECIAL PROBLEMS

3. Black Market Activities. - Reference is made to the discussion of this problem in weekly recap #43 of 15 September. An answer to S 22572 from USFET Main requesting the War Department's guidance on the question of foreign exchange control has been prepared and is now with OFD for comment or concurrence. In addition to this a cable has been prepared by BOWD but not yet dispatched, dealing with the excess guilder situation and has been concurred in by OFD and the Treasury. The Treasury has also informally requested that an estimate be made by the War Department of the amount of Reichsmarks which have been illicitly transferred by troops. The Treasury is bringing great pressure to bear on the black market problem and the matter should be given urgent attention.

7. Report on S 1223. - A BOWD report on subject bill (to require payment of troops in U.S. Dollars) has been with the Treasury for some weeks awaiting its concurrence. It is believed Mr. Brooks is handling the matter at the Treasury.

COUNTRY PROBLEMS

7. Holland - A cable concurred in by OFD/ASF and Treasury and dealing with the excess guilder question is ready for dispatch. It is apparent the Dutch propose to block all old guilders returned by U.S. Military Forces in the conversion period. The blocked account will then be subject to discussion at a high level. Although details of this are not yet available, the implication is that the \$21,000,000 excess guilders now held in the theater will be blocked and subject to a intergovernmental settlement.

Recap #45 - 29 September 1945

2. Foreign Exchange Control - Reply has been dispatched to the CG, USFET, authorizing the initiation in ETO of foreign exchange control card system which will then be used as a pilot model for other theaters affected by similar problems. A special summary of the actions taken by various components of the War Department leading up to this cablegram is contained in Tab A attached hereto.

Recap # 43 - 15 September 1946

2. Holland - Excess Guilders. - Information has been received from the theater that as of 31 August the returns of Netherlands guilders in excess of total drawings amounted to over 21 million dollars. The theater also said that no additional information was available as to the source of these guilders. The estimated source, from previous cables and from conversations with General Cobbs, is believed to be largely black market sales of Belgian francs for guilders. No formal talks have yet taken place with the Dutch Government concerning the excess Dutch guilders. The Dutch Government has announced a currency conversion plan to begin in the near future.

4. Remittances to Troops Abroad. - In reply to a query from the Army postal authorities initiated as result of a request from the Western Union Telegraph Company, the Budget Office indicated that although it was not desired to encourage remittances from the U.S. to troops throughout the world, no formal objection would be raised to the resumption of such remittance traffic.

5. Losses to the U.S. Government through Black Market Operations of Troops. - There have been several stories in the press recently pointing out the losses to the U.S. Government incurred through the transfer of reichsmarks acquired by U.S. troops through sale of personal property. These sales have been tied in with the excessive circulation of reichsmarks in the Russian zone of Berlin. Recently ~~in~~ the theater put into effect a ban on transfer into dollars of any currency in the ETO in excess of one month's net pay and allowances plus 10 per cent. A cable was received indicating that the theater now considered this restriction too severe and was contemplating installation of an exchange card system which would permit transfers up to 150 per cent of net pay and allowances received. The theater requested guidance from the War Department in this matter.

The question of exchange controls has been pressed by the Budget Office since February but no practical scheme has ever been worked out by the OFD and no statement of policy, except insofar as contained in War Department Circular 364 of 1944, has ever been laid down. No specific recommendations were ever received from the theater in answer to the proposals made through Colonel Pforzheimer, although apparently some of these have been adopted. About six weeks ago the OFD had an exchange card prepared which, however, was administratively complicated. General Cobbs stated that he felt it was not possible to put it into effect at this time due to the administrative difficulties of redeployment. The Treasury has continually pressed the War Department for effective exchange controls. It is difficult to estimate just how much failure of adequate controls has cost the War Department to date but in view of the 21 million dollar figure of excess guilders it can be seen that illicit traffic has been large. A cable is being prepared for USFET giving War Department policy in respect to exchange control.

Recap #40 - 25 August 1945

4. Holland - Excess Guilders: CALA reports that both the Belgian and the Polish pay services have returned more guilders than they have drawn. It is apparent that these pay services have had the same experience, but on a lesser scale, than United States finance officers. It has been suggested that investigations of the source of these excess guilders be coordinated.

6. ATC - Acceptability of Foreign Currency for Fares and Exchanges: A meeting was held between representatives of the Treasury, OFD/ASF, ATC and Budget Division, concerning the acceptability of foreign currencies for fares and exchange by the ATC. The Treasury Department indicated its apprehension that currency would be accepted which cannot be subsequently disposed of by finance officers and which would result in an accumulation of non-convertible foreign currency by the Army. The ATC presented tentative figures for the first six months of 1945, which showed only about \$500,000 accepted in foreign currency, most of which was in pound sterling, French francs, and Belgian francs. Although there was some question about the accuracy of these figures, it was agreed that the amounts involved were not large enough to be of concern. It was agreed that the Treasury should contact the governments of countries which are making advances to the United States, if it felt it desirable, and explain to them that the currency accepted by the ATC would be deducted from the amounts under net troop pay. It seems improbable that the Treasury will consider it necessary to take this step.

Recap #42 - 8 September 1945

3. France - Conversion of Old French Bank Notes: A meeting was held this week in OFD/ASF, at the request of M. Valensi of the French Embassy, to discuss the procedures for exchange of French Bank notes being turned in in this country by relatives of U.S. military personnel, and also the handling of French bank notes taken from deceased German soldiers. It was agreed that such cases would be referred to OFD/ASF for action in accordance with the established policy.

Recap #35 - 21 July 1945

4. Germany - Control of Reichsmark Remittances: A copy of the proposed measures for control of Reichsmark remittances, worked out in the War Department by BOWD, CAD and OFD/ASF and concurred in by the Treasury, has been dispatched to Colonel Pforzheimer with a request that he discuss it with the theater authorities. Pending enactment of further regulations in this matter, finance officers will continue to refuse acceptance of Reichsmarks for exchange and the ban on the acceptance of these in the theater for remittances, etc. will continue. A copy of the proposed control measures has been made available to General Crist for study in connection with application in the Far East.

Recap #36 - 28 July 1945

3. Iran - Black Market Control Procedures: Procedures for the control of black market activities in Iran have been prepared by the OFD/ASF, and are now being cleared with the Treasury Department. These procedures are almost identical with those which were developed for use in Germany and forwarded to Colonel Pforzheimer last week.

Recap #39 - 20 August 1945

2. France - Soldier Program: Colonel Pforzheimer has informed this office that the negotiations for the soldier program have been successfully completed and the first payment of 850 francs per man per month will be made on August 31.

The press release is scheduled for Monday, August 20. The putting into effect of this program is the combination of many months' negotiations between the Treasury Department, the War Department and the French Government.

3. Netherlands - Excess Guilders: The theater has been once more requested to give full information on the source of the excess guilders in the hands of finance officers. The present position is that finance officers have received from troops, and have in their possession more guilders than were originally transferred to them by the Dutch authorities. In effect, therefore, instead of owing the Netherlands Government on account of net troop pay, it would appear that the Dutch Government must make adjustment to the United States. This situation apparently results from certain types of transactions between guilders and other currencies, which have not yet been fully explained. Both the theater and the Treasury have appointed individuals to investigate this situation and make a complete report concerning it.

Recap #33 - 7 July 1945

8. Purchasing Power of U.S. Troops Abroad: Another bill (S. 1223) was introduced on 3 July 1945. This bill provides for the payment of U.S. military personnel abroad exclusively in U.S. dollars. Reference is made to the informal decision from the JAG which supported the position of the War Department in paying U.S. troops abroad in foreign currencies..

Recap # 34 - 14 July 1946

4. Italy - Black Market Activities: A report was received by the PMGO from Italy describing an organized black market whereby civilians employed United States soldiers for the purpose of transmitting funds to the United States by using Army postal money orders. An investigation is taking place. In the meantime, the theater has taken steps to limit the amount of postal orders which can be purchased by any one individual.

5. Iran - Black Market Activities: A report was received by the Treasury from Iran indicating that United States civilians, attached to governmental missions, were employing purchase of war bonds from Army sources as a means of exporting, and converting into dollars, rials acquired in black market operations. A recommendation was made that sale of war bonds through Army channels should be restricted to Army personnel. Action OFD/ASF.

6. Netherlands - Surplus Guilders: An inquiry has been received from the Treasury concerning the Army's position in guilders. Army finance officers have received in exchange for other currency a much larger number of guilders than was obtained originally from the Dutch Government. An investigation is now being made into the source of such guilders. An important point at issue is whether these guilders were derived from black market activities, or from exchanges involving other Allied troops. It is believed that the latter is the case.

7. Philippines - Indo China Piasters and Air Crew Kits: After several exchanges of cables, it has now been established that the Chinese theater can supply piasters to the Philippines for air crew kits. They will be transferred between theaters as cash, but dropped from the accountability of finance officers in the Philippines and subsequently will be accounted for only as property. The OFD/ASF was opposed to this procedure for some time but has now concurred in it.

Additional Remittance Facilities for Transfers to Europe: The Office of Censorship has requested, through G-2, the Army's attitude concerning the opening of cable remittance facilities to Europe. G-2 has advised that no security objections exist, but the Budget Division (with concurrence OFD) has recommended that facilities not be extended at present time, due to the campaign to increase soldiers' savings and remittances from Europe, and to the desire not to increase the difficulties of controlling black market currency activities by United States troops.

