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**The Unraveling of South Vietnam: Inflation, Corruption, and the
American Military Presence, 1965-1975**

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American Military Presence, 1965-1975**

by

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The Unraveling of South Vietnam: Inflation, Corruption, and the American Military Presence, 1965-1975

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The University of Texas at Austin, 2015

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This dissertation argues that military and political decisions made by U.S. policymakers to wage war in Vietnam produced economic consequences that severely undermined the entire American objective of preserving an independent, anticommunist South Vietnam. The escalation of war in 1965 ultimately sent over two million Americans to serve in combat or support roles in South Vietnam. The overwhelming presence of Americans, which peaked at over half a million in January 1969, in turn created numerous problems for the urban South Vietnamese population. The extraordinary amount of wealth brought into South Vietnam, including in the form of commodities, foreign aid, and American soldiers' purchasing power, disrupted South Vietnamese society and economy. Due to high levels of inflation, the sudden influx of American wealth into a small developing country created incentives for South Vietnamese to work for the Americans, who provided better compensation than South Vietnamese employers. Those who worked for the South Vietnamese state in the armed forces and the civil service received fixed incomes and could not keep pace with growing wartime inflation. The inundation of American soldiers and dollars into the country also

led to widespread corruption both among Americans and South Vietnamese, which I argue was destructive to state legitimacy in South Vietnam. Oftentimes, South Vietnamese citizens had to make the morally difficult choice to engage in corrupt actions in order to support their families. The American presence thus exacerbated socio-economic inequality in South Vietnam and contributed to eroding the national morale of those tasked with serving and fighting on behalf of their country.

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Introduction

From 1965 to 1973, the United States fought a war in Vietnam that took the lives of at least three million Vietnamese and around 58,000 Americans. For the first time in American history, the United States suffered defeat at the hands of a nation that was economically, militarily, and technologically weaker. The Vietnam War, as it is known in the United States, defined an entire generation of Americans and transformed American society, politics, and diplomacy. In Vietnam, the ending of the American War, as Vietnamese call it, reunified the country under communist rule and marked the end of decades of military conflict. In American and Vietnamese society today, scars of the conflict are still visible, memories still alive, and debates about its lessons still fraught and contentious.

This dissertation argues that military and political decisions made by U.S. policymakers to wage war in Vietnam produced economic consequences that severely undermined the entire American objective of preserving an independent, anticommunist South Vietnam. The escalation of war in 1965 ultimately sent over two million Americans to serve in combat or support roles in South Vietnam. The overwhelming presence of Americans, which peaked at over half a million in January 1969, in turn created numerous problems for the urban South Vietnamese population. The extraordinary amount of wealth brought into South Vietnam, including in the form of commodities, foreign aid, and American soldiers' purchasing power, disrupted South Vietnamese society and economy. Due to high levels of inflation, the sudden influx of

American wealth into a small developing country created incentives for South Vietnamese to work for the Americans, who provided better compensation than South Vietnamese employers. Those who worked for the South Vietnamese state in the armed forces and the civil service received fixed incomes and could not keep pace with growing wartime inflation. The inundation of American soldiers and dollars into the country also led to widespread corruption both among Americans and South Vietnamese, which I argue was destructive to state legitimacy in South Vietnam. Oftentimes, South Vietnamese citizens had to make the morally difficult choice to engage in corrupt actions in order to support their families. The American presence thus exacerbated socio-economic inequality in South Vietnam and contributed to eroding the national morale of those tasked with serving and fighting on behalf of their country.

When confronted with the problems of inflation and corruption in South Vietnam, U.S. policymakers responded by taking actions that merely addressed the problems temporarily. To fight inflation, U.S. policymakers instituted a commodity-import program that weakened South Vietnamese industrial development. Moreover, when the deployment of American troops to South Vietnam led to price increases for South Vietnamese citizens, the U.S. military appealed to soldiers' self-interest and virtue to convince them to stop spending instead of formally restraining soldiers' ability to spend money. Once they began to face widespread criticisms of black market corruption among Americans and Vietnamese, policymakers in Saigon and Washington responded by undertaking visible efforts to shut down the storefronts of black markets without

addressing the root causes of corruption. These temporary solutions to complex economic and social problems often angered both American and South Vietnamese citizens.

Ultimately, the political choices of American and South Vietnamese policymakers during the war were constrained by decisions that preceded them and dynamics in the relationship between the United States and South Vietnam. To be sure, U.S. policymakers were not completely blindsided by the consequences of their wartime policy. In fact, some administration officials, including somewhat surprisingly, Robert McNamara, presciently anticipated the social, economic, and cultural impact of the American presence on the South Vietnamese population. However, policymakers faced multiple constraints that limited their responses to problems. Though the spending habits of American troops, both symbolically and in reality, created new tensions between Americans and South Vietnamese, American officials could not simply take away soldiers' freedom to spend their money how they wished. After all, the U.S. military made the decision to boost soldier's morale to fight in an unpopular war by compensating them generously for their efforts. With regard to combating corruption, American policymakers understood that admitting publicly that corruption was a problem in South Vietnam would undermine support for the war. Furthermore, removing or punishing all South Vietnamese officials who were corrupt could destabilize the country's leadership; South Vietnam's political fragility thus gave Saigon leaders leverage over the range of policy options open to U.S. officials. Because both South Vietnamese officials and American servicemen and civilians participated in corrupt activities, it was politically necessary for American leaders to downplay the severity of corruption and adopt face-

saving perfunctory measures to address it. In essence, then, the problem of corruption was allowed to grow, tearing apart South Vietnamese society and eating away at national morale. The ways in which American leaders sought to mitigate the consequences of their policy decisions, I argue, also rendered those efforts self-defeating.

Since the end of the conflict, scholars and observers have fiercely debated the reasons why the United States lost the war in Vietnam. Among American scholars, many of whom experienced the conflict first-hand, two divergent strands of interpretations dominate the field. “Orthodox” perspectives of the Vietnam War assert that U.S. officials misinterpreted the nature of the conflict in Vietnam and that American defeat proved inevitable.¹ Conversely, “revisionist” views of the war posit that the United States would have won the Vietnam War if various American leaders’ actions, in part driven by domestic concerns, had not hindered progress.² Both lines of interpretation have largely engaged debates on whether the United States should have fought the war and whether the conflict could have been won.

While studies of the Vietnam War in the 1970s and 1980s overwhelmingly interpreted the conflict as a chapter of American history, beginning in the 1990s, scholars have increasingly internationalized and “Vietnamized” the field of Vietnam War Studies.

¹ Some major “orthodox” studies of the Vietnam War include: George C Herring, *America’s Longest War: The United States and Vietnam, 1950-1975*, 5th ed. (New York: McGraw-Hill, 2013); Gary R. Hess, *Vietnam and the United States: Origins and Legacy of War* (Boston: Twayne Publishers, 1998); George McTurnan Kahin, *Intervention: How America Became Involved in Vietnam* (New York: Knopf, 1986). Journalists have also authored “orthodox” works, such as: David Halberstam, *The Best and the Brightest* (New York: Random House, 1972); Stanley Karnow, *Vietnam: A History* (New York: Penguin, 1997); Neil Sheehan, *A Bright Shining Lie: John Paul Vann and America in Vietnam* (New York: Random House, 1988).

² Mark Moyar, *Triumph Forsaken: The Vietnam War, 1954-1965* (New York: Cambridge University Press, 2006); Lewis Sorley, *A Better War: The Unexamined Victories and Final Tragedy of America’s Last Years in Vietnam* (New York: Harcourt Brace & Co., 1999).

Eschewing the exclusive focus on American policymaking of traditional historiography, historians have used multi-archival research to determine the ways in which foreign countries, including Britain, France, the Soviet Union, and China, contributed to the causes and consequences of the war.³ Meanwhile, other scholars have “Vietnamized” the study of the conflict by employing recently available archival sources from Hanoi to explore North Vietnamese motives in the struggle.⁴ Within the last decade, in particular, a set of historical studies analyzing the failure of nation-building in South Vietnam from 1954 to 1963 have debated the political legitimacy of Ngo Dinh Diem who governed the newly formed Republic of Vietnam from 1955 until his ouster and assassination in 1963.⁵ This wave of “new Vietnam War scholarship,” much of which focuses on nation-building

³ Ilya V. Gaiduk, *The Soviet Union and the Vietnam War* (Ivan R. Dee, 1996); Mark Atwood Lawrence, *Assuming the Burden: Europe and the American Commitment to War in Vietnam* (University of California Press, 2005); Fredrik Logevall, *Choosing War: The Lost Chance for Peace and the Escalation of War in Vietnam* (Berkeley: University of California Press, 1999); James Hershberg, *Marigold: The Lost Chance for Peace in Vietnam* (Stanford University Press, 2012); Kathryn Statler, *Replacing France: The Origins of American Intervention in Vietnam* (University Press of Kentucky, 2007); Cheng Guan Ang, *Vietnamese Communists' Relations with China and the Second Indochina Conflict, 1956-1962* (Jefferson, N.C.; London: McFarland, 1997).

⁴ Lien-Hang T. Nguyen, *Hanoi's War: An International History of the War for Peace in Vietnam* (Chapel Hill: The University of North Carolina Press, 2012); Pierre Asselin, *Hanoi's Road to the Vietnam War, 1954-1965* (Berkeley: University of California Press, 2013).

⁵ Philip Catton's book, *Diem's Final Failure*, explicates Diệm's nation-building and reform efforts, particularly the Strategic Hamlet Program, while Edward Miller's dissertation demonstrates that Diệm had distinct ideas about nation-building that often clashed with American priorities. Geoffrey Stewart's dissertation similarly presents Diệm as an independent actor promoting his own nation-building plans. Jessica Chapman's forthcoming monograph, *From Disorder to Dictatorship: Ngo Dinh Diem's Construction of South Vietnam*, based on her dissertation, investigates Diệm's failed efforts to consolidate his power and deliver democracy to his country from 1953 to 1956. Jessica Elkind's dissertation examines the role of non-state actors in attempting to implement nation-building policies. See, respectively: Philip Catton, *Diem's Final Failure: Prelude to America's War in Vietnam* (Lawrence: University Press of Kansas, 2002); Edward Miller, *Misalliance: Ngo Dinh Diem, the United States, and the Fate of South Vietnam* (Harvard University Press, 2013); Geoffrey Stewart, “Revolution, Modernization, and Nation-Building in Diệm's Vietnam: Civic Action, 1955-1963” (PhD diss., The University of Western Ontario, 2009); Jessica M. Chapman, *Cauldron of Resistance: Ngo Dinh Diem, the United States, and 1950s Southern Vietnam* (Cornell University Press, 2013); Jessica Breitenicher Elkind, “The First Casualties: American Nation Building Programs in South Vietnam, 1955-1965” (PhD diss., University of California, Los Angeles, 2005).

and aims to move away from the American-centric orthodox versus revisionist debates, has informed our understanding of the motives and logic behind the decisions of American policymakers and Diệm.

This dissertation proposes a different periodization for understanding U.S. nation-building in South Vietnam and contributes a new way of explaining the failure of that process through examining the effects of the American presence on the South Vietnamese economy and society. While some of the most recent scholarship on American nation-building in South Vietnam has contended that the failure of nation-building by 1965 sparked the beginning intensification of war,⁶ I argue that the construction of an independent, anti-communist South Vietnam, the ultimate political goal sought by the United States, was an ongoing process during the military conflict. In fact, disagreements over methods and strategies of nation-building between Vietnamese and American policymakers from 1954 to 1963 carried over into the post-1965 period. Examining the unintended consequences of the massive deployment of American soldiers and dollars to South Vietnam, my dissertation demonstrates that nation-building in South Vietnam after the commencement of war involved attempts to resolve major social and economic problems, including inflation and corruption, that were crucial to establishment of an autonomous, anti-communist nation below the seventeenth parallel.

Departing from previous scholarship that focuses primarily on the military and political dimensions of the war, my dissertation argues that ensuring South Vietnam's

⁶ James M Carter, *Inventing Vietnam : The United States and State Building, 1954-1968* (New York: Cambridge University Press, 2008).

economic viability was just as, if not more, important to the goal of nation-building than victory on the battlefield or at the negotiating table. Building on arguments articulated by historian Gabriel Kolko,⁷ my dissertation draws upon a variety of American and Vietnamese sources to illustrate the transformations to South Vietnamese life wrought by the American presence. Tracing the various disruptions to South Vietnamese life as well as the ways in which American and Vietnamese policymakers attempted to rectify those dislocations, this dissertation shows that the unforeseen effects of the American presence and efforts to mitigate the harm produced by their presence were detrimental to the American goal of building a sustainable, independent, anti-communist South Vietnam.

U.S. NATION-BUILDING IN SOUTH VIETNAM, 1954-1965

The history of American involvement in Indochina dates to long before American marines landed at Da Nang in 1965. As the threat of global communism cast a pall on U.S. domestic and international politics in the early twentieth century, American leaders exhibited strong interest in the political futures of lands far away from its own shores. After World War II, many European empires began to loose their grip on their colonies, but they did not give up their colonized territories without a struggle. In French Indochina, Western imperatives in the Cold War and the Vietnamese fight for independence coincided in a conflict between French forces and Vietnamese communist

⁷ Kolko has argued that “the war’s economic and social impact on South Vietnam between 1965 and 1970 was decisive to its eventual military conclusion.” Additionally, Kolko has written that the “RVN’s very existence was linked to sufficient economic and military aid, surpassing in importance the outcome of battles or diplomacy, for the very artificiality of the economy and the war’s impact left it vulnerable to countless potentially fatal problems.” Gabriel Kolko, *Anatomy of a War: Vietnam, the United States, and the Modern Historical Experience* (New York: The New Press, 1994), 199, 223.

nationalists, the Viet Minh. As a Cold War ally of France, the United States, despite its own anti-colonial roots, chose to assist the French in its ultimately failed attempt to reconquer its former colony rather than support the cause of the Viet Minh or remain aloof from the war. During the last years of the conflict, the United States bankrolled approximately eighty percent of the cost of the war.⁸

After the French defeat at the battle of Dien Bien Phu, the United States continued to invest in the establishment of an anti-communist state in southern Vietnam. Under the Geneva Accords ending the First Indochina War in 1954, Vietnam was partitioned at the seventeenth parallel. The victorious Viet Minh governed what would become the Democratic Republic of Vietnam, or North Vietnam, under the leadership of Ho Chi Minh. Meanwhile, the State of Vietnam below the seventeenth parallel, initially headed by emperor Bao Dai, soon became the Republic of Vietnam, or South Vietnam, under the leadership of a returned Vietnamese exile named Ngo Dinh Diem in 1955. Popular among American policymakers during his three-year stay in the United States, Diem's devout Catholic faith and intense anticommunist nationalism made American leaders believe that he was the one man in South Vietnam who could provide a counterweight to the attraction of Ho Chi Minh in the north. The U.S. commitment to fully support Ngo Dinh Diem politically, economically, and militarily as the first president of South Vietnam initiated what would become a nearly decade-long partnership between American leaders and Diem.

⁸ Lawrence, *Assuming the Burden*; Statler, *Replacing France*.

Interpreting the outcome of the Vietnam War necessarily depends upon one's understanding of Ngo Dinh Diem. Indeed, how scholars evaluate Diem as a leader affects how they interpret the politics surrounding his downfall and the decision of American leaders to end the nine-year alliance in 1963. On the one hand, orthodox scholars of the war often view Diem as an authoritarian and ruthless leader who foreclosed whatever scant opportunities may have existed for the long-term stability of South Vietnam as a nation. According to orthodox views, then, America's deteriorating relationship with Diem over the years was indicative of a hopeless situation in South Vietnam, rendering the Vietnam War an ultimate tragedy. Revisionists, on the other hand, often praise Diem's leadership, arguing that the American decision to remove Diem was one of the costliest mistakes of the war, which doomed America's efforts in Vietnam and guaranteed South Vietnam's eventual collapse.

Interpreting the nature of the alliance between the United States and Ngo Dinh Diem has stirred vigorous scholarly debate. Some scholars have argued that American Cold War geostrategic concerns to contain and roll back communism undergirded the U.S.-Diem partnership,⁹ while others have asserted that cultural and ideological assumptions of American policymakers, especially their views on race, gender, and religion, motivated the alliance.¹⁰ Meanwhile, other historians have contended that the

⁹ Herring, *America's Longest War*; Kahin, *Intervention*; Robert D. Schulzinger, *A Time for War: The United States and Vietnam, 1941-1975* (Oxford University Press, 1997); David L. Anderson, *Trapped by Success: The Eisenhower Administration and Vietnam, 1953-61* (New York: Columbia University Press, 2013).

¹⁰ Mark Bradley, *Imagining Vietnam and America: The Making of Postcolonial Vietnam, 1919-1950* (Chapel Hill: University of North Carolina, 2000); Robert Dean, *Imperial Brotherhood: Gender and the Making of Cold War Foreign Policy* (Amherst: University of Massachusetts Press, 2003); Seth Jacobs,

U.S.-Diem alliance was borne out of economic calculations, namely that the United States aimed to secure a global liberal economic order, and trade in Southeast Asia would enhance the economic resilience of allies like Japan and Britain.¹¹

While research on the U.S.-Diem alliance emphasizing American geostrategic, cultural, and economic considerations often suggest a more deterministic view of the history of U.S. relations with South Vietnam, a new wave of scholarship on the politics of nation-building in South Vietnam under Diem have stressed the agency of Vietnamese actors. Within the last decade, scholars have mined Vietnamese archives to argue for a different interpretation of Diem, one that complicates the often simplistic binary portrayal of Diem as either a corrupt dictator or a “wise and effective” leader, as revisionist Mark Moyar argues.¹² Since a multifaceted understanding of Diem cannot be achieved without taking into account the difficult process of building a nation in South Vietnam, these scholars have demonstrated, through primarily Vietnamese sources, that Diem was not a passive recipient of American nation-building directives, but instead actively resisted American policies that conflicted with his own visions of Vietnamese development. Integrating the study of American foreign policy with Vietnamese Studies, these scholars have shed new light on the highly contingent course of U.S.-South Vietnam relations leading up to Diem’s demise.

America’s Miracle Man in Vietnam: Ngo Dinh Diem, Religion, Race, and U.S. Intervention in Southeast Asia (Duke University Press Books, 2005).

¹¹ Andrew J. Rotter, *The Path to Vietnam: Origins of the American Commitment to Southeast Asia* (Cornell University Press, 1989); Marilyn B. Young, *The Vietnam Wars, 1945-1990* (New York: HarperCollins, 1991); Kolko, *Anatomy of a War*.

¹² Moyar, *Triumph Forsaken*, xiv.

All of these studies outline the challenging multidimensional nature of nation-building in South Vietnam. As a former exile and a leader without a solid base of popular support, Diem encountered numerous difficulties in his path to garner the loyalty of South Vietnamese citizens. Diem's path to consolidating power in the early years of his government strongly influenced his relations with the United States and set the stage for future political challenges. As Jessica Chapman has argued, Diem perceived "political-religious organizations," namely the Hoa Hao, Cao Dai, and Binh Xuyen, as threats to his power and branded them as communist and pro-French enemies through government propaganda.¹³ Though these groups had nationalist ambitions and popular support from citizens, Chapman contends, American policymakers chose to prop up Diem over the leaders of political-religious groups: "Rather than search for ways to cooperate with or even appease political-religious leaders and their noncommunist nationalist allies, U.S. officials dismissed them as venal, inept, immoral, and politically immature."¹⁴ Chapman argues that American support of Diem's leadership enabled Diem to build an authoritarian state using terror tactics that spawned the formation of the southern insurgency group, the National Liberation Front.

While Chapman examines the early southern political landscape to explain mounting challenges to Diem's power, Matthew Masur argues that cultural programs aimed to strengthen attitudes around a South Vietnamese nation failed to win the hearts and minds of the public and contributed to growing opposition to Diem's leadership. As

¹³ The Hoa Hao, Cao Dai, and Binh Xuyen have often been referred to as "sects," but Chapman uses the term "political-religious organizations."

¹⁴ Chapman, *Cauldron of Resistance*, 41.

Masur demonstrates, in first two years of South Vietnam's existence, Diem deployed information and propaganda campaigns to create an ideological and cultural basis for the new nation. He advertised the European philosophy of Personalism, which according to Masur, "incorporated the most important elements of Diem's political philosophy: strident anti-communism, a strong national leader, and a belief in sacrifice for the improvement of the nation."¹⁵ Although the United States and South Vietnam coordinated cultural nation-building initiatives early on, as Diem's power stabilized, South Vietnamese nation-building programs later stressed the Vietnamese origins of the South Vietnamese nation to increase the government's legitimacy, while the United States focused on selling the benefits of American capitalism and culture to South Vietnam. These different kinds of campaigns sometimes contradicted one another, as the American promotion of high living standards, for example, undermined Diem's message of sacrifice. Combined with the unpopular reality of Diem's domestic programs, unsuccessful efforts from the United States and South Vietnam to galvanize national support around South Vietnam reflected profound misunderstanding and tension between the two allies. Though it is difficult to ascertain the degree to which failures of cultural nation-building were directly responsible for Diem's downfall, Masur's research nonetheless shows that the cultural aspects of nation-building revealed major challenges to Diem's political position and to the relationship between Diem and American leaders.

¹⁵ Matthew B Masur, "Hearts and Minds: Cultural Nation Building in South Vietnam, 1954-1963" (Ph.D. Dissertation, Ohio State University, 2004), 18.

Building on the works of Chapman and Masur, Nu-Anh Tran's study of anticommunist nationalism in the Republic of Vietnam from 1954 to 1963 interprets the politics of Diem's regime as part of the longer historical evolution of Vietnamese nationalism. Examining four elements of nationalism: anticommunism, anticolonialism, antifeudalism, and Vietnamese ethnic identity, Tran proposes the concept of "contested nationalism," which recognizes that both the Democratic Republic of Vietnam and the Republic of Vietnam competed for national legitimacy, as a framework for understanding the Vietnam War.¹⁶ Tran concludes that "there was significant support for a noncommunist Vietnamese state below the 17th parallel, but Ngo Dinh Diem was unable to channel popular political sympathies into support for his regime."¹⁷ Instead of collaborating with anticommunist nationalists, Diem treated them as rivals to his leadership and deprived his administration of the necessary popular support.

In addition to the political and cultural components of nation-building, the economic dimensions of state formation during Diem's tenure have been a major topic of research by historians. In particular, the study of American and South Vietnamese visions for modernization and economic development has illuminated major tensions between the two countries.¹⁸ Phillip Catton's examination of land reform programs in the South

¹⁶ Nu-Anh Tran, "Contested Identities: Nationalism in the Republic of Vietnam (1954-1963)" (Ph.D. Dissertation, University of California, Berkeley, 2013), 12–15.

¹⁷ *Ibid.*, 151.

¹⁸ For books in the broader field of development studies and modernization in American foreign policy, see: David Ekbladh, *The Great American Mission: Modernization and the Construction of an American World Order* (Princeton: Princeton University Press, 2011); Michael Adas, *Dominance by Design: Technological Imperatives and America's Civilizing Mission* (Cambridge, MA: Belknap Press of Harvard University Press, 2009); Michael Latham, *Modernization as Ideology: American Social Science and "Nation Building" in the Kennedy Era* (Chapel Hill: The University of North Carolina Press, 2000);

Vietnamese countryside demonstrates that Diem's efforts to find a third alternative to development besides communism and capitalism ultimately cost him his life. Catton argues that Diem believed that a "Vietnamese version of Personalism" could "serve as a framework for the modernization of South Vietnam."¹⁹ Accordingly, Diem attempted to apply his philosophy in implementing his vision of land reform with dismal results for South Vietnamese peasants. Diem's central nation-building plan, the Strategic Hamlet Program, was designed to combat the National Liberation Front and strengthen the regime by mobilizing peasant support and reducing the government's dependence on American aid. By forcibly uprooting peasants from their ancestral homes into strategic hamlets, however, the program engendered only resentment. Thus, while Diem aimed to modernize his state on his own terms, conscious that too much reliance on the United States would undermine his regime's legitimacy, American policymakers eventually found him untenable as an ally. Ultimately, Catton concludes, "the Americans assumed the role of kingmaker in November 1963 in an attempt to find a responsive and reliable client that would follow the U.S. recipe for nation building."²⁰

In a more recent work examining economic development and nation-building in South Vietnam, Edward Miller argues that contrary to previous depictions of Diem as an American puppet or a traditionalist limited by backward thinking, Diem was in fact an "aspiring modernizer and nation builder" who envisioned a uniquely Vietnamese path of

Michael E. Latham, *The Right Kind of Revolution* (Ithaca: Cornell University Press, 2011); James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1999).

¹⁹ Catton, *Diem's Final Failure*, 42.

²⁰ *Ibid.*, 210.

development for his country.²¹ In reassessing Diem and giving agency to Vietnamese actors in the construction of South Vietnam, Miller argues that Diem also holds some responsibility for the failure of nation-building and for his own downfall. Using the struggles over nation-building to examine American-South Vietnam relations, Miller contends that nation-building was a “field of contest involving multiple American and Vietnamese agendas” and concludes that the U.S.-Diem alliance was “undone not by a clash of civilizations but by clashes between different kinds of civilizing missions.”²² Miller shows that Diem and his brother, Ngo Dinh Nhu, not only orchestrated Diem’s rise to power but also actively rejected American prescriptions for his nation.

One of the major difficulties of nation-building in South Vietnam was that Americans and Vietnamese disagreed vehemently over the ideas and methods of constructing a nation. As Miller argues, even before Diem entered the political scene in Saigon, American policymakers fought over the strategies and possibilities for economic development in South Vietnam. Linking the New Deal’s liberal reforms to American development projects abroad, Miller argues that American officials often quarreled amongst themselves about the best ways to go about economic development. Many New Dealers were “high modernists” who believed in top-down, state-centralized projects, while “low modernists” favored small-scale, local initiatives to achieve social change.²³ With the rising popularity of modernization theory in the 1950s and early 1960s, the appetite for low modernist approaches to state building led to collaboration between

²¹ Miller, *Misalliance*, 15.

²² *Ibid.*, 13, 17.

²³ *Ibid.*, 57–58.

social scientists within the ivory tower and American government officials to use American foreign aid to pursue various development projects in the Third World. Those on the ground in Vietnam, therefore, such as the Michigan State University Advisory Group's Wesley Fishel, CIA operative and advisor Edward Lansdale, and American advisor Wolf Ladejinsky, reflected the diversity of opinions regarding the best models of development. They and other American advisors sent to Vietnam disagreed not only with each other but also with Diem over important issues such as land reform, rural development, counterinsurgency, and strategic hamlets.²⁴

As Miller demonstrates, unlike their American counterparts, Diem and Nhu believed that relocating rural dwellers into new communities in previously unsettled areas, rather than simply redistributing land, was the best way to realize the personalist revolution in South Vietnam they envisioned. Through creating agrovilles and, later, Strategic Hamlets, the Ngo brothers insisted that security in the countryside could be achieved and that social, political, and military reforms could take place. Moreover, they maintained, rural residents would cultivate a spirit of self-sufficiency that would be necessary to wean South Vietnam off from American economic aid.²⁵ Indeed, much of the Ngo brothers' resistance to American methods of rural development and counterinsurgency often stemmed from their desire for South Vietnam to survive without American aid. As Nhu once stated, dependence on foreign aid was like "being close to

²⁴ For more on American civilian aid workers who implemented various American nation-building programs, see Elkind, "The First Casualties."

²⁵ Miller, *Misalliance*, 234.

death.”²⁶ Although the Ngo brothers desired a firm commitment for America’s defense of South Vietnam, Nhu believed that the presence of American troops in South Vietnam would “damage the RVN government’s credibility both at home and abroad.”²⁷ Vietnamese and American policymakers therefore did not see eye to eye on how they could strike the right balance of reliance on American support and independence from it, a source of major frustration on both sides of the alliance.

In addition to studying the ideas and actors behind nation-building in South Vietnam, scholars have also scrutinized the American-funded construction efforts required to create a physical state infrastructure below the seventeenth parallel. Unlike other scholars who have placed nation-building in South Vietnam in the context of Vietnamese history, James Carter frames the process of state-building as a part of U.S. foreign policy. Carter asserts that in 1954, American officials undertook state-building, the formation of political institutions and infrastructure as opposed to the more cultural and ideological tasks of building national identity, to “invent” the state of South Vietnam.²⁸ According to Carter, America’s ambitious state-building enterprise in southern Vietnam was flawed from the start; when the program showed signs of failure, the United States shifted to building a military infrastructure to wage war against communists.²⁹ He argues, then, that the Vietnam War resulted not from the external aggression of the North Vietnamese or the National Liberation Front insurgency, but

²⁶ Quoted in *Ibid.*

²⁷ *Ibid.*, 230.

²⁸ Carter, *Inventing Vietnam*.

²⁹ Carter, *Inventing Vietnam*, 17.

from the failure of the U.S. experiment to build a viable state infrastructure centered around Saigon and the U.S. government's refusal to acknowledge that failure.

In order to build a stable state infrastructure, the United States sought to repair and invigorate the war-damaged economy of the newly decolonized South Vietnam through a commodity import program. As Carter has written, beginning in 1955, the United States introduced the Commercial Import Program (CIP) as the primary tool to send massive amounts of foreign aid in the form of grants to South Vietnam without aggravating inflation. Under the CIP, the United States played the role of an international banker who mediated the importation of commodities between Vietnamese businessmen and global suppliers.³⁰ The United States subsidized South Vietnam by creating a system whereby South Vietnamese business importers could use local currency to purchase U.S. dollars at prices below the official exchange rate. U.S. and South Vietnamese officials would approve and grant licenses to local businessmen to participate in the CIP as importers. After receiving licenses, Vietnamese importers would use their dollars to purchase and import a variety of commodities. The piasters received from these currency transactions entered into a counterpart fund for the Saigon government to pay its military and civilian expenditures. The CIP thus enabled Diem to avoid taxing the South Vietnamese population and maintain his political support.³¹

³⁰ Report to the Congress of the United States: Survey of the Management and Operation of the Commercial Import Program for Vietnam, CIP folder, Box 3, National Security Files, Files of Komer-Leonhart, Lyndon Baines Johnson Library (hereafter LBJL).

³¹ Carter, *Inventing Vietnam*, 75.

The effects of the CIP, as Carter contends, contradicted America's long-term state-building goals in South Vietnam. The program subsidized politically connected South Vietnamese importers and government officials and "nurtured a web of graft and cronyism."³² Vietnamese businessmen earned windfall profits even before they imported any commodities because of the favorable exchange rate granted to importers.³³ While project aid for improving transportation, public administration, industry, agriculture, health, education and other infrastructure priorities comprised 13 percent of total aid to South Vietnam, the CIP constituted 87 percent.³⁴ Given that the CIP comprised an overwhelming proportion of American aid to South Vietnam, the program, Carter argues, also stifled the development of local industrial production. As a result, the CIP, instead of helping South Vietnam become economically self-sufficient, ended up increasing South Vietnamese dependence on American funds.

In addition to the reality of foreign aid running counter to U.S. state-building goals, American policymakers' confidence in the power of technology, Carter maintains, led to state-building efforts that disrupted local traditions and antagonized rural residents. Like other scholars of nation-building in South Vietnam, Carter demonstrates that American policymakers and intellectuals enthusiastically endorsed modernization theory and believed that American models of development could be exported directly to Third World societies. Carter demonstrates that beginning in 1954, a range of American groups, including universities, private foundations, and religious organizations, collaborated with

³² Ibid., 182.

³³ Carter, *Inventing Vietnam*, 75.

³⁴ Carter, *Inventing Vietnam*, 77.

the U.S. government on countless projects aimed to build a viable state infrastructure.³⁵ Among these was the Michigan State University Advisory Group,³⁶ which assisted Ngo Dinh Diem with funding and training a national police force and educating Vietnamese to work in public administration. Despite some successes in building political institutions, however, Diem faced a slew of mounting domestic political problems, including rising discontent from Buddhists and a growing southern insurgency. From 1960 to 1963, Carter argues, state-building objectives “essentially remained in place, while the preferred solution to a range of problems relied increasingly upon military technology and firepower.”³⁷

The turning point for Carter is 1961, when the Kennedy administration shifted from developing state-infrastructure to building the military infrastructure necessary to wage war in South Vietnam.³⁸ After Diem’s assassination from late 1963 to 1965, Carter maintains, “the United States moved from an ailing aid and assistance project in Southeast Asia to direct military intervention and large-scale base building and major war.”³⁹ To this end, a consortium of American construction companies, Raymond International and Morrison-Knudsen (RMK) and Brown and Root and J.A. Jones Construction (BRJ), which merged to form RMK-BRJ in 1965, became the sole government contractor for construction projects in South Vietnam, profiting immensely

³⁵ Carter, *Inventing Vietnam*, 44.

³⁶ For more information about the Michigan State University Advisory Group and their nation-building efforts in South Vietnam, see Elkind, “The First Casualties.”

³⁷ Carter, *Inventing Vietnam*, 146.

³⁸ Other historians have disagreed with Carter’s periodization of 1961 as the turning point and argued that military intervention and non-military programs took place before and after that year. See the H-Diplo Roundtable Review of James M. Carter’s *Inventing Vietnam*.

³⁹ Carter, *Inventing Vietnam*, 179.

from the war.⁴⁰ Meanwhile, the building of military infrastructure transformed the South Vietnamese countryside. Though private companies provided employment to thousands of Vietnamese during the construction miracle of 1960s, these construction projects also brought major dislocations and disruptions to South Vietnamese citizens, particularly those in the rural areas.

One of the central dilemmas that these works on nation-building and state-building during the Diem period address is how South Vietnam be could be viewed by its own citizens as a legitimate country when it survived only because of American aid. Indeed, overwhelming amounts of American foreign aid had the likelihood of not only fostering economic complacency and dependency but also aggravating inflation in a country that lacked industrial production capabilities. As Carter puts it,

Large-scale aid created little incentive for the Saigon leadership to foster internal growth, and at the same time, it threatened spiraling inflation and a loss in standard of living for those who might otherwise support Diem. However, Diem could not remain in place to carry out U.S. objectives without this arrangement, as many officials recognized.⁴¹

I argue that this tension between the need for American assistance to survive but also the avoidance of permanent dependency on the United States, with which Diem and his brother grappled deeply, figures prominently in his successors' relationships with the United States as well.

This dissertation contests the traditional periodization of nation-building in South Vietnam and argues that the nation-building process continued after war began in 1965.

⁴⁰ Ibid., 158.

⁴¹ Ibid., 75.

As Fredrik Logevall has argued recently, although structural forces have been immensely valuable in explaining some of the rationale behind policy decisions, it is important to recognize that American escalation of war was far from inevitable.⁴² Logevall has argued persuasively that American deliberations to escalate war from late 1963 to early 1965 reflected profound disagreement and debate within the Johnson administration.⁴³ Moreover, the unique personalities, experiences, and ways of thinking of individual policymakers, especially Lyndon Johnson, heavily influenced the outcome of decisions. The studies above have emphasized the contingency of policy decisions that shaped the U.S.-Diem alliance. However, they all agree that nation-building in South Vietnam failed by 1963 and that its failure precipitated the military conflict. Even Carter, who takes his account of American state-building up to 1968, argues that the political project to build a viable state was doomed by the early 1960s.

My dissertation proposes understanding nation-building as a continual process in the post-1965 period. After the commencement of war, American policymakers still hoped to achieve the goal of an independent, anti-communist South Vietnam, but they also faced new obstacles and challenges resulting from escalation. As this dissertation demonstrates, the ways in which American and Vietnamese policymakers responded to the unintended consequences of military escalation and the buildup of American troops affected the future political fate of the country. This dissertation explores the logic by

⁴² Fredrik Logevall, "Presidential Address: Structure, Contingency, and the War in Vietnam," *Diplomatic History* 39, no. 1 (1 January 2015): 1–15, doi:10.1093/dh/dhu072.

⁴³ Logevall, *Choosing War*.

which American and Vietnamese policymakers made the decisions they made and why their decisions had the effects they had.

THE AMERICAN WAR IN VIETNAM, 1965-1975

While historians have only recently examined South Vietnamese politics and nation-building up until Diem's assassination in 1963, research on the origins and consequences of American escalation of war began during the war itself and has amplified since the end of the conflict. Though the scholarship on the war is too vast to summarize comprehensively, the following discussion presents some of the broad patterns of thinking that seek to answer these fundamental questions: why did the United States intervene in Vietnam, and why did the United States ultimately lose the war? These analyses not only tie back to interpretations and assessments of the U.S.-Diem alliance, but also reveal broader implications of the future of U.S. foreign policy and America's place in the wider world.

Answers to the large questions driving scholarship on the war have often fallen widely into two different interpretive categories: liberal orthodox and conservative revisionism.⁴⁴ Put simply, orthodox scholars often view American intervention into Vietnam as a preventable mistake and see the war as unwinnable and, therefore, inadvisable. Revisionist scholars tend to argue that intervention was the right decision and that the United States could have won the war if not for a range of errors and

⁴⁴ Robert A. Divine, "Vietnam Reconsidered," *Diplomatic History* 12, no. 1 (1 January 1988): 79–93, doi:10.1111/j.1467-7709.1988.tb00030.x; Gary R. Hess, "The Unending Debate: Historians and the Vietnam War," *Diplomatic History* 18, no. 2 (1 April 1994): 239–64, doi:10.1111/j.1467-7709.1994.tb00612.x.

disturbances committed by Americans. Although the conflict between orthodox and revisionist views animated debates in the early decades after the war, since the 1990s, historians within the academy have mostly been engaged in different lines of argument within the orthodox interpretation. With the exception of Lewis Sorley's *A Better War* and, more recently, Mark Moyar's *Triumph Forsaken*, which present scholarly historical examinations of the war,⁴⁵ revisionist studies often offer arguments based on unprovable counterfactuals.⁴⁶ Given that historians rely upon primary documents as the source of their scholarship, it is not surprising that revisionism has been marginalized in the academy. As Logevall has remarked, that "the American decision for war was the wrong decision is taken as axiomatic" now among historians.⁴⁷ Though this dissertation broadly agrees with the orthodox outlook, it does not presume that the United States was destined to lose the war, as much of the scholarship does.

Before delving into the recent scholarship, however, it is important to note some of the earliest books written about the war that formed the basis of the liberal orthodox interpretation of the Vietnam War. Indeed, many of the books authored in the late 1960s and 1970s, including those from journalists Bernard Fall, David Halberstam, and Robert Shaplen, document first-hand American experiences of the war and are critical of the U.S. decision to intervene in Vietnam.⁴⁸ Tracing the process of decision-making for

⁴⁵ Sorley, *A Better War*; Moyar, *Triumph Forsaken*.

⁴⁶ For a brief discussion on the reasons why orthodox scholarship has dominated among academic historians, see Andrew Preston et al., "'Rethinking the Vietnam War' by John Dumbrell," *International Politics Reviews* 1, no. 1 (September 2013): 37–48, doi:10.1057/ipr.2013.4.

⁴⁷ Logevall, *Choosing War*, xiii.

⁴⁸ Bernard B. Fall, *Street without Joy*, 4th ed. (Harrisburg, Pa: Stackpole Co, 1964); David Halberstam, *The Best and the Brightest*; Robert Shaplen, *The Road from War: Vietnam 1965-1970* (Harper & Row, 1970).

military escalation, for example, Halberstam argues that the hubris of the “best and the brightest” within the Kennedy and Johnson administrations led the United States into quagmire in Vietnam.⁴⁹ Others argued that the United States tragically misinterpreted the nature of the conflict. Naval officer William J. Lederer and journalist Frances FitzGerald assert that American policymakers’ lack of knowledge of Vietnamese history, culture, and language condemned the war to failure from the very beginning.⁵⁰ Moreover, they underscored that American officials failed to truly understand Diem and erred in partnering with him. Scholars have also argued that America’s ally, South Vietnam, was not worth defending. Neil Sheehan’s *A Bright Shining Lie*, for example, suggests that the corrupt and unstable Saigon regime as well as the unwillingness of South Vietnamese soldiers to fight for their own country was indicative of a fruitless alliance.⁵¹ In suggesting the futility of the American war effort in South Vietnam, then, these authors have maintained that escalating war was a regrettable decision.

Since these early works on the Vietnam War, historians have continued to offer various reasons why the United States ultimately lost the war, often linking the answer to this question to why the United States was wrong to intervene in the first place. One of the most common explanations provided by historians is misguided leadership from America’s top policymakers. Lyndon Johnson’s role in leading the United States into war has been a large topic of research, with early scholarship harshly critical of his

⁴⁹ Halberstam, *The Best and the Brightest*.

⁵⁰ William J. Lederer, *Our Own Worst Enemy* (New York: W.W. Norton, 1968); Frances FitzGerald, *Fire in the Lake: The Vietnamese and the Americans in Vietnam* (Boston: Back Bay Books, 2002)

⁵¹ Sheehan, *A Bright Shining Lie*.

hawkishness and skeptical of his motives, including his obsession with electoral prospects and his commitment to domestic programs.⁵² More recent scholarship has painted a more sympathetic and evenhanded picture of Johnson to argue that he did not simply ignore the warning signs from his advisors but instead orchestrated a middle course road between the doves in his administration and hawks in the military establishment.⁵³ Scholars have also widened the circle of actors responsible for the decision to escalate war to include other presidents, including Eisenhower and Kennedy, and members of the cabinet, including McGeorge Bundy and Robert McNamara.⁵⁴ Internal bureaucratic infighting, lack of knowledge about Southeast Asia, the personal hubris of policymakers, for example, have been cited as primary factors that drove the United States into a war it could not win.

