

GHQ/SCAP Records(RG 331)
Description of contents



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Secret List

<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
S-6768	Check Sheet	U.S. Loan Property	19 Dec 50 ⁵¹
S-6700	Check Sheet	Transportation for CAS Radio Stations	3 Dec 50 ⁵¹
S-6460 S-6457	Check Sheet	Loan of Equipment	21 Sep 51
S-6641	Ltr to JLC	U.S. Loan Property to NPRJ	15 Nov 51
C-1918	Ltr to JLC	Loan of Test Equip	4 Sep 51
S-6414 S-6409	Check Sheet	Loan of Signal Equipment to NPRJ	14 Sep 51
S-6239 S-6236	Check Sheet	Signal Equipment on Loan Basis for Training Purposes	3 Aug 51
	Ltr to JLC	Procurement of Signal Equipment from Japanese Contractors	16 Dec 50
S-6226	Check Sheet	Signal Equipment on Loan Basis for Training Purposes	1 Aug 51
S-6172	Check Sheet	Types of Radios to be Installed in Vehicles	25 Jul 51
S-6120	Check Sheet	Signal Equip Required for Special FECOM Reserve	26 Jun 51
S-6122	Check Sheet	Signal Equipment for NPRJ	26 Jun 51
	Check Sheet	Signal Materiel Needed for Local Procurement Samples	30 May 51
	Check Sheet	Signal Samples Needed for Local Procurement	21 Feb 51
	Check Sheet	Unserviceable Field Wire for Training Purposes (NPRJ)	7 Dec 50
	Ltr to JLC	Unserviceable Field Wire, W-110B	13 Dec 50
	Check Sheet	Signal Materiel Samples Needed for Local Procurement	7 Feb 51
	Ltr to JLC	Unserviceable Field Wire, W-110B	26 Dec 50
	Ltr to JLC	Unserviceable Field Wire, W-110B	9 Dec 50
	Memo	Local Procurement of NPRJ Equipment	19 Sep 51

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<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
S-4075	Check Note(S)	Information Regarding Military Uniforms	17 Mar 51
S-6791	Check Note(S)	Loan of US Equipment	22 Dec 51
S-6724	Ltr (S)	Aebano Maneuver Area. To: Commanding General Japan Logistical Command	6 Dec 51
S-6788	Ltr (S)	Vehicles for NPRJ	
S-6744	Check Note(S)	Loan of carriers, personnel(half-track)to NPRJ	
S-6706	Check Note(S)	Engines	5 Dec 51
S-6684	Ltr (S)	Request for 76 carriers, personnel(half-track) for NPRJ	29 Nov 51
S-6735	Check Note()	Carriers, Personnel, M290	21 Nov 51
L-36	IORS (S)	Procurement and distribution of half-track vehicles	5 Nov 51
S-6582	Ltr (S)	Message CINCEP to JLC #E39015 re vehicles	26 Oct 51
S-6471	Check Note(S)	Loan of Carrier Cargo M290 to NPRJ	26 Sep 51
S-6501	Check Note	Maintenance of US Ordnance Loan Equipment	6 Oct 51
S-6474	Ltr (S)	Issue of Ord Equipment	28 Sep 51
None	Ltr & Memo (S)	Vehicles for NPRJ	
S-6296	Ltr (S)	Establishment of accountable officers	20 Aug 51
S-6742	Ltr (S)	Procurement of items in 058065 with Jap destroyed funds	14 Dec 51
S-6594	Info (S)	Reference messages establishing Special FECOM Reserve	30 Oct 51
S-6589	Info (S)	Re Forces for which FECOM reserve is to be established	28 Oct 51
S-6621	Info (S)	Re authority to requisition ammo requirement for Special FECOM Reserve	7 Nov 51
S-6755	Message(S)	Local procurement of engineer items using yen funds	15 Dec 51
S-6747	Info (S)	Amendment of DA 89014 re weapons	14 Dec 51
S6743	Info (S)	Status of 12 intercomms	14 Dec 51
S-6584	Check Note(S)	Equipment for NPRJ	25 Oct 51
S-6729	Message(S)	Re fixed and floating bridges	9 Dec 51
S-6730	Message (S)	Re status of 12 each intercomms	
S-6717	Message (S)	Re procurement of mortar ammo in Japan	6 Dec 51
S-6704	Info (S)	List of additional ammo for Special FECOM Reserve	2 Dec 51
S-6694	Info (S)	Procurement of mortar ammo in Japan for supply to SEA MDAP countries under FY 52 program	1 Dec 51

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<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORTES POLYENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
S-6679	Message (S)	Re local procurement of engineer items; signal equipment; ordnance items	26 Nov 51
S-6563	Message (S)	Re equipment to be procured locally; Re T/O & E	23 Oct 51
S-6676	Message (S)	Items in part 3 DA msg 80082 will be locally produced except 48 anemometer	27 Nov 51
S-6672	Info (S)	Cancellation of sign rqs	25 Nov 51
S-6636	Ltr (S)	Re authority for submitting rqs for NPRJ vehicles	13 Nov 51
S-6630	Info (S)	Authority to rqn TO&E vehicles for NPRJ	11 Nov 51
S-6406	Message (S)	Outgoing message re increase in ammo supply	
S-6595	Info (S)	Re carriage Mtr 90mm gun	30 Oct 51
S-6555	Ltr (S)	Cancellation of signal requisition	21 Oct 51
S-6195	Message (S)	Request specifications be furnished	23 Jul 51
S-6121	Message (S)	Request for 12 volt radios for FECOM Reserve	26 Jun 51
S-6575	Message (S)	Re NPRJ vehicle requirements	25 Oct 51
None	Statements (S)	Functional Statements. (Advisory and Control Group for the Japanese National Police Reserve)	6 Feb 51
S-6310	Message (S)	Tanks light M24 for "Special FECOM res"	22 Aug 51
S-6556	Message (S)	Vehicles requirements for NPR	21 Oct 51
S-6087	Message (S)	Installation of bow gun mount on M-36 carriage	14 Jun 51
S-6141	Message (S)	Radio requirements for combat vehicles	4 Jul 51
S-6124	Message (S)	Additional equipment for SFRP	27 Jun 51
S-6145	Message (S)	Availability of Ammunition	7 Jul 51
S-6590	Message (S)	Interim reply to vehicle request	28 Oct 51
S-6551	Message (S)	Signal Equipment for NPRJ	20 Oct 51
S-6550	Message (S)	Indigenous Procurement for NPRJ	19 Oct 51
S-6535	Message (S)	Authority to request Intercomm Stations	16 Oct 51
S-6359	Info (S)	Equipment for NPRJ	6 Sep 51
S-6469	Message (S)	Revised shipments dates on certain amounts of items	27 Sep 51
None	Message (S)	Information on Shipment	24 Sep 51
S-6415	Message (S)	Information on Availability of Equipment	16 Sep 51
S-6273	Message (S)	Bow mount for carriage mtr 90mm gun M36	14 Aug 51
S-6399	Info (S)	Report of T/E equipment for NPR	10 Sep 51
S-6346	Message (S)	Carrier cargo M29C already equipped with brackets for radio mounts	5 Sep 51

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<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
S-6328	Message (S)	Shipment of Special FECOM Reserve items from ZI	29 Aug 51
S-6330	Message (S)	Authority to drop expendables from accountability	29 Aug 51
S-6327	Message (S)	Requirements for bow mounts is 1 per vehicle	28 Aug 51
S-6315	Message (S)	Requirements for bow mounts kit is 1 per vehicle	24 Aug 51
None DA 58016	Message ()	Steel percentages	29 Jul 51
Z-27497	Info ()	Steel tonnage from U. S.	24 Jul 51
S-6066 None DA 93653	Message (S)	Equipment & ammo for Special FECOM Reserve DA 93653	10 Jun 51
DA 87299	Message (S)	Requirements for ROHA & NPRJ be reconsidered	
W55429	Message (S)	Items will be furnished from Army stocks	11 Jul 50
S-6078	Message (S)	Installation of bow mount gun on 302 carriages M36	14 Jun 51
S-6173	Message (S)	Request reply to radio (re bow mount)	13 Jul 51
S-6197	Message (S)	Bow mount for carriage mtr 90mm M36	24 Jul 51
S-6209	Message (S)	Request installation of radio set in Special FECOM Reserve vehicles to be shipped as listed	26 Jul 51
S-6109	Message (S)	Signal equipment required for Special FECOM Reserve	23 Jun 51
S-6162	Message (S)	Request advice as to types of radios desired in equip	12 Jul 51
S-6217	Message (S)	Vehicles radio set stock numbers	28 Jul 51
S-6273	Message (S)	Bow mount for carriage mtr 90mm gun M36	14 Aug 51
S-6124	Message (S)	Ordnance items to be shipped from ZI (See #36)	27 Jun 51
S-6141	Message (S)	Radio requirements for Special FECOM Reserve (See #37)	4 Jul 51
S-6145	Message (S)	Shipment of ammo (See #35)	7 Jul 51
S-6218	Message (S)	Trucks 2 1/2 ton, gun mach cal. 30 sniper	28 Jul 51

Ordnance, Briefing Data, NPRJ

- Tab. 1 List of NPRJ Ordnance Units
- Tab. 2 Status of US Ordnance Equipment
- Tab. 3 Status of Ammunition Requirement
- Tab. 4 Status of Japanese Procurement
- Tab. 5 Advisory Personnel Requirements
- Tab. 6 On - the - job Training Plan

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<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
		Agency to Coordinate U.S. Procurement and Cooperative Industrial Mobilization Activities in Japan	
(1) S-6332	Check Note (S)	Agency to Coordinate U.S. Procurement & Cooperative Industrial Mobilization Activities in Japan	
(2) S-6332	Memorandum (S)	Memorandum for Exec.	
(3) None	Memorandum (S)	Memorandum, ESS, SCAP.	
(4) None	Memorandum (S)	Memorandum, Secretary of Defense.	

None	Check Note (S)	Summary of changes & deletions for various NPR T/O & Es	
None	IORS (S)	T/O & Es for expended NPRJ (Engineer and Armor)	28 Dec 51
L-59	Check Notes(S)	T/As for Tech Service Schools	27 Nov 51
L-58	IORSs (S)	T/As for Mortar Training Center	26 Nov 51
L-42	IORSs & Check Notes (S)	Revision of NPRJ & T/Os	24 Nov 51
None	IORSs & Memo(S)	Reorganization of NPRJ	30 Oct 51
S-5312	Memorandum (S)	Review of medical T/Os and personnel strength	22 Aug 51
None	Memorandum (S)	Preparation of T/As for NPRJ schools	25 Sep 51
None	Memorandum (S)	Speed-up development and training of NPRJ	18 Sep 51
None	Memorandum (S)	Conference re issue of weapons to NPRJ	2 Oct 51
S-6312	Memorandum (S)	Changes in organization of NPRJ	22 Aug 51
S-6311	Memorandum & Check Note(S)	Revision of NPRJ & T/Os	15 Aug 51
S-6616	Ltr (S)	Ordnance T/E Equipment, National Police Reserve Japanese. To: Commanding General JLC	5 Nov 51
S-6627	Check Note (S)	Ammunition requirements	10 Nov 51
S-6626	Check Notes(S)	Ammo requirements for FECCM Reserve	17 Oct 51
S-6763	Check Note (S)	Request for inert ammunition	18 Dec 51
S-6725	Check Note (S)	Ammunition storage for NPRJ	10 Dec 51
S-6708	Ltrs (S)	Modification of Gun, Machine Cal..50, HB M2	24 Nov 51
S-6712	Check Note (S)	Loan of U.S. Equipment to NPRJ	6 Dec 51
S-6640	Check Notes & IORS	Additional Shipment of Equipment and Ammunition for "Special FECCM Reserve"	5 Nov 51

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<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
S-6655	Ltr (S)	Modification of Gun, Machine Cal..50, HB, M2	15 Sep 51
L-48	Memorandum (S)	NPR Ammunition Requirement	15 Nov 51
S-6596	Check Note (S)	Ammunition Requirements	
S-6533	Check Note (S)	Release of AAA AW Equipment to NPRJ	16 Oct 51
S-6534	Memo for Record (S)	Ammunition and Equipment for NPRJ	16 Oct 51
S-6524	Check Note (S)	Weapons and Ammunition for Kurihama School	10 Oct 51
S-6530	Check Note (S)	Ammunition and Equipment for NPRJ	
S-6508	Check Note (S)	and Ammunition/Equipment for NPRJ	
S-6404	Check Note (S)	Request for Allocation of 81mm Mortars and Training Ammunition	11 Sep 51
S-6481	Memo for Record (S)	Demolition Materials for NPRJ	29 Sep 51
S-6331	Check Note (S)	Request for Training Ammunition	30 Aug 51
S-6446	Check Note (S)	Loan of U.S. Engineer Ordnance Equipment to NPRJ	21 Sep 51
S-6445	Check Note (S)	Request for Ammunition for NPRJ	28 Aug 51
S-6459	Check Note (S)	Maintenance of U.S. Ordnance Loan Equipment	25 Sep 51
S-6458	Check Note (S)	Loan of Carrier Cargo M290 to NPRJ	
S-6783	Check Note (S)	Quarters for Advisory Groups to the NPRJ	21 Dec 51
S-6790	Check Note (S)	Temporary Use of Camp Kurume by NPRJ	21 Dec 51
S-6660	Check Note (S)	Release of Camp Kurume for NPRJ Use.	22 Nov 51
S-6752	Info (S)	Defense Against Chemical, Biological and Radiological Weapons	12 Dec 51
L-54	Info (S) (Check Notes)	Plan for Relocation of NPR Tactical Units	
S-6620	Info(S)	Logistical and Maintenance Support for United States Equipment for Special FECOM Reserve	6 Nov 51
L-18	Memorandum (S)	Modification of Fourth Phase Training Program	24 Oct 51
None	Memorandum (S)	Local Procurement fo NPRJ Equipment	19 Sep 51
S-6426	Check Note (S)	Provisional Use of Camp Palmer by NPRJ	
S-6456	Check Note (S)	Ammo Requirements for FECOM Reserve	
S-6425	Check Note (S)	Ammo Requirements for FECOM Reserve	
S-6433	Check Note (S)	Request for Allocation of 60mm Mortars and Training Ammunition	22 Sep 51
S-6429	Ltr (S)	Explosives and Demolition Equipment To: Commanding General, JLC	11 Aug 51
S-6411	Check Note (S)	Transmittal of Action Copys of NPR Requisitions 1 thru 17 - 52	14 Sep 51

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<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
None	Ltr (S)	Request for Equipment. To: Commanding General, JLG.	24 Aug 51
S-6341	Check Note (S)	Training Requirements for NPRJ.	1 Sep 51
S-6408	Check Note (S)	Request for Modification of Gun-machine, Cal 50, HB, M2.	12 Sep 51
S-6333	Check Note (S)	Request for Disposition of Carbines.	28 Aug 51
S-6331	Check Note (S)	Request for Training Ammunition.	
S-6324	Check Note (S)	Request for Allocation of 81-mm Mortars and Training Ammunition.	
S-6281	Check Note (S)	Equipment for Training	17 Aug 51
S-6258	Check Note (S)	Explosives and Demolition Equipment	9 Aug 51
S-6221	Check Note (S)	Immediate Loan of Equipment for Loan to NPRJ	30 Jul 51
S-5090	Ltr ()	Ammunition for Training NPRJ. To: Commanding General JLG.	7 Jun 51
S-6247	Check Note (S)	Equipment for Training.	8 Aug 51
S-6234	Check Note (S)	Allocation of Weapons.	1 Aug 51
S-6230	Check Note (S)	Explosives and Demolition Equipment	2 Aug 51
S-6215	Ltr (S)	Smoke Munitions for NPRJ.	29 Jul 51
S-6221	Check Note (S)	Immediate Loan of Equipment for Loan to NPRJ	30 Jul 51
S-6192	Ltr: 1st Ind(S)	Explosives and Demolition Equipment for NPRJ	22 Jul 51
S-6207	Check Note (S)	Allocation of Weapons	25 Jul 51
S-6203	Ltr (S)	Distribution of Mortar Training Shell M69 and Accessories	26 Jul 51
S-6151	Check Note(S)	Training Ammunition and Equipment	9 Jul 51
None	Memorandum (S)	Memorandum for Record	18 Jul 51
S-6186	Ltr (S)	Training Ammunition and Equipment. To: Commanding General JLG.	19 Jul 51
S-6161	Check Note (S)	Explosives and Demolition Equipment	11 Jul 51
S-6089	Check Note (S)	Demolition Equipment for NPRJ	20 Apr 51
S-6144	Ltr (S)	Smoke Munitions for NPRJ	
S-6139	Check Note (S)	Mortar Training Ammunition	6 Jul 51
None	Check Note (S)	Equipment from ZI	27 Jun 51
S-6051	Check Note (S)	Allocation of Weapons	5 Jun 51
S-4115	Check Note (S)	Mortar Ammunition for Training of NPR	27 May 51
S-6090	Check Note (S)	Request for Smoke Munitions	15 Jun 51
S-4117	Check Note (S)	Allocation of Weapons	5 Jun 51

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<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
S-6132	Ltr (S)	Equipment for Special FECOM Reserve. To: JLC	2 Jul 51
S-4115	Check Note (S)	Mortar Ammunition for Training of NPR.	27 May 51
None	Check Note (S)	Allocation of Weapons.	4 May 51
None	Ltr (S)	Ordnance for National Police Reserve Japan. To: Commanding General JLC.	28 May 51
None	Check Note (S)	Hand Grenades, Training, MKLAL.	4 Apr 51
None	Check Note (S)	Distribution of Weapons.	6 Jan 51
None	Ltr (S)	Arms for "NPR". To: Commanding General JLC.	2 Jan 51

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Confidential List

<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
None	Ltr & IORS (C)	Budget Directive, JFY 1952-53, By Order of Chief of General Group. To: All Staff Div. & Sec. GGHQ and Chief, Service Group	5 Jul 51

Confidential List

Unclassified List

<u>DOCUMENT NUMBER</u>	<u>TYPE OF CORRESPONDENCE</u>	<u>SUBJECT</u>	<u>DATE</u>
X-170	Ltr	Maintenance of Basic Load of Ammunition. To: Chief, Hokkaido, Kanto, Kinki & Kyushu CAR and Senior Advisor, NPR Service Group, General Group School Centre, NPR, Camp McKnight & Mortar Training Center.	undated
None	Note:	Storage of Ammunition and Explosives	undated

Unclassified List

SECRET

To → *Col. Gulehrst*
Please see me now

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.

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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 Congressional 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

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(concurrent 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.

3. 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. PFOREHEIMER, JR.

3 Incls
Tabs A, B&C

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SECRET

CHP, JR.
3 Apr 47

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

Debits
1. Potential loss to taxpayers:

a. A.M. Marks.....	\$249	
b. Austrian Schillings.....	87	
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.)

Credits
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.

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Tab A

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.....		<u>\$376</u>
f. Leaving for coverage by "relief bill" legislation...		<u>\$ 6*</u>

*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.....	52***	
c. Total.....		<u>\$ 80</u>

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.

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 B 5) above).
5. G-2 operations (dollars come from appropriated funds).
6. Periodic conversions of Military Payment Certificates.

Tab C

SECRET

detained or arrested by order of the Supreme Command for the Allied Powers, the payment of retiring or discharge allowances, death gratuities, allowances to bereaved families, and other allowances of corresponding character from the local organizations concerned shall be suspended during the periods of detention or arrestment.

When the conviction of persons referred to in the preceding paragraph is established, such persons shall be disqualified or forfeit their title for receiving allowances as mentioned in the same paragraph.

Article 3. The provisions of the preceding two Articles shall not apply to cases to be particularly specified by the Minister of Home Affairs.

Article 4. Items necessary for the operation of this Ordinance shall be regulated by the Minister of Home Affairs.

Supplementary Provisions:

The present Ordinance shall come into force as from the 24th November, 1945.

"Reference,"

Imperial Ordinance No. 81

We hereby give Our sanction to the Ordinance relating to the Disqualification, the Forfeiture of Title and Others, of Officials, Employees and Others, of Local Organizations who Retire from Office, due to Directives of the Supreme Commander for the Allied Powers, for Receiving Retiring Allowances and Others, under the Imperial Ordinance No. 542 of the twentieth year of Showa (1945) concerning Orders to be issued in consequence of Our Acceptance of the Potsdam Declaration and cause the same to be promulgated.

Imperial Ordinance No. 81

Article 1. When officials, supervisors, or employees of Tokyo Metropolis, Hokkaido and prefectural offices, city, town and village offices, city, town and village associations, irrigation associations, or land utility promotion associations of Hokkaido, all of which shall be included hereinafter under the designation of local organizations, retire from office on account of directives of the Supreme Commander for the Allied Powers, they shall be disqualified or forfeit their title to receive retiring or discharge allowances and / or other allowances of similar character from the local organizations concerned.

Article 2. When persons who were formerly officials, supervisors, or employees of local organizations, or surviving members of their bereaved families are

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FOREIGN CURRENCY BALANCES
OF
THE UNITED STATES ARMY AFTER WORLD WAR II
THEIR UTILIZATION

PREPARED:

7 September 1949
PLANS AND POLICY OFFICE
OFFICE OF ARMY COMPTROLLER

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FOREIGN CURRENCY BALANCES OF THE UNITED STATES ARMY
AFTER WORLD WAR II - THEIR UTILIZATION

INTRODUCTION - THE PROBLEM

The United States Armed Forces in World War II, operating on several foreign fronts, necessarily became engaged in the largest foreign exchange operations of our modern times. As the air, water and land tactical operations proceeded and our troops advanced from one foreign country to another around the globe, a multitude of foreign currency and exchange problems presented themselves. Under normal peace time conditions, these multi-billion exchange operations would have been recognized as unprecedented. Under war conditions, the continuous movement of millions of men, the torn economies in which the military was operating and the confusion surrounding governmental and intergovernmental authority all tended to make these financial problems more difficult. Even so, the over-all war effort and the necessity to succeed at any cost overshadowed to a great extent the more technical problems associated with foreign exchange.

The Armed Forces of the United States were not prepared for this new aspect of warfare. Its finance people were trained principally in United States dollar disbursements and appropriation accounting. Except for a minimum orientation in the computations of exchange rates or practical experience of disbursing foreign currencies in the several foreign localities where small numbers of our forces were stationed prior to the war, the greater majority of its finance people were not equipped to cope with these problems on a broad scale.

Even after the Armed Forces had been reinforced with many reserve officers having formidable economic or financial backgrounds and training, absolute control over this major fiscal situation was not achieved until certain damage admittedly had been done.