Recap #31 - 23 June 1945

5. Germany - Remittances of Reichsmarks: The theater has been asked by OFD/ASF to supply figures of the total remittances of reichsmarks, through any channels, up to the present time, and also total amounts in the hands of disbursing officers, post exchanges and post offices. These figures, when obtained, should clarify the question of whether any substantial amount of illegitimately acquired reichsmarks have been remitted to this country. The theater ban on acceptance of reichsmarks for remittance purposes still exists, but unit commanders are no longer required to countersign applications for the remittance of AM marks.

9. Policy of the War Department in Respect to Purchasing Power of Troops When Paid in Foreign Currency and Purchasing Power of War Department Procurement Funds When Expended in Foreign Currency: The Secretary of War has signed identical letters to the Secretaries of State and Treasury defining the policy of the War Department in this matter. In effect, these letters say that, making due allowance for differences in standards of living, war-time shortages, and demand of troops for specialty goods and services, troop pay and War Department funds when disbursed in foreign currencies should command a purchasing power substantially equivalent to that which they would command in this country, and that the War Department cannot keep pace in its expenditures with monetary inflation in a foreign country where restrictive currency measures prevent the dollar from commanding its proper value. The letters further state that it is considered the responsibility of the foreign country to see that such a situation does not arise, and suggest the State Department and the Treasury Department should make this viewpoint clear to countries in question. If the State and Treasury do not feel it is desirable as a matter of policy that this attitude should be adopted vis-a-vis any specific country, it is recommended that all three Departments make a proper presentation of the question to the appropriate Congressional committee. In order that funds may be specifically designated to be available for meeting monetary inflations in foreign countries.

This letter was written by the Budget Division for the purpose of bringing about more vigorous support and more prompt action by the State and Treasury Departments in respect to relationships with foreign governments where unsatisfactory currency situations exist.

Recap #32 - 2 July 1945

3. France - Negotiations for Special Facilities for Troops: A copy of the letter which the French propose to send to the U.S. Treasury acknowledging the establishment of the plan for additional payments to troops, was received by teletype Saturday. In addition, the Treasury received a copy of the French interpretation of the credit they would be given under the Mendes-France agreement, for their disbursements. These are being studied by the Treasury and it is hoped a decision can be reached this week.

Recap #29 - 9 June 1945

5. France - Negotiations for Troop Facilities at Reduced Prices: Information has been received from Colonel Pforzheimer that the French have agreed to immediate implementation of tax abatement on deliveries to post-exchanges, and that plans for French operated places of amusement and French conducted tours at special prices are well under way. French authorities are still indefinite concerning the acceptability of script, issuance of which was discussed with the French in Washington several weeks ago.

7. Germany - Proposed Limitation on Amount of Reichsmarks Which Can Be Transferred Back to U.S.: Continued discussions have taken place concerning the imposition of a top limit on the amount of reichsmarks which American troops can transfer back to the United States. This problem is one which is peculiarly pertinent to Germany at this time due to the number of illegally acquired marks which have come into the hands of troops, but it will also become a vital question in any country where serious inflation exists.

Recap # 30 - 16 June 1945

4. France - Negotiations Concerning Special Facilities for Troops: Colonel Pforzheimer reports that the French are no longer collecting taxes on goods sold to the post exchanges and that a system of night-club operations at reduced prices and tours for troops at the expense of the French Government are to be put into effect in the very near future. Negotiations at the present time hinge around the amount of script which will be issued. The French are holding out for a minimum figure of 500 francs or even less, and the War Department is insisting on a minimum figure of 750 francs.

5. Germany - Excess Remittances of Troops: A meeting was held at the Treasury Dept. between representatives of the Treasury and CAP, OFD, and BOWD to discuss the problem arising from excess remittances of reichsmarks from Germany. Mr. White, for the Treasury Dept. pointed out that potentially a very serious problem was involved which might cost the War Dept. and the Treasury Department hundreds of millions of dollars. The meeting concluded with the understanding that the OFD would continue its preparation of control measures including exchange cards and a top limitation on amounts to be remitted, and that a paper would be prepared which would discuss the implications of such excessive remittances. This paper might subsequently be used as a basis of frank discussions with the appropriate committees of Congress of the problem involved.

Recap #27 - 26 May 1945

5. Russian Handling of AM Marks: CCAC has received a cable from SHAEF indicating that the Russians are dispersing Allied Military Marks to their troops without any control, and in amounts desired by Russian military personnel. These Marks were printed from plates given by the U. S. and British authorities, and are hardly distinguishable from the AM Marks used by U.S. authorities. They are finding their way into the hands of U. S. troops, who are presenting them to Finance Officers for reimbursements. Information is not available as to whether this procedure represents established policy on the part of the Russians, or only an isolated incident. Its implications may be very serious. Possible in connection with this, it is known that Russian authorities have asked for a large additional supply of Austrian Schillings; the reason for this request is unknown.

Recap #28 - 2 June 1945

8. Germany - AM Marks Used by Russians: A cable has been received indicating that the previous report on indiscriminate Russian disbursement of marks made from plates furnished by the U.S. were incorrect. This cable indicates that very few such marks have come into the hands of U.S. troops and that their disbursement was made to Russian troops in a controlled manner and at the rate of 1 ruble equals two marks.

12. Currency to be Used for Deployment of Troops From Europe: An example of the Payment Order made up recently at the instigation of the Budget Division for use by casuals in transporting funds from one currency area to another, has been forwarded to the theater in order that its acceptability during deployment can be determined as a medium of carrying personal funds by troops. If the theater decides that too much work is involved in filling out this check, it is anticipated that exchange of local currency will have to be made for yellow seal dollars, as the Treasury cannot by law make up the Payment Order checks in the denominational form requested by the theater.

Recap #25 - 12 May 1945

11. Representatives of the French Government have tentatively agreed that, in order to alleviate any alleged lack of purchasing power of the G.I. in France they will take steps to:

- a. Reduce taxes on luxury goods purchased by the military.
- b. Furnish French milieu places of amusement similar to U.S.O. and stage door canteens.
- c. Issuance of scrip to the G.I. which will be fully negotiable only in France by U.S. military personnel for French goods and services which the soldier can buy within the limits of the SHAEF/French agreements of June 1944. Such scrip will be honored only in the hands of military personnel and will be non-transferrable to French civilians other than for eligible goods and services. It is anticipated that a joint U.S./French press release will be issued to this effect shortly. (Secret - until issuance of press release.)

12. Replies have been received from the State and Treasury Departments to the letters addressed to them by the Secretary of War on 30 April relative to the purchasing power of American troops in Czechoslovakia. Neither letter holds out much hope for a rate based on the AM mark rather than the Russian ruble. The Russian forces are using an AM Czech crown which they are circulating at a rate equal to approximately 3.63 cents.

Recap #26 - 19 May 1945

2. A statement regarding the basis and methods of payment of members of the U. S. armed forces serving overseas, and the use of foreign exchange retained by U.S. military personnel for expenditure abroad, has been delivered to the Chairman, Committee on Military Affairs, House of Representatives, who will issue this statement to the press.

8. A report covering the foreign transactions of the War Department for the period 1 January 1945 through 31 March 1945 has been rendered to Senator McKellar. This is the sixth report of this nature.

COPY

WDSBU 123 Currency
(7 Sep 45) 2250

Military Payment Certificate

CG, ASF (ATTN: OFD)
(Capt. Neill)

Budget Division
WDSS

1 March 46 1
Lt. Col Upton/73289

1. Attached hereto is copy of letter from the Treasury Department proposing the use of military payment certificates. The Budget Division does not take a position at the present time concerning the acceptability or nonacceptability of this medium of exchange for the War Department. It is requested, however, that an immediate investigation be made into the technical and mechanical questions which would arise if it were desired to adopt the proposed military payment certificates for use in those theaters where foreign exchange control problems exist.

2. It is suggested that an investigation by OFD should include comments on:

a. The problem of accounting procedures inherent in the implementation of this medium of exchange. This analysis should not only include the accounting procedures within the War Department, but the acceptability of these procedures and of the military payment certificates by the General Accounting Office and the Comptroller General.

b. An analysis of the approximate amount of the currency needed and the denominations required on the assumption that these certificates would be used in ETO, MTO, AMET, and the Pacific Theater.

c. Time required to prepare such certificates and distribute them throughout the theaters.

d. Approximate cost of this operation.

e. Other operational problems arising from the adoption of military payment certificates.

3. In addition to the above, it is requested that the Office of the Fiscal Director give its opinion concerning the desirability of accepting this medium of exchange for use in the manner proposed.

4. It is requested that this analysis be expedited.

(Sgd)

1 Incl
Cy of ltr fm Treas. Dept.
dtd 18 February 1946

GEORGE J. RICHARDS
Major General, GSC
Director

The Secretary of The Treasury

Washington

February 18, 1945

My dear Mr. Secretary:

The Treasury understands from General Richards' letter of November 19, 1945, that on November 10, 1945, the European Theater adopted administrative regulations which provide that American soldiers and person attached to the Armed Forces will be permitted to exchange, transfer, or deposit foreign currency for dollars or for other foreign currencies only to the extent of three months' pay and allowances, less conversions made during that three months plus current accruals from pay and allowances or the sale of dollar instruments to finance officers. To accomplish this end, the regulation provides for the maintenance of a record of the remittances and exchanges of each individual so that the amount transferred or exchanged will not exceed the amounts paid to the individual as salary or for dollar instruments cashed. It is understood also that similar regulations are being recommended for serious consideration in the Pacific Area.

