GHQ/SCAP Records(RG 331)
Description of contents

THE NATIONAL ARCHIVES OF THE UNITED STATES

(1) Box no. 2416

(2) Folder title/number : (7)
No Title

(3) Date : Oct. 1944 - Mar. 1949

(4) Subject :

Classification	Type of record
020	z

(5) Item description and comment :

(6) Reproduction : (Yes) No

(7) Film no. Sheet no.

ITEM	1946 DEC	1947 JAN THRU APR	1947 MAY	JUN	JUL	AUG	
EXCHANGES			(IN MARKS)				
EUCOM Exchange Service			6,668,548	(6,247,551)	(7,342,091)	(8,440,104)	(8,59
a. Personal Services				4,000,000	4,700,000	4,500,000	5,60
b. Procurement & Non-Personal Serv.				2,000,000	2,600,000	3,900,000	2,99
Special Services, EUCOM			725,711	1,253,795	1,706,184	820,210	60
EUCOM Motion Picture Fund							
Rhenco			567,974	274,209	888,894	772,625	1,30
Clubs, Eq & Unit Funds			3,036,772	3,753,104	3,550,798	3,084,375	2,73
Class VI Funds							
Stars and Stripes			106,207	144,389	288,318	235,877	30
Intelligence Operations			12,000	863,850	672,000	631,517	58
Salaries, Indigenous Personnel			600,490	935,876	1,693,267	1,819,824	1,80
Other Government Agencies			829,563	520,633	203,162	649,193	78
Remittal of MG Court Fines			3,049,208	1,466,209			
Transfers between HO's					149,355	241,349	
* Marks Converted to Dollars			- 9,468	- 39,505	- 17,040	- 2,800	-
Commercial Enterprises							
a. Leave & Non-official Travel			431,671	794,046	769,071	804,674	51
b. Telephone Service			15,078	5,175	316	17	30
c. American Express Co., Inc.				21,440	132,430	270,920	3
d. Taxi Service							
e. All Others			229,258	5,678,347	1,643,871	685,491	47
Individuals							
a. Personal Purchases			373,453	312,658	258,313	278,655	77
Miscellaneous			733,239	204,147	394,957	174,803	1
Loss of Funds							110,0
Encashments - POW COCs							
Encashments - POW NPCs			4,975,107	3,613,700	37,585,754	57,276,110	13,3
DISBURSEMENTS							
* Return of Marks to Currency Section			5,400,582	14,740,967	49,067,363	1,558,416	9
POW Pay on Discharge			51,877	445,684	325,194	344,421	6,4
Other							
Collections Refunded							
POW Payrolls Differential							
Deposit to Treas. of U.S.					63,039	11,404	
Paid to CMGUS - POW Settlement							
TOTAL MARKS			27,797,270	41,236,275	106,744,337	78,097,185	149,1
DOLLAR EQUIVALENT			$2,780,000	$4,124,000	$10,674,000	$7,810,000	$14,9
*Liquidation of German Mark MTP Reserve Account							
ACCUMULATIVE BALANCES ($ equivalents of mark balances)	$214,849,065.05	$250,849,065.05	$246,069,065.05	$243,965,065.05	$233,271,065.05	$228,461,065.05	$210,0

UTILIZATION OF MARK CURRENCY HOLDINGS

1947 MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	1948 JAN	FEB	MAR
(IN MARKS)										
6,668,548	(6,247,551)	(7,342,091)	(8,440,104)	(8,993,260)	(5,401,471.50)	(5,161,312.50)	(8,930,505.50)	(8,672,711.50)	(6,014,229.50)	(7,967,230.00)
	4,000,000	4,700,000	4,500,000	5,600,000	5,400,000	5,140,000	5,500,000			
	2,000,000	2,600,000	3,900,000	2,993,260	1,471.50	20,000	3,400,000			
725,711	1,253,795	1,706,184	820,210	603,827	1,457,522	1,222,941	1,105,346.50	1,691,202	1,858,763.50	1,815,614.50
				21,012	18,430	44,978.50	37,374	39,191	30,798	84,901
567,974	274,209	888,894	772,625	1,387,514	808,509.50	753,025.50	842,550	881,593	738,440	716,986.50
3,036,772	3,753,104	3,550,798	3,084,375	2,733,828	2,872,629.50	2,369,328	2,781,875.50	2,373,820.50	1,985,122.50	2,110,138.50
				14,200	170,846.50	161,477.50	215,164	352,164	270,401.50	148,951.00
106,207	144,389	288,318	235,877	302,161	313,612.10	298,531	331,720	289,239.50	268,635.50	348,187.50
12,000	863,850	672,000	631,517	580,129.50	935,958.50	225,595.50	18,932.50	9,753.50	6,482.50	2,838.00
600,490	935,876	1,693,267	1,819,824	1,893,393	1,473,737.50	5,711,446.50	2,711,538	2,678,489.50	2,325,860.50	1,816,626.50
829,563	520,633	203,162	649,193	729,142	470,743	630,269.50	1,430,682	294,219.50	383,747.50	693,244.50
3,049,208	1,466,209									
		149,355	241,349		726,142.10	25,244.50				
- 9,468	- 39,505	- 17,040	- 2,800	- 886.50	- 38,652	- 3,981.50	- 1,037.60			
				310,342.50	683,624	1,874,473.50	904,778.50	780,574	743,641	782,116.50
431,671	794,046	769,071	804,674	309,710	163,106.50		557,375	1,925,472	243,750	1,926,893.50
15,078	5,175	316	17		2,115,000	115,000	117,490	107,720	247,446.50	244,282.00
	21,440	132,430	270,920	76,500	249,640	241,330	222,930	206,881	406,268	258,823.50
229,258	5,678,347	1,643,871	685,491	475,631.50	578,629.50	257,331.50	249,238	186,788.50		371,241.50
									127,755.50	97,258.50
373,453	312,658	258,313	278,655	771,337.50	173,297	127,098	106,019	108,737	23,877	42,083.50
733,239	204,147	394,957	174,803	14,151	28,825	27,545	18,862.50	82,665		
				3,876.50						
				110,047,927.30	129,393,422.60	302,315.70	1,000			
				13,509,814.50	15,697,212.90	12,035,707	17,413,248.10	21,763,932.90	4,815,227.20	13,297,230.00
										1,800,401.00
4,975,107	3,613,700	37,585,754	57,276,110						349,161.50	171,789.50
				903,772.20				1,729,879.70		
5,400,582	14,740,967	49,067,363	1,598,416	6,680,639.40	8,349,170.80	294,484	8,883,708.50			
51,877	445,684	325,194	344,421	3,275					58,997.60	189,480.00
					221,076.30		9,242.50	235,574.90		
		63,039	11,404	1,403	83,329.80	80,683.20				
						1,400,000,000			20,898,605.30	34,427,181.50
27,797,270	41,236,275	106,744,337	78,097,185	149,965,963.20	172,347,284.60	1,431,956,136.40	46,880,542.50	44,410,609	$2,090,000	$3,443,000.00
$2,780,000	$4,124,000	$10,674,000	$7,810,000	$14,997,000	$17,235,000	$143,196,000	$4,688,000	$4,441,000		
08 $240,069,068.08	$243,948,068.08	$233,271,068.08	$225,461,068.08	$210,464,068.08	$193,229,068.08	$ 80,033,068.08	$46,345,068.08	$40,904,068.08	$38,814,068.08	$35,371,068.08

UTILIZATION OF MARK CURRENCY HOLDINGS

1948 NOV	DEC	1949 JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP
							(IN DOLLARS)			
(5,161,312.50)	(8,930,505.50)	(8,672,711.50)	(6,014,229.50)	(7,967,230.00)	(6,907,282.80)	(5,676,362.00)	$ (890,674.06)	$ (1,389,967)	$ (1,204,696)	$ 810
5,140,000	5,500,000									
20,000	3,400,000									
1,222,941	1,105,346.50	1,691,202	1,858,763.50	1,815,514.50	1,536,066.00	847,100.50	$ 72,637.45	$ 150,023	127,868	21
44,978.50	37,374	39,191	30,798	34,901	31,159.50	22,090.00	1,670.20	6,034	4,649	
753,025.50	842,550	881,593	738,440	716,986.50	665,188.00	581,278.50	73,672.55	74,573	145,701	11
2,369,328	2,781,875.50	2,373,820.50	1,985,122.50	2,110,138.50	2,093,991.50	1,888,224.50	181,696.10	319,434	308,866	28
161,477.50	215,164	352,164	270,401.50	143,851.00	162,981.50	149,358.50	5,183.05	2,374	2,948	
298,531	331,720	289,239.50	268,635.50	345,157.50	411,321.50	335,869.00	18,808.55	33,655	45,362	
225,995.50	18,932.50	9,753.50	6,482.50	2,538.00	379.50	814.00	72.00	9,094	5,940	
5,711,446.50	2,711,538	2,678,489.50	2,325,860.50	1,816,626.50	3,161,388.00	2,385,140.50	123,210.25	402,593	423,566	2
630,269.50	1,430,682	294,219.50	383,747.50	593,244.50	885,177.50	947,127.00	57,499.25	114,488	113,864	10
							Quarters Collections--146,990			
25,244.50										
- 3,981.50	- 1,037.60									
		780,574	743,641	782,116.50	697,317.00	719,561.50	87,228.00	97,394	90,459	
1,874,473.50	904,778.50	1,925,472		1,926,895.50		106,847.00	10,871.10	171,548		
	557,375	107,720	243,750	244,252.00	117,000.00	136,040.50	36,388.95	73,860	58,569	
115,000	117,490	206,881	247,446.50	258,323.50	164,126.00	73,481.00	806.06			
241,330	222,930	186,788.50	406,268	371,241.50	606,760.00	180,618.00	168,310.05	218,106	154,544	
257,331.50	249,238								Chase National Bank...	
127,098	106,019	108,737	127,755.50	97,288.33	69,855.00	65,930.00	59,624.55	430,967	84,356	
27,545	18,862.50	82,665	23,877	42,063.60	69,340.50	58,745.50	9,027.45	37,929	27,487	
302,315.70	1,000								173,144	
12,035,707	17,413,248.10	21,763,932.90	4,815,227.20	13,297,230.00	12,809,692.20	14,388,231.70	2,873,661.25	378,641	GAO Adjustment...2,	
				1,800,401.06						
294,484	8,883,708.50	1,729,879.70	349,161.50	171,789.50	11,978,453.96	11,885,672.90	35,582.20	277,216	CDO Adjustment ($ 218,163	
80,683.20	9,242.50	235,574.90	58,997.60	189,458.50						
1,400,000,000										
1,431,956,136.40	46,880,542.50	44,410,609	20,898,605.30	34,427,181.49	42,138,415.16	40,445,480.60	$ 3,806,824.05	$ 4,361,880	$ 3,179,860	$
$143,196,000	$4,688,000	$4,441,000	$2,090,000	$3,443,000	$4,214,000	$4,044,000	$ 3,806,824.05	$ 4,361,880	$ 3,179,860	$
$ 80,033,065.05	$46,345,065.05	$40,904,065.05	$38,814,065.05	$35,371,065.05	$31,157,065.05	$27,113,065.05	$ 23,306,541.00	$ 18,944,691	$ 15,764,831	$

MAY	JUNE	JULY	AUG	S&P	OCT	NOV	DEC
	(IN DOLLARS)						
(5,676,352.00)	$ (890,874.06)	$ (1,389,967)	$ (1,204,695)	$ 610,960	$1,119,442	$ 904,610	$ 561,237
847,100.50	$ 72,637.45	$ 180,023	127,868	215,475	134,169	162,918	98,769
22,090.00	1,670.20	6,034	4,649	8,138	15,058	9,831	8,015
561,278.50	73,672.55	74,673	145,701	113,781	197,590	149,528	106,514
1,888,224.50	181,696.10	319,434	305,866	297,452	492,856	410,080	308,116
149,358.50	5,183.05	2,374	2,948	2,670	8,571	27,331	11,637
335,869.00	18,808.55	33,666	45,562	41,365	56,025	56,407	29,226
814.00	72.00	9,094	5,940	5,320	4,144	146	5,914
2,386,140.50	123,210.25	402,593	423,555	304,621	485,495	393,146	173,768
947,127.00	87,499.25	114,488	113,564	102,205	892,864	967,100	105,523
	Quarters Collections--146,990						
719,561.50	87,228.00	97,394	90,459	78,188	70,095	103,582	73,283
106,847.00	10,871.10	171,548			481,149	14,403	74,616
136,040.50	36,385.95	73,850	58,569	56,825	47,298	52,731	43,029
73,481.00	806.06						
180,618.00	168,310.05	215,106	154,544	242,464	308,696	162,301	90,504
			Chase National Bank...12,594		4,950	5,131	5,404
69,930.00	59,524.55	450,987	84,356	54,738	38,959	24,775	18,206
86,745.50	9,027.45	37,929	27,487	194,354	190,136	10,015	15,855
14,388,231.70	2,273,469.25	378,641	173,144	231		15,276	453,623
			GAO Adjustment...2,702,640				
			CDO Adjustment (State Department Funds).....32,456				
11,883,672.90	56,582.20	277,216	216,163	32,038	64,861	34,246	8,655
				82,412	53,967	14,442	
40,443,480.60	$ 3,806,524.05	$ 4,361,850	$ 3,179,860	$ 5,358,661	$4,664,264	$3,560,452	$2,191,464
$4,044,000	$ 3,806,524.05	$ 4,361,850	$ 3,179,860	$ 5,358,661	$4,664,264	$3,560,452	$2,191,464
$27,113,065.05	$ 73,306,541.00	$ 18,946,691	$ 13,764,831	$10,406,170	$5,741,906	$2,191,464	$ -00-

Foreign Financial Group
Office of the Army Comptroller
Department of the Army

	1946 DEC	1947 JAN THRU MAR	1947 APR	MAY	JUN	JUL	AUG	SEP	OCT
ARMY									
Sales of Yen			46,915,792.97	38,083,458.98	44,612,042.44	37,384,004.69	(28,346,306.80)	(51,366,473.10)	(34,696,785.63)
Official Expenditures by Govt. Agencies							953,094	28,977.50	463,750.21
Army Exchange Service & CMD							4,360,653.37	6,926,711	8,056,658
Quasi-official Organizations, Others							7,496,780.37	7,423,034.10	5,591,357.90
Individuals							15,535,779.06	11,462,514	11,820,467.02
Civilians, other than Dept. of Army Civ Pers								108,955.50	
Railroads									2,750,525
Rest Hotels								704,240.50	1,025,757.50
Commercial Organizations								472,339.50	423,608.50
Rent, Civilians - Other than Dept. of Army Civ Pers									415,720.50
Indigenous Employees									345,375
Intelligence Operations								1,300,000	2,143,274.50
Telephone & Telegraph								1,453,517	1,647,322.50
Japanese Govt. Property, Lost or Damaged								5,526.50	12,969
Turn-in of Funds Against Treasury Reserve Account									
Deposit with U.S. Treasury - Surplus Property Sales								21,480,657.50	
NAVY									
Sales of Yen							(1,184,331.84)	(1,199,134.78)	(1,167,906.23)
Ships Service Stores							37,550	28,930	130
Quasi-official Organizations							8,500	63,760	89,282.50
Individuals							849,165	606,677	455,960
Indigenous Employees									
Official Expenditures							289,116.84	499,767.78	622,533.73
TOTAL YEN			46,915,792.97	38,083,458.98	44,612,042.44	37,384,004.69	29,530,638.64	52,565,607.88	35,864,691.86
DOLLAR EQUIVALENT			$938,000	$762,000	$892,000	$748,000	$591,000	$1,051,000	$ 717,000
ACCUMULATIVE BALANCES ($ equivalents of yen)	$67,740,000	$66,129,684.71	$65,191,684.71	$64,429,684.71	$63,537,684.71	$62,789,684.71	$62,198,684.71	$61,147,684.71	$60,430,684.71

UTILIZATION OF YEN CURRENCY

							1948				
JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	
44,612,042.44	37,384,004.69	(28,346,306.80)	(51,366,473.10)	(34,696,785.63)	(50,638,622.85)	(161,752,175.30)	(52,215,932.12)	(46,689,998.78)	(58,748,889.00)	(63,488,141.87)	(67,
.....		953,094	28,977.50	463,750.21	197,667	2,810,689.50	363,695.50	378,588	239,184.50	2,433,480	
.....		4,360,653.37	6,926,711	8,056,658	19,037,973.40	15,396,845.66	16,349,275	18,628,450.50	27,388,283.90	31,867,818.80	33,
.....		7,496,780.37	7,423,034.10	5,991,357.90	6,427,098.50	7,631,737	8,733,403	5,031,328	6,319,806.10	5,163,892.14	4,
.....		15,535,779.06	11,462,514	11,820,467.02	9,896,693.60	11,258,037.50	7,183,566.70	6,544,001.74	7,318,890.00	6,970,870.36	7,
.....			108,955.50								
.....				2,750,525	3,411,987.50	2,495,562.50	2,803,737.50	1,860,287.50	2,169,312.50	1,818,525	2,
.....			704,240.50	1,025,757.50	760,425.50	526,285	591,975	797,615	835,620.00	864,387.50	
.....			472,339.50	423,608.50	312,039.50	1,827,924	1,889,442.50	548,417.50	2,917,315.00	1,798,906.00	1,
.....				433,720.50	258,324	913,112.50	658,903	791,879.50	773,007.00	769,092.50	
.....				345,375	6,925,737	8,245,455	8,718,792.50	8,871,600.50	8,377,475.50	9,519,817.00	8,
.....			1,300,000	2,143,274.50	180,111.85	1,929,928.14	1,389,741.92	1,503,041.54	2,099,467.80	1,331,331.67	2,
.....			1,453,517	1,647,322.50	1,597,857.50	1,631,838.50	2,213,315	1,715,662		1,689,180.80	1,
.....			5,526.50	12,969	11,707.50	22,411.50	23,653	19,127	16,319.00	30,463.80	
.....						107,062,348.50	1,296,429.50				
.....			21,480,657.50								
.....		(1,184,331.84)	(1,199,134.78)	(1,167,906.23)	(1,525,152.09)	(897,304)	(973,167.84)	(261,400)	(449,767.80)	(489,370.00)	
.....		37,550	28,930	130	2,575	445,331	6,565	26,195	11,850.00	19,460.00	
.....		8,500	63,760	89,282.50	81,877.50	120,562.50	61,760	45,875	68,700.00	84,800.00	
.....		849,165	606,677	455,960	275,387.03	311,460.50	471,587.34	156,330	356,680.00	387,872.50	
.....					19,200	19,950	19,387.50	33,000	23,887.50	27,457.50	
			289,116.84	499,767.78	622,533.73	1,146,112.56	613,868				
44,612,042.44	37,384,004.69	29,530,638.64	52,565,607.88	35,864,691.86	52,163,774.94	162,649,479.30	53,189,099.96	46,951,398.78	59,198,356.80	63,944,611.67	67,
$892,000	$748,000	$591,000	$1,051,000	$ 717,000	$1,043,000	$3,253,000	$1,064,000	$939,000	$1,184,000	$1,279,000	$1,
$63,837,684.71	$62,789,684.71	$62,198,684.71	$61,147,684.71	$60,430,684.71	$59,387,684.71	$56,134,684.71	$55,070,684.71	$54,131,684.71	$52,947,684.71	$51,668,684.71	$6

DEC	1948 JAN	FEB	MAR	APR	MAY	JUNE	JULY (IN DOLLARS) ARMY, AIR FORCE & NAVY	AUG (IN DOLLARS) ARMY & AIR FORCE
2,175.30)	(52,215,932.12)	(46,689,998.78)	(58,745,589.00)	(62,455,141.67)	(67,966,496.21)	(2,349,087,807.50)	$	$
0,689.50	363,695.50	378,588	239,194.50	2,433,480	2,737,476.00	2,274,857,582.50	257,742.91	
6,845.66	16,349,275	18,628,450.50	27,386,283.90	31,887,815.50	36,736,408.34	43,739,573.50	909,049.32	38,104.29
1,737	8,733,403	5,031,328	6,319,506.10	5,163,892.14	4,112,941.40	[illegible]	78,761.30	22,667.86
8,037.50	7,183,568.70	6,544,001.74	7,316,890.00	6,970,870.36	7,543,067.76	8,289,176.50	1,114,606.90	579,257.72
95,562.50	2,803,737.50	1,860,287.50	2,169,312.50	1,518,525	2,377,875.00	2,276,612.50	58,034.00	
86,285	591,975	797,615	655,820.00	864,387.50	853,645.00	1,426,892.50	22,495.50	5,364.21
27,924	1,889,442.50	548,417.50	2,917,316.00	1,796,906.00	1,518,013.00	1,678,804.00	120,207.94	19,696.12
13,112.50	658,903	791,879.50	775,007.00	789,092.50	804,634.50	795,402.50	19,606.21	2,622.86
45,455	8,718,792.50	8,871,600.50	9,377,475.50	9,519,817.00	8,417,960.50	9,624,908.50	181,427.50	18,025.22
29,928.14	1,389,741.92	1,503,041.54	2,099,467.80	1,331,331.67	2,398,100.71	2,686,140.50	8,565.36	
31,838.50	2,213,315	1,715,662		1,689,160.50	3,436,708.00	1,781,006.00	50,884.41	
22,411.50	23,653	19,127	16,319.00	30,465.50	40,780.00	38,996.00	438.55	646.22
062,348.50	1,296,429.50							
(897,306)	(973,167.84)	(261,400)	(469,767.50)	(489,370.00)	(520,850.00)	(196,600.00)		
445,331	6,565	26,195	11,850.00	19,460.00	19,497.50	19,310.00		
120,562.50	61,760	45,875	58,700.00	84,600.00	4,000.00	52,000.00		
311,460.50	471,587.34	156,330	355,650.00	387,972.50	221,496.00	102,790.00		
19,950	19,387.50	33,000	23,567.50	27,457.50	75,837.50	24,500.00		
	43,868							
5,649,479.30	53,189,099.96	46,951,398.78	59,193,356.50	63,944,511.67	68,277,325.21	2,349,286,407.50	$ 2,801,308.20	$ 681,376.81
3,253,000	$1,064,000	$939,000	$1,184,000	$1,279,000	$1,400,000	$46,986,000	$ 2,801,308.20	$ 681,376.81
8,134,694.71	$56,070,484.71	$54,131,684.71	$62,947,684.71	$61,668,684.71	$60,569,684.71	$ 3,282,694.71	$ 481,376.51	$ -00-

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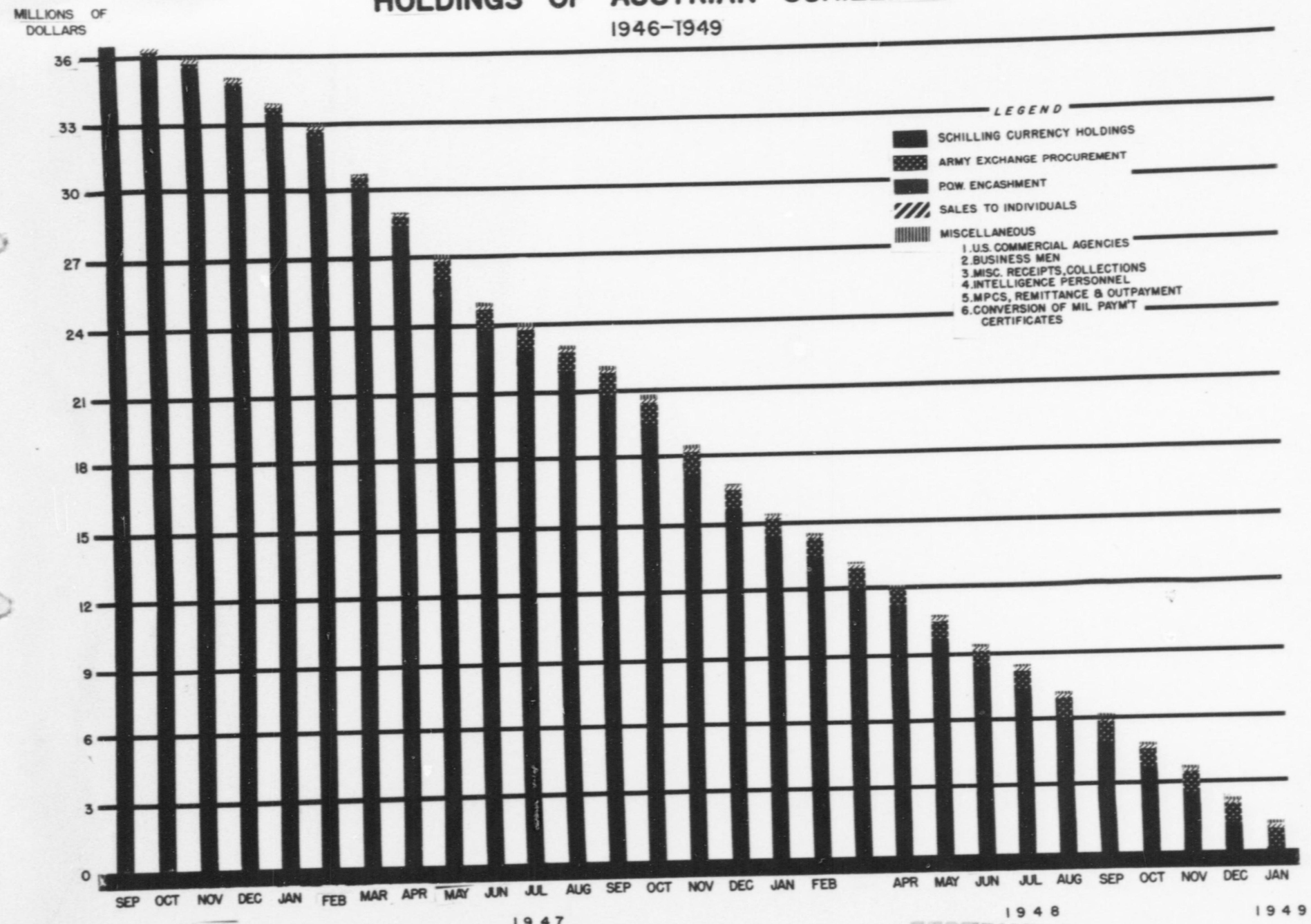
PLANNED DISPOSAL OF U.S. ARMY CURRENCY

HOLDINGS OF AUSTRIAN SCHILLINGS

1946–1949



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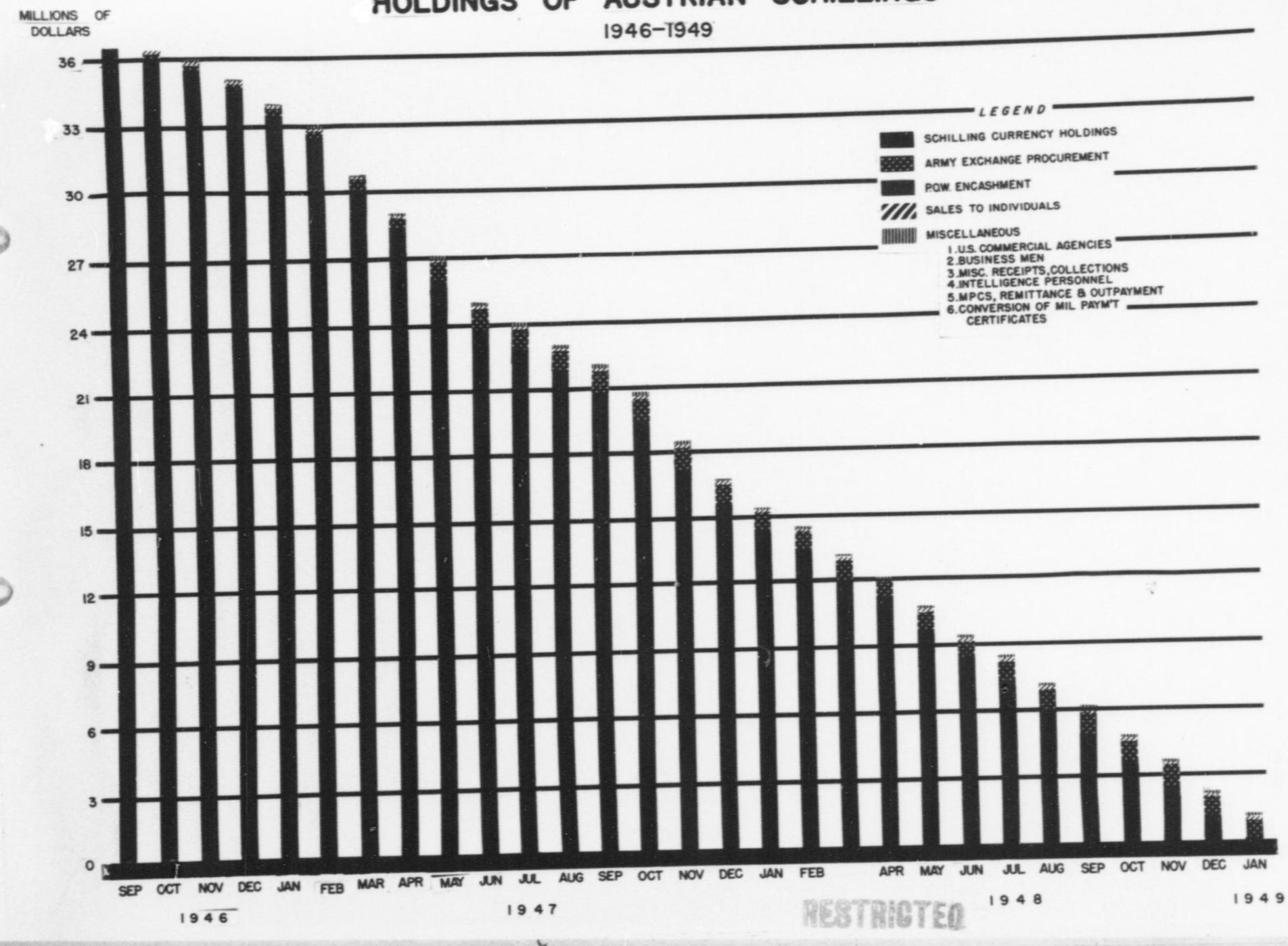
PLANNED DISPOSAL OF U.S. ARMY CURRENCY