The countless adjustment, corrective, and remedial actions taken during the period of the war and the first years following the war were

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unquestionably helpful and provided a great degree of control over foreign exchange transactions. They most certainly prevented the development of a chaotic financial situation which could have materially affected the war and peace efforts of our Government. These actions taken were necessarily many times of the trial and error type, there being no precedent for operations of this kind. These efforts, however, by proper authority were in all known cases sincere and combined with the aim to successfully prosecute the war.

As a result of these foreign exchange transactions, the Army (representing the major interest) on 31 December 1946 held approximately \$531 million worth of some 48 different foreign currencies (See Table I). While some of these currencies represented reasonable operational holdings insofar as the Army was concerned, it was recognized that the greater dollar value represented currencies which were possibly or actually excess to the Army's needs for such currencies as of that date.

Of this total, German marks in the equivalent of \$271,000,000 were reported, Japanese yen worth \$73,000,000, Austrian schillings in the equivalent of \$26,000,000, Czechoslovak crowns worth \$3,000,000, and Netherlands guilders approximating \$24,000,000 comprised the greater share of those currencies which might ultimately be termed "excesses". Although the Army's holdings of French francs was large (\$69,000,000) it was known as of December 1946 that settlement for procurement by the United States Armed Forces in France subsequent to 2 September 1945 (Post Lend-Lease) would amount to something well above the dollar equivalent of these holdings. No actual excess in French francs existed, therefore, and consideration of these holdings as "excess" would have been erroneous. (Incidentally, the War Department had previously protected certain of its major holdings of foreign currencies against devaluation in other countries. The major case of such action was in the case of the devaluation of the French franc on 26 December 1945, at which time the Army held approximately \$125 million worth of French francs. Since the French franc at that time was devalued from 1 franc equals .020175 to 1 franc equals .00840625, a loss of approximately \$73,000,000 could have been experienced by the Army had it not taken aggressive action to protect these

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FOREIGN CURRENCY HOLDINGS
OF
U.S. ARMY AS OF 31 DECEMBER 1946
(DOLLAR EQUIVALENTS)

Table I

COUNTRY	CURRENCY	AMOUNT IN TERMS OF DOLLARS
		97,996
Brazil	Cruzeire	264,617
Iraq	Dinar	26,629
British West Indies	Dollar	369,436
Canada	Dollar	22,940
Maylay Strait Settlement	Dollar	21,416
Portugal	Escude	4,326
Dutch Guiana	Flerin	807
Hungary	Feriat	19,339,228
Belgium	Franco	68,918,285
France	Franco	153
French Equatorial Africa	Franco	9,096
Luxembourg	Franco	246,707
Switzerland	Franco	76
Haiti	Gourdes	1,626,246
Canada	Gold Coin	1,554,085
France	Gold Coin	23,761,269
Netherlands	Guilder	159,709
Curacao	Guilder	3,141,603
Czechoslovakia	Koruna	146,497
Iceland	Krona	124,271
Sweden	Krona	516,924
Denmark	Krone	210,097
Norway	Krone	1,162,293
Italy	Lira	14,090
Tripolitania	Lira	270,909,788
Germany	Mark	162
Finland	Markka	613
Chile	Peso	11,344,577
Philippines	Peso	1,127
French Indo China	Piaster	12,231
Australia	Pound	123
British East Africa	Pound	444,440
British West Africa	Pound	204,109
Egypt	Pound	63
Fiji Islands	Pound	4,146,237
Great Britain & N. Ireland	Pound	1,097
New Zealand	Pound	86,006
Palestine	Pound	58,442
Turkey	Pound	3,176,823
Iran	Rial	9,740
Burma	Ruppee	20
Ceylon	Ruppee	19,793,680
India	Ruppee	25,783,329
Austria	Schilling	23,260
Ecuador	Sucre	73,037,246
Japan, Korea & Ryukyus Islands	Yen	3,082
China	Yuan	4,775
Poland	Zloty	4,775
		\$530,775,440
	TOTAL	

Table I

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holdings. As a result of negotiations between War, State and Treasury Department representatives, in conjunction with United States representatives in Europe, the French Government agreed to the funding of additional French francs in a quantity necessary to enable the retention by the United States Army of the dollar equivalent of its holdings prior to devaluation of the French franc. Accordingly, there was no loss to the United States Government.)

The story of the accumulation of excess quantities of foreign currencies in Armed Forces accounts has been told in other reports, the newspapers and particularly before the combined United States Senate Committee on Appropriations, Banking and Currency, and Armed Services in June of 1947. By that time, the War Department had already taken steps to stop further accumulations of foreign currencies and had reduced its holdings of major "soft" currencies to approximately \$380 million (See Table II). In fact, the utilization of excess foreign currencies in official accounts commenced during the latter quarter of calendar year 1946.

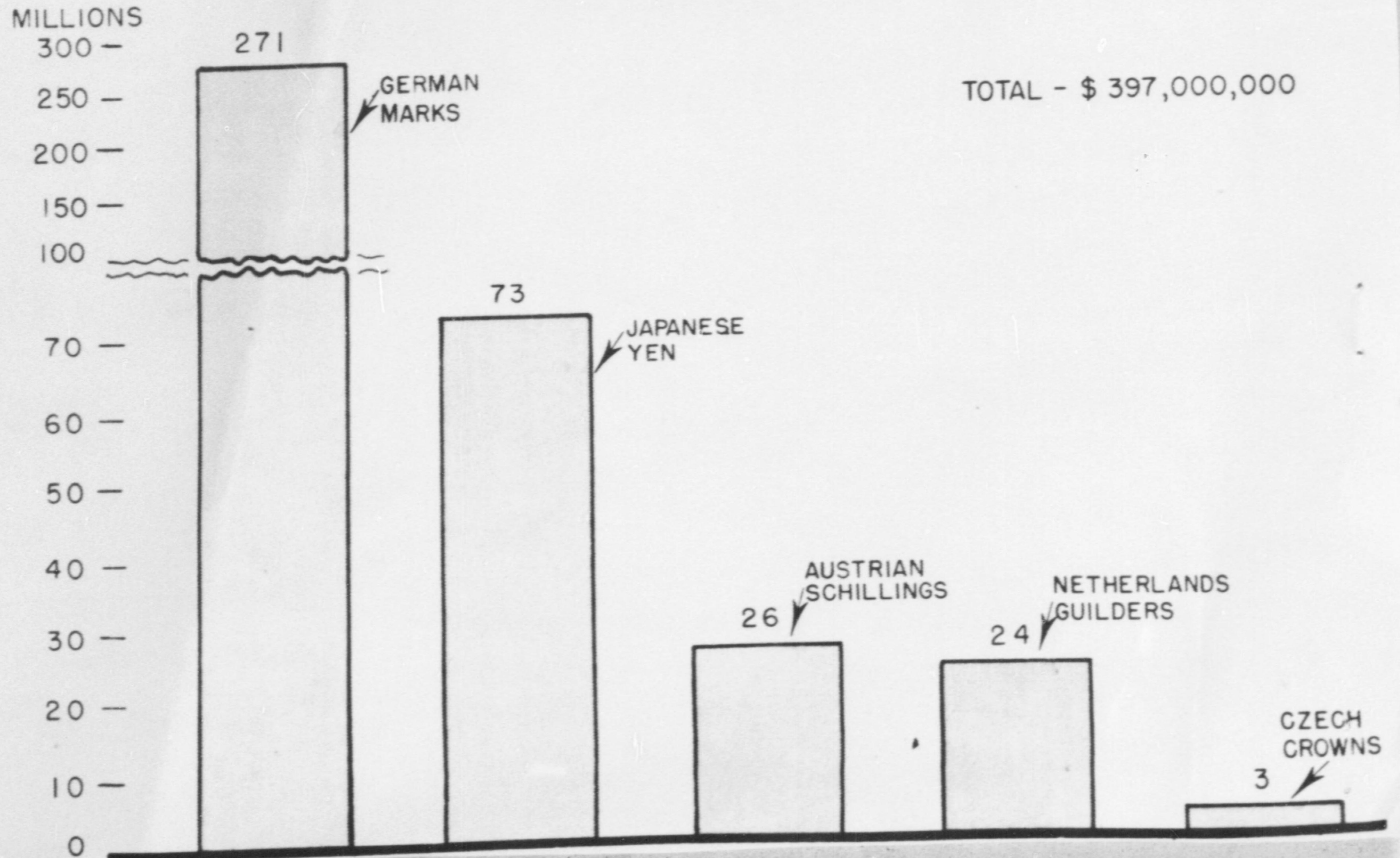
The problem then, facing the Armed Forces and particularly the War Department, was to reduce these excessive balances of foreign exchange, accumulated from the war and held as dollar accountable cash in the accounts of United States Army Finance officers without loss, or if necessary, with minimum loss to the United States Government. Although this problem existed with respect to the Navy and Air Corps, the Army Department carried the primary responsibility for its solution, since the Army's holdings logically exceeded by far the excesses held by the Navy disbursing officers. (Air Force expenditures at that time were made by Army disbursing officers.)

Except where specifically mentioned, this report deals with the Army's problem in this field.

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EXCESS IN FOREIGN CURRENCIES AS REPORTED TO WAR DEPARTMENT DECEMBER 1947



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BASIC APPROACHES TO SOLUTION OF PROBLEM

Two principal approaches to the solution of the excess currency problem of the Army existed at the end of 1946 and in the first months of 1947. Either of the approaches was to involve major policy considerations and decisions. On the one hand, the Department could accept the accumulation of currencies as one of the many surpluses resulting out of the war and, to the extent that the currencies appeared to be unuseable, write their dollar counter value off as a justified loss to the Government and destroy the physical currencies. This would follow the surplus property disposal approach already in effect for surplus material, etc. On the other hand, the Department might undertake to utilize the currencies in its future normal financial operations overseas, and over a period of time exchange for dollars these currencies thereby precluding a financial loss to the United States Government.

Both approaches had their advantages and disadvantages, their supporters and non-supporters in the various divisions within the War Department and within the interested agencies of the Government.

SITUATION WITH RESPECT TO COUNTRIES OF CURRENCIES INVOLVED

A primary consideration in this problem was the general economic outlook with respect to each of the countries whose currencies the Army held. Also, the Army's strength and potential expenditures in these countries was of vital importance to a decision of whether or not the holdings of currencies could be reasonably utilized in the foreseeable future.

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The situation in the Netherlands and Czechoslovakia appeared to be somewhat similar with respect to the Army's problem. These were liberated countries and had already reestablished Central National Governments by 1947. Although not economically viable as of this time, their industries were commencing to produce, and certain commodities and services normally required by the Armed Forces of the United States were becoming available. Further, Lend-Lease arrangements with these countries generally had been discontinued on 2 September 1945 and subsequent to that date our forces in those countries were normally on a pay-as-you-go basis, paying currently for supplies and services provided from these economies. The fact that we still had considerable troops in these countries after September 1, 1945 of itself almost assured complete utilization of any such currencies held by the Army or Armed Forces.

In a slightly different class were Austria and Korea, whose currencies the Army held in considerably large quantities. Although official pronouncements had been made at the Potsdam and Cairo conferences relative to the liberated status of these countries, our troops still technically occupied both countries. A Central Government existed in Austria which was subject to Quadripartite Control of the Allied Control Council. Korea had no central government. Although still dependent on outside help, these countries did supply our forces with real estate, utilities and personal services. A clarification of United States financial policy toward Korea and Austria was recognized to be a determining factor with respect to the time period which would be involved in the complete utilization of Austrian schillings and Korean won held in the Army accounts.

In Germany and Japan, where the Army held its major excesses, more difficult conditions existed. The economies of these countries were badly damaged by the war, and little if any goods were available for sale to the Army. Also, United States financial policy regarding whether or not United States official agencies would pay for goods, services and commodities from these economies was well established by the terms of the respective Armistices. These clearly provided that the occupying authorities would not pay for things from these economies for their official use. Consequently, the outlook for the utilization of large quantities of German marks and Japanese yen appeared very discouraging.

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INITIAL PROJECTION OF UTILIZATION

In September, 1946, the War Department introduced the Military Payment Certificate for use by the Armed Forces in preference to foreign currencies for paying personnel stationed in foreign countries. This action theoretically stopped further accumulations of foreign currencies in Army financial accounts. Following this, study was commenced on the manner in which the excessive amounts of foreign currencies already in the hands of the Army might be used legitimately, without loss to the American taxpayer and without embarrassment to the United States Army and the Government.

In the months of September - November 1946 the first comprehensive study on this problem was completed by the Foreign Financial Branch of the Budget Division, War Department Special Staff. Although the accounting for the various excesses, particularly German marks, was not completed by this time, the main purpose of the study was to determine whether or not the currencies concerned represented a useable asset of the Army, and whether there were other alternates to the acceptance of these millions of dollars worth of paper currencies as a financial loss.

The study presented a full dissertation on the use and accumulation of foreign currencies, including full details surrounding the decision to use them in overseas areas for United States Armed Forces disbursement purposes, the role the Army played as international banker, the various means by which the Army accumulated the excesses, the development of currency exchange controls by the Army through the combat, redeployment and finally the static or occupational phases of the war. It brought out that the following alternate methods were available to the War Department in solving this problem:

a. To dispose of the excesses through the official expenditures of War Department appropriated or non-appropriated dollars with out-payments in the foreign currency concerned.

b. To exchange, for United States dollars, the War Department held currency to the extent that authorized United States personnel, other United States agencies and individuals need them for their expenditures in the conduct of their activities abroad.

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c. To exchange, for funds or commodities convertible into dollars, the War Department held currencies to the extent that other countries can use them in the conduct of their other activities.

d. To transfer the foreign currencies to the Treasury Department for dollar credit, leaving the matter of disposal to the Treasury.

e. Incorporate in the peace treaties requirements for reimbursement in dollars by the foreign countries for foreign currencies concerned.

f. Disregard the possible use of foreign currencies for future known expenditures, and consider the foreign exchange as valueless and as a loss, and dispose of them through the use of an "exchange loss voucher" to the extent that dollars must be recouped, charging appropriations available to War Department.

g. Request relief from Congress for any remaining equivalent dollar value of the foreign currency which cannot be used or disposed of.

Considering the above, g was not deemed advisable at the time, inasmuch as there appeared to be other ways and means by which these holdings could be legitimately reduced. The Congress and the American taxpayer must not be requested to carry this responsibility until all other methods had been exhausted. Accordingly, this method should be used only to the extent that other means fail.

In considering f above, the War Department had approximately \$175,000,000 remaining from its FY 1942-1946 appropriation, Finance Service Army, which could possibly have been used in executing an "exchange loss voucher" whereby a considerable residual portion of the excess holdings could have been disposed of after a portion of the currencies had been disposed of by other means. The War Department appropriation, as passed by the Congress in FY 1946, contained

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language which authorized the War Department to take exchange losses of this sort. Public Law 554, 79th Congress also authorized the taking of exchange losses where necessary.

As any banker would do, if he held an extended position in any one currency, security or asset, it was felt that the War Department must seriously consider all possibilities of liquidating its over extended position before writing off holdings as a loss. All the then present and future aspects of legitimate disposal of these currencies must be continually explored.

As long as foreign currencies held by the War Department were legal tender in the countries concerned, the War Department could hardly consider its holdings as worthless. It was felt, instead, that they should be used for countless present and future expenditures of any official and quasi-official agencies of the government, agencies operating for and on behalf of the government, and for individual expenditures of the occupying forces.

It was felt that while executing a loss voucher would assist materially in clearing the currency disposal problem for the War Department in a minimum amount of time, the execution of such a voucher would be a clear acceptance by the War Department of the fact that a considerable dollar loss to the United States Government and American taxpayer had resulted from black market operations during the war which the War Department and its field agencies could not or did not prevent. Again, inasmuch as there existed other ways and means by which these currencies could be legitimately disposed of, it was believed that the War Department was not justified in writing these holdings off as a loss until all other possible methods had been exhausted. In this connection, the \$175,000,000 would normally be available for expenditure until 30 June 1948. It was recommended that this means of disposal not be considered further at that time by the War Department and not until the planned disposal program was well on its way and further analysis of the entire problem in late 1947 was possible.

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The Army had received or was expected to receive by the end of FY 1948 approximately a total of \$597,000,000 worth of goods and services from the economies of the occupied countries as follows:

	<u>V-E Day</u>	<u>FY 1947</u>	<u>FY 1948</u>	<u>Total</u>
Germany	\$109,000,000	\$120,000,000	\$151,400,000	\$380,400,000
Japan	76,801,397	80,000,000	80,000,000	236,801,397
		<u>Total</u>		<u>\$597,201,397</u>

Had the Army paid for these supplies and services, as it did in the liberated countries, it would not have been confronted with the disposal problem of marks and yen, as these currencies would have been legally used in payment for this procurement. The terms of the Armistice with these countries, however, provided that the cost of occupation be borne by the occupied powers. The War Department accordingly took this factor into account when requesting funds from the Congress, and except where Congress especially appropriated funds for expenditure by the occupying forces in the occupied areas, the method of disposal in a above could not justifiably be followed. Maximum services and supplies for the official activities of the occupation forces in each respective country should continue to be provided from the respective occupied areas, consequently reducing the Army's request for appropriations from Congress. The expenditure of non-appropriated and personal funds, however, would result in a reduction of the currencies officially held.

Method b remained as a legitimate means of disposal. In its role of international banker, the Army had acquired these various currencies through exchange transactions and must dispose of them by the re-exchange of the foreign currencies back into dollars. To the extent that other governmental agencies had money appropriated by the Congress for their operations abroad, it was believed most fair and appropriate that these agencies obtain foreign currency from the Army for their operations in these foreign countries. To the extent that members of the Armed Forces and other United States personnel were to make expenditures in the foreign economies, disposal of the currencies would also result.

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Method c was one in which the Allied nations, who have directly or indirectly received benefits from or acquired goods and services from United States personnel in installations abroad, would share in the liquidation of the foreign currencies. This was a method which the State and Treasury Departments would have to largely implement. It was believed they would be reluctant, for example, to approach the Russians for dollars or commodities convertible-into-dollar reimbursement for the Russian printed marks held by United States Army disbursing officers. It was recommended, however, that the State and Treasury Departments be contacted on the possibility of requesting reimbursements from these foreign countries. In the event State and Treasury Departments should agree to this proposal, it was recommended that the United States Government enter into negotiations with the foreign powers concerned in an attempt to recoup the appropriate dollar equivalent of these currency holdings.

Method d (Transfer of the foreign currencies to the Treasury for disposal) a modification of method c, was recognized as being ideal for the War Department in that it would relieve the disbursing officers without delay of accountability for foreign currencies. Basically, it was doubtful that the Treasury Department would accept this solution voluntarily and without specific authorization from the Congress. This, in effect, would make this method of disposal contingent on the disposal methods in f and g above, and accordingly was not recommended.

Method e, i.e., reimbursement through the peace treaties would delay a solution indefinitely. Since the foreign countries concerned had few dollars, its practicable application depended upon the ability to apply Axis foreign assets to the liquidation of the foreign currencies held by the United States Army. It was pointed out that the Army must obtain the full dollar countervalue of the currencies held. It was not clear at that time that any compromise, percentage settlement, or offset principle would be applied at the time of the negotiation of the Peace Treaty. This method of utilization, because of its inter-governmental political implications, would be accepted with reluctance by all concerned.

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CONCLUSIONS OF THE STUDY

The study concluded that the problem associated with the disposal of United States Army holdings in foreign currencies was one of vital concern to War Department and to the overseas American commanders in the European and Pacific Theaters. The disposal of these holdings and the recoupage of the dollar equivalent in disbursing officers' accounts at the earliest possible date and through all possible legal means in accordance with the following policy was essential:

- a. The Army held foreign currencies acquired in its role as international banker during World War II and the occupation period which followed it.
- b. These currencies were acquired with dollars and represented the dollar equivalent in the accounts of the Army disbursing officers.
- c. These currencies resulted indirectly from the import of goods and services into the economies of the countries concerned, or as a cost of occupation normally chargeable to the occupied countries; and accordingly were available for payment by any means found, including exports.
- d. The foreign currencies held were available for use and should be used in any of the respective economies, wherever a United States dollar expenditure was to be made by any American individual or agency.
- e. An augmented Army Exchange Service procurement program in Germany, Japan and Austria for resale in Army installations within any overseas area but not within the United States of items procured, provided one of the primary means of disposal of the foreign currency holdings. Exploratory and implementing action should be taken immediately to utilize this means at an early date. Overseas commanders should be so advised.
- f. A strict and absolute control over the reconversion of foreign currencies into dollars through Army facilities was to be continued to prevent further accumulation of foreign currencies by the Army.

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While the expenditure of appropriated funds and the outpayment in marks for goods and services being furnished by the occupied countries offered a possible means of reducing the amount of foreign currencies in Army accounts, such action would result in the expenditure of considerable additional United States governmental funds contrary to the terms of the Armistice Agreement. It was decided that this method of disposal should not be practiced except where funds were specifically appropriated by Congress for expenditure in applicable cases.

Congress was to be approached for an appropriation only after all other means had been tried and found inadequate.

METHODS PROPOSED FOR UTILIZATION

Although the disposal of each of the currencies represented a problem in itself, due to the differing economic situations or United States Army relationship therewith, it appeared as a result of this study that somewhat similar methods of disposal were applicable to all. The possible means believed available as of that time were:

- 1) Outpayments to prisoners of war
- 2) Exchange by "authorized" personnel
- 3) Use for intelligence purposes
- 4) Use by non-Army groups such as UNRRA
- 5) Sale to the Army Exchange Service
- 6) Sales to United States commercial concerns operating in the pertinent countries
- 7) Reversal of proceeds of the sales of scrap and salvage

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- 8) Differentials resulting from Military Payment Certificate conversions
- 9) Outpayments on remittances
- 10) Profits of the Army Exchange Service

A graphic portrayal of what was considered possible, for planning purposes, toward the utilization of the principal excesses of that time is presented in Tables III, IV, and V.

Upon the recommendation of the Budget Officer for the War Department and his Foreign Financial Branch, and following a conference in the Office of the Secretary of War on this subject (attended by representatives of the Office of the Assistant Secretary for Occupied Areas, a representative of the Office of Military Government for Germany-United States, representatives of the Civil Affairs Division, and the Budget Division), the Secretary of War on 3 January 1947 approved the recommendations of the Budget Officer for the War Department and indicated his desire that the Army proceed immediately with the reduction of the currencies on hand to reasonable operating levels. These results were especially pertinent at this time for they presented, for the first time, the possibility of the Army working its way out of its potentially deficit position. Should the Army, by a development and effectuation of some or all of these utilization methods advanced in the study conclusively show that over a period of time the currencies could be used without loss to the government, approval of such a solution as being most reasonable and in the Government's best interests was almost assured.