For many months the Treasury Department, in formal and informal conversations, has been attempting with the greatest seriousness to induce the War Department to adopt measures which will prevent the conversion into dollars of foreign currencies acquired illegally or through unauthorized channels. These attempts by the Treasury Department have not met with success. Our letter of October 17, 1945 was sent after many discussions with the War Department officials and although the War Department has taken the above measures to meet these problems these steps are not fully effective, and not adequate to cope with the problem. There has been no serious attempt by the War Department to investigate cases of army personnel who acquired personal fortunes during the course of the military operations, although the suggestion that such investigation be carried out was made informally to officials of the War Department over the past year, and finally, in our letter of November 9, 1945. We are not even currently informed of the situation at any given time since the War Department has not or cannot obtain through its ordinary procedures significant statistics as to the amounts involved in its foreign exchange operations.

This situation is considered to be one of greatest gravity. The inability of the United States Army to prevent the conversion into dollars of foreign currencies acquired by personnel through unauthorized channels, and the unwillingness of the War Department to impose effective controls which the Treasury has in the past

suggested, has resulted in a serious worsening of the situation and the Treasury now feels it necessary to propose a more drastic measure, which would render unnecessary and thus eliminate the Army's conversion system. Under this measure all conversions of foreign currencies into dollars would cease with no exceptions whatever. Personnel would be advised in advance that local currencies would not be converted through Army facilities. The Treasury considers that such a change of policy has now become essential if the operations of the War Department in foreign currencies are not to end in serious financial loss to the United States Government.

The proposed method of regulation would be one which would be more liberal in its application and which would, at the same time, protect the dollar reserves. This method, which is a development of the suggestion made in my letter of October 17, 1945, has been discussed with the Office of the Budget Officer of your Department, and takes into account administrative considerations mentioned in General Richards' letter.

Under the method of control now being considered, soldiers as well as other authorized personnel would be allowed to draw any portion of their pay either in local currency or in a new bearer instrument, denominated in dollars, which may tentatively be referred to as "Military Payment Certificate". The portion drawn in local currency, as well as local currency otherwise acquired, would not be convertible into dollars through Army facilities, and all personnel would be kept informed of this non-convertible status of their personal holdings of foreign currencies. That portion of pay drawn in Military Payment Certificates, as well as Military Payment Certificates otherwise acquired, however, would be freely exchanged by Army finance officers, into dollar instruments for remittance to the United States. It is expected that official facilities would be established for the sale (but not purchase) of the local foreign currency in return for surrender of Military Payment Certificates by authorized personnel. Such personnel would be warned at the time of such sale that no finance officer would repurchase or accept any foreign currency at any time for any purpose.

It is proposed that Military Payment Certificates would be used exclusively for all expenditures of the troops in military channels. Such Certificates, however, would not be legal tender in the local economy and would be negotiable only by United States troops or other authorized personnel. The Certificates alone would be acceptable at the Army Post Offices, post exchanges, army messes and quartermaster's stores. Military Payment Certificates would also be negotiable by soldiers and other authorized personnel among themselves; hence,

a soldier's accumulation of such instruments from transactions with other United States military personnel could be freely transferred to the United States.

It should be noted that the above suggested regulation could be universally applied in all theaters of operations, thereby facilitating the transfer of funds between theaters. Thus a soldier who has drawn his pay in Military Payment Certificates in Germany would have an instrument that would be valid in any theater.

The proposed Military Payment Certificate would be issued in appropriate fixed denominations and would be payable to any authorized bearer. As the Certificates are worn out they would be replaced by new issues, appropriate accounting entries being made in the disbursing officers' books. A suggested form is enclosed herewith.

The Treasury is prepared to establish a special deposit account in the name of the Secretary of War, to be carried on the books of the Treasurer of the United States. When a quantity of these Certificates is delivered to a disbursing officer, the War Department will certify to the Treasury the dollar equivalent and authorize the transfer of that amount in dollars from the disbursing officer's checking account on the Treasurer's books to the special deposit account of the Secretary of War. When Certificates are redeemed, a similar procedure will be followed, except that the transfer will be made from the special deposit account of the Secretary of War to the Account of the disbursing officer making the redemption. Since the War Department will have full jurisdiction and control of the Certificates, the Treasury will, of course, have no responsibility as to their issue, circulation, redemption, destruction, or other disposition.

The above proposal is offered for your serious consideration. I assure you that Treasury is most anxious to cooperate with the War Department in the endeavors which it is making to preserve its dollar funds for legitimate conversions. If you believe that the system proposed herein is feasible, it is suggested that appropriate discussions be held with the General Accounting Office as soon as possible to obtain the Comptroller General's determination that there is no objection insofar as the accounting requirements of his office are concerned.

Very truly yours,

/s/ Fred M. Vinson
Secretary of the Treasury.

The Honorable,

The Secretary of War.

Enclosure.

**ARMY SERVICE FORCES
TRANSMITTAL SHEET**

CLASSIFICATION (if any)
CONFIDENTIAL

FILE No. SPXAO-A 311.1 (18 Dec 45)	SUBJECT Foreign Currency Conversion		
TO— The Fiscal Director, ASF	FROM— Army Postal Service, AGO	DATE 26 Dec 45 Capt. Koontz/73569	COMMENT No. 11

1. The following comments (sub-paragraphs designated as in paragraph 2 of basic) are furnished:

a. Records pertaining to domestic money order business transacted at oversea APO's are maintained at accountable civilian post offices to which APO's are or have been attached, namely, Seattle, Washington; San Francisco, California; New Orleans, Louisiana; Miami, Florida; New York, New York; Presque Isle, Maine; and Minneapolis, Minnesota. This office has no record of individual money order transactions.

b. In order to determine total dollar amounts of money order purchases by an individual over a given period of time, it would be necessary for your office, through this office as liaison, to request the Post Office Department to make a search of money order application forms at one of the accountable post offices listed above. In the past the Post Office Department has not usually favorably considered making extensive searches of money order records, because an individual may have had opportunity to purchase money orders at several APO's and such a search would involve the records of all such APO's. In some instances where a search has been made, it has been necessary for the appropriate Service Command to furnish the manpower because of the Post Office Department's lack of civilian personnel and appropriations for expenditures of this character. Money order applications are filed by APO and serial number and not alphabetically by either remitter or payee.

c. In view of the lack of records, an estimate of the number of individuals who have made money order purchases in excess of \$1,000.00 cannot be furnished by this office and it is believed no reasonably accurate estimate can be furnished by any source.

d. Statistics available in this office indicate that the average dollar value of money orders issued at oversea APO's for the months of September and October 1945, was \$59.61 and \$83.39, respectively. The reason for the large increase in the latter month is not known, although it may have been partially caused by the accelerated rate of return of soldiers to the United States since many soldiers purchase money orders in large amounts incident to departure from overseas.

e. It is the opinion of this office that the time, money and manpower expended in an investigation of money order records pertaining to individual purchasers would be so large as to make impracticable any considerable number of such investigations. Many purchasers have ready access to as many as five (5) or more APO's and individual examination of each application made at the APO's for the stated period would be necessary. It is not inconceivable that examination of several hundred

103.7-EC
WD AGO FORM 0105
1 JAN 1944

incl 5

This Form supersedes WD AGO Form 0105, 10 January 1944, which may be used until existing stocks are exhausted.

16-20245-2 GPO

CONFIDENTIAL

SPXAO-A 311.1 (18 Dec 45)

Subject: Foreign Currency Conversion

thousand applications would be necessary in the course of determining the purchases of a single individual. It is estimated that a clerk could examine about two thousand (2,000) applications in the course of an eight-hour day.

2. It is believed that any limiting factors relative to the amount of money order purchases at overseas APO's could be effected at the source; that is, within each overseas command. It has been informally learned that certain overseas units required personnel officers to maintain a record on each individual's purchases of money orders or PTA transactions and required each individual to secure the personnel officer's authorization (initialling money order application) prior to acceptance of the application at the APO.

3. It is suggested that the comments of the Commanding General, USFET or other major overseas command be solicited relative to the extent of misuse of Army postal facilities.