In addition to underscoring the flaws and mistakes made by American policymakers, historians have also argued that failure on the part of the American military led to U.S. defeat in Vietnam. In fact, military participants in the war and other scholars have claimed that the lack of a clear winning strategy on the battlefield was to blame for communist victory.⁵⁵ Scholars have also criticized the strategies that military

⁵² Daniel Ellsberg, *Papers on the War* (New York: Simon and Schuster, 1972).

⁵³ See, for example: Larry Berman, *Planning A Tragedy: The Americanization of the War in Vietnam* (New York: W. W. Norton & Company, 1983); Brian VanDeMark, *Into the Quagmire: Lyndon Johnson and the Escalation of the Vietnam War* (Oxford University Press, 1991).

⁵⁴ Logevall, *Choosing War*; David E. Kaiser, *American Tragedy: Kennedy, Johnson, and the Origins of the Vietnam War* (Harvard University Press, 2000); Anderson, *Trapped by Success*; Andrew Preston, *The War Council: McGeorge Bundy, the NSC, and Vietnam* (Harvard University Press, 2010); VanDeMark, *Into the Quagmire*.

⁵⁵ Harry G. Summers, *On Strategy: A Critical Analysis of the Vietnam War* (Novato, CA: Presidio Press, 1982); Bruce Palmer, *The 25-Year War: America's Military Role in Vietnam* (Lexington, KY: University Press of Kentucky, 1984).

leaders did employ, especially the strategy of attrition under General William Westmoreland.⁵⁶ H.R. McMaster contends that the interservice rivalry among the Joint Chiefs of Staff prevented them from coming to consensus on a carefully thought out plan to defeat the communist insurgency.⁵⁷ Instead, military decision-making often fell to civilian officials in the Department of Defense, including McNamara, who lacked crucial advice from military leaders. James Wirtz asserts that intelligence failure among military officials caused American forces to be surprised by North Vietnamese attacks during the Tet Offensive, a major turning point for the United States in the war.⁵⁸ These works, generally revisionist, represent the view that the United States could have won the war if not for deficiencies in military strategies or leadership.

Scholars have also pinpointed the problematic methods of war assessment as a major reason for American defeat. Critical of U.S. policymakers' blind faith in superior technology, sociologist James William Gibson argues that American civilian and military leaders pursued a production-oriented model of war, what he calls "technowar," in which American officials viewed body counts as the ultimate measure of the war's success.⁵⁹ Convinced of the power of technology to wreak destruction, Gibson asserts, American "war managers" had no responses to counter communist guerrilla tactics and strategies. Most recently, Gregory Daddis has argued that American military leaders' obsession with

⁵⁶ Lewis Sorley, *Westmoreland: The General Who Lost Vietnam* (Boston: Houghton Mifflin Harcourt, 2011).

⁵⁷ H. R. McMaster, *Dereliction of Duty: Lyndon Johnson, Robert McNamara, the Joint Chiefs of Staff, and the Lies That Led to Vietnam* (New York: HarperCollins, 1997).

⁵⁸ James J. Wirtz, *The Tet Offensive: Intelligence Failure in War* (Ithaca; London: Cornell University Press, 1994).

⁵⁹ James William Gibson, *The Perfect War: Technowar in Vietnam* (Boston: Atlantic Monthly Press, 2000).

body count statistics, which validated flawed counterinsurgency techniques, caused them to neglect more important but difficult to measure progress in the political sphere, especially the Vietnamese population's support of Saigon.⁶⁰ Daddis concludes, "that the army never could determine if it was winning or losing goes far in explaining the final outcome of the war in Vietnam."⁶¹

Besides identifying the political and military shortcomings of American civilian and military leaders, historians of the Vietnam War, examining the international dimensions of the conflict, have also argued that Vietnamese communists played important roles in the escalation of war and undertook strategic courses of action that led to communist victory. As William Duiker has argued, "the most significant fact about that conflict is not that the United States lost but that the Communists won."⁶² Adding to previous scholarship on Vietnamese wartime decision-making, recent scholars have demonstrated the extent to which Vietnamese actors shaped the course of the conflict. Robert Brigham has shown that the National Liberation Front succeeded, to a certain degree, in portraying itself as the legitimate representative of the South Vietnamese people and deploying diplomacy strategically to turn domestic and global opinion against the United States and the Saigon regime.⁶³ Brigham concludes that "the Front's

⁶⁰ Gregory A. Daddis, *No Sure Victory: Measuring U.S. Army Effectiveness and Progress in the Vietnam War* (New York: Oxford University Press, 2011).

⁶¹ *Ibid.*, 18.

⁶² William J Duiker, *Sacred War: Nationalism and Revolution in a Divided Vietnam* (Boston: McGraw-Hill, 1995), 251.

⁶³ Robert K. Brigham, *Guerrilla Diplomacy: The NLF's Foreign Relations and the Viet Nam War* (Ithaca: Cornell University Press, 1999).

diplomatic accomplishments were critical to the revolution's success."⁶⁴ Similarly, Lien-Hang Nguyen has examined the international and domestic context in which North Vietnamese leaders escalated war and pursued peace. As she argues, "it was Hanoi's global campaign—more than its military battles or political struggle to win the hearts and minds of the South Vietnamese people—that proved victorious in the end."⁶⁵ Employing declassified Vietnamese archival sources, these works and others have demonstrated that American defeat in the conflict cannot be explained without taking into account communist strategy in Hanoi and within the National Liberation Front.

Additionally, scholars have looked beyond the United States, North Vietnam, and South Vietnam to explain how the war turned out the way it did. Using newly available archival documents from the former Soviet Union, China, and other nations, historians have provided new perspectives on non-American and non-Vietnamese decision-making that affected the outcome of the conflict. In particular, scholars have argued that both the Soviet Union and China used their foreign policy toward North Vietnam and the United States to advance their own agendas and their status within the communist realm. Despite initially competing for closer relations with Hanoi, Chinese and Soviet desires to achieve détente with the United States later outweighed their alliance with Hanoi and ultimately contributed to a negotiated peace in Vietnam. Soviet leaders, as Ilya Gaiduk has demonstrated, crafted their policies toward Hanoi with aim of bringing North Vietnamese

⁶⁴ *Ibid.*, 131.

⁶⁵ Nguyen, *Hanoi's War*, 9.

and American leaders to settle the conflict in a way that would serve Soviet interests.⁶⁶ Motivated by the fear that Hanoi would lean closer to Beijing rather than Moscow, Gaiduk asserts, Soviet leaders gradually stepped up their support of Hanoi, though they later strived for improved relations with the United States after China achieved rapprochement with the Americans. Qiang Zhai, on the other hand, has shown that China's contributions of military and economic aid to North Vietnam arose from its ambitions to counter the American threat in Asia. As Sino-Soviet tensions deteriorated, however, Chinese leaders shifted to a strategy of convincing Hanoi to accept a peace settlement when they believed that the Soviet Union could ally with Vietnam against China. These works and others, including those on international peace initiatives, have enriched our understanding of the international dynamics of ending the war.

While most of the scholarship on the Vietnam War focuses on the military, political, and diplomatic aspects of the conflict, a smaller subset of works explore other dimensions of the conflict during the period of direct American intervention, including the process of nation-building. Focusing on "the other war" in the non-military sphere, Richard Hunt and Pamela Conn chronicle the failure of American pacification efforts to win the hearts and minds of South Vietnamese citizens during the Johnson years.⁶⁷ Conn in particular argues that, though Johnson was deeply committed to pacification, the lack of strong Vietnamese leadership condemned "pacification's fundamental objective, the

⁶⁶ Gaiduk, *The Soviet Union and the Vietnam War*.

⁶⁷ Richard A. Hunt, *Pacification: The American Struggle For Vietnam's Hearts And Minds* (Boulder: Westview Press, 1998); Pamela Conn, "Losing Hearts and Minds: U.S. Pacification Efforts in Vietnam during the Johnson Years" (PhD diss., University of Houston, 2001).

building of an independent democratic nation, to doom.”⁶⁸ Nation-building during war, I argue, was not predetermined to fail, as Conn suggests. In fact, the deployment of large numbers of American troops to South Vietnam changed the process and nature of building a nation below the seventeenth parallel. Winning the hearts and minds of the South Vietnamese population became a more complicated task owing to new challenges posed by the presence of over half a million American soldiers. This dissertation centers on the interrelated economic problems of inflation and corruption resulting from the American presence and asserts that the ways in which policymakers reacted to those problems often aggravated the task of building a nation.

As soldiers in wartime South Vietnam, GIs also functioned informally as nation-builders, as their actions and behaviors had serious implications for American-South Vietnamese relations as well as the stability of the nation. Few books, however, discuss the social, cultural, and economic effects of the American presence of soldiers and their dollars. Embracing the “cultural turn” in international history, recent scholarship on the Vietnam War has examined how gender stereotypes and American consumer culture, for example, developed in wartime South Vietnam. Heather Stur analyzes the contradictions between stereotypes of Vietnamese women and American men and women sent to Vietnam and their real lived experiences.⁶⁹ Stur asserts that tropes of the American girl-next-door, the Vietnamese dragon lady, the “John Wayne” protector of civilization, and the gentle warrior reinforced the goals of U.S. foreign policy in Vietnam. Meredith Lair,

⁶⁸ Conn, “Losing Hearts and Minds,” 324.

⁶⁹ Heather Stur, *Beyond Combat: Women and Gender in the Vietnam War Era* (New York: Cambridge University Press, 2011).

on the other hand, examines the translocation of American consumer culture to South Vietnam during the war.⁷⁰ Focusing on GI consumerism, Lair revises the traditional portrayal of the GI experience as being marked by danger and deprivation and argues instead that the majority of GIs sent to Vietnam served in the rear and enjoyed relatively high standards of living. Building on these works on American soldiers in Vietnam, this dissertation examines the effects of the American troop presence as it pertained to growing economic, social, and cultural problems in South Vietnam. It contends that what appeared to be the unintended economic consequences of troop deployment, in fact, also had major social and cultural implications.

Although the argument that economic considerations gave rise to American intervention and then failure in Vietnam is not itself new, this dissertation examines how the economic effects of American deployment ended up weakening Saigon's legitimacy. Economic arguments explaining American defeat arose in the late 1960s, when a radical interpretation of the war asserted that American motives for global dominance caused the United States to go to war in Vietnam. This radical interpretation emphasized in particular that American desires for economic expansion in the form of markets and raw materials undergirded U.S. intervention abroad. Best embodied by Kolko's *Anatomy of a War*, this radical critique of American intervention suggests that American leaders' singular focus to rule the global capitalist system caused the United States to fumble against revolutionary nationalist movements in the Third World. Departing sharply from

⁷⁰ Meredith Lair, *Armed with Abundance: Consumerism and Soldiering in the Vietnam War* (Chapel Hill: University of North Carolina Press, 2011).

the radical interpretation, my approach to analyzing the economic aspects of the Vietnam War focuses on the *unintended* economic consequences of the American presence in South Vietnam, instead of on the possible economic and ideological motives of U.S. intervention.

In scrutinizing the role of American soldiers and dollars in Vietnam, this dissertation also contributes to the emerging field of the history of American capitalism. Since the financial crisis of 2008, historians of the United States have produced important books on the history of American business and capitalism.⁷¹ Their works, however, often focus on domestic finance and capitalism and do not situate the American economy within a larger international and global framework.⁷² This dissertation examines the global influence of the American economy, embodied by soldiers and dollars, into wartime South Vietnam and traces the effects of American economic policy, including generous foreign aid, problematic exchange rates, and strong GI purchasing power, on the South Vietnamese population. Despite American Cold War efforts to demonstrate the superiority of capitalism in the Third World, I argue, the extension of American capitalism across the globe to Vietnam had the unintended effects of undermining the political legitimacy of Saigon and hampering American nation-building goals.

More broadly, this dissertation is a story of what happens when large numbers of American soldiers occupy a foreign land in the context of war. As such, it engages with

⁷¹ Jennifer Schuessler, "In History Departments, It's Up With Capitalism," *The New York Times*, 6 April 2013, <http://www.nytimes.com/2013/04/07/education/in-history-departments-its-up-with-capitalism.html>.

⁷² Jonathan Levy, *Freaks of Fortune: The Emerging World of Capitalism and Risk in America* (Harvard University Press, 2012); Bethany Moreton, *To Serve God and Wal-Mart: The Making of Christian Free Enterprise* (Harvard University Press, 2009); Sven Beckert, *Empire of Cotton: A Global History* (New York: Knopf, 2014).

an established set of literature in the history of American foreign relations that examines the process of Americanization and the effects of American GIs on local populations, including in Japan, Germany, Austria, and South Korea.⁷³ The presence of soldiers in post-World War II Europe and East Asia generally improved American relations with those regions. In the case of South Vietnam, however, the presence of American soldiers during a raging war harmed more than helped the United States' purported goal of developing the country into an independent, productive, and industrial nation. Although South Vietnamese often embraced many aspects of American culture, especially in urban areas, by the end of the war many citizens, as we will see, found the American presence alienating and damaging to South Vietnamese national morale.

Uncovering the war's impact on the Vietnamese, this dissertation analyzes South Vietnamese society, economics, and culture to provide a new explanation for how and why nation-building continued to pose challenges to U.S. and South Vietnamese policymakers during the war. Drawing on primarily U.S. government archival sources and Vietnamese perspectives in English-language sources, this project contributes to scholarly research that aims to present a more accurate picture of South Vietnamese politics, economics, society, and culture during the war. Despite vast scholarship on the Vietnam War, few books have been written that explore South Vietnamese perspectives

⁷³ John W. Dower, *Embracing Defeat: Japan in the Wake of World War II* (W. W. Norton & Company, 1999); Uta G. Poiger, *Jazz, Rock, and Rebels: Cold War Politics and American Culture in a Divided Germany* (Berkeley and Los Angeles: University of California Press, 2000); Reinhold Wagnleitner, *Coca-Colonization and the Cold War: The Cultural Mission of the United States in Austria After the Second World War* (Chapel Hill: University of North Carolina Press, 1994); Gregg A. Brazinsky, *Nation Building in South Korea: Koreans, Americans, and the Making of a Democracy* (Chapel Hill: The University of North Carolina Press, 2009).

of the war. The few that do exist, including the abovementioned recent scholarship on nation-building, have made path-breaking contributions to the field of Vietnam War studies. Robert Brigham's study of the South Vietnamese armed forces, for example, demonstrates that South Vietnamese military policies antagonized much of its citizens, while David Hunt, David Elliott, and Jeffrey Race have interviewed peasants to illustrate the social process of the revolutionary movement the southern countryside.⁷⁴ Although this dissertation is not heavily based on Vietnamese-language sources, it examines South Vietnamese social, economic, and cultural problems that have deep American origins. Indeed, some of the major obstacles that some have argued contributed to South Vietnam's downfall, especially corruption, were exacerbated by the overwhelming American presence. This dissertation investigates the ways in which the American presence transformed South Vietnam and how American policymakers reacted to those evolving dynamics.

ARCHITECTURE OF THE STUDY

This dissertation is presented in five thematic and chronological chapters. The first chapter focuses on the deployment of American combat troops and the encounters between Vietnamese civilians and American GIs from 1965 to 1966. This chapter demonstrates that the introduction of American troops to South Vietnam caused

⁷⁴ Robert K. Brigham, *ARVN: Life and Death in the South Vietnamese Army* (University Press of Kansas, 2006); David Hunt, *Vietnam's Southern Revolution: From Peasant Insurrection to Total War* (Amherst: University of Massachusetts Press, 2008); David Elliott, *The Vietnamese War: Revolution and Social Change in the Mekong Delta, 1930-1975* (Armonk, N.Y: Routledge, 2006); Jeffrey Race, *War Comes to Long An; Revolutionary Conflict in a Vietnamese Province* (Berkeley: University of California Press, 1972).

enormous disruptions to Vietnamese society and major dislocations in the economy. The presence of Americans produced severe income disparities, as those who worked for the Americans in the new service sector economy were able to keep pace with inflation, while those in more traditional occupations could not. I argue that the Vietnamese citizens whose jobs were most crucial to the South Vietnamese state in enforcing law and order and maintaining the functions of the state—ARVN (Army of the Republic of Vietnam) soldiers and civil servants—were also the most marginalized because of inflation.

The second chapter analyzes American policymakers' responses to the economic effects of the growing American presence from 1966-1968. In particular, they worried about the inflationary effects of soldiers' spending in the local economy and attempted to mitigate the harm caused by GI consumerism. Military officials launched a campaign appealing to soldiers' sense of morality and virtue to spend less and save more. The campaign conveyed conflicting messages to soldiers, however, and failed to prevent the wealth within the boundaries of American military bases from spilling out into the Vietnamese economy.

The third chapter uses congressional investigations in 1969 to explain how black marketing in goods and currency operated and argues that the American presence, in addition to the wartime economic climate, made corruption far more egregious during the war. Consumer and luxury goods available at American PXs found their way into the local economy, where such commodities were unavailable on the legitimate market and in high demand. Moreover, the unrealistic exchange rate of the American dollar to the

Vietnamese piaster made it financially rational for everyone in Vietnam to participate in the currency black market. I suggest that so long as the United States continued to fight the ground war and import a slew of consumer goods for GI consumption and so long as South Vietnamese leaders held leverage over their American counterparts on economic matters, particularly the exchange rate, American soldiers and civilians continued to supply the black market because it made rational sense.

The fourth chapter examines how American and South Vietnamese officials went about dealing with the problem of black market corruption from 1969 to 1970. This chapter argues that officials approached corruption as a low-level criminal and moral problem instead of as a symptom of larger economic and diplomatic problems. I focus on two anti-corruption measures—one a newspaper campaign designed to identify individuals involved in the black market and the other a joint U.S.-South Vietnamese effort to raid the black markets—to show that American officials worked on chasing individual transgressors instead of addressing the economic rationality motivating black market transactions. Policymakers pursued anti-corruption efforts that arguably worsened already low morale on the ground, while high-level American and South Vietnamese organizations and individuals continued to profit from the black market and divert funds out of Vietnam. The misdiagnosis of the root causes of corruption and the misplaced efforts of government officials to fight corruption also allowed the economy to worsen in the meantime.

The fifth chapter studies the confluence of American troop withdrawal, global inflation, the implementation of austerity measures, and the gradual decline of economic

aid in South Vietnam from 1970 to 1973. This chapter argues that the combination of these trends further damaged the economy and undermined the legitimacy of the state. When the United States ended direct involvement in Vietnam, South Vietnamese leaders no longer held the leverage to continue overvaluing their currency. When President Thieu finally devalued the piaster in 1970—thereby aggravating inflation—and imposed heavy taxes on even basic commodities, a severe recession ensued. The South Vietnamese population, already suffering from massive unemployment resulting from the withdrawal of Americans, protested these drastic economic reforms.

Chapter One: South Vietnamese Encounters with the American Presence, 1965-1966

On May 5, 1966, chairman of the Senate Foreign Relations Committee J. William Fulbright concluded a series of lectures at Johns Hopkins University's School of Advanced International Studies on a controversial note. The American presence in South Vietnam, Fulbright argued, demonstrated "that 'fatal impact' of the rich and strong on the poor and weak." Citing reports that the influx of American soldiers and dollars into South Vietnam had not only worsened inflation but also caused profound social, cultural, and economic dislocations, Fulbright lamented that "what [the South Vietnamese] fear, I think rightly, is that traditional Vietnamese society cannot survive the American economic and cultural impact." Many Vietnamese families, for example, were forced to "peddle [their wives and daughters] to American soldiers as mistresses" or bar girls. "Both literally and figuratively," Fulbright asserted, "Saigon has become an American brothel." American difficulties in Southeast Asia, he argued, could be explained not by "a deficiency of power but an excess of the wrong kind of power."⁷⁵

Unsurprisingly, Fulbright's comments drew immediate criticism from his more hawkish colleagues. Barry Goldwater called on Fulbright to resign as the Foreign Relations Committee chair, charging that his critique of American power "lends aid and comfort to our enemies."⁷⁶ So incendiary were Fulbright's remarks that the senator had to

⁷⁵ J. William Fulbright, "The Arrogance of Power," lecture at the School of Advanced International Studies at Johns Hopkins University, 5 May 1966, William Fulbright Speaks Digital Collection, University of Arkansas Libraries, accessed 21 January 2015, <http://scipio.uark.edu/cdm/compoundobject/collection/Fulbright/id/589/rec/44>.

⁷⁶ "Fulbright Calls Saigon An 'American Brothel,'" *The Owosso Argus-Press*, 5 May 1966.

retract his statements later that month, regretting his claim that the Johnson administration embodied an “arrogance of power” and his characterization of Saigon as an “American brothel.” Fulbright acknowledged that his statements lent themselves to interpretations that he did not intend. “I had not thought I was maligning the brave young Americans in Vietnam,” he explained. “What I was referring to was the inevitable impact on a fragile Asian society of Western soldiers...behaving in the way that is to be expected of men at war.”⁷⁷ Although Fulbright attempted to offer an explanation as to why South Vietnamese were “shockingly ungrateful” to Americans in Vietnam, his observations were nonetheless construed as unpatriotic.

While charges of anti-Americanism from American hawks at home forced Fulbright to recant parts of his speech, a very real and powerful form of “anti-Americanism,” as American policymakers called it, had begun to percolate throughout South Vietnam. Only a month before Fulbright’s lecture, protesters in Saigon had burned American jeeps, assaulted American soldiers, and paraded down streets shouting, “Down with the American imperialists.” Buddhist leaders, comparing the United States to the communists, claimed that Americans threatened South Vietnamese independence.⁷⁸ Particularly in Saigon and other cities, discontent with the United States manifested through public demonstrations, newspaper editorials, and even physical violence. Given the enormous amount of American economic aid to South Vietnam, why indeed were some South Vietnamese frustrated with the United States?

⁷⁷ “Fulbright Declares He Regrets Charge of U.S. ‘Arrogance,’” *New York Times*, 18 May 1966.

⁷⁸ Fulbright, “The Arrogance of Power” lecture.

Among various parts of the South Vietnamese public, indignation toward the United States not only focused on the destructive consequences of American ground and air power in Vietnam but also on the social, cultural, and economic transformations wrought by the American presence. The physical destruction of the countryside due to American counter-insurgency and bombing campaigns was an obvious source of resentment toward the United States. The war destroyed entire villages and displaced millions of peasants from their ancestral homes, turning them into refugees seeking asylum in crowded urban areas. In the cities, however, where the devastation of war was less evident and the comforts of American aid more prevalent, Vietnamese citizens had reason to protest the American presence as well. This chapter examines the impact of American soldiers not as agents of violence but rather as agents of social, cultural, and economic change. Unlike nationalist sentiments expressed as a part of Vietnam's long history of resistance against foreign invaders, South Vietnamese criticisms of the United States focused directly on the effects of American social and economic might on their traditional society.⁷⁹

Although South Vietnamese businessmen and government officials benefited immensely from American economic aid policies, the inundation of American soldiers, dollars, and goods beginning in 1965 produced widespread discontent among several important segments of the South Vietnamese population. Vietnamese ambivalence

⁷⁹ Vietnamese resistance against Chinese and especially French rule has been written about extensively. See for example: Bradley, *Imagining Vietnam and America*; William J. Duiker, *The Rise of Nationalism in Vietnam, 1900-1941* (Ithaca: Cornell University Press, 1976); David G. Marr, *Vietnamese Anticolonialism, 1885-1925* (Berkeley: University of California Press, 1971); David G. Marr, *Vietnamese Tradition on Trial, 1920-1945* (Berkeley: University of California Press, 1981).

toward the United States often depended on how individuals experienced and interacted with the American presence, if at all. This chapter asserts that the social and economic impact of the American deployment of troops was devastating for many urban South Vietnamese. The arrival of American soldiers transformed the local economy into a service-sector economy, creating severe income disparities and social rifts within families. Those who worked for Americans, as bar girls, taxi drivers, and translators, for example, were able to keep pace with inflation, while those in more traditionally respected occupations, like doctors, lawyers, and civil servants, could not. The new South Vietnamese economy generated new kinds of class and labor conflicts that eroded faith in the stability of wartime South Vietnam. This chapter argues that the American presence ultimately alienated populations of South Vietnam that mattered the most to the legitimacy of the state, including the middle class, civil servants, and ARVN soldiers.

Despite vast literature on the Vietnam War, South Vietnamese attitudes toward the United States after 1965 have mostly been left out of historical accounts.⁸⁰ In addition to the challenges of language and sources, the traditional focus on high-level American decision-making has prioritized the perspectives of elite American and Vietnamese actors over those of ordinary Vietnamese. Since the 1980s, however, historians have begun to explore how South Vietnamese experienced the American presence. Most recently, historian Nu-Anh Tran has argued that the physical presence of Americans caused South

⁸⁰ The notable exceptions to this trend in scholarship are: Neil L. Jamieson, *Understanding Vietnam* (Berkeley: University of California Press, 1995); FitzGerald, *Fire in the Lake*; Nu-Anh Tran, "South Vietnamese Identity, American Intervention, and the Newspaper *Chính Luận* [Political Discussion], 1965–1969," *Journal of Vietnamese Studies* 1, no. 1–2 (February 2006): 169–209; Kolko, *Anatomy of a War*. It is important to note that while Neil Jamieson and Francis FitzGerald have authored important works of history, Jamieson is an anthropologist, and FitzGerald is a journalist.

Vietnamese to invoke Vietnam's national history, the uniqueness of Vietnamese culture, and the idea of proper Vietnamese womanhood in their constructions of identity.⁸¹

Despite new scholarship using Vietnamese-language sources, however, a full understanding of South Vietnamese perspectives on American intervention has continued to elude scholars.

Providing insight into South Vietnamese attitudes toward Americans is especially important given the American and South Vietnamese goal of winning “hearts and minds,” a strategy that has continued to figure into American interventions abroad.⁸² Only by uncovering the opinions and perspectives of those whose “hearts and minds” were targeted can we evaluate the effectiveness of such campaigns. Examining the South Vietnamese frame of mind, I argue, is essential to understanding the gradual erosion of national morale and state legitimacy that led to the downfall of South Vietnam. Indeed, the social and economic disturbances caused by the influx of American soldiers and dollars, I contend, provide a key answer to why the political project of building a legitimate nation proved so much more intractable than winning the war militarily, despite overwhelming emphasis on the latter both historically and historiographically.

This chapter begins with an overview of the U.S. decision to Americanize the war in the spring of 1965 and its consequences for South Vietnam. After surveying the South

⁸¹ Tran, “South Vietnamese Identity.”

⁸² Although the campaign to win the “hearts and minds” of South Vietnamese citizens, known officially as pacification, was aimed toward peasants, securing the “hearts and minds” of South Vietnamese urbanites, many of whom came from the countryside, was important to the legitimacy of South Vietnam as well. During an era of rapid urbanization, securing the loyalty of urban residents was arguably more important to the Saigon regime than garnering the support of peasants. Since South Vietnam's inception, city-dwellers were a key constituency supporting the RVN government. Thus, losing the support of the urban areas meant losing all remaining support for the government.

Vietnamese experience of war in the countryside and in the cities, the chapter then examines how wartime inflation and changes to the national economy affected South Vietnamese life. It continues with an analysis of South Vietnamese criticisms of the American presence and the social and cultural transformations it wrought on the country. In particular, Vietnamese critics decried the gender and generational conflicts that resulted from the American presence, which they perceived as affronts to Vietnamese culture and tradition. This chapter then turns to South Vietnamese discussions about the problem of taxi drivers as a window into how troubled class and labor relations manifested in sharp debates about South Vietnamese national identity. A loss of national morale was most evident among the ARVN rank-and-file, perhaps the segment of the South Vietnamese population that was most marginalized during the war. Finally, the chapter comes full circle with implications of what U.S. policymakers like Fulbright understood to be the unintended consequences of the American presence in South Vietnam.

THE AMERICANIZATION OF WAR

After the assassination of Ngo Dinh Diem in November 1963, the American nation-building endeavor in South Vietnam appeared more threatened than ever before. Indeed, after eight years of American economic and military aid to prop up South Vietnam, the country could not stand on its own politically, economically, or militarily. By the time the coterie of generals led by Duong Van Minh overthrew Diem, the country's imminent collapse was a real possibility. Though some American leaders

initially relished that America's shaky partnership with Diem was now over, the power vacuum created by Diem's ouster soon became a major problem for U.S. policymakers. Between 1963 and 1965, twelve "revolving door" governments took office in Saigon, consisting primarily of generals who led coup after coup to depose one another. Not until the military government of Air Marshal Nguyen Cao Ky as prime minister and General Nguyen Van Thieu as president took power in June 1965 was there any semblance of stable leadership in Saigon.

The political fragility of Saigon contrasted with growing political determination in Hanoi, as party leaders ramped up plans to reunify Vietnam under communist rule. Haunted by missed opportunities at Geneva in 1954 and the cancellation of national elections two years later, North Vietnamese leaders had begun strategizing for national reunification as early as 1959. That year, party officials agreed that political organization and military agitation were essential to fomenting revolution in southern Vietnam. They declared that the "fundamental path of development for the revolution in South Vietnam is that of violent struggle."⁸³ By the end of 1959, Hanoi began sending troops and equipment down the newly-built Ho Chi Minh Trail to infiltrate below the seventeenth parallel. Party leaders also collaborated with southern communist insurgents in 1960 to create the National Liberation Front (NLF) of South Vietnam, a political organization that aimed to achieve national reunification. Within two years, therefore, communist leaders in Hanoi had laid the political and military infrastructure for war. By 1963, it was

⁸³ Quoted in William J. Duiker, *The Communist Road To Power In Vietnam: Second Edition*, (Boulder: Westview Press, 1996), 200.

clear that North Vietnam, wary of an all-out military confrontation with the United States, aimed for the NLF to achieve victory before Americans could intervene in full force. At the Central Committee's Ninth Plenum in December 1963, communist leadership ordered NLF insurgents to increase political and military operations to bring down the Saigon regime.⁸⁴

In light of the rapidly growing insurgency in South Vietnam and during a period of national mourning after Kennedy's assassination, Lyndon Johnson, who lacked extensive credentials in foreign policy, continued the middle course in Vietnam pursued by his predecessor. Like Kennedy, Johnson was a Cold Warrior dedicated to fighting communism around the globe, but he also doubted the importance of Vietnam to American national security. "I don't think it's worth fighting for, and I don't think we can get out. And it's just the biggest damn mess that I ever saw," Johnson lamented privately to National Security Adviser McGeorge Bundy in May 1964. He continued, "What in the hell is Vietnam worth to me?... What is it worth to this country?"⁸⁵ Just as Kennedy did, Johnson postponed the decision to deploy American ground troops to Vietnam as long as he could, knowing full well that there would be no turning back once that decision was made. Like the three presidents before him who paved the road for increased American involvement in Vietnam, Johnson gradually upped the number of military advisers from 16,000 at the time of Kennedy's assassination to 23,300 by the end of 1964.

⁸⁴ Nguyen, *Hanoi's War*, 65–67.

⁸⁵ Telephone Conversation Between President Johnson and the President's Special Assistant for National Security Affairs (Bundy), Washington, 27 May 1964, 11:24 am, accessed 29 January 2015, <https://www.mtholyoke.edu/acad/intrel/vietnam/lbjbundy.htm>.

Unlike his immediate predecessor, however, Johnson personalized the stakes of Vietnam, while his concern with domestic politics limited his range of options in Southeast Asia. Ever the politician, Johnson was deeply preoccupied with his chances of winning the 1964 presidential election. Despite significant polling leads over his Republican opponent, Barry Goldwater, Johnson believed it was necessary to appear firm on Vietnam without making pivotal decisions until after the election.⁸⁶ Moreover, he believed that a staunch anti-communist stance in Vietnam was crucial to his ability to shepherd through his sweeping set of liberal domestic programs, the Great Society. After all, Johnson had seen what “the loss of China” had done to the Truman administration politically. He later recalled, “I knew Harry Truman and Dean Acheson had lost their effectiveness from the day that the Communists took over in China.”⁸⁷ Johnson was determined to avoid that same fate with Vietnam.

In the summer of 1964, an incident in the South China Sea offered Johnson the opportunity to burnish his anti-communist credentials just in time before the November election. On August 2, North Vietnamese boats fired on the American destroyer USS *Maddox*, which was engaging in electronic espionage in the Gulf of Tonkin. During the brief episode, the *Maddox* opened fire and the Vietnamese ships launched torpedoes in response before retreating. Two days later, the *Maddox* and the USS *Turner Joy* reported coming under attack by North Vietnamese boats. Although the second attack was questionable at the time and was later found to have never occurred, Johnson ordered

⁸⁶ Mark Atwood Lawrence, *The Vietnam War: A Concise International History* (New York: Oxford University Press, 2010), 59.

⁸⁷ Quoted in VanDeMark, *Into the Quagmire*, 25.

retaliatory air strikes against North Vietnamese naval installations and oil storage facilities. He also took advantage of the incident to encourage Congress to quickly grant him greater powers to undertake additional military action. On August 7, the House and Senate passed, with little debate and near unanimous votes, the Gulf of Tonkin Resolution, which authorized the president to take “all necessary measures” to resist North Vietnamese aggression. Having successfully fended off Republican criticisms for being weak on communism, Johnson was able to moderate his position on Vietnam, garner the support of centrist voters, and win the largest presidential landslide victory in American history.⁸⁸

While Johnson strategized to secure his place in the White House, the situation in South Vietnam grew increasingly dire. In Saigon, political turmoil continued to threaten the stability of the state. In August 1964, General Nguyen Khanh’s usurpation of dictatorial powers severely curtailed civil liberties and provoked numerous public demonstrations. His hold on Saigon was so weak that ARVN officers jostling for power threw him out of office briefly, but Khanh returned to leadership after agreeing to enter into a political alliance. As historian Mark Bradley writes, by the fall of 1964, “the legitimacy of the South Vietnamese government was in shambles.”⁸⁹ Meanwhile, leaders in Hanoi, bolstered by increased assistance from China and the Soviet Union, began sending North Vietnamese troops, the People’s Army of Vietnam, down the Ho Chi Minh Trail into South Vietnam for the first time in September 1964. Soon after, North

⁸⁸ Herring, *America’s Longest War*, 146–150.

⁸⁹ Mark Philip Bradley, *Vietnam at War* (New York: Oxford University Press, 2009), 108.

Vietnamese forces engaged in direct combat with Army of the Republic of Vietnam (ARVN) soldiers.⁹⁰

In light of the political crises in Saigon and communist incursion into southern Vietnam, the Johnson administration made a series of decisions between late 1964 and early 1965 that would lead the United States to pursue a full-scale war in Vietnam.⁹¹ Although Johnson and his advisers deliberated their actions slowly during this time, all of their options centered on expanding the war to preserve an independent and non-communist South Vietnam. That is not to say, however, that Johnson was unconcerned about an open-ended conflict in Southeast Asia. In fact, he worried that American intervention could precipitate a larger war involving nuclear powers, weaken the fragile South Vietnamese government, and harm his Great Society agenda. Despite these concerns, though, Johnson assumed that American escalation would eventually force North Vietnam to withdraw its support for the NLF. More specifically, American power in the form of bombs and ground troops, Johnson believed, would force the North Vietnamese communists to negotiate an end to the war on American terms. At the start of 1965, Johnson significantly intensified the war by approving a two-phase plan of aerial bombardment: the first would target the Ho Chi Minh Trail in Laos, while the second

⁹⁰ Although the term, “ARVN,” stands for the Army of the Republic of Vietnam, it has often been used by scholars and other authors to refer to all military servicemen in the Republic of Vietnam, regardless of their branch of service. In this dissertation, I use “ARVN” to refer broadly to all military servicemen and not just those who served in the army.

⁹¹ The motives behind Johnson’s decision to escalate war have long been debated among historians. For some of the literature on this important debate, see: David M. Barrett, *Uncertain Warriors: Lyndon Johnson and His Vietnam Advisers* (Lawrence, KS: University Press of Kansas, 1993); Berman, *Planning A Tragedy*; Lloyd C. Gardner, *Pay Any Price: Lyndon Johnson and the Wars for Vietnam* (Chicago: Elephant Paperbacks, 1997); George C. Herring, *LBJ and Vietnam: A Different Kind of War* (Austin: University of Texas Press, 2010); Kaiser, *American Tragedy*; Fredrik Logevall, *Choosing War*; VanDeMark, *Into the Quagmire*.

would comprise a sustained bombing campaign against North Vietnam over a few months. This second part of the plan, Johnson recognized, would likely require the deployment of American troops to protect U.S. airbases.⁹²

By the spring of 1965, then, the Johnson administration concluded that the United States would assume the responsibility of fighting communist insurgents on behalf of South Vietnam. On February 7, the NLF attacked the American base at Pleiku, killing eight Americans. Already committed to the use of American air power, Johnson authorized retaliatory strikes against military bases in North Vietnam. The following month, on March 2, the gradual and sustained bombing campaign, Operation Rolling Thunder, began. A few days later on March 8, 3,500 U.S. Marines landed in Danang to guard the American air base and free South Vietnamese soldiers for combat. As the Johnson administration became preoccupied with American military strategy on land and in the air, however, the presence and actions of American soldiers and civilians would generate a different set of problems for U.S. policymakers.

THE SOUTH VIETNAMESE EXPERIENCE OF WAR

Although U.S. policymakers believed that direct American intervention would stabilize South Vietnam, intensification of war only further destabilized the country. As historian Gabriel Kolko noted, the United States in Vietnam “unleashed the greatest flood of firepower against a nation known to history,” causing an indescribable amount of

⁹² Lawrence, *The Vietnam War*, 88–89.

human suffering.⁹³ Indeed the Pentagon estimated that between 700,000 to 1,225,000 South Vietnamese civilians were killed and wounded from 1965 to 1972.⁹⁴ In 1975, the U.S. Senate estimated the civilian casualties in Vietnam to be 1.4 million. However, as the journalist Nick Turse argues, the most recent and sophisticated analyses of casualties suggest a figure of 3.8 million deaths in Vietnam is a more reasonable and accurate estimate.⁹⁵ The shocking level of violence and destruction in rural South Vietnam was undoubtedly a major source of anger toward the United States.

U.S. leaders long believed in the power of economic development and technology to modernize underdeveloped countries, but the American nation-building program in South Vietnam arguably harmed more than helped the vast majority of the country's population: peasants. Since the late 1950s, the United States granted millions of dollars to U.S. contractors to build and improve the country's physical infrastructure, not primarily to improve Vietnamese living standards but rather for the purpose of combating the growing southern insurgency. As historian James Carter has written, during the "construction miracle of the decade" in the 1960s, American engineering companies literally laid the groundwork that made military operations possible. They built and refurbished roads, bridges, canals, hospitals, port facilities, and airfields that would allow

⁹³ Kolko, *Anatomy of a War*, 200. American violence committed against Vietnamese civilians has been documented widely in the vast literature on the war. The most recent work on American war crimes in Vietnam is written by Nick Turse. See Nick Turse, *Kill Anything That Moves: The Real American War in Vietnam* (New York: Metropolitan Books, 2014).

⁹⁴ Kolko, *Anatomy of a War*, 200.

⁹⁵ Turse, *Kill Anything That Moves*, 12-13.

for an efficient and large-scale war.⁹⁶ This “paradox of construction and destruction,” Carter argues, facilitated extensive violence particularly in the countryside.⁹⁷

Despite the need to protect the local population, American military strategy to root out communist insurgents in the South Vietnamese countryside also had the unintended effect of alienating many peasants. From 1965 to 1967, the mission to “search and destroy” enemies in the country displaced peasants from their ancestral homes. Intense bombing and shelling, widespread chemical destruction of crops, and forced removal of peasants by ground troops turned peasants into refugees.⁹⁸ During the war, approximately four million South Vietnamese, or 25 percent of the population, left their villages due to military operations.⁹⁹ Refugee camps set up to house peasants temporarily, however, proved more similar to concentration camps than places of safe haven. Insufficient food, cramped quarters, and squalid conditions further marginalized villagers. For millions of refugees, heading to the cities to seek food, shelter, and employment was the only viable option.¹⁰⁰

One of the most consequential transformations of wartime South Vietnam, then, was forced urbanization. In 1960, only 20 percent of South Vietnam’s population resided in urban areas; that figure increased to 26 percent by 1964, 36 percent by 1968, and 43

⁹⁶ Carter, *Inventing Vietnam*, 157.

⁹⁷ *Ibid.*, 181.

⁹⁸ Gibson, *The Perfect War*, 229. The exact numbers of refugees generated by the war is unknown for a variety of reasons, including the logistical difficulty of tracking the numbers and the fact that American officials were not the most concerned with uncovering the consequences of its military policies. The U.S. Senate estimated that there were around 5.8 million refugees from 1964 to 1972, while the RVN estimated that 7 million refugees were created by the war. Kolko, *Anatomy of a War*, 201.

⁹⁹ Herring, *America’s Longest War*, 205.

¹⁰⁰ For more information on the experiences of refugees, see Gary Dean Murfin, “War, Life and Stress: The Forced Relocation of the Vietnamese People” (PhD diss., University of Hawai’i, 1975).

percent by 1971. According to Kolko, this rate of urban growth was five times that of all underdeveloped nations during the same decade.¹⁰¹ Cities like Danang, Hue, Nha Trang, and Can Tho, for example, expanded drastically, while metropolitan Saigon grew to a lesser degree. This abnormal pace of growth not only created great disparities between rural and urban South Vietnam, but also within the cities, which were not equipped to accommodate the influx of newcomers. Cities lacked the physical infrastructure to address increased demand for basic necessities like healthcare, education, employment, and housing. Shantytowns built on the outskirts of towns to shelter refugees were worlds apart from the old city centers, the domain of the urban bourgeoisie and middle class. As new urban-dwellers from the countryside found themselves coexisting with longtime residents, cities became the sites where tradition and modernity clashed.