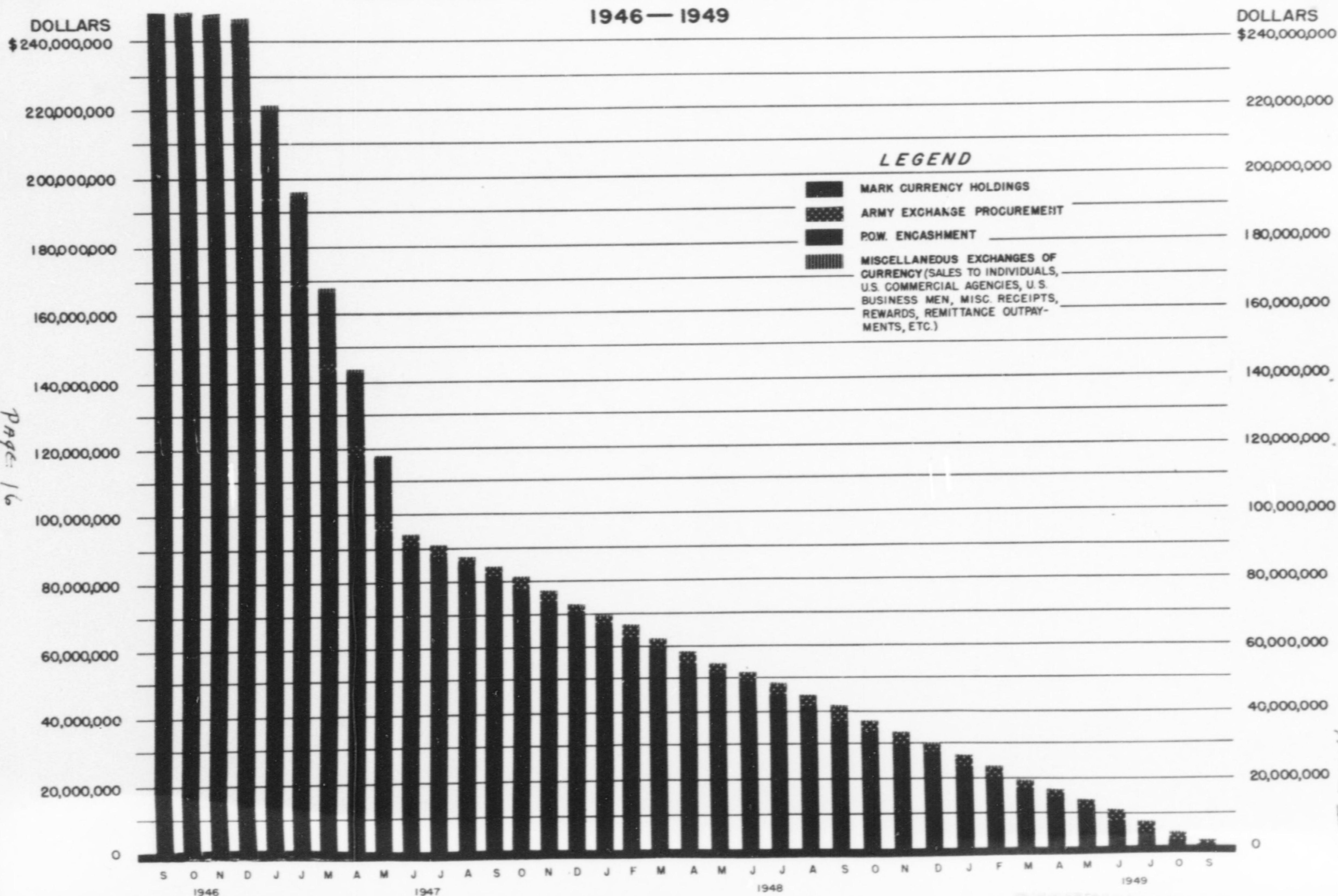
TREASURY AND NAVY DEPARTMENT POSITIONS

Of the other departments of the United States Government interested in the Army's problem, the Treasury Department logically was most interested in its resolution. Contact between the Office of International

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PLANNED DISPOSAL OF U. S. ARMY HOLDINGS OF GERMAN MARK CURRENCY 1946 — 1949



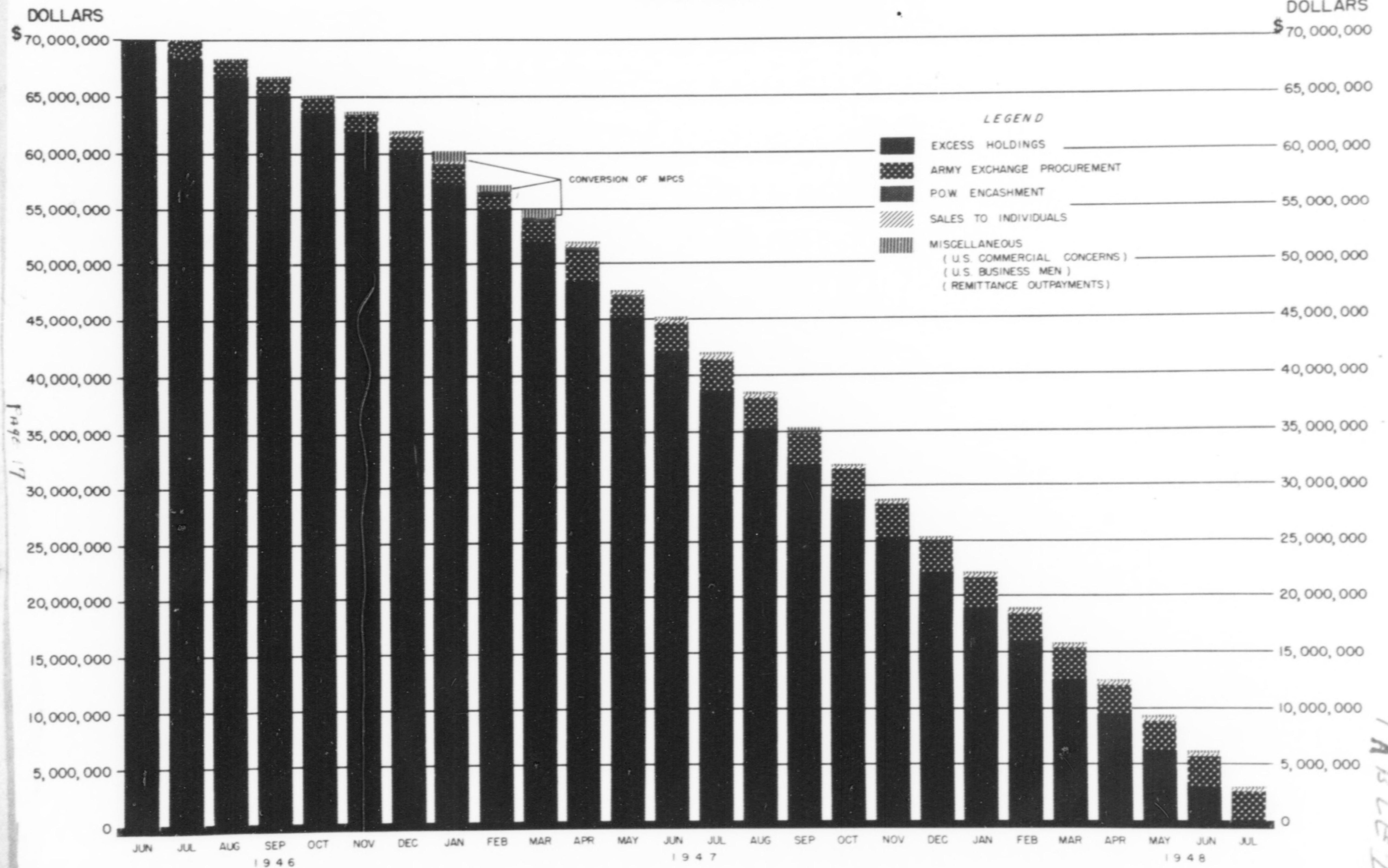
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PLANNED DISPOSAL OF U.S. ARMY HOLDINGS OF JAPANESE YEN 1946-1948



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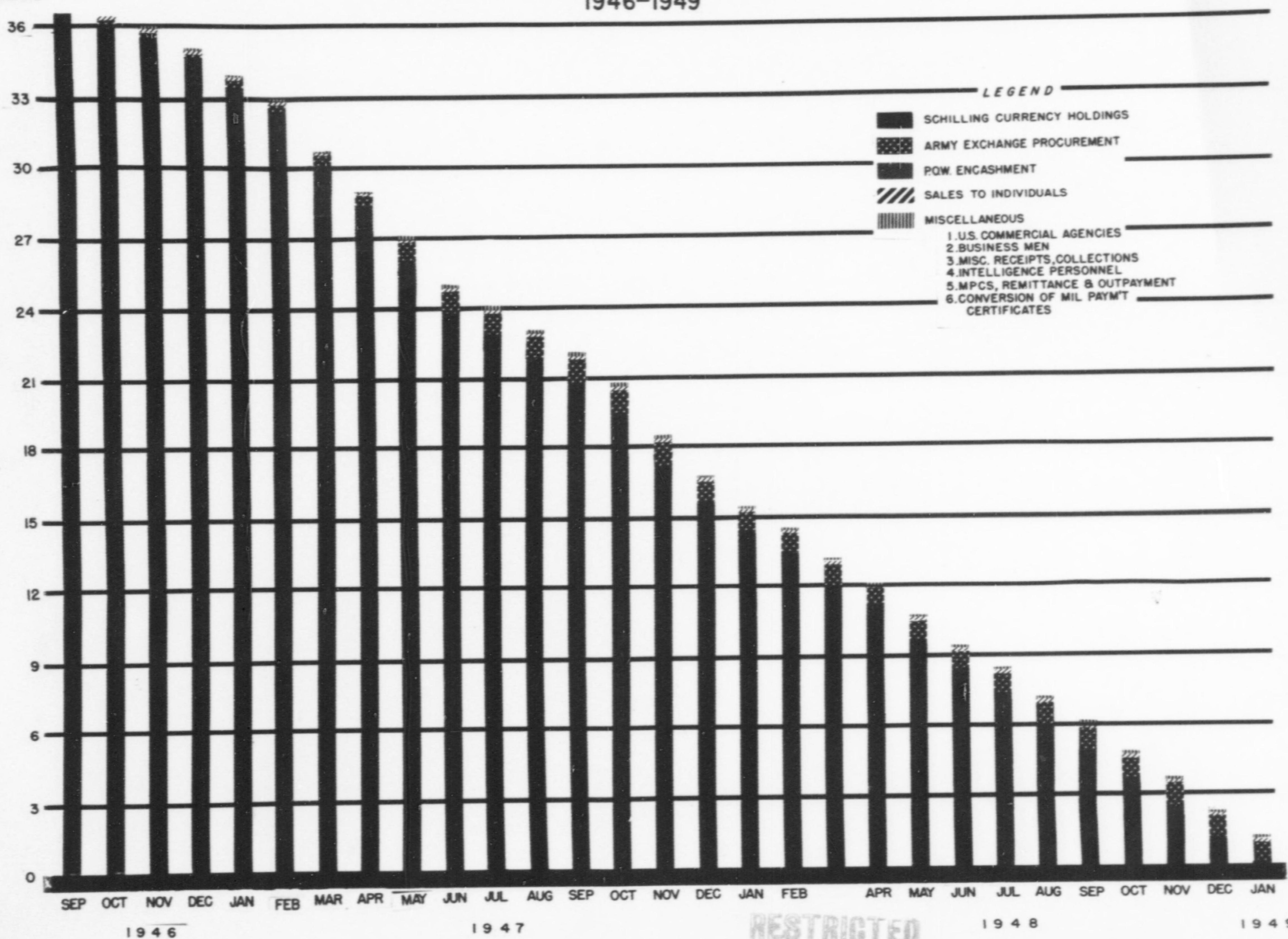
TABLE IV

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PLANNED DISPOSAL OF U.S. ARMY CURRENCY HOLDINGS OF AUSTRIAN SCHILLINGS 1946-1949

MILLIONS OF
DOLLARS



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Table D

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Finance in the Treasury Department and the Budget Office for the War Department was almost daily during this period. Copies of the initial study were made available to the Treasury Department to assist that Department in arriving at a policy position relative to this problem. Following detailed consideration, the Treasury Department in January or early February of 1947 indicated it favored the course of action whereby the Armed Forces with the assistance of all other executive agencies of the government would utilize the currencies on hand for all United States "local currency" expenditures in the countries concerned. This policy position was passed by the Treasury Department (Mr Harold Glasser and Mr. George Willis) to the War Department (Major General George J. Richards and Lt. Colonel Paul A. Feyerisen). The Navy Department also concurred in the War Department's proposed solution to this problem at this time.

ACCOUNTING FOR THE EXCESSES

Throughout the period September-December 1946 and into early 1947, the Budget Division, War Department Special Staff continually pressed both the Office, Chief of Finance and the overseas theaters to accurately report the Army's foreign currency holdings. In February 1947, after several unsatisfactory reports had been rendered, particularly by the European Theater, a directive was issued requiring a month by month reporting of holdings of the critical currencies from September 1946 forward, the date marking the introduction of Military Payment Certificates and the non-reconversion directive relative to exchange of foreign currencies into dollars or dollar instruments by Army Finance officials. In reply, the Pacific Theater showed a reasonable decrease in their Japanese yen holdings and a nominal decrease in their holdings of Korean won. The European Theater, however, not only showed no decrease, but instead showed a major increase of some \$13,000,000 worth of marks during the months of September-December 1946 and a slight increase in their holdings of schillings during the same period.

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These increases were not understood in the War Department, especially because of the important emphasis which had been placed, following the introduction of Military Payment Certificates, on the refusal of the Army to have foreign exchange converted into dollars through Army channels from September 1946 forward, and the need for concerted action on the part of all concerned to utilize the excess holdings and thereby bring about their disposal.

This especially depressing situation was immediately brought to the attention of the Army Chief of Staff who authorized the dispatch of a strong cable on 1 March 1947 to the Commanding General, United States Forces in Europe, requesting him to investigate the reasons for these increases in Allied marks and schillings holdings. As a result of a subsequent board investigation in Frankfurt, Germany, an accurate statement of the Army's holdings of marks was made available for the first time. It was determined that the previous reporting had been erroneous and that as of 31 March 1947, the Army's holdings were \$251,000,000 worth of German marks and \$33,000,000 worth of Austrian schillings.

FURTHER ACCUMULATIONS DISCONTINUED

The six months' period between September 1946 and March 1947 was one in which the War Department made continual efforts toward stopping the further influx of foreign currencies into Finance Officer accounts. Although the Department policy prohibited the exchange of foreign currency, exchanges into dollars were authorized locally in overseas areas and justified as exceptions to the strict Army policy on the basis that the currencies exchanged represented pay and allowances of individuals received originally from government sources.

The Budget Officer for the War Department took an unusually strong stand against these and other circumventions of the Army prohibition regulation, and strenuously pressed for an absolute stoppage of further

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accumulations. To those few intimately associated with the excess problem, the exchange of foreign currencies for individuals at this time represented, in the main, a continuation of the malpractices and illegal certifications of officers, enlisted personnel and United States civilians stationed in the occupied areas to the end of obtaining dollars or dollar credits in the United States as a result thereof. In achieving this stoppage, the Budget Officer finally prohibited the exchange of currencies for individuals, except on the expressed approval of the Secretary of War. This meant that for a time hundreds of such cases were processed through the Budget Division of the War Department, which office acted administratively on behalf of the Secretary of War. The approach taken on these claims was that a person presenting his claim was required to document and authenticate his claim beyond question before an exchange would be authorized. This requirement was not intended nor directed at the question of any judicial guilt on the part of the individual concerned, but rather it was intended to place the burden of proof of the claim on the individual. This rather strict policy has proven itself, over a period of years, a most proper one and one by which currency and exchange control discipline in overseas theaters has been improved in a major manner.

It became known during this period that the State Department also had accumulated certain excesses of currencies and was making special efforts to dispose of them. Also, and typical of questions raised at this time, the Finance Officer at Cairo, Egypt queried the War Department whether he could continue to accept foreign currencies from the sale of surplus property in view of the general prohibition issued in September 1946.

FIELD SURVEY BY TREASURY AND WAR REPRESENTATIVES

By the end of February 1947 it became apparent that if the War Department was to be successful in a utilization program, complete cooperation by the Army overseas agencies must be obtained. Not only

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must further increase be completely stopped but active support of the utilization policy and program had to be forthcoming. In an effort to develop such cooperation, the Secretary of War and the Secretary of the Treasury sent their representatives, Lt. Colonel Paul A. Feyereisen and Mr. James R. Brooks, to Europe on 5 March 1947 with the mission of studying and assisting in the implementation of Secretary of War policy with respect to the disposal of Army holdings of foreign currency.

On 15 March 1947 the Secretary of War announced formally the War Department policy regarding the disposal of certain foreign currencies in the official accounts of the Army disbursing officers. The Secretary of War policy, concurred in by Treasury and Navy Departments, was that the disposal of entire amounts of any foreign currencies held by disbursing officers of the United States Army would take precedence over any disposition of dollars which became available from the following expenditures within the economy of the country where such foreign currencies circulate:

- 1) Any expenditure by an official agency of the United States Government out of official funds, including dollar trust funds for Prisoners of War administered by the War Department
- 2) Any expenditure by any quasi-official organization or private enterprise operating in and for the Military Establishment
- 3) Any expenditure by individual United States authorized personnel

The dispatch of a top secret cable relaying this formal position of the Secretary of War to the European Command shortly after the arrival of the War and Treasury Department representatives assisted immeasurably in the successful accomplishment of their assigned mission.

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With the assistance of the various staff sections in Frankfurt, Germany, the financial advisers to General Clay in Berlin and the Financial and Economic Divisions of the Office of Military Government (United States), a memorandum was prepared listing 26 methods of disposal of mark currency against dollars with estimates of the amounts involved and recommendations on each. (See Table VI). This memorandum estimated that \$235 million worth of marks could be used in the following 12 months through full implementation of the methods outlined therein. The memorandum was then submitted for comments to the G-3 and G-4 sections of EUCOM and to the Finance Division, Economic Division and Control Division of OMOUS. The European Command comments supported the memorandum in all major aspects, however, the comments of the Office of Military Government for Germany were critical of the program in view of its desire to revitalize the German economy and to use all dollars resulting from any sources for this purpose.

The War and Treasury Department representatives next journeyed to Vienna, Austria and at Headquarters, United States Forces in Austria made a similar study and recommendations with respect to the disposal of Austrian schillings in official Army accounts. It was found and more actually determined that the holdings of Austrian schillings (10 schillings equal one dollar) from 30 September 1946 through 28 February 1947 had decreased from approximately \$34 million to \$31.5 million. By a projection of utilization methods similar to those envisaged in Germany, it was estimated that the currencies on hand could be used, however, over a much longer period of time.

Following the assurances of the principal commanders in Germany and Austria, the utilization of these currencies commenced in earnest and the War and Treasury Department representatives were able to report favorably on the cooperation which could be expected from the European Commanders in the future and the probability of success in the complete utilization of the foreign currencies involved in the European areas.

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TABLE VI

TAB "B"

SUMMARY OF PROPOSED METHODS OF DISPOSAL OF MARK AND SCHILLING HOLDINGS.

Means of Disposal.	Estimated lump sum or annual Amounts of Disposal.	Capable of Theater Implementation.	Recommended by Theater and Requiring War Dept. Action.
1. a. POW (Certificate of Credit)	\$138,000,000		X
b. POW (Military Payment Orders)	10,000,000		X
2. a. Civilian Rentals	2,500,000		X
b. Civilian Rentals (Retroactive)	2,500,000		X
3. Military Rentals	10,000,000		X
4. Other Govt. Agency Rentals	Not yet estimated.		X
5. Other Govt. Agency Expenditures	" " "		X
6. Intelligence Operation	Negligible	X	
7. Elimination of Maintenance Personnel (Maid)	Not recommended	X	
8. "X" Day Reconversion	\$2,500,000		X
9. UNRRA Transit Charges	7,500,000		X
10. Advances of Marks to UNRRA	1,100,000	X	
11. Port and Transit Charges of American Ships Agents	1,000,000		X
12. Captured Enemy Funds	2,000,000	X	
13. Fines, Forfeitures - OMGUS	Not yet estimated.	X	
14. Cost of Care, Packing, Shipping of FLC Surplus Property.	\$30,000,000		X
15. a. Type "B" Messes)		X	
b. Type "A" Messes)	2,700,000	X	
c. Class "A" Clubs	0	X	
d. Class "B" Clubs	1,800,000	X	
16. Dependents School Service	0	X	
17. Special Service Entertainment	650,000	X	
18. Retroactive Charges to Revenue Producing Agencies	2,000,000		
19. Commercial Agencies Operating For and on Behalf of U.S. Army	600,000	X	
20. Leave Travel in Germany	2,400,000	X	

430 m/b

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Means of Disposal.	Estimated Lump Sum or Annual Amounts of Disposal.	Capable of Theater Implementation.	Recommended by Theater and Requiring War Dept. Action.
21. Per Diem - Personnel Travelling in Germany.	Not yet estimated.		X
22. Taxi Service	" " " "	X	
23. U.S. Army Procurement for Export From Germany.	\$2,000,000		X
24. Transit Costs across Germany	3,500,000		X
25. Telephone service	60,000	X	
26. AES -			
a. Hire of Indigenous Employees	3,360,000	X	
b. Service and Concessionaire	Not estimated	X	
c. Procurement	\$9,000,000	X	
	<hr/> \$235,170,000		

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THE BRITISH PROBLEM

The Army had known for sometime that the British Army had, over a period of the preceding years, been confronted with currency exchange control problems similar to those of the United States Army. The British Army, as in the case of the American Army, had acted as banker for all the services, and local currencies were normally used for their expenditures. The bulk of these expenditures was in regard to the pay of troops, and the War Office had expected that most of the pay would be spent in Army canteens or at field post offices in the purchase of postal money orders, etc., for remittance to the United Kingdom. Since they had paid their troops in local currency, an obligation existed for the British Army to also redeem this foreign currency with pounds. By the time the British had introduced an instrument similar to our Military Payment Certificate, entitled the British Armed Forces Special Voucher, the British Army had an existing accumulation of some 58½ million pounds worth of foreign currencies, principally Dutch guilders, German marks and Austrian schillings.

Due to the difference in basic bookkeeping used by the British Army as compared to the United States Army, the pound deficiency, held in terms of foreign exchange, became public information at the end of the British fiscal year. In order to close their books at the end of their fiscal year, an appropriation to cover the amount of foreign exchange converted by the British Army into pounds had to be obtained. The equivalent of 38 million pounds of the British holdings was written off as a loss within the British War Office Fiscal Year 1946 appropriations. The remainder, 20 million plus pounds, was requested in a supplemental appropriation during their fiscal year 1946 which ended 31 March 1947. The additional 20 million pounds was appropriated and a full investigation of the holdings was directed through a special committee of the Parliament. Hearings before this committee took place commencing April 1947. A full investigation by the British House of Commons was made of this situation and the British War Office was criticized for having permitted a loss totaling some 59 million pounds.