FOR THE ADJUTANT GENERAL:

DEC 28 1945
C. C. Garner

C. C. GARNER, Colonel, AGD
Director, Army Postal Service

1 Incl
Memo 18 Dec 45

P-17247

CONFIDENTIAL

COPY

HEADQUARTERS
UNITED STATES ARMY SERVICE COMMAND

APO 404
23 December 1945

MEMORANDUM
NUMBER 72

EXCHANGE OF YEN CURRENCY FOR
UNITED STATES CURRENCY

1. Personnel have been returning to the United States from this theater with large amounts of yen currency in their possession.
2. In the future, commanding officers will take steps to insure that returning personnel exchange personal funds held in local currency for United States currency or otherwise reduce amounts of local currency in their possession.
3. Adequate facilities are available for exchange of yen currency at the USASCQMC Finance Office. Particular attention is invited to Circular 280, Headquarters Eighth Army, dated 22 October 1945, requiring that individuals have a signed certificate from the appropriate personnel officer to the effect that funds were legitimately obtained. Further attention is invited to Circular 287, Headquarters Eighth Army, dated 30 October 1945, which lists the transactions available for the withdrawal of all yen currency from troops prior to their departure for the United States and the maximum amount of yen currency that can be exchanged for United States currency. (JSA-123)

BY COMMAND OF MAJOR GENERAL HYSSONG:

OFFICIAL:

HUGH J SOCKS
Colonel, AGE
Adjutant General

ROBERT W CRICLOW JR
Brigadier General, USA
Deputy Comdr & Chief of Staff for Adm

COPY

GENERAL HEADQUARTERS
UNITED STATES ARMY FORCES, PACIFIC

INCOMING MESSAGE
RESTRICTED
PRIORITY

22 December 1945

FROM : WASHINGTON (SPFBC)
TO : CINCAFPAC ADV
INFO : CINCAFPAC MANILA PI
NR : WX 89230

Reurad CAX 55980 granted is authority to convert into dollars or dollar instruments the yen currency representing CFL funds of Government Agencies or authorized Non Appropriated Funds such as funds of Army Exchanges, Red Cross, Hospitals or Units provided such yen were acquired from previous conversions of dollar instruments through Army Disbursing Officers or from yen disbursed to authorized persons as cash pay and allowances or exchanged for other currencies received as cash pay and allowances. When request is made of Disbursing Officers to exchange Yen currency representing parts or the entire amount of such fund the Custodian of fund will execute certificates stating: name of fund and unit; amt of foreign currency for which exchange is requested; type of currency desired; approximate percentage that the amt represents of current balance of fund; reason for requesting exchanges; that fund was derived only from authorized sources by normal operations and that no personal funds are included. Your exchange controls must be adequate to prevent increases in such funds from unauthorized sources.

SERVFIS

INFORMATION: FISCAL DIRECTOR



HEADQUARTERS ARMY SERVICE FORCES
OFFICE OF THE FISCAL DIRECTOR
WASHINGTON 25, D. C.



SPFBC 123.7 EC

Suspense
date: 15 Jan 46

18 DEC 1945

SUBJECT: Foreign Currency Conversion

TO: Finance Officer, U. S. Army
2 Lafayette Street
New York 7, N.Y.

1. A survey is being made as to the feasibility of investigating misuse of Army finance facilities by individuals stationed overseas who effected conversion of foreign currency acquired from other than United States official sources or in contravention of existing theater regulations.
2. Since Personal Transfer Account remittances represent one of the dollar outlets for such funds, it is requested that this office be furnished the following information:
 - a. A statement as to whether the records pertaining to Personal Transfer Account remittances from the oversea areas serviced by your office are sufficiently centralized in your office to render it unnecessary to pursue the investigation of such remittances elsewhere.
 - b. A statement as to the possibility of determining from the available records the total amount remitted by an individual over a given period of time.
 - c. An estimate of the number of individuals who have made remittances totalling in excess of \$1,000.00.
 - d. A statement as to the size of remittance which, in your opinion, might be taken as "normal", or "average", thereby indicating the level at which such an investigation might begin.
 - e. An estimate of the manpower and time that would be required to make such an investigation.
3. It is requested that any additional suggestions relative to an investigation of the foregoing type be incorporated in reply to this office.

xl1

SPFBC 123.7 EC

4. A similar letter relative to Personal Transfer Account remittances is being dispatched to the Finance Officer, U. S. Army, San Francisco, California.

P-17248
W. H. KASTEN
Major General, FD
Fiscal Director

123.7 1st Ind. CKM:hk
F.O., U. S. Army, 2 Lafayette St., New York 7, N. Y., 26 Dec 1945 -

To: Fiscal Director, ASF, The Pentagon, Washington 25, D. C.

1. Pursuant to directive contained in basic letter, the following report is submitted:

a. Personal Transfer Account records are sufficiently centralized at this office to permit the determination of individual amounts transmitted by remitters, the names of the payees, and the finance officers receiving the funds. However, no individual records have been maintained as to the accumulated or total amounts remitted by any one individual. There is no information at this office as pertains to the source of the funds remitted.

b. It would be possible to determine from available records the total amount remitted by any individual by leafing all copies of Standard Forms 1044 on file at this office.

c. It is estimated that approximately 4,000 individual remittances equaled \$1,000 or more. In this connection, large remittances have been more prevalent during the past three months than heretofore. From a cursory examination of these records, it is estimated that approximately 900 individual remittances amounted to \$1,000 to \$2,000 each; 150 amounted to \$2,000 to \$5,000 each; 7 amounted to \$5,000 to \$10,000 each; and 4 remittances equaled or exceeded \$10,000 - 1 was in the amount of \$10,000; 1 in the amount of \$14,500; 1 in the amount of \$14,515; and 1 in the amount of \$25,000.

d. An average individual remittance will not exceed \$150. However, it would be an endless operation to compile data based upon that

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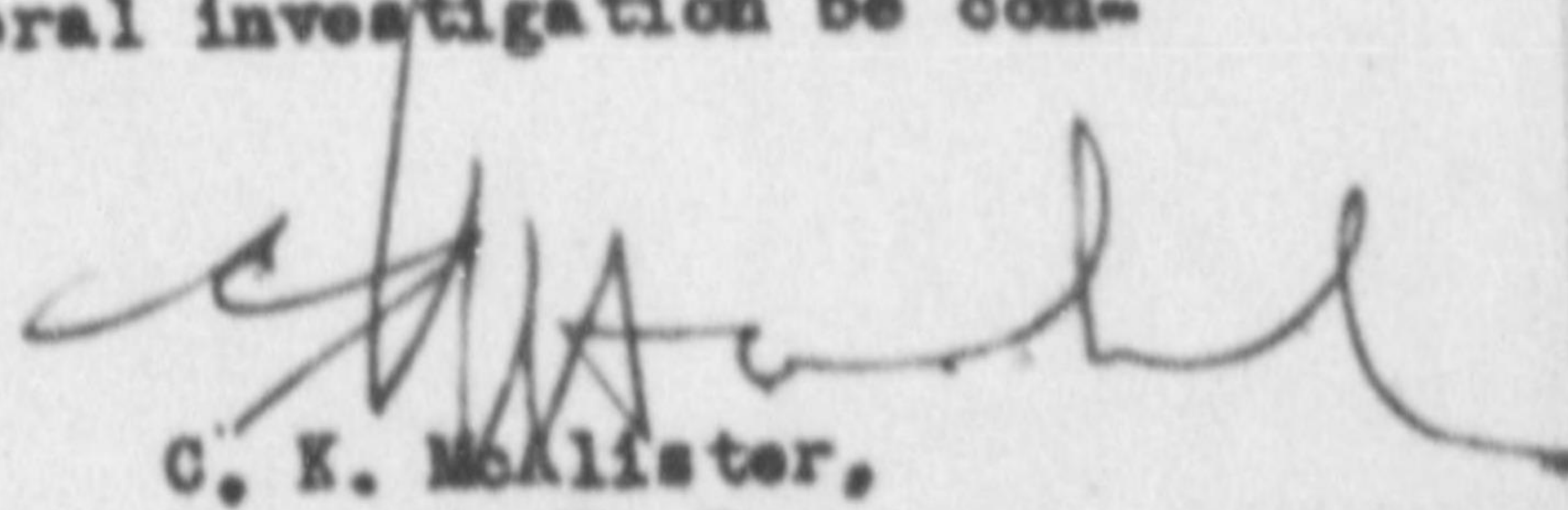
125.7

level. It is therefore recommended that, should it be determined to compile data pertaining to transmittals, that the level be established in an amount of not less than \$300.

e. It is estimated that to compile a list showing the name of the remitter, the designated payee, and the total amounts of all funds transmitted as pertains to individual remittances of \$300 or more, will require the full-time employment of approximately 50 employees for 100 days.

2. Since the inception of the Personal Transfer Account system, this office has processed in excess of 5,200,000 transmittals, representing more than \$1,160,000,000. Of this sum, a great percentage represents remittances to the Post Office Department covering money orders sold overseas. Of the total remittances during the period 1 Oct to 15 Dec 1945, totaling \$166,000,000, approximately \$140,000,000 represented payments to the Post Office Department, which unquestionably indicates that large, and probably unauthorized remittances, were handled through that facility rather than through direct Personal Transfer Account transmittals, and unless investigation could also include that source of remittance, it would not be 100% in scope.

3. This office extracted the four unusually large remittances referred to in par. 1 c supra, and requested approval for payment from the Theater commanders concerned. The remittance in the amount of \$14,515 was received from Iceland and was approved. It represented the proceeds from the sale of personal property of an officer's wife who was a former Icelander. The other two smaller amounts represented savings and winnings at gambling. The remittance in the amount of \$23,000 was extracted from an October account. No reply has been received to communications from this office concerning this transaction although follow-up letters have been forwarded to the Commanding General, ETO. The undersigned has also informally questioned several other excessive amounts transmitted and the customary reply is invariably to the effect that the remitter satisfactorily justified the remittance with the local disbursing officer at the time the transmission was made and the funds invariably represented winnings at gambling and it is my opinion that this will be the type of explanation that will be received should a general investigation be conducted.