HOLDINGS OF AUSTRIAN SCHILLINGS

1946–1949



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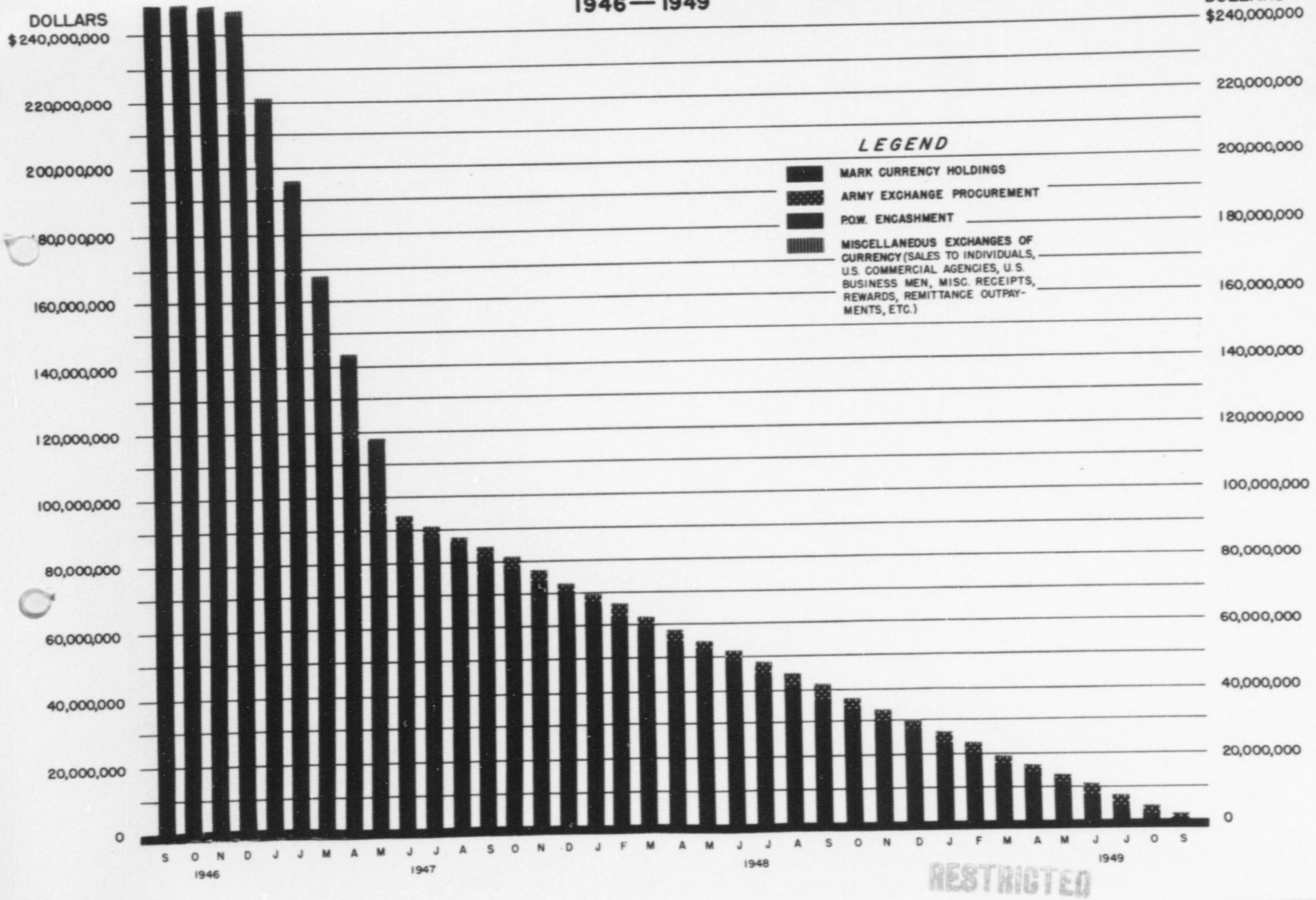
PLANNED DISPOSAL OF U. S. ARMY

HOLDINGS OF GERMAN MARK CURRENCY

1946 — 1949



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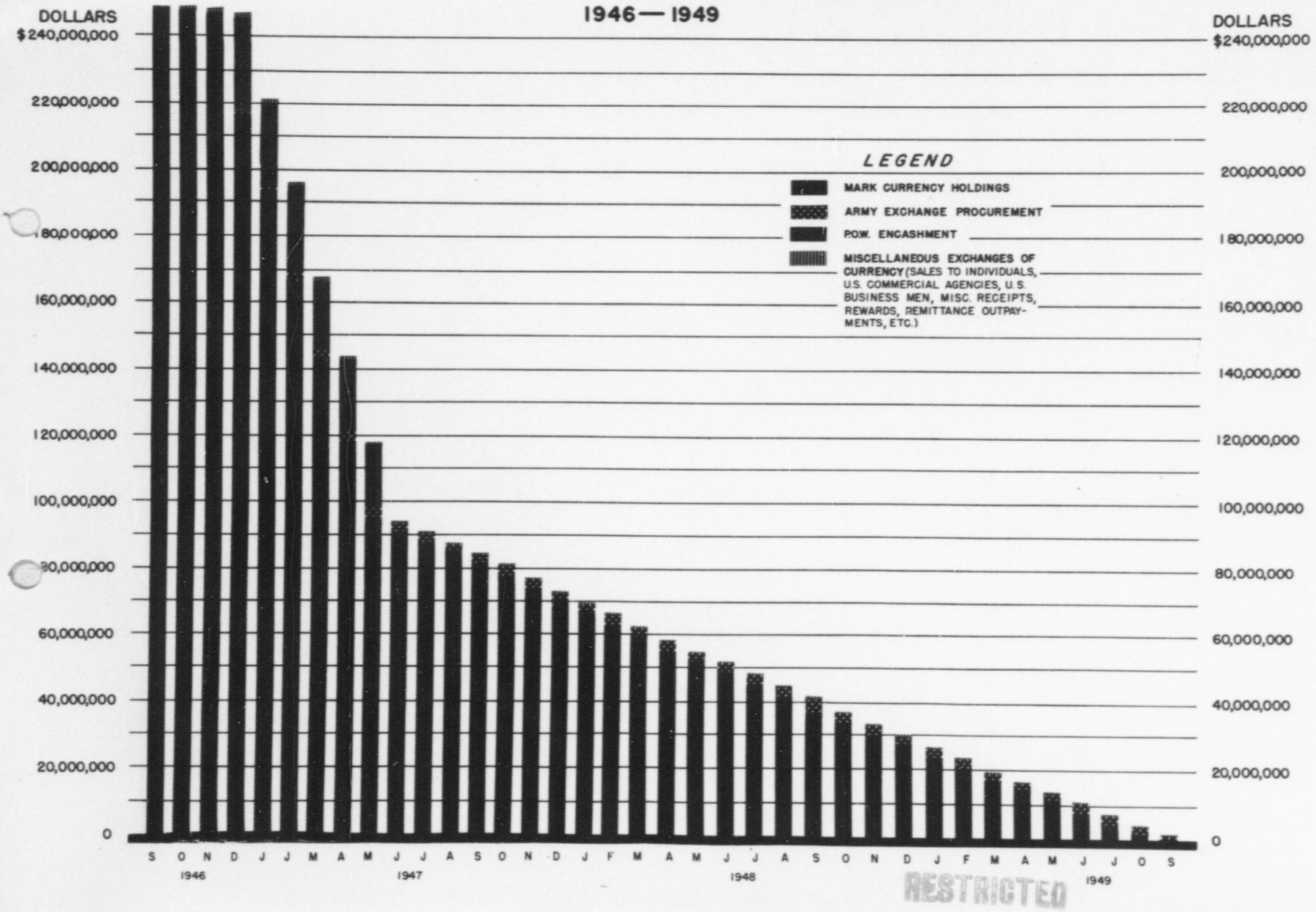
PLANNED DISPOSAL OF U. S. ARMY

HOLDINGS OF GERMAN MARK CURRENCY

1946 — 1949



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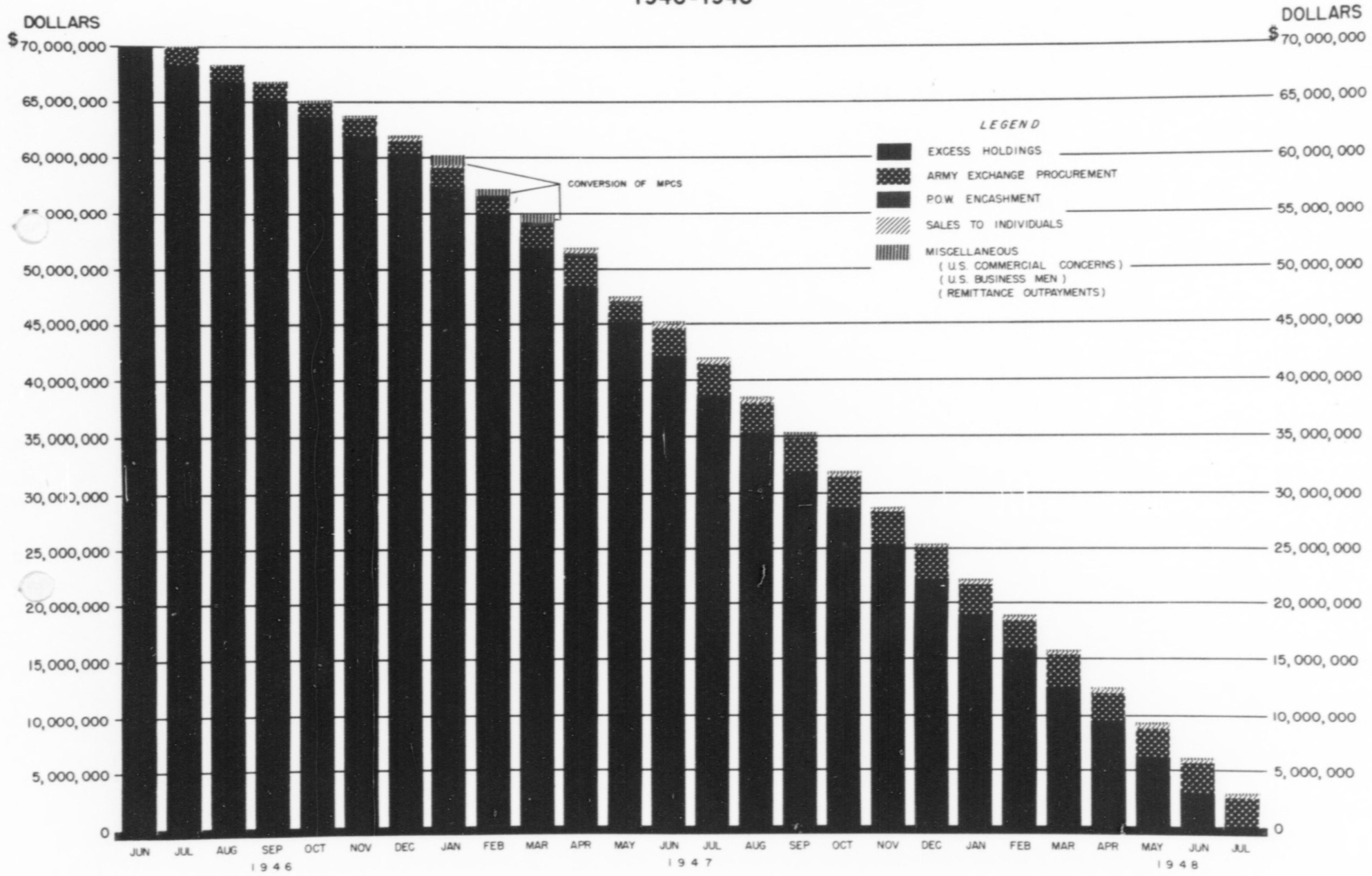
HOLDINGS OF JAPANESE YEN

1946-1948



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PLANNED DISPOSAL OF U.S. ARMY
HOLDINGS OF JAPANESE YEN
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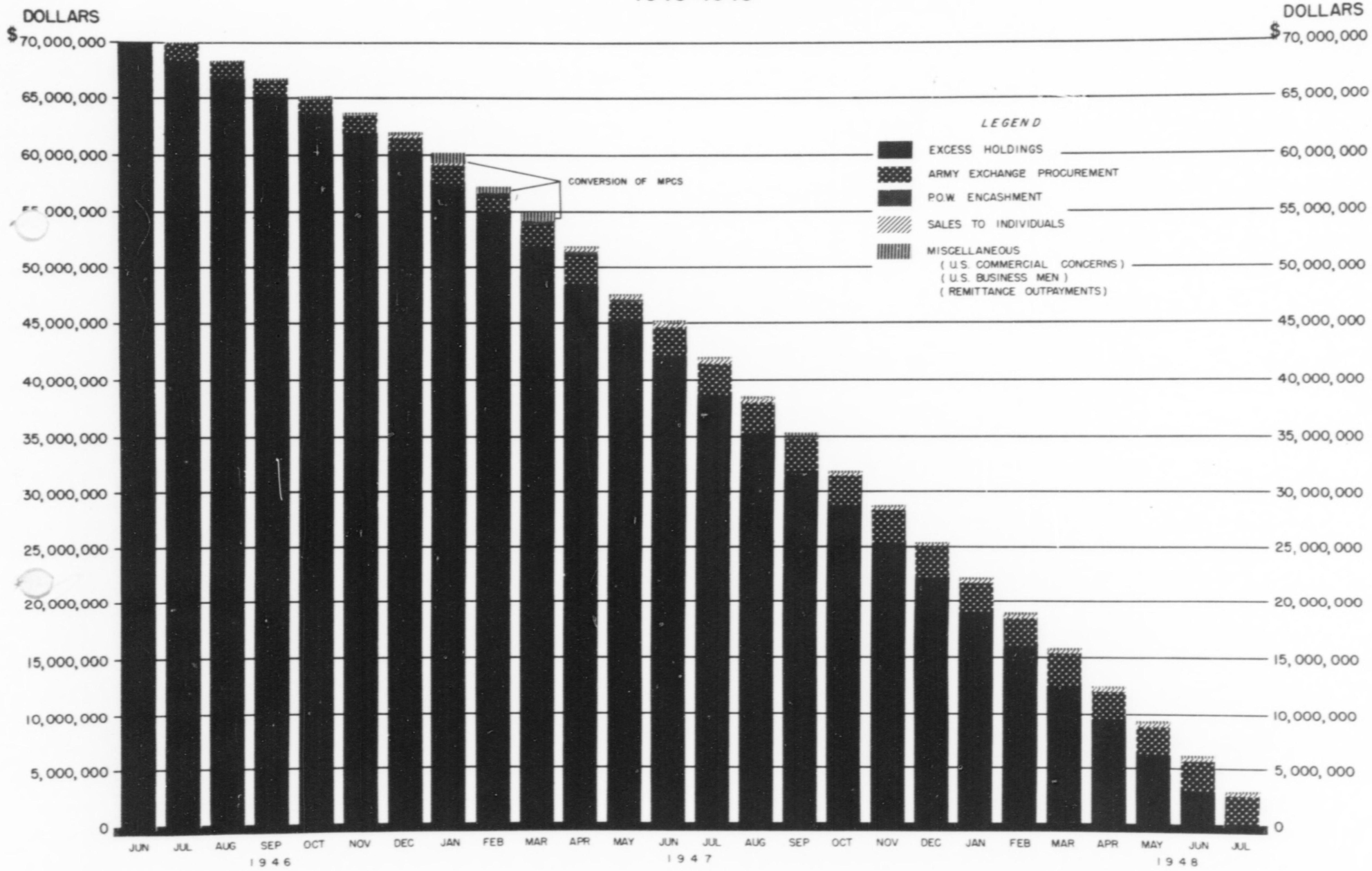

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PERCENT DISPOSITION O
CASH BY OFFICERS

ENT DISPOSITION OF PAY AND ALLOWANC
CASH BY OFFICERS AND ENLISTED MEN

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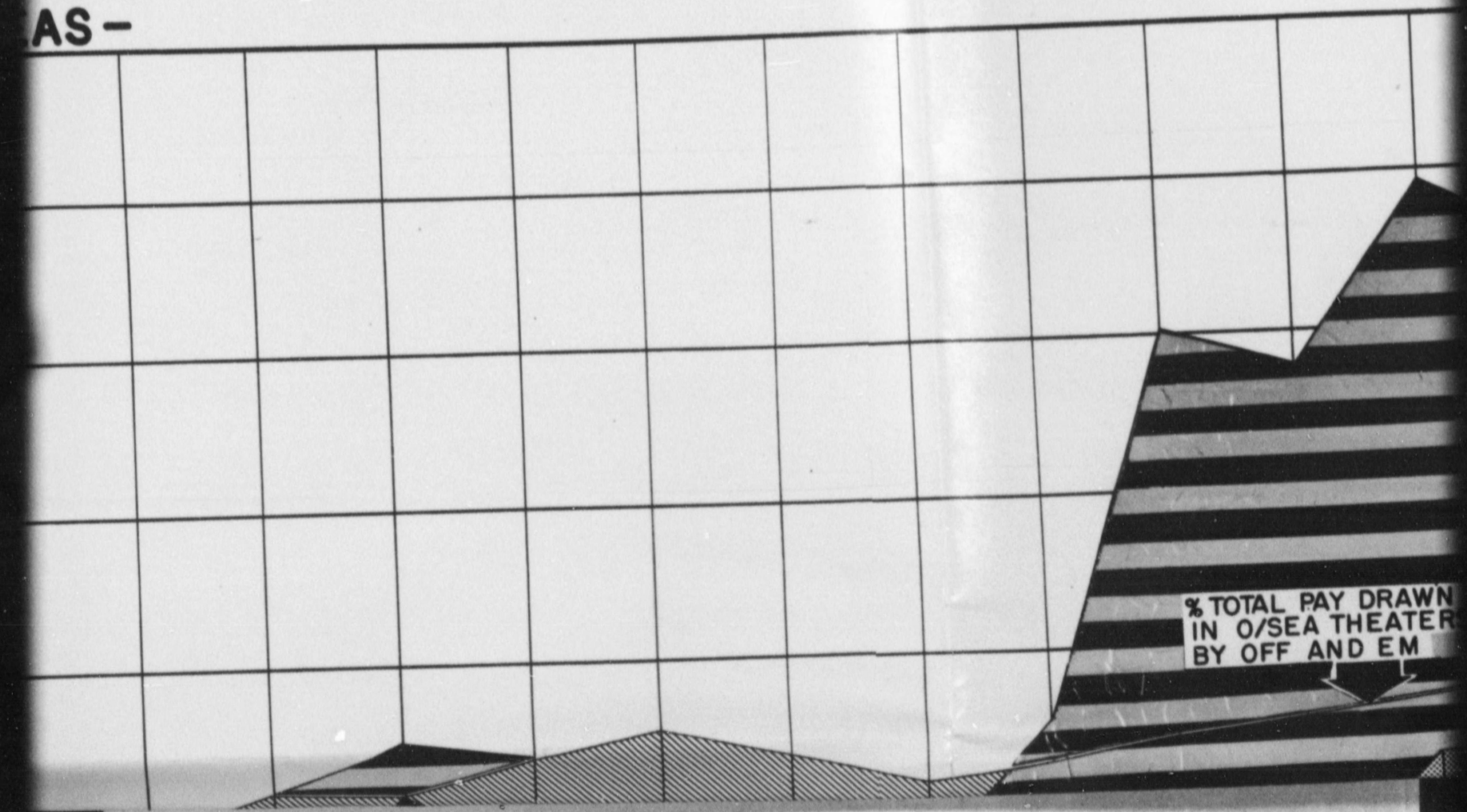
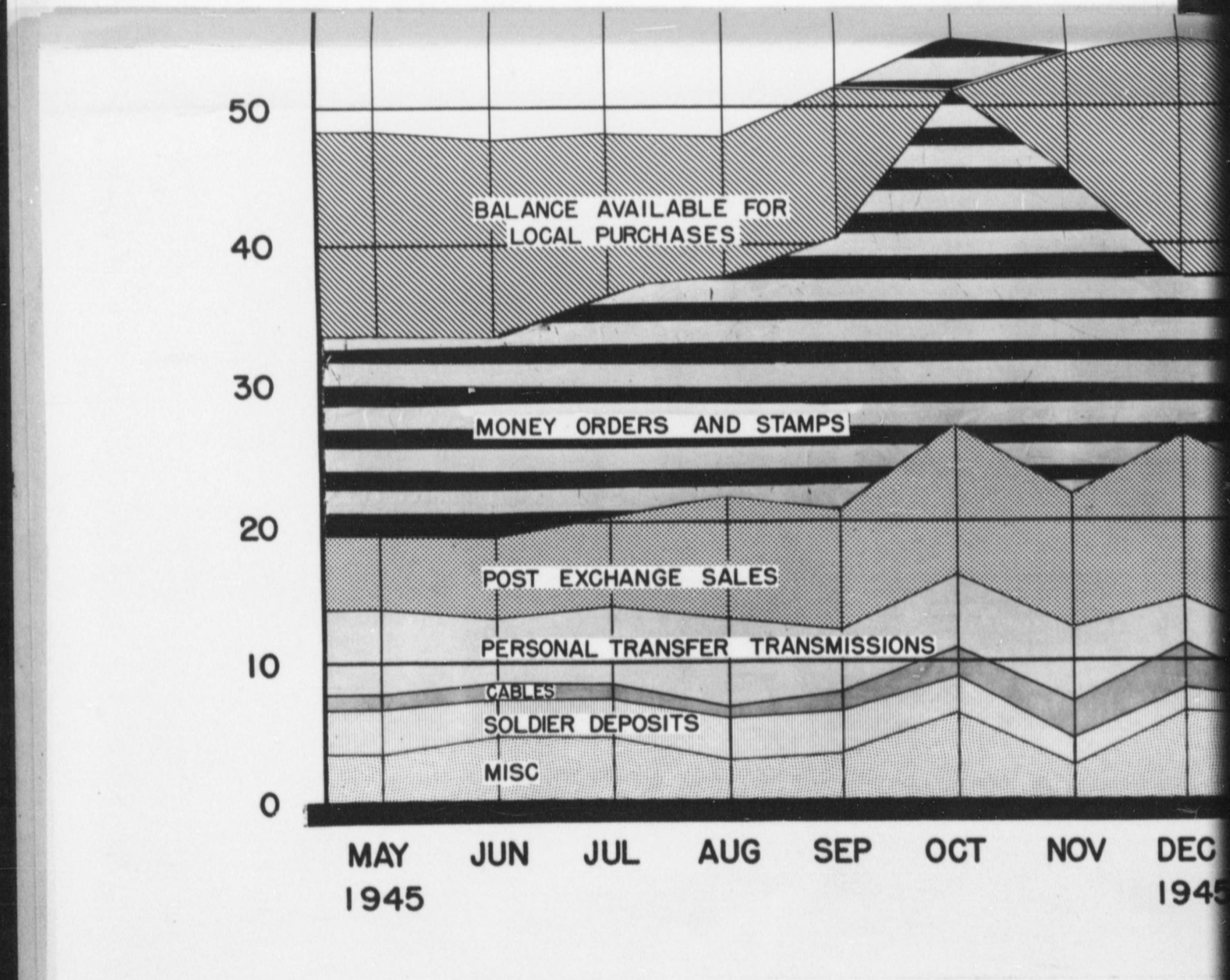