Amid rapid and forced urbanization, the arrival of American troops in South Vietnam further transformed the demography of fast-growing cities. From 1963 to 1965, the number of American military personnel in South Vietnam increased from 16,000 to over 385,000. By the end of 1965, there was roughly one American for every fifteen Vietnamese in Saigon.¹⁰² The number of American troops would later peak at 543,400 in April 1969.¹⁰³ The American presence in South Vietnam was therefore not only visible but also unavoidable, particularly in areas where troops were stationed.

The arrival of GIs immediately transformed the look and feel of cities such as Saigon and Danang. The sight of military vehicles and barbed-wire fencing and the

¹⁰¹ Kolko, *Anatomy of a War*, 201.

¹⁰² Jamieson, *Understanding Vietnam*, 292–293.

¹⁰³ Lawrence, *The Vietnam War*, 102.

sounds of planes and helicopters reminded residents of the urgency of war.¹⁰⁴ Meanwhile, the cooptation of Vietnamese spaces by Americans suggested that the impact of the American troop deployment was more than just military. Tu Do Street in Saigon, for example, once known as the Fifth Avenue shopping destination of the city, became lined with bars that catered to American GIs. In fact, the proliferation of people, buildings, vehicles, and consumer goods made cities more packed than ever before. Traffic, for example, became busier and more congested with various types of transportation filling the road, including military vehicles, cars, scooters, and bikes. As the *New York Times* reported in August 1965, the war “quickened the tempo of life” for soldiers and civilians alike in Saigon.¹⁰⁵ Intensification of war thus not only precipitated mass urbanization in South Vietnam but also changed the composition, functions, and challenges of its cities.

The heightened pace of life in urban South Vietnam inevitably multiplied the occasion for cultural misunderstanding and social tension. Daily friction between young American GIs and local Vietnamese in the cities revealed major cultural contrasts between Americans and Vietnamese that seemed insurmountable.¹⁰⁶ Instances of reckless driving, public urination, and drunken behavior by young American GIs were a few examples that strained relations between guests and hosts. U.S. officials, mindful of the importance for Americans to maintain good relations with Vietnamese citizens, were not

¹⁰⁴ Emerson Chapin, “Drowsy Danang Is Transformed Into Boom Town by U.S. Troops,” *New York Times*, 6 May 1965.

¹⁰⁵ Jack Langguth, “Saigon Tries to Live in a Hurry: Life in Saigon,” *New York Times*, 8 August 1965.

¹⁰⁶ For an analysis of how Vietnamese and Americans perceived each other in the first half of the twentieth century and a discussion of the interactions between Vietnamese and Americans generally during the war, see, respectively, Bradley, *Imagining Vietnam and America*; George C. Herring, “‘Peoples Quite Apart’: Americans, South Vietnamese, and the War in Vietnam,” *Diplomatic History* 14, no. 1 (1990): 1–23.

unaware of the growing friction between GIs and locals. In August 1966, Ambassador Henry Cabot Lodge conveyed to the State Department his “continuing concern and worry” about American soldiers’ behavior in Saigon. Unconfirmed reports claimed that high-ranking South Vietnamese officials even urged Lodge to pursue stricter discipline among GIs.¹⁰⁷

Though disruptive actions by troops obviously caused Vietnamese to resent the American presence, the mere presence of Americans and the existence of their wealth also contributed to latent Vietnamese anti-Americanism. Far from the bombs dropped on the countryside, many urban citizens—both those newly arrived from the countryside and those long established before the American intervention—nonetheless found the war immensely disruptive and destructive. The flood of American soldiers and dollars into South Vietnam radically altered the nature of South Vietnamese society. The American dollar, the most highly sought-after commodity in South Vietnam, appeared to be at the very root of Vietnamese concerns about the loss of national and cultural identity.¹⁰⁸

WARTIME INFLATION AND THE SOUTH VIETNAMESE ECONOMY

While American economic aid to South Vietnam skyrocketed to unprecedented levels after 1964, the intensification of war further distorted the South Vietnamese economy. As the U.S. Agency for International Development concluded in 1975, the

¹⁰⁷ R.W. Apple, “Lodge Worried Over Behavior of G.I.’s in Saigon,” *New York Times*, 13 August 1966.

¹⁰⁸ United States House of Representatives, Committee on Government Operations, *A Review of the Inequitable Monetary Rate of Exchange in Vietnam*, Twenty-Sixth Report, 91st Congress, 2nd Session (Washington: Government Printing Office, 1970), 7.

period from 1965-1967 in South Vietnam “was unlike anything ever experienced by an underdeveloped country.”¹⁰⁹ The escalation of war destroyed agricultural production and turned South Vietnam, which was a leading exporter of rice under French colonialism, to a net importer of rice by the end of 1965.¹¹⁰ Industrial production, on the other hand, rose during 1964-67 because of military construction and the need to equip troops, though it would decline rapidly in 1968. By 1967, approximately 40 percent of South Vietnam’s gross national product consisted of American-financed imports, which would rise to 50 percent by 1970. In fact, the proportion of manufacturing as part of the RVN’s gross domestic product dropped so much that South Vietnam was the only major Asian nation to undergo deindustrialization during this period.¹¹¹ These trends suggest not only that South Vietnam’s wartime economy was overwhelmingly dependent on American aid but also that short-term fixes to the economy, like the import of American-financed goods, harmed South Vietnam’s long-term economic prospects.

Ordinary Vietnamese citizens experienced these economic transformations most directly through the prices they had to pay for goods. Although inflation naturally occurs in countries during war due to increases in government and military expenditures, inflation in South Vietnam rose at rates that alarmed American and Vietnamese officials, who feared that it could be politically destabilizing.¹¹² In 1965, for example, prices soared by more than 100 percent. One estimate indicated that consumer prices increased 900

¹⁰⁹ Quoted in Kolko, *Anatomy of a War*, 223–4.

¹¹⁰ Bradley, *Vietnam at War*, 118.

¹¹¹ Kolko, *Anatomy of a War*, 224.

¹¹² Douglas C. Dacy, *Foreign Aid, War, and Economic Development: South Vietnam, 1955-1975* (New York: Cambridge University Press, 1986), 131.

percent between 1964 and 1972.¹¹³ Over the course of the American presence in South Vietnam, inflation rates varied between 16 and 60 percent.¹¹⁴ In comparison, the rate of inflation averaged around 4.5 percent in the period from South Vietnam's founding in 1955 to 1964.¹¹⁵ To illustrate the skyrocketing prices of basic food commodities, the cost of an egg rose from 2.1 piasters in 1960, to 6.4 piasters in 1966, 8.8 piasters in 1967, 13.4 piasters by 1968, and 21.9 in 1970. The price of one kilogram of rice increased from 5 piasters in 1960, to 13.4 piasters in 1966, 28.2 piasters in 1968, and 53.2 piasters by 1970.¹¹⁶ Rising prices thus affected even life's most basic necessities, and no one in South Vietnam was immune to the effects of inflation.

Inflation, however, was not only a macroeconomic problem but also a social one as well. Indeed, inflation, then as now, has different effects on different people and tends to worsen social disparities. In the case of wartime South Vietnam, the addition of a sizeable population of foreign troops needing a multitude of services and having the purchasing power to pay generously for such amenities played a key part in compounding social and economic problems. American soldiers' consumer habits directly affected Vietnamese lives, as "Vietnamese labor and bodies [became] sources of gratification" for American GIs.¹¹⁷ In order to boost soldier morale, the American military contracted with business firms to provide service-oriented institutions, including dry cleaning, barbershops, beauty shops, massage parlors, and ice cream stores to serve the many needs

¹¹³ Bradley, *Vietnam at War*, 121.

¹¹⁴ Dacy, *Foreign Aid*, 131.

¹¹⁵ *Ibid.*

¹¹⁶ Jamieson, *Understanding Vietnam*, 295.

¹¹⁷ Lair, *Armed with Abundance*, 6.

and desires of soldiers. Many of the small businesses that provided service to American GIs were actually owned and operated by local Vietnamese.¹¹⁸

By turning South Vietnam into a service-sector economy, then, the American presence divided Vietnamese citizens, benefiting some Vietnamese but alienating many more. Like the drastic inequalities between urban and rural South Vietnam, the inequalities within the cities were just as pronounced. In addition to the socio-economic backgrounds that distinguished between refugees displaced from the countryside and those who had roots in urban areas, Vietnamese experienced inflation in various ways depending on their occupations. During the war, there were both “winners” and “losers” in the inflationary economy of urban South Vietnam, usually determined by their income and whether they worked for newly-arrived Americans, in the case of the winners, or for local Vietnamese people, in the case of the losers. In the new Vietnamese economy after the U.S. buildup, the losers were often the winners before the arrival of Americans, and vice versa. These role reversals explained why some Vietnamese welcomed the increased presence of Americans while others resented their growing numbers.

Among the people who lost the most after American escalation were members of the urban Vietnamese middle class, who found the presence of Americans to be socially and economically disastrous.¹¹⁹ Those who trained and worked as doctors, nurses, teachers, accountants, civil servants, journalists, scholars, army officers, writers, lawyers, and scientists, for instance, “all those who served their own people but not the

¹¹⁸ Ibid., 162.

¹¹⁹ Jamieson, *Understanding Vietnam*, 294.

Americans,” found themselves making less money and falling in social status.¹²⁰

Government employees and members of the armed forces, for example, faced stagnant wages and salaries, which put them at a huge disadvantage in the inflated economy.¹²¹

Those who belonged to the urban middle class often adhered to their beliefs in traditional hard work and education and refused join the new service economy centered on GIs, preventing them from taking economic advantage of the American presence.

On the contrary, those who benefited the most from South Vietnam’s inflationary economy often built their lives around the American presence. Indeed, the American consumer economy presented many service job opportunities for Vietnamese, and those who could find work serving Americans often earned more money than people who pursued more traditionally respected occupations. Moreover, in the first few months of the American military buildup, Vietnamese serving Americans were paid in U.S. dollars, a much more secure currency compared to the Vietnamese piaster. Vietnamese who owned businesses, shops, bars, hotels, or fleets of taxis, for example, “grew rich beyond their wildest dreams.”¹²² As anthropologist Neil Jamieson has explained, the arrival of Americans fundamentally altered the labor economy in urban areas:

Inflation was no problem for those who could tap the wealth of the Americans; and tens of thousands of Vietnamese served us as companions, bartenders, hostesses, waiters, busboys and doormen. Other Vietnamese made our beds and shined our shoes; washed, pressed and mended our clothes; gave us haircuts, manicures, and massages; sold us chewing gum, peanuts, candy bars, cigarettes, dirty post cards, gaudy paintings on velvet, custom-made suits and shirts and

¹²⁰ Ibid.

¹²¹ Ibid., 295.

¹²² Ibid., 294.

shoes, wallets, and briefcases; washed and drove and repaired our vehicles. On the whole, we paid well for the goods and services we received, and our spending generated many jobs.¹²³

As Jamieson's suggests, Vietnamese who worked for Americans were handsomely rewarded for their labor and were able to live, if not thrive, on their earnings as long as Americans remained in the country. As we will see in the last chapter, suggestions that certain segments of the South Vietnamese population resisted American withdrawal and wanted the war to continue because of personal profits were thus not unreasonable.

SOUTH VIETNAMESE CRITICISMS OF THE AMERICAN PRESENCE

As social, cultural, and economic transformations in South Vietnamese society grew more conspicuous, a virulent and unique form of anti-Americanism developed among those who benefited the least and lost the most from the American presence. Unlike the nationalist rhetoric expressed to oppose previous foreign invasions of Vietnam, Vietnamese criticisms of the American presence during the war were grounded in specific accusations of how Americans had harmed traditional Vietnamese society, especially the family. Characterizing the American influence as “devastating, disintegrating, [and] explosive,” the South Vietnamese Information Minister, Ton That Tien, differentiated the impact of Americans from earlier foreign occupiers.¹²⁴ In an article in *The Asia Magazine* titled “The Americanization of Vietnam,” Tien argued that the presence of Americans was more ubiquitous and destructive than that of the French,

¹²³ Ibid.

¹²⁴ Bernard Weinraub, “Americans’ Impact on Vietnam Is Profound,” *New York Times*, 6 July 1968.

who were in Vietnam for over a hundred years, or the Chinese, who ruled Vietnam for over a thousand. “Neither French nor Chinese,” he argued, “had intruded so self-righteously, so extensively and so deeply into Vietnamese life—nor threatened to crush it under the overwhelming weight of numbers, power, money and crusading zeal.”¹²⁵ Ton’s estimation of the impact of the American presence represents a highly subjective but common view among Vietnamese regarding the overpowering military and economic might that the United States brought to South Vietnam in such a short timespan. After all, such a sudden and vast infusion of men and money to a country naturally produced a forceful economic and cultural shock on its society.

Trenchant criticisms of the American presence focused heavily on its corroding effects on the traditional Vietnamese family, particularly the roles of Vietnamese women. Due to the nature of the changing labor economy in South Vietnamese cities, Vietnamese women frequently interacted with American GIs. Because most South Vietnamese men of military-service age were required to join the ARVN, women became the primary workers.¹²⁶ Of the 330,000 employees of Saigon’s wartime labor force, for example, approximately 250,000 were women.¹²⁷ These women worked a range of jobs from cleaning rooms to laundering clothes to fulfilling the emotional needs for sex and companionship of American GIs. Because the American military could not import services for troops, Vietnamese women provided the necessary labor for the functioning of American logistics and support for soldiers. As young men dominated the population

¹²⁵ Ton That Thien, “The Americanization of Vietnam,” *The Asia Magazine*, 17 September 1967, 8.

¹²⁶ Stur, *Beyond Combat*, 50.

¹²⁷ *Ibid.*, 51.

on military bases, the U.S. military also helped promote the employment of local Vietnamese women to fill the void that men who left their families, girlfriends, and wives in the United States experienced. Beyond the military bases, Vietnamese women also worked in entertainment venues that catered to American troops. During the course of the war, at least 200,000 Vietnamese women became prostitutes serving American troops and an unknown number worked as bar girls.¹²⁸ In fact, Saigon alone had over one thousand bars and over a hundred nightclubs, employing 25,000 bar girls.¹²⁹

That Vietnamese women consorted with American GIs for a living brought shame to many Vietnamese families. The very public ways in which American soldiers fraternized with Vietnamese women often contributed to families losing face in society. Traditional tight-knit families fractured when some Vietnamese women left their husbands for American men. Even when women remained with their husbands, their families were still humiliated by their work as bar girls and prostitutes. Although prostitution was viewed as immoral among Vietnamese, women who became prostitutes sacrificed their dignity in order to provide for their families financially.¹³⁰ At the same time, however, the shame of having members of one's family, including wives, sisters, and daughters, engaged in such work sometimes drove Vietnamese men to commit

¹²⁸ Bar girls differed from prostitutes in that they worked in bars to encourage soldiers to spend money on drinks. Bar girls often flirted with American GIs but there was no expectation of sex in exchange for money. Nonetheless, intimate relations between soldiers and bars girls were not uncommon.

¹²⁹ Carter, *Inventing Vietnam*, 230.

¹³⁰ The prostitution of Vietnamese women during the war was symbolic of what the American escalation of war had done to Vietnam. The trope of the Vietnamese women sleeping with foreign men has also been used to represent foreign invasions into Vietnam. This representation of Vietnamese women as the Vietnamese nation generally has been captured in numerous novels, films, and plays, including Graham Greene's *The Quiet American*, Bao Ninh's *The Sorrow of War*, and Claude-Michel Schonberg and Alain Boubilil's *Miss Saigon*.

suicide.¹³¹ The consequences of South Vietnam's emergent service economy on family life was thus symbolic of the impact Americans had on Vietnamese society.

In addition to shifting family dynamics, the American troop presence also shaped notions and features of Vietnamese womanhood. Americans GIs not only changed Vietnamese women's work but also their conceptions of beauty. As Saigon's cosmetic surgeons attested, the popularity of plastic surgery operations could be attributed directly to the American buildup in 1965. Magazines that American GIs brought to Vietnam, most notably *Playboy*, were shared widely with Vietnamese, including bar girls. As GIs expressed their desires for Vietnamese women to look more like American pinups, many Vietnamese women altered their bodies through cosmetic surgery to attract and maintain more clients.¹³² Bar girls who could afford it went under the knife to acquire rounder eyes, bigger breasts, and larger, more defined noses to look like Playboy bunnies.¹³³ A former army doctor turned plastic surgeon, Vu Ban, observed that for bar girls, plastic surgery "became part of their livelihood...[and] helped them get jobs and American husbands."¹³⁴ For about 50,000 piasters or about \$100, women could acquire a slimmer nose or double eyelids, while more complicated procedures, like breast or hip operations, could cost around 200,000 piasters, or about \$400.¹³⁵ Ngo Van Hieu, owner of a well-

¹³¹ Neil Sheehan, "Anti-Americanism Grows in Vietnam: G.I.'s Affluence and Cultural Gap Among Factors," *New York Times*, 24 April 1966.

¹³² Elizabeth Haiken, *Venus Envy: A History of Cosmetic Surgery* (Baltimore: Johns Hopkins University Press, 1997), 203.

¹³³ Tom Fox, "Operation Uplift in Vietnam," *Commonweal*, 22 August 1969; "In Vietnam With Plastic Surgeons in Demand, Cosmetic Surgery Thrives," *New York Times*, 21 May 1973; Jacques Leslie, "Saigon Sex Surgery Business," *San Francisco Chronicle*, 12 March 1972, Sunday Punch edition.

¹³⁴ "In Vietnam With Plastic Surgeons."

¹³⁵ *Ibid.*

known cosmetic surgery clinic in Saigon, estimated that about 40 percent of her customers were bar girls, and the rest were often members of “Vietnamese high society” including movie stars, singers, and wives of government and military officials.¹³⁶ One doctor, Pam Ba Vien, estimated that as many as eighty to one hundred such operations were performed weekly in Saigon, while other Vietnamese women, especially wives of generals and ministers, went to Japan for their procedures.¹³⁷ Women like Nguyen Thi Nhan who worked in Saigon’s most exclusive bars were not ashamed of their new looks and, in fact, felt they were more beautiful after their cosmetic procedures.¹³⁸ Explaining the popular trend, Hieu asserted, “Vietnam has been a suffering country. People don’t know if they’re going to be alive tomorrow, so they want to keep whatever they have. As a result they concentrate on keeping their beauty and sensual-type things.”¹³⁹ Whether women changed their bodies for employment prospects or for personal reasons, their decisions nonetheless had great cultural implications. Surgeries to correct what one doctor called “natural Asian defects” represented a physical loss of Vietnamese women’s attributes, suggesting that the American presence literally transformed Vietnamese womanhood as well.

As some women adopted western standards of beauty, Vietnamese laments on the loss of traditional womanhood also focused on the disruptive effects of American consumerism. The influx of foreign consumer imports through the CIP and the

¹³⁶ Leslie, “Saigon Sex Surgery Business.”

¹³⁷ Some of most public South Vietnamese female figures, including Tran Le Xuan, also known as Madame Nhu and the sister-in-law of Ngo Dinh Diem, and Dang Tuyet Mai, the wife of Nguyen Cao Ky, underwent cosmetic surgery in Japan.

¹³⁸ Fox, “Operation Uplift in Vietnam.”

¹³⁹ Leslie, “Saigon Sex Surgery Business.”

availability of black market PX goods undoubtedly shaped Vietnamese ideas about taste and style and influenced how Vietnamese spent their money. Women's spending on fashion items became a topic of concern among some Vietnamese, who believed that spending on unnecessary goods directly contradicted the traditional practice of thrift and austerity. An advice column for women in *Quyét Tien*, one of Saigon's newspapers, stated, "From the day that Americans came to Vietnam in droves, the conflict increased in intensity, and the majority of our women threw themselves into an excessively extravagant life." Though the author recognized that the American presence was partially responsible for women's lavish spending, the author also criticized Vietnamese women for indulging in the present instead of saving for Vietnam's future:

The cause of the present expensive way of life is that we are spending far too much on the conflict, and are buying far too many foreign goods, but that we are producing far too little. This is a grave weakness. In such a situation, what do we women do? Everyday we still buy face powder, lipstick, perfume, jewelry, blouses and skirts and the silks of foreign countries...Precisely because of the lack of conscience of the great majority of women about the future of the nation, we women have lost the virtue of thrift of the people of Vietnam.¹⁴⁰

Indeed, as historian Alec Woodside has written, there existed in traditional Vietnam a "centuries-old proposition that the good life can be attained only by a degree of personal austerity...and by rigorous public management of the society's resources." In the context of war, women's interest in American and international fashion was thus considered to be frivolous. As evident in the covers of Vietnamese women's magazines during the war,

¹⁴⁰ Phuoc Tin, 'Phu nu phai can kiem' [Women Must Become Thrifty], *Quyét Tien*, 6 November 1968, trans. and cited in Alec Woodside, "Some Southern Vietnamese Writers Look at the War," *Bulletin of Concerned Asian Scholars* 2, no. 1 (1969): 56.

western standards of fashionable clothing and hairstyles began to change how Vietnamese women dressed, groomed, and made themselves up, which often required additional spending. What critics viewed as the weakening of traditional virtues like thrift after the arrival of Americans, however, was also the result of global forces beyond Vietnam. Indeed, sexual liberation for women in 1960s combined with the prevalent consumer culture of the decade to influence the consumption habits of women everywhere, including in Vietnam.

Like the sexual revolution, global consumer and youth culture existed apart from the raging war in Vietnam, but the presence of American troops brought elements of consumer, youth, and popular culture immediately to Vietnam. Through the import of radios and television sets and access to the U.S. Armed Forces channel, Vietnamese families watched shows such as “Batman,” “Gunsmoke,” “Mission Impossible,” and “Combat.”¹⁴¹ Among youths, the segment of the Vietnamese population that arguably enjoyed and emulated American popular culture the most, symbols of what was considered by American standards to signify “cool” appeared in their preferences for entertainment, clothes, and food. Armed Forces Radio playing rock ‘n’ roll music, for example, was more popular among teenagers than Vietnamese radio.¹⁴² Children consumed newly-introduced beverages like Nescafe and Coca-Cola. Girls and young women wore miniskirts and makeup and openly talked about sex, a traditionally taboo topic in Vietnamese society. Young men, on the other hand, embraced a new image of

¹⁴¹ Jamieson, *Understanding Vietnam*, 293.

¹⁴² Fox, “Operation Uplift in Vietnam.”

themselves by smoking cigarettes, riding motorcycles, and wearing sunglasses. Young Vietnamese men who evaded the draft were often referred to as “cowboys” who rode around loudly on their motorbikes and sometimes even stole from American soldiers. The wide-ranging influence of global youth culture and the American troop presence thus shaped the experience of growing up in Vietnam.

Vietnamese who deplored the loss of Vietnamese womanhood also believed that the American presence corrupted Vietnamese childhood. As Kolko has written, many children of former peasants ended up working in the sidewalk economy and resorting to crime, drug addiction, and prostitution.¹⁴³ “This whole generation of young people is falling into wells of depravity, especially youth from poor families,” 50-year-old novelist Do The bemoaned. He recounted a story in which a thirteen-year-old girl approached him in a café in Saigon and asked him to buy her a cup of coffee. According to The, she complained, “Goddam these Americans.... They’ve been making love to me all day and I still haven’t got any satisfaction.”¹⁴⁴ The and other intellectuals like him often interpreted stories like this young child becoming a prostitute as representative of the harmful impact of Americans, which fueled their anger toward the United States. Other critics lamented the American presence for pulling Vietnamese children and teenagers further and further away from their parents and elders. “The younger people have lost their faith in the older generation,” said Nguyen Van Trung, the Dean of the Faculty of Letters at Saigon University. “They have seen people talking about revolution and then stealing money

¹⁴³ Kolko, *Anatomy of a War*, 203–5.

¹⁴⁴ “Vietnamization: Will It Work?,” *Newsweek*, 9 February 1970.

from the people. This is why the youngsters have given up the ideal of a life of struggle and are now in pursuit of pleasure.”¹⁴⁵ Indeed, war and the circumstances it created had rendered many South Vietnamese, including youths, apathetic to politics. Uncertainty over the outcome of the war and the future of the nation existed during a time of widely accessible forms of entertainment, consumption, and indulgence. The frustration and resentment that older generations of Vietnamese felt toward the United States reflected the paradox of suffering and pleasure that the American presence created.

The Vietnamese family, a traditional cornerstone of society, was also disrupted by the ways in which American wealth altered relations between children and their parents and elders. As one American-educated lawyer asserted, “The poor families come to Saigon from the countryside because of the war. The father has few skills, so he becomes a day laborer or drives a pedicab. Before he was respected by the children. He knew about the farm. He knew about the land. Now he knows nothing.” The necessity for peasants to become refugees in the cities thus carried troubling implications for the dynamics between children and parents. Indeed, the Confucian virtue of filial piety was seriously undermined by the fact that children witnessed their parents struggle to provide for them in completely unfamiliar and tenuous circumstances, while the children themselves in some cases became breadwinners. “The young boys wash cars for the Americans or shine shoes or sell papers or work as pickpockets,” the lawyer explained. He continued, “They may earn 500 or 600 piasters a day. Here is a 10-year-old boy

¹⁴⁵ Ibid.

earning three times as much as his father. It is unheard of.”¹⁴⁶ In the new economy, it was not uncommon for money to dissolve the respect that offspring traditionally paid to their parents.

While South Vietnamese critics denounced the “loss” of their women and children, they also decried the inversion of other social hierarchies. As Vietnamese newspapers illustrated in political cartoons, a new social structure arose from the flood of American wealth into South Vietnam. In this social pyramid, bar girls occupied the pinnacle, with prostitutes below them, then the pimps and bar owners, and lastly the taxi drivers. This depiction of Vietnamese social hierarchy underscored the prevalence of occupations that served the needs of affluent American GIs instead of the needs of Vietnamese. The benefit of working for Americans was evident in the great disparities of occupational income. According to Ho Huu Tuong, a lower-house representative in the South Vietnamese National Assembly who was a prominent intellectual earlier in his career, a university professor would earn around 18,000 piasters a month, equivalent to around \$150, while a bar girl would earn 100,000 piasters, equal to about \$850.¹⁴⁷ As journalist Frances FitzGerald noted, a mid-level government bureaucrat with a college degree and an army discharge earned between \$70 to \$100 a month.¹⁴⁸ Working for the Vietnamese government or Vietnamese employers, then, was tantamount to making less money for the same work. During the war, Vietnamese garbage collectors, for example,

¹⁴⁶ Weinraub, “Americans’ Impact on Vietnam.”

¹⁴⁷ Ibid.

¹⁴⁸ Frances Fitzgerald, “The Tragedy of Saigon,” *The Atlantic Monthly*, December 1966.

left their jobs to work for the American military or U.S. corporations in Vietnam.¹⁴⁹ Even vital everyday services were affected by the introduction of Americans into Vietnam.

Beginning in 1965, new economic pressures in South Vietnam forced Vietnamese to reevaluate their national identities as it related to the emerging business of catering to American GIs. As the number of Americans increased during the military buildup, the rise of a service-sector in South Vietnam's wartime labor economy stimulated passionate debates about what constituted a Vietnamese national identity. Given the disruptive impact of Americans on South Vietnamese class, gender, and generational relations, Vietnamese citizens expressed their criticisms of how Americans and their wealth had changed the interactions among Vietnamese. In the realm of class and labor relations, debates over the proper roles and behaviors of one occupation—taxi drivers—provide insight into how South Vietnamese citizens articulated their national identities in the company of an ever-increasing population of American soldiers and civilians. As we will see, the inability to get a cab was indicative of new social tensions, and Vietnamese who were brushed off by their own people invoked notions of the nation in order to seek government redress of an everyday, practical problem. Vietnamese responses to the taxi problem offer a window into larger anxieties within South Vietnamese society over the fear of losing one's national and cultural identity.

TAXI DRIVERS: A DEBATE ABOUT SOUTH VIETNAMESE NATIONAL IDENTITY

¹⁴⁹ Sheehan, "Anti-Americanism Grows."

On August 14, 1965, the *Saigon Daily News*, the most widely circulated English-language newspaper in South Vietnam, published a political cartoon accompanied by the caption, “Big Problem for Saigon” [**Figure 1**]. The cartoon depicts a Vietnamese taxi driver opening the back door of his car and gesturing an American man to get inside. The American is identified in the drawing by his stereotypically tall stature, large nose, large feet, and sport shirt. Meanwhile, a Vietnamese family consisting of a mother and her five children stood waiting in the rain. One child is crying, as the mother looks perplexed at the Vietnamese driver who zoomed past her to ferry the lone American. The taxicab, engine still running, displayed an “occupied” sign prominently on the windshield, though no passenger was inside.

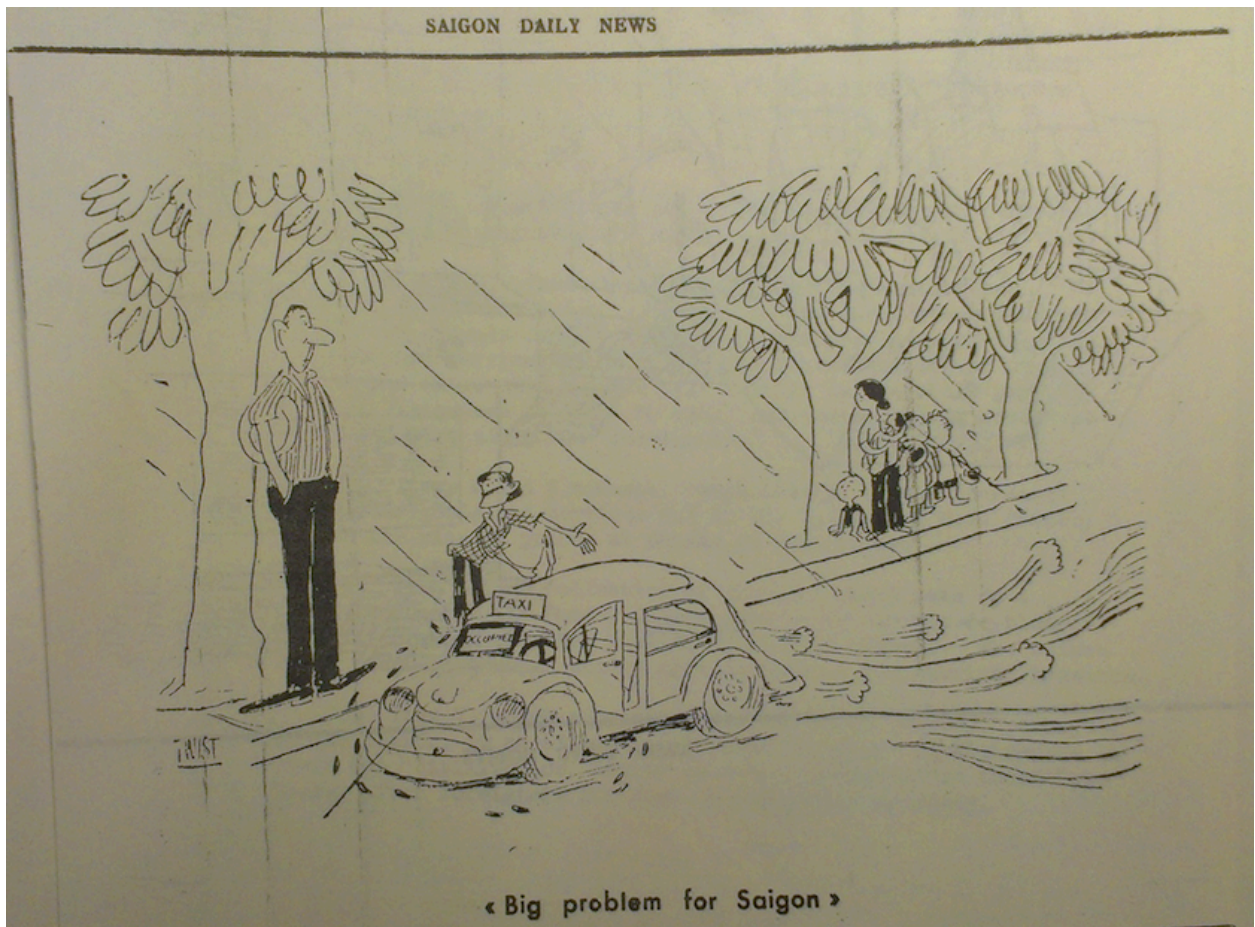


Figure 1. “Big Problem for Saigon”¹⁵⁰

During the month of August 1965, outrage over the actions of taxi drivers dominated the internal editorial pages of Vietnamese newspapers across the country. In the *Saigon Post*, an editorial titled, “The Way It Goes,” described the difficulty of flagging down a taxi in Saigon.¹⁵¹ Penned by “Charlie Brown,” an alias that U.S. officials

¹⁵⁰ “Big Problem for Saigon,” political cartoon, *Saigon Daily News*, 14 August 1965, cited in Embassy to State, “Saigon Press Comments on U.S. Presence in Viet-Nam,” 20 August 1965, Box 43, Subject Files Vietnam, Records of the U.S. Information Agency, Record Group 306, National Archives at College Park, College Park, MD (hereafter, Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP).

¹⁵¹ “The Way It Goes,” *Saigon Post*, August 15, 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

believed represented South Vietnamese ambassador to the United States Bùì Diễ̃m, the editorial explains that the “Not for Hire” stickers that authorities required taxicabs to use are the “most convenient means to make a laughing stock out of city ordinances.” The editorial claimed that cab drivers had the convenience of turning down the visor flap displaying the “Not for Hire” sticker, “for as long as there is no fat-pocketed customer in sight.” When Americans with the “green backs” come into sight, however, the drivers could push the flap up and stop to pick them up. That explains why, the editorial continued, on rainy afternoons Vietnamese could wait on street corners for as long as three hours and “watch exasperatedly as fleets of cabs—all bearing the ‘Not for Hire’ stickers—cruise by.”¹⁵² The editorial implied that cab drivers preferred American clients because Americans at the time paid with their green dollars, and Vietnamese drivers would rather be compensated in a foreign currency.

Though editorials like this abounded in Vietnamese newspapers reflecting the irritation of those in need of transportation, several editorials also attempted to convey the taxi drivers’ side of the story, but with noticeably little sympathy. An editorial in *Tiễ̃ng Vang* (Echo) captured the response of one taxi driver when he was confronted with the accusation that those in his occupation select to drive foreigners and not Vietnamese.¹⁵³ Titled “Confidence of a Taxi-Driver,” this editorial, written from the perspective of a Vietnamese taxi passenger, chronicled one man’s experience interacting with a cab driver. “It is very hard at this time to get a taxi. We felt a real relief when, by chance, we

¹⁵² Ibid.

¹⁵³ “Confidence of a Taxi-Driver,” editorial, *Tiễ̃ng Vang*, August 4, 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

got one,” the passenger said to the driver. He confided, “One wastes too much time to find a cab.” The taxi driver responded “with no less confidence,” as the passenger put it: “We are in no better situation than you. There are not enough taxis in town to serve an ever-increasing number of patrons. Traffic is so heavy that circulation is slowed down.” The driver added that “we do not earn more than usual and we are denounced as giving preference to foreigners.” “How can they denounce us with such nonsense,” the driver continued, “We have no time to choose patrons.” Suggesting that it is only a minority of cab drivers who choose to serve foreigners over Vietnamese, he stated, “Perhaps it is the preference of certain of our colleagues working at night who want to earn tips by driving foreigners to find girls. The majority of us take any patrons and do not think [to] make more money with foreigners.”¹⁵⁴ As the headline “Confidence of a Taxi Driver” indicated, this editorial appeared to question the statements proffered by a seemingly defensive taxi driver, who gave multiple reasons denying that those in his industry discriminated against other Vietnamese for profit before conceding that perhaps it is just a small minority of drivers who do so.

Newspapers also reported the other reasons given by taxi drivers to justify what most Vietnamese considered unfair treatment. An editorial titled “Xenophile Taxi Drivers” printed in *Le Viet Nam Nouveau*, a French-language newspaper published in Saigon, detailed the arguments taxi drivers put forward to vindicate their profession. Repeating the claim that only a few cab drivers engaged in discriminatory practices that tarnished the occupation’s reputation, drivers mentioned in the editorial contended that

¹⁵⁴ Ibid.

“out of some 10,000 chauffeurs only a few score are particularly interested in American patrons, the remainder being willing to take any patrons.” Moreover, the drivers claimed that they sometimes had to refuse to carry a patron for reasons including: obligation to pass the taxi to a colleague who will drive it for the rest of the day, car maintenance problems, a lunch break either at home or at a restaurant, and the nearing of curfew. Additionally, the taxi drivers asserted that the requirement to use “Not for Hire” stickers served to protect drivers against complaints.¹⁵⁵ The author of the editorial, however, ultimately sided with the majority of Vietnamese citizens who were up in arms over the shortage of rides. Branding problematic taxi drivers as xenophiles, the editorial echoed a suggestion presented by the Vietnamese-language daily, *Quyết Tiến*, to urge authorities to allow other vehicles like tri-Lambrettas (three-wheeled motorbikes) to serve patrons refused by xenophile chauffeurs.¹⁵⁶ While taxi drivers offered many reasons why they could not transport Vietnamese clients, the overwhelming consensus amongst those grumbling about rides was that taxi drivers ignored Vietnamese patrons because they favored foreign passengers with deep pockets.

While the scarcity of taxi rides in cities like Saigon prompted drivers to repudiate charges of favoring foreigners, other transportation providers admitted that economic proceeds factored into their consideration of clients. The comments of one cyclo (pedicab) driver in Danang interviewed by *Quyết Tiến* on August 5, 1965 sheds light on

¹⁵⁵ “Xenophile Taxi Drivers,” editorial, *Le Viet Nam Nouveau*, 4 August 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

¹⁵⁶ *Ibid.*

how some drivers felt about the controversy over transportation.¹⁵⁷ In a special report titled “Danang and the Dollar,” the Vietnamese reporter wrote that a cyclo ride traveling 500 meters cost him thirty piasters while the regular fare before American troops arrived in Danang in March that year cost only five piasters. The reporter recounted, “The cyclo driver told me he did not ‘look down’ upon Vietnamese patrons but would ask the customer not to pay too low a price compared with that given by Americans. We are very united in setting a standard fare.” Moreover, the reporter quotes the cyclo driver saying, “If a patron thinks my fare is too high, he could not bargain with any other cyclo.”¹⁵⁸ As this cyclo driver indicated, easy access to higher cyclo fares enabled drivers to form a local cartel, and Vietnamese who could not afford higher fares would be priced out of this form of transportation. In the context of wartime inflation and stagnant wages, however, many Vietnamese could not keep pace with mounting prices.

The bias in favor of wealthy Americans among taxi drivers raised concerns for many Vietnamese citizens worried about losing access to resources and services. The availability of stable American dollars encouraged service workers to be partial to foreign clients. An August 3, 1965, editorial in the newspaper *Tiếng Việt* (*Vietnamese Voice*) titled “The Dollar and the Law of Supply and Demand” linked the rise of American dollars to taxi drivers who privileged profits over their professional and national

¹⁵⁷ “Life in Danang,” *Quyết Tiến*, 5 August 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

¹⁵⁸ *Ibid.*

identities.¹⁵⁹ Focusing on the issue of “the dollar and its relation to the economic and social life of our people,” the editorial mentioned that the “vernacular press has complained almost daily about the fact that certain taxi-drivers brushed off local patrons in order to take foreigners.” Furthermore, the editorial characterized taxi drivers as wanting to “pocket dollars and [relegating] to second place their professional obligations and their national feeling.” The editorial argued that these frustrations “would affect more or less all of us if the government does not take appropriate measures and if we let ourselves be enticed by easy gains.”¹⁶⁰

The criticism of being easily tempted by financial gains, particularly in a foreign currency, in this editorial suggests that seeking excess earnings would not be compatible with demonstrating nationalist sentiments. As the editorial made clear, taxi drivers who rebuffed their fellow citizens to give Americans rides valued the American dollar more than the Vietnamese piaster, revealing a lack of pride or confidence in one’s national currency. Moreover, the editorial argued that these cab drivers prioritized monetary rewards above their duties to their profession and to their nation, thus pitting what might be considered economic sensibility to make money, especially in a stable currency, against nationalism. Implicit in this critique of taxi drivers is thus a belief that American affluence had created a society in which working for foreigners hindered a Vietnamese citizen’s obligations to his nation. Moreover, the editorial suggests that if Vietnamese had prioritized their patriotism, then they would not treat their fellow citizens unfairly.

¹⁵⁹ “The Dollar and the Law of Supply and Demand,” editorial, *Tiếng Việt*, 3 August 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

¹⁶⁰ *Ibid.*

Demonstrating loyalty to the Vietnamese nation would thus require cab drivers to resist the temptation of financial benefits.