C. K. McAllister,
Colonel, F. D.,
Finance Officer.

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COPY

INCOMING MESSAGE

RESTRICTED
PRIORITY

14 December 45

FROM: CINCAFPAC ADV
TO : WASH (SERVFIS)
INFO: CINCAFPAC (PASS TO FISCAL DIRECTOR), CG AFWESPAC,
(PASS TO FISCAL DIRECTOR).
NR : CAX 55980

Wash radio WX 55338, 27 Aug, advises that rate of conversion Yen currency to be used exclusively for pay Military and Naval personnel and Military and Naval accounting purposes will be 15 Yen to U S dollar. Subsequent instructions relative to control of Black Market Currency operations limit conversion of Yen currency to member of the Armed Forces and "Authorized personnel" UFAAH their certification that Yen currency presented for exchange was legitimately obtained as pay and allowances. In the transaction of business Governmental Agencies, such as Quartermaster sales stores and QUASI official agencies, such as Army Exchanges and Unit Funds have a definite requirement to convert Yen currency to Dollars and Dollar instruments, and to turn in Yen currency received from sales of supplies to Disbursing Officers as Official collections at the rate of 15 to 1. It is recommended that authority to convert Yen currencies into Dollars and dollar instruments be extended to include official transactions of Governmental agencies and QUASI official agencies such as Army Exchange service and Unit Funds.

NO SIG

INFORMATION: FISC DIR

34024

PRIORITY
RESTRICTED

TOO: 140141 Z
MON: 5117

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COPY/ 9

INCOMING CLASSIFIED MESSAGE

WAR
TOO 011826Z DEC

USFET MAIN 853/01

TOR 012045A DEC

R E S T R I C T E D

R O U T I N E

FROM : AGWAR SIGNED WAR BUD
TO FOR ACTION : CG USFET MAIN
REF NO : W-86345 01 DEC 1945

Reurad S-31316, S-32613.

Indigenous personnel should be paid from marks accumulated by Red Cross and Army Exchange Service as operating income, and their pay should not be charged to occupation costs. Should mark operating income be inadequate to meet such expenses, War Department should be informed and appropriate instruction re procurement such marks and disposition dollar countervalue will be given.

S-31316 SMC OUT 2460, 13/11/45, G-1
S-32613 SMC OUT 4810, 24/11/45, G-1

ACTION : G-1
INFORMATION : AG
THEATER SERVICE FORCES MAIN
AG RECORDS

SMC IN 1031 2 Dec 45 0159A JS/HR REF NO: W-86345

R E S T R I C T E D

COPY/

TAB 3

INCOMING CLASSIFIED MESSAGE

DATED NOV 131730A '45

RESTRICTED

RECD NOV 170200A

FROM : US Forces European Theater Main signed Patton cite ETGAP
ACTION TO : AGWAR for Office Budget Director (Passed to Theater
Service Forces European Theater Rear for Info by
Theater Service Forces European Theater Main)
REF NO : S-31316 PRIORITY

At present time indigenous personnel, both German and displaced persons, utilized by the American Red Cross and Army Exchange Service in Germany are being paid by local German Burgermeisters under same procedure established for such personnel when utilized by US Forces. Information requested as to whether utilization of personnel by such non-governmental organizations may be charged to occupation costs or whether reimbursement to Military Government will be required.

USFET MAIN DIST: ORIG: G-1 INFO: AG, TSFET Main, AG Records

TSFET MAIN DIST: INFO: SGS, G-1, AG, AES, Fiscal, Summary, TSFET Rear

INFO: G-1
G-4
Fiscal
Exchange
TP M

RESTRICTED - PRIORITY

SMC IN 33479

COPY/

TAB C

OUT GOING CLASSIFIED MESSAGE

RESTRICTED
PRIORITY

TO : L WAR DEPARTMENT FOR OFFICE OF BUDGET DIRECTOR
FROM : US FORCES EUROPEAN THEATER MAIN, SIGNED PATTON
REF NO : S-32613 CITE: ETGAP TOO: 241330A

Request information as to reply to our cable, S-31316, dated 13 November 1945, as to whether utilization of Germans and Displaced Persons by American Red Cross and Army Exchange Service in GERMANY may be charged to occupation cost or whether reimbursement to Military Government will be required.

S-31316 is SMC OUT 2460, 13/11/45, G-1

ORIGINATOR: G-1

AUTHENTICATION: J. V. DOWNS
Lt. Colonel, SC

INFORMATION: AG
THEATER SERVICE FORCES MAIN
AG RECORDS

SMC OUT 4810 24 NOV. 1945 1454A GRH/rob Ref No: S-32613
TOO: 241330A

R E S T R I C T E D

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CONFIDENTIAL

CXC
Indefinite
D

WDSEBU 123 Currency (7 Sept 45)2176

19 November 1945

TGU
73289
mpd

The Honorable

The Secretary of the Treasury

CHP, JR
2806

Dear Mr. Secretary:

I wish to acknowledge your letter of 17 October 1945, addressed to the Secretary of War, inclosing draft of cable which it was proposed the War Department send to all theaters to govern future exchanges of foreign currency.

The question of effective control of remittances to the United States by military personnel stationed abroad has been a matter of concern to the War Department for some months, and I am sure you are familiar with the many conversations on this subject between representatives of the War and Treasury Departments. In these discussions, the War Department has been in complete accord with the necessity for strict exchange control, but at the same time has emphasized the importance of taking no steps which would deprive military personnel of the privilege of converting into dollars foreign currency arising from cash pay and allowances, or from dollar instruments cashed through official channels. In this connection, the statement was made in the War Department's report on House Resolution No. 150, and concurred in by the State and Treasury Departments, that "whenever he desires, the soldier may, at any Army installation, convert such portion of his pay drawn in a foreign currency which proves excess to his needs, back into dollars at the same rate at which the pay was drawn." The War Department feels that this privilege should not be withdrawn from military personnel abroad.

Subsequent to discussions with the Treasury, the War Department dispatched to the European Theater on 28 September 1945, a strong directive with respect to foreign exchange controls. (Incl. #1) Copies of this cable were also dispatched to other interested overseas theaters for information. Subsequently, the European Theater announced an exchange card control system, effective 10 November 1945. A copy of the circular (USFET Cir. 139, 10 Oct 1945) establishing this procedure is attached for your information. Information has also been received from the Pacific Area of controls in force in that area at the present time. A description of these controls is contained in the inclosed letter dated 30 October 1945 from General Headquarters, U.S. Army Forces in the Pacific. The War Department is also dispatching to the competent authorities in the Pacific Area full details of the exchange card system in force in the European Theater, with recommendation that its adoption for the Pacific Area be seriously considered.

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The several theaters most concerned with transfer problems have, therefore, either established or are now in process of establishing, the strictest controls yet promulgated, and it is hoped these controls will successfully cope with the conversion question. In view of the very difficult administrative problems involved in setting up such controls and in acquainting with them all concerned, it is not felt desirable to alter the present system before adequate opportunity has existed to demonstrate its effectiveness. It is feared to do so would result in introducing a new factor of administrative uncertainty into an already complex situation.

Informal conversations are now taking place with personnel of the Treasury Department concerning the use of military payment orders in the manner proposed in your cable, should present control methods prove inadequate after a reasonable trial. In these discussions it has been pointed out that, from a theater viewpoint, due to the shortage of available administrative personnel in the theaters, the only type of military payment order feasible for pay of troops is one which can be issued in fixed denominations and made payable to bearer and which can, therefore, be treated in the field as cash, even though its issuance is limited to military personnel and its negotiability to military installations. The legality of this type of payment, which varies from the check accounting basis, at present established for military payment orders, is now being investigated by Treasury personnel.

Pending full investigation of this new form of military payment order, and pending further experience with the recently adopted control procedures, I feel confident the War Department is exercising the best controls known to it which are both compatible with the administrative limitations of the overseas theater and in harmony with the principle of allowing military personnel transfer privileges for funds received through official channels which are excess to their needs. The problem is one, however, which is constantly under study by personnel of both the War and Treasury Departments, and I can assure you that if present controls do not prove adequate, additional measures will be adopted after consultation with the interested parties.

Sincerely yours,

GEORGE J. RICHARDS
Major General, GSC
Budget Officer for the War Department

3 Incls

- 1 - Paraphrase of
WD Cable
- 2 - USFET Cir. 139
- 3 - Cy ltr fm GHP, PAC.

30 Oct 45

CONFIDENTIAL

COPY

GENERAL HEADQUARTERS
UNITED STATES ARMY FORCES, PACIFIC

JBR:WKW:st

A.P.O. 500
13 November 1945

Mr. Nyles I. Christiansen
Director, American Red Cross
Manila, P. I.

Dear Sir:

The following radio, received by this headquarters from the War Department, is quoted in part for your information:

"Considered by the War Department that principles established under which currency exchanges or remittances for civilian personnel should be limited to those which are in accord with spirit and practices of army exchange restrictions should be applied by all overseas theater commanders. until further notice, all civilian personnel employed by the War Department should be subject to same restrictions on foreign exchange transactions and to maximum extent same control mechanism..... as all personnel. you will be issued coordinated instructions by War Department in near future which will further limit use by such civilians of Army Finance Offices. Pending receipt such instructions, War Department considers you have full authority to instruct Field Disbursing Officers to other department agencies which use Army Finance facilities for any purpose whatsoever to limit currency exchanges or remittances for their civilian personnel, either when made directly through Field Disbursing Officers of agency ~~concerned~~ concerned or when made through Army Disbursing Officers to those which are in accord with spirit and practice of army exchange restriction. State, Treasury, Red Cross, War Shipping Administration, Foreign Economic Administration and United Nations Relief and Rehabilitation Administration are informing their field offices accordingly and concur in this cable. You should therefore communicate contents of this cable to the appropriate agencies and give adequate instructions regarding practices..... to such agencies."

It is the desire and intention of this headquarters that a vigorous and continuing campaign be made to prevent the organization and operation of black market traffic. This communication has reference to the fiscal phase only; preventative action relating to illegal sale of supplies and equipment in custody of your organization should be given immediate and decisive effect by your own efforts.