ALLOWANCES RECEIVED IN TED MEN - U.S. ARMY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BALANCE AVAILABLE FOR LOCAL PURCHASES
MONEY ORDERS AND STAMPS
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SOLDIER DEPOSITS
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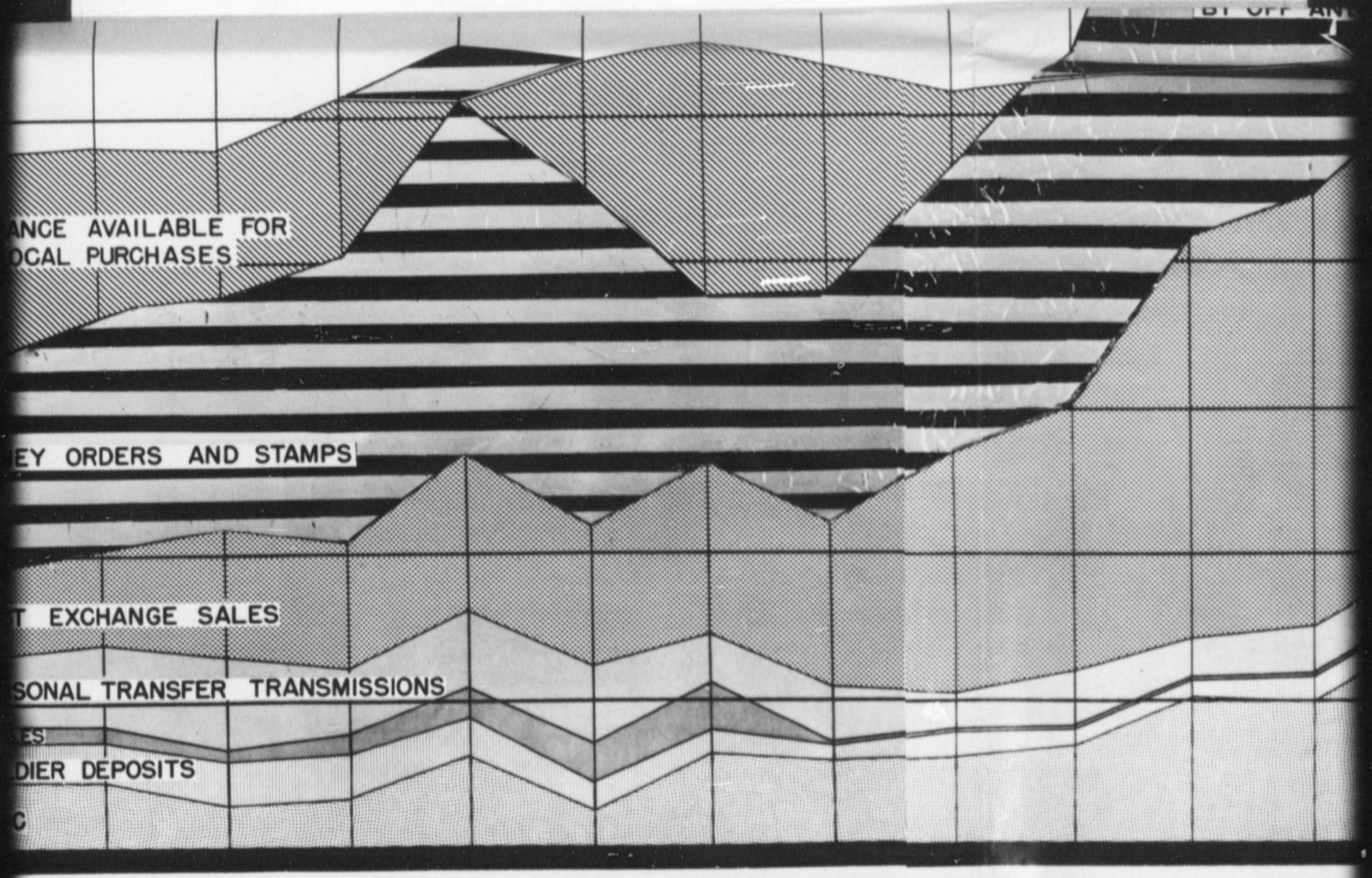
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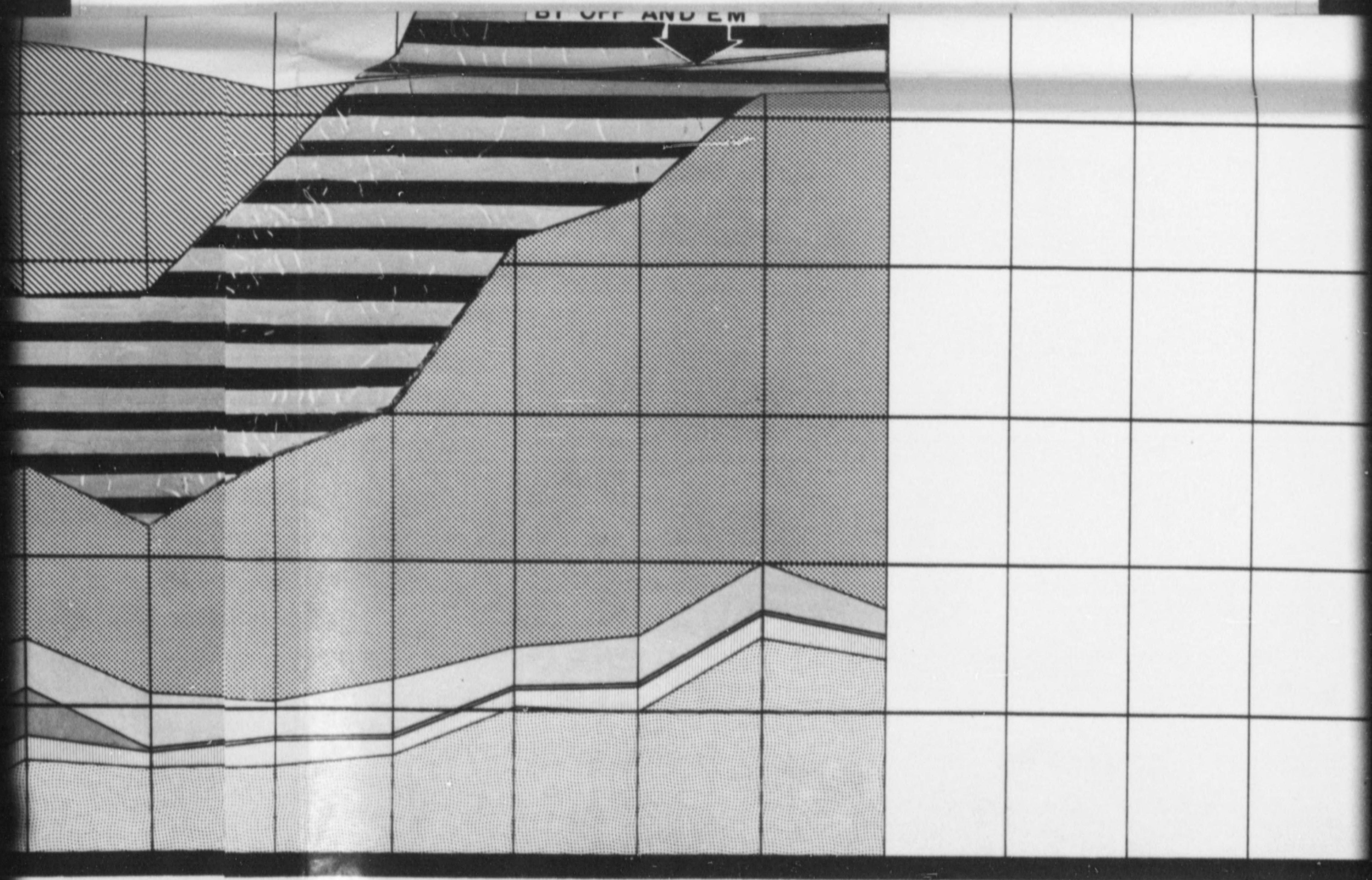
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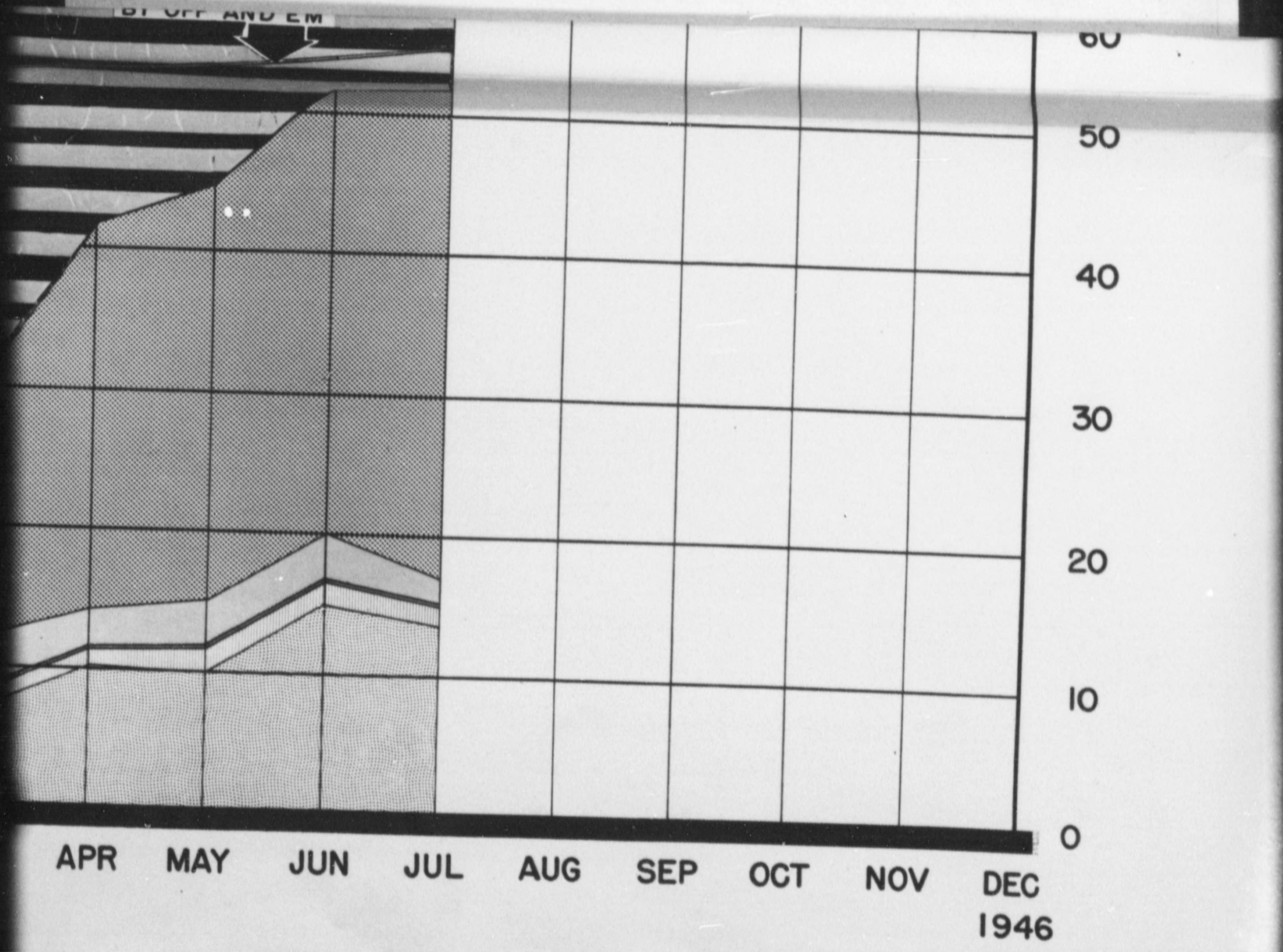
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PERCENTAGE DISPOSITION OF
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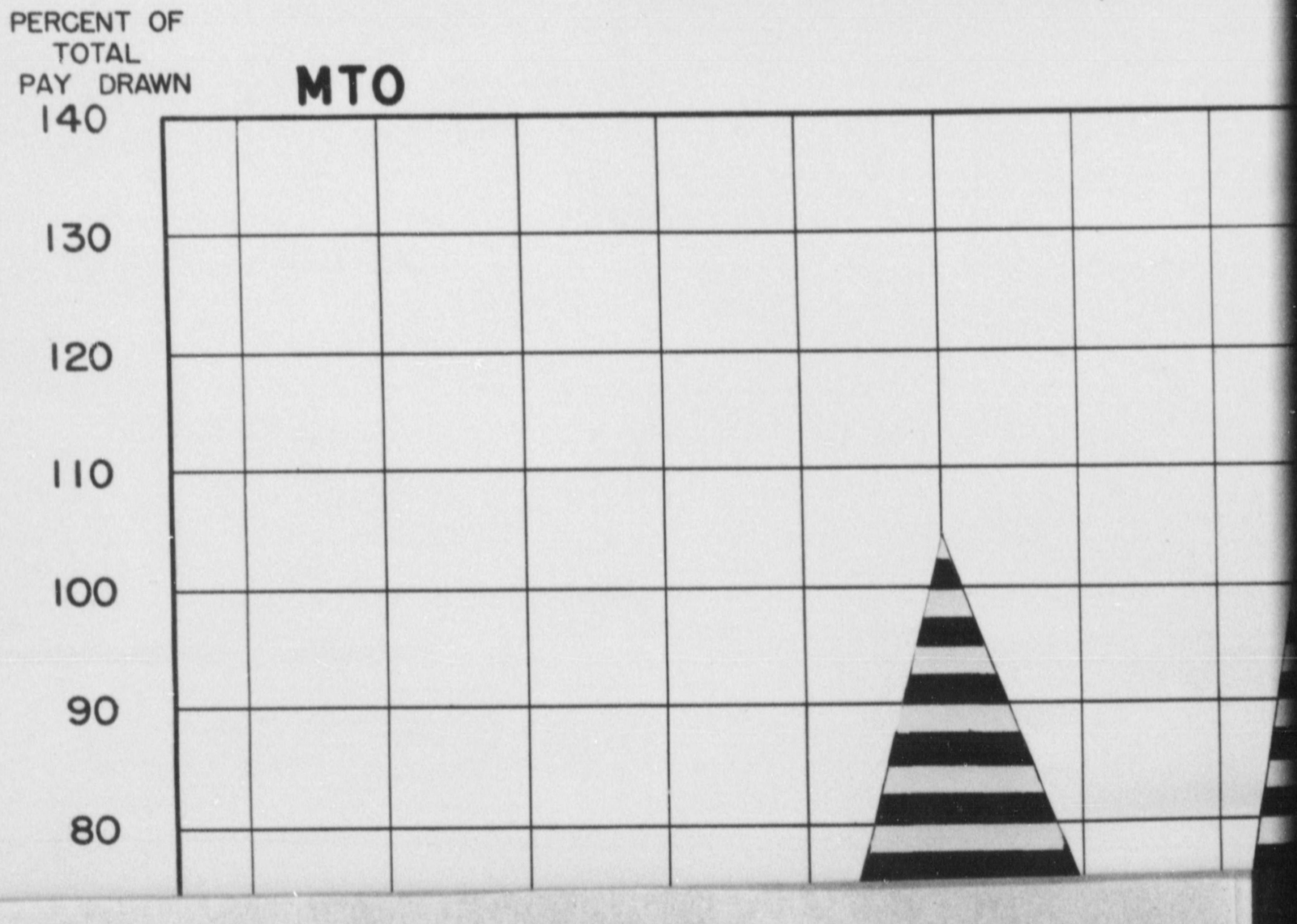
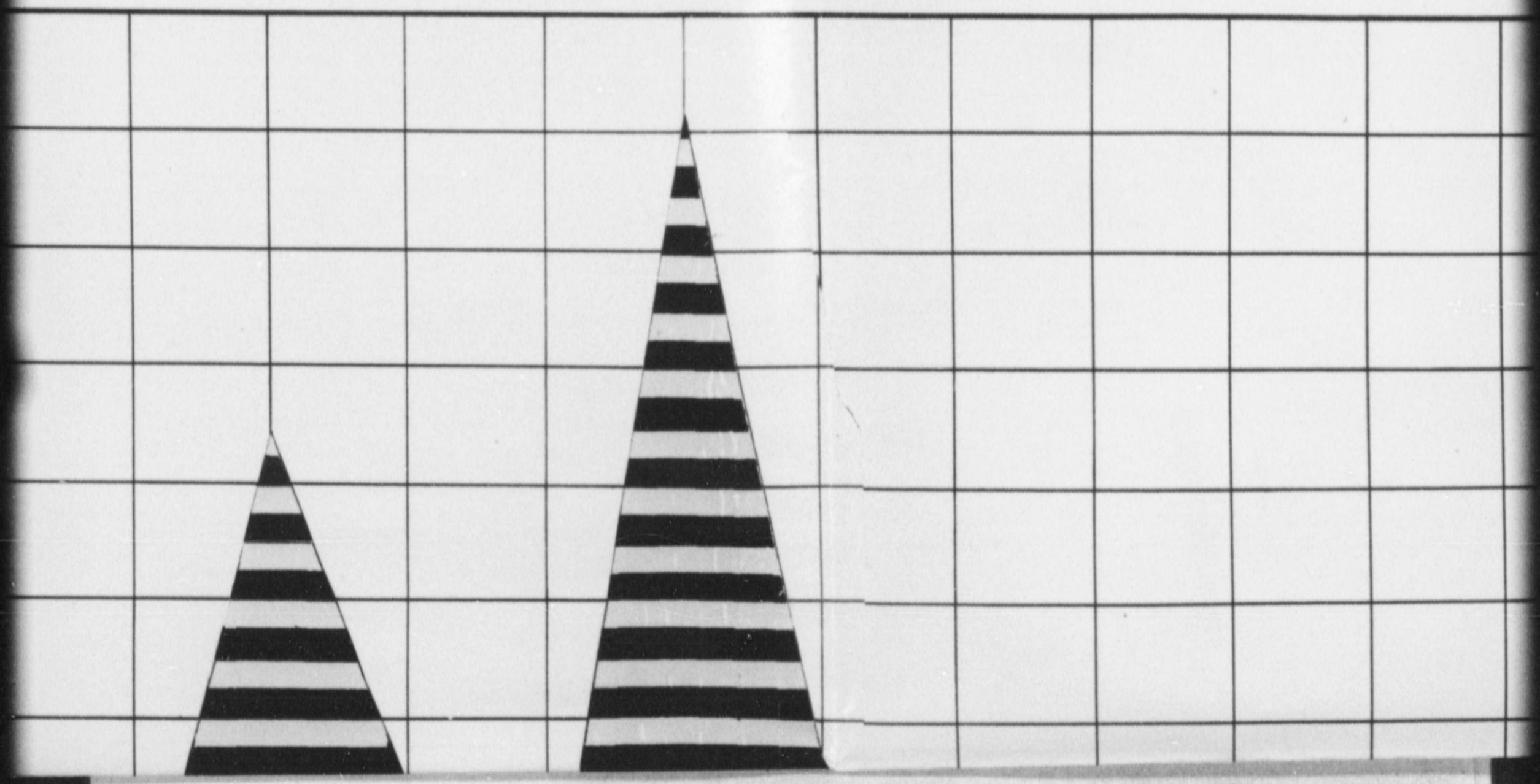


DISPOSITION OF PAY AND ALLOWANCES R
BY OFFICERS AND ENLISTED MEN - US A



LLOWANCES RECEIVED IN CASH
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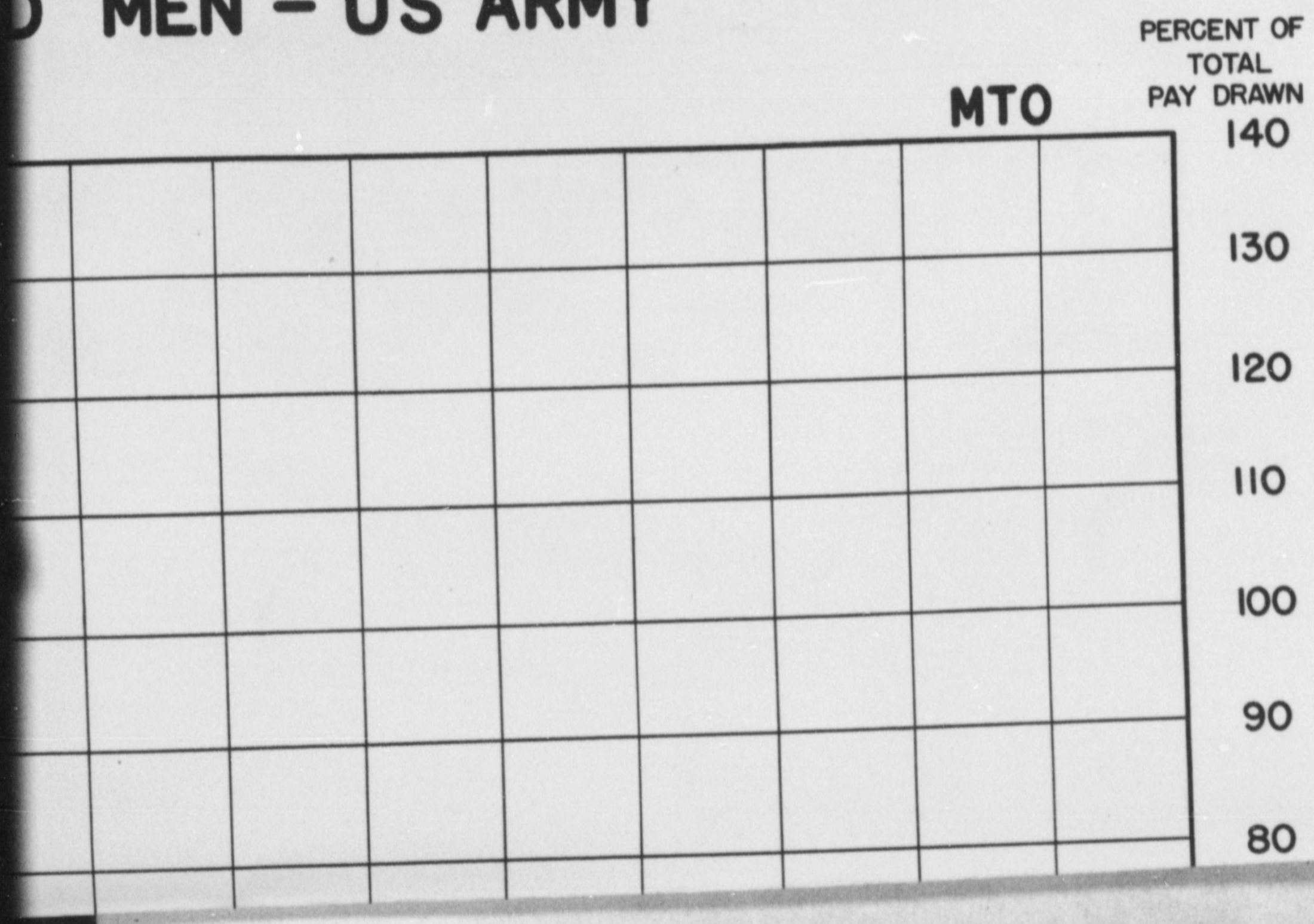