Frustration directed toward taxi drivers also often invoked the shared skin-color of Vietnamese to distinguish themselves from cab drivers who ignore their fellow citizens. In an editorial titled “Put Long Noses on Segregated Drivers,” the newspaper *Xây Dựng* conceded, “In these days yellow-skinned people cannot refrain from cursing certain cab drivers who, roaming the street in empty cars, refuse to take their fellow-countrymen but stop to let in foreign patrons.”¹⁶¹ It noted that the vociferous complaints resulted in authorities ordering cab drivers to place “off-duty” signs on their cars, but this had the unintentional effect of helping drivers continue to ignore local patrons since they did not have to use their hands to dismiss undesirable passengers. Moreover, the drivers’ union sent an open letter urging them to stop their “racial discrimination” practice. The editorial stated, however, that if “this appeal does not work either, we propose that Vietnamese put plastic noses on their segregationist drivers to make themselves (sic) look like foreigners.”¹⁶²

The urge for so-called segregationist drivers to wear long plastic noses represented the desires among some Vietnamese that certain taxi drivers should exclude themselves from membership in the Vietnamese race. Since “long nose” was a slang used to refer to Americans, the author of the editorial argued that taxi drivers who discriminated against their own race may as well become foreigners themselves. Though

¹⁶¹ “Put Long Noses on Segregated Drivers,” editorial, *Xây Dựng*, 8 August 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

¹⁶² *Ibid.*

the idea was obviously facetious, the suggestion nonetheless points to the heated debates over identity that arose when affluent American lifestyles disrupted transportation in South Vietnam.

Besides invoking racial characteristics, newspapers also appealed to Vietnam's long history of resisting foreign invaders to stigmatize "those who hanker after foreigners for fame or influence." An editorial titled "Stop Hankering After Foreigners" in *Đất Tổ* (*The Fatherland*), though heavily censored, made the point clear that the words and deeds of those attracted to foreigners "may harm the honor of our nation."¹⁶³ The editorial admitted that some in the press have defended the actions of "our dear taxi drivers" because of their poor living conditions, but it also maintained that these taxi drivers "do not care for Vietnamese patrons." Similar to many other opinion pieces, this editorial acknowledged that those who "hanker after foreigners" constituted a small minority of the Vietnamese population. As the editorial conveys, what had made Vietnam unique is its record of successfully ousting foreign intruders. The editorial also critiqued the motives behind the American buildup in South Vietnam: "Any decision or proposal of any foreign power should take into consideration the real situation of Viet-Nam and be based on the long and heroic struggle of our people." Furthermore, the editorial asserted, "Our people have become mature, they can make decisions on domestic affairs and can chart the future course of the nation. Those who hanker after foreigners should shut

¹⁶³ "Stop Hankering After Foreigners," editorial, *Đất Tổ*, August 4, 1965, cited in Embassy to State, "Saigon Press," 20 August 1965, Box 43, SFV, RG 306, NACP.

up.”¹⁶⁴ According to the author, while most Vietnamese who pride themselves on the successes of Vietnam’s history with foreign nations have a role in constructing their nation, those attracted to foreigners deserve no role. In these criticisms, use of the term “hanker” reveals that service work was often described in sexual terms and likened to prostitution, when some kinds of service work for the Americans—translation for example—were clearly skilled jobs that were not degrading by nature.

The *Đất Tỏ* editorial also drew comparisons between American and Vietnamese civilization to indicate the overall superiority of Vietnamese people. It delineated a sharp distinction between markers of American society that should be admired and those that should be rejected. The editorial stated that although “the history of American civilization is brief, there are many things which one can learn from the [United States] such as industry, science, medicine, etc.” However, people “who chew chewing gum, who twist, who wear open dresses are not necessarily civilized people.”¹⁶⁵ In praising the scientific and technological advancements of the United States but denigrating American youth culture and sexual openness, the author expressed ambivalence toward the United States and its presence in South Vietnam that was prevalent in society. Even more, the author attempts to compare those who “hanker after foreigners” to young women deemed uncivilized, invoking a metaphor of sexual dishonor when a feminized and weak country is invaded by a masculine and powerful foreign power.

In the end, however, the editorial takes the stance that those who “hanker after

¹⁶⁴ Ibid.

¹⁶⁵ Ibid.

foreigners” should cease their behaviors. It asserted that the Vietnamese race had a long and proven history of prevailing against foreigners: “Our people had a long record of resistance against the Chinese aggressors, drove off the French (colonialists), and those who hanker after foreigners do not control the future of our nation.” In closing, the editorial urged that those who “hanker after foreigners” “should return to the Fatherland, to the People. Otherwise they will be crushed by the wheel of history.”¹⁶⁶ Declaring that xenophiles “will be crushed by the wheel of history” suggests that taxi drivers who prefer Americans will be considered foreigners themselves, and Vietnamese will defeat those who do not belong to the nation. This editorial thus asserts that being Vietnamese was not purely defined racially; discrimination against one’s own people was enough to deny membership in the group.

Just three days after the publication of the political cartoon illustrating general rage over taxi rides, another political cartoon captured a similar problem of middle class Vietnamese being snubbed, but this time in the housing market. Published in the *Saigon Daily News* on August 17, 1965, the cartoon featured several Vietnamese and American men looking at houses, and a bilingual sign stating “Nhà cho thuê” and “House for Rent” is displayed on one of the properties **[Figure 2]**. Two Vietnamese men donning neckties appear interested in renting properties and are holding papers with a dollar sign (\$) on them, signifying piaster notes. However, the real estate agent, who attempts to make eye contact with other renters, ignores them. The Americans, again distinguished by their

¹⁶⁶ Ibid.

dapper dress, large noses, and large feet, are holding pieces of paper stamped with the word, “dollar.” The caption states, “House owners’ paradise.”

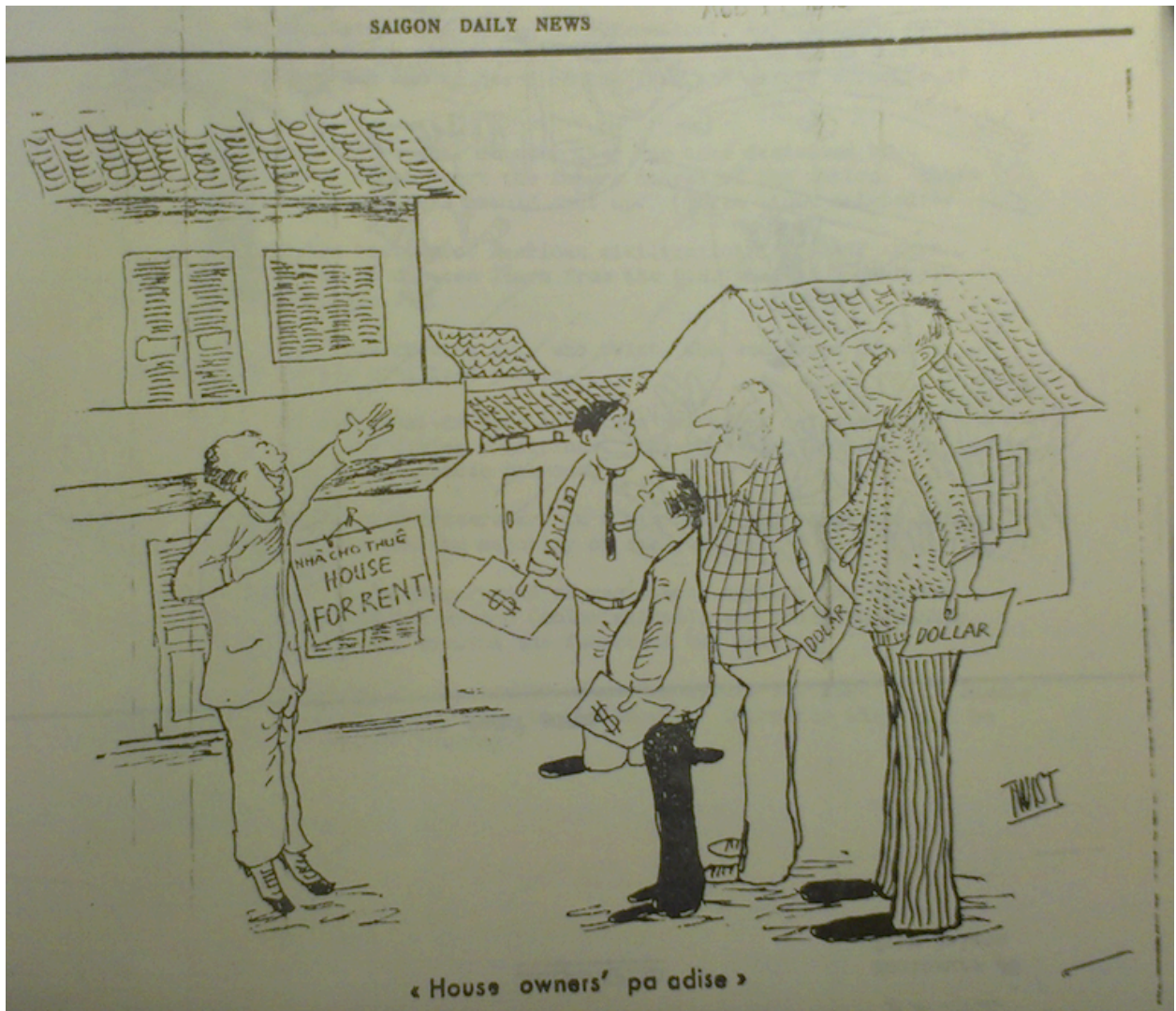


Figure 2. “House owners’ paradise”¹⁶⁷

As the cartoon illustrates, the arrival of relatively well-to-do Americans in South Vietnam created a bonanza for certain classes of Vietnamese, including those who were

¹⁶⁷ “House owners’ Paradise,” political cartoon, *Saigon Daily News*, 17 August 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

house owners, but also caused much frustration for the majority of Vietnamese who could not afford to outbid Americans. As portrayed in the drawing, even upper-middle class Vietnamese were displaced by Americans in their quest to find appropriate housing. Indeed, the presence of American soldiers and civilians provoked social tensions among Vietnamese people over how to treat their fellow citizens. These fraught relationships between those who held the upper hand in the new economy of wartime South Vietnam and those who faced increasingly dire financial circumstances manifested themselves in newspapers all around the country.

The “House Owners’ Paradise” cartoon also demonstrates that the allure of pocketing extra money from gratifying Americans went beyond the occupation of taxi drivers and reached other facets of economic life, producing serious implications for Vietnamese of all socioeconomic statuses. An August 3, 1965 *Tiếng Việt* editorial perceived the problem of taxi drivers as emblematic of economic shifts occurring in wartime South Vietnam. It explained that some businessmen, threatened with bankruptcy and financial crises, neglected their commercial transactions and instead rented their business facilities to foreigners to make money. Moreover, residential buildings and villas were rented to foreigners for the same financial incentives. As a result, “the local upper class which is accustomed to live in villas has to accommodate itself in houses of middle-class level, people of the middle-class move to cheaper housing, and rents increase steadily.” The effects of successful bids by Americans for all kinds of services and amenities thus trickled down from the top to the bottom of the socioeconomic ladder: “This chain reaction does not spare the working people, and it results in an acute housing

shortage.” Furthermore, the same law of supply and demand applied to the price of basic commodities “when hundreds of people want the same item and are ready to pay highest price.”¹⁶⁸ The editorial conceded that the cost of living in South Vietnam could never be stabilized. For an overwhelming majority of Vietnamese, the economic reality of inflation combined with the affluence of Americans generated inconvenience and discontent in almost all aspects of daily life ranging from housing to transportation to food.

INFLATION, CORRUPTION, AND MORALE WITHIN THE SOUTH VIETNAMESE ARMY

While Vietnamese critics lamented the loss of national and cultural identity evident in the inflationary service-oriented economy, nowhere was the loss of such identity more consequential than within the South Vietnamese Army, the group tasked with the critical role of defending South Vietnam militarily. Insufficient salaries within the South Vietnamese military contributed to high desertion rates, which hovered around 30 percent in an average year.¹⁶⁹ Additionally, pervasive corruption brought a deterioration of not only national pride but also personal integrity. Indeed, morale, or the lack of it, within the ARVN had long been a topic of concern for American leaders, and the economic deprivation among ARVN soldiers played no small part in its erosion.¹⁷⁰

¹⁶⁸ “The Dollar and the Law of Supply and Demand,” editorial, *Tiếng Việt*, 3 August 1965, cited in Embassy to State, “Saigon Press,” 20 August 1965, Box 43, SFV, RG 306, NACP.

¹⁶⁹ Kolko, *Anatomy of a War*, 260.

¹⁷⁰ As Kolko has written, “In a protracted war the socioeconomic viability of an army is ultimately much more decisive than its capacity to win or lose battles.” *Ibid.*, 261.

One group that suffered most from the inflationary wartime economy was ARVN soldiers. Established in 1955, the ARVN was created with the heavy influence of American military advisers, who sought to create a modern South Vietnamese army based on the U.S. model. However, the American plan to build a large conventional army—accepted by Saigon’s leaders as a condition of American economic aid—yielded major consequences in the South Vietnamese context. For the first five years of its existence, the ARVN comprised mostly volunteers, but after 1960, the RVN drastically changed its draft laws. As historian Robert Brigham has written, “What started out in 1955 as a rather innocuous course of compulsory military service for all able-bodied twenty- to twenty-two-year-olds ended in 1975 with one in six South Vietnamese males serving in the active military and the full mobilization of all males from sixteen to fifty years old.”¹⁷¹ Despite the drafting of young men from all provinces and income levels in South Vietnam, such a high rate of military participation in a primarily agricultural society meant the conscription of predominantly rural men. The conscription of mostly those from the countryside deprived peasant families of the manual labor required for agricultural production, which was the main source of their income. The RVN’s draft policies were thus directly in conflict with the interests of peasants.

Once conscripted, inadequate military training led soldiers to question why they were asked to fight in the first place. Because the U.S. army was the prototype for the ARVN, the military training that soldiers received was based on American military doctrine, which emphasized conventional combat methods and heavy use of technology

¹⁷¹ Brigham, *ARVN*, 1.

and firepower to fight the enemy. During the course of the war, ARVN tactical training programs were forced to respond to shifts in communist strategies, like the growth of the NLF insurgency in the early 1960s, changing battlefield circumstances, like the Tet Offensive, and developments in U.S. foreign policy, including “Vietnamization” later in the war. In addition to confusion about military strategies, training by simply covering written material in training manuals without live demonstrations meant that soldiers were ill-equipped for the realities of the battlefield.¹⁷² Poor military training put soldiers, whose families already resented the government’s conscription of their sons, at grave risk.

Besides deficient military training, the lack of political education programs further contributed to soldiers’ distrust of the Saigon government. Unlike the communist ideological training received by North Vietnamese troops, ARVN soldiers were not given political education to strengthen or reinforce their commitment to fight. In fact, one former ARVN soldier stated that training leaders were forbidden from conducting too much political training because it would have threatened the political careers of those jostling for power in Saigon.¹⁷³ As Brigham put it, “Because the Saigon government constantly feared a military coup, nationalism and patriotism played an insignificant role in ARVN training.”¹⁷⁴ Indeed, the lack of national loyalty among soldiers and officers in the ARVN reflected the political instability in Saigon. As one former ARVN infantryman, Nguyen van Hieu, asked rhetorically, “How can we put faith in a

¹⁷² Ibid., 28.

¹⁷³ Robert Brigham interview with anonymous, cited in Ibid., 47.

¹⁷⁴ Ibid., 27.

government that treated its citizens and military so badly?” He continued, “It did not take long for us to develop a sense that the army was at odds with Saigon.”¹⁷⁵ Poor political training therefore exacerbated the ineffectiveness of the ARVN, whose soldiers were already ambivalent about their service.¹⁷⁶

Forced to defend their nation with negligible military and political instruction, ARVN soldiers and their families, which comprised 22 percent of the South Vietnamese population by 1968, were further marginalized by low salaries that never kept pace with inflation.¹⁷⁷ Like government civil servants, members of the ARVN suffered from fixed wages throughout the war.¹⁷⁸ The average soldiers’ real income in 1969, for example, was less than a third of its 1963 level. In 1969, two-thirds of soldiers spent their earnings by the twentieth of each month, and less than a fifth could make it to the end of the month with their pay.¹⁷⁹ South Vietnamese leaders, Kolko has argued, deliberately allowed the average ARVN soldier to “slide down the economic ladder in order to keep him from draining the RVN budget.”¹⁸⁰ Military expenditures were already straining the economy; if military salaries rose alongside inflation from 1963 to 1969, the proportion of South Vietnam’s gross domestic product allocated for military spending would have been at

¹⁷⁵ Robert Brigham interview with Nguyen van Hieu, quoted in *Ibid.*, 109.

¹⁷⁶ Among ARVN soldiers, there were varying degrees of dedication to and willingness to fight on behalf of their country. Some ARVN enlisted men did not want to serve, while others were deeply patriotic. *Ibid.*, xi.

¹⁷⁷ Kolko, *Anatomy of a War*, 262.

¹⁷⁸ U.S. economists observed that civil servants’ real income fell 40 to 50 percent from 1965 to 1968, falling even more sharply after 1968. *Ibid.*, 227.

¹⁷⁹ *Ibid.*, 261.

¹⁸⁰ *Ibid.*

least 50 percent higher.¹⁸¹ Given the government's inability to raise revenues and refusal to compensate soldiers fairly, enlistment was a financial disaster for the soldier and his family. It was no wonder that many viewed service in the army as a "dead end."¹⁸²

One of the largest sources of resentment among soldiers was knowing that they had to fight for their country's survival on impoverished wages, while Vietnamese who worked for the Americans lived prosperously. Kiem Do, who served as a naval officer, recalled the mixed blessings of the American troop presence. In his memoir co-written with Julie Kane, Do asserted that the American presence was necessary for South Vietnam to win the war, but their presence created enormous economic disparities. "Suddenly anyone who could perform a service for [the] Americans was getting rich—maids, chauffeurs, cooks, baby-sitters, laundresses, bellhops, shoeshine boys," he remarked.¹⁸³ Meanwhile, middle-class professionals including Do and other naval officers "found themselves poor and getting poorer on account of dollar-fueled inflation." Do constantly feared his family and children would run out of food.

Like Do, Pham Van Hoa, another former military serviceman, observed the economic inequalities between those like him forced to defend South Vietnam, those who worked for the Americans, and his American military counterparts. Hoa recalled, "My monthly wage was half of those who drove a Lambretta tricycle in downtown Saigon. An American will spend that amount in Vietnamese piasters in one night at the Continental

¹⁸¹ Ibid.

¹⁸² Robert Brigham interview with Nguyen van Hieu, quoted in Brigham, *ARVN*, 18.

¹⁸³ Kiem Do and Julie Kane, *Counterpart: A South Vietnamese Naval Officer's War* (Annapolis, MD: Naval Institute Press, 1998), 127.

Palace Hotel on drinks and girls.”¹⁸⁴ From Hoa’s point of view, the disparity in compensation between military service and service sector work for the Americans demonstrated the low value his government placed on him. Comparing his earnings to what his American counterpart spends, Hoa implies that his worth within the ARVN is the equivalent of drinks and bar girls to an American soldier. For military servicemen like Do and Hoa, the American presence and the circumstances it created seemed to devalue their military contributions.

Low and stagnant wages were demoralizing, but the options available to soldiers to increase their incomes added to the grim and discouraging nature of their service. Faced with insufficient salaries, soldiers often had to seek additional jobs or resort to corrupt practices, both of which were harmful to their morale. According to Lieutenant General Dong Van Khuyen:

Low pay compounded by inflation put the average serviceman in a pathetic predicament, forcing him to struggle with himself between moral uprightness (which meant poverty and a life of penury for his wife and children) and corruption (which jeopardized combat effectiveness and perhaps the survival of the nation.) Because of their chosen probity, a number of officers had to live off their parent’s incomes, moonlight during off-duty hours in such jobs as carrying passengers on Honda mopeds, reduce their material needs to a minimum, and be content with a life of frugality and destitution.¹⁸⁵

Khuyen’s statement suggested that the South Vietnamese government was actively eroding morale by putting soldiers in a place where they should choose the moral high road, which meant greater hardship for themselves and their families. High-ranked

¹⁸⁴ Quang X. Pham, *A Sense of Duty: Our Journey from Vietnam to America* (New York: Random House, 2010), 38.

¹⁸⁵ Andrew Wiest, *Vietnam’s Forgotten Army: Heroism and Betrayal in the ARVN* (New York: NYU Press, 2007), 39–40.

generals faced these kinds of internal conflicts as well. Rufus Phillips III, who was a senior American civilian official in South Vietnam, recalled a story in which an army general, Le Van Kim, was approached by one of his captains if he should become corrupt or work a second job to supplement his meager income. Understandably, the general could only give permission for his captain to acquire a second job. Phillips added, “The army, Kim feared, was morally disintegrating under the strain of economic, social, and political pressures.”¹⁸⁶ High-ranking officers and generals were quite aware of the low esprit de corps among all levels of service.

Soldiers who chose the path of morality by seeking additional work found themselves working for their American counterparts. In fact, by 1968, 23 percent of the ARVN earned supplemental income outside of military service.¹⁸⁷ Phillips recalled a conversation with Colonel Hoang Van Lac, who “gave me an earful about the side effects of the large-scale American troop intervention.” Paraphrasing the colonel’s statements, Phillips wrote, “To make ends meet, officers were doffing their uniforms in the evening and using their personal motor scooters as taxis for GIs looking for a good time in city bars. This was degrading to Vietnamese dignity.”¹⁸⁸ South Vietnamese servicemen were partners fighting alongside U.S. troops, and the economic necessity of having to chauffeur Americans to bars and nightclubs was naturally unpleasant for ARVN soldiers. In their roles driving American GIs to entertainment venues, ARVN soldiers were also

¹⁸⁶ Rufus Phillips, III, *Why Vietnam Matters: An Eyewitness Account of Lessons Not Learned* (Annapolis, MD: Naval Institute Press, 2013), 274.

¹⁸⁷ Kolko, *Anatomy of a War*, 255–6.

¹⁸⁸ Phillips, III, *Why Vietnam Matters*, 273.

enabling American men to fraternize with Vietnamese women. As their own families suffered from financial hardship, ARVN soldiers also had to come to grips with the shame of what their families had to do to survive. As several generals later remarked, many who served in the military had to cope with the reality of “wives turning into bar girls and daughters into prostitutes.”¹⁸⁹ As these stories demonstrate, soldiers and their families who sought part-time work to augment their incomes often found themselves in occupations serving Americans that they may have found degrading.

Corruption was a path taken by many members of all levels of the South Vietnamese military. The ubiquity of corruption was commonly known among the South Vietnamese population and outside observers alike. Within the ARVN, there were numerous ways to abuse one’s public office for private gain, from demanding payoffs for draft deferments or favorable assignments to stealing soldiers’ food and clothing allowances to siphoning funds appropriated for families of deceased soldiers.¹⁹⁰ Corruption at the high levels often involved robbing lower-level officers. One of the most common sources of corruption involved higher-ranked officers pocketing the wages and allowances of so-called ghost soldiers, which included deceased soldiers, deserters, and those who held civilian jobs.¹⁹¹ At the low levels, petty looting and pillaging by combat soldiers in the countryside, which American policymakers understood as an endemic problem, occurred out of financial desperation. That ARVN soldiers, most of whom came

¹⁸⁹ Duy Hinh Nguyễn, *The South Vietnamese Society*, Indochina Monographs (Washington, DC: U.S. Army Center of Military History, 1980), 115.

¹⁹⁰ For examples of the many corrupt acts within the ARVN, see Dong Van Khuyen, *The RVNAF*, Indochina Monographs (Washington, DC: U.S. Army Center of Military History, 1980), 343–4.

¹⁹¹ Kolko, *Anatomy of a War*, 253.

from rural origins, would rob from other families in the countryside revealed that the war and its circumstances had forced them to exploit their own neighbors, who were already suffering from the war, for survival.

While most soldiers and officers who become corrupt did so to make ends meet, a significant minority of high-ranking ARVN generals grew rich from the war, often with the connivance of their wives. As Van Don Tran, a former South Vietnamese military leader, noted presciently,

One thing that deserves close scrutiny by historians who want to seek out the roots of South Vietnam's social and political problems: the incredible 'clout' exerted on our powerful leaders by their wives. There were a thousand ways, both legal and illegal, of making money in war-torn Vietnam. And the wives of our leaders mastered all of them. A survey conducted by an opposition group in Saigon weeks before the 1975 collapse estimated that between 1954 and 1975 these mighty wives pocketed an equivalent of \$500 million. There is an old saying in our country calling the wives "the generals of the internal affairs" (Noi Tuong).¹⁹²

While the assertion that wives of political and military leaders stole \$500 million cannot be proven, evidence of the highest-ranking South Vietnamese officials and their wives leaving South Vietnam before and during the fall of Saigon with gold and with money safely stowed in overseas bank accounts show that some military leaders made lucrative sums of money from corruption. Like importers and businessmen who benefited tremendously from windfall profits resulting from the Commercial Import Program, those in the ARVN who had access to free-flowing American funds were able to profit handsomely from corrupt acts. As two former ARVN officers wrote, "Both men and

¹⁹² Van Don Tran, *Our Endless War: Inside Vietnam* (San Rafael, CA: Presidio Press, 1978), 237.

wives used each other's clout, with the aid of an entourage of military henchmen, to engage in corrupt practices they could get away with within the husband's authority." Moreover, they commented, "If a wife had been accustomed to luxuries, a comfortable house and car, it was difficult for the husband to resist corruption."¹⁹³ Indeed, as the USAID observed in a background paper titled "Corruption in Vietnam," while those engaged in corruption often spent their money in traditional ways, like providing food, shelter, and education for their families, the beneficiaries of corruption after the American intervention differed in their expenditures. As the USAID wrote, "Now, a public official uses his extra income for all sorts of things that separate his way of life from those of most of his countrymen.... He uses his money to imitate the mores and the material life of the foreigner, and to the degree that money allows, he tries to live that much less a traditional Vietnamese life."¹⁹⁴ The extreme degree of corruption and wealth among those at the very top of the South Vietnamese military hierarchy thus further diminished morale among the ARVN rank-and-file.

For the vast majority of the ARVN, low salaries and widespread corruption were seriously damaging to their morale and resolve to fight. Although the ARVN faced numerous challenges related to poor military training and inadequate leadership, which affected its performance on the battlefield, the financial deprivation of soldiers and their families proved most detrimental to their ability to defend South Vietnam. The stresses

¹⁹³ Khuyen, *The RVNAF*, 346.

¹⁹⁴ "Corruption in Vietnam" background paper, Box 14, Political and Military Affairs Records, 1967-1972, A1 577, Boxes 14-16. Defense, Pacific Command, MACV, Office of CORDSS, Psychological Operations Division. RG 472, NACP.

and pressures that came with low salaries often placed soldiers in the unenviable position of having to defend their nation while their families suffered back home. As one enlisted ARVN soldier, Nguyen Tang, stated, “My primary role in life is to provide for my family and to venerate my ancestors. It was very difficult to leave the village...even if it was under threat...to fight. I would rather have died with my family at home than leave them and not be able to care for them.”¹⁹⁵ The Vietnamese family, as we have seen, was the linchpin of traditional society, and military service placed soldiers squarely between the conflicting goals of providing for their families and fighting for their nation. In the end, many soldiers chose to value their families over military service and came to terms with the fact that they did not have strong reasons to fight for South Vietnam. This decline in morale among the most marginalized members of the Vietnamese society charged with the nation’s military defense was one of the most serious and irreversible effects of the American presence.

CONCLUSION

Fulbright’s lecture, “The Arrogance of Power,” captured the unintended but paradoxical effects of the American presence in South Vietnam that were already evident one year into the American military buildup. “As a result of the American influx, bar girls, prostitutes, pimps, bar owners and taxi drivers have risen to the higher levels of the economic pyramid,” Fulbright stated. In addition to his comment that Saigon had become an “American brothel,” Fulbright cited specific examples of how the American presence

¹⁹⁵ Wiest, *Vietnam’s Forgotten Army*, 40.

had changed everyday life in South Vietnam, including that Vietnamese had “trouble getting taxi cabs because drivers will not stop for them, preferring to pick up American soldiers who will pay outrageous fares without complaint.” He also noted that middle-class Vietnamese families were getting evicted from their homes “because Americans have driven up the rent beyond their reach.” As we have seen, these quotidian difficulties of flagging down a cab or finding a home to rent were indicative of larger shifts within South Vietnamese society—most notably the widening of socio-economic inequality—that resulted almost immediately after the arrival of American troops.

These radical transformations brought about by the American presence caused citizens to question what it meant to be South Vietnamese during the war. Despite a façade of economic prosperity due to imported consumer goods, the sudden arrival of great numbers of American GIs exacerbated the already fragile South Vietnamese economy by creating an artificial service economy that was vulnerable to the eventual withdrawal of Americans from the country. This new economy altered the incentives of labor by privileging employment for the Americans over employment in traditionally respected occupations that served South Vietnamese interests. As a result of wartime inflation, which was aggravated by the American presence, many South Vietnamese took up service jobs that challenged traditional gender, generational, and class dynamics. As Ton That Thien commented, “Through the government, the contractors, the landlords, the prostitutes and bar-hostesses, the suppliers of services of all kinds, and 150,000 employees of American agencies, money has flowed into Vietnam, dissolving loyalties

and moralities.”¹⁹⁶ Meanwhile, those middle-class professionals who comprised the country’s labor force in the civil service saw their social and economic statuses diminish. Despite being anti-communist, they grew increasingly alienated from the American presence and from their own government. Indeed, Vietnamese citizens whose jobs were crucial to the South Vietnamese state in enforcing law and order and maintaining the functions of the state were also the most marginalized. The greatest victims of wartime inflation and the new economy were the ARVN rank-and-file and their families, who paid the most costs for defending their country while receiving the least for their service. The influx of American soldiers and dollars thus created many cleavages within South Vietnamese society that ultimately undermined national morale.

While policymakers like Fulbright listened to Vietnamese critiques of American troop intervention and worried about the overwhelming impact of the American presence on South Vietnam, some American officials on the ground in Saigon often viewed Vietnamese anti-Americanism with contempt and condescension. In response to growing criticisms of the American presence, one American official stated, “It’s easy to blame everything wrong here on the Americans—the Vietnamese love doing it. But, look, this society was damned rotten when we got here and what we’re getting now is an exaggeration of the rottenness, the corruption, the national hangups.”¹⁹⁷ By dismissing South Vietnam as “damned rotten,” this anonymous official attempted to absolve the

¹⁹⁶ Thien, “The Americanization of Vietnam,” 9.

¹⁹⁷ Weinraub, “Americans’ Impact on Vietnam.”

United States of any responsibility for the various transformations in South Vietnam, ignoring the disruptive role of American money and personnel.

The belief that South Vietnamese were responsible for the major social, cultural, and economic dislocations they experienced was echoed even within the American embassy in Saigon. In early 1967, Deputy Ambassador to South Vietnam, William J. Porter, cabled his colleagues in Washington that there was growing “fear that [the] American presence [was] destroying Vietnamese social and cultural values: bars, cars, girls, [and] dollars.” Porter, however, asserted that the “growth of [a] materialistic, selfish outlook tends [to] be blamed on [the] American presence rather than weakness in Vietnamese character or [the] natural result of war.”¹⁹⁸ Here, Porter suggests that Vietnamese critics have misplaced the blame for South Vietnamese greed and corruption on the United States, when it was, in fact, the fault of Vietnamese themselves, or, at the very least, an independent outcome produced by war. Porter’s superior, Henry Cabot Lodge, held the same conviction that Vietnamese engaged in corrupt and immoral practices out of free will. In a conversation with South Vietnamese president, Nguyen Van Thieu, who stressed the need to consider whether U.S. troops would “do damage either as regards the economy, or morals, or deaths” wherever they were stationed, Lodge maintained that “as far as immorality is concerned, this would not happen without the Vietnamese girls who don’t have to behave in this way if they do not want to.”¹⁹⁹ The

¹⁹⁸ Embassy to State, 15 January 1967, Subject: Vietnamese attitudes toward American presence. Box 2670, Political and Defense, Department of State Central Foreign Policy Files, 1967-1969, RG 59, NARA.

¹⁹⁹ Telegram from the Embassy in Vietnam to the Department of State, 8 February 1967, *Foreign Relations of the United States*, 1964-1968, Volume V, Vietnam, 1967, Document 44, accessed 22 May 2015, <https://history.state.gov/historicaldocuments/frus1964-68v05/d44>.

underlying premise behind both Porter's and Lodge's statements was their mistaken belief that the American intervention in South Vietnam had no effects whatsoever on how South Vietnamese had to live their lives.

Even as some of the highest-ranking American civilian officials refused to believe that the United States was responsible for the radical social, economic, and cultural transformations in South Vietnam, American policymakers agreed that *some* of the effects of the American presence, such as soldier spending, must be mitigated to achieve economic stability in South Vietnam. Fulbright himself was aware that the South Vietnamese who were hurt the most financially by the American military buildup and concomitant inflation were also those who mattered the most to the state. In his speech, he observed that "Vietnamese civil servants, junior army officers and enlisted men are unable to support their families because of the inflation generated by American spending and the purchasing power of the G.I.s." Not only were there cultural implications for soldiers' spending habits, but there were also severe economic consequences if GIs' spending continued unabated. By 1966, U.S. policymakers, grasping the connections between the financial struggles of South Vietnamese citizens and the inflationary impact of the expanding American troop presence in South Vietnam, began to assess the role of GI consumption and its effects on the South Vietnamese economy and society. It is their challenge to curtail GI spending without detracting from soldier morale to which we now turn.

Chapter Two: Inflation, GI Consumerism, and the Piaster Reduction Program, 1966-1968

On February 4, 1967, the *Cavalair*, an authorized Army publication of the First Cavalry Division, printed an editorial in Saigon titled, “The War Cannot Be Won Without Stable Economy.”²⁰⁰ The editorial cited official reports that “a strong economy, free of inflation, is necessary for the successful end of the war here.” Soldiers’ excess spending of piasters, the Vietnamese currency, however, can “undo all efforts to stabilize the economy.”²⁰¹ Conveying the seriousness of inflation, the editorial asserted that the main problem was increased spending by American troops, which put more money in circulation, while the amount of goods and services remained the same. It explained that the law of supply and demand then causes prices to rise, because people are willing to pay more for available items. When the cost of basic essentials becomes prohibitive for Vietnamese families, the editorial maintained, communists will discover “economic want and social distress excellent breeding grounds for their influence.” The editorial stated that if soldiers’ piaster spending continued to grow, approximately \$160 million will be added to the Vietnamese economy in 1967. Moreover, “this large amount of purchasing power can and will put great stresses on the local economy and will encourage

²⁰⁰ “The War Cannot Be Won Without Stable Economy,” 4 February 1967, *Cavalair*. Box 34; Unit Publication Files, 1967-1971; Command Information Division; Records of the United States Forces in Southeast Asia, 1950-1975, Record Group 472; National Archives at College Park (hereafter, RG 472, NACP).

²⁰¹ The term “piaster” represented the official currency of French Indochina, but American policymakers continued to use the term to denote the national currency of South Vietnam in official documents until the end of U.S. involvement in Vietnam. For simplicity, this chapter will use “piaster” instead of the Vietnamese term, “đồng.”

profiteering, speculating and hoarding.” The editorial concluded that “each individual’s self-control of unnecessary piaster spending is as important in winning this war as the combat effort.”²⁰²

Almost as soon as large numbers of American combat troops arrived to South Vietnam in 1965, U.S. officials began to urge soldiers to monitor and limit their consumption habits, partly for their own benefit but also for that of the nation they were trying to build in South Vietnam. Indeed, the U.S. military acknowledged that profligate spending in the local economy had severe consequences for American-South Vietnamese relations and the war effort in general. South Vietnam experienced soaring inflation, which threatened the nation’s ability to survive without continued American aid. Soldiers’ spending habits, American policymakers believed, only aggravated the situation.

Given the unpopularity of American escalation and the subsequent military draft, U.S. officials sought to boost soldiers’ morale primarily through providing military personnel with unparalleled access to high standards of living and large salaries. However, the comforts and abundances available to soldiers also disrupted the economy and society in South Vietnam. Daily economic interactions between American soldiers and local citizens unsettled American policymakers, who grew progressively concerned with Vietnamese inflation. From black markets to bars and taxi cabs, spaces where Americans and Vietnamese encountered each other almost always involved the exchange

²⁰² “The War Cannot Be Won Without Stable Economy,” 4 February 1967, *Cavalair*. Box 34; Unit Publication Files, 1967-1971; Command Information Division; Records of the United States Forces in Southeast Asia, 1950-1975, RG 472, NACP.

of money for goods and services. As these transactions began to have larger implications for the stability of the South Vietnamese economy and government, the military sought ways to shape commercial interactions between GIs and locals and to limit soldier expenditures.

Analyzing a variety of publications including unit newspapers and official fact sheets, this chapter argues that the U.S. military appealed to soldiers' ideals of morality, self-control, and sacrifice in attempting to construct a barrier between GI consumerism and the South Vietnamese economy. More specifically, military authorities relayed to GIs that curtailing piaster spending was in the best interest of the individual soldier, the South Vietnamese economy and nation, the United States' global financial standing, and the war effort in Vietnam. Sometimes disguised in the form of entertainment, newspaper editorials, poems, and fictional pieces highlighted the financial misfortunes of soldiers who spent too much money on frivolous goods and services and praised those who exercised restraint and frugality. These publications also tried to appeal to soldiers' humanitarian concern for South Vietnam and its citizens, who must live with the inflationary consequences of GI spending. For the United States, too, as the military often pointed out, soldiers' expenditures played an important role in exacerbating the nation's precarious balance of payments problem. Finally, these writings equated reckless spending with empowering the Vietcong's efforts in the war. As some of the money and goods from black market and other economic exchanges fell into Vietcong hands, the military promoted the view that soldiers' expenditures could directly contribute to the communist cause. Propounding its vision of what was best for all allied individuals and

nations involved in the war, the military targeted its writings to soldiers to curb inflation in South Vietnam.

In relying on soldiers' self-control to heed the military's financial advice, American efforts to discourage extravagant spending and rein in the harmful effects of GI expenditures on the local economy, I argue, turned out to be half-hearted. Military authorities were caught between what appeared to be conflicting goals: to maintain soldier morale, which was costly, and to reduce military piaster expenditures at the same time. As the efforts that the military undertook to stem inflation demonstrate, it aimed to cut soldiers' personal spending without detracting from the consumerism required to boost their morale. Thus, the military did not undertake drastic measures such as lowering soldier's salaries, placing strict spending quotas, or punishing soldiers for excessive spending, because these actions could diminish morale on and off the bases. Instead, it adopted an information campaign urging self-discipline to persuade soldiers not to spend too many piasters for their own good, for the South Vietnamese, for the United States, and for the sake of the war. The military sent mixed and contradictory messages to soldiers, however, often undermining the goal of piaster reduction. On the one hand, military authorities encouraged consumption and framed military service in terms of material gains, but on the other, they urged frugality and advised soldiers to delay the purchase of expensive goods and leisure experiences until they returned home. Furthermore, military authorities employed seemingly flippant and silly approaches, such as limericks and fictional stories, to convey the seriousness of GI spending. These

ambivalent strategies to limit soldiers' spending habits achieved minimal success in the face of a military base culture that fostered and promoted consumerism.

While historians of the Vietnam War have acknowledged that the American presence interfered profoundly with the South Vietnamese economy, this chapter explores the overlooked process by which American officials endeavored to minimize the purported harmful effects of GI consumerism by reducing military piaster spending.²⁰³ An in-depth analysis of the information campaign that military authorities employed sheds light on how American military officials interpreted the effects of GI spending on the South Vietnamese economy and how they aimed to influence soldiers' behaviors. Since American military personnel in Vietnam also functioned as foot soldiers of American diplomacy, examination of the information campaign raises important questions about why U.S. military leaders relied primarily on soldiers' self-restraint in carrying out urgent policies. If soldiers' spending yielded serious consequences for the political and economic stability of South Vietnam, why, then, did American officials attempt to address inflation by requesting soldiers to cut back their piaster purchases on a purely *voluntary* basis?

This chapter begins with a discussion of the military's treatment of soldiers and the problem of morale in Vietnam. Next, it explores American officials' perceptions of military expenditures as a primary cause of inflation in South Vietnam. The majority of this chapter will then focus on different ways in which military authorities attempted to

²⁰³ See for example Bradley, *Vietnam at War*, 121; Herring, *America's Longest War*, 197; Lawrence, *The Vietnam War*, 108.

mitigate the side effects of soldiers' presence in Vietnam. More specifically, it surveys the various messages that military publications delivered to soldiers to persuade them to spend less of their money in the local economy. Finally, the chapter ends with an analysis of the rationales behind the military's decision to rely on soldiers' voluntary compliance to curb expenditures and foreshadows the futility of relying on soldiers' virtue in larger problems plaguing Washington and Saigon.

GI CONSUMERISM AND MORALE IN SOUTH VIETNAM

Deployment of large numbers of U.S. combat troops beginning in March 1965 led American officials to implement a variety of morale-building programs that recreated as many American comforts as possible in Southeast Asia.²⁰⁴ These programs brought the consumer culture prevalent in American postwar life to the new war zone.²⁰⁵ As historian Meredith Lair has argued, the U.S. military sought to foster morale among its troops by providing soldiers with a wealth of leisure experiences, recreational activities, and consumer and luxury goods.²⁰⁶ In exchange for soldiers' compliance in the war, the U.S. military not only built lavish bases with amenities and facilities like movie theaters, bowling alley, and basketball courts, but it also coordinated R&R (rest and recuperation or rest and relaxation) trips to exotic vacation spots like Manila, Bangkok, and Taiwan.

²⁰⁴ For a discussion of soldier morale during the Vietnam War, see Lair, *Armed with Abundance*, 87–100.

²⁰⁵ For historical accounts on the development of post-World War II consumerism in America, see: Lizabeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York: Knopf, 2003); Gary Cross, *An All-Consuming Century* (New York: Columbia University Press, 2002).

²⁰⁶ Lair, *Armed with Abundance*.