To: Mr. Nyles I. Christiansen, Dir., ARC, 13 Nov 45 (Cont'd):

The United States Army has established procedure whereby exchange of foreign currency for United States dollars or transmission as dollar credits to the United States as through the medium of Personal Transfer Account or postal money orders by military personnel, or effecting dollar credits through soldiers' savings plans, are subject to certain restrictions. This procedure is intended to prevent, by careful and conscientious examination of the source of the funds presented for exchange, transmission or for purchase of postal money orders or Savings Bonds, by an officer in a position to know the facts of each individual case, the illegal enrichment of the individual. The opportunity for black market currency manipulations has presented itself to some extent in Japan and Korea. To facilitate the establishment of currency controls within your organization, it might be well to briefly outline the directives which apply to United States Army personnel on duties in occupied territories. They are as follows:

1. All United States currency is exchanged for military personnel within seventy-two hours of arrival in the occupied territory.

2. Before foreign currency may be exchanged for United States dollars, converted into dollar instruments, transmitted outside of the area as dollar credits or changed to dollar credits through savings plans, an administrative determination is made by a competent officer that such currency does not arise from sources other than pay and allowances plus proceeds derived from the encashment of dollar instruments. The use of certificates of source has been declared mandatory and such certificates are filed as a part of his retained records by the United States Army Finance Officer who accepts such exchange transactions.

3. The issuance of negotiable dollar instruments to military personnel for transactions of a personal nature has been prohibited. It is believed that the curtailment of the circulation of negotiable dollar instruments is highly desired inasmuch as such circulation provides a possible means of circumvention of currency controls.

This headquarters has no knowledge of fiscal and financial procedure within your organization and therefore can make no ascertainment as to the extent and practicability of application of the aforementioned control measures. However, ~~it~~ as it is of the utmost importance to this headquarters and to the War Department that stringent measures be taken to curtail black market activities, it is requested that immediate action be taken by your office to place such control measures as are deemed advisable by you into effect. In order that a full and complete report of action taken to invoke restrictive currency controls may be made to the War Department, it is further requested that this headquarters be advised of the policies which you establish.

Ltr: Mr. Nyles I. Christiansen, Dir, ARC, 13 Nov 45 (Cont'd):

The Fiscal Director, this headquarters, will be available at all times to assist in the establishment of such policies as you desire and to aid in the enforcement thereof.

Your attention and cooperation in this matter will be greatly appreciated.

For the Commander-in-Chief:

B. M. FITCH,
Brigadier General, U. S. Army,
Adjutant General

THE SECRETARY OF THE TREASURY

Washington 25

Nov 9 1945

CX
Int. Sec. Dept.

Mr dear Mr. Secretary:

The Treasury representative in Paris has reported that General Webster, Commanding Officer of the Air Transport Command in the European Theatre, has discussed with him from a tax standpoint, cases of officers, who during their tour of duty in the European Theatre, were able to send home on an average of \$50,000 a year.

While this matter is, of course, of interest to the Treasury from a tax standpoint, I wish to bring it to your attention as additional evidence of the misuse of the Army's finance facilities.

I understand that the technical experts in the War and Treasury Departments are working on a method of curtailing the misuse of the Army's finance facilities along the lines suggested in my letter of October 17, 1945. In addition to steps designed to prevent further misuses, I would like to suggest to you also that investigations should be instigated of misuses which have taken place in the past. It is my feeling that all transfers of large amounts through Army finance facilities should be investigated, and appropriate action taken to recover any dollars used to convert amounts of foreign currency not eligible for conversion into dollars.

If you should decide to undertake such a program of investigation, I would appreciate receiving summary reports of the results obtained as well as copies of the reports on individual investigation for the confidential use of the Treasury.

Sincerely yours,

/s/ Fred M. Vinson

Secretary of the Treasury

The Honorable

The Secretary of War

COPY

3 Dec 1945

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

Receipt is hereby acknowledged of your letter of 9 November 1947 in regard to a proposed investigation of the exchanges and transfers of large sums of money that have been made through Army finance facilities.

A survey is now being made as to the feasibility of making an investigation along the lines suggested and you will be notified of the findings as soon as the survey is completed.

Sincerely yours,

/s/ Robert P. Patterson

Secretary of War.

COPY

FROM: CINCAFPAC

TO : CINCAFPAC ADVANCE (PASS TO ASSISTANT FISCAL DIRECTOR). . .ROUTINE

INFO: CG AFWESPAC (PASS TO FISCAL OFFICER). ROUTINE

Are conditions in your area such as to warrant dispatch of the following radio to Major commands in occupied areas: "United States Treasury checks will not rpt not be issued to individuals in payment of their vouchers. The War Department has directed that stringest currency controls be exercised to prevent unauthorized foreign currency transactions by military personnel and to reduce the possibility of United States currency and negotiable instruments getting into black market channels. Use of treasury checks provides possibility of circumvention of currency control through high degree of negotiability and is in contravention of spirit and practice of war department currency exchange restrictions. No rpt no necessity exists for issuance of treasury checks to military personnel as other and completely adequate means have been provided to cover all legitimate financial transactions of a personal nature. For transmission of funds legitimately acquired, P.T.A. system and postal money order system are available. Military payment orders are available for exchange for cash transactions and for the safekeeping of funds pd Prohibition against use of military payment order in effecting payment vouchers necessitates use of cash in all cases" (ZX 29280)

OFFICIAL:

APPROVED BY:

B. M. FITCH
Brigadier General, U.S.A.
Adjutant General

J. B. ROTHIE
Colonel, FD
Deputy Fiscal Director

COPY

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RESTRICTED
ROUTINE

2 Nov 1945

FROM: WASHINGTON (SPFBC)

TO : CINCAFPAC SHANGHAI CAIRO HQS MED THEATER NEW DELHI USFET MAIN, BERLIN

NR : EX 80156

The following messages are quoted for your information. Messages quoted are S 26837 of 6 October from CGUSFET MAIN to War Dep and W 78516 of 23 Oct to CG USFET MAIN. Considered by WD that principles established W 78516 under which currency Exchanges or Remittances for Civilian Personnel should be limited to those which are in accord with spirit and practice of Army Exchange restrictions should be limited to those which are in accord with spirit and practice of Army Exchange Restrictions should be applied by all Overseas Theater Commanders. W 74460 referred to in W 78516 not required as cable was interim reply. W 71871 referred to in W 78516 was transmitted to all addressees this message in W 72633 last month. Begin quoted messages S 26837 to Adj Gen War Dept from WSPFET MAIN agd Eisenhower Cite ETGEC. Oct. 061400 A many employees of Civilian Agencies operating in this theater received dollar advances from their agencies before leaving the US and certain of these employees have since arriving this theater attempted to liquidate their advances by payment in Reichmarks here. It might be a possibility that method of liquidation advances would constitute a channel for remitting to US Reichmarks acquired from other than official US sources. It is suggested that all civilian Agencies employing personnel serving in Germany be requested to direct their Fiscal or Disbursing Officers not to accept repayment of advances in Reichmarks but to limit repayments to currency received from official US sources. And number W 78516 October 242358 Z from SERVFIS SPFBC signed WARCOS considered ref S 26837 and W 74460 that until further notice all civilian personnel employed by WD should be subj to same restrictions on foreign exchange transactions and to maximum extent same control mechanism including Foreign Exchange Card as all personnel contemplated you will issue coordinated instructions by War Dept in near future which will further limit use by such Civilians of Army Finance Offices. Pending receipt such instructions WD considers you have authority to instruct Field Disbursing Officers to other Department Agencies which use Army Finance facilities for any purpose whatsoever to limit currency exchanges or remittances for their civilian personnel either when immediately through Field Disbursing Officers of Agency concerned or when made through Army Disbursing Officers to those which are in accord with spirit and practice of Army Exchange Restrictions. State, Treasury, Red Cross, WSA, FEA, and UNRRA are informing their field officers accordingly and concur to this cable. You should therefore communicate contents this cable to the appropriate agencies and give adequate instructions re practices referred to S 26837 to such agencies. (Passed to CINCAFPAC ADV for information).