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FINAL POLICY CONSIDERATIONS

While the War and Treasury mission on this subject was still in Europe, further discussions on the excess problem were held by State, Treasury, War and Navy Departments. At that time two recommendations were presented for consideration, which in a certain sense differed from the position taken by the Secretary of War on 3 January 1947. These recommendations were as follows:

a. Legislation be introduced into Congress in the form of a simple relief bill for a moderate amount, to clear the accounts of Army disbursing officers of the excess currencies, transferring such currencies to the Treasury Department for ultimate disposal advantageous to United States governmental policies in the affected areas. It was recognized that this would entail full formal Congressional hearings and a Congressional vote, or

b. Clear the disbursing officers' accounts by effecting a loss voucher and replacing the dollar equivalent of the foreign currencies in disbursing officers' accounts with dollars already appropriated for such purpose by the Congress. With no deficit left, the War Department would then informally appear before the Congress with a completely documented story of the Army's foreign finance arrangements, problems and solutions.

At that time it was proposed by certain quarters within the various departments that alternative (b) above be adopted as United States policy. All of these discussions, however, were predicated on the assumption that the War and Treasury mission, currently in Europe studying this problem, would conclude that utilization of the existing currencies over a reasonable time, particularly German marks, was not feasible. Upon the return of the mission from Europe, and in view of their optimistic report on the possibilities of utilization of the existing currencies, further pursuit of either of these two recommendations was discontinued.

Immediately following the return of the War and Treasury Mission to Europe a second staff study was prepared as of 18 April 1947 in the office of the Budget Officer for the War Department, Foreign Finance Branch,

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which set forth in greater detail a proposed possible utilization of German marks, Japanese yen and Austrian schillings. For planning purposes it was estimated at that time that the German marks could possibly be utilized by October 1948, Japanese yen by June 1949 (and with certain augmentation by the end of 1948); in Austria and Korea no problem existed when and if pay-as-you-go policy for these countries was to be implemented.

Simultaneously, policy considerations were commenced with the Department of State in an effort to obtain concurrence of that Department to the previously established War and Treasury position that the United States Government should work its way out of the long position in foreign currencies.

These discussions, although on a classified basis, resulted in some leaks and the American press commented to some extent on the subject. Almost all press reports were speculative in nature and concluded that the United States Government was to stand a loss due to these exchange holdings. At this time the War Department on 18 April 1947 made the following press announcement:

"Some United States military and civilian personnel overseas did participate in extra-legal sales in Germany of personal, governmental, or other dollar acquired supplies during and after the war. These were commonly referred to as black market transactions.

"Today the United States Army has a long position in German marks which, under present policy, is to be disposed of by normal processes. The present holdings would not, however, exceed future contemplated expenditures. A complete report on the acquisition and disposal of these holdings is presently being prepared for the information of the appropriate committee of Congress."

On 22 April 1947, following further discussion of the War Department's policy on this problem, the Budget Officer for War Department

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recommended that the Secretary of War's policy as announced 3 January 1947 be reaffirmed as the only basic, sound and reasonable approach to this problem in the governmental interest, and that the entire excess currency problem be presented and reviewed with the Comptroller General of the United States, in coordination with the Treasury Department, in the immediate future. The Budget Officer for War Department also recommended at that time that, following such a discussion with the General Accounting Office and in accordance with the Secretary's previously indicated desire, the details of the accumulation and disposal of foreign currencies within United States Army accounts be presented to the appropriate committees of Congress for their information as to the manner in which the United States Army was dealing with same. Such a report to Congress was to have been accomplished prior to the end of the then current session.

With the approval of the Secretary of War, a report on the War Department's stewardship over foreign currencies was commenced for early presentation to the Congress. Mr. Carl H. Pforzheimer, formerly Colonel Pforzheimer, and head of the Foreign Finance Branch, Budget Division, until 1 July 1946, accepted the invitation of the Secretary of War to serve in the capacity of Special Civilian Consultant to prepare this report.

The Army, Navy and Treasury Departments presented a unified front to the Department of State and requested concurrence of that Department to the plan for utilizing the foreign currencies on hand. Detailed discussions between representatives of the respective Departments were held. Proposed methods of utilizing foreign currencies were reviewed and discussed in detail. One primary objection was raised by the Department of State to any disposal program. This objection was that if the United States Government were to utilize these currencies, particularly in Germany and Japan, for their normal expenditures, this utilization represented a net shortage of United States dollars which would accrue to the governments concerned as a result of these identical expenditures in their economies, were the foreign currencies otherwise acquired with dollars from the government concerned. Citing the over-all United States

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policy and mission of revitalizing the German and Japanese economies in the shortest period of time, the Department of State would have preferred to have the Department of the Army admit the excess accumulations as a loss, have the Army approach the Congress and request an appropriation in the equivalent dollars to the holdings of foreign currencies, and ultimately write off the currencies by using the dollars appropriated by Congress for this purpose.

Since the Department of State on the one hand and the Army, Navy and Treasury Departments on the other could not reach agreement of the solution to this problem, the matter was referred to the President of the United States on 15 May 1947. This meeting was attended by the Secretary of the Treasury, Secretary of War, Secretary of State, Assistant Secretary of State for Occupied Areas, the Budget Officer for War Department and the expert civilian consultant to the Secretary of War. Following a complete expose of the conditions leading up to the excess currency position and policy considerations involved in this problem, the following points were approved by the President and the others present and accordingly, became the policy of the United States Government. (See Appendix No. 1):

1. War Department will present to the present session of the Congress a full report on the Armed Forces stewardship to date of their foreign currencies.
2. War Department will obtain the concurrence of the State and Treasury Departments before presenting this report to the Congress.
3. In particular, none of the Departments concerned will make any statement to the Congress or to the press regarding any previous administrative action of any other Department on this subject without prior consultation and concurrence in such statement by the Department directly concerned or by the several Departments concerned with the entire problem.
4. The long position in foreign currencies held by disbursing officers of the Armed Forces will be liquidated by the end of 1948 in accordance

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with the program tabulated on the attached chart. As indicated on the chart, the Austrian schillings and Korean yen will be used in payment of official, quasi-official, and personal expenditures within Austria and Korea; after recoupment in full, the net dollar equivalents can be made available to these two countries. The long position in German marks and Japanese yen will be reduced promptly to approximately \$163 million by utilizing the dollar equivalents of German and Japanese prisoner of war credit instruments which will be encashed in local currencies. (Appendix No. 1) This \$163 million balance of foreign currencies will, as indicated in the chart, be liquidated by the end of 1948 by expenditures in the respective local economies - dollars accruing from the following expenditures being used to accomplish this objective:

- (a) Any expenditure by an official agency of the United States Government out of official dollar funds
- (b) Any expenditure by any quasi-official organization or private enterprise operating within and for the military establishment
- (c) Any expenditure by individual United States authorized personnel.

5. The Treasury Department will not take custody of any foreign currencies constituting the long position for which disbursing officers of the War and Navy Departments are now accountable.

THE PACIFIC PROBLEM

Following the Presidential decision on utilization of foreign currencies and the unified approach which would henceforth be taken on the problem, the Army and the Treasury Departments, with the concurrence of Department of State, again sent their representatives to Japan to study the Japanese yen holdings and Korean won holdings. Holdings in the vicinity of \$63 million worth of yen in Army accounts and something approaching

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\$5 million in Navy accounts were verified at this time.

By this time, and of importance, the Japanese yen had been devalued from 15 yen equals \$1 to 50 yen equals \$1. Had not the Armed Forces taken action to protect the dollar equivalent of these holdings, the \$63 million worth of yen would have been automatically reduced to approximately \$19 million worth of yen. Although this would have been an easy and convenient manner in which to reduce substantially the excess position of yen (and Congressional authority existed for the Army to take exchange losses due to devaluation and charge such losses to Army appropriations), the Army felt in discharging its responsibility to the Government it could not appropriately allow this to happen. The Army, accordingly, through the Supreme Commander, Allied Powers, had additional yen funded to the United States Armed Forces disbursing officers in sufficient quantity to assure the retention of the dollar equivalent of the yen on hand previous to the devaluation.

Upon their arrival in Tokyo, conferences and full discussions were had concerning the general principles of utilizing military disbursing officers' long holdings of yen wherever official dollar funds of United States Government were to be charged and for expenditures of quasi-official organizations and individuals within the military enclave in Japan. A review was made of a program presently formulated for the use of yen for expenditures on official, quasi-official and personal accounts. Other categories wherein expenditures should no longer be charged to the occupation budget were explored. As a result of these conferences in Japan, some 28 possible methods of utilizing excess yen were discussed and considered in detail. Some of these methods already were in effect. Others were agreed to be placed in effect by theater action without further reference to Washington. Others, it was recognized, would require action by War Department prior to implementation. (See Table VII). On a planning basis, amounts of currency which it was estimated would be utilized by these methods totaled some \$67 million. These methods, plus a further exploration of others, it was determined, could be expected to fully utilize the excess currency on hand in Japan.

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 SUMMARY OF IEM DISPOSAL PROGRAM

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ITEMS		ACTION WAR DEPARTMENT	ACTION THEATRE	ESTIMATED AMOUNT ANNUALLY
<u>OFFICIAL EXPENDITURES</u>				
1.	Engineer Project - Iwo Jima		X	\$ 350,000.00
2.	Ordnance Fifth Echelon		X	1,000,000.00
3.	Iwo Jima - Procurement from Japan		X	
4.	Korea - Procurement from Japan	X	X	7,000,000.00
5.	Processing of Articles in Japan for Army	X	X	
6.	Prisoners of War	X		250,000.00
7.	Intelligence Operations	X	X	500,000.00
8.	Civilian Rentals	X		360,000.00
9.	Military Rentals	X		6,000,000.00
10.	Other Governmental Agencies	X		250,000.00
11.	"C" and "I" Day Conversions	X		750,000.00
12.	Fines, Forfeitures, Loss or Damage		X	
<u>UNASL-OFFICIAL EXPENDITURES</u>				
13.	Army Exchange Service Procurement		X	24,000,000.00
14.	Army Exchange Service - Service and Concessionaire Activities		X	500,000.00
15.	Revenue Producing Clubs		X	200,000.00
16.	Officers' and Civilian Messes		X	900,000.00
17.	Army Exchange Service - Hire of Personnel		X	2,400,000.00
18.	Recreational Facilities		X	2,000,000.00
19.	Enlisted Men's Messes		X	1,000,000.00
20.	Japanese Beverages		X	1,000,000.00
21.	Personal Expenditures		X	6,000,000.00
22.	Non-Official Travel		X	1,000,000.00
23.	Almsynary Remittances	X		200,000.00
24.	Individual Remittances	X		500,000.00
25.	Repairs to Commercial Vessels		X	
26.	Parcel Post - Prepaid Postage	X	X	300,000.00
27.	Commercial Agencies		X	300,000.00
28.	Dependent Benefit Payments	X		
				<u>\$56,760,000.00</u>

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The War and Treasury representatives next journeyed to Seoul, Korea at the request of the Commanding General of the United States Forces in Korea. General Hodge had been informed by Washington of the recently defined United States financial policy with respect to Korea which stated that our national policy toward Korea required that the United States Armed Forces stationed therein pay their way from the date of liberation. General Hodge was in need of help with respect to the manner in which he would effect settlement for past expenditures of the Armed Forces in Korea and how he would provide for payment of future expenditures in that country. This became of special interest to the War and Treasury representatives as implementation of this financial policy would remove the Korean won held by the Army from the excess category. The War and Treasury representatives pointed out to General Hodge and his staff that in any settlement finally negotiated between Korea and the United States, the first portion of any payment made should naturally include payment with the won on hand in Army and Navy accounts. Although the amount to be paid to Korea under this policy was not known at the time of the visit by the War and Treasury representatives, it did appear that no excess won problem would exist and, accordingly, no detailed utilization program was devised for Korea.

The representatives of the Secretary of the Army and Secretary of the Treasury returned on 15 June 1947 and were able to advise that the utilization of Japanese yen was possible over an extended period of time and that no loss would have to be taken by the United States Government because of this excess position.

CONGRESSIONAL INQUIRY

On 12 June 1947, the Chairman of the Senate Appropriations Committee wired the Secretary of State, the Secretary of Treasury and Secretary of the Army, stating that the Senate Committees on Appropriations, the Armed Services, and Banking and Currency would hold a joint hearing commencing 17 June 1947 for the purpose of investigating the circumstances surrounding the accumulation and holdings of various foreign exchange on the part

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of the Armed Services as a result of the war. Assistant Secretary of War, Mr. Howard Peterson, the Budget Officer for the Department, representatives of the State and Treasury Departments, and others presented a full explanation during a two-day hearing of the conditions surrounding the accumulation of the excess currencies, the position at that time, and the Government's plan for utilization of these currencies.

By this time, Mr. Peterson was able to inform the Congress that through methods of liquidation which had been decided upon, and were in operation at that time, the \$380 million of excess holdings of foreign currencies was being reduced to approximately \$160 million. He further was able to assure the Congress that plans for the liquidation of this remaining amount had been approved by executive departments concerned and it was expected that this liquidation would be consummated over the following 18 months. He stated that the War Department did not propose to ask Congress for an appropriation to effect this reduction. This statement and the full discussions surrounding the excess currency problem served to stop speculation which had been prevalent in newspapers and other publications during the preceding months, to the effect that the United States Government was going to stand a loss because of this situation up to \$1 billion.

The combined committees felt there was no reason to continue the hearings after two days, particularly after they had been assured that no further accumulations were accruing to the Armed Forces, that the Armed Services were not going to request an appropriation from the Congress, that the excess holdings did not represent a loss to the United States Government, and that a utilization program was being pressed whereby the entire problem would be cleared up at the earliest possible date. The combined committees asked for a submission of written cables, data, memoranda, etc., from the Departments of State, War and Treasury, and following a review of such documents decided not to continue further the hearings on this subject.

Following the submission of approximately 900 pages of documentation to the combined committees of Congress as requested, the War Department

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was able to direct its efforts on the utilization of the currencies still in its hands. This it did over the period of the next 15-18 months.

AUSTRIAN AND KOREAN PROBLEMS RESOLVED

As early as January of 1946, the Department of Army had requested policy direction and advice of the Department of State as to the position of the United States Government with respect to initial and ultimate financial responsibility for goods and services procured inside Austria for the United States Armed Forces. On 5 March 1946 the State Department advised that while no definitive decision could be taken at that time regarding the final financial settlement with Austria, it would advise that the War Department charge its appropriations for such expenditures in Austria and set the dollar funds aside for the time being. Had the Department of Army implemented such suggestion from the Department of State at that time, it would have had no long position in Austrian schillings in 1947. Because of the indefiniteness of this policy, the Army elected instead to await further instruction and a definitive statement of financial policy from the Department of State on this matter. In March 1947 the subject was again raised by the Department of State relative to dollar accruals to Austria. By letter of 12 May 1947 the Secretary of War requested an early indication of the current United States financial policy with regard to Austria, as well as Korea, which would enable the War Department to clear its monetary accounts in this respect. A clear and definitive statement of United States financial policy with respect to Austria became especially pertinent at this time due to the indications given by the Commanding General of United States Forces in Austria that he had insufficient allocations of occupation schillings to provide for his current needs.

On 20 May 1947 Secretary Marshall referred to previous public statements by the Department of State and the Moscow declaration of 1 November 1943 and stated that our national policy toward both Austria and Korea required that United States Armed Forces stationed therein pay their way in these two countries as from the respective days of liberation, April 9, 1945

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and September 9, 1945, respectively. This statement of policy provided the basis for a lump sum intergovernmental financial settlement between the United States Government and the Austrian Government which settled in full all obligations of United States Armed Forces to the Austrian Government from April 9, 1945, through 30 June 1947. This settlement was negotiated by the United States High Commissioner for Austria with the assistance of two War Department representatives, Colonel R. S. Moore and Mr. E. E. Naylor, the latter of which acted as the General Accounting Office's representative in addition to his being one of the Army's representatives. With respect to the Army's holdings in Austrian schillings, the War Department insisted that payment be made first with schillings held in Army disbursing officers' accounts before any dollars as such accrued to the Austrian Government. This was accepted by all concerned in the Austrian Government. The settlement with Austria was completed on 21 June 1947 and a public announcement of United States policy toward Austria in this respect followed.

Similarly, in Korea, the pay-as-you-go policy was later implemented in its entirety. Due to the lack of adequate documentation and records concerning United States Armed Forces procurement in Korea, delays were experienced in making a settlement similar to that made in Austria. Also, in view of the non-existence of a formal central government in Korea, some doubt existed initially as to the propriety of the Armed Forces negotiating a financial settlement with the Military Government (United States) in Korea. This difficulty was finally resolved to the satisfaction of the Comptroller General of the United States, and settlement of all outstanding obligations to Korea were discharged by a lump sum settlement on 30 June 1948. Korean won in Army disbursing officers' accounts was used to effect payments.

CONSOLIDATION OF HOLDINGS

In August 1947 following informal discussions relative to the mutual use of the excess currencies, the Department of Navy requested the Department of Army to purchase the Navy's holdings of marks and yen, and in turn the Navy would agree that it cooperate fully with the Department of Army

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in utilizing the over-all United States Armed Forces holdings of yen and marks. In September of 1947 the Army agreed, in the interest of a unified effort, to purchase the Department of Navy official holdings of yen and marks, with the understanding that the United States Navy was in full accord with the methods of utilizing the combined foreign currency holdings as set forth in the Memorandum of Understanding for the President and approved 15 May 1947, and with the understanding that the Navy Department would assist the Department of Army in all possible ways with this program. Following this, the Army purchased from Navy approximately \$5 million worth of yen and marks, and excess holdings of the Armed Services were consolidated into one account.

MAJOR PROGRAMS COMPLETED

Utilization of German marks commenced in earnest in May of 1947. Utilization of yen commenced essentially in April of 1947, although the Pacific Command had already been utilizing some yen from as early as December 1946. Certain of the methods previously explored became effective in the following year. Others did not become effective for various reasons. Still other new means, whereby yen and marks were needed for authorized expenditures, became known and were used as means of disposal. In all cases where utilization methods presented themselves, the following tests were applied before each was used as appropriate or discarded as inappropriate.

- a) Is the expenditure in accord with United States Government policy?
- b) Is the proposed expenditure legal?
- c) Do appropriations exist (for official expenditures) with which the proposed expenditure may be effected?
- d) In cases where expenditures of quasi-official or personal funds are involved, will the expenditure of funds compare favorably with required expenditures for similar goods or services were they made in the United States?

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The actual program as it proceeded is summarized in Tables VIII and IX for German marks and Tables X and XI for Japanese yen. Utilization of the former was completed on 24 December 1948 and the latter on 20 August 1948.

SITUATION ON ALL OTHER CURRENCIES

With respect to the total \$530,000,000 worth of foreign exchange held by the Army on 31 December 1946, the Army took steps over the two-year period to 31 December 1948 to reduce its holdings of other currencies as well as marks and yen. As of the latter date, the Army had holdings of approximately \$10,000,000, which amount represented in the overall reasonable working balances for Army disbursing officers. (See Table XII).