Additionally, the military furnished soldiers with countless opportunities to shop for goods ranging from cars and stereos to televisions and watches, and compensated soldiers relatively generously to enable them to purchase almost anything they wanted at discounted rates.²⁰⁷ The consumption of goods, leisure, and comfort accompanied soldiers' transition from relative affluence in the United States to a land of poverty in Vietnam.²⁰⁸

Unlike soldiers in World War II or the Korean War, GIs in Vietnam, for the first time in American military history, were able to satisfy their consumer desires at stores operated by the United States. Although the military instituted the Post Exchange (P.X.)²⁰⁹ system of retail for soldiers at home and abroad in the late nineteenth century, by the time soldiers deployed to Vietnam, the P.X. had evolved into a global, multi-million dollar retail chain.²¹⁰ The military played a crucial role in relaying to soldiers, many of whom came from working class backgrounds, that their service in Vietnam also came with the perks of acquiring the consumer goods associated with middle class lifestyles. Besides P.X. outlet stores, mail-order catalogs enabled soldiers to shop when they could not get to a store or if a particular brand of item was unavailable in the P.X.

²⁰⁷ Ibid., 176.

²⁰⁸ There were other kinds of morale-building programs as well. The Armed Forces Vietnam Network (AFVN), which provided American radio and television programming, gave GIs the opportunity to listen to familiar music from home, including rock, jazz, and pop, and watch popular television shows like "Combat" and "Mission Impossible." Meanwhile, USO (United Service Organizations) shows produced over 5,000 entertainment programs featuring comedians like Bob Hope, Hollywood legends like John Wayne, and Playboy playmates of the month.

²⁰⁹ Each branch of military service employed different terms for the exchanges. The air force, for example, uses "BX" to signify "base exchange." This chapter will use the term "P.X." to represent all military exchanges in Vietnam to minimize confusion.

²¹⁰ A comprehensive history of the P.X. system has not been written, but for information on the evolution of the P.X. before Vietnam, see James J. Cooke, *Chewing Gum, Candy Bars, and Beer: The Army PX in World War II* (Columbia, MO: University of Missouri Press, 2009); Lair, *Armed with Abundance*, 150.

Soldiers could also send merchandise back to the States without paying customs duties, provided they purchase the items through an American institution. From ordering brand-new cars in catalogues to shopping for cameras and high-end liquor in person, American soldiers in Vietnam could shop as if they resided in the United States. More than that, they could purchase the same goods from America at even cheaper prices. For example, buying a Chrysler, Ford, or General Motors car from Vietnam saved soldiers 11 to 18 percent off the stateside sticker price.²¹¹ It was clear to soldiers that military leaders enthusiastically endorsed consumerism.

The handsome salaries soldiers received made shopping for consumer and luxury goods possible. Indeed, most American GIs were compensated comfortably, at least by the standards of other wars in American history, in South Vietnam. Depending on their rank within the army, soldiers earned between \$102.30 (as an army recruit) and \$1607.70 (as a commissioned officer) as part of their monthly compensation.²¹² Additionally, many soldiers received a “family separation allowance” of \$65 per month and free housing, meals, transportation, and medical care courtesy of the military.²¹³ Paying little federal income tax, or even none at all, soldiers had large discretionary incomes to spend on goods, services, and leisure experiences.²¹⁴

²¹¹ Lair, *Armed with Abundance*, 163.

²¹² Accounting for inflation, those monthly salaries in 1965 convert to around \$762.48 and \$11,982.78, respectively, in 2014. These figures are derived from the Consumer Price Index Inflation Calculator from the Bureau of Labor Statistics, U.S. Department of Labor, accessed 22 May 2015, http://www.bls.gov/data/inflation_calculator.htm.

²¹³ Lair, *Armed with Abundance*, 176.

²¹⁴ *Ibid.*

Although the military aimed to increase soldier morale by supplying GIs with comfort and convenience in Vietnam, morale throughout the war nevertheless remained low because soldiers wanted to return home. Like the optimism that American officials often exuded with regard to the war's progress, military officials tended to exaggerate the level of soldier morale in Vietnam not only to the American public, but also amongst themselves. The MACV (Military Assistance Command, Vietnam) Command History of 1967 asserted that morale among soldiers was "extremely high"; "One basic reason lies in the soldier's awareness that the command is thinking of him as a human being with human needs and feelings. Hot food and cold drinks and ice cream are brought to him in the field."²¹⁵ Through providing various ways for soldiers to consume, the military impressed upon soldiers that they would be well taken-care of in Vietnam and that they could return to the United States with the material goods that distinguished middle class prosperity. However, the replica of American consumer affluence in Vietnam was not enough to convince most soldiers that the war was worth fighting for. Although fragging and mutiny were the most egregious examples of dissent against the war, more subtly, GIs often complained about their circumstances in Vietnam.²¹⁶ When they returned to the United States, many even actively protested the war.²¹⁷

²¹⁵ MACV Command History: 1967, 897. Box 5, MACV Command Histories, RG 472, NACP.

²¹⁶ Although low morale afflicted the American military throughout the war, the trend toward lower morale accelerated after the Tet Offensive in 1968. Lair, *Armed with Abundance*, 96–100.

²¹⁷ The most visible group of veterans who protested the war after they returned home was Vietnam Veterans Against the War, which was formed by six veterans in 1967. Membership in the group swelled to over 30,000 during the war. "VVAW: Who we are, where we come from," accessed 15 March 2014, <http://www.vvaw.org/about>.

The efforts that American officials exerted to raise morale not only failed to enhance soldiers' views of their roles in the war but also created tensions between GIs and locals. American leaders believed that soldiers' buying habits and other interactions with Vietnamese in the capital city had become such a serious problem that American military authorities ventured to establish physical barriers to separate Americans from Vietnamese as much as possible. By 1966, approximately 10,000 American military personnel lived in eighty billets in Saigon and several thousand more stayed in military installations in the area.²¹⁸ By the following year, the number of American military personnel in Saigon peaked at around 39,000.²¹⁹ As Lair argued, the highly visible American presence caused several problems for military leaders. First, the military paid hundreds of thousands of dollars each year in renting hotels and apartment complexes to accommodate American soldiers. Second, non-combat soldiers often sought entertainment and various services when they were off-duty, patronizing bars, bathhouses, and massage parlors. Not only did their participation in the local economy contribute to local inflation, but also their dalliances with Vietnamese women, especially prostitutes, raised profound social and cultural concerns among locals. The behaviors of inebriated GIs also sullied the reputation of Americans. Moreover, American soldiers were sometimes targets of terrorist attacks and petty street crime. To ease the daily tensions between Americans and Vietnamese, protect the local economy, and ensure

²¹⁸ Lair, *Armed with Abundance*, 31-32.

²¹⁹ "U.S. Completing Shift of Most Men Out of Saigon," 22 January 1968, *New York Times*.

security for American soldiers, MACV officials resolved to move as many GIs as possible away from the heart of Saigon.²²⁰

The attempt by American officials to erect an invisible wall between American soldiers and local Vietnamese citizens manifested in Project MOOSE, which stood for “Move Out of Saigon Expeditiously.” The execution of Project MOOSE began with the transfer of the USARV headquarters to Long Binh Post, located about 20 miles north of Saigon, from July 1 to July 15 in 1967. As the 1967 Command History recounted, Ambassador Henry Cabot Lodge and MACV initiated Project MOOSE to “insure that U.S. personnel presented a good image, to prevent overwhelming the Vietnamese, and to minimize the adverse effects on the Vietnamese economy.” Although the operation did transfer many troops to Long Binh, editorials in the Vietnamese press complained that American agencies, installations, and personnel still stayed behind in Saigon. An editorial in *Cong Chung* on October 19, 1967, for example, urged Ambassador Lodge to “move the military and civilian agencies out of Saigon as soon as possible or concentrate them into certain area[s] so as to prevent daily friction between the Americans and Vietnamese.”²²¹ While the relocation of units from Saigon to Long Binh may not have been “expeditious,” by early 1968, only about 7,000 American military personnel remained in Saigon.²²²

In the process of building soldier morale, therefore, military authorities created other obstacles for their mission in South Vietnam. After all, the relative affluence of

²²⁰ Lair, *Armed with Abundance*, 32.

²²¹ MACV Command History: 1967, 901-903. Box 5, MACV Command Histories, RG 472, NACP.

²²² “U.S. Completing Shift of Most Men Out of Saigon,” 22 January 1968, *New York Times*.

soldiers could not be cordoned off from the rest of the country, despite serious efforts to do so. The consumer behaviors of Americans spread beyond the boundaries of military bases as consumer goods came to facilitate everyday interactions between GIs and locals. Moreover, soldier expenditures altered the local economy, since they did not just shop exclusively at American-run stores but also compensated Vietnamese merchants and providers for a myriad of goods and services that the United States could not supply. During the war, American and Vietnamese officials believed strongly that soldiers' consumption habits contributed to widespread inflation in the South Vietnamese economy.

AMERICAN POLICYMAKERS AND THE MILITARY PIASTER REDUCTION PROGRAM

The problem of inflation haunted American officials as they debated various courses of action in the war. The stability of the Saigon regime, policymakers believed, depended upon the American ability to manage inflation; thus, the stakes of this challenge could not be higher. In the fall of 1965, Robert McNamara warned that a “serious threat of inflation” existed in South Vietnam due to “the mixture of US force build-up and GVN deficit on the one hand and the tightly stretched Vietnamese economy on the other.”²²³ He underscored the dangerous political and social consequences of a weak South Vietnamese economy: “A reasonably stable economy in South Vietnam is essential to unite the population behind the Government of Vietnam—indeed to avoid

²²³ McNamara to Johnson, 30 November 1965, Box 2, John McNaughton Files, Papers of Paul C. Warnke, LBJL.

disintegration of the SVN society.”²²⁴ According to McNamara, therefore, uncontrolled inflation could diminish the political legitimacy of Saigon leaders. His concerns figured greatly into policy debates during his tenure as Defense Secretary, as he conveyed the urgency of tamping down inflation to both the President and the Joint Chiefs of Staff, among other influential policymakers.

While the Commercial Import Program aimed to combat inflation by introducing more goods to absorb excess money, American officials simultaneously strived to reduce military piaster expenditures to take money out of the inflationary Vietnamese economy. In August 1965, officials prohibited the use of dollars by Americans in the Republic of Vietnam to prevent the black marketing of dollars and to prevent the dollar from aggravating inflation. They introduced monetary scrip called Military Payment Certificates (MPCs), which became the official cash currency of Americans living in the country. At an October 1965 meeting with Vietnamese officials on inflation, William Westmoreland reported that MACV was “attempting [to] reduce [the] inflationary effect of [the] U.S. military by encouraging troops to allot part of [their] pay to home banks and by establishing more exchange centers, thereby facilitating [the] exchange of MPC into piasters, decreasing [the] appeal of [the] MPC black market.”²²⁵ While the creation of

²²⁴ McNamara to Chairman of the Joint Chiefs of Staff, Box 7, John McNaughton files, Papers of Paul C. Warnke, LBJL.

²²⁵ Embassy to State, 30 October 1965, Box 43, Subject Files Vietnam, Acc # 68-D-4933; Records of the United States Information Agency, Record Group 306, NACP. Westmoreland’s statement about recommending soldiers to allocate a portion of their salary to banks in the United States would help decrease the amount of money that soldiers can spend in Vietnam, while the attempt to create more money exchange centers, officially known as Military Banking Facilities and operated by Bank of America, Chase Manhattan Bank, and American International Banking Corporation, was intended to cut down on black market currency exchanges. Charles D. Melson and Wanda J. Renfrow, *Marine Advisors with the*

more money exchange centers may seem to encourage greater amounts of piaster purchases, the rationale behind this suggestion was to make it easier for soldiers to exchange piasters legally rather than through illegal means. After policymakers escalated the war, officials voiced concerns over the economic impact of different levels of troop deployment and the ways that soldiers spent money on the local economy. Officials in the State and Defense Departments often relied on economists' views of the South Vietnamese economy in outlining how the United States could best curtail piaster spending while maintaining its military commitment to South Vietnam.

One of the policies that both civilian and military officials supported and implemented early on during the war was the use of MPCs, or Military Payment Certificates, widely referred to as “funny money” or “Monopoly money” by troops.²²⁶ Soldiers' expenditures of American dollars flowed into the Vietnamese economy during the first few months of the war, adding a highly-valued foreign currency into the tenuous Vietnamese financial system. At the end of August 1965, the military adopted the use of military scrip, as it had in other parts of the world after World War II, to control inflation by preventing the circulation of American dollars in the Vietnamese economy.²²⁷ Upon entering South Vietnam, American soldiers had to convert all dollars into MPCs, the

Vietnamese Marine Corps: Selected Documents Prepared by the U.S. Marine Advisory Unit, Naval Advisory Group (Quantico, VA: Marine Corps University, 2009), 64.

²²⁶ Use of the terms, “funny money” and “Monopoly money,” was prevalent among soldiers. For example, see Richard Desoto, *Never a Hero* (Bloomington, IN: AuthorHouse, 2010), 184; Earl J. Gorman, *Fire Mission: The World of Nam, a Marine's Story* (Clarendon Hills, IL: Red Desert Press, 2008), 248; Dan Roach, *Gifts of War: Once Upon a Rice Paddy* (Bloomington, IN: AuthorHouse, 2011), 137.

²²⁷ The United States implemented the use of military scrip among soldiers during the occupations of Germany and Japan after World War II. See James H. Critchfield, *Partners at the Creation: The Men Behind Postwar Germany's Defense and Intelligence Establishments* (Annapolis, MD: Naval Institute Press, 2003), 53; John B. Taylor, *Global Financial Warriors: The Untold Story of International Finance in the Post-9/11 World* (New York: W. W. Norton & Company, 2007), 211.

official medium of exchange for all cash transactions within American establishments in the country.²²⁸ Moreover, possession of American dollars was illegal in the Republic of Vietnam, and soldiers were compensated in MPCs, which had a one-for-one conversion with the dollar.²²⁹ Additionally, because of widespread speculation, the military also periodically phased out whole series of MPCs, so that soldiers had to convert old MPCs into the newer series. For transactions outside of American-run institutions in Vietnam, soldiers were supposed to exchange their MPCs for piasters at an official military banking facility.²³⁰

The implementation of MPCs was a relatively small measure to help address inflation, though, and in 1966 American officials began a piaster reduction program to keep the amount of money in circulation under control. Over the course of 1966, currency in circulation increased almost 80 percent, and the cost of living for working class families in Vietnam climbed more than 70 percent. The urgency of the financial situation led civilian and military leaders to impose ceilings on piaster expenditure by American military programs, including contractors' expenditures, American-financed wages, and private spending by U.S. troops. Moreover, American officials discussed new procedures to absorb more troop expenditures within American-run facilities and channel GI spending toward countries outside of Vietnam. In addition, they argued for wage restraints to be "exercised in all sectors of the economy over which the United States has

²²⁸ "Helpful Hints for Personnel Ordered to the Republic of Vietnam," 25 August 1970, Folder 01, Box 01, Glenn West Collection, The Vietnam Center and Archive, Texas Tech University (hereafter TVCA, TTU), accessed 19 March 2014, <http://www.vietnam.ttu.edu/virtualarchive/items.php?item=7410101001>.

²²⁹ Although MPCs and dollars had a one to one exchange rate, MPCs dealt on the black market often had a higher value than dollars. This will be discussed at length in the chapter on currency manipulation.

²³⁰ "Helpful Hints for Personnel Ordered to the Republic of Vietnam."

influence or control.”²³¹ The goal of all of these spending ceilings was to reduce the amount of American money changed into piasters and spent on the local economy, thus slowing inflation.²³²

Indeed, the piaster expenditures of the military contributed to growing money supply levels. Roy Wehrle, an economist and the economic counselor at the American embassy in Saigon, stressed the gravity of increased spending in South Vietnam. In October 1966, he argued that American and South Vietnamese spending placed great strains on the local economy. According to Wehrle, spending by the South Vietnamese government increased from 37 billion piasters to 48 billion to roughly 67 billion from 1964 to 1966. American spending, on the other hand, including USAID, military construction, and operational and maintenance expenditures of military forces, increased from two billion piasters to nine billion and then to 34 billion piasters. The “big jump” to 34 billion piasters was “of course, coincident with bringing American troops into the country.” Moreover, he concluded that the “obvious effect” of these piaster expenditures, both of the American and South Vietnamese governments, was that the money supply skyrocketed sharply from 27 billion to 48 billion from the end of 1964 to the end of 1965. At the time he wrote the memo, the money supply stood at 61 billion, and he estimated the figure at the end of the year to be around 65 or 68 billion. “This is the monetary

²³¹ Memo on Economic Stabilization, 2nd draft, 27 August 1966. Economic Stabilization vol. 1, Box 7, Files of Komer-Leonhart, LBJL.

²³² William C. Westmoreland, *A Soldier Reports* (Garden City, NY: Doubleday, 1976), 248.

problem, the amount of money that is injected into the economy that we have to deal with,” he impressed to McNamara.²³³

The severe level of inflation in South Vietnam weighed heavily on the Defense Secretary, who believed inflation would weaken the morale and effectiveness of the South Vietnamese army and civil service to the point that the country could implode. In the fall of 1966, McNamara wrote in a memo to the Chairman of the Joint Chiefs of Staff, Earle Wheeler, “Runaway inflation can undo what our military operations accomplish.” More specifically, McNamara argued:

The burden of inflation falls most heavily on just those Vietnamese—the ARVN and GVN civil servants—upon whose efficient performance our success most heavily depends. Unless we rigidly control inflation, the Vietnamese Army desertion rate will increase further and effectiveness will decline, thus at least partially cancelling the effects of increased U.S. deployments. Further, government employees will leave their jobs and civil strife will occur, seriously hindering both the military and the pacification efforts and possibly even collapsing the GVN.²³⁴

McNamara understood that if Vietnamese government employees could not afford the rising costs of everyday necessities on their low wages, they would likely leave their positions for other kinds of employment that would pay more, namely jobs that involved working for the Americans. High desertion rates, whether within the army or the civil service, would not only lower morale among those Vietnamese who stayed in their posts, but also encourage them to seek other opportunities to leave as well. An army and government short on manpower posed major obstacles to the achievement of military and

²³³ Wehrle to McNamara, 11 October 1966, Box 7, Files of Komer-Leonhart, LBJL.

²³⁴ McNamara to Chairman of the Joint Chiefs of Staff, 11 November 1966, Box 7, John McNaughton files, Papers of Paul C. Warnke, LBJL.

political goals. Thus, for McNamara, the problem of inflation, if left unresolved, could end the war with American defeat and a South Vietnam under communist control.

At the suggestion of Lodge, McNamara directed that a “piaster budget” be established for American military activities. Working with McNamara, Lodge decided to limit military piaster expenditures to about 42 billion as well as cap the number of troops deployed for 1967. The purpose of such a program was to “hold military and contractor piaster spending to the minimum level which can be accomplished without serious impact on military operations.”²³⁵ The Defense Secretary acknowledged that the Ambassador’s program of budget constraints for American and South Vietnamese civilian and military spending would not by itself “bring complete stability” to South Vietnam; under such proposed plans, McNamara conceded that there would still be, in the best case scenario, a ten billion piaster inflationary gap. However, he believed that should hold price increases in 1967 to 10 percent to 25 percent, as opposed to 75 percent to 90 percent in 1966. Furthermore, McNamara argued that the “success of our efforts to hold U.S. military expenditures to P42 billion depends, among other things, on U.S. force levels.”²³⁶

McNamara’s advisors perceived the repeated requests for additional troop deployment from military leaders, particularly Westmoreland, as incompatible with the need to reduce piaster expenditures. In fact, they reasoned that expansion of troops would likely raise expenditures without a guarantee of increased military effectiveness. In May

²³⁵ “Recommended FY67 Southeast Asia Supplemental Appropriation,” Memo for the President, November 1966, Box 7, John McNaughton Files, Papers of Paul C. Warnke, LBJL.

²³⁶ McNamara to Chairman of the Joint Chiefs of Staff, 11 November 1966, Box 7, John McNaughton files, Papers of Paul C. Warnke, LBJL.

1967, Alain Enthoven, Assistant Secretary of Defense for Systems Analysis,²³⁷ an economist and close advisor of McNamara's, warned that if "MACV's additional forces are approved, our casualty rate may not rise, but our expenditure rate certainly will, and the ominous history of unending escalation will be maintained." Cautioning about the likely possibility of growing South Vietnamese dependence on American resources to fight the war, Enthoven worried that approving supplementary troops to Vietnam would encourage military leaders to ask for more in the future. He argued that sending extra troops to Vietnam would also lessen public support for the war and make nation-building even more arduous. Moreover, he asserted that "additional forces are a burden on the South Vietnamese economy," citing that inflation in the first three months of 1967 amounted to 20% and that prices rose 7%, or 28% yearly. Enthoven observed that "the SVN economy is still far from sound, additional forces would mean slower progress, and the inflation would still hit hardest on the very civilian and military personnel on whom we must rely if pacification is ever to succeed."²³⁸

McNamara and his advisors thus insisted that military leaders seek economic rationales for their piaster budgets. In discussions on troop levels for 1968, McNamara asked Wheeler, "Have MACV and the US Mission carefully weighted the economic

²³⁷ Enthoven defined systems analysis as "the application of methods of quantitative economic analysis and scientific method, in the broadest sense to the problems of choice of weapon systems and strategy," while McNamara often referred to it as "quantitative common sense." Cited in Charles R. Shrader, *History of Operations Research in the United States Army* (Government Printing Office, 2008), 52; For more information on the use of systems analysis in the Department of Defense under McNamara, see S. M. Amadae, *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism* (Chicago: University of Chicago Press, 2003) and Clark A. Murdock, *Defense Policy Formation: A Comparative Analysis of the McNamara Era* (Albany: SUNY Press, 1974).

²³⁸ Enthoven to McNamara, 1 May 1967, Box 7, John McNaughton files, Papers of Paul C. Warnke, LBJL.

impact of the additional piaster expenditure? Have they analyzed the alternative uses for these piasters, such as raising GVN salaries or providing improved family housing for RVNAF families?"²³⁹ McNamara grasped that inflation in South Vietnam had a disproportionately negative impact on civil servants and members of the Army of South Vietnam (ARVN). He realized that while Vietnamese who worked for Americans, including taxi drivers, bar girls, and translators, earned lucrative salaries, those employed with the South Vietnamese government faced stagnant wages that failed to keep pace with rising prices. This economic inequality, McNamara suggested, should be diminished with additional piaster spending. An advocate of using economics to understand the allocation of resources within the military, the Defense Secretary wanted economic analyses of these important questions before he made any decisions. His priority on quantitative scrutiny prompted friction between economists in the Defense Department and the military generals.

The Joint Chiefs of Staff found their civilian counterparts' objections to additional levels of troop deployment frustrating and even damaging for the U.S. military objective in South Vietnam. Wheeler wrote to McNamara:

The Joint Chiefs of Staff consider that, while the restoration of economic stability in SVN is most important, the achievement of such stability will depend primarily on the capabilities of military and paramilitary forces to defeat the enemy [and] to provide the secure environment required for political, economic, and social development.

²³⁹ McNamara to Wheeler, 5 October 1967, Box 7, John McNaughton Files, Papers of Paul C. Warnke, LBJL.

Without the numbers of troops that they have settled on, “the intensity and frequency of combat operations may therefore be restricted, resulting in a slower rate of progress in SVN, some loss of momentum in operations, and possibly a longer war at increasing costs in casualties and materiel.”²⁴⁰ While McNamara and his advisors emphasized the detrimental economic ramifications of additional troops, Wheeler stressed the potential impediments to military victory if the Joint Chiefs of Staff did not acquire the level of troops they requested.

Similarly, Westmoreland objected to the ceiling on piaster expenditures and limits on the number of troop deployments imposed by Lodge. In his memoir, Westmoreland recounted that the goal to reduce piaster spending “was admirable, but the way Wehrle and officials in Washington proposed to accomplish it was not.” Westmoreland recalled that Wehrle told him to reduce the number of incoming American soldiers and that he should even consider withdrawing some troops. Westmoreland believed that “some of Secretary McNamara’s advisers were using the piaster ceiling as a means of controlling the American build-up.” He grew increasingly irritated with officials at the Department of Defense who sought to restrain his ability to execute the war; “If I was ever to bring the war to the point where the South Vietnamese could take over, I had to have more American troops.” Illustrating the division between military officials and their civilian partners on the role of economics in military policy, Westmoreland asserted, “To let economics rather than military necessity dictate American deployments was unrealistic, a

²⁴⁰ Wheeler to McNamara, 2 December 1966, Box 7, John McNaughton files, Papers of Paul C. Warnke, LBJL.

classic case of the tail wagging the dog.”²⁴¹ Like Wheeler, Westmoreland resented McNamara and his advisors for imposing quantitative considerations on their military decision-making process.

Despite his exasperation with Defense advisors, however, Westmoreland recalled that MACV succeeded in limiting expenditures under Lodge’s policy due to a variety of programs that simultaneously lifted soldier morale and directed spending away from the local economy. He argued that expanding the PX system, building more recreational and entertainment facilities on American bases, banning leaves within South Vietnam, facilitating R&R trips outside of Vietnam, and relocating troops and installations out of city centers all contributed to reducing piaster expenditure. Additionally, he noted that savings programs for troops, including a ten percent interest on savings enacted by Congress, reduction of Vietnamese employees on bases, and the completion of construction projects underway helped toward curbing piaster spending. Meanwhile, he remarked that the ceiling on piaster spending did not affect the size of South Vietnamese military forces.²⁴²

However, officials at the Saigon embassy voiced deep skepticism at the effectiveness of these various methods of reducing piaster spending, which Westmoreland concluded had succeeded, when these plans were first introduced. Officials at the State and Defense Departments, relying on economic expertise, took seriously the consequences of GI spending on inflation. Stephen Enke, who served as

²⁴¹ Westmoreland, *A Soldier Reports*, 248.

²⁴² *Ibid.*

Deputy Secretary of Defense from 1965 to 1966, wrote one of the most influential and polarizing studies of the impact of American military expenditures on the South Vietnamese economy. Policymakers at the embassy in Saigon and the Defense Department found Enke's budget recommendations fruitful. Charles Cooper, Wehrle's successor, wrote to Robert Komer, President Johnson's special assistant for Vietnam and, beginning in 1967, Chief of Pacification, that "much that is in the Enke report is good" and that "his proposals for a piaster budget and a special fiscal agent in Saigon make a lot of sense and should be followed up." Cooper remarked, however, that "of the \$VN16.1 billion savings he calculates... \$VN10.7 come from reduced personal expenditures by troops [and] almost half of that (or almost 1/3 of the entire savings) will be achieved only if a flat limit of \$20 per man is imposed on piaster spending. Is this realistic?"²⁴³

Cooper had stern doubts about Enke's recommendations and questioned the feasibility of Enke's suggested proposals. Enke suggested several ways in which \$5.6 billion piasters could be saved annually, including "expanded R and R, increased PX sales, increased savings incentives, and ending private housing." Cooper commented that "the one bright note is the automatic savings flowing from the deployment of new troops." However, he stated that "one way or another the other items look unattractive." On the expansion of PX sales, Enke suggested that GIs would get an additional \$13 per month to spend, but Cooper noted that "expanded PX sales don't have to compete with piaster spending." Indeed, spending more in the PX did not necessarily translate into decreased spending in the Vietnamese economy. Cooper observed that the Department of

²⁴³ Cooper to Komer, 2 June 1966. Box 7, Files of Komer-Leonhart, LBJL.

Defense was pessimistic that increases in R&R trips would lead to major savings in piaster spending. He also believed that government officials viewed the benefits of the ten percent savings accounts too optimistically. Furthermore, Cooper argued that savings from ending private housing for about 8,000 GIs would come slowly because military leaders needed to find other accommodations.²⁴⁴

American officials relied on projections and estimates of per man soldier expenditures in calculating their budget plans. Enke's alternative proposal was to reduce troop spending by imposing a \$20 limit per man per month on piaster conversions. Cooper wrote that "DOD manpower argues that limiting troop spending by simply limiting their right to buy piasters is immoral, politically unacceptable, and won't work anyway since it will drive GI's into the black market." Given the American propensity to champion freedom, individualism, and capitalism, Defense officials categorized the purchase of piasters a right, not a privilege. Moreover, in their view, it was unconscionable to tell people that they could not spend their own money. Their rejection of restricting soldiers' expenditures thus made sense. Agreeing with the Defense Department's assessment, Cooper maintained, "GI's might feel better about avoiding illegal channels if they are given a gift of \$20 in recognition of their service to the country than if they were prohibited from changing more than \$20 a month."²⁴⁵ While framing spending money as a reward rather than as a maximum limit of purchasing power may have been more congenial to GIs, Cooper, however, placed too much

²⁴⁴ Ibid.

²⁴⁵ Ibid.

confidence in soldiers' financial behaviors, as the next chapters on the prevalence of black markets and currency manipulation will demonstrate. For the reasons outlined by the Defense Department, policymakers agreed on setting per man spending targets instead of placing limits on how much money they could exchange. In his memoir, Westmoreland claimed confidently that he established a goal of \$20 in piaster spending per man per month and ultimately got the figure down to \$10.²⁴⁶ The success of curbing per man spending, he contended, and the "arrival of a new economic counselor with more flexible approach, Charles Cooper, brought an end to the ceiling before it could materially affect the troop build-up."²⁴⁷

Westmoreland's overly optimistic assessment of the results of soldiers' piaster reduction resonated with American government officials. A review of the piaster reduction efforts of MACV affirmed that "troop spending of a personal nature fell steadily through the first half of CY [Calendar Year] 1967." Moreover, the report stated that MACV succeeded in holding aggregate soldier expenditures to \$6.7 billion piasters, even though the number of personnel continued to increase. It asserted that MACV accomplished this reduction in piaster spending by continuing its program to curtail the per capita spending rate "through personal appeals and by providing a multitude of alternatives" such as expansions of the quantity and variety of goods at the PX, more on-

²⁴⁶ It is unlikely that soldiers spent, on average, \$10 each month. Westmoreland did not explain how he arrived at that figure, and he most likely did not take into consideration the rampant and widespread currency manipulation undertaken by soldiers.

²⁴⁷ Westmoreland, *A Soldier Reports*, 248.

base recreational facilities, a high interest earning savings plan, and out-of-country R&R.²⁴⁸

In the context of military officials' decision to rely on soldiers to carry out the legwork of piaster reduction, MACV's information campaign to curb piaster spending served as a means for military leaders to address South Vietnam's inflation by asking soldiers to limit their purchases. The military's drive to convince soldiers to spend less in the local economy can be seen as a strategy to mitigate the side effects of widespread consumerism where soldiers were stationed. Since military leaders consciously prioritized providing soldiers with generous discretionary incomes and consumer goods, the main way to alleviate the consequences of American consumer culture on South Vietnamese society was to implore soldiers to keep their comfort, luxuries, and general wealth to themselves. Given the consumer ethos fostered by military leaders, how did military authorities attempt to persuade soldiers through "personal appeals" that they should abide by suggestions to spend less money in the local economy to ease inflation?

THE MILITARY'S INFORMATION CAMPAIGN TO CURB PIASTER EXPENDITURES

At the outset, military authorities needed to explain, in a way accessible to the average young American soldier, the complex financial problem of inflation. One of the methods they employed to describe the economics of inflation in South Vietnam was fiction. In a story titled "Don't Feel Worth a Dong!", two personified 50 piaster notes reminisce with each other about the old days when they were less heavy and inflated. One

²⁴⁸ "US Military Expenditures," 1967, Economic Stabilization. Box 7, Files of Komer-Leonhart, LBJL.

piaster note says, “I can’t seem to settle down. I’m always getting crammed into someone’s wallet or pocket. Last night, a GI used me to buy a beer. Imagine that. He gave me away for one stinkin’ bottle of brew.” “Life can be miserable...It’s gettin’ so that we ain’t even worth the paper we’re printed on,” said the other note. “I remember the days when I could buy a round of drinks for three people. It made me feel good inside, like I was accomplishing something,” his friend responds. After discussing the downfall of “Big Jim Dong,” the 500 piaster note, the 50 piaster notes commiserate about feeling “a little more inflated, a little less useful, and with a little less dignity and self-respect.” One of the notes says, “I sure wish those GIs would wise up—I look terrible in a girdle.”²⁴⁹

While the story did not explicitly tell soldiers to reduce their spending, it conveyed to soldiers several important points about their spending behaviors and how they contributed to inflation in South Vietnam. The image of a piaster note in a girdle—a woman’s girdle—serves to remind soldiers not to throw away their piasters frivolously, especially on Vietnamese women, a topic discussed in greater detail later in the chapter. Embracing the casual humor and speech patterns of soldiers, this story serves as a friendly vehicle to inform soldiers of their spending habits and their role in adding fuel to the inflationary economy.

In persuading soldiers to curb their spending and help alleviate inflation, military officials also stressed all the financial benefits for individual soldiers if they saved more

²⁴⁹ “Don’t Feel Worth a Dong!”, 16 August 1967, *The Observer*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

of their money. Military authorities played to the self-interest of soldiers by emphasizing that inflation in Vietnam not only increased costs for South Vietnamese but also raised prices for American soldiers. Realizing that soldiers tended to pay Vietnamese merchants and service providers generously and even excessively, military officials encouraged soldiers not to throw away their extra money nonchalantly. A political cartoon in the *Army Reporter* titled “Prevent Inflation” demonstrates this message aptly [Figure 3]. In this illustration, an American GI is depicted handing a 200 piaster note to a smiling pedicab driver and saying, “That’s okay, keep the change.” The caption reads, “This 40 ‘P’ ride may cost you 200 ‘P’!” As the cartoon shows, while soldiers can afford to be magnanimous and overpay for services rendered by Vietnamese, the prices they pay will likely become the new standards. Thus, soldiers should only pay fair prices with smaller denominations of piaster to avoid having to ask for change.

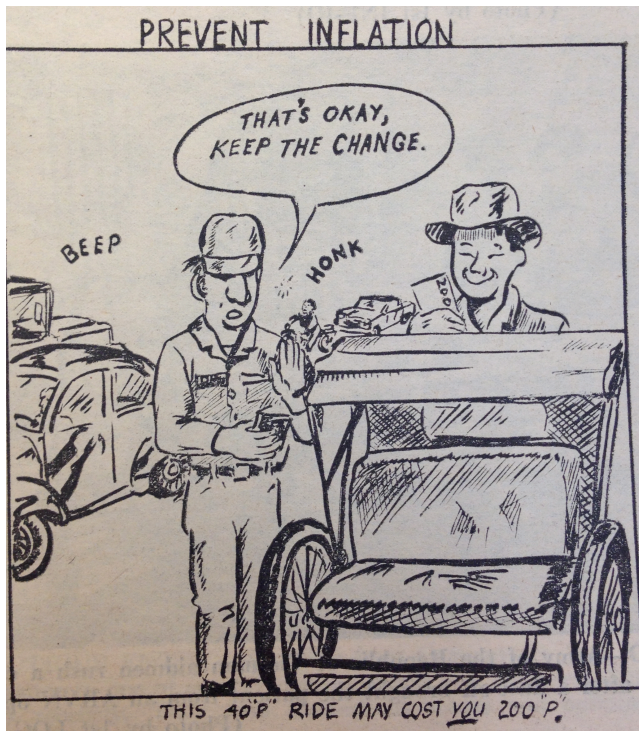


Figure 3. "Prevent Inflation"²⁵⁰

Incidents of soldiers overpaying for commodities and services were not unusual, however, and the result was often higher prices for soldiers. In a cartoon depicting two unhappy soldiers at a bar, one soldier asks the other, "Remember when beer was 35 'P'?" The caption beneath the cartoon states, "Prices have gone up...because you let them!" [Figure 4]. Illustrating the consequences of paying high prices for commodities, this cartoon assigns blame to soldiers for causing prices to rise for themselves. Moreover, it appeals to people's natural aversion to paying more for the exact same product or service. Yet the cartoon also suggests that soldiers have the ability to prevent further price

²⁵⁰ "Prevent Inflation," political cartoon, 3 June 1967, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

increases. If soldiers allowed prices to rise, then they must also have the power to stall inflation.

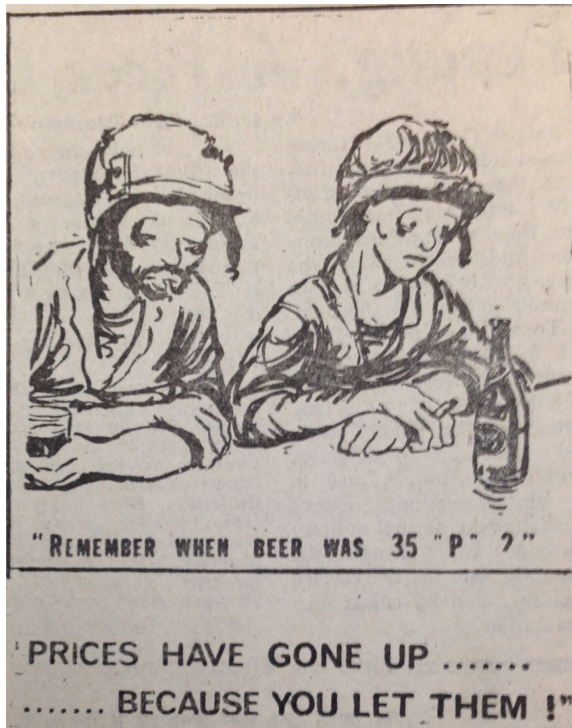


Figure 4. “Prices have gone up...because you let them!”²⁵¹

Besides exhorting soldiers to not overpay or give away their pocket change, military officials impressed upon soldiers that they must be smart with their finances in general. For GIs in Vietnam, knowing how much Vietnamese pay for certain commodities and services could help prevent soldiers from getting swindled. A political cartoon appearing in the August 2, 1967 issue of *The Observer*, a newspaper produced by MACV, embodies the military’s desire for soldiers to be armed with ideas of what

²⁵¹ “Prices have gone up...because you let them!”, 23 January 1967, *The Observer*, MACV, Comptroller, Information Office, “The Observer,” RG 472, NACP.

reasonable prices are and to drive a hard bargain with Vietnamese dealers.

Accompanying a picture of a soldier standing next to a taxicab with the driver sticking his arm out of the window is a poem that reads,

The Cabbie said, as I stepped out the door,
“Hey GI, I need 50 ‘P’ more!”
I replied, “If you please,
Is that what you charge Vietnamese?
Or do you think that I don’t know the score?”²⁵²

Implicit in this poem is that American military personnel must say no to Vietnamese asking for more money, especially if GIs have already negotiated and agreed to a price beforehand.

Being savvy with one’s money required some effort, though. Military officials also encouraged soldiers to actively haggle with Vietnamese vendors and merchants. On December 26, 1966, *The Observer* published a parable with the headline, “Millionaire Visits Vietnam, Says ‘Tea’ Too Expensive.” In this account, El Paso horse trader and automobile dealer “Demented Dan” Dukes, the fictional millionaire interviewed in the story, gives his impressions of American troops in Vietnam. “Son, I’d tell you, we got some of the finest fellows in the world on our side here, but they just don’t understand about buying,” he says. “These Vietnam folks get right to chucklin’ when they see an American pay the first price the feller asks... You see, Boy—hagglin’ and horse tradin’ are [the Vietnamese] way here,” Dukes asserts. He continues that when “a feller keeps payin’ these high prices they stay high and get higher.” After stating that Americans do

²⁵² Political cartoon, 2 August 1967, *The Observer*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

not buy cars at the first quoted price, he implores, “You got to be smart, Son. Why last night they were trying to charge me 250 [piasters] for Saigon Tea! Not me! I wouldn’t pay them a [piaster] over 200!”²⁵³

The advice “Demented Dan” Dukes imparts represents the newspaper’s efforts to goad soldiers into haggling with Vietnamese vendors if they wanted to avoid being the laughingstock of town. As Dukes implies, Vietnamese sellers made large profits by overcharging soldiers for their purchases when they do not negotiate prices. Moreover, when soldiers pay the first cited and often high price for goods and services, they automatically contribute to price inflation. His own experience of paying no more than 200 piasters for Saigon tea, a flavored non-alcoholic drink that Saigon bar girls encouraged GIs to buy them, suggests his shrewdness not to be taken advantage of by Vietnamese merchants. Moreover, his refusal to overpay indicates his sense of how much a product or service is worth. Employing the Texan cowboy colloquialisms, “son” and “boy,” the newspaper characterizes Dukes’ insights as those of a father, suggesting that the audience should heed his astute financial advice and spend wisely.

Essential to the practice of haggling is having some notion of how much a good or service is worth and how much other people are paying for it. To this end, military authorities published the story of one sergeant in Long Thanh district, about 25 miles northeast of Saigon, who attempted to “put a brake” on inflation with price guidelines. Staff Sergeant Levin U. Ashby, the Non-Commissioned Officer in Charge of an eight-

²⁵³ “Millionaire Visits Vietnam, Says ‘Tea’ Too Expensive,” 26 December 1966, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

man civil affairs team attached to the First Brigade, Ninth Infantry Division, researched and collated a list of prices to guide soldiers in their local retail adventures. Sergeant Ashby and his team created the list after consulting with district officials, and most Long Thanh merchants agreed to recognize them. According to the guidelines, soldiers should not pay more than 40 piasters for a haircut, between 130 and 250 piasters for a footlocker (depending on size), between 60 and 150 piasters for a meter of silk (depending on the quality), and 6 piasters for a coat hanger. Sergeant Ashby indicated that the cost of common retail items depended on the district, but his team planned to assemble lists of prices for each district in which the First Brigade operates. The article also pointed out that “if the price guidelines are to prevent effectively further inflation, soldiers themselves must refuse to pay higher prices.” Thus, the success of these price recommendations depended on the cooperation of soldiers. Those who pay more than the established fares, according to Ashby, would be “hurting the Vietnamese economy.”²⁵⁴ Ashby’s voluntary coordination efforts to limit prices reflected the military’s belief that soldiers could exhibit not only self-restraint but also leadership to help fight inflation.