SERVFIS

SPFBC 123.7 Gen Subject: Devaluation of Foreign Currencies

TO: Budget Division, WDSS. FROM: CG/ASF Date: 2 Nov 45 COMMENT NO. 2
Att: Col. Pforzheimer (OFD) Maj Baldwin/72564

1. Reference Comment No. 1, the following comments are made relative to proposal made by the Secretary of the Treasury to the Secretary of War by letter dated 17 October 1945.

a. In accordance with par. 2, War Department Circular 364-44, which specifically requires theater commanders to establish rigid controls relative to the exchange of foreign currency, and in accordance with strong cables from the War Department (WAR 71871 dated 28 Sep 45 to CG USFET; WAR 72633 dated 2 Oct 45 to all major overseas theaters; WAR 78098 dated 23 Oct 45 to CG USFET; WAR 75536 dated 13 Oct 45 to the CINCAFPAC; WAR 78516 dated 23 Oct 45 to USFET and WAR 80156 dated 31 Oct 45 to all major overseas theaters), the commanding generals of the major overseas theaters have taken increasingly stringent measures to establish strict exchange controls. The Commanding General, European Theater, has stated in cable S 29485 dated 27 Oct 45 that an exchange card control system will be inaugurated in that theater effective 10 Nov 45. The CINCAFPAC has stated in cable No. 18405 dated 20 Oct 45 that an exchange control system has been already established in that theater requiring approval by unit personnel officers after thorough examination of all requests for personal transfer account transmissions, soldiers deposits, cash purchases of war bonds, postal money orders, and exchanges of yen currency for other types of yen currency. The foregoing control systems in the European Theater and the Pacific Theater are by far the most stringent yet established and it is the view of this office that these control systems be tested over a period of time in actual practice prior to the consideration of other types of control such as those proposed in the letter from the Treasury Department. This recommendation is based upon the fact that the establishment of exchange control systems requires considerable time and much administrative effort and that it would appear highly undesirable to complicate the existing situation in the European and Pacific Theaters by issuing another set of instructions before the present controls are given an opportunity to establish their effectiveness.

b. In connection with the proposal made by the Secretary of the Treasury that payment of pay and allowances to military personnel in all overseas theaters be made either in local currency or in military payment orders, Army post offices be allowed to sell postal money orders only against military payment orders, and that military payment orders may be accepted by all Army organizations such as post exchanges, Army messes, and Quartermaster stores, it is believed essential that full consideration be given to the administrative practicability of such measures. The proposed use of military payment orders in payment of troops is not an authorized use of military payment orders under the provisions of Section IV, WD Cir 159 dated 31 May 45 and Finance Bulletin No. 52 dated 3 July 45. It is stated specifically in

WDSS No 123
Currency (7 Sep 45) 2176

CONFIDENTIAL

par. 2-a, Section IV, WD Cir. 159 that "This payment order will not be used in payment of vouchers."

c. The utilization of military payment orders on the materially expanded scale required by the proposal of the Treasury Department would place an administrative burden on finance offices in overseas theaters which it is believed would result in a serious decrease in the effectiveness in the operations of such offices. Prior to the departure of Brigadier General N.H. Cobbs from Washington when he was recently here on temporary duty, the proposal was discussed with him and General Cobbs stated that the proposed use of military payment orders for pay and allowances and for the other purposes set forth above would be completely impracticable in the European Theater. Each military payment order issued requires individual entry of the name of the person to whom the payment order is issued and requires that appropriate accounting entries be made in the records of the disbursing officer. With finance offices in the European Theater and other overseas theaters desperately short of finance personnel, and anticipating the loss of additional personnel on a point score discharge basis, the initiation of additional administrative procedure in the handling of military payment orders would result in the servicing of fewer troops in overseas theaters making it impossible for disbursing officers to make payment to as many troops per month as can now be done. It is inconceivable that the failure to adequately handle payment of military personnel in overseas theaters could go on very long without strenuous protests of military personnel, Congressmen and citizens in the United States who have sons in the service overseas.

2. Because of the reasons outlined in the preceding paragraph it is believed that the establishment of the proposed Treasury procedure would be both inadvisable and impracticable at this time. It is recommended on the contrary that the controls just initiated in the Pacific Theater and to be established in the European Theater on 10 November 1945 be given adequate opportunity to prove themselves. It is further recommended that if it is determined further consideration should be given to the Treasury proposal, that copies of such proposal be forwarded to the Commanding General, United States Forces European Theater and to the Commander-in-Chief, Army Forces, Pacific, for comment and recommendations inasmuch as it is believed essential that such a material change in procedure receive the considered comment of such theater commanders prior to being placed in effect.

FOR THE COMMANDING GENERAL:

W. H. KASTEN
Major General
Chief of Finance
Acting Fiscal Director

By *E. M. Foster*
E. M. FOSTER
Colonel, GSC
Deputy Director

2 Incls w/d

CONFIDENTIAL

CLASSIFICATION (if any)

CONFIDENTIAL

WAR DEPARTMENT GENERAL STAFF

DISPOSITION FORM

FILE NO. WDSBU 123 Currency
(7 Sep 45) 2176

SUBJECT Devaluation of Foreign Currencies.

TO CG/ASF (OFD, Maj. Baldwin) FROM Budget Div., WDSS DATE 19 Oct 1945 COMMENT NO. 1
Col. Pforzheimer/2806

1. Reference is made to the attached copy of letter from the Secretary of the Treasury to the Secretary of War of 17 October 1945, on the subject of foreign currency conversion by members of the U. S. Armed Forces.

2. It is requested that your office submit comments which might be used as a basis for a reply to the letter from the Secretary of the Treasury. In submitting your comments, the following should be considered:

a. General background of foreign currency control as set forth in the attached memorandum for record.

b. General format of military payment orders and their relation to the legalistic difficulties advanced by the Treasury Department in May, 1945.

3. While it is recognized that no implementation as proposed by the Treasury Department could be effectuated as of 31 October 1945, specific comment should be made as to the general feasibility of the Treasury Suggestion.

4. It should be borne in mind that advice from the European Theater indicates that a foreign exchange control card system will be initiated in that theater on or about 10 November 1945.

5. The entire matter is one of great urgency.

George J. Richards

GEORGE J. RICHARDS
Major General, GSC
Director, Budget Division

OCT 23 1945 PM

2 Incls
1 - Cy ltr to SW
17 Oct 45
2 - Memo for Record



*F.F. 4
P-14768*

CONFIDENTIAL

18445

WDSBU 123 Currency (7 Sep 45) 2176

82

GENERAL HEADQUARTERS
UNITED STATES ARMY FORCES, PACIFIC
OFFICE OF THE FISCAL DIRECTOR

PAC
(A)

FD 123

AFO 500
30 October 1945

SUBJECT: Control Measures for Currency Operations

TO : Fiscal Director, Army Service Forces
Washington 25, D. C.

1. Reference is made to radio S 22572 from United States Forces European Theater signed Eisenhower, received 4 October 1945 and War Department radio W 71871 dispatched on 3 October 1945, relative to the subject of control of blackmarket operations by the prevention of transmission of illicitly acquired funds to the United States or their deposit to the individual's credit through the medium of Soldier's Deposits or through cash sale of war bonds.

2. In order that your office may be fully acquainted with the subject and controls established insofar as it pertains to this theater, the following information is furnished:

a. It is believed that little, if any, opportunity presented itself for illegal enrichment by currency manipulation while the main body of United States troops were stationed in the locale of Australia, New Guinea and the adjacent areas in the Southwest Pacific Area. Currencies involved thereat were the Australian pound and the Netherlands East Indies guilder. Inasmuch as the consolidated monthly report of "Analysis and Disposition of Military Pay" reflects an increase of approximately 3% in savings and transmittal amounts during the period in which troops of this command were stationed in the Philippines in large numbers, it is considered that no black market operations were organized here. The increase noted may well be attributed to the increased tempo in the soldier's savings programs coincident with V-J Day. Lack of banking facilities in the early months of our re-occupation of the Philippine Islands prevented the utilization of that outlet for the attainment of a bona-fide status for fraudulently acquired funds. A recent check at the banking institution utilized by U. S. military personnel (National City Bank of New York, Manila Branch) indicates that no amount of such size as to arouse suspicion has been deposited.

b. It is submitted that the first opportunity for illegal currency practices in this theater came as a result of the movement of troops to Japan. No concrete evidence has as yet presented itself that advantage has been taken of this opportunity to the detriment of the United States. At this juncture it may be mentioned that a number of American prisoners of war arrived in Manila (then the major Port of Embarkation for personnel departing to the United States) with considerable amounts of Japanese currency acquired from Japanese authorities presumably while in their status as prisoners of war. Inasmuch as the three months pay and allowances which was immediately paid them was disbursed in U. S. currency, no exchange of yen for dollar or dollar value was effected. In view of the need for careful and considerate treatment due this class of personnel, no

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written instructions were given to U. S. Army Finance Officers in this regard, but, instead, they were advised to tactfully refrain from making such exchanges. This policy was similar to that adopted by the British and Australian Armies in processing their prisoners of war. No inference is contained herein that these individuals were attempting to enrich themselves at the expense of the United States Government and the few requests for exchange made were made in good faith. This item is included in this communication only in order that your office may be fully advised of this development, and to facilitate replies when and if inquiries are submitted.

c. Where Army personnel other than liberated prisoners of war presented yen for exchange, a sworn certificate containing information as to the finance officer from whom the funds were obtained and a statement that the amount was received as pay and allowances was required from the individuals requesting the exchange. This precaution was taken prior to receipt of the referenced radiograms dealing with the issue of black market currency practices.

3. In the light of the messages noted in paragraph 1 above and in furtherance of measures already adopted, the following radio directives were dispatched to all major commands in this theater:

ZX 35748: -TO; CG Sixth Army, CG Eighth Army, CG FFAF, CG AFWESPAC, CG AFMIDPAC, CG USASCOM-C, CG XXIV CORPS; INFO: CINCAFPAC ADVANCE.