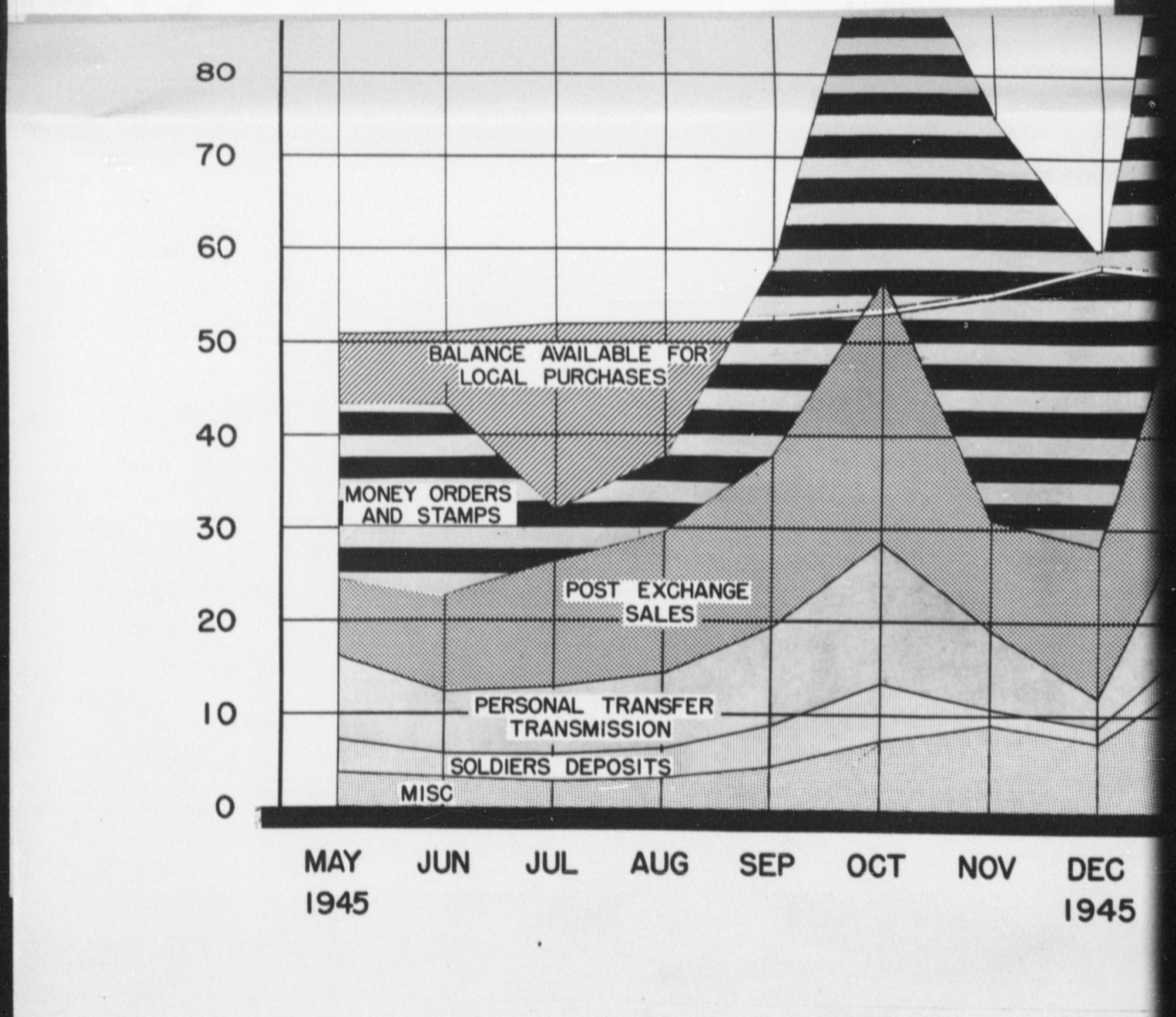
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BALANCE AVAILABLE FOR LOCAL PURCHASES
MONEY ORDERS AND STAMPS
POST EXCHANGE SALES
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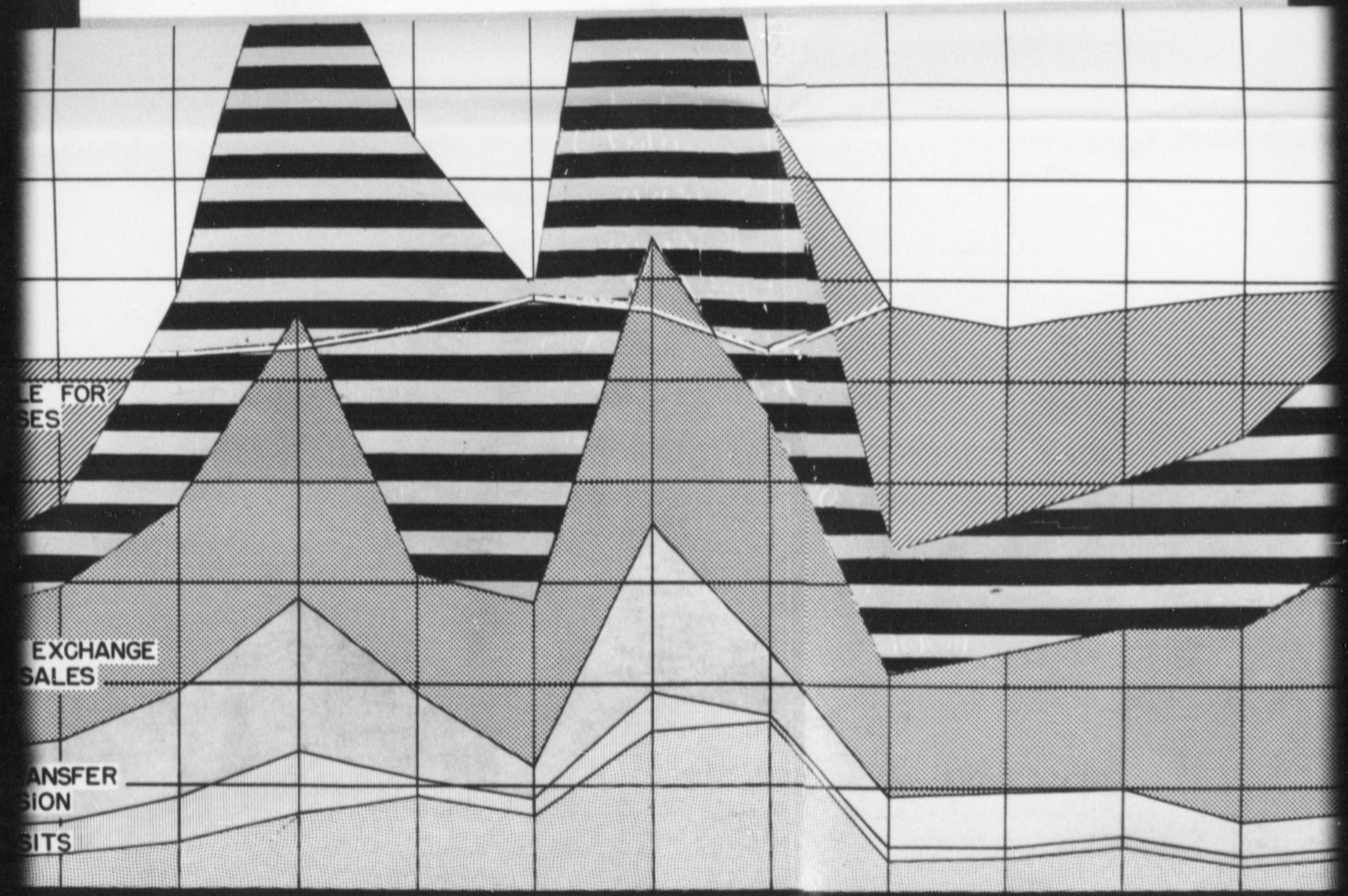
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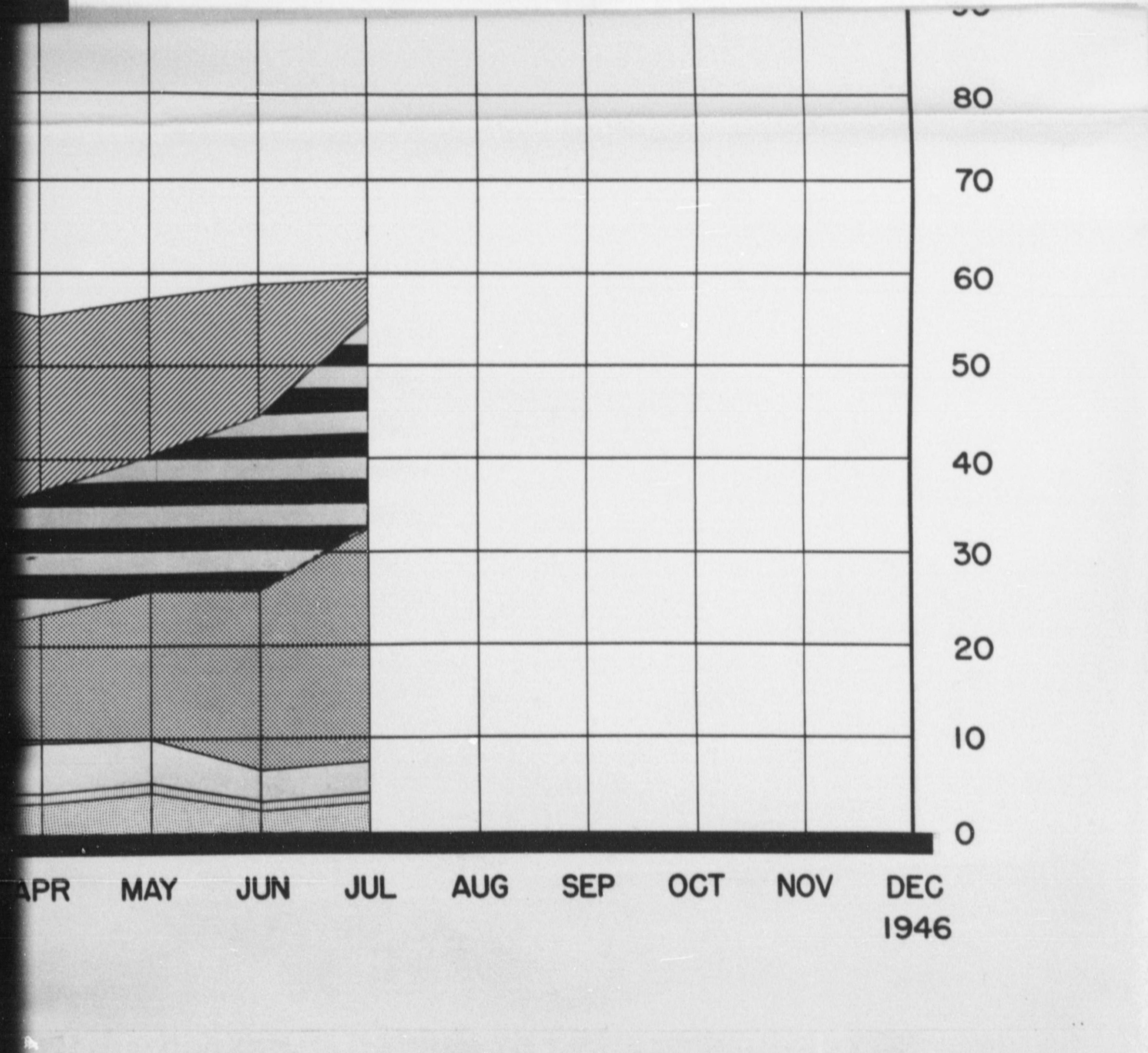
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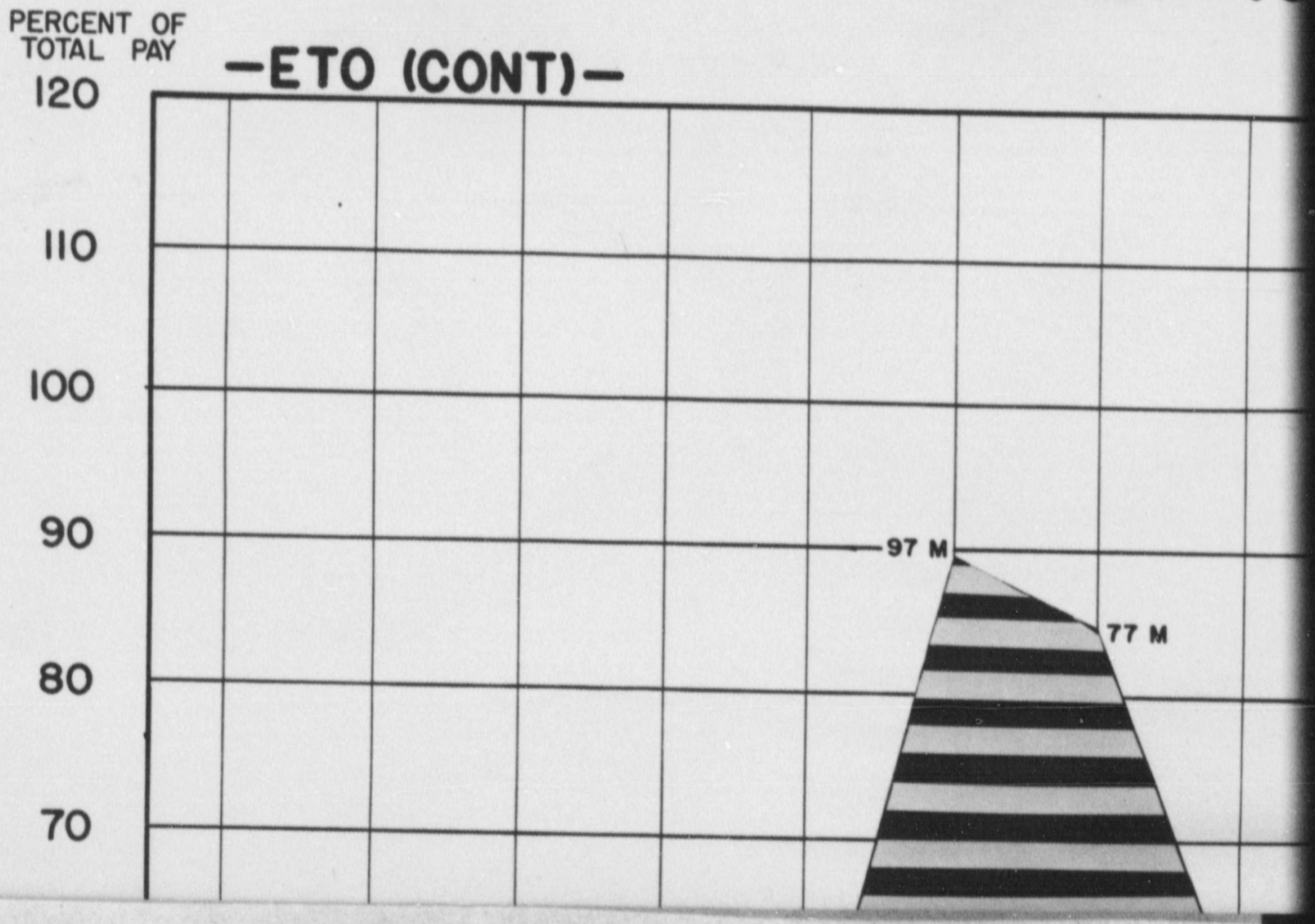
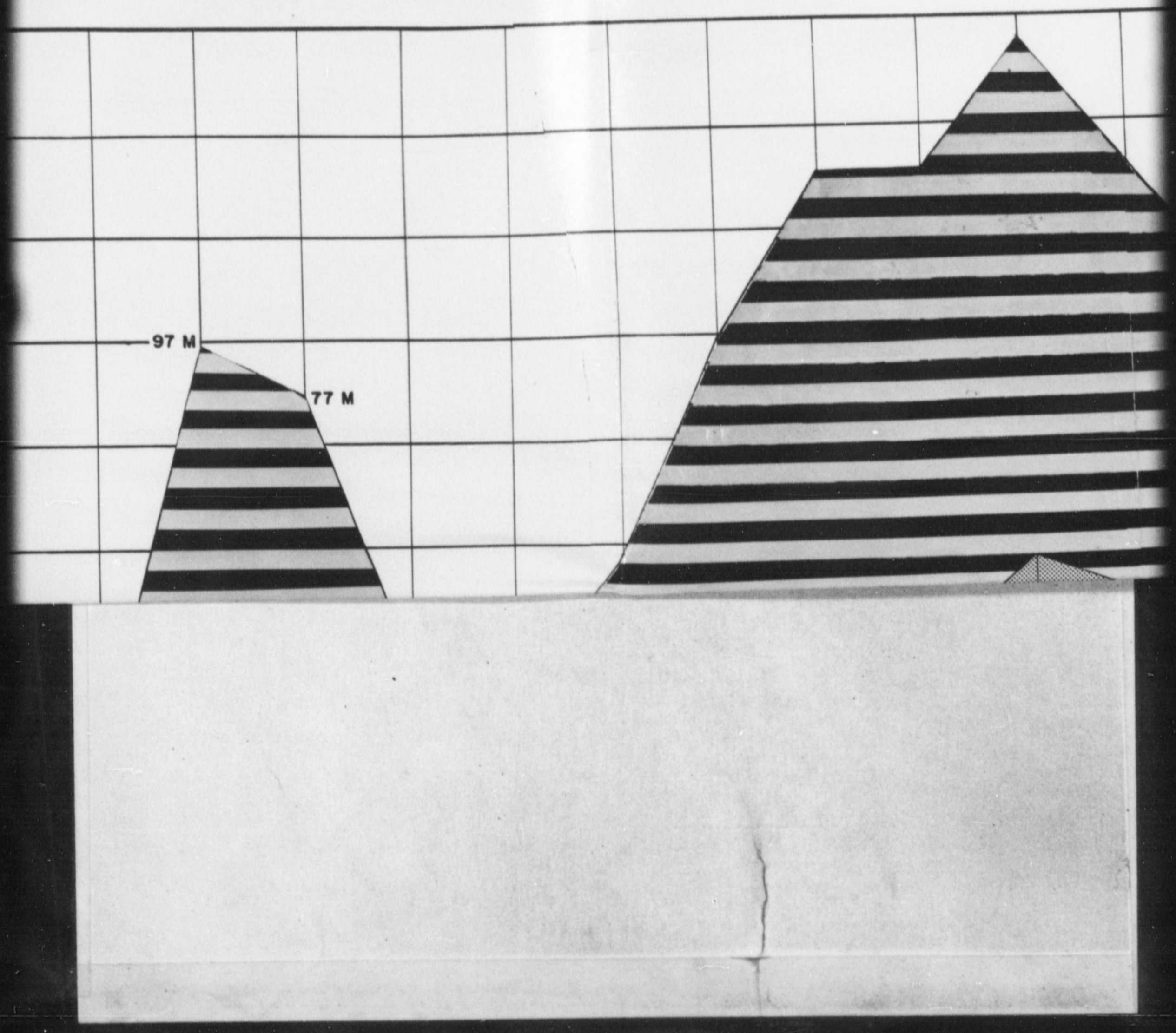
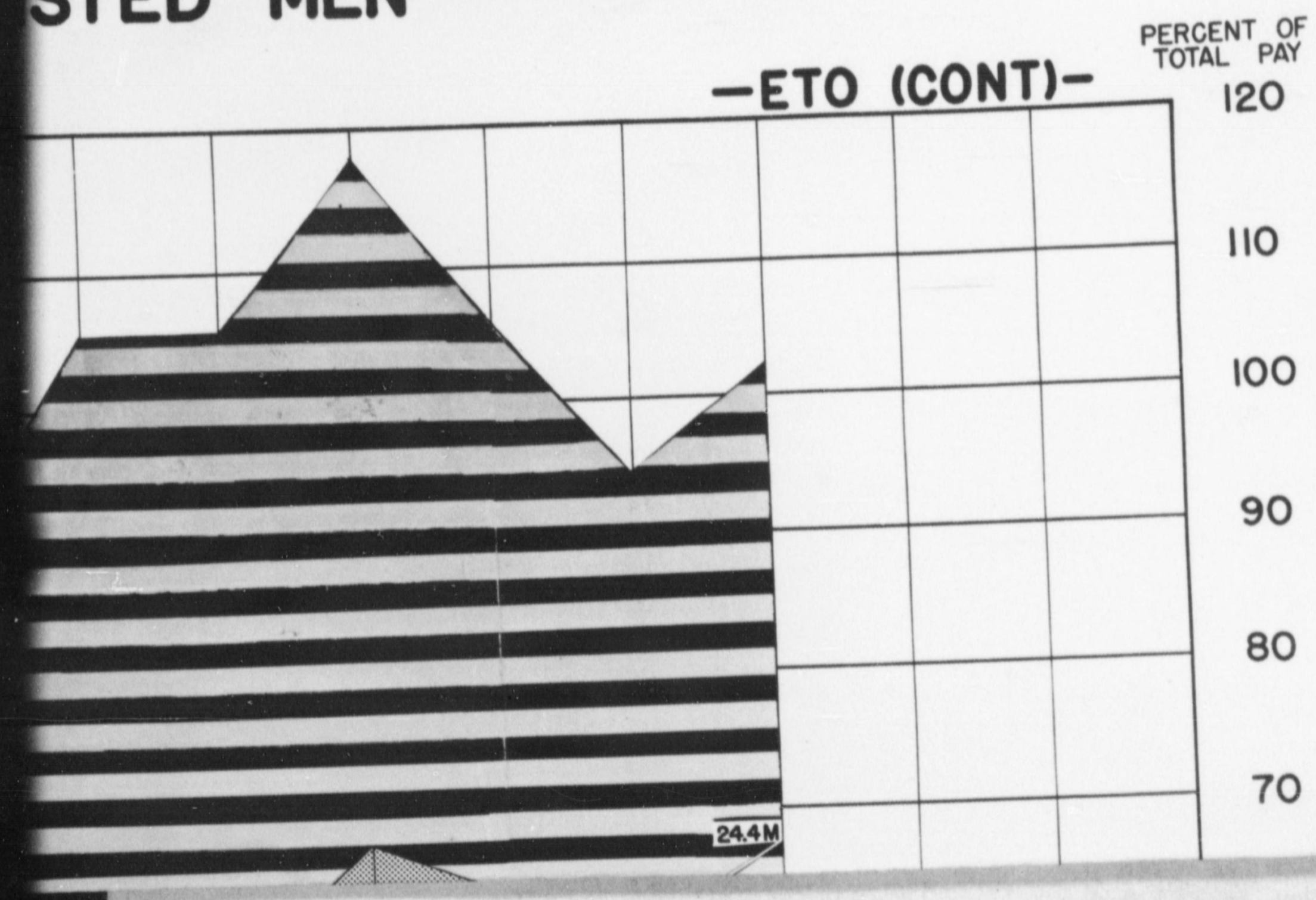
BY OFFIC

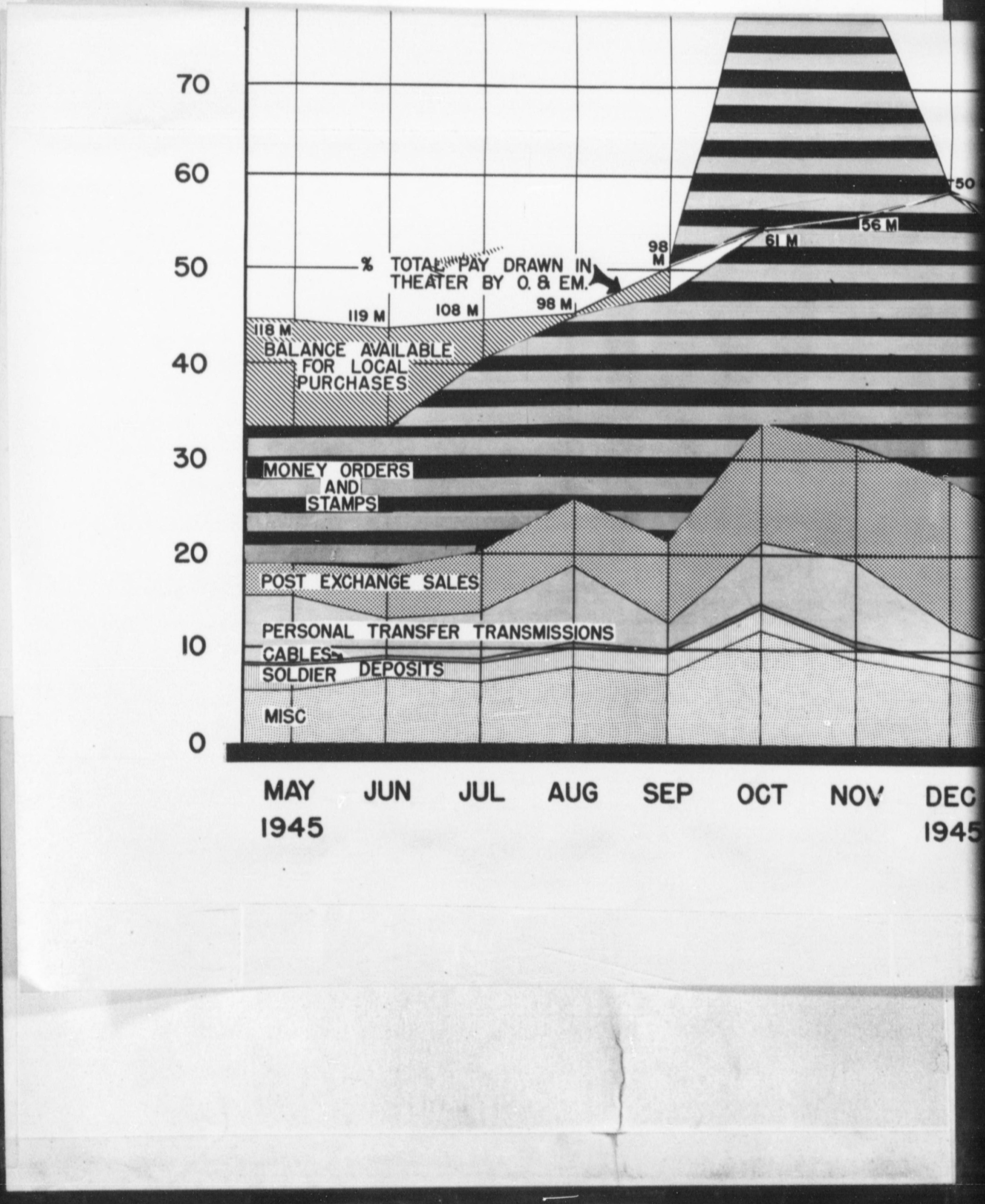


DISPOSITION OF PAY & ALLOWANCES REC
BY OFFICERS & ENLISTED MEN



LOWANCES RECEIVED IN CASH
STED MEN

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% TOTAL PAY DRAWN IN THEATER BY O. & EM.
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56 M
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108 M
98 M
118 M
BALANCE AVAILABLE FOR LOCAL PURCHASES
MONEY ORDERS AND STAMPS
POST EXCHANGE SALES
PERSONAL TRANSFER TRANSMISSIONS
CABLES
SOLDIER DEPOSITS
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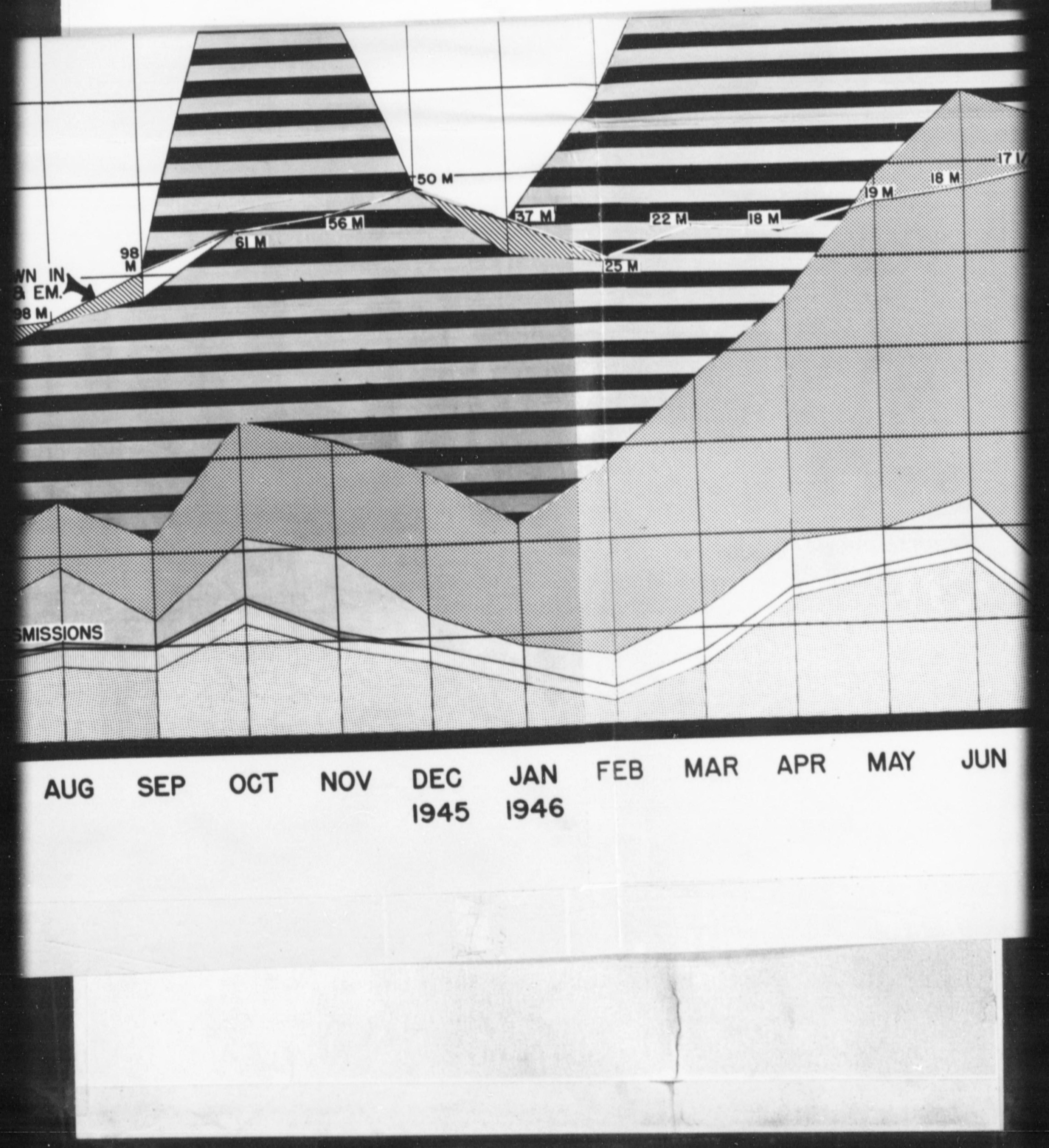
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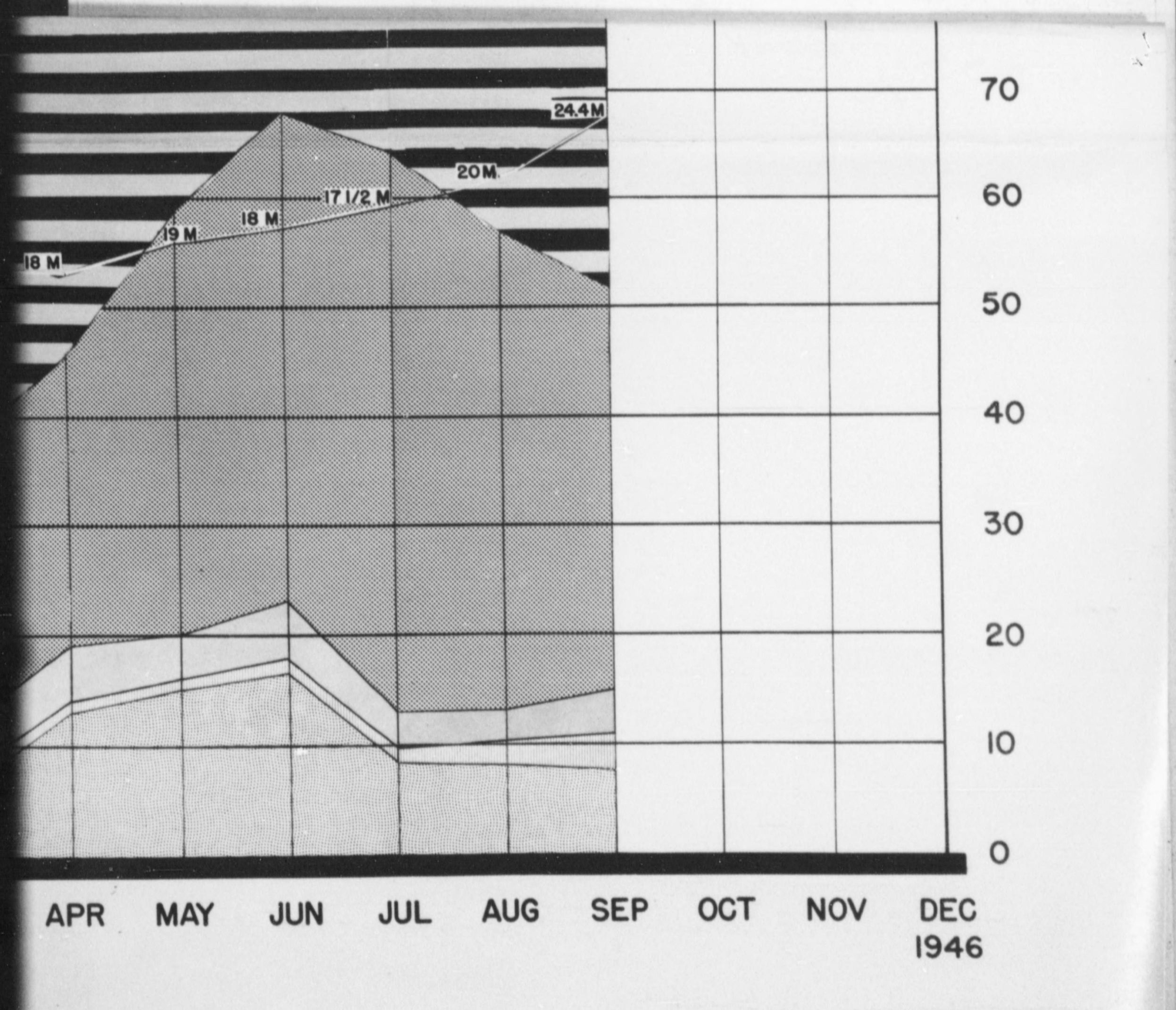
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20M
17 1/2 M
18 M
19 M
18 M
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OCT
NOV
DEC
1946

Minnesota State Society

OF WASHINGTON, D. C.

1947-48 Season

Paul A Severeid

MEMBER

K. C. Hedstrom

PRESIDENT

James M. Shoultes

TREASURER

EVOLUTION OF THE ARMY BUDGET

1776

GEORGE WASHINGTON → CONGRESS → TREA

1903

CHIEFS OF SUPPLY SERVICES → CONGRESS → TREASURY

1916 - 1918
WORLD WAR I

CHIEFS OF SUPPLY SERVICES → P.S. & T.D. → CONGRESS → TREASU

CHIEF of SUPPLY

1921
BUDGET & ACCOUNTING ACT
WD REORGANIZATION

CHIEFS OF SUPPLY SERVICES → BOWD → BUR. OF BUDGET → PRESIDENT → CONGRESS → TREASURY → BO

1931
WD REORGANIZATION

CHIEFS OF SUPPLY SERVICES → BUDGET LEGIS PLANNING BR.

DEPUTY CHIEF OF STAFF

BUR. OF BUDGET → PRESIDENT → CONGRESS → TREASURY → BOWD

1942
WD REORGANIZATION

OFFICE, CHIEF OF STAFF

AGF | AAF | SOS

ON OF THE ARMY BUDGET PROCESS

RGE
NGTON → CONGRESS → TREASURY

CONGRESS → TREASURY → CHIEFS OF SUPPLY SERVICES

CHIEF of SUPPLY → P.S. & T.D. → CONGRESS → TREASURY → CHIEFS OF SUPPLY SERVICES

CHIEFS OF SUPPLY SERVICES → BOWD → BUR. OF BUDGET → PRESIDENT → CONGRESS → TREASURY

BOWD → CHIEFS OF SUPPLY SERVICES

DEPUTY CHIEF OF STAFF → BUDGET LEGIS PLANNING BR.