It was not enough, though, for military authorities to solely rely on appealing to the self-interest of soldiers to get them to spend less money; in fact, most messages in military publications invoked the fragility of the South Vietnamese economy in attempting to convince soldiers to curb their expenditures. Since large and guaranteed discretionary incomes enabled GIs to spend generously in the local economy in the first

²⁵⁴ “Sgt puts brake on inflation,” 2 August 1967, *The Observer*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

place, many military personnel understandably did not find it persuasive to pinch their piasters for their own financial stability. However, even if saving a few piaster notes here and there was not important to soldiers, to American military officials, it was crucial to protect the tenuous South Vietnamese economy. As a result, military authorities asked soldiers to constrain their spending if they genuinely cared about the local economy and population. Soldiers' moral duty and concern for South Vietnam thus became targets of the military's information campaign to curb inflation.

Indeed, American officials concluded that soldiers' expenditures had grave consequences for the local economy and that soldiers needed to comprehend the wider ripple effects of their individual spending. In addition to fiction, unit newspapers also employed limerick poems, often darkly humorous, to convey to soldiers the seriousness of their spending behaviors.²⁵⁵ A poem from the "Piaster Poet," a series of limerick poems published in several unit newspapers in 1967, made the connection between soldiers' spending and its ramifications for South Vietnam:

One 'P' is worth less than a cent
It's used to buy food and pay rent.
When used unwise
By sporty GIs
A nation's economy gets bent.²⁵⁶

²⁵⁵ Soldiers' production and consumption of limerick poems was a way for them to alleviate the boredom of war, on the one hand, and to maintain a cheerful attitude in the face of death and destruction, on the other. The writing of limerick poetry has been documented in previous wars, including during World War I. See, for example, "The WWI poetry they didn't let you read: Ribald and risqué poems from the front," last modified 13 September 2013, *The Telegraph*, <http://www.telegraph.co.uk/history/world-war-one/10307703/The-WWI-poetry-they-didnt-let-you-read-Ribald-and-risque-poems-from-the-front.html>.

²⁵⁶ "The Piaster Poet," 3 April 1967, *The Observer*, MACV Comptroller, Information Office, "The Observer," RG 472, NACP.

At the official exchange rate of one dollar to 118 piasters, effective from September 1965 to September 1970, one piaster was worth less than a penny. However, as the poem indicates, it was not worthless to the Vietnamese; it enabled them to obtain food and housing, which soldiers enjoyed free of cost courtesy of the U.S. military. Although the brevity of the poem prevents it from explaining how imprudent spending distorts a nation's economy, the message is clear: what soldiers do with their money affects other people.

The military reminded soldiers that their spending behaviors drove up prices of common retail goods for the Vietnamese, diminishing their purchasing power. An editorial in the January 27, 1967 issue of *The Army Reporter* titled "Inflation Hurts" reiterated that South Vietnam's alarming inflation problem was at least partly the fault of American GIs. "If we, the American servicemen, continue to spend piasters as we did in 1966, the Vietnamese inflation problem will become critical," it asserted. Synthesizing the problem of inflation for soldiers, it explained that Americans are spending too much money, and "more money is being put into the economy, but the amount of goods and services is remaining the same." The Vietnamese worker, however, was on a fixed income and could not afford to purchase goods at escalating prices. With a finite amount of goods available, "the ones who have the most money, you and I, are going to get the goods." The editorial gave the example of a pair of shoes costing 300 piasters in 1966, but commanding 600 piasters in 1967, putting them out of reach for most Vietnamese workers. Taxi rides that used to cost 25 piasters for the average Vietnamese now cost four

times as much in the same year.²⁵⁷ An editorial penned by SP4 (Specialist Fourth Class) Scott Watson, "It's Your Money," admitted that "of course, the cab drivers raise their fares and look for the 'big spenders.'" Moreover, he stated:

The economic competition caused by U.S. servicemen has brought about inflation and has encouraged illegal currency transactions, which in turn have damaged our war effort, as well as the Vietnamese economy. Considering that Free World Forces spend on the average about \$60 million annually, this problem is not one to be taken lightly.²⁵⁸

The overall effect of soldier's spending, according to Watson, was the decline of purchasing power for the average Vietnamese citizen to obtain the things he and his family needs. These desperate economic times even prompted Vietnamese to turn to illegal activities just to care for their families, he surmised.

Inflation in South Vietnam not only caused the prices of consumer durables like shoes and transportation services likes taxi rides to soar, but also drove up the cost of basic necessities like food, asserted military authorities. An article called "[Effects] on Vietnamese Economy Created by Allied Troops" stated that "the arrival of U.S. and other Free World 'Big Spender' forces in Vietnam has had a crippling effect on the low keyed agricultural economy of the Republic of South Vietnam." Their willingness to pay more for almost every kind of good and service, moreover, was "corroding this country's economy." Just as the Vietnamese contended with American GIs for taxis and apartments, they now competed with fellow Vietnamese on fixed incomes for "the

²⁵⁷ "Inflation Hurts," 21 January 1967, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

²⁵⁸ Scott Watson, "It's Your Money," 27 July 1970, *Tropic Lightning*, Box 11, USARV/US Army Support Command, Saigon/Information Officer, RG 472, NACP.

necessities of life” including milk, rice, bread and meat.²⁵⁹ In all cases, the seller awards the prize to the highest bidder. As this article demonstrates, GI spending in the local economy precipitated price wars not only between Vietnamese and Americans but also among Vietnamese. The inversion of social hierarchies in the new service-sector urban economy pitted well-to-do taxi drivers, bar girls, and bar owners against the impoverished skilled and educated workers, such as doctors, teachers, and lawyers. The inflationary economy thus produced unrest among the Vietnamese who had to spend more and more of their incomes to acquire the most basic of commodities.

While military authorities cultivated and sanctioned consumerism on military bases with little concern for the ethics of materialism, they injected morality into the discussion of inflation and piaster reduction. On January 9, 1967, *The Observer* published an editorial titled, “Face Facts of Life: Cut Piaster Spending.” Opening with an image of a father explaining to his son “why he should be careful in his relationships with girls and what will happen if he isn’t,” the editorial stated that the “facts of life” boil down to “what you should and shouldn’t do if you want to stay out of trouble; if you want to be a success.” Sometimes, the editorial continued, “a father doesn’t get around to this ‘facts of life’ approach to his son until the young man is ready to leave home and enter the Armed Forces.” Sooner or later, however, “we all must face up to the facts of life.” In Vietnam, the editorial argued, “we have a piaster control program—not to give you good advice on how to succeed or fail with the opposite sex, but rather to give you the economic facts of

²⁵⁹ “[Effects] on Viet Economy Created by Allied Troops,” 22 March 1971, *The Castle Courier*, Box 15, The Castle Courier Newspaper, USARV/US Army Eng cmd, Information Office, RG 472, NACP.

life.”²⁶⁰ Linking soldiers’ relationships with women to economic realities in Vietnam, the editorial implies that the military did not seek to control how soldiers interacted with local women but to simply make them aware of the *economic* ramifications of their actions.

Employing the expression, “economic facts of life,” the editorial implored soldiers to do the right thing and limit their spending to avoid harming the local economy. The purpose of the piaster control program, it asserted, was not to prohibit the spending of piasters; “You could no more outlaw the spending of piasters than you could outlaw sex.” Acknowledging that spending money, much like having sex, was part of human nature, the editorial suggested that attempting to prohibit spending was futile. However, the editorial warned, if everyone continued “to throw piasters around like they are going out of style,” “it could well happen.” Describing the Vietnamese economy as “already inflated,” the editorial explained that there are “too many people with too much money” but too few things to buy. Furthermore, when “we try to outbid each other, we push the prices up—for ourselves and, worst of all, for the Vietnamese who can least afford it.” Urging soldiers to face up to the facts of life, the editorial emphasized that Americans were only in Vietnam for a year. The Vietnamese, however, lived there permanently, “so let’s stop throwing our piasters around and making it tough for people to live who have it tough enough already.”²⁶¹

²⁶⁰ “Face Facts of Life: Cut Piaster Spending,” 9 January 1967, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

²⁶¹ *Ibid.*

To stem runaway inflation, the military suggested that a little frugality on the part of soldiers went a long way toward helping the South Vietnamese economy. An editorial titled “Your \$10 Spot Can Equal Half a Billion Piasters” claimed that for most American GIs, “\$10 is a pretty small amount; less than we might spend in one night on the town; less than we might spend for a souvenir to send home.” To the average Vietnamese soldier, however, \$10 constituted half a month’s salary. The editorial continued, “We can make *his* \$10 worth more by not spending our \$10. So, why make it tougher for him? Remember, he’ll still be here when you leave.”²⁶² Reminding soldiers that they were in Vietnam only temporarily, this editorial attempts to appeal to GIs’ humanitarian concern for the Vietnamese as a way to convince them to save money. However, the logic of increasing the value of other people’s money by not spending your own may not have been the most persuasive to soldiers, who were compensated well by the military for their service. Given that military base culture during the Vietnam War was largely built around a consumption ethos, giving soldiers significant discretionary income encouraged them to spend the money. Additionally, soldiers gave away their change and overpaid Vietnamese merchants because it was how they understood they could help the Vietnamese and make life easier for them. Soldiers could, after all, help Vietnamese citizens become more financially secure by simply paying them more, an action that the Saigon government failed to accomplish.

²⁶² “Your \$10 Spot Can Equal Half a Billion Piasters,” 27 February 1967, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

However, while soldiers might not have found it essential to haggle with Vietnamese merchants, military officials deemed it necessary for the well-being of the South Vietnamese economy. A cartoon in the *Army Reporter* suggested that soldiers should pay no more than what a Vietnamese merchant asked, because doing so would be detrimental to the Vietnamese economy [**Figure 5**]. It depicts a Vietnamese man and his child, holding a 50 piaster note, selling items at a table on a street, including a box of Tide detergent, and on the ground is a box labeled “war supplies.” An American GI, holding a 200 piaster note, talks to the father and son duo and argues, “But you told me ‘50’ P would be enough.” The caption states, “Your earnings are high—Don’t hurt the Vietnamese.” This cartoon, while acknowledging the presence of black market goods, suggests that soldiers should be aware that their comfortable incomes did not mean they should give their extraneous cash to Vietnamese. The logic of this cartoon may not have been entirely clear to the GIs, though, since soldiers can interpret paying vendors generously as helping them.

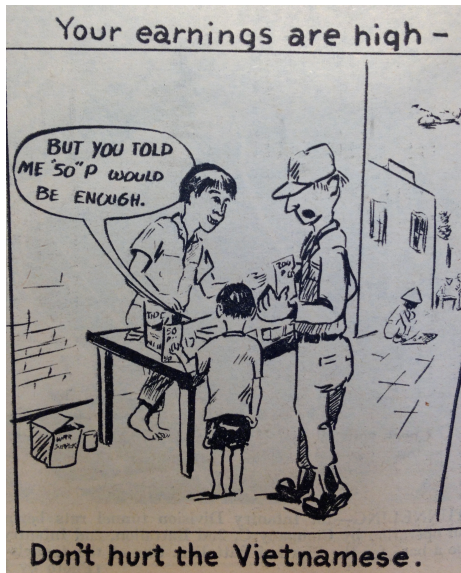


Figure 5. “Your earnings are high—Don’t hurt the Vietnamese”²⁶³

Advocating the practice of bargaining for GIs, military newspapers even went so far as to claim that haggling would contribute to better relations with the Vietnamese. An editorial titled “Understanding the Vietnamese” argued that soldiers could help ease inflation and promote understanding between themselves and the Vietnamese community by negotiating prices. It stated that bargaining will save money for GIs, but more importantly also result in lower prices for the average Vietnamese consumer. Reiterating that “many years of extravagant spending by Americans have resulted in skyrocketing prices” while the average Vietnamese worker’s wages have stagnated, the editorial concluded that if “the majority of Americans would vigorously dicker over prices, and not accept an unrealistic price, we would succeed in both lowering prices and fostering

²⁶³ “Your earnings are high—Don’t hurt the Vietnamese,” cartoon, July 1, 1967, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

goodwill between Vietnamese and Americans.”²⁶⁴ Although this editorial might have convinced soldiers that bargaining would allow them to save more of their own money, it was less persuasive in arguing that bargaining would improve relations between Americans and Vietnamese. After all, GIs’ daily interactions with Vietnamese demonstrate that merchants would like to get more money for their goods and services to make profits. That certain Vietnamese workers, primarily civil servants, had low incomes might indicate that one reasonable solution would be to increase their wages to the level of those who work for Americans and could afford to pay inflated prices.

Moreover, the fact that military newspapers lampooned the different ways in which Vietnamese people tried to earn more piasters confirmed that Vietnamese people were pleased when soldiers paid them handsomely. The Vietnamese custom of ranking soldiers using number one to label a GI who paid generously and number ten to brand a stingy soldier, for example, shows that Vietnamese were delighted when soldiers spent lavish sums. American military newspapers often portrayed Vietnamese men and women as always needing GIs to spend their piasters. A cartoon in the July 5, 1971 issue of the *Army Reporter*, for example, shows a drugged-out GI, wearing a shirt that says, “Rest in Peace,” harassed by many Vietnamese to spend his money [Figure 6]. One man asks if he wants to buy a horse, while a Vietnamese child clings to him asking if he wants to buy peanuts. Meanwhile, another Vietnamese boy holding a bag that says “Shop Downtown” picks the soldier’s pocket for piasters. Another Vietnamese man yells, “You numbah one,

²⁶⁴ “Understanding the Vietnamese,” November 1, 1971, *Castle Courier*, Box 15, The Castle Courier Newspaper, USARV/US Army Eng cmd, Information Office, RG 472, NACP.

GI!” as the GI hands him an MPC note, and a taxi driver asks him, “You want taxi? I charge onslly [sic] double which is half price!” Another cartoon portrays an elderly Vietnamese woman sitting next to a well with a sign proclaiming, “Momma San’s Numbah One Wishy Well,” and another sign that reads, “Makey Wish to Go Home Only 20 P’s” [Figure 7].

Cartoons like these suggest that soldiers were not completely culpable for overspending in the local economy; Vietnamese sought various means, both legitimate and duplicitous, to convince soldiers to spend their piasters. Calling soldiers “number one,” for example, was a way that Vietnamese tried to flatter generous American GIs and encourage them to spend more of their money. American military authorities understood that Vietnamese men, women, and children frequently pressured GIs to dispose of their cash. It was therefore difficult to convince soldiers that “vigorously dickering” with Vietnamese would actually improve Vietnamese-American relations. For GIs who lived comparatively privileged lives, squaring their conflicting desires to be liberal with their spending in a poor country and to also obey recommendations to be miserly with Vietnamese vendors was a challenge.



Figure 6. “Dynamic Duo Answer – ‘The Room for Improvement’”²⁶⁵

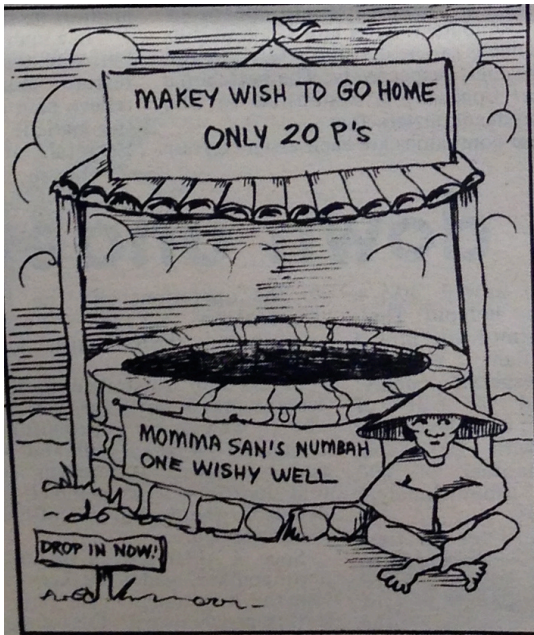


Figure 7. “Momma San’s Numbah One Wishy Well”²⁶⁶

²⁶⁵ S. Crain, Cartoon, 5 July 1971, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

A major topic intertwined with the need for soldiers to conserve piasters was their interactions with local women. It was widely known that American GIs who frequented bars often spent extravagant sums of money as part of the experience. In Saigon, “tea girls” who flirted with GIs often pressured them to buy tea for the ladies and alcohol for the soldiers. As depicted widely in the media and known amongst military servicemen, Vietnamese women often asked soldiers to purchase them items that only GIs could acquire in the PX. Additionally, as discussed in the first chapter, relationships between American soldiers and Vietnamese women were often mediated by consumer goods, and the sight of an American soldier with a Vietnamese woman usually meant that he spent money toward satisfying the retail wishes of his girlfriend.

Accounts from soldiers demonstrate that many GIs did, in fact, spend much of their incomes on Vietnamese women. Young soldiers often ventured into the city to seek out bar girls and prostitutes to alleviate boredom and fulfill their sexual desires. One veteran, Douglas Shivers, recalled that “for entertainment purposes when we went to Saigon we’d usually go to a bar and try to pick up a girl. A Vietnamese girl, which normally called out X number of piasters.” He conceded, “It was a prostitution deal obviously. You’d pay them whatever was [the] going rate and you could pick them out just like you go to the candy store almost.”²⁶⁷ One veteran confirmed that for American soldiers, the cost of securing a prostitute was no problem. Anthony LaRusso observed

²⁶⁶ S. Crain, Cartoon, 5 July 1971, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

²⁶⁷ Interview with Douglas Shivers, 10 October 2002, Douglas Shivers Collection, TVCA, TTU, accessed 22 March 2014, <http://www.vietnam.ttu.edu/virtualarchive/items.php?item=OH0225>.

that “the Americans always overpaid for everything” and had to pay more for a prostitute than Vietnamese men did. However, LaRusso also noted that “everything was cheap...we were making 100 dollars a month,”²⁶⁸ suggesting that Americans did not mind paying more given the poverty of Vietnam. Yet another veteran, Kyle Miyogi, remembered, “Most of the hooch maids, of all ages, were available for sex; they cleaned the hooch and serviced the guys. We paid them twenty dollars a month for cleaning the hooch and five dollars for other activities.”²⁶⁹ “To be truthful,” he admitted, “there was nothing to spend money on.”²⁷⁰ Stories like these show that the military had good reason to be concerned with how soldiers spent their piasters on Vietnamese women.

Military authorities, in trying to convince soldiers to be frugal with their piasters, warned American soldiers that their interactions with Vietnamese hosts, particularly women, had grave consequences for the South Vietnamese economy. A cartoon captures this cultural and economic conflict vividly [**Figure 8**]. It shows a soldier holding hands and walking with an attractive, Western-dressed Vietnamese woman. He says to a fellow soldier, “Hi Bill, I’m promoting goodwill!” His colleague, however, responds, “How about promoting good economy, too?” The caption reads, “Don’t spend piasters needlessly.” At the heart of the cartoon is the question of how soldiers can “promote goodwill” with Vietnamese citizens but not damage the local economy in the process. In particular, it suggests that dalliances with Vietnamese women were mercenary

²⁶⁸ Interview with Anthony LaRusso, Undated, Anthony LaRusso Collection, TVCA, TTU, accessed 22 March 2014, <http://www.vietnam.ttu.edu/virtualarchive/items.php?item=OH0417>.

²⁶⁹ The term “hooch” referred to the accommodations of soldiers. “Hooch maids” were the Vietnamese women who performed a variety of tasks to clean the quarters.

²⁷⁰ Toshio Whelchel, *From Pearl Harbor to Saigon: Japanese American Soldiers and the Vietnam War* (New York: Verso, 1999), 151.

relationships and therefore not conducive to a strong economy. This cartoon insinuates that Vietnamese women caused GIs to spend more of their money than necessary and that soldiers should watch their spending as it pertained to gratifying their female companions.



Figure 8. “Don’t spend piasters needlessly”²⁷¹

The image of the gold-digging Vietnamese girlfriend was not unusual; in fact, the trope of the calculating Vietnamese woman was a common one in unit newspapers.²⁷² Several poems in military newspapers explicitly alleged that untrustworthy Vietnamese women made off with large amounts of GIs’ money. “The Piaster Poet,” for example,

²⁷¹ “Don’t spend piasters needlessly,” cartoon, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

²⁷² For a discussion of how Americans perceived Vietnamese women, see Stur, *Beyond Combat*, 17-63.

maintains that Vietnamese ladies brought about the financial downfall of American soldiers. A poem published on March 13, 1967 read:

There was a young lady from Phar
Who worked in a Saigon bar
She brought on inflation
Through tea inhalation
And her admirers can't take R&R.²⁷³

This poem suggests that the Vietnamese woman's insistence on getting soldiers to buy her tea is the reason why they cannot afford a vacation. Depicting the GIs as victims, this limerick pinpoints the blame on the woman; her "tea inhalation" habit had damaging effects on the local economy and the personal finances of soldiers. Another poem published on April 10, 1967 emphasizes how Vietnamese women conned American GIs:

A girl who once lived in a shack,
Met a P' spending soldier named Jack.
Now she often sends,
Her Mercedes Benz,
To pack a sack snack to Jack's shack.²⁷⁴

In this poem, the Vietnamese girl went from rags to riches, all because she took advantage of a spendthrift soldier. While she owns a luxury car now, he lives in a poor shack. As suggested in these limericks, Vietnamese women were not to be trusted, because they scammed American soldiers and left them penniless.

Military publications also represented Vietnamese women asking soldiers to grant them access to consumer goods at the PX. A political cartoon shows a Vietnamese

²⁷³ "The Piaster Poet," 13 March 1967, *The Observer*, MACV Comptroller, Information Office, "The Observer," RG 472, NACP.

²⁷⁴ "The Piaster Poet," 10 April 1967, *The Observer*, MACV Comptroller, Information Office, "The Observer," RG 472, NACP.

woman in a conical hat asking, “Hey, GI, you go PX and buy for me two soaps” and the soldier says, “No can do!” [Figure 9]. Later, another Vietnamese woman says, “GI, you go PX and buy for me...” and he says condescendingly, “AW-shut up!” Even later, the soldier, believing that his wife sent him a letter, finds a note that begins, “Dear Honey, Please go to the PX and buy me...” These series of pictures depict how persistent the Vietnamese woman was in manipulating the soldier to purchase items at the PX for her, and how equally adamant the soldier was to stand his ground and say no to her. These illustrations make evident that only American GIs should enjoy the consumer goods that the military provides; the proper way to respond to such retail requests from Vietnamese was to decline them.



Figure 9. “Right on...”²⁷⁵

²⁷⁵ “Right on...”, S. Crain, cartoon, 15 November 1971, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

Although military publications characterized Vietnamese people as constant solicitors of the GIs' wealth, they also conveyed that soldiers were, in fact, in control of their own money. Military authorities urged soldiers to deflect Vietnamese demands for them to spend. In a political cartoon titled "Don't be a Piaster Disaster," an American soldier, with handfuls of piasters and pockets stuffed with money, is surrounded by Vietnamese people asking him to spend [Figure 10]. In this illustration, a Vietnamese woman says, "You buy me tea?"; children beg him, "Give me 5P?"; a shoeshine boy asks, "You want shine?" The questions, "You buy for me?" and "Hey man you buy?", and the words "give" and "buy" are also at his side. Additionally, large hands are reaching out to the soldier toward his cash. With the imperative to not be a "Piaster Disaster," the cartoon also shows that it can be overwhelming when soldiers are literally surrounded by local people asking them to buy, spend, and give all the time. The challenge, then, would be to resist the mercenary requests of Vietnamese.

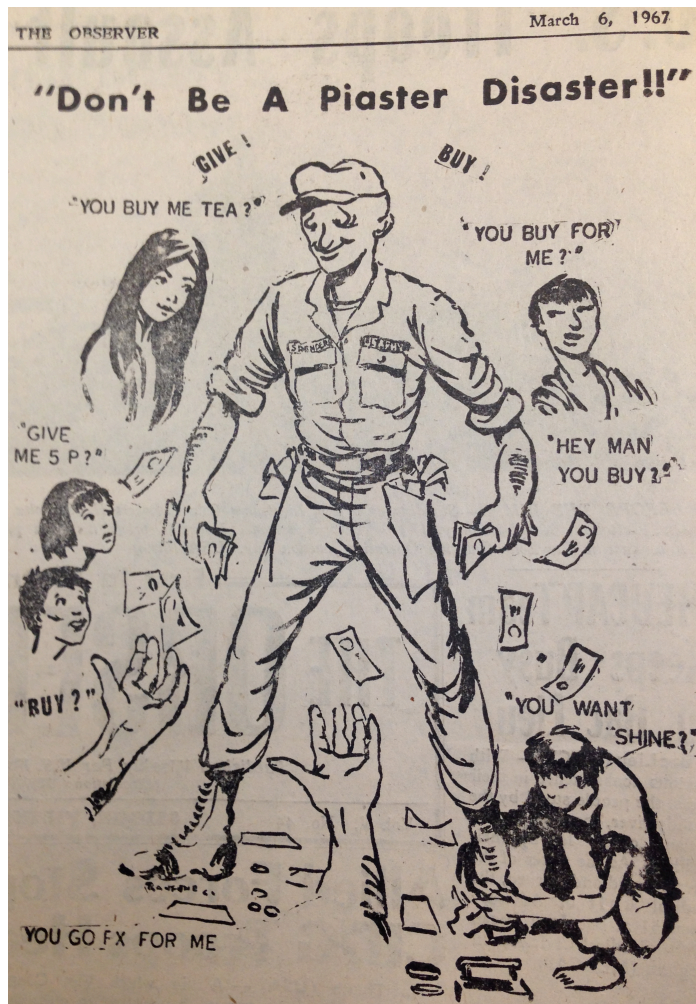


Figure 10. “Don’t be a Piaster Disaster”²⁷⁶

Moreover, military authorities believed that refusing to spend money in the Vietnamese economy could be as easy as keeping one’s money in their wallets. In one USARV cartoon, a commander is shown yelling at one of his soldiers, “Keep your ‘P’ pickin’ hands outta your pockets!” as the soldier, with one hand in his pocket, gives

²⁷⁶ “Don’t be a Piaster Disaster,” cartoon, 6 March 1967, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

money to a Vietnamese man with his other.²⁷⁷ Instead of directing his anger toward the local man for asking for piasters, the commander expresses his displeasure with his own soldier who cannot keep his hands from grabbing money out of his pocket. As the cartoon implies, soldiers need to exercise self-discipline to refrain from spending so much. Similarly, another cartoon shows a GI asking a Vietnamese woman, “How would you like a box of Tide?”²⁷⁸ In the context of piaster reduction in the military, this cartoon suggests that soldiers should not offer to give away goods they purchased like Tide detergent, a much sought-after commodity in Vietnamese black markets. Doing so, it implies, would contribute to inflation.

However, unit newspapers also conveyed to soldiers that not all spending is bad; there were moral and immoral ways to spend their earnings. On April 10, 1967, a “Piaster Poet” poem suggested that reckless spending was sinful:

“It’s funny,” he said with a grin,
“There are so many ways one can win
R&R’s a good bet,
And savings plans yet,
But the way some guys spend is a sin.”²⁷⁹

In this poem, a soldier contends that GIs can spend their money respectably through official U.S. military leisure and savings programs. However, he expresses moral disdain toward those who squander their money on other things. Although this poem sought to

²⁷⁷ “Keep your p-pickin hands out of your pockets,” poster, Box 21, General Records, 1966-1972, US Army/ MACV Support Command, Information Office, Public Information Division (05/15/1972-03/28/1973), RG 472, NACP.

²⁷⁸ Cartoon, May 1971, *Hi-Lite*, Box 11, Hi-Lite Newspaper 10/1970-06/1972, USARV/US Army Support Command, Saigon/Information Officer, RG 472, NACP.

²⁷⁹ “The Piaster Poet,” 10 April 1967, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

cast aspersions on those who spend too much in a way that hurts the economy, the military did in fact provide many opportunities for soldiers to shop and accumulate consumer goods and gadgets.

Acknowledging that soldiers wanted to spend their money on goods, the military gave explicit instructions on what to buy and what not to buy. An editorial appearing in the 28 November 1966 issue of the *Observer* titled, "Shopping in the Far East," admitted that "there's a certain boost to morale and a sense of well-being associated with payday. The wallet is comfortably padded and the day somehow looks brighter." However, payday is only a "fleeting moment of happiness" for some military personnel. As the editorial stated, "The wallet shrinks as the money goes thither and yon. Sometimes it's gone before the sun goes down." Moreover, in some cases, "the serviceman isn't even getting a fair shake for his money. He's just throwing it away." The *Observer* recommended that soldiers spend their money wisely, especially if they are seeking to purchase souvenirs and mementos to send back to the United States. First, they should not buy anything made in mainland China, North Korea, or North Vietnam. Second, they should not buy Chinese-type goods in any country unless the shopkeeper can provide a special certificate of origin acceptable to the U.S. Treasury. At the time, such certificates for tourists were only available in Hong Kong. Third, soldiers should not trust the vendor's word that he will be able to import Chinese-type goods to the United States without an acceptable certificate of origin. Fourth, purchases of embargoed goods for gifts are subject to restrictions, regardless of value. The editorial concluded, "Don't waste

your money. Before you buy, check with your command on the latest regulations covering shopping restrictions.”²⁸⁰

Other messages from the military used more direct and unequivocal language to influence GI expenditures. A poster from the USARV Information Office urged soldiers to “Prune Piaster Spending to Help Vietnam’s Economy” [Figure 11]. The poster presents a tree with branches labeled: “bars,” “beer,” “broads,” “souvenirs,” “ice,” “nice to have,” “private rentals,” “taxis,” “excess tips,” “shoeshines,” “restaurants,” “car wash,” and “hotels.” All of these kinds of expenditures listed on the tree branches represent the different ways in which soldiers spent money on themselves or others frivolously in the local economy. The use of the term “broads” demonstrates the military’s view that Vietnamese women were a big reason why soldiers spent more money than necessary. At the bottom and right side of the poster is an instruction: “When you buy, buy at the lowest fair price.” Conjuring an image of the common expression “money doesn’t grow on trees,” this poster shows that wastefulness can grow in many different directions. At the center of the poster is the phrase, “Do: Save Money” and “Use U.S. Facilities.” Although the main message of the poster was to “prune piaster spending,” it did not mean that soldiers should stop spending their money in general. It is clear that many of the things that soldiers purchase on the local economy can be acquired through the PX, clubs, mess halls, and other U.S. establishments, so soldiers should direct their spending toward American venues. The advice both to save money and spend it at

²⁸⁰ “Shopping in the Far East,” editorial, 29 November 1966, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

American facilities thus reveals an underlying tension in the military's instruction to soldiers.

In reducing the use of piasters in the local economy, the military sought various ways to limit the amount of piasters that GIs could purchase. A cartoon in the April 29, 1967 issue of the *Army Reporter* makes this point explicitly [**Figure 12**]. It shows two soldiers talking to each other at an official currency exchange facility, with one stating that "More piasters mean more buying power" while the other adds, "and high prices!" The caption reads, "purchase only the piasters you need." If soldiers only converted a minimum amount of MPCs into piasters, then they would not have an extravagant amount of piasters to spend.

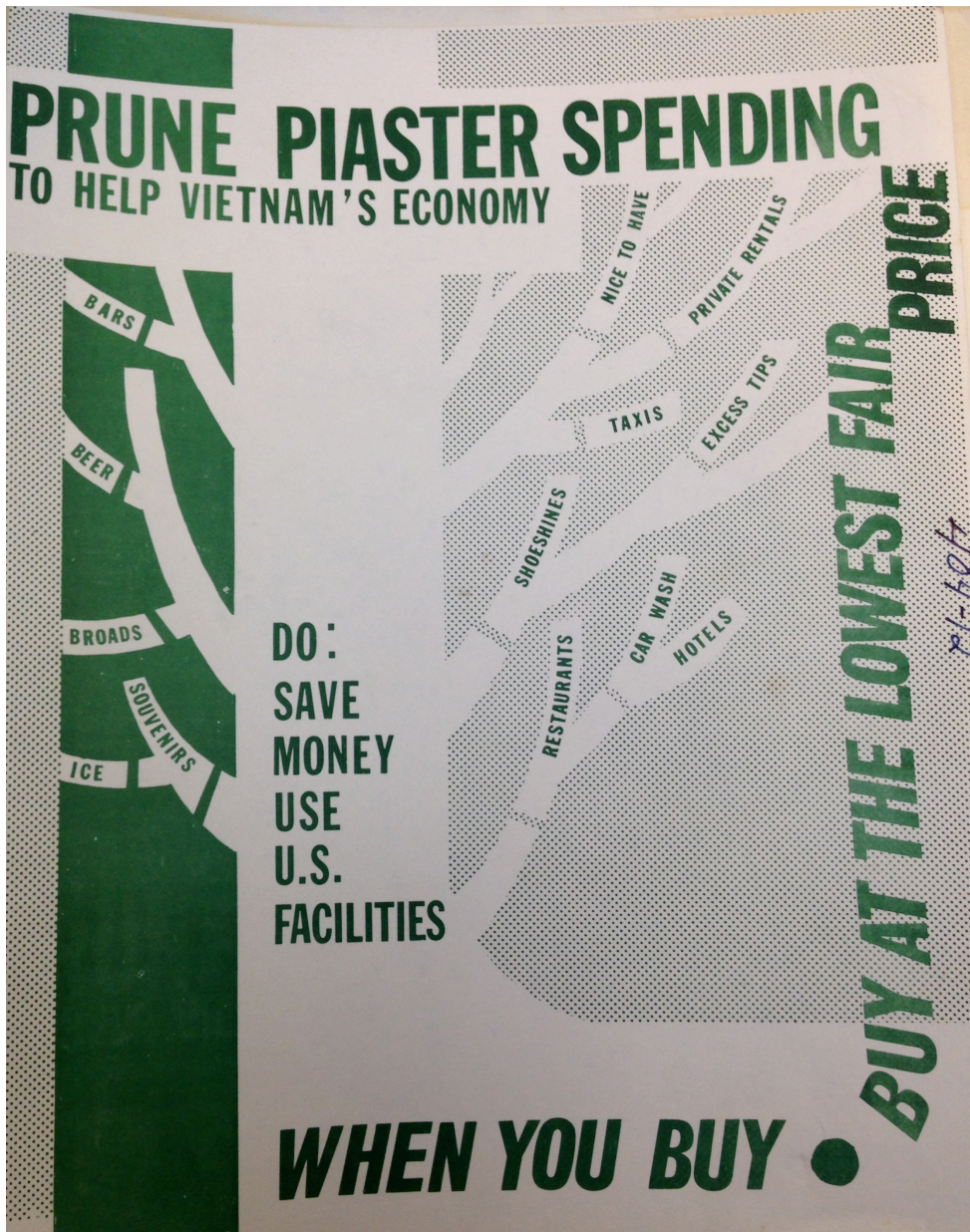


Figure 11. "Prune Piaster Spending to Help Vietnam's Economy"²⁸¹

²⁸¹ "Prune Piaster Spending," poster, Box 21, General Records, 1966-1972, US Army/ MACV Support Command, Information Office, Public Information Division (05/15/1972-03/28/1973), RG 472, NACP.



Figure 12. “Purchase only the piasters you need”²⁸²

The military also encouraged soldiers to move away from shopping on Vietnamese streets and instead confine their shopping to PX stores. Poems penned by the “Piaster Poet” imparted to soldiers the message that consuming through the PX and the mess halls was smart, while buying baubles and food on the local streets was not. On April 10, 1967, the “Piaster Poet” wrote:

Said the happy young sailor from Mass.,
As he wrapped up his statue of brass.
“This’ll wow ‘em at home,
I was using my dome,
Only ten thousand P’s”
(What a dumb guy.)²⁸³

²⁸² “Purchase only the piasters you need,” cartoon, April 29, 1967, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

²⁸³ “The Piaster Poet,” 10 April 1967, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

By insulting the intelligence of a GI who bought a brass statue on the street, this poem attempts to create a stigma against street shopping and to discourage others from doing so. Another poem from the “Piaster Poet” contrasts the ease of buying knickknacks in street stalls with guilt-free shopping at the PX:

Whether elephants, canes or chow mein,
We can all spend our P’s without pain.
But to spend sans vex,
In the grand old PX,
Is the way we’ll end up with some gain.²⁸⁴

Not only would shopping at the PX be unencumbered with distress, but it would also be financially beneficial to the soldier.

Military authorities published brief, fictional, and often humorous vignettes in fact sheets designed to show how spending frugally could led to financial stability and even affluence. A MACV fact sheet titled, “Making Your Pay Work for You” featured the story of “tight money” Titus Frugalbean, an SP4 who embodied the military’s ideal of GI economic sobriety. Unlike his spendthrift comrades, Frugalbean did not buy things like “ceramic elephants, six-foot-tall bronze candle holders and genuine VC battle flags, hand-made by little old ladies in Saigon” while he served in Vietnam.²⁸⁵ When he returned to the United States, he “parted with all the money he had saved,” invested it with a stranger in an oil well, and lived a life of luxury. By the end of the narrative,

²⁸⁴ Ibid.

²⁸⁵ Ceramic elephants, also known by the acronym, “BUFE” (Big Ugly Fucking Elephant), were wildly popular amongst American GIs, civilians, and diplomats, who sent them home as souvenirs during the war. The *New York Times* reported that South Vietnam produced around 30,000 ceramic elephants, almost all of which ended up in the United States. While Americans could acquire these elephants in Saigon for as little as \$5, the statues sold for more than \$40, sometimes even \$150, in the United States. “Hit Souvenir of Vietnam—Ceramic Elephants,” Joseph B. Treasters, 18 March 1972, *New York Times*.

Frugalbean had become so wealthy that “he tours the world in his 350-foot Chris Craft yacht. His mere presence makes headlines wherever he goes. When he gets a cold, the stock market dips.” Of his experience in Vietnam, Frugalbean eventually feels nostalgic most of all for his exemption from income taxes; “I think I’m in the 98 per cent bracket now,” he complains. Frugalbean’s transformation from poor soldier in Vietnam to rich civilian in America is illustrated in an accompanying cartoon; on the left, he is hunched-over and attending a fire burning what is likely the emptied contents of a latrine, and on the right, he is dressed nicely, holding a martini glass, and standing next to his brand-new sports car [Figure 13]. The fact sheet acknowledges Frugalbean’s exceptional status, noting that other servicemen saved their money for other, more modest and attainable goals, such as a college education or a new house. “The point is,” the story concludes, “if you ever want to save money, this is the place to do it.”²⁸⁶ Even when military authorities attempted to dissuade soldiers from spending too much money in Vietnam, they extolled luxury consumerism as the ultimate end goal.

²⁸⁶ “Making Your Pay Work for You,” MACV Fact Sheet, MACV, AG, Comptroller, Info Office, Fact Sheets. RG 472.

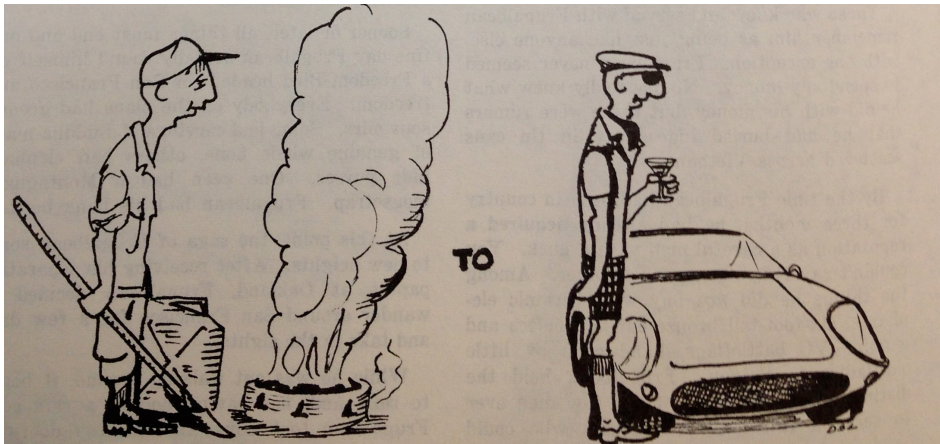


Figure 13. “Making Your Pay Work for You”

Positive reviews from shopping at the PX served as endorsements to channel GI spending toward facilities managed by the United States and away from Vietnamese street stalls. In the February 2, 1968 issue of the *Observer*, a poem titled “Wise Buys For You GI” gave specific advice to soldiers on what and where to shop:

I was new in country and eager to please.
So I bought from street vendors, squandering my “P”s”.
As I grew “shorter,” I also grew wise
And I found the PX had excellent buys.
The brand names I saw were familiar to me
And just about all had a good guarantee.
In comparing the prices with a Stateside store,
I found back-home costs were generally more.
So I bought a projector, Hi-Fi and TV.
Jewelry for my wife—a wrist watch for me.
And, lest I forget, let me make a confession.
I bought the kids’ gifts at the PX concession.
Then, like lightning, a new idea dawns:
I invested my savings in government bonds.²⁸⁷

²⁸⁷ “Wise Buys for You GI,” 21 February 1968, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

As the poem demonstrates, shopping at the PX offered soldiers brand new goods at low prices, while shopping on local streets was a waste of money. However, the poem also suggests that soldiers had enough money not only to purchase the items they wanted for themselves and their families but also to invest for their futures. Particularly for soldiers who were poor, spending and consuming at American-run facilities could make a world of difference for their financial circumstances. The “Piaster Poet” illustrated the success of a soldier who followed the military’s instructions on how and where to consume:

A destitute soldier named Pete,
Heard piasters could well mean defeat
So he ate in the mess,
And drank there, I guess,
Now he’s fiscally back on his feet.²⁸⁸

This soldier ate and drank at the military’s mess halls not only to demonstrate his patriotism but also to improve his personal finances.