"In order to prevent military personnel in possession of yen currency obtained from sales of property and black market currency transactions and other illicit sources from utilizing such currency to their own advantage it is directed that every instrument which transmits a dollar credit to the United States (except as pay voucher or payroll deductions) such as PTA lists or which effects a dollar credit through Soldier Deposits or effects the purchase of a war bond or a postal money order for cash will be accompanied by signed certificate from the appropriate personnel officer that "I certify that I have personally inquired into and examined the source of the funds herewith transmitted and deposited or used for purchase of war bonds and postal money orders and have determined that these funds were legitimately obtained as payment of pay and allowances from a finance officer of the United States Army and were not obtained from sale of property and black market currency operations or other illicit sources. There is no objection to the grouping of a number of such instruments as described above if the names and amounts of the individuals involved are recorded on letter of transmittal. The personnel officer will require each individual so transmitting, depositing or purchasing United States dollar value through the medium of yen currency to execute a statement indicating the source of same. However, this will not be construed as limiting the personnel officers responsibility to the obtaining of this statement. He will satisfy himself in each case that the yen currency was legitimately acquired. If the personnel and commanding officers are unable to arrive at determination that source is legitimate they will forward entire file to next higher echelon of command with pertinent findings. Officer depositions will support each PTA transmission or cash purchase of postal money order or war bond with a similar certificate written in

in the first person. Postal officers in Japan will cash incoming postal money orders in yen only, finance officers will not exchange United States currency for yen unless the individual desiring exchange is under orders to return to the United States and presents appropriately modified certificate as shown above from the unit personnel officer that the funds were legitimately acquired as pay and allowance from an Army finance officer. Officer personnel will execute a similar certificate. You will take measures to insure that United States currency is withdrawn from personnel arriving from the United States within seven two hours from date of debarkation. You are authorized to install such additional measures which you deem suitable to prevent the transmission of illicitly acquired funds to the United States. These instructions have equal application to war correspondents, Red Cross personnel and War Department civilian employees. War and Treasury Departments seriously disturbed at the extent of black market operations in the European Theater and it is the desire and intention to prevent this traffic in the Pacific Theater. This directive is effective immediately.
/s/ B. M. Fitch, Brigadier General, U. S. Army, Adjutant General."

ZX 26654:-TO: CG AFWESPAC, CG AFMIDPAC, CG FEAF, CG SIXTH ARMY CG EIGHTH ARMY, CG ASCOM-C, CG XXIV CORPS: INFO: CINCPAC ADVANCE. "Supplementing instructions contained in radio ZE 25748 requiring use of certificates for control of black market currency operations the following disposition will be made of the certificates executed by personnel officers covering exchanges, deposit or transmittal of yen currency for United States dollar credits: where the funds received or a greater portion of the value thereof are retained by receiving finance officers for future disbursements the certificate in connection therewith will be retained by him for record. Where the funds received are transferred to another disbursing officer the related certificate will accompany the transferring documents. Postal officers will retain certificates covering funds received by them until the currency is delivered to a disbursing officer in exchange for a dollar check in normal procedure, at which time the appropriate certificate will accompany funds. /s/ B. M. Fitch, Brigadier General, U. S. Army, Adjutant General."

CX 19179:-TO: CINCPAC ADVANCE, CG SIXTH ARMY, CG EIGHTH ARMY, FEAF, CG AFWESPAC, CG AFMIDPAC, CG ASCOM-C, CG XXIV CORPS.
"Paragraph 1: Subject is exchange control yen currency. Paragraph 2: All troops being returned to the United States will, prior to departure from occupied areas, exchange personal funds held in yen currency in amounts normally not in excess one month's unencumbered pay and allowances for United States currency or as alternative otherwise reduce their holdings through following channels: cash purchase military payment orders, cash purchase war savings bonds, cash purchase postal money orders, soldier deposits, or personal transfer account plan. Paragraph 3: In order to reduce United States requirements exchanges for United States currency will be limited to amounts not exceeding approximately one hundred fifty dollars per individual. Amounts in excess thereof will be reduced through alternative channels enumerated above. Paragraph 4: In event United States currency not available

commanding officers will invoke full use alternative methods stated in paragraph 2 to effect exchange of personal funds. Paragraph 5: In event it is necessary to exchange amounts in excess one month's unencumbered pay and allowances occasioned by legitimately acquired amounts through exchange of dollar instrument or previous exchange of pay and allowances for yen currency, such excesses will be exchanged only upon careful investigation and full substantiation of legitimacy of acquisition and will be supported by affidavits and certificates establishing full and complete explanation that acquisition was through official channels and not through sale of property or illicit black market currency manipulations. Analysis of source of excess amounts must be made by an officer with adequate opportunity to make full investigation of case. Paragraph 6: It is emphasized that the only legitimate source of yen currency for purpose of exchange for United States currency, cash purchase military payment orders, cash purchase war savings bonds, cash purchase postal money orders, soldiers deposits, or personal account plan is amounts received by individuals as pay and allowances and dollar instruments previously acquired or exchanged through official channels. /s/
B. M. Fitch, Brigadier General, U. S. Army, Adjutant General."

These three theater radios were the media for the installation of the procedural aspects and express the intent of the theater commander in preventing black market currency transactions.

4. Organization commanders have distributed these directives to the unit level. Technical instructions have issued to Postal and Finance Officers. It is apparent to this office that the control of black market currency trends is being vigorously and continuously prosecuted. It is recognized that the instructions outlined in the above theater radios will effectively establish control, only if personnel officers are thorough and conscientious in their examinations. Yet, it is believed that the unit personnel officer is best suited, by reason of his close contact with the individual soldier, fairly to judge a suspicious or doubtful case.

5. The administrative finance officers of each major command have been requested by this office that they and the respective disbursing officers in their command devote as much of their personal attention to the control procedure as possible, and reports from the field constantly being received indicate that this is being done.

6. Your office will be kept informed on all major developments that occur on this subject.

For the Fiscal Director:

J. B. ROTHE
Colonel, F. D.
Deputy Fiscal Director

8519 October 1945

CXC
Recap
D

Memorandum for Record:

Subject: Foreign Exchange Controls.

1. The General subject of foreign exchange control in foreign theaters was discussed by the Budget Division with OPD/ASF and the Treasury Department early in 1945. Control media discussed at that time included:

- a. Some type of foreign exchange control card to be maintained either by the individual or by the relevant personnel officer.
- b. A form of military payment order which would have been mandatory for all military personnel transferring from one theater of operations to another.

2. Work on the foreign exchange control system was then initiated, at BOWD request, by OPD/ASF. Further discussions were held with the Treasury relative to a military payment order. Characteristics of the latter were intended to be:

- a. Fixed denominations.
- b. Minimum of data to be filled in by finance and/or personnel officers.
- c. Negotiability, outside the continental limits of the U. S. At U. S. Army and Navy installations only.

In late May 1945, the Treasury Department advanced legalistic objections to the above types of military payment order. (Reference is made to WD Circular 159 of 31 May 1945: Sec. IV, which describes a limited type of payment order issued under Public Law 554, but which is not very widely used at the present time. The chief reasons for limited use of these payment orders are: Treasury Department refusal to allow issuance in fixed denominations, and the requirements of too much time in preparing data thereon as the amount of already printed material on the military orders is strictly limited.)

3. In June and July 1945, the BOWD held discussions concerning foreign exchange control systems. On July 20, 1945, the BOWD addressed a memorandum to the undersigned then at Hq. USFET, Rear:

- a. Bringing up to date discussions held and actions taken on the subject, and
- b. Inclosing a proposed cable from the War Department to all theaters relative to installation of a foreign exchange control system.

4. The undersigned, on 24 July 1945, from USFET, Rear, dispatched copies of the memorandum and inclosure thereto to the Chief, Financial Division, US Group CC, AC/S, G-1, USFET, Main; German Currency Section of 65, USFET, Rear, and to the Theater Fiscal Director at USFET, Rear, with the request that comments and/or counter-proposals be submitted at the earliest practicable moment.

WPA } Written on 25 (28?) September 1945.
Used on 19 Oct as M/R for set of letters.

5. On 2 August 1945 a long meeting was held in USFET, Main. Hq. in Frankfurt with representatives of all interested sections of the Hqs. and of US Group CC, together with the undersigned.

a. The results of this meeting were transmitted to the BOWD as Tab C of recap from ETO of 3 August 1945.

b. Upon receipt of this Tab C, FFB recharged OFD/ASF with the initiation of a foreign exchange control system.

6. OFD continued their work on this problem until the arrival in Washington of the Fiscal Director, ETO, who, when the subject was brought to his attention, alleged that the system was impracticable and not feasible of implementation in the European Theater during the period of redeployment.

7. Meanwhile, at the request of Lt. Gen. Smith, Chief of Staff, USFET, the undersigned reported to USFET, Main for consultations and discussions of the problem with General Smith, his deputy, General Paul; the USFET G-1 Gen. Bevins, and the Assistant G-1, USFET, Col. Brown. As a result of these discussions there was dispatched to the War Department S 22572 (CM-IN-8112 of 10 Sept 45)/

8. There was held in the office of the Assistant Secretary of the Treasury, Harry D. White, a meeting at 1400 on 27 Sept 1945 at which there were present Messrs. White, Bronz, Brooks, Glasser, Scott and Gunter of the Treasury Department, and Colonel Pforzheimer and Lt. Col. Upton and Lt. Col. Hilliard from the War Department.

a. Mr. White made the suggestion that the solution to the problem, with particular reference to the American zones of occupation in Germany, were:

- (1) Pay in dollars
- (2) Stringent exchange restrictions

b. It was recognized that to pay in dollars would be expensive and would rapidly cause an artificial demand for dollars at the expense of the AM mark/Reichsmark. It was further agreed that the market value of marks would undoubtedly go down and might, in the opinion of Mr. White, rapidly reach 50/1. The inevitable result would be for the German population to place the blame for any inflation and/or other monetary disorders upon the U. S. Army, specifically, and upon the U.S. Government in General.

c. Among the exchange restrictions suggested by Mr. White were that of:

- (1) No redemption or exchange of marks (with the exception of special cases where troops were leaving the area permanently).
- (2) A limitation of \$10 a man on redemption of marks which military personnel might declare as excess to their needs.