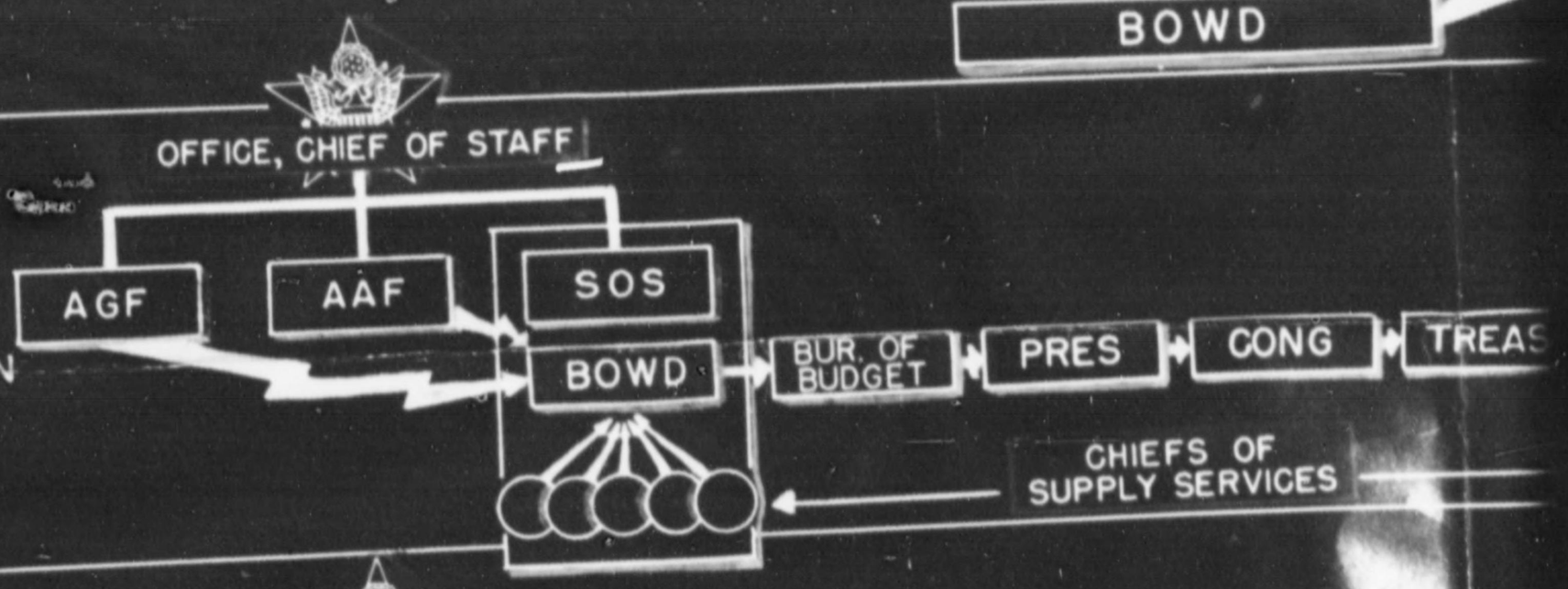
BUR. OF BUDGET → PRESIDENT → CONGRESS → TREASURY → BOWD → CHIEFS OF SUPPLY SERVICES

ICE, CHIEF OF STAFF → AAF, SOS

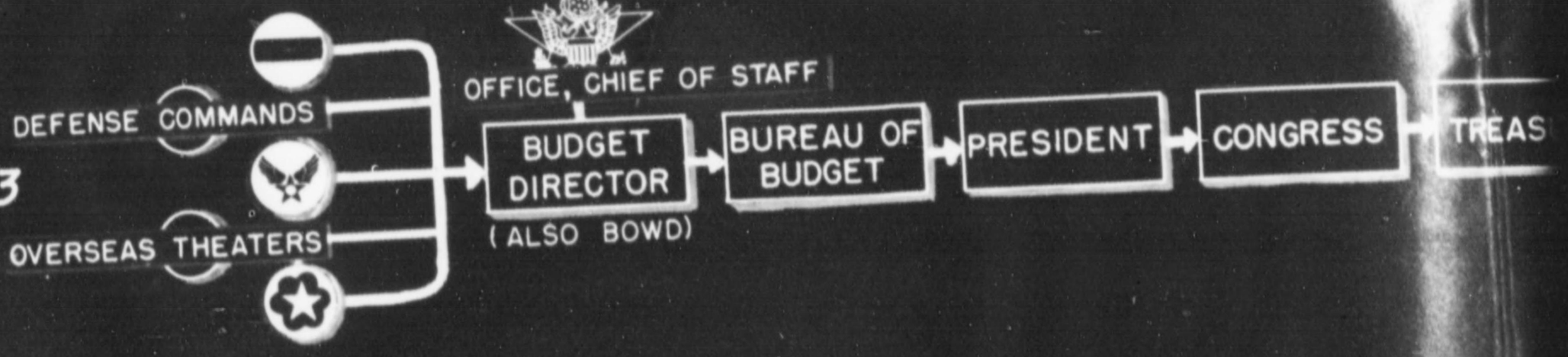
SOS, AAF, AGF

BOWD

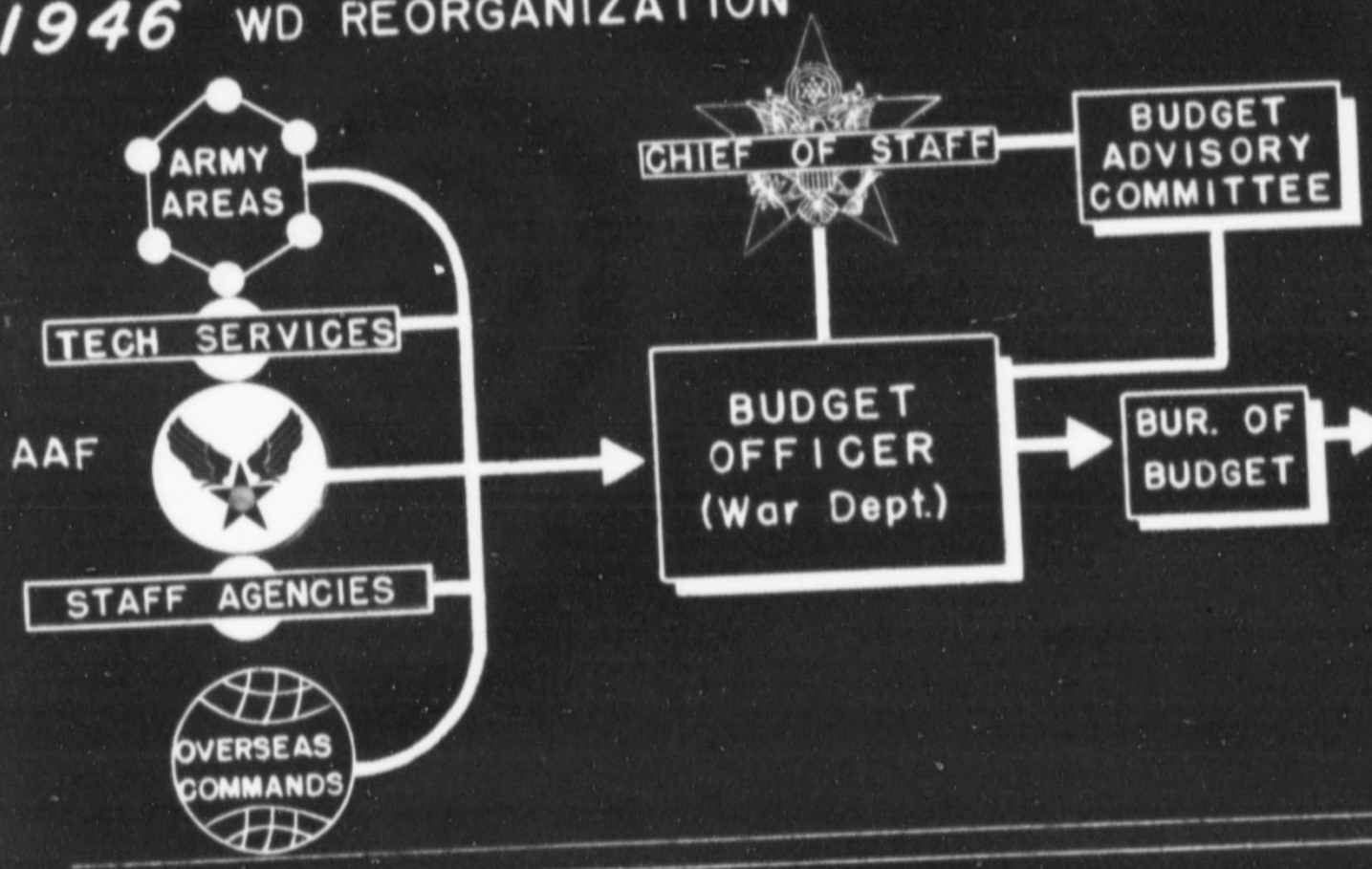
1942
WD REORGANIZATION



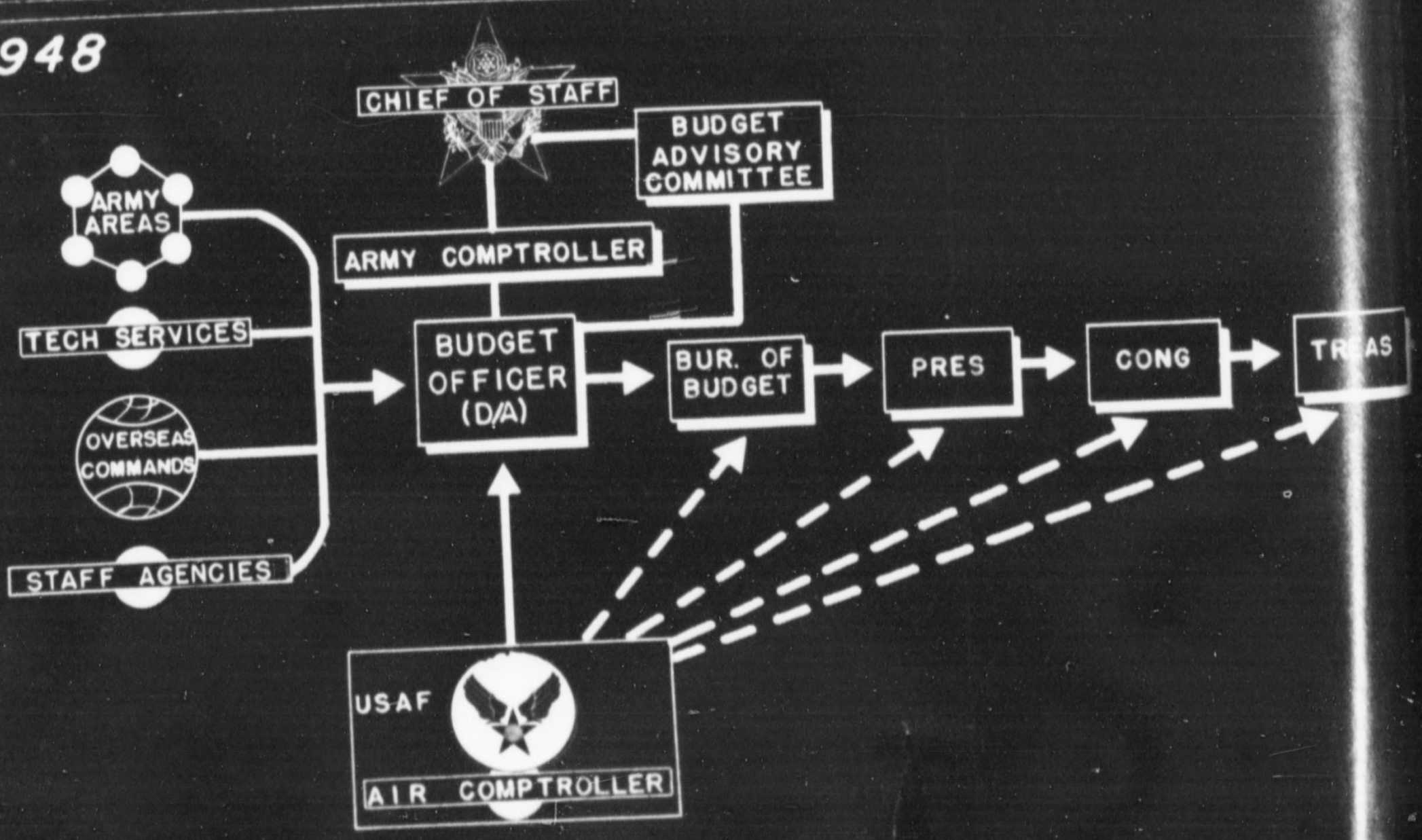
1943



1946 WD REORGANIZATION



1948



BOWD

OFFICE, CHIEF OF STAFF

AAF

SOS

BOWD

BUR. OF BUDGET

PRES

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TREAS

SOS

BOWD

AAF

AGF

CHIEFS OF SUPPLY SERVICES

OFFICE, CHIEF OF STAFF

BUDGET DIRECTOR

(ALSO BOWD)

BUREAU OF BUDGET

PRESIDENT

CONGRESS

TREASURY

BOWD

(ALSO BUDGET DIR)

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CHIEF OF STAFF

BUDGET ADVISORY COMMITTEE

BUDGET OFFICER (War Dept.)

BUR. OF BUDGET

PRES

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TREAS

BUDGET OFFICER (WD)

ARMY AREAS

TECH SERVICES

AAF

STAFF AGENCIES

OVERSEAS COMMANDS

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BUDGET ADVISORY COMMITTEE

COMPTROLLER

BUDGET OFFICER (D/A)

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ARMY AREAS

TECH SERVICES

OVERSEAS COMMANDS

STAFF AGENCIES

COMPTROLLER

USAF

AIR COMPTROLLER

COPY

27 April 1946

MEMORANDUM FOR THE BUDGET OFFICER FOR THE WAR DEPARTMENT:

SUBJECT: Foreign Currency Exchange Control.

1. Conferences and prolonged discussions have been held each day of the past week in an effort to devise the most complete and effective foreign currency exchange control plan feasible, considering both the effect on the morale of military personnel and on the financial interests of the U. S. Government. Staff and Fiscal representatives of the European, Mediterranean and Pacific Theaters as well as representatives of War Department G-1, OFD, Budget Division, CAD and OCF/ASF have participated in these discussions.

2. Two basic problems have arisen for which solutions must be reached before the group can proceed further with the promulgation of firm War Department and Theater policies on the subject of Foreign Currency Exchange Control.

3. The first problem, the use of a single "medium of exchange" for paying troops and its use within the military enclave overseas, if legally possible, is discussed in some detail in Tab "A" attached. It is clearly a War Department responsibility to determine the legality of the proposal.

4. The second problem, whether or not the U. S. Army should, in the future, discontinue the reconversion of foreign currency into dollars or dollar instrumentalities in order to achieve rigid currency exchange controls is presented in detail in Tab "B" attached. This is a problem upon which policy must be determined by War Department following final comment by the overseas Theater Commanders or their representatives.

5. The representatives of the European, Mediterranean and Pacific Theaters have indicated strong support of the use of a single "medium of exchange" if legal, and have approved a non-reconversion feature as the keystone to a new currency exchange control plan in the event the use of a single "medium of exchange" is approved by War Department. Following approval and appropriate War Department coordination, it is felt that the Theater Commanders involved should be consulted for comment on the intended War Department announcement of a non-reconversion feature in the proposed currency exchange control plan.

6. In order to achieve effective foreign exchange currency control during the occupation period (Phase III), it is the considered opinion of the undersigned that the War Department should prescribe in its Circular

to be issued to the Theater Commanders

a. Use of a single "medium of exchange", if legal; and

b. Non-reconversion of foreign currency by finance officers from a given date forward.

C. H. PFORZHEIMER, JR.
Colonel, GSC
Foreign Financial Branch and
Chairman, Committee on Currency
Exchange Control.

CONFIDENTIAL

COPY

WDSBU 123.7 (10 Apr 45)5333

14 June 1946

CHP,JR.
2806

aek

MEMORANDUM FOR THE SECRETARY OF WAR:

THRU: The Chief of Staff

SUBJECT: Foreign Currency Exchange Control

1. During the initial 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 because of the local controls already in effect within the foreign countries, and inherent in certain military government agreements and directives providing for additional controls effected by the U. S. Army, and because of the little time in which military personnel had opportunity to effect transactions involving relationships between foreign currencies and the U. S. dollar.

In the later stages of combat and during the redeployment period, especially in the European Theater, and in other areas where the effects of the war disturbed the local currency equation, some American military as well as civilian personnel associated with the prosecution of the war or the occupation, acquired abnormal amounts of foreign currency and used U. S. Army facilities as a means of converting such currency directly or indirectly into U. S. dollars.

Controls, to the extent administratively feasible in the various areas in which American personnel were stationed, were attempted during this period by the various theater commanders. These controls permitted the reconversion into dollars or dollar instruments of any portion of the pay and allowances of military personnel drawn in foreign currencies. Within the military enclave itself, despite the controls attempted, authorized personnel have, through the reconversion privileges offered them, returned foreign currencies in excess of the amount originally drawn by them.

2. In areas such as France, The Netherlands, Belgium, Netherlands East Indies, Italy, Germany, Austria and Japan/Korea, the currencies ultimately used there were advanced to the U. S. Army, the dollar countervalues thereof being charged against the War Department and placed in a special deposit account, one for each country involved, in the Treasury Department. The purpose of such special accounts was to provide, not dollar backing in lieu of the sovereign liability of the relevant issuing country, but to provide a source of dollars to be drawn upon when authorized personnel requested reconversion of the foreign currencies in their possession, drawn by them as pay and allowances, which they deemed excess to their needs, or to pay to a liberated nation the net countervalue of its currency placed in the local economy by military personnel.

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3. It should be noted that at the present time the U. S. Army does not have sufficient dollars set aside to reconvert the German Allied Military Mark, Austrian Schilling, Netherlands Guilder, Japanese Yen and certain other currencies now on hand in official accounts or quasi-official organizations or in the pockets of its military and civilian personnel.

a. A major portion of the excess foreign currencies now held by the U. S. Army result from the following: On the disbursements side, the U. S. Army pays and records as pay and allowances only for its own military personnel and civilians working directly for the military establishment; whereas on the receipts side, however, owing to the availability of Army service and administrative facilities to many U. S. civilians not paid by the War Department, and to non U. S. personnel affiliated with the U. S. military establishment, cash collections reflect the foreign currencies received from all such personnel in these facilities, and returned by the latter to U. S. Army Finance Officers for reconversion into dollars. Stated in another manner, through its vast network of administrative and service facilities, the U. S. Army has received foreign currency for which it cannot readily find an outlet, and for which there is no dollar equivalent appropriated to the War Department.

b. United States troops have, in the main, been stationed in areas where the local economy was severely damaged during the war, resulting in vast quantities of cash in the hands of the local population and no commodities or goods available at the wholesale or retail levels. Consequently, the temptation to sell post exchange and items of individual equipment was great; money meant nothing to the native population; cigarettes, sweets, soap and ordinary personal items commanded high prices.

c. The results of these and other factors are set forth in Tab A.

4. The elimination of such conditions is, in essence, the basic problem which must be solved. The War Department must, therefore, achieve the maximum possible foreign currency exchange control.

5. Since early April 1945, all of these problems have been carefully studied, as they developed, both within the War Department and in the field, and many situations have been anticipated.

a. In mid-July 1945, the European Theater established controls, initially in the Berlin District and, within a short time, throughout the theater; followed on 10 November 1945 by the installation of a currency control book recording individually foreign exchange transactions of military personnel. For a number of reasons, the control book did not prove entirely satisfactory. (Details concerning the control book can be found at Tab B.)

b. On 2 February 1946, the Mediterranean Theater inaugurated a system of individual currency control books, following a period of local controls. Profiting by experience of the European Theater, the control

system in Italy started on a more stringent basis; but inherently the same disadvantages are present in its currency control book.

c. The Pacific Theater does not use a control book system, but has effected some control through the medium of certifications and affidavits signed by personnel requesting reconversion of foreign currency. This has not proved too efficacious.

6. The Budget Division invited representatives of the European, Mediterranean and Pacific Theaters to a conference in April, 1946. High echelon officers, thoroughly familiar with the problems of foreign currency exchange control in their respective theaters attended; the War Department being represented by officers from Personnel, Plans and Operations, Civil Affairs and Budget Divisions. Technical guidance was provided by the Office, Chief of Finance. Various proposals were examined thoroughly and four methods were selected for the most minute scrutiny, relative their effectiveness of complete control and administrative feasibility. (Brief descriptions of these plans are at Tab D.)

7. The plan unanimously and enthusiastically selected for recommendation by the conference group, was the use of a single special medium of exchange within the military enclave and no foreign currency reconversion.

a. The acquisition and use by the War Department of a single special medium of exchange would be predicated upon the proposition that whatever flows into the Army service and administrative facilities, from authorized personnel enjoying privileges therein, regardless of status or nationality if properly accredited, should be backed at all times by dollars under War Department control. Uses of this medium of exchange are shown in Tab C. A single special medium of exchange for use within the military enclave is not a new concept. Prior to the war, many overseas departments and some Zone of Interior installations required the use of nontransferrable coupon books in post exchanges, quartermaster sales stores, post theaters and the like. Coupon books are often used in officers' messes and clubs. In attacking the same problem which is now facing the War Department, and in the face of a graver financial situation, the U. K. War Office is inaugurating a system of canteen money as the sole medium of exchange in the military enclaves of the British zones of Germany and Austria, on or about 1 August 1946.

b. The drastic change inherent in the War Department plan, as approved by Theater and War Department conferees, is the proposal of no further reconversion of local currency back into U. S. dollars and/or dollar instruments. The Army payrolls are, and always have been, computed in dollars; reserving to the individual the right to draw, when stationed overseas, as much or as little of his pay in a foreign currency as he desired. Concurrently, authorized personnel have had the right to reconvert foreign currencies drawn by them, deemed excess to their needs, at any time at the same rate at which acquired. This reconversion privilege

obtains in all areas overseas except where the troops actually draw U. S. currency over the pay table and then acquire local currency at whatever rate they can arrange for themselves in the local free market.

c. The adoption of a "no reconversion of local currency" policy requires only the promulgation of a War Department directive to the theaters. The adoption of a single special medium of exchange requires administrative and mechanical preparations of considerable magnitude. While the problem of no reconversion was being thoroughly explored, based upon a staff study produced by the currency control conference, implementation inherent in a single medium of exchange was being explored from various angles, based upon a staff study prepared in this office. Copies of these staff studies are on file in the Budget Division.

8. Copies of the staff studies referred to in paragraph 7 c above, and tentative War Department and Theater Circulars prepared during the conference, were carried back to the three theaters by their representatives for full discussions with the Commanding Generals and their staffs. Immediate actions of various kinds have been taken in each of the three theaters, pending further detailed study of the overall proposal that has been evolving since the April conference.

a. The European Theater has tightened its control measures and effective 20 June 1946, a new currency control record will be installed throughout the theater; the new record containing control features considerably more stringent than those inherent in the previously used control book.

b. The Mediterranean Theater has reexamined certain details of its currency control system and invoked certain stringent measures predicated thereon.

c. The Pacific Theater, which has had no currency control books has, since the return of their conference representatives, worked out an interim plan closely parelelling the joint War Department/Theater overall plan and utilizing readily available stocks of an unused special currency (Type "A" Yen) not now in circulation. The two salient features are a single medium of exchange within the military enclave in the occupied areas of Japan and Korea and no reconversion of indigenous or of Type "B" Yen. This Pacific Theater interim proposal has the complete support of its Commander-in-Chief. Teletypewriter conferences of 11/12 and of 13/14 June 1946, indicate that detailed plans to introduce the interim measure have been carefully prepared and major technical and administrative problems solved. Provision has been made to convert local yen derived from official sources into the new medium of exchange.

9. Concurrences relative to the Pacific Theater interim proposal and the general War Department plan, in the event that the AFPAC trial is successful, have been obtained by the undersigned on an informal basis,

following discussions with the Director of the Bureau of the Budget, the Comptroller General, the senior members of the Senate and House Appropriations Committees and of the House Judiciary Subcommittee. All have given their informal approval.

10. The keystones of a currency exchange control system, designed to afford military personnel abroad flexibility in the management of their day to day affairs as well as to safeguard the American taxpayer from assuming a burden not authorized by Congress, stemming either from the Army's offering services and facilities or from the irresponsibilities of American citizens stationed abroad, are:

a. A single medium of exchange for use within the military enclave, backed at all times by dollars under War Department control. These dollars should not be subject to use by any other agencies of the U. S. Government for any unauthorized purposes national or international, according to political pressures; and should not lapse or revert to the General Fund until they have served their purpose.

b. No reconversion of indigenous foreign currencies drawn, or purchased, by military personnel at their own discretion.

11. It is recommended that approval be given by the Secretary of War to:

a. The interim proposal of the Commander-in-Chief, AFPAC, in order to provide the War Department with a trial period for careful observation of its overall currency control plan.

b. The War Department placing an order for the production of a suitable medium of exchange for circulation within the military enclave in the three major theaters. This will avoid considerable delay when the War Department plan is approved and introduced if the AFPAC interim plan has demonstrated its desirability.

4 Incls
Tabs A,B,C&D

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

Concurrences: AS/W ( )
D/PA ( )
D/PO ( )
CAD ( )

EXCESSES OF FOREIGN CURRENCIES

The Army, in surveying the accounts of various foreign currencies now held within the several Theaters, finds that it has reconverted for military or authorized civilian personnel foreign currencies in excess of pay and allowances in the following approximate amounts:

German Allied Military Mark Currency	$111,000,000
Japanese Yen Currency	$ 27,000,000
Netherlands Guilder Currency	$ 22,000,000
Austrian Schilling Currency	$ 21,000,000
Czechoslovakian Crown Currency	$ 3,000,000
TOTAL	$184,000,000

No War Department appropriations are available to meet these excess reconversions. Recovery of the U. S. dollar countervalue of these excesses can only by through --

a. Using the currency for local procurement purposes in the country concerned,

b. Turning the currency directly back to the country concerned for dollars,

c. Working off the excess through sale to U. S. commercial firms,

d. Accepting the loss and asking the Congress of the U. S. to relieve the Army of this responsibility by appropriation of the necessary dollars to back the excess foreign currencies,

e. Absorb the loss under the provisions of Section 2 of Public Law 554, 78th Congress,

f. Enforcement of strict exchange control to the end that, where troops are still located in a specific foreign country where an excess exists, the excess be gradually reduced.

Attention is invited to the fact that recovery by the methods in a, b, c, and d above is normally not easily accomplished and in a, b, and c could not be done without the permission of the country involved. The method in e would probably require Comptroller General and/or Treasury Department approval. In the case of Germany and Japan, only the methods in d, e and f are open to recover from this position.

TAB A

FOREIGN CURRENCY EXCHANGE CONTROL BOOK

In the European and Mediterranean Theaters a system of individual control books has been established. Each individual paid by the U. S. Army disbursing officer acquires a control book in which his unencumbered pay and allowances issued him or dollar instruments converted into foreign currency are recorded. Similarly each reconversion of foreign currency into dollars or dollar instruments is recorded and appropriate deductions made from the available balance as noted in the book. In this manner no individual can reconvert foreign currency into dollars for a sum greater than the dollar value of the balances available in his control book.

The administrative burden of a book control is considerable. It requires that the personnel officer of each organization maintain the control books, record all money issued to the soldier and record and deduct all reconversion or other transactions desired by the soldier. It requires close checks and supervision to insure that the individual does not illegally acquire control books and forge entries in such control book.

It requires continuous renewal of books if they become lost, torn up or stolen. It requires that any funds received by the individual from non-appropriated funds source such as company funds, post exchange, etc. be coordinated with the personnel officer before payment is made, At its best, the human element of error is ever present.

Under this system, however, it is still possible for an individual to draw his pay in foreign money, spend it in the local community, replace it by black market activity and turn it into dollars up to the net credit balance on his control card by reconversion through the disbursing officer. The individual may also use foreign currency received through the black market in commissary and post exchange purchases, which currency in turn is reconverted into dollar instruments.

EMPLOYMENT OF THE SINGLE MEDIUM OF EXCHANGE

It has been assumed that the proposed single medium of exchange will be used exclusively, as the only authorized medium of exchange for purchasing goods and services, in:

a. All Army Post exchanges and all Navy Ship's service stores.

b. All U. S. Army and Navy sales and service installations and activities.

c. Theater, moving picture and other entertainment facilities operated by the military establishments.

d. Officers' and enlisted men's messes and clubs, including Red Cross installations.

e. Wherever ultimate remittance to the United States through Army channels is involved, contributions for all eleemosynary purposes, including all authorized charitable appeals, including church collections and Chaplain's funds.

f. Wherever ultimate remittance to the United States through Army channels is involved, payments to all travel agencies, radio, cable, telegraph and telephone companies, and all other service facilities of similar types.

In addition, the authorized personnel in possession of the proposed medium of exchange may use it at any time for the purpose of military payment orders, postal money orders, U. S. stamps, U. S. Treasury checks and U. S. dollar currency and coin under suitable appropriate conditions, travelers checks, U. S. Savings Bonds, personal transfers to the U. S., and for making soldiers' deposits.

Furthermore, if military or authorized personnel desire local foreign currency for expenditures outside the military enclave, the proposed medium of exchange may be converted by Finance officers into such local currency at the prescribed rate of exchange.

It should be noted that no member of the military establishment will be required to draw any part of overseas pay and allowances in the proposed medium of exchange. It is proposed that personnel paid by U. S. Armed Forces will be given the choice of drawing their pay and allowances overseas in:

a. Military payment orders; or

b. The proposed medium of exchange; or

c. Any combination of the above.

The same would be true for the encashment of various dollar instruments received from the U. S.

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FOREIGN CURRENCY CONTROL PROCEDURES
AND THEIR RELATIVE EFFECTIVENESS
CONSIDERED BY THE
WAR DEPARTMENT AND THEATER CONFEREES

1. Pay of personnel of the military establishments overseas in U. S. dollar currency and coin.

Effectiveness of control: 100%. (No foreign currency reconversion allowed as original conversion rate is not uniform.