Understanding that soldiers often used consumer goods to communicate and introduce themselves to Vietnamese citizens, the military established a guide on how American soldiers can give gifts in a way that would be conducive to stabilizing the local economy. Especially during the lunar new year holiday, Tet, gift-gifting was expected in Vietnamese society. An editorial titled “Piasters and Tet” stated that “Tet is a time when friendliness and good will is in the air—when generosity is shown by the Vietnamese, and expected in return.” Moreover, “With pressures which are forced on the Vietnamese economy when too many piasters are circulated, how do you match the mood with the

²⁸⁸ “The Piaster Poet,” 17 April 1967, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

money?" The editorial offered two suggestions. First, give the Vietnamese a PX item under ten dollars. This, the newspaper added, would enable Vietnamese to have something unique that they could not acquire otherwise. Moreover, "most Vietnamese appreciate a modest gift of U.S. merchandise." Second, it urged soldiers to "make your gift modest but meaningful."²⁸⁹

Besides urging GIs to spend modestly on thoughtful gifts to Vietnamese, the military also stressed to soldiers that sometimes gift-giving was not the proper way to ingratiate oneself with the Vietnamese. An editorial titled "Gifts to Vietnamese can hurt relations" in the December 11, 1968 issue of the *Cavalair* advanced the notion that in heaping gifts on Vietnamese, soldiers inadvertently offended their Vietnamese hosts. The editorial affirmed that

gifts to orphans, widows and disabled veterans are deserved and always appreciated, but indiscriminate giveaways to everyone in general is considered degrading by the Vietnamese and the friendly American GI who wants to be liked by everyone often unknowingly does more to hurt relations with the Vietnamese than to foster a friendly attitude.

It explained that because soldiers, lacking full understanding of Vietnamese traditions and social hierarchies, often give gifts to children exclusively, they ignore and insult Vietnamese elders, who are the most respected in Vietnamese society. Thus, "Rather than just tossing out candy, gum and C-rations to children as you go through a village or ride along the highway, check with your civil affairs office to see what you can do in the way

²⁸⁹ "Piasters and Tet," 6 February 1967, *The Observer*, MACV Comptroller, Information Office, "The Observer," RG 472, NACP.

of constructively aiding the Vietnamese.”²⁹⁰ This editorial urged soldiers to think twice before spending money on presents for Vietnamese. While traditional Vietnamese Confucian values placed great emphasis on respect for elders, the editorial likely misinterpreted how older generations of Vietnamese feel about American gifts. After all, unit newspapers depicted Vietnamese of all ages, including the elderly, as eager to receive American presents and money.

To maintain peaceful relations between Vietnamese and Americans, military newspapers implored soldiers to avoid conspicuous consumption. An editorial called “A Marked Man” in the January 30, 1967 issue of *The Observer* stated that Americans stationed overseas “represent the American way of life” and their “willingness to establish contact with a nation’s people creates a favorable impression and promotes good will for our country—the art of diplomacy” [Figure 14]. However, soldiers must exhibit thoughtfulness and understanding in their relations with locals. This is important, the editorial insisted, because “it is the local population that watches him, judges him, and through him the Army and the United States.” Accompanying the editorial was a cartoon representing an “ugly” American, who wore a shirt printed with the words, “Dinky-Dau,” throwing his piasters into the air. To his left, a Vietnamese military police officer stands with a net ready to catch the money. A caption below stated, “The Vietnamese call me what?” Drawing attention to himself by throwing money around casually, the soldier in the picture is labelled “dinky-dau,” which in Vietnamese wartime

²⁹⁰ “Gifts to Vietnamese can hurt relations,” 11 December 1968, *Cavalair*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

slang denoted a crazy person. The editorial and cartoon emphasize that the image of America was at stake during the war and that GIs, as agents of American diplomacy, must employ caution and respect while interacting with Vietnamese.



Figure 14. "A Marked Man"²⁹¹

The display of soldiers' wealth no doubt caused tensions and misunderstandings between Americans and Vietnamese. In a political cartoon titled "Take a Hint, GI!" an American soldier with the label "lifer"²⁹² on his fatigues wears a giant grin as he holds

²⁹¹ "A Marked Man," January 30 1967, *The Observer*, MACV Comptroller, Information Office, "The Observer," RG 472, NACP.

²⁹² The term "lifer" is used derogatorily to designate a soldier who has made the military his career. See: *The Glossary of Military Terms and Slang from the Vietnam War*, The Sixties Project, Institute for Advanced Technology in the Humanities, University of Virginia, accessed March 19, 2014, http://www2.iath.virginia.edu/sixties/HTML_docs/Resources/Glossary/Sixties_Term_Gloss_K_P.html.

handfuls of cash [Figure 15]. The backdrop of the cartoon features primitive-looking huts constructed of hay. Meanwhile, an elderly Vietnamese donning a conical hat points at him, while other Vietnamese glare at the man disapprovingly and with intimidation. The caption of the cartoon, representing one of the nine rules of conduct that soldiers must abide by,²⁹³ reads, “Avoid separating yourself from the people by a display of wealth or privilege.” Suggesting that soldiers should “take a hint,” the cartoon serves to illustrate to soldiers that if they merely noticed the social cues that Vietnamese give off, they will understand that their ostentatious behaviors are alienating locals. Furthermore, soldiers’ display of wealth could upset poor Vietnamese in the countryside.

²⁹³ Pocket Guide, U.S. Department of Defense, Armed Forces Information and Education, DoD PG-21A – “A Pocket Guide to Vietnam,” 5 April 1966, Folder 22, Box 03, Glenn Helm Collection, TVCA, TTU, accessed 14 April 2014, <http://www.vietnam.ttu.edu/virtualarchive/items.php?item=1070322004>.

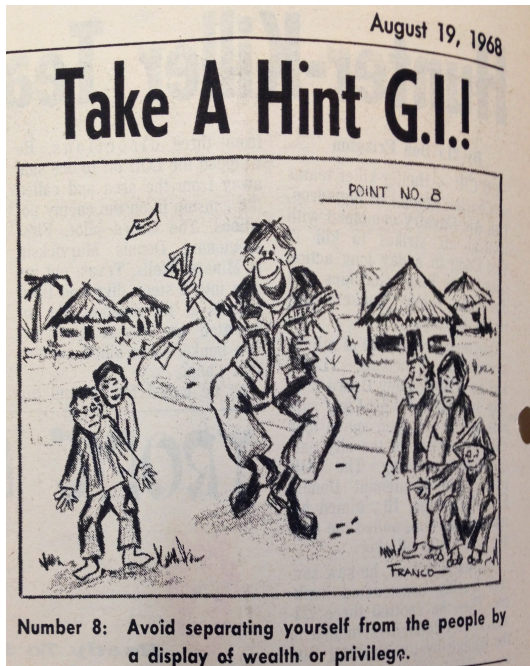


Figure 15. “Take a Hint GI!”²⁹⁴

The military, mindful of these cultural and economic differences, reminded soldiers that flaunting money, even unintentionally, generated resentment among the Vietnamese. An editorial called “Actions reflect ugly Americans” in the 29 March 1971 issue of the *Army Reporter* conceded “when we came to Vietnam we brought with us our own way of life in the form of PXs, clubs, commissaries, vehicles, and housing.” To the typical Vietnamese, it continued, “what we have—even while fighting a war—is sheer luxury.” Furthermore, it stated that although many soldiers feel deprived of typical American conveniences, they should acknowledge they were in a society “not built around [American] standards” and that the American way of life sometimes caused GIs

²⁹⁴ “Take a Hint GI!”, cartoon, 19 August 1968, *Tropic Lightning*, Box 30, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

to offend the Vietnamese unknowingly. Moreover, while soldiers may complain that certain brands of beer are out of stock at the PX, that their accommodations are inadequate, or that there should be more hot water, they should understand that Vietnamese people live without life's most basic necessities. The editorial encouraged soldiers to "keep a check on the little, everyday things we take so much for granted." Explaining the low incomes of the average Vietnamese worker, the editorial asked, "How many times have you taken out your billfold to pay a Vietnamese for a haircut or cyclo ride with five \$20 bills visible?" It stated that one hundred dollars converted to 27,500 piasters, which a Vietnamese working for the American government as a day laborer would earn after working more than four months. The editorial concluded that, "it's not hard to see how flashing one's money around could cause resentment."²⁹⁵

Soldiers who failed to keep their money in their pockets and blend in with local citizens faced the very likely possibility of getting robbed. A news story in the "welcome" edition of the *Army Reporter* titled "Flash that bread & ask for trouble" reported that GIs were violently attacked and robbed, often losing the electronics they carried, like a camera slung over their shoulders, and money in their pockets. The newspaper advised soldiers to walk in groups and to carry only enough cash that they need. Moreover, they should keep their money discreetly in their pockets and not "wave it around like the American flag." Soldiers not following these suggestions could end up getting hurt and losing all their money. Because MPCs and PX items attract high resale

²⁹⁵ "Actions reflect ugly American," 29 March 1971, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

profits on the local black market, soldiers were prime targets for “the minute number of Vietnamese who unfortunately live off this illegal activity.”²⁹⁶ Soldiers should therefore not parade their wealth for personal security reasons.

The ostentatious wealth of American GIs had consequences for the war effort as well. As military newspapers often suggested Vietnamese hostility toward Americans and their extravagant spending could lead South Vietnamese citizens to turn to communist support. The editorial, “Actions reflect ugly Americans,” conveyed that anti-American feelings directed at American GIs could lead to outbreaks of violence where soldiers were stationed. If the South Vietnamese government cannot “keep order within its communities, including the U.S. soldiers in those communities, the people will look elsewhere for order and peace.” The editorial admitted that, “we all know where the most readily available promise of order and peace comes from in this country.”²⁹⁷ Furthermore, the editorial titled “Inflation Hurts” also linked South Vietnamese antagonism toward Americans to communist victories. Indeed, “ill feelings toward the United States by the Vietnamese people...[are] a target for communist propaganda that can be used against the United States in forming world opinion.” The editorial concluded, “In order to maintain a stable Vietnamese economy and to head off inflation, to avoid giving communist propagandists ammunition to use against the United States, and to retain a good Vietnamese-American relationship, it is necessary for each of us to cut down on piaster

²⁹⁶ “Flash that bread & ask for trouble,” *The Army Reporter*, Welcome Edition. I have not been able to identify the date of publication for this issue of the newspaper, but the year of publication is likely 1971 or 1972. Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

²⁹⁷ “Actions reflect ugly American,” 29 March 1971, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

spending.”²⁹⁸ As these editorials suggest, excessive piaster spending by American military personnel could indirectly benefit communist claims and cause the United States to lose the military and political struggle.

Oftentimes, military newspapers suggested that a strong and reliable South Vietnamese economy was necessary for American victory over communism. Besides portraying excessive spending as harmful to South Vietnamese and American financial interests, military publications also claimed that spendthrift soldiers essentially contributed to the Vietcong cause. Those who spent money buying tea for Saigon bar girls were most implicated in this charge. In another poem by the “Piaster Poet,” military authorities advanced the notion that Saigon tea girls colluded with Vietcong cadres to harm American soldiers:

There was once a sneaky VC
Whom T-girls provided with “P”
He’d buy ammunition
And blow to perdition
those GI’s who spend “P” for tea.²⁹⁹

In this poem, it is unclear whether “tea girls” knowingly or unknowingly collaborated with the Vietcong, but the communists’ stealth is noted. Another poem, however, suggested that “tea girls” had full knowledge of their actions to conspire with the insurgents:

One soldier kept buying her tea.
Her money she gave the VC.

²⁹⁸ “Inflation Hurts,” 21 January 1967, *The Army Reporter*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

²⁹⁹ “The Piaster Poet,” 24 April 1967, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

With the cash that she made,
Charlie bought a grenade.
The soldier said, "Hon, you slay me."³⁰⁰

Establishing a clear link between GIs who squandered their money and the strength of the Vietcong, these limericks urge soldiers to regard their spending as important as their roles in the war effort.

In addition to belaboring the high stakes of suppressing the temptations to buy and spend, military authorities also underscored that saving one's money was crucial to keep inflation in check in South Vietnam. A USARV Information Office poster called "Your Money Tree" declared, "Placing money in savings deposits and buying savings bonds are the best anti-inflationary actions any of us can take." The poster depicts a tree with various denominations of American coins on the branches. On the left side is a column titled "Savings Overseas," followed by the words, "Use U.S. Recreation Facilities." This side of the poster features different ways in which soldiers could save their money while in Southeast Asia, such as exchanging currency at an official facility, investing in savings bonds, and shopping only in commissaries, post exchanges, clubs, and snack bars.³⁰¹ Besides reiterating the rules about where soldiers should spend and acquire currency, the poster encouraged soldiers to consider the great bargains and financial security that came with investing their money while in Vietnam.

³⁰⁰ "The Piaster Poet," 1 May 1967, *The Observer*, MACV Comptroller, Information Office, "The Observer," RG 472, NACP.

³⁰¹ "Your Money Tree," poster, Box 21, General Records, 1966-1972, US Army/ MACV Support Command, Information Office, Public Information Division (05/15/1972-03/28/1973), RG 472, NACP.

Indeed, despite the immediate gratification of consumerism on military bases, military authorities recommended that soldiers think about their post-Vietnam futures and save up financially for the good life afterward. On the right side of the “Your Money Tree” poster is a column titled “Savings at Home,” along with the words, “Dollars do grow—but only those you save.” Beneath this heading are suggestions on how soldiers can save at home, including buying savings bonds “for your future—a car—your family.” Moreover, the poster stated that “time passes—today becomes tomorrow—next week—next month—next year—save.”³⁰² While all of these suggestions make financial sense, it may have been difficult for soldiers to save money for their future selves, when it was not guaranteed that they would make it out of the war alive and well. Given all of the opportunities to indulge and satisfy consumption desires promptly, the truisms proffered by military authorities appeared out of place.

Nonetheless, military authorities attempted to sell savings programs to soldiers as vital to their futures, and what was good for the soldier’s financial well-being appeared to benefit the American economy as well. Besides telling soldiers what to purchase for themselves and for Vietnamese hosts, military newspapers urged soldiers to invest in government bonds. Thus, among the “wise buys” for GIs was American savings bonds. As a January 1968 editorial in the *Observer* titled, “Uncle Needs Us” made clear to soldiers, the United States at the time faced precarious balance of payments deficits.³⁰³

³⁰² Ibid.

³⁰³ For a full discussion of how the United States attempted to remedy the balance of payments deficit and halt the loss of gold from the U.S. Treasury from 1958 to 1971, see Francis J. Gavin, *Gold, Dollars, and Power: The Politics of International Monetary Relations, 1958-1971* (Chapel Hill: University of North Carolina Press, 2004).

According to the editorial, President Lyndon Johnson called upon American citizens to help solve a problem “of vital concern to the economic health and well-being of this Nation and the Free World.” “How can servicemen help?”, the editorial asked, the answer was “Buy” and “Save” American. It stated that every dollar spent on American-made goods and invested in U.S. savings bonds, Freedom Shares, or the Uniformed Service Savings Deposit Program would help. The editorial affirmed that those who participated in savings programs “get paid for the privilege.” For example, U.S. Savings Bonds paid investors 4.15 percent interest; Freedom Shares paid 4.74 percent interest within five years; and at overseas stations the Uniformed Services Savings Deposit Program yielded 10 percent dividends. The editorial insisted that “saving your money in one of these programs is not only a service to your country, but is added insurance that you won’t return home empty handed.” The editorial quoted Johnson, “The time has now come for decisive action designed to bring our balance of payments to—or close to—equilibrium in the year ahead. The need is a national and international responsibility of the highest priority.”³⁰⁴ Presented as profitable to soldiers and crucial to the nation’s economy, this editorial exhorted soldiers to purchase American goods and American bonds.

However, the military’s encouragement for soldiers to buy American goods often contradicted its warnings of economic troubles on the home front and its message to save money. A February 1968 *Cavalair* editorial titled “Inflation” alluded to the financial problems confronting the United States and the world. Citing the president and leading

³⁰⁴ “Uncle Needs Us,” 31 January 1968, *The Observer*, MACV Comptroller, Information Office, “The Observer,” RG 472, NACP.

economists, the editorial stated that the United States potentially faced high inflation and a further decline of the dollar's purchasing power. As the U.S. economy approached a Gross National Product (GNP) of more than \$800 billion annually for the first time, the editorial argued, Americans will "experience a period of economic readjustment during which the people are going to have to decide what must be done to strengthen the dollar of an economy." The achievement of this GNP milestone is meaningless, however, "unless all America acts to halt inflation and to strengthen the dollar." Since the war in Vietnam cost the United States \$30 billion a year, the editorial continued, those in Vietnam can do their part to boost the American economy. Indeed, the American dollar is linked to the Vietnamese piaster, and regardless of which currency soldiers use, piaster or dollars, they need to spend wisely and get the "full value for every dime spent." Moreover, "we need to buy only what we need, to save in every way we can and to budget carefully in those areas that lend themselves to reckless spending."³⁰⁵ Although the military was responsible for cultivating a culture of consumption through its PX system and its salary structure, it also contradicted its own messages by asking soldiers to refrain from buying too much.

The military's plea for soldiers to restrain themselves from purchasing gratuitous items also ran contrary to what the military presented as the prizes of finishing their service in Vietnam: consumer goods and leisure experiences. An article called "[Effects] on Vietnamese Economy Created by Allied Troops" stated that, "since the spending of

³⁰⁵ "Inflation," 21 February 1968, *Cavalair*, Box 34, Unit Publication Files, 1967-1971, Information Office, Command Information Division, RG 472, NACP.

American dollars in Vietnam is hurting the Vietnam economy, Uncle Sam has set up programs to help military personnel channel their earnings into areas more profitable for the GI and less costly to the Vietnamese.” This article portrayed the investment of money into savings accounts as a win-win for both Americans and Vietnamese. A soldier’s hard-earned money in Vietnam “can work toward purchase of a new car, a tape recorder, a camera or an R and R holiday.” Additionally, soldiers could have a “solid bank account.” The article claimed that, “using your money sensibly will go [a] long way toward helping the Vietnamese too.”³⁰⁶ The point, as demonstrated by this article, is not that soldiers should stop themselves from buying any nonessential goods like cameras and cars in general, but rather that they should buy them at the PX or have them sent back to the States.

The editorial penned by SP4 Scott Watson titled “It’s Your Money” also made the nuanced distinction that soldiers should not stop consuming in general but that they should only purchase through American military channels. Watson contended that “there are many ways which a GI can help the Vietnamese economy and fatten his own wallet as well.” Moreover, he claimed that “a soldier’s memories of Vietnam could include a new car or stereo, camera, six days with his wife or fiancée in Hawaii and a solid bank account, simply because he didn’t throw his money away on silk jackets that fall apart at the seams and coke and beer at 100 piasters a can.”³⁰⁷ Watson’s suggestion here, like the

³⁰⁶ “[Effects] on Viet Economy Created by Allied Troops,” 22 March 1971, *The Castle Courier*, Box 15, The Castle Courier Newspaper, USARV/US Army Eng cmd, Information Office, RG 472, NACP.

³⁰⁷ Scott Watson, “It’s Your Money,” 27 July 1970, *Tropic Lightning*, Box 11, USARV/US Army Support Command, Saigon/Information Officer, RG 472, NACP.

point made in the story of Frugalbean, is that the American GI can and should procure big-ticket items and vacations. Framing the epitome of the war experience in consumer terms, it was no wonder that the military's information campaign to convince soldiers to heed the economic imperative to reduce piaster spending was full of contradictions. Underlying the military's recommendation to purchase savings bonds and delay the gratification of shopping is the military's belief that the war would end in the near future and that soldiers would return home safely to enjoy the rewards of their service.

CONCLUSION

Although soldiers' spending in South Vietnam may not adequately explain the severe inflation in the entire country, including in the countryside, the highly visible American presence in urban areas perhaps made soldiers prime scapegoats as U.S. policymakers strategized to alleviate inflation. In 1966 alone, soldiers spent over 12 billion piasters in the South Vietnamese economy.³⁰⁸ While American officials during the war believed that soldiers' expenditures were a major cause of inflation, at least one economist studying the wartime South Vietnamese economy has argued that soldiers' spending habits only had a slightly inflationary effect on the local economy and that U.S. policymakers wildly exaggerated the alarm over soldiers' purchases.³⁰⁹ Regardless of whether soldiers' consumption was objectively the primary source of inflation in the country, perceptions of GI spending in the local economy mattered greatly in the

³⁰⁸ Lair, *Armed with Abundance*, 173.

³⁰⁹ Dacy, *Foreign Aid*, 142.

American and Vietnamese public mind and thus shaped the creation of policies. As the first chapter illustrates, increases in the cost of services like taxi rides and commodities like housing could be directly traceable to the actions of American GIs, who frequently paid more for the same services and goods than Vietnamese could afford, thereby raising prices. Furthermore, American officials were concerned about these economic dislocations taking place in the South Vietnamese public sphere, as the U.S. Information Agency kept track of debates criticizing the American presence in daily Vietnamese newspapers. Because Vietnamese perceptions of American soldiers and their actions figured into the policy calculations of American officials, curbing soldiers' spending of piasters had great symbolic value, even if their consumption, in hindsight, did not predominantly account for the high rates of inflation nationally.

If fear of violating South Vietnamese sovereignty led American officials to implement an economic aid program with harmful side effects on the South Vietnamese economy, then concern over soldier morale prompted policymakers to depend on GIs' voluntary efforts, rather than strict spending limits, to curb their piaster expenditures to ease inflation. American policymakers at the time were convinced that troop deployment produced inflationary pressures on the South Vietnamese economy, but their efforts to contain GI consumerism on military bases ultimately fell short. The constant tug and pull between saving and spending exhibited in the military's information campaign generated confusing messages to soldiers, particularly as they lived and breathed in an atmosphere that promoted consumption at all times. As American officials deemed suggestions such as banning piaster purchases above a certain limit and allocating pay directly to savings

accounts politically unacceptable, they compromised on an information campaign based on personal appeals that would privilege boosting soldier morale, which was necessary for the war effort, over launching an all-out effort to halt spending and inflation in South Vietnam, which jeopardized the nation's stability. Moreover, the military's reliance on lighthearted fiction, limericks, and cartoons may have undermined the serious nature of inflation.

That military authorities depended upon the voluntary cooperation of soldiers to execute their piaster reduction program begs the question: why did policymakers place so much faith in soldiers to act and behave virtuously? Two reasons stand out to explain the military's reluctance to implement ironclad policies that would more effectively control personal spending. The first is a deep commitment to American values of freedom and individualism, especially in the context of the Cold War. As historian Lizabeth Cohen argues in *A Consumer's Republic*, mass consumption in American society after World II promised greater freedom, democracy, and equality, as all citizens exercised the right to choose how to spend their earnings.³¹⁰ Moreover, in the global contest between repressive communism and democratic capitalism, U.S. policymakers reasonably chose to preserve soldiers' entitlement to spend as much as they want, wherever and whenever they want, as citizens of the Free World. Perhaps heralding the 1970s, a decade characterized by declining trust in the government and growing faith in the free market and the private

³¹⁰ Cohen, *A Consumers' Republic*.

sector,³¹¹ the military's decision to rely on soldier's voluntary compliance with limiting piaster spending suggests a strong belief in the values of individualism. In addition, military leaders may have found imposing strict discipline on soldiers forced to participate in an unpopular war politically untenable.

A second reason for military authorities' confidence in soldier's willingness to spend less is a naïve trust that soldiers will feel obligated to do so because of everything the military did for them. In supplying lavish facilities on military bases, military leaders believed that soldiers would stay within the boundaries of bases for entertainment instead of frequenting local bars, restaurants, and attractions. The expansion of PX consumer goods was also intended to direct GI spending toward American-run retail stores, but, of course, soldiers continued to buy locally-made goods and consume services provided by Vietnamese labor. Indeed, the U.S. military could not and did not provide everything that soldiers wanted, most of all the experience of having their emotional and sexual needs fulfilled. Some officials assumed that generous salaries from the military would prevent soldiers from engaging in vice and illegal activities like currency manipulation and prostitution. They could not have been more wrong.

The barrier that American officials attempted to create to separate the consumption of soldiers from the South Vietnamese economy never materialized in a way conducive to the greater war effort. In fact, despite the physical relocation of many American troops out of Saigon, constant interactions between American military

³¹¹ For an interpretation of the 1970s as a decade of increasing legal rights and widening economic inequality, see Thomas Borstelmann, *The 1970s: A New Global History from Civil Rights to Economic Inequality* (Princeton: Princeton University Press, 2011).

personnel and Vietnamese locals took place, many of which undermined law and order and caused further tensions between leaders in Washington and Saigon. Indeed, reliance on individual soldiers' self-discipline and self-control to have South Vietnamese, American, and even their own purported interests at heart proved problematic for American foreign policy in Vietnam. The consequences of which the February 1967 *Cavalair* article, "The War Cannot Be Won Without Stable Economy," warned, including speculation, war profiteering, and hoarding, became realities at one of the most common spaces of American and South Vietnamese encounters: black markets.

Chapter Three: Global Currency Manipulation and the “Billion Dollar Racket,” 1968-1969

“With much soul searching and heavy conscious [sic] and after eighteen months as a soldier in Vietnam dealing with the black market money exchanging racket in Saigon, I feel duty bound to expose the largest black market activities in that country where millions of dollars in U.S. and Vietnamese currency are being passed daily,” an anonymous soldier divulged to American officials in a letter dated 3 September 1968. After “pin-pointing step by step where you are to go to break this racket,” the author confessed, “I am giving you this information so that upon my return to Vietnam I will not be tempted again to deal with any black market money transactions.” Moreover, he admitted, “I did make a lot of money and I am going to pay my taxes with it to ease my conscious [sic].” The author acknowledged that black market activities cost the American and South Vietnamese governments millions of dollars.³¹²

Although American officials urged soldiers to protect both the South Vietnamese and U.S. economies and exercise moral restraint with regard to spending piasters and dealing in the black market, as the previous chapter demonstrates, letters like the one above penned by soldiers demonstrate that American military servicemen participated heavily in the currency black market. The opportunities to get rich quick presented themselves in numerous ways in South Vietnam and enticed many American soldiers and their allied counterparts. From reselling PX merchandise to Vietnamese vendors at higher prices to exchanging MPCs for piasters at a more favorable rate at the local money

³¹² Anonymous letter, 3 September 1968. MACV/Office of the Provost Marshal. Security Classified General Records, 1969-1970. Box 1, Record Group 472, NACP.

changer, it was not hard to make a quick buck in Vietnam. As one veteran stated, “There were official rules about not trading piasters on the black market, which... was a joke because everybody did it on the black market.”³¹³ Participating in the black market was common during the war because it was financially sensible; it was the soldier who knowingly accepted a worse exchange rate who was unusual.

The active contributions to the currency black market by American soldiers and civilians had ripple effects all the way back to the United States. After some soldiers and civilians returned to the United States, they relayed stories of rampant illegal monetary transactions from Vietnam. As we shall see, news of financial illegality in Saigon began to top headlines with greater frequency, and members of Congress initiated investigations into how such shocking amounts of American funds were channeled into the wrong hands. At a time of economic woes in the United States, illegal monetary exchanges in Vietnam, which created an unknown number of war profiteers, added to growing dissatisfaction with the war. Indeed, black market monetary transactions of Americans sent to work and fight in Vietnam contributed not only to South Vietnamese inflation, but also to inflation in the United States.³¹⁴ The loss of millions, if not billions, of dollars due to capital flight from Vietnam came at the expense of American taxpayers, with grave implications for the American balance-of-payments problem.

In addition to harming the American economy, the prevalence of the currency

³¹³ Interview with John Givhan, 11 September 2000, John Givhan Collection, TVCA, TTU, accessed 13 March 2014, www.vietnam.ttu.edu/virtualarchive/items.php?item=OH0059.

³¹⁴ Inflation, in addition to the unstable military situation and the lack of faith in South Vietnam and its currency, drove the flight of capital from South Vietnam. Capital flight, in turn, generally caused currency depreciation, which contributed to inflation. Because the exact amount of capital flight, which was abetted by currency manipulation, is unknowable, it is difficult to quantify the financial effects of capital flight.

black market had severe consequences for South Vietnam as well as the overall war effort.³¹⁵ First, as American and Vietnamese leaders struggled to keep inflation in South Vietnam at reasonable levels, illegal monetary transactions worsened inflation levels by depreciating the value of the piaster. Wealthy Vietnamese, Americans, and allied individuals took advantage of the discrepancy between the official and black market exchange rates in order to export hard currency illegally out of Vietnam, negating any efforts to develop Vietnam economically for the long-term. Second, the entrenched nature of corruption in South Vietnam had damaging effects on the morale of Americans, Vietnamese, and their allies. As testimonies from soldiers and civilians illustrate, the pervasiveness of black market activities undermined the faith of Americans and Vietnamese in their governments. Third, although the hard evidence is difficult to produce given the lack of a paper trail in illegal transactions, many American policymakers and soldiers and civilians involved in black market transactions alleged that some of the profits ended up in Viet Cong hands.

The ubiquity of illegal monetary exchanges contributed to an atmosphere of corruption in South Vietnam that weakened the state's legitimacy. This chapter argues that currency manipulation in South Vietnam was actually a form of American corruption and that economic, political, and diplomatic circumstances of the war made corrupt behaviors far more egregious during the American buildup. The diplomatic failure of

³¹⁵ The black market in consumer goods is distinguished from the black market in currencies. The commodity black market was arguably good for South Vietnam, as it enabled Vietnamese to purchase goods that were unavailable on the legitimate market and contributed to price stability. The currency black market, however, was unequivocally toxic for the South Vietnamese economy as it facilitated capital flight out of the country. Dacy, *Foreign Aid*, 11.

American officials to shape South Vietnam's setting of the official exchange rate allowed South Vietnam to overvalue the piaster at the cost of American taxpayers. Combined with the structural economic problems produced by the war, such as inflation, the favorable exchange rate intensified corruption among South Vietnamese officials to a degree never witnessed before. Through currency manipulation, some of the highest-ranked South Vietnamese officials were able to abuse their public office to stash away fortunes in foreign bank accounts, a fact widely known among the Vietnamese population. The corruption of government officials at all levels and the free-for-all economic environment of South Vietnam's urban areas, demonstrated in the second chapter, dissolved loyalty to the state.

Contrary to the belief among some that corruption was beneficial to underdeveloped countries, corruption in South Vietnam tore away at the trust necessary to build a legitimate government. Several scholars, including social scientists like Samuel Huntington and Nathaniel Leff, argued in the 1960s that corruption helped grease the wheels for underdeveloped societies to function and that it even encouraged economic growth.³¹⁶ They maintained that in modernizing countries without a strong rule of law, corruption allowed people to bypass inefficient laws to accomplish productive tasks. Although other scholars have refuted their arguments since then, the view that corruption

³¹⁶ Samuel P. Huntington, "Modernization and Corruption" in Arnold J. Heidenheimer and Michael Johnston, eds., *Political Corruption: Concepts and Contexts*, 3rd edition (New Brunswick, N.J: Transaction Publishers, 2001); Nathaniel H. Leff, "Economic Development Through Bureaucratic Corruption," *American Behavioral Scientist* 8, no. 3 (1 November 1964): 8–14, doi:10.1177/000276426400800303.

was advantageous for South Vietnam still persists.³¹⁷ As I show in this chapter, corruption in South Vietnam during the war went beyond simply “greasing the wheel.” Currency manipulation and capital flight reflected pessimism in the possibility of an independent South Vietnam. Those who funneled their money abroad chose not to invest in the long-term economic development of South Vietnam. Although it is arguable that uncertainty of the war’s progress caused people to lose their faith in their currency, American economic policies produced their own set of incentives that encouraged capital flight, contributing to economy’s eventual collapse.

Examining how corruption was exacerbated during the war is crucial to understanding why the United States lost the war in Vietnam. Corruption was often claimed to be one of the key factors leading to the downfall of South Vietnam. According to a report based on extensive oral and written statements by twenty-seven former high-ranking South Vietnamese military and civilian leaders on the reasons for South Vietnam’s defeat, corruption was a “fundamental ill that was largely responsible for the

³¹⁷ Economists, with the exception of Leff, have long argued that corruption was harmful to economic growth. See, for example, P. Mauro, “Corruption and Growth,” *The Quarterly Journal of Economics* 110, no. 3 (1 August 1995): 681–712; Andrei Shleifer and Robert W. Vishny, “Corruption,” *The Quarterly Journal of Economics* 108, no. 3 (1 August 1993): 599–617. Political scientists have also demonstrated that corruption in developing countries compounded economic and political problems. The most notable political scientist advancing this argument is perhaps Susan Rose-Ackerman; see her *Corruption and Government: Causes, Consequences, and Reform* (New York: Cambridge University Press, 1999). In the field of Vietnam War studies, orthodox scholars almost uniformly agree that corruption was detrimental to establishing good government in Saigon and the American nation-building mission. Revisionists, however, have different perspectives on the issue of corruption. Some revisionists have either ignored the problem completely or have argued that the Saigon regime was, in the words of historian David Anderson, “not so corrupt and venal as to be worse than its opponents.” David L. Anderson and John Ernst, eds., *The War That Never Ends: New Perspectives on the Vietnam War* (Lexington, KY: University Press of Kentucky, 2007), 23. Guenter Lewy not only acknowledged that corruption existed but also asserted that “graft and bribery...went beyond reasonable limits” because of the opportunities created by the mismanagement of American economic aid programs. Guenter Lewy, *America in Vietnam* (New York: Oxford University Press, 1980), 90.

ultimate collapse of South Vietnam.”³¹⁸ Indeed, South Vietnamese leaders admitted that corruption was degrading the nation, with one official calling corruption “the national cancer.”³¹⁹ On the American side, the USAID, the agency tasked with administering economic aid to South Vietnam, concluded in its final report of the aid program, “There is little question that corruption...was a critical factor in the deterioration of national morale which led ultimately to defeat.”³²⁰

This chapter begins with a discussion of the war’s escalation until early 1968, when the Tet Offensive became a major turning point in the war and forced Lyndon Johnson and his administration to reevaluate American strategy in Vietnam. The fallout of the Tet Offensive and its portrayal in the U.S. media gave further credence to the arguments advanced by antiwar Americans, including criticisms focused on the corruption of the South Vietnamese government. Then as now, however, discussion of South Vietnamese corruption was often in general terms.³²¹ To provide more specificity to the problem of corruption, this chapter turns to an examination of currency manipulation as an economically destructive example of corruption that had serious implications for the stability of the South Vietnamese state. This chapter provides a

³¹⁸ Stephen T. Hosmer, *The Fall of South Vietnam: Statements by Vietnamese Military and Civilian Leaders* (New York: Crane, Russak, and Co., 1980), 76.

³¹⁹ South Vietnamese Prime Minister Tran Van Huong, quoted in Walter LaFeber, *The Deadly Bet: LBJ, Vietnam, and the 1968 Election* (Lanham: Rowman & Littlefield Publishers, 2005), 155.

³²⁰ Quoted in Carter, *Inventing Vietnam*, 227.

³²¹ Many historical accounts of the Vietnam War mention the corruption of the South Vietnamese government without discussing specifically what corruption entailed in the South Vietnamese wartime context. The exceptions to this dearth in literature are Allison, “War for Sale: The Black Market, Currency Manipulation and Corruption in the American War in Vietnam”; James M. Carter, John Dumbrell, and David Ryan, “‘A National Symphony of Theft, Corruption and Bribery’: Anatomy of State Building from Iraq to Vietnam,” in *Vietnam in Iraq: Tactics, Lessons, Legacies and Ghosts* (London and New York: Routledge, 2007); Gibson, *The Perfect War*.

description of how currency manipulation worked in wartime South Vietnam and the diverse set of actors involved in sustaining the enterprise. Although many critics of the war cited the corruption of South Vietnam in their arguments for American withdrawal, currency manipulation was a form of corruption that involved the participation of a significant number of Americans. In fact, without the direct contributions of American soldiers and civilians, the magnitude of illegal economic transactions would not have existed as it did. This chapter uses congressional hearings to shed light on the reasons why currency manipulation operated often with impunity.

Although senators investigated American corruption in the management of military clubs in Vietnam alongside illegal currency manipulation, this chapter focuses narrowly on currency manipulation because of its effects on weakening the South Vietnamese state. This chapter does not focus on other kinds of corruption within the government, military, and the business community. Corruption in government included embezzlement by government officials, nepotism in leadership positions, and requiring bribes to process everyday paperwork. Within the military, corruption included falsifying military records to collect money for “ghost soldiers” who deserted or were killed, and bribing for false discharge.³²² In the business community, for example, “paper importers” took advantage of the American economic aid program by generating false invoices.³²³ While these forms of South Vietnamese corruption contributed to undermining the

³²² Sheehan, *A Bright Shining Lie*, 514.

³²³ “Paper importers” were also a subject of Congressional investigations into the mismanagement of the American economic aid program in South Vietnam. See for example, House Committee on Government Operations, *The Commercial (Commodity) Import Program (Follow-up Investigation), Fifth Report by the Committee on Government Operations*, 90th Cong., 1st Sess., 25 August 1967.

country's legitimacy, I focus on currency manipulation as an important form of corruption because it was often the final mechanism by which government officials and wealthy South Vietnamese were able to secure their private gains. Inflationary piasters derived from bribery, graft, and embezzlement, as we shall see, were transformed illegally into safe and stable American dollars through currency manipulation.

THE TET OFFENSIVE AND WAR DISILLUSIONMENT

Although the American war effort continued to expand and the number of American troops gradually increased into 1968, a combination of events and trends that year would contribute to ending American escalation. In the early hours of Tet, the Vietnamese lunar new year, on 30 January 1968, NLF forces launched offensive attacks on major urban areas all throughout South Vietnam, including Hue, Da Nang, Qui Nhon, Nha Trang, and Saigon. Masterminded by communist leaders in Hanoi, the Tet Offensive aimed to inspire uprisings among local populations below the seventeenth parallel in order to overthrow the Saigon regime and establish the NLF as the rightful leaders of South Vietnam. The onslaught, which occurred during a holiday truce, caught American and South Vietnamese military leaders, who did not believe that the communists had the capacity to execute such an offensive, by surprise. Within a few days, however, American and South Vietnamese forces regained control of most urban territories seized by the NLF, inflicting heavy casualties on the enemy and crippling the NLF's political and military infrastructure. Hanoi's goal to spark a revolution in the South failed to

materialize.³²⁴

Although the Tet Offensive was a military victory for the United States and South Vietnam, media coverage of the event in the United States rendered the NLF's campaign a strategic defeat for Americans and their allies. Shock waves of the Tet Offensive reverberated to the United States, where televised accounts portrayed the assault as indicative of a war that would require significantly greater costs than expected. Television and newspaper commentators, many of whom had long opposed Vietnam war policy, interpreted the Tet Offensive as proof of an unwinnable war. Reports and images of the bloody fighting after Tet suggested to American viewers that the Johnson administration was delusional to believe victory was imminent in Vietnam. Although the Tet Offensive did not sharply turn American public opinion against the war, it nonetheless contributed to the gradual decline in support for the conflict that began in earnest in 1967.³²⁵

The Tet Offensive provided an opportune moment for reevaluation of the war among Johnson administration officials. Indeed, previous debates between military and civilian leaders over increasing or decreasing the number of American troops in Vietnam were resurrected in 1968. As demonstrated in the previous chapter, American military leaders, particularly Westmoreland, held tightly to the belief that an expansion of the

³²⁴ For more information about the Tet Offensive, see Don Oberdorfer, *Tet!: The Turning Point in the Vietnam War* (Baltimore: Johns Hopkins University Press, 2001); Wirtz, *The Tet Offensive*; David Hunt, "Remembering the Tet Offensive," in *Vietnam and America: The Most Comprehensive Documented History of the Vietnam War*, ed. Marvin E. Gettleman et al., 2nd ed. (New York: Grove Press, 1995).

³²⁵ For a critical analysis of the American media's coverage of the Tet Offensive, see Peter Braestrup, *Big Story: How the American Press and Television Reported and Interpreted the Crisis of Tet 1968 in Vietnam and Washington*, 2 vols. (Boulder: Westview Press, 1977).

number of American troops would bring victory, while Defense Department officials like McNamara voiced great concern about troop escalation. After the Tet attacks began, Westmoreland requested an additional 206,000 American troops be deployed to Vietnam. Johnson's new secretary of defense, Clark Clifford, who had commissioned a high-level review of Vietnam policy, pushed back against military proposals and recommended a more limited immediate deployment of 22,000 troops, along with increased pressure on Thieu and Ky to expand the South Vietnamese's role in fighting. Foreshadowing the policy of "Vietnamization" the Nixon administration would implement in 1969, Johnson accepted Clifford's recommendation to send fewer American troops and force South Vietnamese leaders to increase their armed forces and take more responsibility for the war.³²⁶

Although Johnson, in private, decided against the military's drastic proposal in favor of Clifford's modest plan, public revelations of Westmoreland's request intensified dissatisfaction with the war's progress both in policy circles and in the American public. When the *New York Times* published Westmoreland's request, both hawks and doves in Congress expressed strong disapproval and demanded close congressional involvement in any decision-making to further escalate the war. Media critics also questioned why more troops were needed and whether such an expansion would even make a difference in the conflict. In public opinion polls, although support for the war remained around 45 percent until March 1968, approval of Johnson's handling of the war sank to an all-time low of

³²⁶ Herring, *America's Longest War*, 244-48.