MAJOR UTILIZATION MEASURES DISCUSSED

Several of the more important expenditures of funds where marks or yen were used are discussed below:

a. Encashment of Prisoner of War Accruals - Prisoners of War, particularly German, had been repatriated from either Prisoner of War camps in Europe or from camps in the United States following the war. While these prisoners had been in United States custody, in accordance with the terms of the Geneva conventions these prisoners received certain allowances and/or pay from the United States Government. The United States Army had discharged the responsibility of the United States Government with respect to these persons. Upon repatriation to their homelands, each Prisoner of War was given either a Military Payment Order or a Certificate of Credit, which instruments indicated the dollar indebtedness of the United States Government to the former prisoner. In the case of Japan, the Overseas Command encashed these instruments at the time each prisoner disembarked in his homeland and was released. In Germany, however, the prisoners were released with their Certificates or Payment Orders in hand. Encashment of the instruments was suggested by the individuals at any of the Finance Offices

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ACTUAL UTILIZATION OF MARK CURRENCY HOLDINGS

GERMANY 1947-1948

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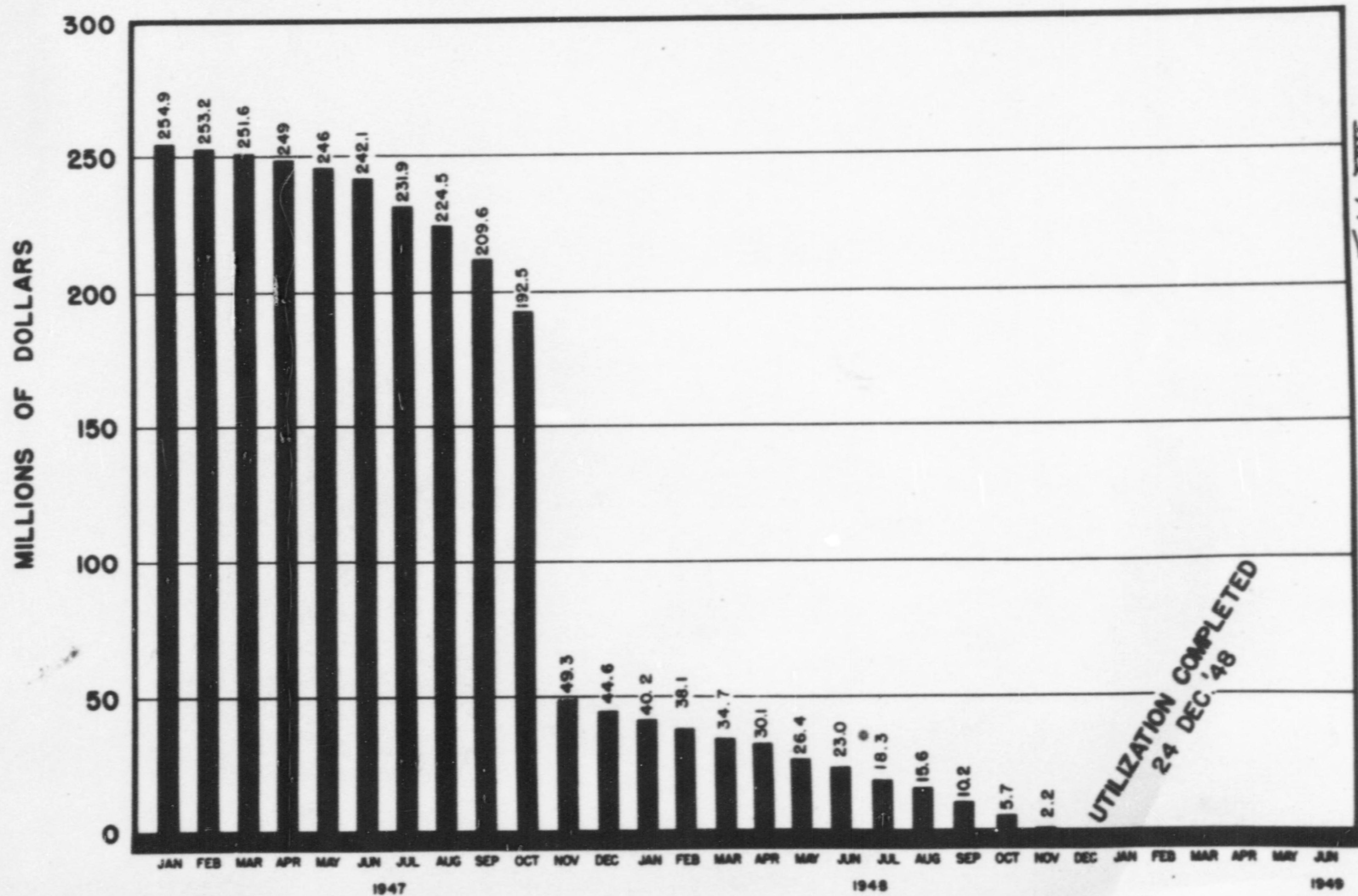


Table VIII

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UTILIZATION COMPLETED
24 DEC '48

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ITEM	1946	1947	1947	1947	1947	1947	1947	1947
	DEC	JAN THRU APR	MAY	JUN	JUL	AUG	SEP	SEP
			(IN MARKS)					
WAGON Exchange Service		4,668,548	(6,247,953)	(7,342,093)	(8,448,104)	(8,993,260)	(5,600,000)	(2,993,260)
a. Personal Services			4,000,000	4,700,000	4,900,000	4,900,000	5,600,000	
b. Procurement & Non-Personal Serv.....			2,000,000	2,600,000	2,600,000	3,900,000	2,993,260	
Special Services, WAGON		703,711	1,233,799	1,706,184	880,210	609,897		
WAGON Motion Picture Fund						21,000		
Excess		507,974	274,309	888,074	778,425	1,307,514		
Clubs, Bq & Unit Funds		3,036,778	3,733,184	3,998,798	3,084,375	2,733,888		
Class VI Funds						14,300		
Stars and Stripes		106,307	144,389	208,338	235,877	308,161		
Intelligence Operations		12,000	863,890	678,000	631,517	980,129.90		
Salaries, Indigenous Personnel		609,490	993,876	1,093,287	1,019,884	1,093,393		
Other Government Agencies		809,940	980,433	303,160	649,193	709,140		
Reimbursement of US Court Fines		3,049,300	1,466,309					
Transfers between SO's					149,395	241,349		
* Marks Converted to Dollars		9,488	- 39,895	- 17,048	- 2,800	- 888.90		
Commercial Enterprises								
a. Loans & Non-official Travel		431,671	791,066	709,071	881,071	318,343.90		
b. Telegraph Service		13,070	5,179	386	17	309,718		
c. American Express Co., Inc.			21,448	132,430	270,988	76,388		
d. Travel Service		209,298	5,078,347	1,443,871	687,491	479,438.90		
e. All Others								
Individuals								
a. Personal Purchases		379,483	332,468	238,353	278,695	771,335.90		
Miscellaneous		733,299	204,147	394,977	174,003	14,157		
Loss of Funds						3,876.90		
Remittances - POW SO's							138,047,907.90	
Remittances - POW SO's		4,975,307	3,413,700	37,389,754	37,376,138	13,909,814.90		
* Return of Marks to Currency Section								
POW Pay on Blackburg		5,488,388	14,748,967	49,067,363	1,598,436	909,778.90		
Other		51,877	445,684	395,194	344,421	6,680,639.40		
Collections Refunded						3,278		
POW Payroll Differential					63,039	11,484		1,408
Deposit to Treas. of U.S.								
Paid to COMSEC - POW Settlement								
TOTAL MARKS			27,777,270	41,236,779	106,744,337	78,097,385	1,09,065,940.90	
DOLLAR EQUIVALENT			\$8,788,000	\$4,124,000	\$28,674,000	\$7,638,000	\$24,997,000	
Liquidation of German Mark NY Reserve Account								
ACCUMULATED BALANCE (8 equivalents of mark balances)		\$84,742,048.08	\$750,745,066.06	\$246,069,068.28	\$268,948,086.78	\$233,271,066.28	\$275,441,066.08	\$270,464,066.08

UTILIZATION OF BANK CURRENCY BUILDINGS

YEAR	1948											
	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	
(DOLLARS)	(4,367,351)	(7,362,091)	(8,448,104)	(8,993,260)	(5,481,471.90)	(5,161,332.90)	(8,930,505.90)	(8,670,711.90)	(6,014,229.50)	(7,067,280.00)	(4,907,000.00)	
	4,000,000	4,700,000	4,500,000	5,600,000	5,400,000	5,160,000	5,500,000	5,500,000	3,400,000			
	2,000,000	2,600,000	3,900,000	2,993,260	1,471.90	20,000	3,400,000					
15,711	1,233,795	1,706,184	880,210	609,827	1,457,302	1,202,841	1,105,346.90	1,691,202	1,958,763.50	1,818,814.00	1,188,000.00	
				21,022	16,430	44,978.90	37,374	39,191	30,798	84,801	81,000.00	
17,974	274,209	888,094	778,625	1,307,514	808,509.90	733,025.90	842,598	881,993	738,440	718,884.00	888,000.00	
18,710	3,733,184	3,930,798	3,084,375	2,733,888	2,078,689.90	2,309,388	2,781,875.90	2,373,820.90	1,985,122.50	2,110,188.00	2,000,000.00	
				14,208	178,846.90	161,477.90	215,164	352,164	270,401.90	148,881.00	188,000.00	
19,207	144,389	288,318	235,877	308,161	313,612.10	298,531	131,788	289,239.90	268,635.90	248,187.00	411,000.00	
20,000	883,898	678,000	631,517	588,171.90	935,958.90	225,985.90	18,932.90	9,753.90	6,482.90	2,888.00		
20,400	935,876	1,083,287	1,419,884	1,893,393	1,473,737.90	5,711,416.90	2,711,538	2,678,489.90	2,325,860.90	1,818,488.00	2,161,000.00	
20,560	598,693	289,168	649,193	789,148	478,743	638,269.90	1,438,682	274,219.90	383,747.90	488,844.00	888,000.00	
20,588	1,464,289											
		149,395	241,349		786,142.10	25,244.90						
21,488	- 39,385	- 17,888	- 2,888	- 888.90	- 38,692	- 3,981.90	- 1,037.60					
22,071	784,886	788,871	884,874	318,342.90	683,684	1,874,473.90	984,778.90	788,874	743,641	788,118.00	887,000.00	
22,078	5,175	386	17	388,728	163,186.90		577,373	1,925,478	107,788	1,888,888.00	117,000.00	
	21,468	138,438	278,888	76,388	248,648	2,115,000	117,488	243,798	243,798	288,888.00	188,000.00	
22,298	5,878,347	1,443,871	683,491	473,628.90	778,689.90	277,331.90	249,238	186,788.90	488,268	871,841.00	888,000.00	
22,488	312,488	288,313	278,695	771,338.90	173,297	127,088	188,029	188,737	127,755.90	87,888.00	88,000.00	
22,539	284,147	374,977	174,883	14,137	28,823	27,545	18,888.90	82,465	23,877	88,888.00	88,000.00	
				3,878.90								
				118,847,887.90	128,393,422.60	388,315.78	1,000					
22,887	3,413,788	37,889,734	37,876,118	13,889,814.90	15,889,212.90	12,895,787	17,413,248.10	21,763,932.90	4,815,227.20	18,887,888.00	12,888,000.00	
										1,888,888.00		
22,988	14,788,987	48,887,383	1,988,416	988,778.90								
23,077	445,684	383,194	344,421	6,688,678.60	8,388,178.88	274,684	8,883,788.90	1,788,879.78	349,161.90	171,788.00	11,878,000.00	
				3,278								
					221,876.90							
		48,889	11,484	1,488	83,389.88		88,683.28	9,242.98	235,774.98	38,997.60	188,888.00	
							1,488,888.88					
23,278	41,236,375	188,744,337	78,877,189	188,885,888.88	178,347,384.68	1,431,936,136.68	48,888,542.98	44,438,688	20,888,605.38	24,887,181.68	48,188,000.00	
23,388	84,124,888	818,874,888	87,838,888	814,977,888	817,235,888	8143,186,888	84,688,888	84,441,888	87,898,888	88,888,888	88,888,000.00	
23,488.2	\$888,888,888.78	\$238,771,888.28	\$778,441,888.28	\$718,464,888.28	\$188,228,888.28	\$ 88,883,888.28	\$48,746,888.28	\$48,884,888.28	\$18,814,888.28	\$28,871,888.28	\$88,188,000.00	

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STATEMENT OF BANK CURRENCY HOLDINGS

	1966										
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	
	(IN DOLLARS)										
(8,930,505.50)	(8,672,711.50)	(8,014,229.50)	(7,967,280.00)	(8,907,282.00)	(8,676,262.00)	\$ (890,874.06)	\$ (1,309,967)	\$ (1,204,696)	\$ 810,960	\$1,115,442	
5,500,000											
3,400,000											
1,189,346.50	1,691,202	1,958,763.50	1,816,614.00	1,088,086.00	967,108.00	\$ 72,837.48	\$ 180,073	127,068	212,478	124,160	
37,374	39,191	30,798	24,901	21,129.00	22,000.00	1,670.70	6,084	6,649	8,136	12,000	
842,958	881,993	738,440	716,864.00	688,106.00	681,278.00	72,672.44	74,573	146,701	112,781	197,600	
2,781,875.50	2,373,820.50	1,985,122.50	2,110,188.00	2,000,991.00	1,880,224.00	161,696.10	219,424	208,006	297,462	492,000	
215,164	352,164	270,401.50	148,881.00	162,861.00	149,388.00	5,188.08	2,374	2,968	2,679	2,573	
131,700	289,239.50	268,635.50	246,187.00	411,221.00	328,869.00	18,808.86	22,676	46,362	41,268	66,020	
18,932.50	9,753.50	6,482.50	2,888.00	279.00	814.00	72.00	9,094	5,940	5,220	4,164	
2,711,538	2,678,489.50	2,325,960.50	1,816,686.00	2,161,268.00	2,288,140.00	122,216.78	402,283	482,686	204,621	488,400	
1,430,682	294,219.50	383,747.50	248,244.00	688,177.00	967,127.00	57,499.25	114,468	112,664	102,206	202,200	
											Quarters Collections--146,900
- 1,037.60											
984,778.50	780,574	743,641	788,116.00	697,217.00	719,881.00	87,228.00	97,204	90,489	78,188	70,000	
597,373	1,923,472		1,000,000.00	117,000.00	108,007.00	10,871.10	171,548	55,569	56,828	481,160	
117,690	107,780	243,750	264,862.00	184,126.00	188,048.00	26,388.98	72,880			47,200	
228,930	306,881	247,446.50	228,222.00	184,126.00	78,401.00	808.08				208,000	
269,238	186,788.50	408,268	871,241.00	909,760.00	180,218.00	188,210.08	218,108	184,844	242,484	4,800	
								Chase National Bank...12,294			
186,629	108,737	127,755.50	87,068.25	88,888.00	88,888.00	89,524.50	420,907	84,388	54,728	26,000	
28,862.50	82,645	23,877	62,089.00	68,340.00	88,748.00	9,027.48	17,929	27,487	104,264	180,100	
1,000											
17,413,248.10	21,763,932.90	4,815,227.20	15,287,280.00	12,808,682.00	14,288,281.70	2,273,659.28	278,841	172,184	221		
			1,000,401.00					620 Adjustment...2,702,640			
8,883,708.50	1,729,879.70	349,161.50	172,788.40	11,978,682.00	11,088,672.00	25,882.20	277,216				
								750 Adjustment (State Department Funds)....			
9,242.50	235,574.50	28,997.60	189,488.00					216,183	22,000	64,000	
46,880,242.50	44,410,609	20,896,605.30	24,487,181.00	42,188,418.10	40,488,480.00	\$ 2,008,224.06	\$ 4,361,800	\$ 2,179,000	\$ 5,288,661	\$4,000,000	
\$4,688,000	\$4,441,000	\$2,090,000	\$2,688,000	\$4,214,000	\$4,084,000	\$ 2,008,224.06	\$ 4,361,800	\$ 2,179,000	\$ 5,288,661	\$4,000,000	
\$48,568,042.50	\$48,851,609	\$22,986,605.30	\$27,175,181.00	\$46,402,418.10	\$44,572,480.00	\$ 4,016,448.12	\$ 8,723,600	\$ 4,351,000	\$ 10,577,322	\$8,000,000	

Table IX
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RESTRICTED

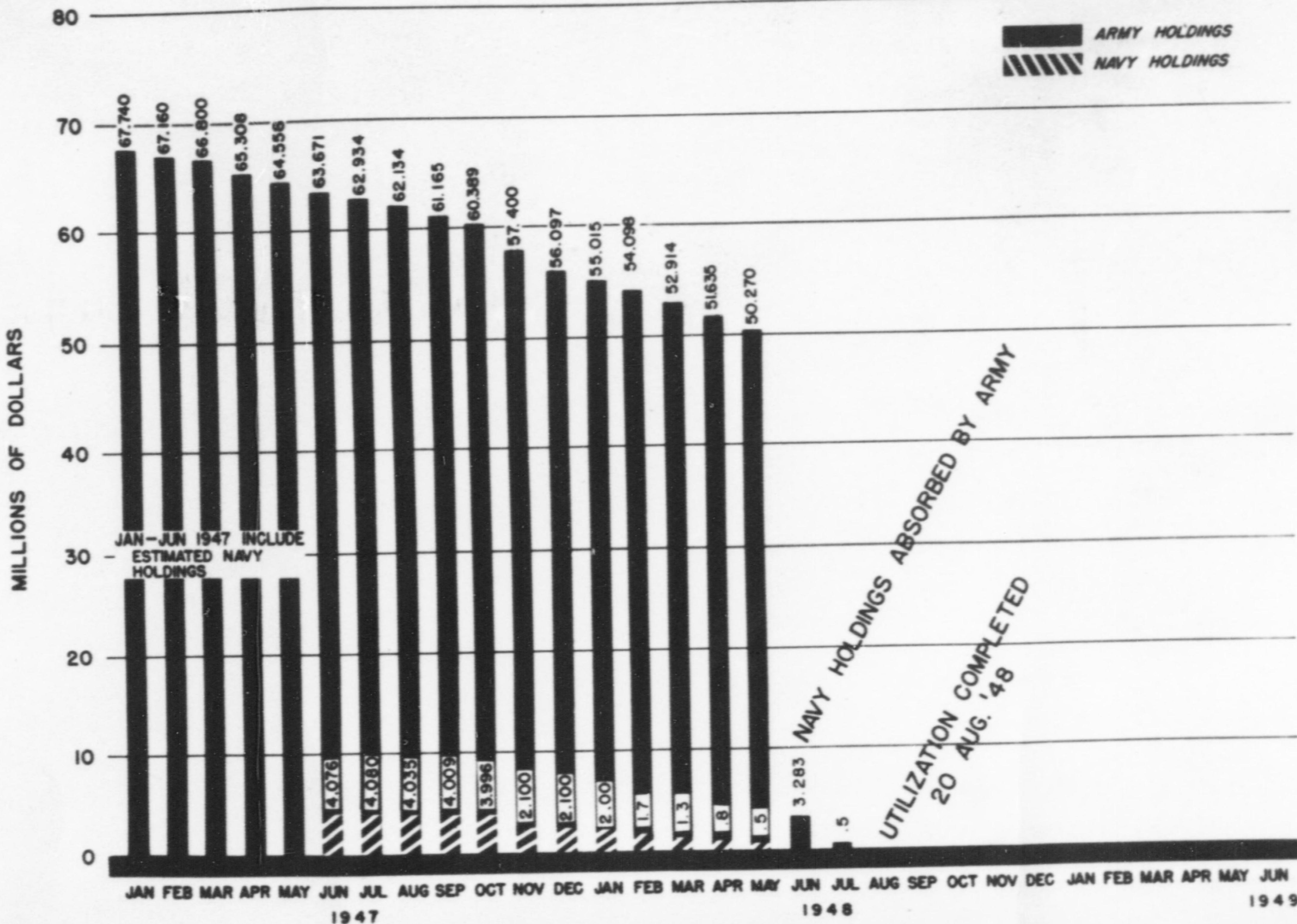
APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC
(6,007,362.00)	(6,076,362.00)	\$ (600,074.08)	\$ (1,379,007)	\$ (1,006,000)	\$ 810,000	\$1,119,442	\$ 904,610	\$ 641,287
(IN DOLLARS)								
1,000,000.00	947,100.00	\$ 72,837.48	\$ 100,000	127,000	715,075	124,163	167,926	90,708
31,159.00	22,000.00	1,670.70	6,004	6,440	6,130	12,000	9,051	8,036
600,100.00	601,275.00	73,672.54	74,573	140,701	113,761	197,690	149,578	108,314
2,000,000.00	1,800,124.00	181,606.10	219,434	300,000	27,747	600,000	410,000	300,114
100,000.00	100,000.00	6,100.00	2,374	2,000	2,000	2,071	27,351	11,637
411,321.00	330,000.00	10,000.00	23,000	40,000	41,000	50,000	50,407	29,700
379.00	814.00	72.00	9,004	5,000	5,300	6,144	140	2,934
2,161,300.00	2,000,140.00	123,210.70	402,500	600,000	304,621	600,400	190,140	173,760
600,177.00	607,127.00	57,409.25	114,600	110,000	100,000	600,000	907,100	100,000
Quarters Collections--140,000								
607,317.00	710,001.00	57,220.00	57,374	60,400	70,100	70,000	100,000	70,000
117,000.00	100,000.00	10,071.10	171,000	50,000	50,000	601,147	14,400	70,000
100,170.00	70,000.00	30,000.00	70,000	50,000	50,000	67,700	52,731	60,000
600,700.00	100,000.00	100,000.00	210,100	100,000	242,000	300,000	160,001	90,000
60,000.00	60,000.00	50,000.00	400,000	60,000	60,000	60,000	20,770	10,000
60,540.00	60,700.00	9,007.46	37,000	27,000	100,000	100,100	10,010	10,000
12,000,000.00	14,000,001.70	2,273,409.25	370,001	170,100	251		10,770	400,000
C&O Adjustment...2,700,000								
11,770,000.00	11,000,072.00	20,000.00	277,216					
C&O Adjustment (State Department Funds).....32,400								
				220,100	22,000	64,001	24,700	9,000
					60,612	50,007	14,642	
60,100,000.00	60,000,000.00	\$ 2,000,000.00	\$ 4,001,000	\$ 2,170,000	\$ 5,000,001	\$1,000,000	\$1,000,000	\$1,101,000
60,100,000	64,000,000	\$ 2,000,000.00	\$ 4,001,000	\$ 2,170,000	\$ 5,000,001	\$1,000,000	\$1,000,000	\$1,101,000
601,107,000.00	607,113,000.00	\$ 20,000,001.00	\$ 20,000,001	\$ 10,704,001	\$10,000,170	\$5,741,000	\$1,101,000	\$ -00-

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

ACTUAL UTILIZATION OF YEN CURRENCY HOLDINGS

JAPAN 1947-1948

RESTRICTED



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 Table X

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RESTRICTED

	1941 DEC	1942 JAN	1942 FEB	1942 MAR	1942 APR	1942 MAY	1942 JUN	1942 JUL	1942 AUG	1942 SEP	1942 OCT
SALES											
Sales of Tin.....			46,925,798.97	38,023,428.98	44,622,042.44	37,384,004.69	(28,346,306.88)	(51,366,473.10)	(34,696,789.43)		
Official Expenditures by Govt. Agencies.....							923,084	28,977.50	263,798.23		
Army Exchange Service & CSD.....							4,368,643.37	6,986,711	8,026,628		
Quasi-official Organizations, Others.....							7,494,788.37	7,423,034.10	5,981,397.90		
Individuals.....							25,535,779.41	11,462,514	11,020,487.08		
Civilians, other than Dept. of Army Civ Pers.....								188,955.50	.		
Railroads.....									2,750,523		
Post Office.....								784,348.50	1,025,797.50		
Commercial Organizations.....								478,339.50	473,608.50		
Govt. Civilians - Other than Dept. of Army Civ Pers.....									435,788.50		
Indigenous Employees.....									345,373		
Intelligence Operations.....								1,300,000	2,143,274.50		
Telephone & Telegraph.....								1,453,517	1,447,382.50		
Japanese Govt. Property, Lost or Damaged.....								5,386.50	12,969		
Turn-in of Funds Against Treasury Reserve Account.....											
Deposit with U.S. Treasury - Surplus Property Sales.....									21,480,497.50		
SALES											
Sales of Tin.....								(1,184,351.41)	(1,199,134.78)	(1,167,906.23)	
Ship Service Stores.....								37,598	28,938	138	
Quasi-official Organizations.....								8,500	43,760	89,382.50	
Individuals.....								849,365	606,677	435,960	
Indigenous Employees.....											
Official Expenditures								289,116.48	429,767.38	682,533.73	
TOTAL NET			46,925,798.97	38,023,428.98	44,622,042.44	37,384,004.69	29,538,438.41	22,565,607.88	25,864,691.86		
DOLLAR EQUIVALENT			\$938,000	\$960,000	\$990,000	\$768,000	\$991,000	\$1,051,000	\$ 717,000		
ACCUMULATIVE BALANCE (in equivalents of tin)	107,745,330	108,129,604.71	108,129,604.71	104,429,604.71	103,837,604.71	102,789,604.71	102,198,604.71	101,147,604.71	100,432,604.71		