All pros and cons of payment in U. S. dollars overseas are detailed in report on House Resolution 150 dated 28 April 1945. Principal considerations are:

a. Dollars are not legal tender in most foreign countries, and their circulation is prohibited and often a criminal offense.

b. More effectively to mobilize their foreign exchange assets, including dollars, foreign governments prefer receiving the dollar equivalent of net troop pay spent in their local economy as an intergovernmental payment and not through the medium of dollar currency scattered into their economy through the pay and allowances of individual military personnel.

c. Presence of a large supply of dollars would hamper the restoration of confidence in the local foreign currency and render even more widespread currency black market operations detrimental to morale on both sides.

2. Use of a single special medium of exchange within the military enclave and no foreign currency reconversion.

Effectiveness of control: 100%.

All pros and cons are discussed in detail in the memorandum to the Budget Officerfor the War Department dated 27 April 1946, and the two staff studies inclosed therewith, all on file in the Budget Division. Major factors are:

a. Single medium of exchange to which access may be had by military and authorized civilian personnel under conditions prescribed by the War Department/Theater commanders results in a currency at all times backed by dollars under the control of the War Department. The proper disciplinary actions can be taken if such a medium of exchange is found in the hands of the native population or unauthorized personnel, since this special medium is not eligible for circulation outside of areas prescribed by the theater commander. Even if this medium does get into native hands, its reintroduction into the military enclave, through a black market transaction, does not effect the War Department's ultimate liability inasmuch as, except by counterfeiting, the said special medium does not get into use without dollar backing.

b. Until personnel overseas become accustomed to acquiring local foreign currencies in small amounts only as they are needed, there may be some inconveniences to them. Once the habit is acquired, carrying excess funds in dollar instruments such as military payment orders, express checks, etc., will be found more convenient.

c. The normal ebb and flow of funds between members of a large military and authorized civilian group, without the use of a special medium of exchange, certain members of the community may legitimately acquire large balances of currencies which they can not convert into dollar instruments under record or any other similar procedures.

3. Use of currency control book and a system of a single medium of exchange or of coupon books within the military enclave.

Effectiveness of control: not complete; dependent entirely upon complicated administrative measures taken to impose mathematical limits on net credit balances accruing in the control book.

This system has already been outlined within the War Department and to the theaters in the proposed War Department Circular as forwarded to them at the beginning of April 1946 prior to the conference. No theater headquarters approved thereof.

Pros and cons of this combination are discussed in the two staff studies referred to in paragraph 2 above. Major considerations are:

a. Proceeds of black market operations will be introduced into the U. S. Army finance channels (and/or A.P.O. system) to the extent that net credit balances accrue in the currency control books; and/or to the extent that coupon books, or the non-detachable coupons therein, get into circulation more than once.

b. See also description of Control Books in Tab B.

c. Control Books themselves can not be made efficiently voluminous to take care of every transaction such as purchases of PX's for American produced merchandise aggregating less than $1.00 or even $5.00; U. S. stamped envelope purchases at A.P.O's; as well as meals and other club facilities furnished for cash.

d. See also Tab B.

4. Use of Control Books alone (requiring tightening in ETO and MTO, and introduction in AFPAC); virtually status quo.

Major considerations are:

a. The implied use, under this system, of foreign national and occupation currencies within the military enclave, allows for receipts of such foreign currencies by the U. S. Army, through its various service and administrative facilities, as an excess over the foreign currencies disbursed in pay and allowances.

b. Potential excesses will accrue to the U. S. Armed Forces even though the foreign currencies used by authorized personnel were legitimately acquired, but, of course, acquired with dollars and/or other foreign currencies not of War Department origin or under War Department control.

5. Also included in the conference discussions but discarded for various political and technical reasons, have been such proposals as:

a. Fixed denomination military payment orders in bearer form.

b. Military payment orders issued in accordance with the provisions of WD Circular 159/45.

c. Coupon books of different gross values, each containing varying quantities of non-detachable coupons of various denominations from five cents to five dollars per coupon.

d. Continuous scrip certificates, similar to the American railroad mileage book.

e. Military certificates, as proposed by the U. S. Treasury Department.

f. Special canteen money as proposed by the U. K. Treasury.

g. Any combination of the above.

29 April 1947

MEMORANDUM FOR THE RECORD:

SUBJECT: Foreign Currency Disposal Program

1. Meeting was held at the White House at 1300 today, relative the above subject. Present were:

The President
The Secretary of the Treasury
The Secretary of War
Under Secretary of State Dean Acheson
Assistant Secretary of State John H. Hilldring
Major General George J. Richards, Budget Officer for the War Department
Mr. Carl H. Pforzheimer, Jr., Expert Consultant to the Secretary of War

2. Purpose of the meeting was to describe to the President a program designed to extinguish present foreign currency holdings without recourse to deficiency and/or additional appropriation requests.

a. Mr. Patterson explained that the problem had been, and was being examined, in greatest detail by the three Departments together; and the Departments had now come to certain conclusions.

b. The Secretary of War gave a brief outline of the principal channels through which present foreign exchange holdings had been accumulated, and then requested the undersigned to outline the disposal program, using the attached chart (Tab A) as the basis for discussion.

3. The total foreign exchange balances was indicated as about $337,000,000, distributed in various currencies as set forth in Item 1 of Tab A.

4. Immediate liquidation is under way as follows:

a. Negotiations actually in progress with the Netherlands Government to date result in return of dollars to disbursing officers' accounts sufficient to allow return of $36,000,000 of Netherlands guilders.

b. Ambassador Steinhardt is working on a problem of eliminating

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$3,000,000 of Czech crowns.

c. As the result of statutory Geneva Convention earnings, plus earnings from their work in private industry, Prisoners of War detained by the U. S. have dollar credit instruments to be encashed by them when returned to their native countries. These returning POW's are being paid in their local currencies; currently some $150,000,000 of these instruments remain to be encashed.

d. Recent conversion from the first to the second series of Military Payment Certificates has resulted in a total credit of $6,000,000 in Germany and Japan.

e. The U. S. Government policy of treating Austria/Korea as liberated areas resulted in the recognition of charges totalling $69,000,000, for goods furnished, services rendered and claims against the U. S. Armed Forces. $44,000,000 of these charges will be paid with foreign currency balances in Austria and Korea.

The foregoing items total approximately $225,000,000, by which amount the foreign currency holdings can immediately be reduced. This leaves an immediate debit to be considered of about $133,000,000 ($100,000,000 in Germany and $33,000,000 in Japan) and leaves credit balances in Austrian and Korean accounts of approximately $10,000,000 and $20,000,000 respectively.

5. A program for liquidating the residual balance of foreign currencies, approximating $150,000,000, has been worked out by the War Department and should result in complete elimination of Allied Military Mark and Yen balances before the end of 1948.

a. General MacArthur has already been regularly diminishing his Yen balance in Japan; and General Clay and his staffs in Berlin and Frankfurt have approved certain methods of reducing the AM Mark balance.

b. Details of the plans for Germany and Japan have been worked out; certain proposals already adopted in Europe, when transmitted to the Pacific Headquarters, would undoubtedly result in expediting reduction of the Yen balance.

c. Some of the methods already agreed upon were briefly mentioned. It was pointed out that the aggregate of these methods would not draw upon appropriated funds for more than approximately $7,000,000 out of the total dollar equivalent of AM Marks and Yen to be expended, the balance to be derived from the Army's normal procedures and dealings with various quasi-official military organizations, individual members of the military establishments, and various private business entities doing business with the military establishments.

6. None of the conferees interposed any objections to the plans for disposal as outlined.

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7. In reply to his direct inquiry the Secretary of the Treasury was assured that there was no suggestion that the Treasury Department would be asked to assume any of these foreign currency balances.

8. Question of presenting a complete detailed statement of Army and Navy stewardship of foreign currencies to appropriate Congressional Committee was thoroughly canvassed.

a. It was suggested that the Armed Services Committee of the House and Senate be approached.

b. Budget Officer for the War Department emphasized the propriety of fully informing the Subcommittees of House and Senate Appropriations Committees, since they were the groups at the Capitol who had assumed the responsibility for appropriating the funds originally. At recent appearances before these Subcommittees he had been questioned concerning the general problem; these Subcommittees were now satisfied that they would ultimately be fully informed.

9. General conclusion was that the subject should properly be discussed with the proper subcommittees of both the House and Senate Armed Services and Appropriations Committees.

a. There was unanimous agreement that the entire matter should be presented before the close of the present Session.

b. Format similar to "Report on House Resolution 150" of April 28, 1945 was agreed upon.

CARL H. PFORZHEIMER, JR.

SECRET

22 May 1947

MEMORANDUM FOR THE SECRETARY OF WAR:

THRU: The Assistant Secretary of War

SUBJECT: Foreign Currency Disposal Program

1. Cables advising theater commanders of President's approval of general disposal program have gone forward. (WARX 98279, 16 May 1947)

2. Photostats of "Memorandum of Understanding" as signed by the President have been prepared for forwarding overseas, under covering letters from you to General MacArthur and from the Chief of Staff to General Clay.

3. Under date 20 May 1947, Secretary of State has replied to your letter of 12 May 1947, providing War Department U. S. policy on Austria and Korea. Commanding General, USFA, has been advised; Korea in process.

4. Treasury and War Department representatives leave for HQ, CINCFE, 22 May 1947; return estimated for 15 June.

5. A first rough draft of the "Report" to Congress will be supplied you when typing is finished. Completeness of material even at the risk of redundancy, rather than form or style, has been emphasized. Much of the present text can be put in exhibits and annexes, or eliminated.

a. Copies are being supplied all working group members of State, Treasury, Navy and War Departments; inviting suggestions, comments and a general critique by 17 June 1947.

b. Meeting to plan final form of report (text eliminations and additions, exhibits, annexes, etc.) is contemplated for 18 June 1947.

c. It is planned to submit final draft, over your signature, to Secretaries of State, Treasury and Navy, for formal concurrence, the following week.

d. Final submission to Congressional Committees planned on or about 15 July 1947.

CARL H. PFORZHEIMER, JR.

SECRET

HAPPY BIRTHDAY!

Today "marks" another birthday for you, but if anyone says you look "yuan" year older, don't "crown" the "sucre"- call him a "lire". That ought to be "schilling"! We would like to be "franc" and wish you "money, money" happy returns! We also have a "yen" to wish you a "rial" Happy Thanksgiving and hope you'll eat "pounds" of turkey for "dinar". In the package is a little gift for which you won't have to "peso" let your visiting firemen "utilize" them in the "disposal" of cigarette "excess". Hmmm?

C. T. Tench
E. K. Shultz

Nancy Turner
Helen Flagg

26 Nov 1997

SECRET

4 April 1947

MEMORANDUM FOR THE SECRETARY OF WAR:

SUBJECT: Foreign Currency Holdings

THE PROBLEM

1. The immediate problem is to clear the accounts of Army disbursing officers of certain foreign currencies for which the Armed Forces have no apparent immediate need owing to changing Government policies; and to report to the Congress on the War Department's general management of its many foreign currency transactions.

FACTS BEARING ON THE PROBLEM

2. Two basic causes underlie the accumulation of currencies which are now excess to Army needs; both predicated upon using various local currencies, rather than U. S. dollars, overseas:

a. Right of reconversion back into dollars, at the same rate of exchange at which acquired, afforded to all in and under the Military Establishment whenever and wherever such personnel drew all or any part of their pay and allowances in a foreign currency.

b. Use of U. S. Army administrative and service facilities by many thousands of personnel, both U. S. and Allied, military and civilian, who had acquired their foreign currencies expended in these facilities from sources other than War Department appropriated dollars.

These and other points, including reasons for not using U. S. dollar currency overseas, are fully discussed in "Report on H. Res. 150 - 28 April 1945" and further material has been prepared.

3. Anticipating potentially excess foreign currency accruals, particularly under conditions inherent in the active movement phases of World War II, the War Department early attacked the problem in three stages, covering the combat, redeployment and static occupation periods. Controls were evolved for each period and vigorously applied in the field, culminating in the use of Military Payment Certificates and no further reconversion of foreign currencies, by the summer of 1946.

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Full statements have been prepared concerning:

a. Methods of control applied in the field during the combat (including SHAEF) and redeployment periods.

b. Present financial arrangements within the U. S. military enclaves overseas, which insure no further accretions of foreign currencies.

4. In addition to the control measures referred to in the preceding paragraph, the War Department has established certain methods of divesting itself of accrued foreign currencies so as to offset any loss to the American taxpayer.

a. Return of currencies through War Accounts Settlements with various governments (lend-lease etc.); taking care of Netherlands guilders and Czechoslovak crowns. Statement has been prepared.

b. Outpayments in local currencies to enemy prisoners of war detained in the United States for amounts they earned either under provisions of the Geneva Conventions or for work performed in private industry in the United States. Figures compiled.

c. Protection of official and quasi-official funds of the Armed Forces, as well as of the personal funds of members of the Military Establishments, in foreign countries which have devalued their currencies. Statement prepared.

d. In dealing with Allied and liberated governments, as distinct from occupied areas, taking full credit for all foreign currencies received in the military enclave, including those received from persons who acquired their foreign currencies from other than War Department appropriated dollars, before calculating certifications of net troop pay to the Treasury. Total dollars paid out to various foreign governments were reduced by the equivalent amounts of foreign currency the Army took in from these sources; and occasional overcertifications promptly reimbursed to the U. S. in dollars. Statement prepared.

e. Outpayments in local currencies for eleemosynary and business remittances received from U. S. sources in dollars.

f. Sale of foreign currency requirements to the Army Exchange Service, against dollars, to be used in acquiring local merchandise for sale in the post exchanges.

g. Since mid-1946, sale of foreign currencies to all military and authorized civilian personnel in and under the Military Establishment and to all persons having access to Army facilities, against dollars or Military Payment Certificates only, for personal local currency requirements of such individuals desiring to make expenditures outside the U. S. military enclave.

h. Sundry minor outlets for foreign currencies. Data available.

DISCUSSION

5. Certain data, in brief, is included with this memorandum for discussion purposes as follows:

a. Tab A presents estimate of taxpayers' cash position.

b. Tab B suggests methods of clearing disbursing officers' accounts under existing statutory authority; or subject to State Department policy guidance.

c. Tab C lists methods for recouping U. S. dollars even after Treasury takes over the foreign currencies.

It should be noted that the Secretary of the Treasury can continue to sell these foreign currencies, as the Army has been doing heretofore, to various entities and agencies overseas. The taxpayer is best served by having a single agency fund all government or government-sponsored agencies abroad.

CONCLUSIONS

6. U. S. Government policies vis-a-vis certain foreign governments are subject to change. Such changes in policy affect the amounts by and speed with which certain foreign currency holdings of the Army can be reduced. It is evident that the point has been reached where disposal of these excess foreign currency holdings would enable the War Department better to integrate its activities into policies already enunciated, or now being formulated, by the State Department.

RECOMMENDATIONS

7. Accordingly, it is recommended that either:

a. Legislation be introduced into the Congress in the form of a simple Relief Bill for a moderate amount, to clear the accounts of Army disbursing officers of certain foreign currencies, transferring them to the Secretary of the Treasury for ultimate disposal advantageous to U. S. Government policies in the affected areas. This will entail formal committee hearings, perhaps debate, and will require Congressmen voting; but, once voted upon, Congressional approval will have been achieved. Or,

b. With no deficit left, make appearance informally before the Congress with a completely documented story of the Army's foreign financial arrangements, problems and solutions. This will entail a report

(concurred in by State and Treasury) similar to "Report on H. Res. 150"; but Congressmen will merely listem and not be required to vote.

Recommendation b seems more logical.

6. It is further recommended that the Special Deposit Accounts in the Treasury Department be closed, in order to:

a. Relieve War Department of certifications for net troop pay or for procurement;

b. Allow the Treasury complete freedom to continue orderly disposal of foreign currencies, and make dollar outpayments as U. S. government policies require; and,

c. Place the Army disbursing officers on a complete peace-time basis, whereby any foreign currency requirements are supplied by Treasury; thus limiting the War Department's foreign banking and exchange problems.

CARL H. PFORZHEIMER, JR.

3 Incls
Tabs A, B&C

SECRET

CHP,JR.
3 Apr 47

CASH POSITION OF U. S. TAXPAYER

(000,000 omitted)

1. Potential loss to taxpayers:

a. A.M. Marks	$249	
b. Austrian Schillings	37	
c. A.M. Yen (incl. Korea)	70	
d. Netherlands Guilders	23	
e. Czechoslovak Crowns	3	
f. Total		$382

(Note: All figures tentative, pending return of Treasury and War representatives from ETO.)

2. Offsets to taxpayer loss:*

a. POW Outpayments (40% of these dollars received from other than appropriated funds)	$ 48	($120)	
b. War Accounts Settlements (Reimbursements from foreign governments)	26		
c. Savings under Protected Foreign Currency Devaluations	195		
d. Contributions from Foreign Governments Counteracting Unreasonable Official Exchange Rates	80		
e. Army Exchange Service Profits	12**		
f. Total		($413)	$341

3. Taxpayer position (using 40% POW outpayments) - $ 41

4. Taxpayer position (using 100% POW outpayments) + $ 31

*See also Tab C.
**Already paid into Treasury; more may follow.

CHP, JR.
5 Apr 47

CLEARING DISBURSING OFFICERS' ACCOUNTS
(Deficit estimated at $382)
(000,000 omitted)

1. Direct-using existing statutory authority:

a.	POW Outpayments	$120
b.	War Accounts Settlements	26
c.	Yen Devaluation	55
d.	Exchange Loss Voucher	175
	(Funds already obligated under "Finance Service, Army")	
e.	Total	$376
f.	Leaving for coverage by "relief bill" legislation...	$ 6*

*Closer figuring should eliminate any deficit.

2. Other methods - involving change in policy:

a.	Charging appropriations with procurement costs normally booked as occupation costs - Austria	$28**
b.	----------ibid---------- - Korea	32***
c.	Total	$ 60

Note: Such action must be initiated by State Department and any future outpayments to Austrian or Korean Governments cleared by National Advisory Council. (Italy is precedent.)

**From V-E Day to 30 June 1947.
***From V-J Day to 30 June 1947.

Tab B

SECRET

CHP, JR.
3 Apr 47

METHODS FOR GRADUALLY RECOUPING U.S. DOLLARS IN EXCHANGE FOR FOREIGN CURRENCIES, EVEN AFTER TRANSFER TO THE SECRETARY OF THE TREASURY.

1. Army Exchange Service purchases in Germany and Japan.

2. Army Exchange Service purchases in Austria and Korea.

3. Local currency requirements of all agencies whose U. S. personnel have access to U. S. Army facilities; including:

   a. U. S. Army and Navy military and authorized civilian personnel.
   b. Business and commercial firms.
   c. Other government agencies.
   d. International government agencies.

4. Remittances.

   a. Eleemosynary.
   b. Business and commercial (pay sent to dollar-paid employees - see 3 b] above).

5. G-2 operations (dollars come from appropriated funds).

6. Periodic conversions of Military Payment Certificates.

Tab C

SECRET

TIPS
TROOP INFORMATION PROGRAM SERVICE

Vol. 2 No. 24 Published by I&E Section, GHQ, Far East Command, U. S. APO 500 14 April 1947

The BLACK MARKET—Who Wins?

IT looked like clear sailing and profitable business when Sergeants B___ and F___ started out one sunny day last September. They had 10 cartons of cigarettes between them and there were souvenirs to be had for the asking, and the cigarettes. In less than two hours it didn't look as good. By that time they were talking it over with agents of the CID.

The deal might have worked if it hadn't been for one jeep with a flat tire which pulled up behind their parked weapons carrier. The MP's pulled up to help, and the MP lieutenant spotted their bundles. That was where the trouble started. A CID investigation and an Army Court Martial Board finished it, ordering a year in the stockade and dishonorable discharge for the sergeants.

A year out of the sergeants' lives, spent at hard labor in an Army stockade, is bad enough but the dishonorable discharge will cast a shadow which won't be shaken.

This little story is only one out of long records of illegal transactions discovered by Provost Marshall authorities. Both those apprehended and those who have managed so far to get away with it are consciously or unconsciously helping the worst elements in the countries U.S. forces now occupy.

Every country in the Far East is suffering from war's heritage—devastation, hunger, inflation and a wrecked economy. The black market, which channels scarce goods to those who can pay, is one of the biggest impediments to economic recovery in these states. It is pouring fortunes into the greedy hands of those who are willing to capitalize on the misery of their own people, an element which can be dangerous in any nation if it gets control.

The big difficulty is that many persons in the theater, both military and civilian, are contributing to that market. Some go at it on a big scale, like the three officers who sold $67,000 worth of American currency to Japanese and gained nothing but dishonorable discharges and five years in the penitentiary.

Others are contributing through small individual deals, such as the dependent in Korea who buys a large can of cheese at the commissary to trade for a silk coat valued at 2,000 yen. The small time black marketeers usually justify their shady dealings simply on the grounds that they are too little to matter. But these small deals mount up, when multiplied by several thousand, into a sizeable business, to the great profit of a handful of "new yen" profiteers, or their equivalents in other areas.

SCAP has outlawed and ordered the dissolution of the "Zaibatsu," in Japan but the black market is building another class which may be even more vicious, since it is based, not on production and business,but on crime. A nation controlled by wealthy criminal elements is no breeding ground for democracy, in Japan, Korea, the Philippines, or anywhere. This new class, even more than the old, is fattening on and promoting the suffering of the people.

What is being done about it?

Control of the Japanese black market is primarily the problem of the Japanese government, but the U.S. Army is vitally interested in successful control from two angles: Prodding the Japanese government into more effective action, and stopping the participation of American and Allied personnel in shady dealings everywhere they are stationed.

On 10 March 1947 GHQ, Far East Command, attempted to tighten up on illegal supplies reaching the black market via American personnel. Old regulations were redefined and penalties and enforcement tightened. In most cases the regulations were already on the books, but officials warned that this time the authorities really meant business.

JURISDICTION

The order, effective 12 March, covers every one within or in transit to or from Japan subject to military law, regardless of nationality. That includes all officers, non-commissioned officers and enlisted personnel of the

TIPS TO THE I&E OFFICER

A TIH on the new black market regulations should be compulsory for all troops. For those in Japan the topic may be given as presented here. I&E officers in other commands should check exact regulations issued by the commanding generals there to ascertain whether they may differ from these in certain respects.

In order to avoid a preachy atmosphere try a panel for bringing out the arguments against the black market. It's not an easy subject but some good points can be driven home if enough skill and tact is employed.

Reference: *TIPS* "The Black Market," 6 August.

Army, Navy, the Army Nurse Corps, dependents, civilian employees, and all persons of any nationality in possession of American goods. For convenience all these persons are referred to as "American personnel."

Circular 26, GHQ, Far East Command, further states that "the Commanding Generals, U.S. Army Forces in Korea, Philippines-Ryukyus Command, Marianas-Bonins Command, and Commander Naval Forces Far East will publish and enforce within areas of their respective commands regulations similar hereto which are of such scope and in such form as may be adapted to the requirements of their local conditions."

What kind of activities are forbidden by black market regulations?

TRADING IN U.S. GOODS

No "American personnel" may trade, sell, or give to any other person not authorized to buy at Army stores or exchanges, any American goods. This goes not only for U.S. goods sold or provided by the government here but any sent from the United States by government transportation.

"American personnel" also are forbidden to sell to other authorized persons when they know the goods are to be used in black market trade. In other words, the non-smoking soldier or civilian who gives his cigarette ration to someone known to engage in selling or bartering with the Japanese is liable to prosecution for black marketing, even though he himself has taken no part in the transaction.

Some individuals have tried to get around the well known regulations concerning PX goods by ordering supplies from home for use on the Japanese black market. The only available means of shipping those goods, however, is by government transport at government expense.

Not only does this method cost the government money for shipping costs, but it would give the illegal operator on the spot an unfair advantage over legitimate businesses in the United States, who are now banned from commercial relations with Japan.

One War Department civilian employee was much surprised to find himself in a very hot spot last September when he sold 29 cartons of American cigarettes, ordered and delivered from the United States, to a Japanese for 8,500 yen. CID agents caught them red-handed as seller and customer were carrying part of the cigarettes from the American's billet.

The cigarettes were not PX supplies, the civilian protested, but his personal property, ordered from home. Nevertheless, a court martial ruled the cigarettes had been transported to Japan by government transportation for the purpose of profiteering. It ordered him to pay a heavy fine and shipped him back home where he could do no more harm.

PROFITEERING

"American personnel" may sell U.S. goods to other authorized personnel provided they do not sell them at a price above current value of the articles in Army stores, the original purchase price, or transfer value set by the Commanding General. Persons who buy surplus Army jeeps from the Army at a reasonable cost, then resell them at a profit, as many of them have done in the past, are liable to trial and punishment. The practice of selling American whiskey to service men or others for three to 10 times its original price also is asking for trouble.

SHIPPING U.S. GOODS TO THE STATES

One illegal practice hitherto not clearly defined has been for American personnel to buy up scarce items of American manufacture at the PX and ship them home. There are still serious shortages in the United States and some PX items can be sold at a profit in the domestic U.S. market.

The U.S. government goes to great trouble and expense to transport comforts and luxuries, tax-free, half way around the world for the sole benefit of its personnel stationed away from home. Just who wins when our U.S. citizens buy up these items at a low cost and promptly ship them home again?

Those goods which can legally be sent home are: articles of Oriental origin intended as gifts or for personal use; personal property of those leaving the theater; used items of personal clothing no longer necessary for wear or use; photographic prints or exposed film; items such as cameras, watches, etc., needing repair; and exceptions authorized in writing by GHQ, FEC.

HOARDING

When an American has in his possession more of any one item than he can reasonably use himself he is liable to prosecution under the new regulations. Quite aside from the fact that such hoarding is unfair to others, the authorities believe such extra quantities should be viewed with suspicion as a possible black market source.

FALSE STATEMENTS

Many of the early "big-time-operators" in Japan, unable to convert their yen, got around the difficulty by buying up high priced Japanese silks and art objects which could be sold at a profit at home, or kept. To ban this the new regulations provide that anyone making a false statement as to the contents of a package, or as to the source of the yen which was used to buy it, is liable to prosecution and punishment.

YEN EXCHANGE

The only legal source of yen is U.S. Army or Navy Finance officers or their authorized agencies, at the exchange rate of 50 to one. Circular Number Three, 10 January 1947, expressly forbids the exchange of U.S. dollars or military payment certificates for Japanese currency from other sources under any circumstances.

CONSPIRACY

Conspiracy to violate any of these regulations (as distinct from the acts themselves) also is punishable if it can be proven. In the case of the sergeants no transaction had yet been made when the MP's arrived on the scene, but the intent was obvious.

What are the effects of the black market on native economies?

SPIRALING INFLATION

In Far East countries where practically every necessity of life is scarce, inflation is inevitable. Those with supplies sell to the highest bidder. As more and more commodities are channeled into illegal markets, prices get higher and higher in an ascending spiral.

Americans often do not see the relationship between their illegal transactions and the native black market. What happens is this: The Japanese Korean, or Filipino operator buys a carton of cigarettes for one price, resells it at a much higher rate, then looks for an investment for his profits. That, usually, is food bought from the farmer at much higher than legal rates. Then he resells the food to genuinely hungry people at a price far beyond what they can afford. The black marketeer gets rich. His customers get poorer and poorer.

SCAP estimates that food imported from the United States saved more than 11 million Japanese from starvation last winter. During the same period the black marketeers were cleaning up in the food field, gouging the starving. Americans who sell in the black market are helping entrench this class in power.

The little people of Japan, then, pay for the black market profits of a few individuals in hunger, cold, and want. But somebody else pays for the profits too, in cash.

What effect does the black market have on Americans?

COST

In the long run the American who deals in the black market gains little. The cost of the market has to be paid and the man who pays in this instance is the American taxpayer. He pays for the low-cost, tax-free goods sold on the black market. He pays for extra supplies bought to fill the gap left by illegally sold goods.

The cost of the black market becomes part of our national debt. Although the serviceman himself does not pay taxes, his family does. When he returns to civilian life he in turn becomes a tax payer, and must help pay off the debt. It takes a really big time operator to make enough to come out ahead on the deal.

SHORTAGES

For some time in Tokyo no American could find any shoe polish in the PX, yet every little Japanese bootblack had U.S. polish in his kit. For another period soap and tooth powder were almost impossible to get, yet Japanese could buy them on the black market, for a high price. Who was being cheated?

PERSONAL CONSEQUENCES

No matter how successful the individual's black market deals are financially, he can't escape some of the consequences of his contribution to human misery, although he may not feel them until later.

One of the most serious heritages of black market dealings is the philosophy of "easy money" that creeps into the thinking of those who practice it. In the prosperous 20's many young men found they could, by "working the angles," make a good living without doing much work. But when the crash came in 1929 they were the first men standing in the breadlines.