RESTRICTED

UTILIZATION OF FUNDS

								1948			
MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
38,003,438.98	44,612,067.44	37,384,004.69	(28,346,306.00)	(21,366,473.10)	(34,006,705.43)	(50,638,622.85)	(161,752,175.30)	(52,215,938.12)	(46,489,998.78)	(88,748,689.02)	(80,488,488.40)
			933,894	28,977.90	463,730.21	297,667	2,818,689.90	363,695.90	378,508	229,184.80	2,482,488.00
			4,368,623.37	6,026,711	8,026,428	19,077,973.48	15,796,845.66	16,349,775	18,628,450.90	27,708,823.80	21,807,488.00
			7,426,708.37	7,423,034.10	5,921,397.80	6,427,008.90	7,431,737	8,731,689	5,031,308	6,219,906.10	6,182,488.00
			15,535,779.48	11,442,514	11,808,667.80	9,896,023.60	11,238,077.90	7,183,568.70	6,564,001.74	7,518,190.00	6,970,488.00
				188,955.90							
					2,726,283	3,411,987.90	2,495,262.90	2,803,737.90	1,860,277.50	2,188,812.90	1,412,488.00
					784,248.90	1,025,777.90	768,425.90	586,385	591,975	797,615	681,688.00
					478,339.90	423,608.90	312,039.90	1,827,384	1,889,442.90	568,417.90	2,227,318.00
						415,788.90	238,384	913,112.90	628,083	791,879.90	728,007.00
						345,775	6,925,737	8,245,455	8,718,728.90	8,871,600.90	8,977,478.90
				1,300,000	2,143,774.90	188,111.85	1,989,988.14	1,389,743.88	1,503,043.54	2,088,687.80	1,482,488.00
				1,453,517	1,447,382.90	1,997,897.90	1,631,838.90	2,213,315	1,715,662		1,682,488.00
				5,286.90	12,969	11,707.90	22,411.90	23,453	19,127	16,318.00	
							107,062,348.90	1,726,429.90			
				21,480,677.90							
			(1,184,353.84)	(1,199,134.78)	(1,167,906.23)	(1,525,132.09)	(897,304)	(973,167.84)	(261,400)	(488,787.80)	(488,488.00)
			37,938	28,938	138	2,775	445,331	6,565	26,195	11,888.00	
			8,988	63,768	89,382.90	81,877.90	128,562.90	61,768	45,875	88,700.00	
			849,168	606,677	435,768	275,387.85	311,460.90	471,387.34	156,330	288,688.00	
						19,288	19,938	19,387.90	33,000	25,887.80	
			289,116.8	429,767.78	682,332.73	1,146,132.26		413,868			
38,003,438.98	44,612,067.44	37,384,004.69	29,530,638.4	50,565,607.88	35,864,693.86	52,163,776.94	162,449,479.30	53,189,099.96	46,951,398.78	89,198,688.80	80,970,488.00
\$782,000	\$898,000	\$718,000	\$991,000	\$1,051,000	\$ 717,000	\$1,843,000	\$1,253,000	\$1,064,000	\$939,000	\$1,184,000	\$1,872,000
184,429,884.71	243,537,874.71	282,789,834.71	242,138,884.71	361,147,884.71	442,432,884.71	522,367,884.71	851,134,884.71	542,070,884.71	484,131,884.71	152,947,884.71	151,888,488.00

Table XI
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Summary

NO	1948			NO	APR	MAY	JUNE	JULY	
	JAN	FEB	(IN DOLLARS)					(IN DOLLARS)	
	(161,750,175.30)	(52,215,930.12)	(46,409,990.70)	(80,700,000.00)	(60,000,141.07)	(67,000,000.01)	(2,540,007,007.00)	\$ AMT. ADJ. PRICE & SAFT	\$ AMT. & ADJ. PRICE
	2,030,000.00	363,000.00	370,500	200,100.00	2,000,000	2,000,000.00	2,000,000,000.00	207,247.91	20,104.00
	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00
	7,000,000.00	6,700,000.00	5,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	70,000.00	20,000.00
	11,000,000.00	7,000,000.00	6,500,000.00	7,000,000.00	6,000,000.00	7,000,000.00	6,000,000.00	1,114,000.00	270,000.00
	2,000,000.00	2,000,000.00	1,000,000.00	2,000,000.00	1,000,000.00	2,000,000.00	2,000,000.00	50,000.00	2,000.00
	500,000	991,000	797,000	600,000.00	600,000.00	600,000.00	1,000,000.00	27,000.00	10,000.00
	1,000,000	1,000,000.00	500,000.00	2,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	100,000.00	10,000.00
	100,000.00	600,000	700,000.00	700,000.00	700,000.00	600,000.00	700,000.00	10,000.00	10,000.00
	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00
	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
	1,000,000.00	2,000,000	1,000,000	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
	20,000.00	20,000	10,000	10,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
	100,000,000.00	1,000,000.00							
	(897,000)	(970,107.04)	(261,000)	(600,000.00)	(400,000.00)	(300,000.00)	(100,000.00)		
	600,000	6,000	20,000	10,000.00	10,000.00	10,000.00	10,000.00		
	100,000.00	61,000	45,000	60,000.00	60,000.00	60,000.00	60,000.00		
	300,000.00	471,007.34	150,000	300,000.00	300,000.00	300,000.00	300,000.00		
	10,000	10,000.00	10,000	10,000.00	10,000.00	10,000.00	10,000.00		
		11,000							
	100,000,000.00	50,000,000.00	40,000,000.00	60,000,000.00	60,000,000.00	60,000,000.00	60,000,000.00	\$ 2,000,000.00	\$ 600,000.00
	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	\$ 2,000,000.00	\$ 600,000.00
	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00	\$ 600,000.00	\$ -00-

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DOLLAR EQUIVALENTS OF

CURRENCY	COUNTRY	QUARTERS ENDING:			
		31 Dec 46	31 Mar 47	30 Jun 47	30
Afghani	Afghanistan	\$	\$	\$	\$
Balboa	Panama				
Boliviano	Bolivia				
Bolivar	Venezuela				
Colon	Costa Rica El Salvador				
Cordoba	Nicaragua				
Cruzeiro	Brazil	97,996	2,257	6,630	
Dinar	Iraq Yugoslavia	264,617	261,368	48,013	
Dollar	British Guiana		9,646	33,258	
	British West Indies	26,629	62,023	2,071	
	Canada	369,436	263,659	65,024	
	Ethiopia				
	Hongkong				
	Maylay Strait Settlement	22,940	13,738	17,169	
Drachma	Greece				
Escudo	Portugal	21,416	38,789	75,235	
Florin	Dutch Guiana	4,326			
Forint	Hungary	807	534	200	
Franc	Belgium	19,339,228	947,647	787,534	
	France	68,918,285	836,502	24,091,734	
	Algeria		6	31,770	
	Fr Equatorial Africa	153	53		
	Fr Guiana		281		
	Morocco		51,893		
	Luxembourg	9,096	9,062	8,832	
	Switzerland	246,707	1,179,529	594,638	
Gourdes	Haiti	76	292		
Guarani	Paraguay		1,917		
Gold Coin	Canada	1,626,246	1,626,247	677	
	France	1,554,085	1,215,736	303,760	
	Great Britain			167	
	China				
Guilder	Netherlands	23,761,269	23,678,065	23,592,735	
	Curacao	159,709	158,248	14,319	
	Neths East Indies		11	367	
Koruna	Czechoslovakia	3,141,603	2,737,148	2,566,145	
Krona	Iceland	146,497	2,834	2,834	
	Sweden	124,271	2,084		
Krone	Denmark	516,924	46,869	10,648	
	Norway	210,097	209,893	210,954	
Lempira	Honduras				
Lira	Italy	1,162,293	217,905	199,379	
	Tripolitania	14,090	448	448	
Mark	Germany	270,909,788	304,707,865	242,131,625	

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Table XIIDOLLAR EQUIVALENTS OF UNITED STATES ARMY CURRENCY HOLDINGS

<u>31 Mar 47</u>	<u>30 Jun 47</u>	<u>30 Sep 47</u>	<u>31 Dec 47</u>	<u>31 Mar 48</u>	<u>30 Jun 48</u>
\$	\$	\$	\$	\$	\$ 400
					401
					110
2,257	6,630	724	6,860	21,903	9,604
261,368	48,013	946	10,211	15,774	3,256
			1,073		
9,646	33,258	14,283	13,946	11,318	
62,023	2,071	7,873	50,159	2,116	2,701
263,659	65,024	25,149	11,695	21,845	34,065
			600	478	17
13,738	17,169	4,052	5,880		
			2,101	286	1,297
38,789	75,235	12,982	30,535	93,358	68,453
534	200				
947,647	787,534	631,246	79,340	74,309	39,111
836,502	24,091,734	9,815,385	46,035,219	453,908	178,184
6	31,770	207,458	113,368		
53					
281					
51,893					
9,062	8,832	9,029	3,466	3,102	171
1,179,529	594,638	584,719	499,961	230,126	521,364
292					
1,917		2,376	3,620	1,942	4,171
1,626,247	677	677	677	677	677
1,215,736	303,760	201,099	200,132	204,771	191,186
	167				
23,678,065	23,592,735	339,239	326,246	326,316	326,492
158,248	14,319	1,182	375		
11	367	181	183		
2,737,148	2,566,145	1,330,510	1,286,320	1,258,444	1,235,724
2,834	2,834	2,834	2,834	2,836	
2,084					
46,869	10,648	15,637	7,792	14,320	3,605
209,893	210,954	210,693	215,408	209,892	
217,905	199,379	175,080	151,561	52,392	50,677
448	448	448	449		
304,707,885	242,131,525	209,600,932	44,715,347	35,035,312	22,483,379

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Table XII

ARMY CURRENCY HOLDINGS

<u>31 Dec 47</u>	<u>31 Mar 48</u>	<u>30 Jun 48</u>	<u>30 Sep 48</u>	<u>31 Dec 48</u>
\$	\$	\$ 400	\$ 986	\$ 1,102.
		401	334	722.00
		110		
6,860	21,903	9,604	8,218	4,881.
10,211	15,774	3,256	8,141	20,981.
1,073				
13,946	11,318			
50,159	2,116	2,701		
11,695	21,845	34,065		
600	478	17		
5,880				
2,101	286	1,297	7,926	1,576.
30,535	93,358	68,453		
79,340	74,309	39,111	11,380	9,876.
48,035,219	453,908	178,184	58,580	10,188.
113,368				
3,466	3,102	171	171	
499,961	230,126	521,364	143,754	84,640.
3,620	1,942	4,171	2,041	935.
677	677	677	677	677.
200,132	204,771	191,186	191,120	204,053.
			40,566	11,800.
326,246	326,316	326,492	722,882	722,994.
375				
183				
1,286,320	1,258,444	1,235,724	1,235,708	1,235,707.
2,834	2,836		2,835	2,826.
7,792	14,320	3,605	6,081	3,002.
215,408	209,892			
151,561	52,392	50,677	64,787	76,871.
449				
44,715,347	35,035,312	22,483,379	10,267,562	2,364,028.

Lempira	Honduras				
Lira	Italy	1,162,293	217,905	199,379	
	Tripolitania	14,030	448	448	
Mark	Germany	270,909,788	304,707,885	242,131,525	209,
Markka	Finland	162	60	14	
Peso	Argentina		3,812	5,112	
	Chile	613	316	81	
	Columbia				
	Cuba				
	Dominican Republic				
	Mexico				
	Philippines	11,344,577	16,606,596	11,024,304	9,
Uruguay		478	3,675		
Plaster	French Indo China	1,127	1,127	1,127	
Pound	Australia	12,231	104	1,543,759	1,
	Bermuda		13,841	18,931	
	British East Africa	123		26,718	
	British West Africa	444,440	443,868	32,371	
	Egypt	204,109	397,397	121,493	
	Fiji Islands	63	63	63	
	Gibraltar		9,823	9,823	
	Great Britain & N. Ireland	4,146,237	2,909,118	2,200,616	
	Lebanon				
	New Zealand	1,097	302	4	
	Palestine	86,006	86,046	2,100	
	Syria			3,474	
	Turkey	58,442	94,260	1,771	
	Union of South Africa		275,650	43,946	
Quetzal	Guatemala		6,660		
Rial	Iran	3,176,823	3,152,731	335,549	
Rubles	Russia				
Rupee	Burma	9,740			
	Ceylon	20			
	India	19,793,680	19,479,402	2,360,487	2,
Schilling	Austria	25,783,329	33,142,014	27,630	
	British East Africa				
	Great Britain (BAPSU)				
Sol	Peru				
Sucre	Ecuador	23,260	42,257	1,523	
Yen	Japan, Korea & Ryukyus Is.	73,037,246	31,951,695	48,748,006	67,
Yuan	China	3,082	464,647	218,499	
Zloty	Poland	4,775	26,300		
TOTAL		\$530,776,440	\$447,394,462	\$361,627,142	\$306,

23	217,905	199,379	175,080	151,561	52,392	50,677
30	448	448	448	449		
38	304,707,886	242,131,525	209,600,932	44,715,347	35,035,312	22,483,379
32	60	14	1			
13	3,812	5,112	8,031	3,760	8,618	5,610
	316	81	87	641		42
						1,083
77	16,605,596	11,024,304	9,462,189	14,829,695	8,658,087	2,309,207
	478	3,675	817	3,900	829	1,206
27	1,127	1,127	1,014	1,014		
31	104	1,543,759	1,533,810	48	3,342	18,203
	13,841	18,931	25,258	10,924	19,663	
23		26,718	1,205			
40	443,868	32,371		31,459		
109	397,397	121,493	89,063	54,791	125,563	88,253
63	63	63				
	9,823	9,823				
37	2,909,118	2,200,616	648,482	930,471	144,386	96,336
					10,082	5,570
97	302	4			2,500	117
006	86,046	2,100	1,746	1,794		
		3,474	4,536	26,134		3,981
42	94,260	1,771	5,525	18,449	21,935	12,379
	275,650	43,946	758	907	705	923
	6,660		4,405	3,025		9,633
23	3,152,731	335,549	296,213	283,294	16,272	10,281
740						2,255
20						
80	19,479,402	2,360,487	2,122,707	1,938,281	173,086	53,655
329	33,142,014	27,630	54,346	70,082	133,663	98,935
				11,117	4,217	15,157
					457	
						500
260	42,257	1,523	429	3,559		3,553
246	31,951,695	48,748,006	67,904,280	68,117,148	64,121,368	14,596,131
82	464,647	218,499	48,379	11,415	10,727	10,568
775	26,300					
440	<u>\$447,394,462</u>	<u>\$361,527,142</u>	<u>\$305,508,385</u>	<u>\$182,130,863</u>	<u>\$111,491,925</u>	<u>\$42,498,623</u>

Table VII
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151,561 449	52,392	50,677	64,787	76,871.
44,715,347	35,036,312	22,483,379	40,267,562	2,364,028.
3,760 641	8,618	5,610 42 1,083	2,794 100 315	2,849. 178. 450.
14,829,695 3,900 1,014	8,658,087 829	2,209,207 1,206	3,055,978 1,385	2,238,045. 75.
48 10,924	3,342 19,663	18,203	128,355	95,723.
31,459 54,791	125,563	88,253	58,786	35,499.
930,471	144,386 10,082 2,500	96,336 5,570 117	144,290 472 282	81,505. 32,895. 3,807.
1,794 26,134 18,449 907	21,935 705	3,981 12,379 923	2,939 20,108	6,591.
3,025		9,633		
283,294	16,272	10,281	7,733	17,885. 3,684.
		2,255		
1,938,281	173,086	53,656	47,798	34,883.
70,082 11,117	133,663 4,217 467	98,935 15,157	107,319 6,993 374	166,996. 10,304. 103.
		500	798	1,945.
3,559		3,553	5,790	4,376.
68,117,148	64,121,368	14,596,131	1,799,800	2,559,112.
11,415	10,727	10,568	1,066	
<u>\$182,130,863</u>	<u>\$111,491,925</u>	<u>\$42,498,623</u>	<u>\$16,267,215</u>	<u>10,053,764.</u>

Prepared by: Foreign Financial Group
Budget Division, OAC/CS
30 July 1948

Information added 15 October 1948

Information added 15 January 1949

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in Germany, of which there were numerous ones at that time. It was not appreciated, however, by the United States Forces in Europe that shortly the number of these offices would be drastically reduced and a serious encashment problem would arise. During the months until November of 1947, encashment on an individual basis continued as per existing instructions in Germany. In November 1947, however, and following clearance of the proposed action by the Departments of the Army, State and Treasury with the General Accounting Office, a lump sum financial settlement of \$140 million was made with Germany (OMGUS) which amount represented a fair and equitable payment to cover all outstanding and as yet uncashed Certificates of Credit in Germany. Furthermore, the United States Government, by the terms of this settlement, completely discharged its responsibilities to all former Prisoners of War of German nationality, including claims of any sort which may arise in the future. The determination of the amount to be paid was made by a joint Army Department team headed by the Army's Provost Marshal General, Brigadier General Bryan, and the European Theater Commander, General Clay, following an exhaustive investigation of the matter "on the ground" in Europe.

b. Army Exchange Service Procurement - As originally projected, an effective program looking to the expenditure of funds of quasi-official agencies for the utilization of mark and yen holdings had placed substantial reliance upon the sales to United States authorized personnel of local goods and services procured by the Army Exchange Service. In Germany, it was suggested that a sincere and thorough effort be made to immediately increase Army Exchange procurement and sale of goods and services from the German economy to approximately \$4 million per month. Considerable opposition was voiced to this proposal by the Commander-in-Chief in Europe, since it was held that the purchase by Army Exchange Service represented, in effect, an export sale of German goods. As such these exports should bring dollars for the German economy rather than marks in the equivalent dollar value. Furthermore, it was pointed out that the other Allied Powers might will demand similar treatment were the United States to effect this type of transaction. Finally, a token program in this area was worked out whereby of the procurement of goods by the Army Exchange Service in Germany, 80% was paid in dollars and 20% was paid with the dollar equivalent in marks.

In Japan, on the other hand, the Commander-in-Chief directed the

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augmentation of Army Exchange Service procurement in Japan for resale to occupied personnel. Moreover, the Pacific Command, through the world-wide Army Exchange Service, made available to other commands, outside of the United States, Japanese goods for resale purposes. This proved to be an effective utilization method, and the detrimental effects predicted by the United States Army authorities in Germany on this score did not materialize. In fact, such favorable comment resulted from the action on the part of American officials in Japan since it was by this method that Japanese goods were to some extent introduced into world markets. The indirect imports of Japanese items of a gift or souvenir, resulting from American GI's, officers and civilian personnel sending such gifts and souvenirs to the United States, brought the attention of Americans to Japanese products which were currently being produced.

c. Concessionaires of the Army Exchange Service - In both Japan and Germany concessionaire activities through the Army Exchange Service proved effective as a utilization measure. Normally, an arrangement was made whereby a German or Japanese business man acted as a concessionaire of the Army Exchange Service in the various Army installations in those countries. These firms offered services which otherwise would not have been available on a reasonable dollar cost basis to Americans stationed in those countries. Examples of these concessionaires which were finally developed were garages, dry cleaning and laundry plants, tailoring shops, watch repair shops, photo shops and barber and beauty shops.

d. Payment for Exports from Japan for Use of United States Armed Forces in Korea - SWNCC 176/38 (State, War, Navy Coordinating Committee), dated January 1948, provided certain United States financial policy toward Korea and Japan. One part of this policy was as follows:

"The Japanese economy, through SCAP, will be compensated in United States dollars, now appropriated or to be appropriated, for supplies shipped to Korea to meet the direct needs of the United States Forces in Korea, including building materials for dependent housing."

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This policy when implemented by the Army Department, represented a major initial disbursement. Outpayment, of course, was made in Japanese yen held by Army disbursing officers. This policy became effective after the utilization program was well under way, and had not been known or considered in the initial phase of this problem. It was, however, reasonable to accept, since it was never visualized that Germany and Japan, although the defeated enemies, should bear the cost of maintenance of our Armed Forces in countries other than their homeland. We already were paying for our Forces' activities in other liberated countries, such as France, Belgium, etc., and the policy had earlier been applied to exports from Germany for use of our Armed Forces in Austria. This disbursement, however, reduced materially the Army's holdings of yen.

METHODS NOT USED

Detailed staff consideration of certain of the methods for using currencies concluded that they were not appropriate, legal or did not follow United States policy. During the period involved, for example, it was proposed that officer and civilian rental allowances be paid in the occupied areas, as authorized by Congress, and that these individuals in turn pay for their quarters in terms of foreign exchange obtained from Army sources. Although legal, it was decided by the Budget Officer of the Army as not completely appropriate and one which might possibly subject the Army to justified criticism.

The question of a pay-as-you-go policy for both Germany and Japan was raised several times. Although such a policy of itself when implemented would have cared for the excess positions of yen and marks in their entirety, the Army Department took a position against such a practice in view of the terms of the Armistice. It felt it could not legally effect such expenditures in Japan and Germany without further direction and in all probability Congressional action. It accordingly resisted successfully the attempts to have the Armed Forces pay for goods, services and/or facilities in Japan and Germany.