MORAL DECLINE

Another more serious consequence of the easy money type of thinking is its effect on our country as a whole. Unfortunately it's hard to make this picture clear to the smart boys. One of the main threads running through the kind of system under which we live is the belief that there is a direct relationship between our success and our effort and willingness to work. If this conviction gradually leaks away, as it is in danger of doing, says Margaret Mead, American anthropologist, "the American character is doomed to disappear with the physical frontier which fostered it."

"Americans who are once convinced that it's all a matter of pull, of who you know, that working hard doesn't get you anywhere nowadays, that it's all a racket anyhow, are not a desirable breed," she points out.

"Once we lose our moral keystone to an orderly world the whole structure comes crashing down about our heads, leaving us with a type of American who has neither vision nor humility, who lacks the will and the purpose which have helped us shape a great country from an untouched wilderness..."

Southeast Asia—

END OF EMPIRE

25 March 1947 was a red letter day in Java. Fireworks lit the sky over Batavia; shouting and singing people thronged through the streets, where Dutch and Indonesian flags flew side by side; despite the critical shortage of food there were feasts in the public squares. The joyful atmosphere signified that another people had climbed the bottom rung of the ladder of independence.

With great ceremony representatives from Holland and the Netherland Indies formally signed on 25 March the Cheribon Agreement giving the Indonesians partial self-government. The pact called for the establishment of an All-Indonesian Constituent Assembly to draft a constitution for the United States of Indonesia, to be born officially by 1 January 1949. Thus close on the heels of Philippine independence 70 million Indonesians confidently took their first step toward becoming a free and independent people.

Said Lt. Gov. Hubertus J. van Mook, who signed the *Linggardjati* (Dutch term for the Cheribon pact) for the government of the Netherlands: "The signing of the agreement can certainly be considered as a step in the right direction..." More talkative Sultan Sjahrir, Indonesian representative and premier of the hitherto unrecognized Indonesian republic, added: "It is...the first step in the effort to remove darkness and bring back a clear, healthy atmosphere... Let us take up this torch and see to it that it will continue to burn and give still more light."

But while the Indonesians lit bonfires and danced in the streets in celebration of *Merdeka* (independence), their neighbors, the Indo-Chinese, were still engaged in a bitter struggle against the French to attain the rudiments of freedom. Indeed all the peoples of Southeast Asia were not so fortunate as the Filipinos and the Indonesians.

Why is nationalism sweeping S.E. Asia?

War, it is said, fans the flame of nationalism among peoples. The aftermath of war has always witnessed rising demands for freedom. When dependent peoples have fought and suffered together, they come to realize that they have a common destiny—independence, liberty, freedom. The Indonesians and the Indo-Chinese took the Atlantic Charter at face value, as a declaration of the right of all peoples to be free and equal.

In areas where natives had long been under the control of European colonial powers, the defeat of Japan presented a new opportunity. Now that they were freed from the Japanese, many of them resolved that this at last was the time to throw off the bonds of European controls also. The Netherlands Indies and Indo-China are clear cut examples of a trend that is sweeping most of Southeast Asia.

What comprises the Netherlands Indies and Indo-China?

NETHERLANDS EAST INDIES

The Netherlands East Indies, or Indonesia, comprise the largest portion of what geographers call the Malay Archipelago. The Islands are usually divided into three groups: (1) Java and Sumatra, (2) Borneo, and (3) Celebes and the eastern islands. The Netherlands Indies have a combined area of 735,168 square miles and a population of approximately 70 million. They are about 58 times the size of Holland and have a population eight times as great as the "mother country." Lying between the tip of continental Southeast Asia and Australia these islands straddle the equator and combine the cultures of the Orient and Pacific Oceania.

Indonesia has been under Dutch rule continuously (with the exception of five years) since the late 17th century. It is one of the richest colonies in the world and is Holland's principal source of wealth. Without the Indies the Netherlands would be relegated to a fifth rate power.

Indonesia normally produces 33 percent of the world's supply of rubber, 82 percent of its kapok, 95 percent of its quinine, 30 percent of its tobacco, 20 percent of its tin, 35 percent of its pepper, and 10 percent of its petroleum. In addition the Indies export sugar, coffee, cocoa tea, coconut, palm oil products, and teakwood in large quantities. In normal times Indonesia provides Holland with an annual income of some $250 million.

INDO-CHINA

French Indo-China, lying on the southeastern tip of the Asiatic continent, is made up of the protectorates of Tonkin, Annam, Cambodia, and Laos, and the colony of Cochin-China. Little more than one third the size of Indonesia, but still larger than France, it includes 281,174 square miles, and has a population of about 25 million. Although Indo-China has been under French influence since the late 18th century, it was not completely unified and brought under direct French administration until about 1885.

Indo-China is not quite as wealthy as Indonesia, but still remains one of the crown jewels of the French Empire. It produces five percent of the world's supply of rubber and substantial portions of rice, tin, oil, quinine, silk, coal, pepper, and zinc. All this wealth has given Indo-China a most favorable trade balance and poured millions of dollars annually into the French treasury.

The wealth of these colonial possessions is sufficient reason that neither Holland nor France wanted to run any chances of losing them. When the Japanese were finally expelled from the two colonies, the Dutch and the French tried to take over again, but they found things slightly changed. Nationalist movements, violently opposing return of

European rulers, had captured the spirit of the people of both lands. Neither of these movements, however, were new, but went back many years.

How did the nationalist movement grow in Indonesia ?

ORIGIN

The nationalist movement for self rule in the Netherlands Indies existed as far back as 1908, although it got its first real start just after World War I, when the *Volksraad* (congress) which included both Dutch and native representation was established. For the next 20 years sporadic revolts were commonplace throughout the Indies, particularly in Java and Sumatra. Each time the revolts were crushed by Dutch military forces, who usually sent the leaders to some penal colony, where they received a few acres of land in the midst of savage territory to "rehabilitate" themselves. The most violent revolt broke out in 1933 as a result of the stern measures the Dutch introduced to fight the depression, which had brought the total trade of the islands down 69 percent.

IMMATURITY

But again the uprising was short lived, for the nationalists were split into various camps striving for slightly different goals. The immaturity of the Indonesian political organizations was partially responsible for this. Education in the islands had been introduced at a very late date and had reached few natives. At one time 95 percent of the Indonesians were illiterate. There was a great diversity among the cultures of the people of the various islands, which were geographically isolated from each other. Finally, the Dutch had always rigidly controlled political activity and made meetings and distribution of political literature extremely difficult.

OPPOSING FACTIONS

The two opposing factions which hindered unity were the cooperative moderates of the Parinda Party and the radical non-cooperatives of the Gerindo Party. The cooperatives wanted to achieve independence by peaceful means through a policy of cooperation with the Dutch, while the non-cooperatives wanted independence immediately at any cost and advocated resistance to the Europeans. Both factions were realistic enough, however, to see the danger of a Japanese aggression.

UNITY

A semblance of unity in the nationalist movement came in May 1939 when all the Indonesian nationalist parties formed a federation known as the GAPI. This marked the end of petty struggles within the movement, and gave its leaders a definite policy. But the next six years proved to be far from the best for any nationalist movement. The war broke out in Europe a few months later and the Netherlands surrendered in 1940, leaving the East Indies to fight it out for themselves. The helpless Dutch leaders remaining in the islands adopted a policy of suppression of nationalism out of sheer fear, and often antagonized some of the more liberal elements of the GAPI. In March 1942 the Japanese occupied the archipelago.

What was the nationalist movement in Indo-China ?

ANNAMITES

Of the various races which make up Indo-China, the Annamites, living along the eastern coast, are by far the most advanced, the most articulate, and the most numerous. They comprise four-fifths of the population of the country. From their ranks have come the leaders and the persistance which kept the nationalist movement alive throughout very difficult times. But, like the Indonesians, they have had a lot of trouble bringing a semblence of unity to the movement. The other Indo-Chinese were not as revolutionary-minded and often wanted to gain by peaceful means what the Annamites wanted accomplished quickly at any cost. Most Annamites share a bitter hatred for the French, and have but one desire—to drive the Frenchman into the sea.

The Annamite nationalist movement has existed ever since the French came to Indo-China about 1787, but merely in the form of unrelated and often uncoordinated segments. Riots and rebellions broke out intermittently year in and year out, but were quickly quelled by the French colonists.

VIET NAM

To the Annamites and the other inhabitants of Indo-China, their country is called Viet Nam, meaning Land of the South. Coincidentally it was in 1939, the date nationalist unity was achieved in Indonesia, that the Viet Namese united against the common foe under the banner of Viet Minh, the popular contraction of *Viet Nam Doc Lap Dong Minh*—the League for the Independence of Viet Nam. The Viet Minh first included groups with all shades of political ideologies—democrats, socialists, communists and others. They all agree, however, on a program of common struggle for the independence of the Land of the South.

SECTIONAL

But as yet the Viet Minh is still sectional. Its strongest supporters live in Tonkin and in northern Annam. They have numerous followers among the inhabitants of Cochin-China in the south, but most of the other people of Indo-China are relatively friendly to the French. The Cambodians are frankly afraid of the Annamites as well as their neighbors in Siam, and for this reason would like to continue to nestle under the wing of French protection. The Laotians, the most backward of the Indo-Chinese races, are afraid of everybody and seem to be perfectly willing to let French run things. But the collapse of France in 1940 and the subsequent Japanese pressure on Indo-China changed the situation somewhat.

What happened during the Japanese occupation?

INDONESIA

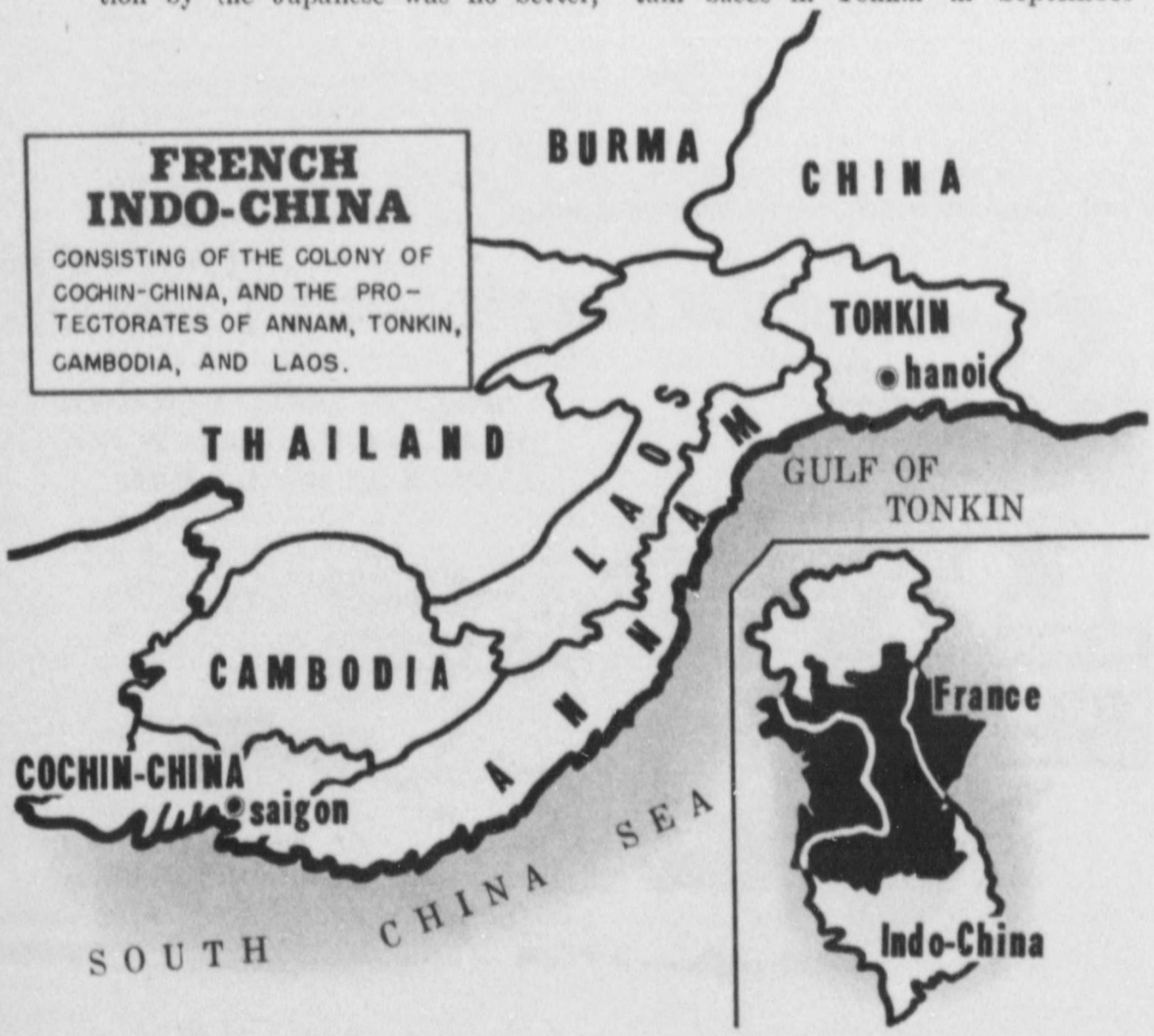
As soon as the Japanese occupied the Netherlands Indies, in March 1942, the Indonesians split over the question of collaboration. Some felt that the Japanese, being Asiatics, had come as friends to liberate them from the whites. Others felt that occupation by the Japanese was no better, if not worse, than occupation by the Dutch. In either case, there was no active native opposition to the Japanese advances. The Japs walked right in and took over.

The Japanese for some time had been very free with their talk of freedom for the Indies (as well as other "white-dominated" areas of Asia). They even went so far as to encourage the nationalist movement in some instances and release leaders the Dutch had imprisoned. Eventually, however, the Indonesians began showing more and more resentment toward the conquerors, who were exploiting the country to the best of their ability. The Indonesians began to realize that "Co-Prosperity for Greater East Asia" actually meant prosperity for the Japanese.

INDO-CHINA

In Indo-China the situation was somewhat different. The Japanese did not invade the country in one stroke, but infiltrated slowly before the Pacific war broke out, until they had virtual control. The French Vichy regime, which had replaced the true French government after the fall of France, under German pressure permitted the Japanese to occupy certain bases in Tonkin in September 1940. In 1941 two trade agreements were signed between the French and the Japanese giving the latter almost complete control of Indo-China's production of rice and rubber, in addition to many other concessions.

Knowing France's weak position, neighboring Siam (or Thailand) also started making demands. In 1941 France ceded 22,000 square miles of Indo-China territory to Thailand. In July of that year the Japanese were also authorized to occupy southern Indo-China. The Indo-Chinese, however, did not accept the Japanese occupation as calmly as the Indonesians. The Viet Minh carried on extremely strong underground activities, so that the Vichy French and the Japanese joined in an affort to suppress the nationalist movement. But the Annamites proved to be unbeatable. By the time of the Japanese surrender, they controlled five of the northernmost provinces of Tonkin.



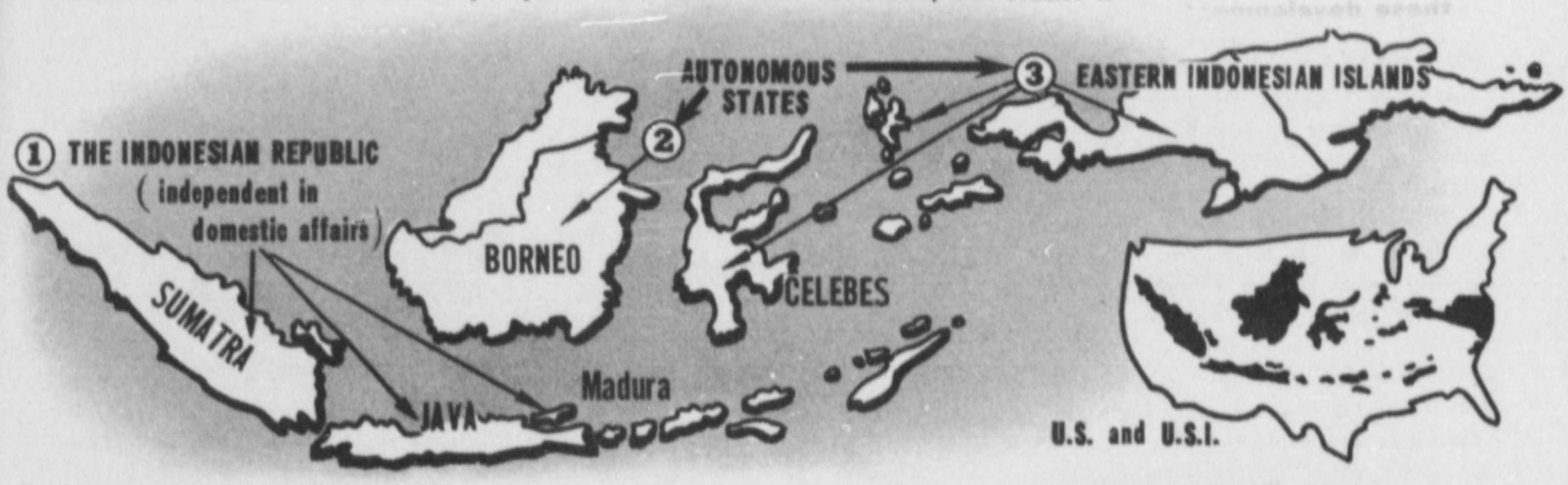
What happened in Indo-China after the surrender of Japan?

PROVISIONAL GOVERNMENT

The week the Japanese surrendered the Viet Minh formed a provisional government and took over Hanoi, Tonkin, the capital of Indo-China. On 26 August 1945 they took control of Saigon, Cochin-China, the southern capital. A few days later the new Viet Minh Republic headed by Ho-Chi-Minh (Uncle Ho), declared that "we, members of the provisional government, representing the entire population of Viet Nam, declare that we shall henceforth have no connection with imperialist France... Viet Nam...has become free and independent..." In a matter of days the French had apparently lost Indo-China.

SOUTHERN SECTION

But the self-declared independence of Viet Nam did not last long. By Allied agreement the British were responsible for disarming the Japanese troops in southern Indo-China, while the Chinese held that task for the northern section. The British arrived in Saigon and refused to deal with the Annamites, despite the great welcome they received. In a matter of days they rearmed the French troops who had



been interned by the Japanese, and disarmed the rebels. On 23 September 1945, by a *coup d'etat*, the French seized the seat of the new Viet Nam government in Saigon and arrested all the nationalist leaders they could get their hands on. By the middle of October France had regained control over southern Indo-China.

NORTHERN INDO-CHINA

But things did not go so well for the French in the north, where the Chinese were disarming the Japanese army. Not so strict as the British with the Viet Minh, the Chinese were in no hurry to leave. They looted and robbed until the French finally granted them concessions on the Kunming-Hanoi-Haiphong railroad on condition that they get out. When the Chinese left the Viet Minh was in complete control. The French then had to recognize the independence of Viet Nam within the French Union in order to get permission to enter northern Indo-China peacefully. They thus paid a double price.

FRENCH CONTROL

One point still remained unsettled—the fate of Cochin-China. Both sides agreed that Tonkin and Annam were to be part of the new republic, but Viet Minh wanted this southern province of Cochin-China included also. The French did not. It was decided that a referendum would be held, and the French reentered northern Indo-China without any trouble.

But the referendum was never held. Instead the French suddenly recognized a separate government in Cochin-China directly responsible to the French Governor General. They were determined to retain this rich rice-producing state for themselves. The leaders of Viet Minh felt that they had been literally doublecrossed. Clashes became more and more numerous, and when it became apparent that the French had no intention of actually giving Viet Nam its freedom, with or without Cochin-China, open rebellion broke out throughout the country.

What happened after the war in Indonesia ?

REPUBLIC

The situation in the Netherlands Indies was almost identical. On 17 August 1945, a few days after the surrender of the Japanese, an independent Republic of Indonesia was proclaimed. When the Dutch tried to re-enter their colony a few weeks later they were met with armed opposition. The Indonesians had no desire to trade one boss for another. Open rebellion broke out and lasted almost continuously until October of the next year, with various short-lived truces in between.

TRUCE

Finally most of the fighting stopped in October 1946 and the Dutch and Indonesians settled down to serious negotiations. The British troops which had been keeping "peace and order" throughout the islands were slated to leave 30 November, and the Dutch now had some 90,000 of their own troops there to take over. Under these conditions the President of the "Indonesian Republic" decided it would be wiser to reach some agreement.

CHERIBON AGREEMENT

On 18 November Dutch and Indonesians leaders agreed to the Cheribon pact. A United States of Indonesia was to be created and would include three states. The first, which would be completely independent in domestic affairs, consisted of Java, Sumatra, and Madura. These islands were to be known as the Indonesian Republic. The other two parts—Borneo, and Eastern Indonesia—were made autonomous states within the United States of Indonesia. The USI, which was to come into being on or before 1 January 1949, would be an equal partner with Holland, Surinam and Curacao under the Dutch crown.

A co-equal Netherlands-Indonesian union was to handle all matters of foreign relations and national defense. The union was also responsible for administering certain matters of finance "as well as subjects of an economic and cultural nature." The Union was supposed to assure the Indonesians of an equal voice in world affairs.

PRIVILEGES

But although the Indonesians managed to wrest a certain amount of domestic independence from their masters, the Dutch also managed to save most of their prewar economic privileges. Among other things the agreement provides for the restitution of all foreign property leases and rights. It also places the Dutch on an equal footing with the Indonesians as far as taxes and civil rights are concerned. The Indonesians had won some real gains, but the Dutch had not lost completely.

What has been the outcome of these developments?

INDO-CHINA

As the Indonesians took their first faltering steps on the road to independence, the Indo-Chinese were still engaged in a bitter struggle against the French. Ho-Chi-Minh had personally gone to Paris to plead the Viet Namese cause without success. Back in Indo-China "Uncle Ho" and his Viet Nam government were forced to flee Hanoi in December 1946. Adm. Thierry d'Argenlieu, French high commissioner, declared a state of stage in Saigon, while Marius Moutet, Minister for Overseas France, flew to Indo-China late in the month for a personal investigation of the trouble. He returned to France a few days later and bluntly stated that no agreement was possible.

HOME FRONT

In the meantime the French continued pouring troops into Indo-China in the hope of crushing the revolting Viet Namese. In the French National Assembly moderates were accusing Communists of fomenting the rebellion, while others damned the government for using old-line imperialists to handle the situation. Premier Ramadier's Socialist government was on the verge of collapse, with the Communists refusing to give him a vote of confidence.

In early March Admiral d'Argenlieu was removed and replaced by Emile Bollaert, a member of France's upper house. Still things did not improve. The new high commissioner arrived in Saigon with instructions reported to read: "Crush the rebellion first, then negotiate within the framework of the French union." On 23 March Doung Mac Mai, unofficial representative of Viet Nam in Paris, was bodily placed on a ship for Indo-China.

INDONESIAN ACCORD

While the fighting in Indo-China continued, things progressed well for the Indonesians. The Cheribon agreement had been officially signed on 25 March. President Soekarno and Premier Sjharir were rubbing elbows with Lieutenant Governor General Van Mook at cocktail parties in Batavia. Outwardly at least everyone seemed to be pleased. The Dutch were busy getting back their property under the terms of the agreement, while the Indonesians were polishing up to join the United Nations. Eventually the USI will have a dominion like status, somewhat similar to Australia and Canada, but linked more closely to the mother country.

What does all this signify?

END OF COLONIALISM

Indonesia and French Indo-China crystallize the trend toward the end of colonialism which is sweeping the East. When the United States granted the Philippines its independence on 4 July 1946, it set a pattern for other nations to release their hold on dependent areas.

Great Britain is putting down the "white man's burden" with a thump. Observing that "the tide of nationalism is running very fast in India," the Labor Government had already prepared to release its hold. India, after almost a century of desire to be free, is to get its independence not later than 30 June 1948. Burma, also promised independence, is preparing to draft a constitution for its new status. All of these moves will undoubtedly light new sparks of rebellion in other areas still under imperial rule, such as Britain's Malay States, Sarawak and North Borneo.

Independence will not solve automatically the problems of Southeast Asia. These territories still face the more than man-sized job of rebuilding their shattered economies. With industrialization almost non-existent in most of them, they must solve the dilemma of too many people living on too little land, with its resulting hunger and misery. In many cases they will probably, for a time at least, find themselves worse off economically than they were under the colonial yoke. The lack of unity among various groups in these states may result in civil war once the guiding paternal hand is completely removed.

But in spite of all these stumbling blocks the dependent peoples have indicated once and for all that they want to work out their solutions for themselves. They want to build up their poverty stricken countries for their own benefit, not for that of the colonial powers. The end of an era is in sight.

AFRS Kit #36, due in the Far East the third week in April, will contain these transcriptions: "What's Wrong with Marriage?" "Thomas Jefferson," and "On All Cylinders."

TIPS TO THE I&E OFFICER

THE story of the struggle for freedom in Southeast Asia will continue to be spelled out in newspaper headlines for some time to come. In presenting this topic by panel, dialogue, or single speaker, emphasize the broader aspects of the picture rather than all the details included here.

Any TIH on the subject should not fail to include: rise of nationalism, geographical facts, origin of independent movements in both areas, Japanese occupation, post-surrender events, Cheribon agreement, stalemate in Indo-China, significance of trend toward self rule in colonial areas.

Questions for discussion: Do you think inhabitants of such countries would be better or worse off without the protection of the colonial power? Does any nation have the right to govern its colonies without preparing them for self-rule? How can continued economic domination circumvent the spirit of independence? Additional facts may be found in *Maptalk*, "End of an Era," 14 November 1945.

WDSBU 123.7 (19 Feb 46) 3332 1st Ind

Budget Division, WDSS, Washington 25, D. C., 13 April 1946

TO: Commanding General, ASF (ATTN: General Kasten, OCF)

1. The draft of a letter to be used in answering requests for exchange of foreign currency held by former members of the Armed Forces is approved subject to the qualifications in paragraph two below.

2. As stated in basic correspondence, exchange will be declined for other reasons whereever possible. Further, in those cases where by reason of the content of a letter requesting exchange by a former member of the Armed Forces, an elaboration of the basic information provided in the draft reply will help explain the position of the War Department, the approved draft reply should be expanded to include such further reasoning.

3. Reference Congressional letters on this subject, it is requested that the replies to such letters be coordinated with the Budget Division and one copy of such letters and replies be provided this office at the time of dispatch of the reply.

4. For your information, a copy of the opinion, dated 11 April 1946, of the Judge Advocate General substantiating the policy stated in our 1st indorsement of 7 March 1946 is attached.

1 Incl
w/d

GEORGE J. RICHARDS
Major General, GSC
Director

12

Under the laws governing foreign exchange, it is possible for the War Department to convert for authorized personnel the foreign currencies they have received as cash pay and allowances, or in exchange through official channels for another currency received as cash pay and allowances, or by cashing dollar instruments through official channels. Exchange of funds derived from other sources would represent an unwarranted outlay of the taxpayer's dollar and cannot be made.

To effect such exchange many facilities for the transmission of funds from oversea theaters to the United States were provided by the Army, and in addition at each staging area, port of embarkation, and separation center, it was possible to exchange foreign currencies. If an individual has not taken advantage of the opportunities for exchange, or failed to get his foreign currency exchanged because he did not comply with currency exchange control regulations, the law precludes the extension of these facilities to former authorized personnel who are no longer under the jurisdiction of the War Department.

It is regretted that in view of the foregoing, the War Department is unable to assist you (or in case of a congressman "your constituent") in this matter and your currency is returned herewith.

Copy of draft letter

HEADQUARTERS, ARMY SERVICE FORCES
Office of the Judge Advocate General
Washington 25, D. C.

SPJGF 1946/3362

April 11, 1946

MEMORANDUM FOR MAJOR GENERAL GEORGE J. RICHARDS, DIRECTOR, BUDGET DIVISION, WAR DEPARTMENT SPECIAL STAFF, 3A-922 Pentagon.

SUBJECT: Foreign currency exchange for veterans.

1. The following is in response to your inquiry as to whether there is any statute which would authorize Army disbursing officers to fender to veterans the service of exchanging American money for foreign currencies.

2. The statute dealing with the matter of exchange of foreign countries (act of 23 Dec 1944, 58 Stat. 921; 50 U.S.C., Sup. IV, 1705; M.L. 1939, Sup. III, Sec. 1657c) cannot be construed as granting authority for such transactions in behalf of veterans who apply for such exchange after discharge from the Army and who are not employed by the United States Government as civilian employees or by contractors and the like. The powers of disbursing officers under the act are limited to the purposes and persons set out in Section 1 of the act, quoted in pertinent part below:

> "*** for official purposes, or for the accommodation of military, naval, and civilian personnel of the United States Government, and personnel of contractors and of authorized nongovernmental agencies operating with the armed forces of the United States * * *"

3. There is no other statutory authority for such transactions in behalf of veterans.

4. With respect to the requests of veterans who had applied for such exchange before discharge from the Army, it is believed that the act cited above will cover them. It appears that such requests are at present regularly processed in the Foreign Fiscal Affairs Section, Fiscal Control Branch, Office of the Cheif of Finance.