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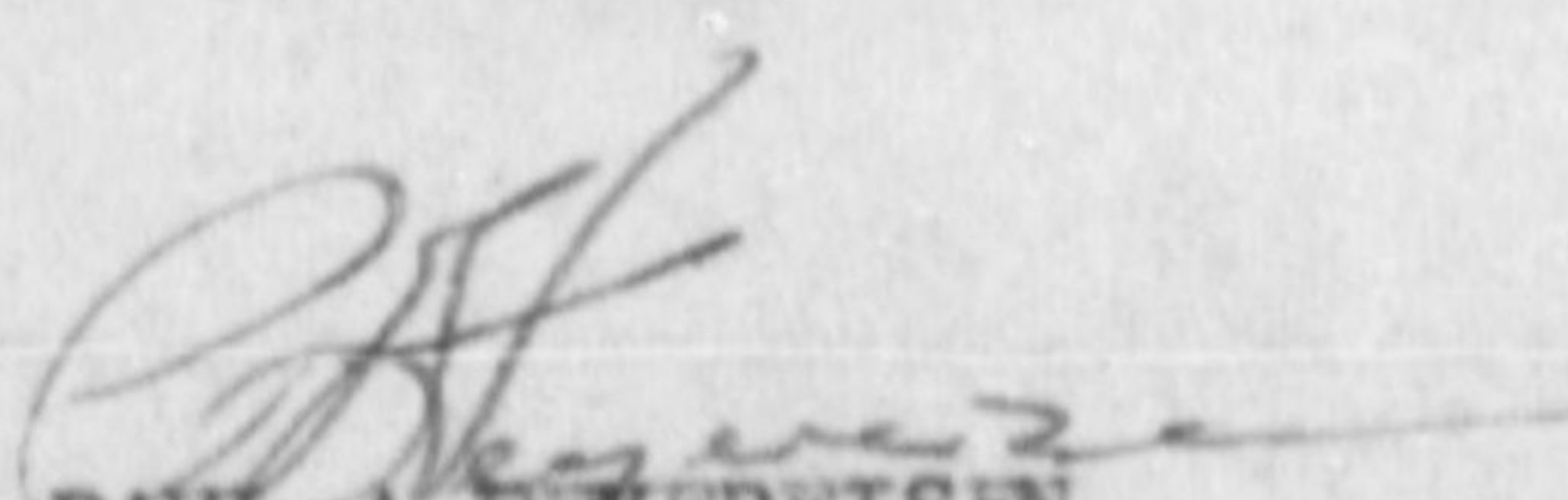
CONCLUSIONS

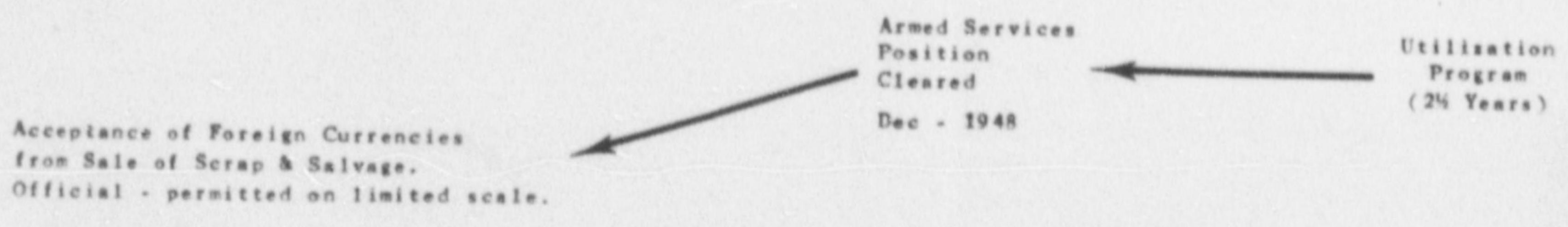
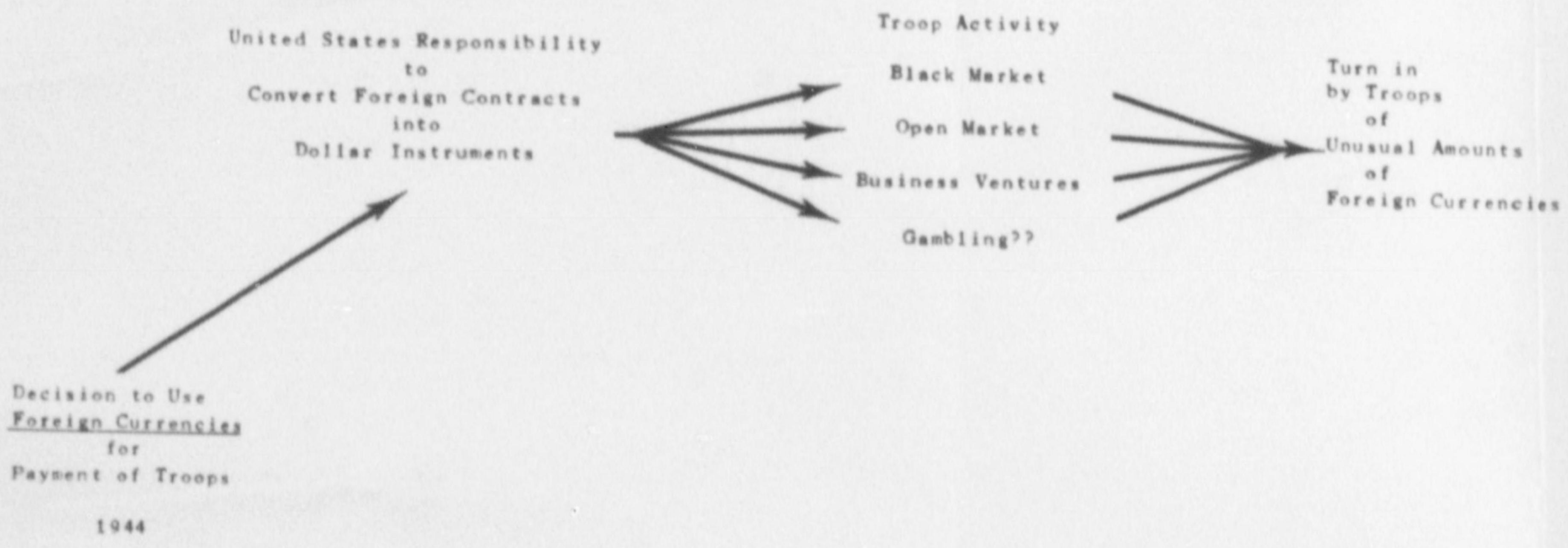
By the end of 1948, the Army Department, except for residual working balances and a small problem with respect to Czech crowns, had utilized its foreign currencies which had formerly represented an excess to its normal needs. It had not required a special Appropriation from the Congress to solve this problem. It had not been necessary to effect a "loss voucher" and accept any part of the currencies as a loss.

The experiences of the Army Department incident to the accumulations of the excesses, the final control through the use of the Military Payment Certificate, and the reduction of the excesses to reasonable working balances have served and must continue to serve as a staunch reminder to never again permit the Army or its sister services to acquire large quantities of foreign exchange, excess to its immediate needs. (See Table XIII for pictorial summary of experience cycle).

Several proposals, well documented and justified from operational points of view, have in the past year been made for the use of foreign exchange to pay Austrian troops in certain overseas areas. Other similar proposals can be expected in the future. These proposals have been turned down to date, in view of the past experiences which to many are still well known. A constant vigil against policy commitments within the National Defense Department and the three services which subject the services to accepting foreign exchange, regardless of source, is imperative.

Complete education of Finance Officers in the science of foreign exchange and the protection of United States Armed Services accounts from accumulations of foreign currencies is essential to prevent a recurrence of the Army's past ██████████ financial experience.


PAUL A. FRYEREISEN
Lt Colonel, GSC
O-39089



THE EXPERIENCE CYCLE

ACCUMULATION AND UTILIZATION OF FOREIGN CURRENCIES BY U.S. ARMY

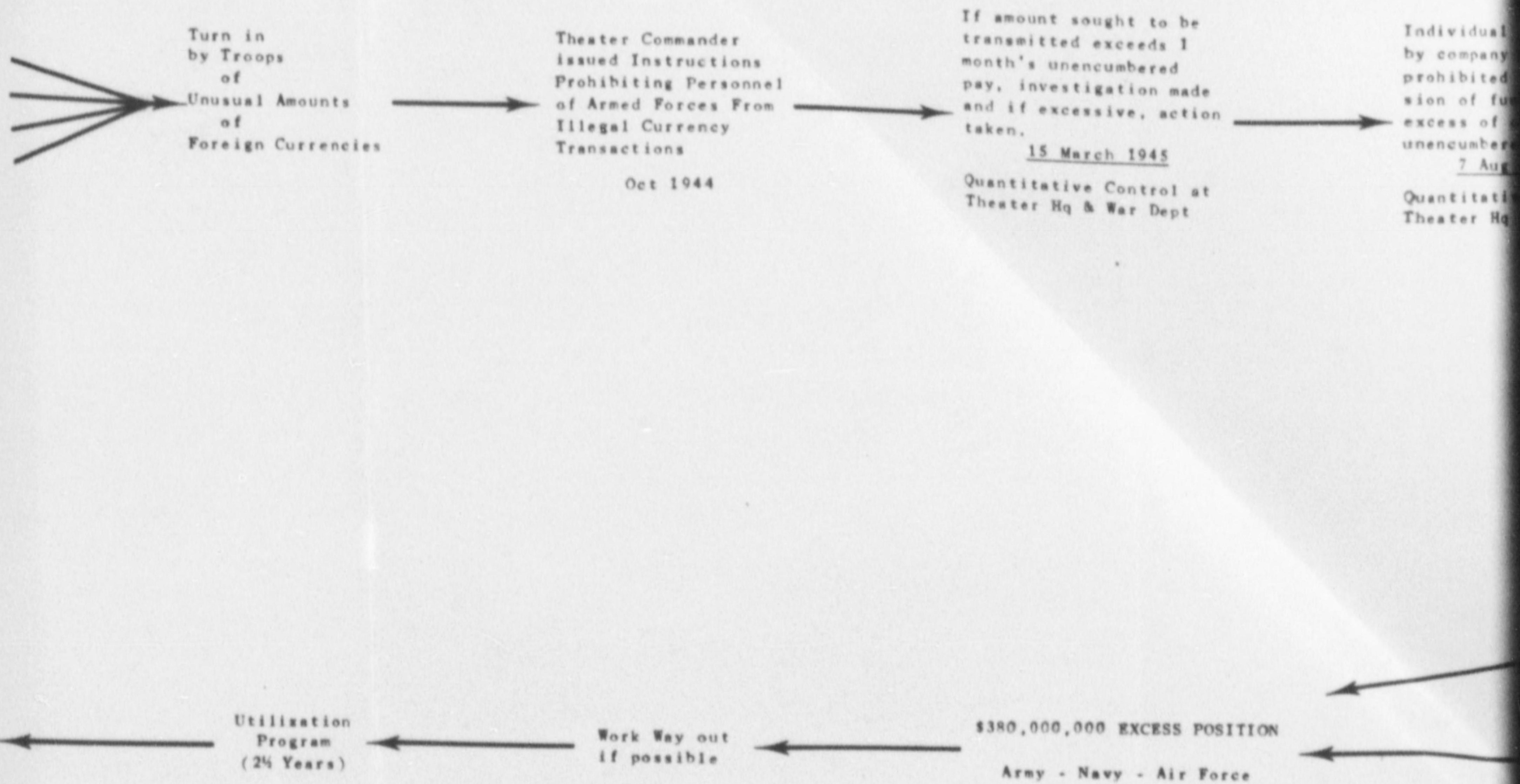


Table XIII

RESTRICTED

Amount sought to be
permitted exceeds 1
month's unencumbered
pay. Investigation made
if excessive, action
taken.
15 March 1945

Quantitative Control at
Theater Hq & War Dept

Individual scrutiny
by company officers
prohibited transmis-
sion of funds in
excess of one (1) month's
unencumbered pay + 10%.
7 Aug 1945

Quantitative Control at
Theater Hq & War Dept

Prohibited transmission
of funds not derived from
U.S. official sources.
Required a certificate from
field grade O's & civilians
of similar status.
9 Aug 1945

Quantitative Control at
Theater Hq & War Dept

Currency Exchange Control
10 Nov 1945

Quantitative Control at
Theater Hq & War Dept

Currency Control Rego
20 June 1946

Quantitative Control
Theater Hq & War Dept

\$10,000,000 EXCESS POSITION

Army - Navy - Air Force

Non-reconversion of foreign currencies

Introduction of MPC

Table XIII

RESTRICTED

Individual scrutiny
of company officers
prohibited transmis-
sion of funds in
excess of one (1) month's
uncumbered pay + 10%.
7 Aug 1945
Quantitative Control at
Theater Hq & War Dept

Prohibited transmission
of funds not derived from
U.S. official sources.
Required a certificate from
field grade O's & civilians
of similar status.
9 Aug 1945
Quantitative Control at
Theater Hq & War Dept

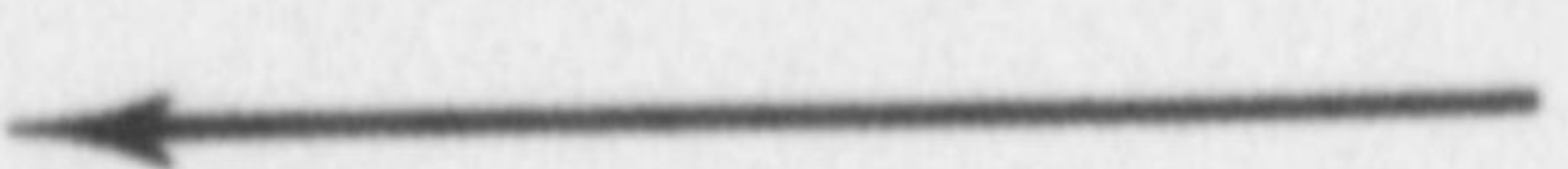
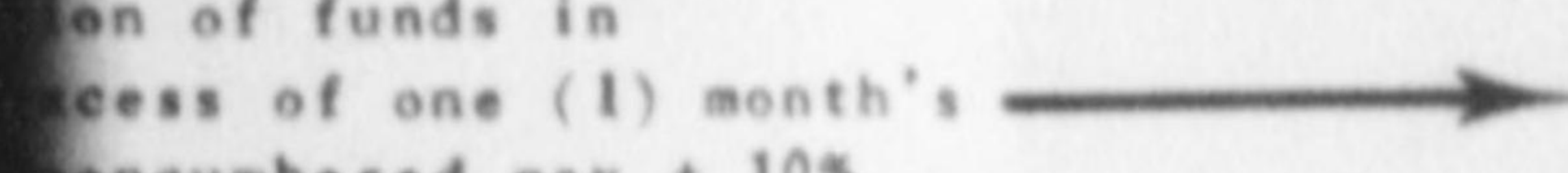
Currency Exchange Control Book
10 Nov 1945
Quantitative Control at
Theater Hq & War Dept

Currency Control Record
20 June 1946
Quantitative Control at
Theater Hq & War Dept

Non-reconversion of foreign currencies

Introduction of MPC's

Plans & Policy Office
Office of Army Comptroller
August 1949



Appendix #1



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CLASSIFICATION OF INFORMATION
"RESTRICTED"
BY AUTHORITY OF THE CHIEF OF
ARMY AND NAVAL STAFF
OFFICIAL

JSS

FOR THE PRESIDENT:

MEMORANDUM OF UNDERSTANDING

At your request and for the completion of your files we are submitting this statement of the agreements reached at the meeting in your office at 3 p. m. on April 29, 1947, concerning the current long position in foreign currencies held by the Armed Forces. This meeting was attended by Secretary of the Treasury Snyder, Secretary of War Patterson, Under Secretary of State Acheson, Assistant Secretary of State Hildring, Major General Richards, Budget Officer for the War Department, and Mr. Pfersheimer, Expert Consultant to the Secretary of War.

The following points were approved by the President and the others present and are accordingly the policy of the United States Government:

1. War Department will present to the present session of the Congress a full report on the Armed Forces stewardship to date of their foreign currencies.
2. War Department will obtain the concurrence of the State and Treasury Departments before presenting this report to the Congress.
3. In particular, none of the Departments concerned will make any statement to the Congress or to the press regarding any previous administrative action of any other Department on this subject without prior consultation and concurrence in such statement by the Department directly concerned or by the several Departments concerned with the entire problem.

RESTRICTED



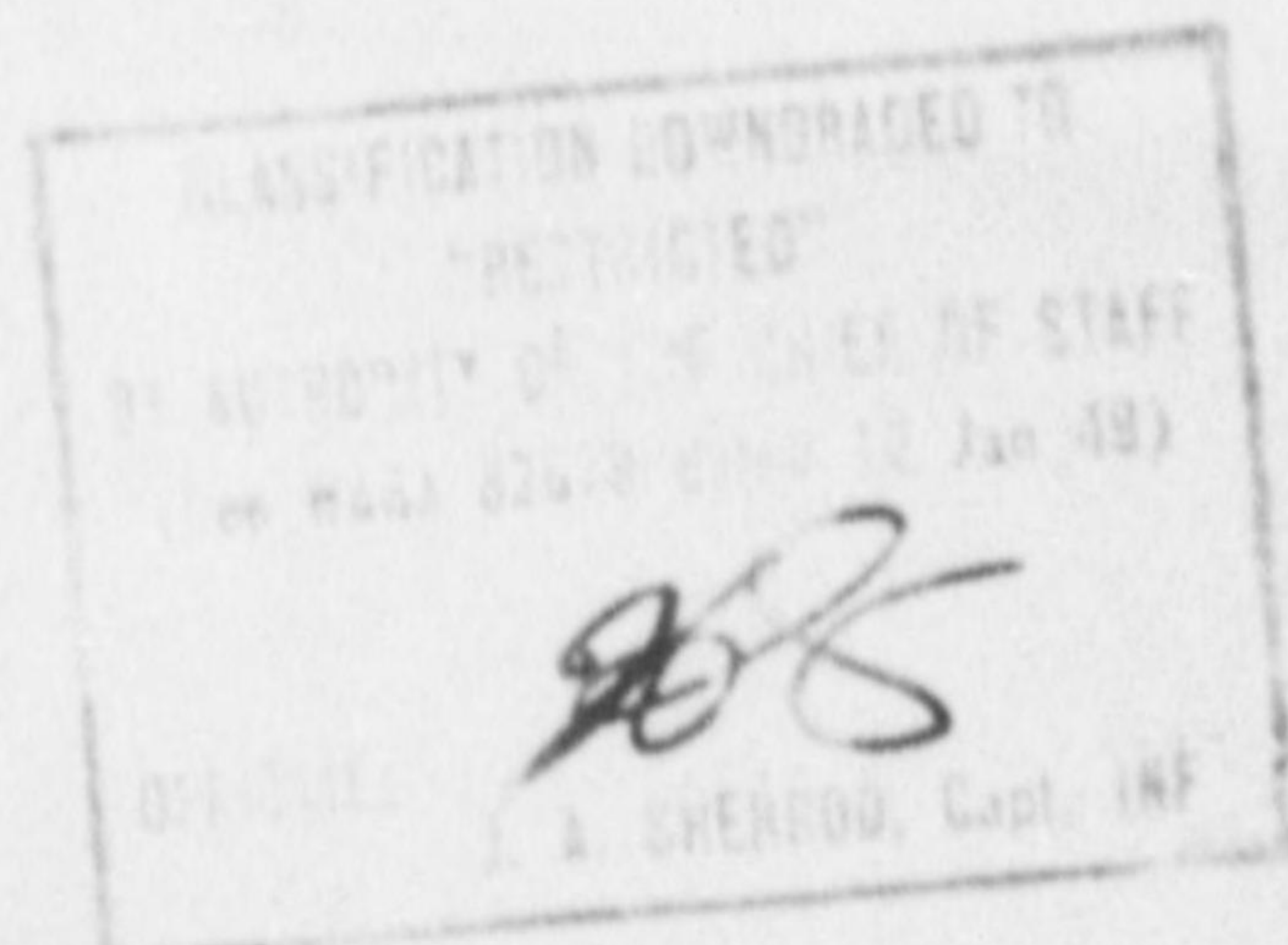
[REDACTED]

RESTRICTED

2.

4. The long position in foreign currencies held by disbursing officers of the Armed Forces will be liquidated by the end of 1948 in accordance with the program tabulated on the attached chart. As indicated in the chart, the Austrian schillings and Korean yen will be used in payment of official, quasi-official, and personal expenditures within Austria and Korea; after recoupment in full, the net dollar equivalents can be made available to these two countries. The long position in German marks and Japanese yen will be reduced promptly to approximately \$163 million by utilizing the dollar equivalents of German and Japanese prisoner-of-war credit instruments which will be encashed in local currencies. This \$163 million balance of foreign currencies will, as indicated in the chart, be liquidated by the end of 1948 by expenditures in the respective local economies -- dollars accruing from the following expenditures being used to accomplish this objective:
- (a) Any expenditure by an official agency of the United States Government out of official dollar funds.
 - (b) Any expenditure by any quasi-official organization or private enterprise operating within and for the military establishment.
 - (c) Any expenditure by individual United States authorized personnel.
5. The Treasury Department will not take custody of any foreign currencies constituting the long position for which disbursing officers of the War and Navy Departments are now accountable.

RESTRICTED



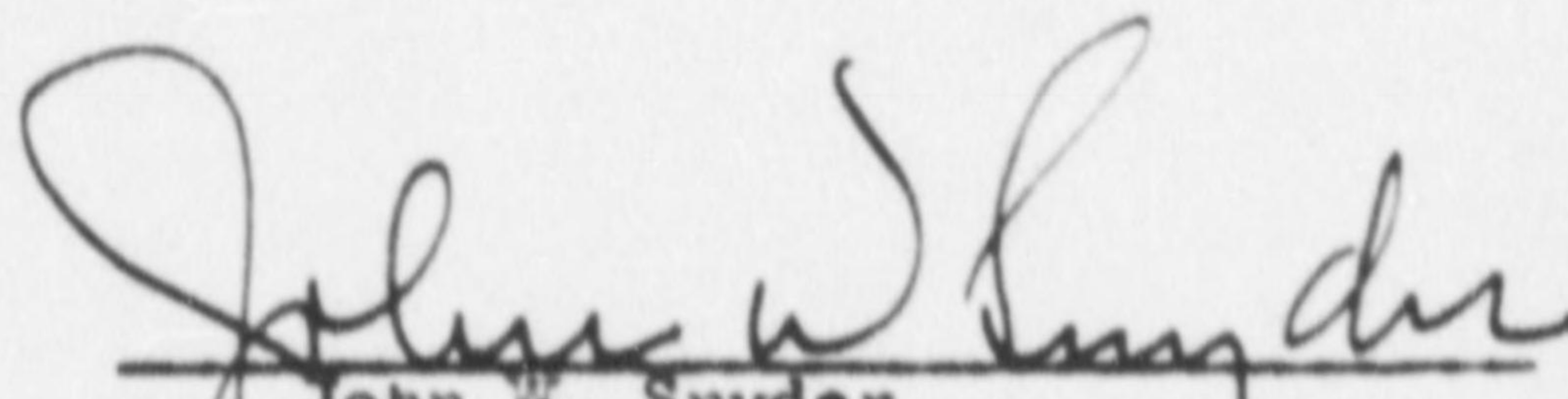
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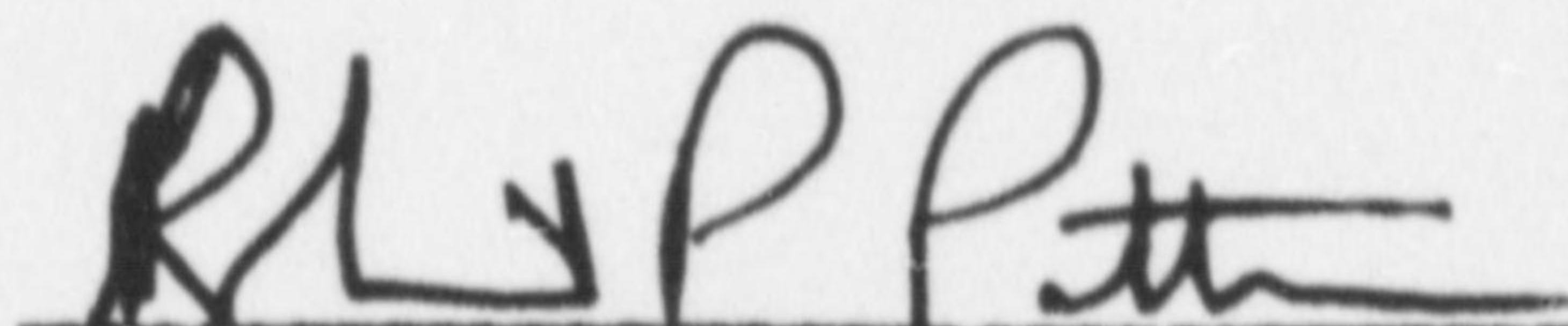
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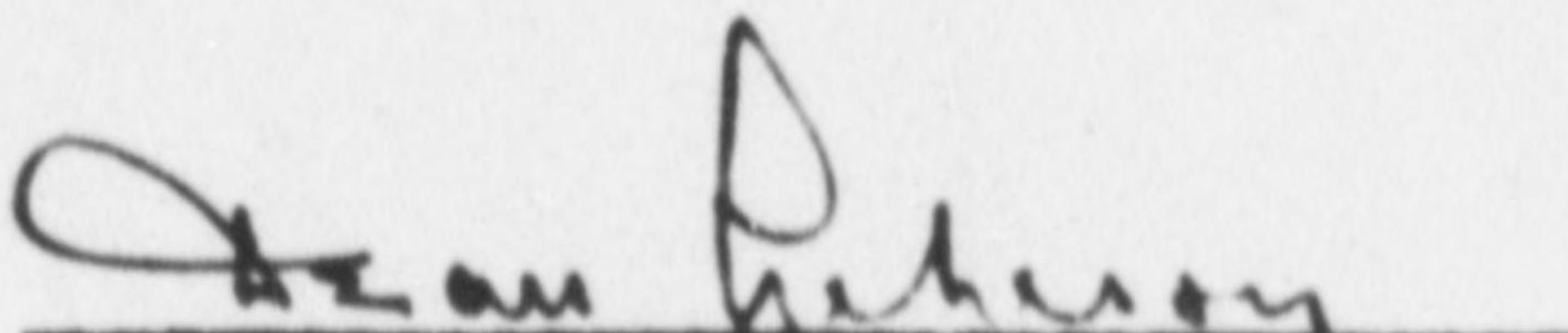
3.

6. The State and Treasury Departments concur in and will give full support to the War Department in expediting the program for disposal of the long position in foreign currencies in the manner set forth in paragraph 4 above.

If you approve, the War Department will advise the theater commanders immediately of this policy by quotation from the above points, particularly the fourth and the sixth.

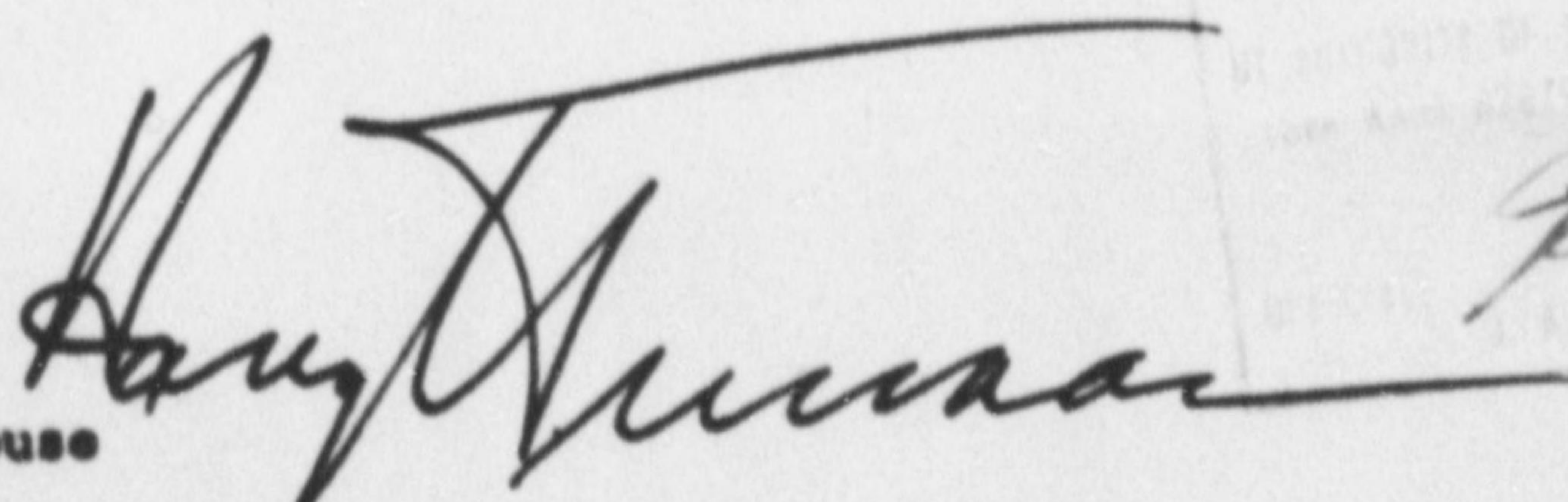

John W. Snyder
Secretary of the Treasury


Robert P. Patterson
Secretary of War

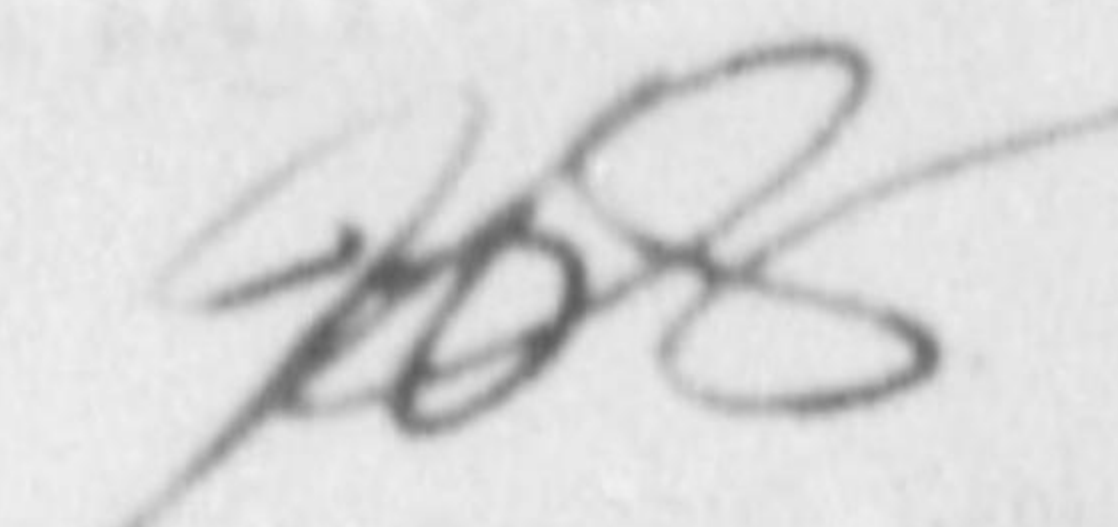

Dean Acheson
Under Secretary of State

APPROVED:

The White House


May 15, 1947

RESTRICTED

STATE DEPARTMENT
RESTRICTED
U.S. DEPARTMENT OF THE CHIEF OF STATE
MAY 15 1947


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APP #1

(1)

FOREIGN EXCHANGE DEBITS AND CREDITS
(in millions of dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	<u>Total</u>	<u>Germany</u>	<u>Japan</u>	<u>Austria</u>	<u>Korea</u>	<u>Nether-lands</u>	<u>Czecho-slovakia</u>	<u>Taxpayers Debit</u>	<u>Position Credit</u>
1. Indicated Debits	<u>387</u>	<u>253</u>	<u>63</u>	<u>33</u>	<u>11</u>	<u>23</u>	<u>3</u>	387	
2. Firm Recoupment - by:									26
a. War Accounts Settlements (Lend-Lease, etc.)	26							90	150
b. Out-Payments to Repatriated POW's	150	145	2	3		23	3	7	163
3. Recoupment by Expenditures in Local Economy*	163	104	59						
4. Policy Recoupment - by:									
a. Appropriation Charges Normally Occupation Costs	69			39	30			69	6
b. Military Payment Certificate Conversions	6	4	2						
5. Direct Offsets - by:									139.
a. Protected Currency Devaluation (Allied)									50
b. Protected Currency Devaluation (Occupied)									1.
c. Protected Currency Conversion (Obsolete)									
d. Residual Balance, Treasury Special Deposit Accounts									14
6. Total Credits	<u>387</u>	<u>253</u>	<u>63</u>	<u>42</u>	<u>30</u>	<u>23</u>	<u>3</u>	<u>553</u>	<u>570**</u>
7. a. Net Debits-Immediate)-(Item 1 minus 2 & 4)	<u>163</u>	<u>104</u>	<u>59</u>	<u>9</u>	<u>19</u>	<u>0</u>	<u>0</u>		
b. Net Credit-Immediate)									
8. a. Net Debit - End of Plan	0	0	0						<u>17**</u>
b. net Credit - End of Plan									

* Details on separate sheets for Germany and Japan; AM Mark and Yen balances expended before end of 1948.
** Figures do not include additional credit of profits from Army Exchange Service turned over to Treasury by order of Secretary of War.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section

27 May 1950

SUBJECT: Summary of ESS Activities Incident to Rendering Advice and Assistance on Military Government Problems in the Ryukyu Islands

Period: 16 April 1950 - 15 May 1950

1. At the informal request of CG, RYCOM, work was commenced on the development of an overall policy concerning possible foreign investments in the Ryukyus. An outline of policy will be developed within ESS and provided to the Ryukyus Military Government staff for detailed staffing at the earliest practical date.

2. The attention of this section was drawn to a proposed action by Headquarters, RYCOM relative to the establishment of a petroleum distribution system for the Ryukyus to be operated by a U. S. commercial oil company on an exclusive basis. A brief survey of the proposal indicated an absence of facts, factors and discussion of elements in the proposal, which affected the Military Government and civil economy aspects of the occupation of the Ryukyus. Following decision of the Deputy Chief of Staff/FHC, ESS Liaison Officer was sent on TDY to RYCOM to discuss the MG aspects of this proposal and to provide the Military Governor with technical information and ESS experience on this type proposal. Since this represented one of the first major commercial entrant problem in the Islands, coordination of this action with the overall policy action (1 above) on commercial entrants was stressed.

3. The need for definition of policy on the development of Commerce and Industry in the Ryukyus was observed by ESS Liaison Officer on his recent trip to Okinawa. As a result, a proposed policy directive was prepared within ESS for CINCPAC consideration and approval. This directive provided clarification of policy in these fields and requested the development of a detailed long range plan for the development of commerce and industry in the Islands. The letter was carried to Okinawa for informal clearance with the Deputy Military Governor prior to formal dispatch.

4. A reply to a query from Department of Army on the counterpart fund in the Ryukyus was drafted by ESS and Comptroller representatives, following receipt of a recommended reply from Headquarters, RYCOM.

5. Currency circulation in the Ryukyus was considered in detail by representatives of ESS and the Comptroller's Office with the head of the Finance Department, Ryukyus Military Government staff during the latter's visit in Tokyo during the week of 1-6 May 1950. A shortage of currency for government funding purposes in the Ryukyus precipitated the discussions. This crisis, from all appearances, arose from an absence of

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Subj: Summary of ESS Activities Incident to Rendering Advice and Assistance on Military Government Problems in the Ryukyu Islands

adequate accounting, distribution, billing and collection procedures in the Ryukyus, however, original projection of the length of cycles of currency turnover made in January 1950 may have been underestimated. A formal request was forwarded on 3 May from RYCOM requesting authority to increase currency funding in 3 accounts totaling 500,000,000 yen. A strong reply indicating CINCPAC concern over this situation was prepared for dispatch by ESS and Comptroller representatives.

6. RYCOM Military Government representative, Mr. Cecil Hill, visited on TDY this headquarters for the purpose of consulting with ESS representatives on Census, Labor Force and Monthly Wage and Hour Survey problems in the Ryukyus. ESS/PS Division discussed these problems in detail with Mr. Hill and provided basic instruction relative the setting up of adequate statistical reports on the Military Government administration in the Ryukyus.

7. A first "Balance of Payments" on the Ryukyu Islands, drawn in March 1950 by a joint effort of the Ryukyus Military Government staff and ESS representatives, was forwarded formally to the Military Governor of the Ryukyus with a request that quarterly balance of payment statements be drawn in the future. A "Balance of Payment" manual is being obtained from the International Monetary Fund for use in RYCOM.

8. A comprehensive report entitled "The Ryukyu Islands - Prewar Population and Employment" was finalized in ESS/PS Division. The report represents a major statistical accomplishment, since its compilation resulted only after translations of Japanese prewar census and labor force reports on the Ryukyus. The document should be of great value to the Military Government staff in the Ryukyus upon publication, which publication is being arranged through the Ryukyu Military Government Section of CINCPAC. The Military Governor of Ryukyus was informed of the report, and its early publication is expected.

9. ESS/FTC Division arranged in coordination with the Department of Army and CG, RYCOM for the shipment of Burma rice to the Ryukyus.

10. Development of a sound basic policy and plan for the conduct of foreign trade in the Ryukyus was commenced by ESS/FTC as an aid to the Military Governor of the Ryukyus. Upon completion, this will be made available to the Military Governor for detailed local staffing and possible publication as a basic government ordinance on foreign trade in the Ryukyus.

11. ESS/PD Division made available, upon request, the services of Mr. S. Barondes for two-two week periods on pricing and distribution problems in the Ryukyus. The lack of establishment of an adequate distribution system for aid imports into the Islands and the incompleteness of detailed pricing activity is a major concern of the Military Governor at this time. The temporary assistance and guidance provided by Mr. Barondes is reported to be of significant value to the command.

PAUL A. FEYERISEN
Lt. Col. Sig C
Liaison Officer

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GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

23 May 50

AG 201 - Feyereisen, Paul A AGPO

LO 130-2

SUBJECT: Amendment of Temporary Duty Order

TO: Off concerned, GHQ FEC APO 500

So much of Letter Order 123-3, General Headquarters, Far East Command, APO 500, 15 May 50 as amended by Letter Order 124-10, General Headquarters, Far East Command, APO 500, 16 May 50 pertaining to LT COL PAUL A FEYEREISEN 039089 SIG C as reads: "for a period of approximately four (4) days" is further amended to read: "for a period of approximately eight (8) days".

BY COMMAND OF GENERAL MACARTHUR:

PEARCE ALFORD
CWO USA
Asst Adj Gen

DISTRIBUTION:

ES Sec (1)
Lt Col Feyereisen (4) thru ES Sec
Fiscal Division, Office of Comptroller (1)

WFM/PAF/vms
Col. Feyereisen 26-8723

Extension of Temporary Duty

BSS

AG

22 May 50

1

1. References are:

a. AG 201 - Feyereisen, Paul A, LO 123-3, subject: Temporary Duty, dated 15 May 1950.

b. AG 201 - Feyereisen, Paul A, LO 124-10, subject: Amendment of Temporary Duty Orders, dated 16 May 1950.

2. It is requested that new orders be issued to permit extension of temporary duty in Okinawa to 24 May 1950 for Lt. Col. Feyereisen. The purpose of this extended TDY is to further assist the Military Governor of the Ryukyus with the development of appropriate plans and policies for commercial entrants in the Ryukyus.

3. RMGS concurs.

2 Incls:

1. TDY orders, 15 May 50
2. Amend. TDY orders, 16 May 50

----- W. F. M. -----

Col. Feyereisen

GENERAL HEADQUARTERS
FAR EAST COMMAND
APO 500

16 May 50

AG 201 - Feyereisen, Paul A AGPO

LO 124-10

SUBJECT: Amendment of Temporary Duty Orders

TO: Off concerned, GHQ FEC APO 500

So much of par 3, Letter Order 123-3, General Headquarters, Far East Command, APO 500, 15 May 50 pertaining to LT COL PAUL A FEYEREISEN 039089 SIG C as reads: "2102700.002 91-1001 P415-02 892-500" is amended to read: "2100425 91-1001 P432-02-03 892-500."

BY COMMAND OF GENERAL McARTHUR:

PEARCE ALFORD
CWO USA
Asst Adj Gen

DISTRIBUTION:

ES Sec (1)

Lt Col Feyereisen (2) thru ES Sec

Fiscal Division, Office of Comptroller (1)

WFM/PAF/vms
Col. Feyereisen 26-8723

Issuance of TDY Orders

RSS

D C/S - FEC

11 May 1950

1

1. It is requested that orders be issued to permit Lt. Col. Paul A. Feyereisen, 039089, Signal Corp. to travel by military aircraft on TDY for a period of approximately 4 days to Okinawa. TDY should be effective on or about 16 May 1950.

2. The purpose of this visit is to assist the Military Governor of the Ryukyus with the development of appropriate plans and policies for commercial entrants in the Ryukyus.

3. It is understood that CG, RYCOM is forwarding clearance for this visit this date.

4. RMGS concurs.

----- W. F. M. -----

Col. Feyereisen

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

TLD/mmc

UNCLASSIFIED
ROUTINE

11 May 50

FROM : CG RYCOM OKINAWA

TO : CINCPAC (PASS TO RMGS) TOKYO JAPAN

NR : R 07518

Clearance granted Lt Col Paul A Feyereisen, your hq, to enter Okinawa on TDY on or about 14 May 50.

NO SIG

ACTION : G-1

INFORMATION : AG, SIGNAL

ADDED DIST : BCON & SCE, TOKYO HQ (13 May 50)

PREP

84185

ROUTINE
UNCLASSIFIED

TOO : 110625 Z
MCN : AUC 94/11

(B)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

Check Sheet

WFM/CFK/WMT/sls

(Do not remove from attached sheets)

Voluntary Transfer of Officers to
the Corps of Engineers, Ordnance

Subject: Department and Signal Corps.

File No:

Note No: From: ESS/ADM

To: ESS/Executive

Date: 10 May 1950

Attn: Lt. Col P.A. Feyereisen

1. The Adjutant General's Section has requested the contents of the attached letter, Department of the Army, The Adjutant General, AGAO-S 210.33(3 Apr 50)G1-M subject: Voluntary Transfer of Officers to the Corps of Engineers, Ordnance Department and Signal Corps, dated 14 April 1950 be brought to the attention of all officers assigned or attached to this Section.

2. Applications for transfer will be submitted through Commander-in-Chief, Far East, Attention: AG-PO.

1 Incl
Ltr, DA, TAG, 14 Apr 50

-----C. F. K.-----

DEPARTMENT OF THE ARMY
Office of the Adjutant General
Washington 25, D. C.

AGAO-S 210.33(3 Apr 50)G1-M
AGPA-UT

14 April 1950

SUBJECT: Voluntary Transfer of Officers to the Corps of Engineers,
Ordnance Department, and Signal Corps

TO: Commanders-in-Chief,
Far East
European Command
Commanding General,
U. S. Army, Alaska
U. S. Army, Caribbean
U. S. Army, Pacific
U. S. Forces, Austria
Trieste United States Troops
Independent Commands under the D/A
Armies, Z/I
Military District of Washington
Chiefs of Administrative and Technical Services

1. The Department of the Army will accept applications from male officers meeting the criteria indicated below, who desire transfer on a voluntary basis to the Corps of Engineers, Ordnance Department, and Signal Corps.

2. Officers applying for transfer must now be on active duty, and must be physically qualified for general service. Specific criteria for transfer are set forth in the following paragraphs.

3. Corps of Engineers.

a. Regular Army.

An officer must:

- (1) Be in the permanent grade of major, or below.
- (2) Possess a degree in civil, mechanical, electrical administrative, petroleum, or mining engineering, or
 - (a) Possess a bachelor's degree from a recognized collegiate institution, and
 - (b) Not have passed his 35th birthday, as of date the transfer is effected.
- (3) Be capable of absorbing further technical training and education, as indicated by records of scholastic achievement.

b. Other than Regular Army.

An officer must:

- (1) Be in the grade of Lieutenant Colonel, or below.
- (2) Possess an engineering degree, or
 - (a) Have successfully completed a minimum of two years of a college level engineering course, and
 - (b) Have the civilian or military experience equivalent of the amount of education he lacked to complete the requirements for an engineering degree.
- (3) Be capable of absorbing further technical training or education, as indicated by records of scholastic achievement.

4. Ordnance Department.

a. Regular Army.

An officer should:

- (1) Be in the permanent grade of Major, or below.
- (2) Be a United States Military Academy graduate, or possess a degree in mechanical engineering, aeronautical engineering, electrical engineering (electronics, major, not power or communications specialists), chemical engineering (including petroleum engineering), automotive engineering, industrial engineering, industrial management, metallurgical engineering, metallurgy (physical metallurgy, major only), physics, mathematics (including statistics, major), and chemistry.
- (3) Be capable of absorbing further technical training and education, as indicated by records of military service and scholastic achievement.
- (4) Have completed two or more years service with the combat arms.

AGAO-S 210.33 (3 Apr 50)G1-M

Subj: Voluntary Transfer of Officers to the Corps of Engineers,
Ordnance Department, and Signal Corps 14 April 1950

b. Other than Regular Army.

An officer should:

- (1) Be in the grade of Lieutenant Colonel, or below.
- (2) Possess a degree in one of the technical specialties of Ordnance as indicated for Regular Army (paragraph 4a, above), or
 - (a) Have successfully completed a minimum of two years of a college level course in one of these technical specialties, and
 - (b) Have the civilian or military experience equivalent of the amount of education lacked to complete the requirements for a technical specialty.
- (3) Be capable of absorbing further technical training, as indicated by records of military service, civilian experience, and scholastic achievement.

5. Signal Corps.

a. Regular Army.

An officer must:

- (1) Possess a degree in electrical engineering, electronics engineering, communications engineering, radio engineering, administrative engineering, physics, photography, meteorology, or motion picture engineering, or
- (2) Possess a bachelor's degree in any subject other than those listed above, and have civilian or military experience in communications, supply and procurement, research and development, or photographic specialties.
- (3) Be capable of absorbing further technical training and education, as indicated by a record of scholastic achievement.

b. Other than Regular Army.

An officer must:

- (1) Possess an engineering degree, or
- (2) Have successfully completed a minimum of two years of college, and have civilian or military training and experience in communications, supply and procurement, research and development, or photographic specialties.

6. It is desired that the contents of this letter be brought to the attention of all officers of your command. Applications for transfer under the provisions of this letter will be forwarded expeditiously to The Adjutant General, ATTENTION: AGPA-UT for Regular Army Officer, and AGPR-D for non-regular officers. Final action on all applications will be taken by the Department of the Army

BY ORDER OF THE SECRETARY OF THE ARMY:

/s/ Edward F. Witsell
EDWARD F. WITSELL
Major General, USA
The Adjutant General

Copies Furnished:

Chief, Army Field Forces
Assistant Chiefs of Staff, GSUSA
Chiefs, Special Staff Division, SSUSA
Comptroller of the Army
Chief of Information

Reproduced in ESS 9 May 1950