/s/ Thomas H. Green

THOMAS H. GREEN
Major General
The Judge Advocate General

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SECRET

4 April 1947

MEMORANDUM FOR THE SECRETARY OF WAR:

SUBJECT: Foreign Currency Holdings

THE PROBLEM

1. The immediate problem is to clear the accounts of Army disbursing officers of certain foreign currencies for which the Armed Forces have no apparent immediate need owing to changing Government policies; and to report to the Congress on the War Department's general management of its many foreign currency transactions.

FACTS BEARING ON THE PROBLEM

2. Two basic causes underlie the accumulation of currencies which are now excess to Army needs; both predicated upon using various local currencies, rather than U. S. dollars, overseas:

a. Right of reconversion back into dollars, at the same rate of exchange at which acquired, afforded to all in and under the Military Establishment whenever and wherever such personnel drew all or any part of their pay and allowances in a foreign currency.

b. Use of U. S. Army administrative and service facilities by many thousands of personnel, both U. S. and Allied, military and civilian, who had acquired their foreign currencies expended in these facilities from sources other than War Department appropriated dollars.

These and other points, including reasons for not using U. S. dollar currency overseas, are fully discussed in "Report on H. Res. 150 - 28 April 1945" and further material has been prepared.

3. Anticipating potentially excess foreign currency accruals, particularly under conditions inherent in the active movement phases of World War II, the War Department early attacked the problem in three stages, covering the combat, redeployment and static occupation periods. Controls were evolved for each period and vigorously applied in the field, culminating in the use of Military Payment Certificates and no further reconversion of foreign currencies, by the summer of 1946.

SECRET

Full statements have been prepared concerning:

a. Methods of control applied in the field during the combat (including SHAEF) and redeployment periods.

b. Present financial arrangements within the U. S. military enclaves overseas, which insure no further accretions of foreign currencies.

4. In addition to the control measures referred to in the preceding paragraph, the War Department has established certain methods of divesting itself of accrued foreign currencies so as to offset any loss to the American taxpayer.

a. Return of currencies through War Accounts Settlements with various governments (lend-lease etc.); taking care of Netherlands guilders and Czechoslovak crowns. Statement has been prepared.

b. Outpayments in local currencies to enemy prisoners of war detained in the United States for amounts they earned either under provisions of the Geneva Conventions or for work performed in private industry in the United States. Figures compiled.

c. Protection of official and quasi-official funds of the Armed Forces, as well as of the personal funds of members of the Military Establishments, in foreign countries which have devalued their currencies. Statement prepared.

d. In dealing with Allied and liberated governments, as distinct from occupied areas, taking full credit for all foreign currencies received in the military enclave, including those received from persons who acquired their foreign currencies from other than War Department appropriated dollars, before calculating certifications of net troop pay to the Treasury. Total dollars paid out to various foreign governments were reduced by the equivalent amounts of foreign currency the Army took in from these sources; and occasional overcertifications promptly reimbursed to the U. S. in dollars. Statement prepared.

e. Outpayments in local currencies for eleemosynary and business remittances received from U. S. sources in dollars.

f. Sale of foreign currency requirements to the Army Exchange Service, against dollars, to be used in acquiring local merchandise for sale in the post exchanges.

g. Since mid-1946, sale of foreign currencies to all military and authorized civilian personnel in and under the Military Establishment and to all persons having access to Army facilities, against dollars or Military Payment Certificates only, for personal local currency requirements of such individuals desiring to make expenditures outside the U. S. military enclave.

#

h. Sundry minor outlets for foreign currencies. Data available.

DISCUSSION

5. Certain data, in brief, is included with this memorandum for discussion purposes as follows:

a. Tab A presents estimate of taxpayers' cash position.

b. Tab B suggests methods of clearing disbursing officers' accounts under existing statutory authority; or subject to State Department policy guidance.

c. Tab C lists methods for recouping U. S. dollars even after Treasury takes over the foreign currencies.

It should be noted that the Secretary of the Treasury can continue to sell these foreign currencies, as the Army has been doing heretofore, to various entities and agencies overseas. The taxpayer is best served by having a single agency fund all government or government-sponsored agencies abroad.

CONCLUSIONS

6. U. S. Government policies vis-a-vis certain foreign governments are subject to change. Such changes in policy affect the amounts by and speed with which certain foreign currency holdings of the Army can be reduced. It is evident that the point has been reached where disposal of these excess foreign currency holdings would enable the War Department better to integrate its activities into policies already enunciated, or now being formulated, by the State Department.

RECOMMENDATIONS

7. Accordingly, it is recommended that either:

a. Legislation be introduced into the Congress in the form of a simple Relief Bill for a moderate amount, to clear the accounts of Army disbursing officers of certain foreign currencies, transferring them to the Secretary of the Treasury for ultimate disposal advantageous to U. S. Government policies in the affected areas. This will entail formal committee hearings, perhaps debate, and will require Congressmen voting; but, once voted upon, Congressional approval will have been achieved. Or,

b. With no deficit left, make appearance informally before the Congress with a completely documented story of the Army's foreign financial arrangements, problems and solutions. This will entail a report

(concurred in by State and Treasury) similar to "Report on H. Res. 150"; but Congressmen will merely listen and not be required to vote.

Recommendation b seems more logical.

8. It is further recommended that the Special Deposit Accounts in the Treasury Department be closed, in order to:

a. Relieve War Department of certifications for net troop pay or for procurement;

b. Allow the Treasury complete freedom to continue orderly disposal of foreign currencies, and make dollar outpayments as U. S. government policies require; and,

c. Place the Army disbursing officers on a complete peacetime basis, whereby any foreign currency requirements are supplied by Treasury; thus limiting the War Department's foreign banking and exchange problems.

CARL H. PFORZHEIMER, JR.

3 Incls
Tabs A, B&C

CHP,JR.
3 Apr 47

CASH POSITION OF U. S. TAXPAYER
(000,000 omitted)

1. Potential loss to taxpayers:

a. A.M. Marks	$249	
b. Austrian Schillings	57	
c. A.M. Yen (incl. Korea)	70	
d. Netherlands Guilders	23	
e. Czechoslovak Crowns	3	
f. Total		$382

(Note: All figures tentative, pending return of Treasury and War representatives from ETO.)

2. Offsets to taxpayer loss:*

a. POW Outpayments	$ 48	($120)	
(40% of these dollars received from other than appropriated funds)			
b. War Accounts Settlements	26		
(Reimbursements from foreign governments)			
c. Savings under Protected Foreign Currency Devaluations	195		
d. Contributions from Foreign Governments Counteracting Unreasonable Official Exchange Rates	50		
e. Army Exchange Service Profits	12**		
f. Total		($413)	$341

3. Taxpayer position (using 40% POW outpayments) -$ 41

4. Taxpayer position (using 100% POW outpayments) +$ 31

*See also Tab C.
**Already paid into Treasury; more may follow.

CEP,JR.
3 Apr 47

CLEARING DISBURSING OFFICERS' ACCOUNTS
(Deficit estimated at $562)
(000,000 omitted)

1. Direct-using existing statutory authority:

a.	POW Outpayments	$120
b.	War Accounts Settlements	26
c.	Yen Devaluation	56
d.	Exchange Loss Voucher	175
	(Funds already obligated under "Finance Service, Army")	
e.	Total	$376
f.	Leaving for coverage by "relief bill" legislation...	$ 6*

*Closer figuring should eliminate any deficit.

2. Other methods - involving change in policy:

a.	Charging appropriations with procurement costs normally booked as occupation costs - Austria	$28**
b.	----------ibid---------- - Korea	32**
c.	Total	$ 60

Note: Such action must be initiated by State Department and any future outpayments to Austrian or Korean Governments cleared by National Advisory Council. (Italy is precedent.)

*From V-E Day to 30 June 1947.
**From V-J Day to 30 June 1947.

Tab B

CHP,JR.
3 Apr 47

METHODS FOR GRADUALLY RECOUPING U.S. DOLLARS IN EXCHANGE FOR FOREIGN CURRENCIES, EVEN AFTER TRANSFER TO THE SECRETARY OF THE TREASURY.

1. Army Exchange Service purchases in Germany and Japan.

2. Army Exchange Service purchases in Austria and Korea.

3. Local currency requirements of all agencies whose U. S. personnel have access to U. S. Army facilities; including:

   a. U. S. Army and Navy military and authorized civilian personnel.
   b. Business and commercial firms.
   c. Other government agencies.
   d. International government agencies.

4. Remittances.

   a. Eleemosynary.
   b. Business and commercial (pay sent to dollar-paid employees - see 3 b) above).

5. G-2 operations (dollars come from appropriated funds).

6. Periodic conversions of Military Payment Certificates.

Tab C

JWM
73985
amc
4A924

GJZ
3748

123.7 (7 Feb 49) 6063 Subj: Conversion of Deutschemarks

TO: Chief of Finance FROM: The Army Comptroller DATE: 18 Feb 49 COMMENT NO. 2
Capt. McGan/73985/amc

1. The evidence submitted by Hubert F. Julian clearly indicates that the German Deutschemarks for which conversion is requested were not acquired through official Army channels. The Department of the Army, since September 1946, has not accepted from nor converted foreign currency for individuals in the oversea areas.

2. In view of the facts outlined above, the Department of the Army, having no responsibility for the conversion of foreign currency, cannot favorably consider the conversion of the German deutschemarks in question. Accordingly, the request of Hubert F. Julian for conversion of deutschemarks is disapproved.

3. It is requested that the Chief of Finance notify Mr. Julian of this decision by separate correspondence. It is also requested that Representative Dawson be informed of this decision.

BY ORDER OF THE SECRETARY OF THE ARMY:

4 Incls
n/c

EDMOND H. LEAVEY
Major General, GSC
The Army Comptroller

MEMO FOR RECORD:

1. On 24 November 1948, Hubert F. Julian requested conversion of 10,700 German Reichsmarks into American dollar instruments. He states that on 3 September 1948 he arrived in Paris on his way to Frankfort to confer with Lieutenant General Lucius Clay in regard to a commercial matter. At the railroad station in Paris where he had gone to purchase rail transportation to Germany, he states that he was approached by a Technical Sergeant who told him that he had received a cable from San Francisco that his mother was dying of cancer. The Technical Sergeant stated to the claimant that previously he had purchased marks for the purpose of purchasing furniture but because of of his hast to go to the bedside of his dying mother he had not sufficient time to go to the Finance Office to exchange the German marks. The claimant states that he was touched by the story, and, upon a request from the Sergeant for help, he gave the Sergeant Four Thousand dollars ($4,000.00) in American currency in exchange for Twelve Thousand Marks (12,000). Claimant states further that he had no idea that he was doing wrong in effecting the exchange.

2. It appears that the claimant arrived in the currency control area on the Steamship America and that he was "Authorized Personnel" within the meaning of the provisions of W. D. Circular Number 247, dated 6 September 1947, Part II Paragraphs I-6 and II-9(7).

3. Paragraph I-7d of the Circular cited above provides as follows:

"Finance facilities are provided for the exchange of military payment certificates or authorized dollar instruments into the local currencies used in the occupied areas at a military rate of exchange. United States authorized personnel will purchase all of their local currency needs, for expenditures in the local economies of these occupied areas, from United States Army finance officers or their official agents. They will not acquire these currencies by exchange of military payment certificates, dollars, dollar instruments, foreign currency, or by barter or exchange of gifts from local indigenous personnel or from other allied or United States personnel."

Paragraph IV, 20 c provides as follows:

"Authorized personnel traveling as individuals and proceeding from the continental United States or from oversea areas where dollars instruments are used, to oversea destinations in which United States currency is not used as pay of military personnel, will upon arrival by sea vessel or rail personally be responsible for the exchange of all United States currency in their possession at the time of entry into the area or upon the first opportunity and in no instance after more than 48 hours have elapsed, into military payment certificates or authorized dollar instruments."

Paragraph IV, 21 provides as follows:

"Personnel will be held individually responsible in the event that they attempt or accomplish transactions with United States currency in areas where United States currency is not used as pay and allowances."

4. The evidence clearly indicates that Mr. Julian failed to comply with the rules and regulations in effect in the oversea area in that he did not purchase local currency from United States Army finance officers or their official agents; in that he acquired foreign currency from United States personnel by the exchange of dollars, and in that he failed to exchange all United States currency in his possession into Military Payment Certificates or authorized instruments within 48 hours after entering the area.

5. Ample facilities for conversion were provided for all authorized personnel and wide publicity was given to the rules and regulations with reference to the use and conversion of United States dollars into Military Payment Certificates and into the local currency in use in the oversea area. The claimant indicates that he was in Berlin in July 1948. This would tend to the conclusion that the claimant should have been familiar with the rules and regulations regarding the possession, use and conversion of United States dollars and Military Payment Certificates in the oversea area. No substantial excuse or justification is presented by the claimant for failing to comply with these regulations.

6. No substantiating evidence is presented by the claimant as to the acquisition of the currency in question. While credence may be given to the statements of the claimant, were there any extenuating circumstances in this case which there do not appear to be, corroboration would be necessary to establish legal acquisition of the marks in question. It appears unnecessary to pursue this aspect of the request.

7. Disapproval recommended.

J.W.M.

Mr. Hubert F. Julian - $4,000.00

SUPPLEMENTAL M.R.

On or about 15 December 1948 a 1st Indorsement indicating disapproval was accomplished and forwarded to the Chief of Finance. On 17 December 1948 at about 1045 Lieutenant Colonel Widmer, Assistant Receipts and Disbursing Division, Finance Department, telephoned Captain McGan of the Foreign Financial Group stating that Major General Harry Vaughn had called with reference to this claim requesting information as to whether or not disposition had been made. Lieutenant Colonel Widmer advised General Vaughn that the matter had been referred to the Budget Division of the Army Comptroller for action and that apparently final action had not been accomplished inasmuch as the Chief of Finance had not been so advised. After this telephone conversation Lieutenant Colonel Widmer located the file with the 1st Indorsement attached in the Office of the Chief of Finance. General Vaughn had requested that Lieutenant Col. Widmer call back advising as to the status of the claim. It appears that General Kasten advised with Lt. Col. Widmer and with Major General Leavey and it was decided to retain the file pending a recommendation from the Commander-in-Chief, European Command. From the statement of Mr. Julian it appears that, while in Germany, he had consulted with General Clay with reference to this matter. Lt. Col. Feyereisen consulted with Lt. Col. Widmer prior to this arrangement and it appears that the above arrangement was decided upon after General Leavey had consulted with General Kasten. Col. Widmer advised General Vaughn that the matter was being referred for recommendation to the Commander-in-Chief, European Command, and, in effect, that action would be accomplished upon receipt of this information. The original 1st Indorsement was then returned without formal action and retained in the files of Foreign Financial Group. It now can be destroyed and the attached comment No. 2 used in lieu thereof.

Mrs. Burch of Office, Chief of Finance advises that a letter may be sent to General Vaughn. This should be done only after clearance with General Leavey.

Attached to the file is a letter introducing Mr. Julian from Honorable William L. Dawson, House of Representatives to Major General Kasten. It is suggested that a copy of the letter of Mr. Julian from the Chief of Finance advising him of the ruling of the Secretary of the Army should be sent to Mr. Dawson.

J.W.M.

Mr. Hubert F. Julian - $4,000.00

Headquarters United States Forces in Austria
Office of the Commanding General
A.P.O. No.777, U.S. Army

***

15 March 1949

Lt. General Wade H. Haislip
Office of the Chief of Staff
Department of the Army
Pentagon Building
Washington 25, D. C.

Dear Ham:

Your letter, after your return to Washington, on the subject of payment of troops in dollars gave us a ray of hope, which was brightened again at Christmas time when Secretary Royall appeared to be thoroughly interested and favorably disposed. However, we have apparently been stymied by some one or more agencies or interests, and I am wondering just what the story is. We have received several cables, either at the Legation or at ECA Headquarters or here in mine, asking certain questions and seemingly tying up the single subject of payment of troops in dollars with everything from the trend of South American music to nuclear science. Actually, the only thing that is needed is for someone to say "go" and implement the decision by merely removing the word "Austria" from Circular WD-247. A visiting State Department representative told us a few days ago that he was very much surprised to find that the matter had not been settled in our favor and instructions received to that effect. He stated that upon his departure from Washington a few weeks ago he was led to believe that the matter had been settled. However, since then, through the ECA channels, we learned that it is now being discussed in connection with a change in the schilling rate, which is just the thing that we have tried to avoid -- at least for the time being. The ECA representative here replied to that effect and urged that our problem be settled on its own merits and that the larger question should be settled independently. Whoever is confusing the issue must have been trained either in a Senate filibuster or one of these treaty conferences. If you have any information or dope on the subject, I certainly would appreciate it.

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* * * * *

Sincerely,

/signed/ Geoff

GEOFFREY KEYES
Lieutenant General, USA
Commanding

CERTIFIED A TRUE ~~COPY~~ EXTRACT

P.A.Feyereisen, Lt. Col. GSC

EXTRACT

(Minutes, Meeting of the General Council, 1 February 1949)

"4. Payment of Rental for Military and Civilian Quarters in Japan

CINCFE has informally submitted a tentative proposal to Mr. Draper which provides for payment of rental by all occupation force and mission personnel occupying dependent quarters. Funds received from rentals will be placed in the SCAP Trust Fund to be used to assist the revival of Japanese economy. In a preliminary study the D/A arrived at the conclusion that a decision on the principle of the payment of rental for military and civilian quarters in Japan should be deferred until other stabilization measures have been more fully effectuated."

25 January 1949

Following are 14 reasons why the payment of United States personnel in Austria with dollars should not be authorized:

1. On an Army-wide basis, personnel in Austria are better off insofar as the cost of living is concerned than personnel in the United States. (See CINCEUR personal cable CC 4516 of 31 May 1948 CM IN 6796).

2. USFA in its repeated attempts to have its personnel paid in Austria has consistently failed to prove hardship as claimed. Key USFA representatives have informally admitted it to be impossible to justify a station allowance, authorized by Congress and furnished United States personnel overseas in cases where hardships from unfavorable rates of exchange is proved.

3. Conversations with several enlisted and officer personnel from the European Command, no longer stationed there, have indicated that there is no morale problem insofar as lower echelon officer and enlisted personnel are concerned. The official report of The Inspector General in mid 1948 indicated morale was high in Austria.

4. The monetary hardship claimed by USFA pertains to about 20% of the individual's pay. Dollar travelers checks are presently being sold in Austria in amounts approximately equal to 20% of pay where the contended hardship rests. The only reasonable deduction which can be made in this respect is that CG, USFA has already provided an out, equal to the use of dollars, for his personnel. It follows that no hardship exists except for the payment of a small service charge for the travelers checks plus a slight disadvantage in the administrative use of such instruments.

5. While it is argued that tourists are given preferential treatment, it must be borne in mind the United States personnel stationed in Austria conversely are given many advantages and privileges (PX, commissary, exception from judicial action, special club arrangements, rest camps, etc.) not afforded to United States tourists.

6. A strong temptation to use the barter system will still prevail, inasmuch as United States personnel will prefer to exchange a package of cigarettes or something of value rather than their dollars.

7. Although the Austrians and USFA representatives contend that the dollars paid to troops will find their way to the Austrian Government, experience in other foreign areas where dollars have been used in the past clearly indicates that the dollars instead will go into black market deals or into hiding.

8. The United States dollar will undoubtedly be most sought after by the Austrian population and black marketeers and thereby ultimately destroy confidence of the Austrian population in the schilling because of the decreased demand for it.

9. The use of dollars in Austria will undoubtedly be the forerunner for using dollars in Germany, to preclude demoralization of United States personnel in Germany.

10. The use of dollars in Austria will undoubtedly establish a dollar black market particularly between United States personnel in Austria and Germany. This black market will accentuate the present flight of credit from Germany to foreign countries and affect the stability of the 30¢ Deutsche Mark.

11. While the Austrian Government raises no objection to the use of dollars in Austria its position cannot be accepted at face value in the light of a similar circumstance in the United Kingdom, wherein the British Government is strongly insistent that United States personnel stationed in the United Kingdom presently paid in dollars be either paid in the Military Payment Certificate or indigenous currency in view of the dangers inherent in the use of dollars in its economy (see attached copy of letter from British Government to United States Treasury). The position of the Austrian Government as compared to the United Kingdom can only be explained by an assumption that Austria is willing to make broad concessions to the United States because of the United States pay-as-you-go policy in Austria and to satisfy the ardent desire on the part of the United States authorities in Austria to pay its personnel in dollars.

12. The introduction of the dollar would offer the Soviet Government the opportunity of accusing the United States of imperialism to the extent of circulating United States currency in Austria and could result in counter-measures on the part of the Russians who would have a basis for imposing the use of the ruble in Austria thereby creating an unstable and confusing currency market. This could even lead to a repetition of the "Berlin incident" occasioned by the introduction of the new Deutsche Mark. Further, the introduction of the ruble in Austria could place the Russians in a favorable position to complete more rapidly the economic coup in their zone of Austria, which to date they have had to accomplish within the confines of occupation cost allocations of schillings.

13. Within the financial circles of Washington, concern has been expressed at the overall apparent laxity of Austria on its vital exchange and exchange control problems. It is known that the entire Austrian problem will be studied shortly by the International Monetary Fund. As a result of such study, action is expected whereby the fund will set a rate approaching 20% for the schilling. At that time, the Army may well be compelled, in light of overall U. S. policy, to support the new rate and probably called upon to discontinue the use of dollars. Having authorized the U. S. personnel to legally operate in the open market with dollars where a rate of 40 to 50 schillings could be obtained, the Army will then face a more troublesome problem in attempting to reorient its personnel to the newly established official rate.

14. It is believed that State Department and ECA tentative concurrence to the plan to pay in dollars is in part due to the fact that the official type expenditures of the Army in Austria have been excluded from the problem. The exclusion of the question of the official expenditures by the Army in Austria from this problem places the Army, in its relationship with the Congress and with the General Accounting Office in a position subject to severe criticism and most difficult to explain.

While it is recognized that USFA may have valid arguments favoring the use of dollars in Austria, in the absence of proof of hardship to U. S. personnel and in view of the overwhelming arguments against such practice, it is believed the Department of Army should not place itself in the inherently dangerous position of undermining the overall U. S. policy objectives in Austria and Germany.

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EKShultz/73985/amc

17 January 1949

SUMMARY OF PROBLEM CONCERNING USE OF DOLLARSIN AUSTRIA

1. In November 1947 USFA requested authority to pay its personnel in dollars in view of hardships being endured because of the claimed unfavorable official rate of exchange of ten schillings to one dollar. This request was denied because of the failure of data furnished by USFA to prove the hardship as claimed, as well as, the refusal of State and Treasury Departments in the light of overall U. S. policy, to concur in the granting of such request.

2. In May 1948 USFA again requested authority to pay its personnel in dollars. USFA representatives came to Washington to present their case. After the facts presented were personally examined by the Under Secretary of the Army and the matter discussed with State and Treasury, the request was again denied substantially for the same reasons as before. In order, however, to alleviate the claimed hardship of USFA, the Under Secretary directed that efforts be made to examine the possibility of obtaining a more favorable rate of exchange from the Austrian Government. It should be noted that in the examination of the data presented by the USFA representatives, it was shown that only from ten to twenty percent of the pay of United States personnel in Austria is expended in the indigenous economy; that any hardship with respect to such portion of pay is reduced considerably by virtue of the

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fact that USFA personnel are permitted to purchase dollar traveler's checks which have practically the same status and usage as a dollar instrument.

3. The USFA Command in spite of its inability to factually prove its contention concerning hardship and in face of the fact that the cost of living in Austria is less than that in the United States, has continued to exert pressure to obtain authority to pay its personnel in dollars by approaching General Haislip and Secretary of the Army Royall during their separate visits to Austria. The case, as presented to General Haislip and Secretary Royall by USFA, has been based upon a contention that the inequitable rate of exchange and hardships endured by Army personnel and their dependents in Austria is tending to destroy the morale and morals of such personnel. In this respect it is interesting to note that a 1948 Inspector General report on USFA made comment concerning the high morale of the troops in Austria. Further, informal conversations with officers who were stationed in Austria has failed to elicit any complaint of hardship with respect to living conditions or the cost of living. As a matter of fact, these officers have indicated that from a cost of living standpoint they were better off in Austria.

4. However, since the Secretary of the Army Royall has established the Department of the Army position that dollar payment to United States personnel in Austria should be authorized, the following facts should be used in supporting the Army position:

a. The Austrian Government has indicated both to USFA and to Secretary of the Army Royall that it favors the use of dollar payment to

United States personnel but is against a change in the rate of exchange. (See Tab A)

b. Mr. Earhart, United States Political Advisor to USFA, has raised no objection to the use of dollars by United States personnel. (See Tab A)

c. 1. Under a "tourist trade" plan effective 1 December 1948 the Austrian Government is allowing foreign tourists to bring unlimited quantities of hard currencies into Austria and to convert them at unofficial rates. (See Tab B)

2. United States personnel should have equal standing with such tourists since they in a large measure contribute to the tourist trade of Austria.

d. The Austrian Command in its radio of 1 January 49 has indicated in specific cases that USFA personnel are discriminated against, as compared to tourists receiving similar services and supplies, to the extent of 450%. (See Tab C)

5. a. Although the Secretary of the Army and the CG USFA have elected to handle the problem of paying personnel in Austria with dollars separate from the problem pertaining to official Army expenditures in Austria, it is believed most vital and in the Department of Army's interest to associate the two problems together. Unless the problem of official expenditures is considered concurrently with the problem of payment of United States troops in dollars in Austria, the Department of the Army opens its financial policies to justifiable criticism, since a decision to pay United States personnel in Austria in dollars would clearly support a

contention of the inequality of the rate of exchange between the Austrian schilling and the United States dollar. Failure on the part of the Army and its financial representatives to take action to correct inequities in official expenditures at the same time it strives to correct inequities in expenditures of United States individuals in Austria, may be embarrassing to explain unless it is argued that the matter of the payment of troops with dollars in Austria was treated separately from the payment of official expenditures since the latter involved commitments of the Department of the Army under the terms of the United States-Austria Pay-As-You-Go Agreement effected in June of 1947 whereunder the United States Army is obligated to pay for services and supplies evaluated under specific formulae. In view of the above it is important that State and Treasury Department representatives be placed on notice that the resolving of the problem of dollar payment to U. S. personnel in Austria can in no sense be construed as precluding Department of Army action concerning its official U. S. Army expenditures in Austria.

b. It is understood that ECA is also involved in consideration of the problem at hand from the standpoint of the use of ECA counterpart schilling funds acquired as a result of the sale of ECA supplies in Austria.

BUDGET DIVISION
ROUTING SLIP

FOR INFORMATION:

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At the end of 1946 the Armed Forces,

in the role of the international banker,

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$75 million dollars in yen, and the

remainder in various other currencies.

These currency holdings resulted from

the large scale foreign exchange operations

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totaling over $11 billion dollars during

and immediately following World War II.

The Armed Forces decided to utilize these foreign currencies in their normal operations or in the settlement of various war accounts with foreign nations in preference to asking Congress for an appropriation to effect this reduction in holdings. As of approximately 5 December 1948, the Army had reduced its holdings of foreign currencies to normal working balances of less than $8 million dollars. With the successful introduction and use of Military Payment Certificates in certain overseas areas, the Armed Forces no longer accept foreign currencies.

At the end of 1946 the Armed Forces, in the role of the international banker, had accumulated over $380 million dollars worth of certain foreign currencies, including $250 million dollars in marks, $75 million dollars in yen, and the remainder in various other currencies. These currency holdings resulted from the large scale foreign exchange operations of the Armed forces, which involved transactions totaling over $11 billion dollars during and immediately following World War II.

The Armed Forces ~~d~~ utilized these foreign currencies in their normal operations and in the settlement of various war accounts with foreign nations. ~~in preference to asking Congress for an appropriation to effect this reduction in holdings.~~ As of approximately 5 December 1948, the Army had reduced its holdings of foreign currencies to normal working balances of less than $8 million dollars. With the successful introduction and use of Military Payment Certificates in certain overseas areas, the Armed Forces no longer accept foreign currencies.

9 December 1948

GENERAL LEAVEY:

The attached paper was prepared by Colonel Feyereisen for inclusion in Mr. Royall's briefing book which he will take overseas with him. It was sent direct to Mr. Royall's office. I believe you will want to acquaint yourself with its contents.

GFH