26 percent during Tet.³²⁷ Widespread disillusionment among policymakers and the general population alike signaled pessimism about the war's success and created an increasingly antagonistic atmosphere for any possibility of troop escalation.

In addition to public discontent with the war, the specter of American and global financial instability altered conversations about the future of U.S. post-Tet war strategy in Vietnam. By 1968, the financial burdens of waging war weighed heavily on the American economy. Costing as much as \$3.6 billion per year, the war in Vietnam contributed to a deteriorating balance-of-payments deficit and weakened the American dollar in the international market.³²⁸ By late 1967, America's costly spending on the war and subsequent inflation in the United States stoked fears among foreign banks holding dollars that their greenbacks could become worthless. Growing American deficits precipitated a drain of gold reserves in the United States, as foreign banks exchanged dollars for gold in the event that the United States could not guarantee convertibility established under the Bretton Woods monetary system. Periodic runs on gold gradually accelerated to the point that the United States lost \$372 million in gold on March 14, 1968.³²⁹ The dollar's stability was so threatened that, at the behest of Washington, the London gold market closed. The gold crisis of March 1968, which *Time* magazine called "the largest gold rush in history" that "threatened the Western world," began a period of economic woes that influenced decision-making over important policies, including,

³²⁷ Burns W. Roper, "What Public Opinion Polls Said," in Braestrup, *Big Story I*: 674-704.

³²⁸ Herring, *America's Longest War*, 253.

³²⁹ Paul Joseph, *Cracks in the Empire: State Politics in the Vietnam War* (New York: Columbia University Press, 1987), 263.

ironically, those regarding Vietnam.³³⁰ The economic crisis of 1968, though often overshadowed by other defining moments of that tumultuous year, played an important role in restraining the war's expansion in Vietnam, as policymakers grew skeptical about the sustainability of U.S. troop deployments.³³¹

Indeed, the economic consequences of waging war in Vietnam would have a boomerang effect on American decision-making on war policy; the gold crisis of 1968, in large part the result of Vietnam spending, ended up capping American escalation. Westmoreland's request for more soldiers after Tet, much like his previous requests in 1967, had economic implications, though this time around, American policymakers focused more on the immediate impact of increased numbers of troops on the American economy instead of on the South Vietnamese economy. Secretary of the Treasury Henry Fowler cautioned that Westmoreland's recommendations would incur \$2.5 billion in costs in 1968 and \$10 billion in 1969, contributing \$500 million to the American balance-of-payments deficit. Additionally, the massive spending required to fight a war overseas while funding various Great Society programs could no longer continue without major cutbacks. Westmoreland's plan, Fowler argued, would require a major tax increase and retrenchment of domestic programs.³³² Concerns about America's global economic standing thus figured into decisions about its commitment to South Vietnam.

The combination of economic, political, and military developments in early 1968

³³⁰ "Speculative Stampede," *Time*, 22 March 1968, 42.

³³¹ For more information on the 1968 gold crisis, see Robert M. Collins, "The Economic Crisis of 1968 and the Waning of the 'American Century,'" *The American Historical Review*, vol. 101, No. 2 (April 1966), 396-422 and Gavin, *Gold, Dollars, and Power*, 165-185.

³³² Herring, *America's Longest War*, 253.

prompted Johnson to deliver a landmark televised speech on 31 March in which he announced plans for de-escalation of the war. Johnson declared that 13,500 additional soldiers would be sent to Vietnam and requested that Congress approve a tax increase to finance the deployment. Revealing a shift in policy, the president announced that the United States was ready to negotiate toward peace. To that end, he announced the cessation of the bombing of North Vietnam, except for the area north of the demilitarized zone, and the appointment of W. Averell Harriman as chief negotiator in any peace talks that evolved. Perhaps most striking, Johnson stated that he would neither seek nor accept his party's nomination for a second term in office in order to focus all his energies on ending the war.³³³ The president and his closest advisers, however, did not give up their goal of preserving an independent, anti-communist South Vietnam. This unyielding refusal to let South Vietnam fall to communism would force a standoff between the United States and North Vietnam both at the negotiating table and on the battlefield for the next few years.

Although Johnson reversed the trend toward greater American intervention in Vietnam, his plans for de-escalation did not mollify critics of the war; in fact, antiwar critics became even more vocal in staging protests to end American involvement. Opposition to the war among pacifist and New Left organizations began even before American escalation, but the antiwar movement grew after 1965, capturing a diverse group of people, including, for example, hippies, students, draftees, and civil rights

³³³ Ibid., 248–252; Lawrence, *The Vietnam War*, 129–130.

leaders, who opposed the war for different reason.³³⁴ By 1967, prominent individuals such as Martin Luther King Jr. and Muhammad Ali expressed their opposition to the war. Meanwhile, Vietnam Veterans Against the War emerged as a new antiwar organization. By the summer of 1968, two thirds of Americans were in favor of “de-Americanization” of the war, which would gradually shift the burden of fighting to the South Vietnamese forces and simultaneously reduce American troops proportionately.³³⁵ In October 1968, one of the largest antiwar demonstrations to date consisted of around 100,000 protesters who gathered in the nation’s capitol, half of whom marched to the Pentagon. The heightened level of antiwar activism that year entered the presidential campaign process as well, as Democratic candidates argued for complete withdrawal of troops from Vietnam.

SOUTH VIETNAMESE CORRUPTION IN AMERICAN POLITICAL CULTURE

In this context of military and diplomatic stalemate and economic crisis in 1968, the corruption of the South Vietnamese regime became a primary focus of antiwar criticism. Those who opposed the war argued that rampant corruption in Vietnam was indicative of a hopeless political situation in South Vietnam and that it was simply not

³³⁴ For more on the antiwar movement, see Charles DeBenedetti and Charles Chatfield, *An American Ordeal: The Antiwar Movement of the Vietnam Era* (Syracuse: Syracuse University Press, 1990); Walter L. Hixson, *The Vietnam Antiwar Movement* (London: Taylor & Francis, 2000); Penny Lewis, *Hardhats, Hippies, and Hawks: The Vietnam Antiwar Movement as Myth and Memory* (Ithaca, NY: Cornell University Press, 2013); Melvin Small and William D. Hoover, *Give Peace a Chance: Exploring the Vietnam Antiwar Movement : Essays from the Charles DeBenedetti Memorial Conference* (Syracuse: Syracuse University Press, 1992); Melvin Small, *Antiwarriors: The Vietnam War and the Battle for America’s Hearts and Minds* (Lanham: Rowman & Littlefield, 2002).

³³⁵ “GOP War Stand is Backed in Poll: Gallup Finds 66% in Favor of de-Americanization,” *New York Times*, 11 August 1968.

worth the costs for the United States to continue supporting an undemocratic and unpopular government lacking morally upright leaders. At the root of this line of reasoning was a belief that corruption was so entrenched in South Vietnamese society that there was nothing the United States could do to make the country and its leaders less corrupt. For antiwar critics, the reasonable conclusion, therefore, was that the United States should disengage from the conflict.

American politicians—the most vocal of whom was perhaps Senator Edward Kennedy—cited the corruption of the South Vietnamese regime as a strong reason to withdraw from the war. In January 1968, Kennedy claimed that half of the \$30 million in relief funds intended for refugees produced by the Tet Offensive found its way into the pockets of South Vietnamese government officials. In front of an audience at the World Affairs Council of Boston, he asserted that in South Vietnam, police accept bribes, “officials and their wives run operations in the black market. Aid funds and hospital supplies are diverted into private pockets. Army vehicles are used for private purposes, supplies disappear and show up in the bootleg stores on the street.”³³⁶ Kennedy urged “a confrontation between our Government and the Government of South Vietnam on the entire question of corruption, inefficiency, waste of American resources and the future of the ‘other war’”³³⁷ Referring to the “other war” to win the hearts and minds of South Vietnamese for building a stable government, Kennedy suggested that the government on whose behalf the United States fought did not have the trust of its own citizens.

³³⁶ John H. Fenton, “Edward Kennedy Upbraids Saigon,” *New York Times*, 26 January 1968.

³³⁷ “The Honest Vietnamese,” *New York Times*, 30 January 1968.

Antiwar candidates in the Democratic Party, too, spoke about South Vietnamese corruption as a sign that the country was not worth defending. At the 1968 Democratic National Convention, the scene of violent clashes between police and protesters, Eugene McCarthy and George McGovern outlined their antiwar platform. Arguing for limited military interventions abroad, they concluded, “We are...resolved to have no more Vietnams...We shall...[not] lend our support to corrupt oppressive regimes unwilling to work for essential reforms and lacking the consent of the governed.”³³⁸ Likewise, Senator Robert F. Kennedy often invoked the corruption of South Vietnam as one of his main critiques of American involvement. In a lecture at Kansas State University in March 1968, Kennedy asserted that, despite promises by the Johnson administration to curb South Vietnamese corruption, the problem continued, “debilitating South Vietnam and crippling our effort to help its people.” Moreover, he claimed, “pervasive corruption of the Government of Vietnam...[was] a significant cause of the prolongation of the war and the continued American casualties.” South Vietnamese purchased draft deferments and refused to fight, while Americans died on their behalf, he maintained. Citing the findings of Senate and House investigations, Kennedy stated that South Vietnamese officials pocketed American aid funds, smuggled gold and opium into the country, and bought and sold government posts.³³⁹ These charges of a corrupt Saigon regime suggested that the country was not worth American sacrifices of blood and treasure.

³³⁸ Quoted in Sean J. Savage, *JFK, LBJ, And the Democratic Party* (Albany: State University of New York Press, 2006), 315.

³³⁹ “Conflict in Vietnam and at Home,” Robert F. Kennedy, Landon Lecture, Kansas State University, 18 March 1968, accessed 4 December 2014, <http://ome.ksu.edu/lectures/landon/trans/Kennedy68.html>.

Indeed, as the war progressed and stories of corruption in South Vietnam multiplied, members of Congress began to investigate certain forms of corruption that involved the siphoning of American funds. Since the early days of American escalation in Vietnam, congressional leaders played important roles in challenging Johnson's policies in Vietnam.³⁴⁰ Hearings conducted by the Senate Foreign Relations Committee, led by Senator J. William Fulbright from 1966 to 1971, for example, questioned the motives and conduct of America's military policy in Vietnam. Like the Fulbright hearings that gave legitimacy to the arguments of antiwar critics outside of government, congressional investigations into abuses of economic aid also lent more credibility to opponents of American intervention in Vietnam. In 1966, the House Government Operations Committee chaired by Representative John E. Moss (D-CA) found that mismanagement of American economic aid enabled graft, corruption, and black marketing to flourish in South Vietnam and the diversion of supplies to benefit the NLF.³⁴¹ By 1968, Senator Abraham A. Ribicoff (D-CT), after returning from a tour of Southeast Asia, concluded that millions of dollars were being "squandered because of inefficiency, dishonesty, corruption and foolishness" in Vietnam.³⁴² He urged a broad Congressional investigation of American programs in Vietnam.

In addition to corruption involving the administration of American economic aid, the corruption of Americans in Vietnam became the subject of congressional

³⁴⁰ A brief article on this topic is Julian Zelizer, "How Congress Helped End the Vietnam War," *The American Prospect*, 2 February 2007, accessed 3 December 2014, <http://prospect.org/article/how-congress-helped-end-vietnam-war>.

³⁴¹ Felix Belair, Jr., "House Committee Charges mismanagement in Economic Aid to South Vietnam Has Helped Enemy," *New York Times*, 14 October 1966.

³⁴² "Ribicoff Says 'Millions Are Squandered' in Vietnam," *New York Times*, 12 May 1968.

investigations in 1969. Members of congress confirmed that not only South Vietnamese but also Americans benefited from illicit practices in Vietnam that harmed the U.S. economy. That year, the Permanent Subcommittee on Investigations of the Committee on Government Operations, chaired by Senator John L. McClellan (D-AR), published a report based on investigations in the two previous years revealing widespread abuse in the Commercial Import Program, including “kickbacks” to American companies.³⁴³ By August 1969, the U.S. Army began an investigation of illicit practices within official and noncommissioned officer clubs in Europe and South Vietnam.³⁴⁴ By late 1969, congressional hearings revealed to the American public the far-reaching consequences of the currency black market in South Vietnam for the United States: that millions of American taxpayer dollars went straight to the bank accounts of Americans, Vietnamese, and citizens of other nationalities.

THE OFFICIAL EXCHANGE RATE AND CURRENCY MANIPULATION IN SOUTH VIETNAM

Long before American combat troops arrived in South Vietnam, Vietnamese and foreigners alike profited from war through currency manipulation, which was predicated upon the existence of an official exchange rate and a black market exchange rate. During the French occupation of Indochina, entrepreneurial French and Vietnamese participated in the “traffic of the piaster” by using legal and illegal means of converting currency to

³⁴³ Senate Permanent Subcommittee on Investigations of the Committee on Government Operations, *Improper Practices, Commodity Import Program, U.S. Foreign Aid, Vietnam: Report of the Committee on Government Operations, United States Senate, Made by its Permanent Subcommittee on Investigations Together with Individual Views*, 91st Congress, 1st Session, No date, 1969.

³⁴⁴ *Public Affairs: The Military and the Media, 1968-1973* (Washington, DC: Government Printing Office, 1996), 191.

make enormous profits in what historian Joseph Buttinger has called “the greatest financial scandal in the entire history of colonial Indochina.”³⁴⁵ Many French and Vietnamese started with a sum of piasters to exchange for francs at the official but highly overvalued rate of one piaster to 17 francs. With those francs, they then obtained piasters at their real, low market value of 7 of 8 francs by importing goods into Indochina or illegally by converting francs into dollars and then purchasing discounted piasters on the black market. As Buttinger wrote, these monetary operations went on long enough to “produce quite a number of new French and Vietnamese multimillionaires, at the expense of the French treasury.”³⁴⁶ The cost of piaster trafficking to France was significant; reports estimated losses at 500 million francs daily.³⁴⁷ This had serious consequences for the French economy as well as the course of the war, as many French critics alleged that dollars sold in Saigon ended up helping the Viet Minh purchase the weapons used against the French.³⁴⁸ A little over a decade later, critics of U.S. involvement in Vietnam would level similar criticisms against the American government’s contributions to currency manipulation.

The illegal currency transactions that occurred under the French continued as the United States assumed the role of providing financial support to the Republic of Vietnam in 1955. In 1955 the U.S. Agency for International Development (USAID) adopted the rate of 35 piasters to one dollar as the basis for its economic aid program to the newly-

³⁴⁵ Joseph Buttinger, *Vietnam: A Dragon Embattled* (New York: Praeger, 1967), 778.

³⁴⁶ Ibid.

³⁴⁷ Fredrik Logevall, *Embers of War: The Fall of an Empire and the Making of America’s Vietnam* (New York: Random House, 2012), 348.

³⁴⁸ Ibid.

established Republic of Vietnam.³⁴⁹ Indeed, when the United States became South Vietnam's benefactor, the primary goal was to "plug the financial gap" created after the French departed, particularly because the new government required a substantial amount of funds to sustain a large native security force previously provided by the French.³⁵⁰ After 1955, a set of different exchange rates evolved for various kinds of transactions between Americans and Vietnamese. As was the case during French colonization, Vietnamese piasters yielded low value in the international market but were valued artificially high by American policymakers, who took concerns of price stability, inflation, and living standards into account when determining the foreign exchange rate.³⁵¹ Because the piaster continued to be overvalued, anyone interested in protecting his or her wealth thus had great financial incentive to convert piasters into American dollars.

As the military, political, and economic circumstances of South Vietnam unraveled, however, American officials grew concerned about the overvalued official exchange rate. Indeed, the discrepancy between an official and a black market exchange rate for conversion between American dollars and Vietnamese piasters had plagued relations between Washington and Saigon. Because the setting of the exchange rate fell within South Vietnamese jurisdiction, American policymakers could not single-handedly determine what the piaster was worth on the international market. Instead, American

³⁴⁹ The rate of 35 piasters to a dollar was established by a Franco-Vietnamese monetary agreement in 1953.

³⁵⁰ Cited in Dacy, *Foreign Aid*, 3.

³⁵¹ For a discussion of why American officials overvalued the Vietnamese piaster and why Vietnamese leaders resisted devaluation, see *Ibid.*, 33–34.

officials consistently pressured Ngo Dinh Diem to devalue the piaster in order to bring the wildly profitable exchange rate to a more realistic exchange rate that reflected actual demand for the Vietnamese piaster. Members of Congress, too, focused on what they called an “inequitable rate of exchange” and argued that devaluation was necessary to further prevent millions of American aid dollars from being wasted in South Vietnam. Diem, however, repeatedly refused devaluation. In his view, the “very possibility of devaluation would create a panic in Viet-Nam.” Moreover, he stated that devaluation was “possible only for a country with a very high level of production.” In the case of South Vietnam, which relied to a great extent on imported goods, Diem asserted that devaluation would raise the prices of imported commodities considerably.³⁵²

By 1966, members of Congress set out to investigate the American military and economic assistance programs in Vietnam and the role of the exchange rate in the efficiency of American aid. That year, the House Committee on Government Operations authored the first comprehensive report of the American economic aid program in South Vietnam. In its report, committee members wrote that, “there are really three wars raging in Vietnam. The military war, a political war, and an economic war. Without victory in the last, success in the other two would be meaningless.”³⁵³ More specifically, they contended that the exchange rate for CIP commodities “was unrealistic; was conducive to

³⁵² Memorandum of a Conversation, Blair House, Washington, 10 May 1957, *Foreign Relations of the United States, 1955-1957, Volume I, Vietnam*, eds. Edward C. Keefer and David W. Mabon (Washington: Government Printing Office, 1985), Document 381, accessed 16 December 2014, <https://history.state.gov/historicaldocuments/frus1955-57v01/d381>.

³⁵³ House Committee on Government Operations, *An Investigation of the U.S. Economic and Military Assistance Programs in Vietnam. Forty-second report by the Committee on Government Operations*, 89th Cong., 2nd Sess., 12 October 1966.

speculation, windfall profits and corruption; was feeding rather than curbing inflation; and was depriving the United States of maximum benefit from its assistance programs.” At the time of the congressional investigation, an exchange rate of 60 piasters to one dollar was established for imports financed by USAID, 73.5 piasters to one dollar for GVN transactions, and 118 piasters to one dollar, the so-called accommodation rate, for transactions by American personnel. Investigations into the corruption resulting from the inequitable exchange rate led Secretary of State Dean Rusk to acknowledge that some of the American aid to Vietnam was “pocketed by corrupt officials of both governments.”³⁵⁴

After 1966, South Vietnamese leaders would not devalue the piaster again until 1970. Nguyen Cao Ky devalued the official exchange rate to 118 piasters to one dollar in 1966, which was wildly unpopular amongst the South Vietnamese population. American officials suspected that Ky suffered politically as a result of the devaluation. Thieu, like his predecessors, had strong reasons to resist devaluation of the piaster. Devaluation of currency had not just economic ramifications but political consequences as well. First, devaluation could worsen inflation, as prices of commodities would increase while wages would remain stagnant. For South Vietnam, devaluation also meant receiving less American economic and military aid. Since the United States overpaid South Vietnam in economic assistance, devaluing the piaster would mean that South Vietnam would receive much less aid. Second, devaluation conveyed to citizens that their nation’s currency was growing weaker and valued less. A formal devaluation of the piaster, in

³⁵⁴ Felix Belaire, Jr., “Concedes Black Market Involves Americans and Vietnamese,” *New York Times*, 27 January 1966.

addition to the unstable military and political environment, would thus further diminish the confidence of South Vietnamese in the country.

American officials' inability to influence the actions and policies of South Vietnamese government officials thus partially explains the prevalence of currency manipulation during the war. As *The Asia Letter*, self-described as "an authoritative analysis of Asian affairs," expressed in 1970, "Nothing better illustrates just how little influence the United States has over the internal, non-military affairs of South Vietnam than that country's refusal to devalue the piastre."³⁵⁵ Indeed, the political leverage of South Vietnamese government officials over their American counterparts on the issue of the exchange rate helped create the financial discrepancy between the official and black market rate that enabled many Vietnamese and foreigners to make substantial profits out of thin air.

THE FUNCTIONING OF CURRENCY MANIPULATION

Currency manipulations expanded to even greater scales after American escalation. The arrival of American troops to Vietnam added inflationary pressures to the South Vietnamese economy, and American officials attempted to attenuate the inflationary impact through several methods, including appealing to soldiers to conserve their spending of piasters, as discussed in the previous chapter. Even the introduction of MPCs did not, however, stop American military personnel and civilian employees from bringing greenbacks into the country by traveling through other Southeast Asian

³⁵⁵ Special Report, *The Asia Letter*, September 1970,

countries. Dollar instruments such as travelers' checks and postal money orders were the legal means by which Americans could send money back to the United States. These legal currencies also became conduits for illegal monetary transactions, as Americans, Vietnamese, and Free World personnel aimed to transfer their wealth from the shaky and unstable Vietnamese piaster to the world's reserve currency. A money order or check with no designated recipient name, for example, was highly prized among Vietnamese, Americans, and anyone else interested in storing their money in a foreign bank account. On the contrary, Vietnamese citizens consistently devalued their own currency on the black market in hopes of acquiring American dollars. Besides hard currency, small, valuable, and transferable objects that could easily guarantee convertibility to dollars, like gold, diamonds, and even fur, were equally desirable among those who sought to safeguard their wealth outside of Vietnam. Particularly for wealthy Vietnamese citizens, the preference for dollars over piasters reflected a concern for the military situation and an unsteady faith in the stability of the South Vietnamese economy. Many upper-class Vietnamese and senior government officials converted their wealth into hard currency that could be stored safely abroad in foreign bank accounts.

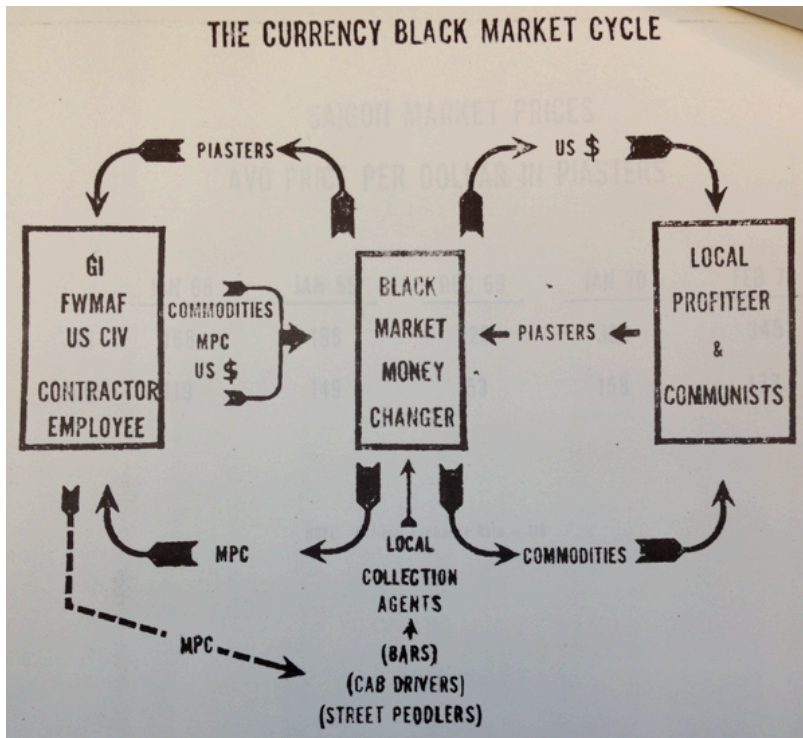


Figure 16. “The Currency Black Market Cycle”³⁵⁶

A chart titled “The Currency Black Market Cycle” [Figure 16] indicated the various ways in which American GIs, Free World forces, American civilians, contractor employees, black market moneychangers, communists, and local service employees contributed to the currency black market. At the center of the chart, the black market moneychanger acts as the central conduit through which different currencies and commodities flow. The profits for the participants in this cycle came at the expense of American taxpayers. On the left of side of the chart, the black money changer could give piasters exchanged at a favorable rate to American soldiers, their Free World

³⁵⁶ Report of the Interdepartmental Action Task Group (Vietnam) Team Visit to Southeast Asia, 16-27 March 1970, Box 23, Subject Files, Compiled 1966-1975, Documenting the Period 1964-1975, RG 59, NACP.

counterparts, and civilian contractor employees, who could use those piasters to purchase commodities, MPCs, and American dollars to funnel back to the money changer. As holders of MPCs, they could also pay Vietnamese vendors of local services, including bar girls, cab drivers, and street peddlers in that currency, which many military and civilian personnel did despite laws prohibiting them from using MPCs to pay Vietnamese. Local collection agents then collected MPCs from Vietnamese vendors and employees and exchanged them with the black market moneychanger at a profit. The moneychanger could also trade MPCs with American GIs and civilians, who could use them to buy goods and dollar instruments to be filtered through the moneychanger again.

In addition to benefiting various individuals, the currency black market, as understood by American government officials, also appeared to support communists. On the right side of the chart, the black market moneychanger supplied commodities and American dollars, most likely in the form of dollar instruments, to “local profiteers and communists.” The assumption was that communists would be able to purchase goods in the black market and resell them for piaster profits. The ability of communists to earn American dollars, according to this chart, also suggests they used the money to purchase ammunition. Indeed, in 1966 David E. Bell, a foreign aid administrator, stated, “There is a black market and the Vietcong is playing it to the hilt.”³⁵⁷ Moreover, as the chart implies, the profits generated from currency black marketing could be used to make more money as long as American economic aid was forthcoming.

³⁵⁷ Felix Belaire, Jr., “Concedes Black Market Involves Americans and Vietnamese,” *New York Times*, 27 January 1966.

Although there were many variations on how individuals and corporations could illegally exchange currency for a profit, the basic premise involved taking advantage of the black market exchange rate for Vietnamese piasters. For example, instead of exchanging dollars or MPCs at the official rate of one dollar to 118 piasters, an American soldier or civilian could go to one of the money changers at the book stores on Tu Do street in Saigon to acquire between 160-200 piasters per dollar or MPC.³⁵⁸ By October 1969, one could acquire almost 240 piasters per dollar on the black market.³⁵⁹ On an individual scale, exchanging money on the black market appeared like a harmless transaction that was a win-win for both parties involved. On a grander scale, however, the participation of numerous individuals and organizations in currency fraud facilitated widespread capital flight that was destructive for South Vietnam's already weak economy.

An expose on black market currency manipulation in the 1 August 1969 issue of *Life* Magazine described how easily someone could make a quick fortune in Vietnam and repeat the cycle indefinitely. Testifying in March 1969 before the Senate's Permanent Subcommittee on Investigations, Cornelius Hawkrigde, one of the most outspoken critics of black market activities, explained how he brought \$1,000 into one of the bookstores on Tu Do street in Saigon in exchange for \$1,600 in MPCs from an Indian money changer. He then bought \$1,600 worth of traveler's checks at the Chase Manhattan branch bank

³⁵⁸ The official exchange rate of one dollar to 118 piasters was in effect from September 1965 to September 1970. The bookstores on Tu Do street operated as fronts for money changers.

³⁵⁹ House Committee on Government Operations, *A Review of the Inequitable Monetary Rate of Exchange in Vietnam*.

and returned to the bookstore, where the moneychanger gave him \$2,560 in MPCs for the traveler's checks. He subsequently took the \$2,560 in MPCs to the Chase Manhattan bank to purchase the equivalent amount in traveler's checks, handed the checks to the moneychanger, and received \$4,096 in MPCs. This cycle could potentially last forever, but Hawkridge stated, "I was so nervous I thought I was going to collapse, so I just quit with a \$3,096 profit."³⁶⁰

Hawkridge demonstrated that there were many other ways to double one's money in MPCs, including ordering the purchase of a car and then canceling the order. He described that any enterprising American could order a GM or Ford automobile for stateside delivery. To use himself as an example, he placed an order for a Buick that cost approximately \$5,000, although he only spent \$2,500 because of the black market. A few days later, he notified the GM office in New York that he would like to cancel the order and asked the company to deposit the \$5,000 in his checking account in the United States. As the magazine noted, Hawkridge made a \$2,500 profit; plus his original funds were safely stored in his bank account.³⁶¹ Hawkridge admitted to journalist James Hamilton-Patterson, "the whole system of Military Payment Certificates was carte blanche for the world's money-changers. It provided a convenient vehicle for manipulation and the loser was always the United States; more specifically, the American taxpayer...."³⁶² Hawkridge's perspectives on the implications of currency manipulation

³⁶⁰ Frank McColloch, "For Profiteers, What a Lovely War," *Life*, 1 August 1969, 48.

³⁶¹ *Ibid.*

³⁶² James Hamilton-Paterson, *A Very Personal War: The Story of Cornelius Hawkridge* (London: Hodder & Stoughton, 1971), 129.

for everyday Americans would hit closer to home once reports of currency fraud began to gain widespread media attention in the United States.

CONGRESSIONAL HEARINGS IN 1969

Although members of Congress had looked into allegations of fraud and misconduct with regard to the black market in South Vietnam before 1969, Congressional hearings in November that year revealing that the black market in Vietnam was a “billion dollar racket” topped headlines around the nation. As stories of black marketing and currency manipulation like Hawkridge’s came back with soldiers and civilians to the United States, a subcommittee of the Senate Committee on Government Operations began investigations into a variety of fraudulent and corrupt activities involving the American government in South Vietnam. Picking up after previous investigations and hearings about illicit activities in Vietnam,³⁶³ the Permanent Subcommittee on Investigations aimed to uncover information about “the use of non-appropriated funds on military installations, conflicts of interest in the club systems, illegal traffic in weapons and munitions, irregularities in the PX system, and illegal currency manipulation in South Vietnam and other areas.”³⁶⁴ The Permanent Subcommittee on Investigations, authorized

³⁶³ The most notable series of investigations into the mishandling of economic aid in South Vietnam was conducted by the Subcommittee on Foreign Operations and Government Information of the House Government Operations Committee in 1966. The subcommittee, chaired by Representative John E. Moss (D-CA), criticized USAID for allowing abuses of the Commercial Import Program and creating opportunities for black market profiteering.

³⁶⁴ Corruption in military installations, military clubs, and the traffic of weapons is important in contributing to the atmosphere of fraud and mistrust in South Vietnam, but those topics are beyond the scope of this dissertation. Senate Permanent Subcommittee on Investigations of the Committee on Government Operations, *Fraud and Corruption in Management of Military Club Systems; Illegal Currency*

under Senate Resolution 26 on 17 February 1969, and by the Government Operations Committee on 23 September 1969, to conduct hearings on these topics, was formally under the chairmanship of McClellan, but Ribicoff served as acting chair. The subcommittee also comprised Henry M. Jackson (D-WA), Sam J. Ervin, Jr. (D-NC), Lee Metcalf (D-MT), Karl E. Mundt (R-SD), Jacob K. Javits (R-NY), Charles H. Percy (R-IL), and Edward J. Gurney (R-FL).³⁶⁵ After eight months of investigations that brought committee staff members to South Vietnam, other parts of Southeast Asia, and many American cities, the subcommittee began hearings on 30 September 1969. These congressional hearings included the testimonies of various government officials, economists, and participants in the black market.

Hearings on currency manipulation in South Vietnam demonstrated to the subcommittee and the American public the gravity of the problem. Testifying before the subcommittee on 18 November 1969, Robert Parker, chairman of the Irregular Practices Committee, stated in his opening statement:

Black marketeers and illicit money changers have built a billion dollar racket in Vietnam. In Saigon and other cities, they create an atmosphere of illegality and fraud, immorality and cynicism. Black marketeers and money manipulators give aid and comfort to the enemy. Their activities make the Vietnamese economy more unstable and subvert efforts to establish economic stability to Vietnam. They undermine what we are trying to achieve in Vietnam.³⁶⁶

Parker was perhaps the highest-ranked American official to publicly acknowledge the

Manipulations Affecting South Vietnam: Hearings Before the Permanent Subcommittee on Investigations of the Committee on Government Operations, 91st Cong., 1st Sess., 30 September, 1, 2, 3, 6, and 7 October, 1969, hereafter cited as *Fraud and Corruption Hearings*, part 1, 1.

³⁶⁵ The subcommittee also included General Counsel Jerome S. Adlerman, Chief Counsel Donald F. O'Donnell, Chief Counsel to the Minority Philip W. Morgan, and Chief Clerk Ruth Young Watt.

³⁶⁶ *Fraud and Corruption Hearings*, Part 3, 536.

severity of the black market problem. As he acknowledged, black marketing tore away at morale, disrupted American efforts to fight South Vietnamese inflation, and contributed financially and psychologically to the cause of communists. Parker argued that this “billion dollar racket” could very well result in a South Vietnamese collapse and American defeat.

During his testimony, Parker provided a vivid example of how currency manipulation involving MPCs operated, which illustrated the diverse number of groups and individuals involved.³⁶⁷ The story went as follows: Joe was an American authorized to use MPCs; Jimmy, like Joe, could use MPCs but also had contacts with the post office and with moneychangers; Susie, a Vietnamese national, accepted MPCs as payment for services she provided; Mohamed, an Indian national, bought and sold piasters; Hindu, also an Indian national, dealt piasters wholesale; and Hangsengbank was one of the many banks located in Hong Kong. The chain of transactions began when Joe paid Susie, who could work as a maid, bar girl, prostitute, or any number of other occupations, in MPCs for services rendered. Susie, not authorized to use or spend MPCs, willingly took a slight discount on her services to receive MPCs. She made up for the loss and more, however, by taking her MPCs to Mohamed, who gave her 160 piasters per MPC instead of 118 piasters at the legal conversion rate. Mohamed, who knew that Jimmy had connections with the post office, paid Jimmy 170 piasters per MPC, so that Jimmy could take the MPCs and purchase U.S. postal money orders. Mohamed, now possessing money orders,

³⁶⁷ Although one MPC was officially convertible to one dollar by military regulations, on the black market, one MPC was worth less than a dollar because black market moneychangers treated the MPC as a means to acquire dollars.

sold them to Hindu, the wholesaler, for 180 piasters, thereby making a 10 piaster per MPC profit. Hindu deposited the money orders in Hangsengbank and sought cable transfers, which indicated American dollars deposited in a bank outside of Vietnam, from anyone who would like to safely stash his or her money in a foreign bank account for more than 180 piasters per dollar.³⁶⁸ Although there were many variations on how individuals and corporations could illegally exchange currency for a profit, the basic premise involved taking advantage of the black market exchange rate for Vietnamese piasters.

All the participants were winners in this story. Joe received his services at a minor discount; Susie got more piasters for accepting MPCs; Jimmy made a profit from selling those MPCs; Mohamed and Hindu both profited from selling money orders and dollars, respectively; and Hangsengbank earned a commission from the bank deposits. Finally, the person who wished to convert piasters to a more stable currency had his dollars securely stowed in a foreign bank. The losers in this situation, as members of the subcommittee surmised, were the Vietnamese government and American taxpayers. The Vietnamese government lost hard currency as a result of these currency manipulations, while Americans had to send more aid to compensate for diminishing hard currency in Vietnam.³⁶⁹ Perhaps the most important figure who made the system work in this hypothetical story was Jimmy, who as an authorized American in Vietnam was able to exchange MPCs into postal money orders. Without this crucial step converting previous

³⁶⁸ *Fraud and Corruption Hearings*, Part 3, 548.

³⁶⁹ *Fraud and Corruption Hearings*, Part 3, 549.

exchanges into American dollars, the export of American dollars to bank accounts outside of Vietnam would not have been possible. As the story demonstrates, although currency manipulation was not necessary for capital flight, the ability to profit on currency exchanges by a multitude of individuals and corporations made the process of taking funds out of Vietnam more financially attractive for the person at the end of the chain. In other words, the person looking to possess dollars paid less for the export of his money, because Hindu was able to make a profit from the exchange. At each step of this transaction chain for capital flight, then, the cost of each middleman was borne by the American treasury.

As the hearings revealed, the roles played by banks around the world, including in the United States, in currency manipulation were crucial to the flight of capital away from Vietnam. Carmine S. Bellino, an accountant-investigator for the Senate Permanent Subcommittee on Investigations, identified thirteen bank accounts in the United States and in Hong Kong that held black market funds from Vietnam. These accounts, which were only a few of the many that existed around the world, received deposits totaling around \$375 million in fewer than five years, thus averaging about \$75 million in deposits each year.³⁷⁰ The most egregious cases of currency manipulation, however, involved the Prysumeen Account in the Manufacturers Hanover Trust Bank in New York. According to Bellino, the account belonged to a smuggler and black marketeer from India named B.S.A Rahman, a trader in precious metals and stones, motion picture

³⁷⁰ *Fraud and Corruption Hearings*, Part 3, 612-3.

producer, and wire and rope manufacturer.³⁷¹ Born in 1929, Rahman controlled Baker & Co. and the Precious Trading Co., and managed a group of Indian nationals involved with illegal monetary transactions and the smuggling of gold, diamonds and other valuable stones and metals. Since 1957, Rahman and his associates held accounts at Manufacturers Hanover Trust Bank. When Rahman's associates requested to have a secret numbered account with the bank in 1963, the bank replied that while they could not approve a numbered account, they could approve a coded account. At the suggestion of an assistant secretary at the bank, who came up with the code-name Prysumeen, Rahman's black market account was born in 1963.³⁷²

The amount of dollars deposited and withdrawn from the Prysumeen account was staggering, but the destination of dollars was also revealing about the transnational reaches of the currency black market in Vietnam. As Bellino testified, during the four years from mid-1965 to early 1969 when the Prysumeen account was closed, deposits in the account totaled \$51 million, with about 45 percent of these funds originating from sources in Vietnam or other parts of Asia. During the same time frame, \$42 million, or about 82 percent, was withdrawn from the account and sent to accounts in the Middle East. More specifically, the funds went to the seaport city of Dubai on the Persian Gulf. Through accounts like Prysumeen in the United States, large sums of money were channeled all over the globe to locations where gold could be purchased legally. As

³⁷¹ Senate Permanent Subcommittee on Investigations of the Committee on Government Operations, *Fraud and Corruption in Management of Military Club Systems; Illegal Currency Manipulations Affecting South Vietnam, Report of the Committee on Government Operations, United States Senate, Made by Its Permanent Subcommittee on Investigations*, 92nd Cong., 1st Sess., 2 November 1971, hereafter cited as *Fraud and Corruption Report*, 194.

³⁷² *Fraud and Corruption Report*, 194-5.

Bellino explained, “the banks in Dubai do business in gold.” Gold smuggling was rampant there, with gold hoarders paying around \$70 per ounce and even as much as \$85 per ounce, when the official price per ounce of gold established by the U.S. government was \$35.³⁷³ According to Parker’s testimony, Indian moneychangers then smuggled gold or diamonds back into Vietnam for perfectly legal sale without any trace whatsoever. He noted that since gold and diamonds command high prices, “the moneychanger wins again.”³⁷⁴ Although not brought up in the congressional hearings, investigators also found that the account involved illegal transactions in art works as well.³⁷⁵ American officials believed that gold and other precious gems and commodities were sold at competitive prices, generating piasters then used illegally to purchase dollar instruments, such as postal money orders or personal checks, with the complicity of Americans, for capital flight. The cycle of profit then repeats itself.

Given the role that international banks played in providing a safe haven for these large-scale transactions, subcommittee members maintained that American banks were complicit in the currency black market. Parker stated that “the U.S. banking industry, unknowingly, of course, is being used by the money manipulators.” However, Ribicoff disagreed with his assessment of the innocence of banks. He asserted, “the extent of these transactions are such that it is my personal opinion that these banks knew what was going

³⁷³ The price of one ounce of gold was set at \$35 from 1934 to 1971 under the Bretton Woods system. After the end of dollar convertibility to gold in 1971, the price of gold floated freely.

³⁷⁴ *Fraud and Corruption Hearings*, Part 3, 538.

³⁷⁵ Howard E. Haugerud to J.K. Mansfield, 3 October 1968, Box 498, AID (US) 7-2 VIETS, 1/1/68, Record Group 59, NACP.

on.”³⁷⁶ Members of the subcommittee wondered why American officials did not close this major avenue of black marketing. Regarding the Prysumeen account, Senator Gurney asked Parker, “Without these legitimate accounts and being in the U.S. banks, a lot of this black market activity could not have continued; isn’t that correct?” Parker replied that American banks made the illegal activities easier, although Swiss banks could have theoretically been used as well. Gurney continued, “Now then my question is this: We have U.S. Government people, U.S. Embassy people in Vietnam or the foreign aid people. Have they made any recommendations about what these banks ought to do about these ‘Prysumeen’ accounts?” Parker responded in the negative. When pushed further by the senator, Parker explained that “we don’t know what to recommend. At least I don’t personally.” Gurney countered, “Well, I can think of something to recommend. Do away with the accounts.”³⁷⁷

Although the Prysumeen account would be closed in early 1969, savvy moneychangers would later open other accounts for their illegal transactions. Banking regulations providing privacy for account holders made it challenging for American officials to fully investigate the degree to which banks knowingly participated in the currency black market. As Bellino discovered when he issued a subpoena for the financial records of the Dubai branch of the First National Bank of New York, where Prysumeen funds were disbursed, banking officials explained that they could not comply, because American legal precedent did not order compliance for a subpoena for records

³⁷⁶ Quoted in “U.S. Banks Blamed for Viet Black Market,” *The Boston Globe*, 19 November 1969.

³⁷⁷ *Fraud and Corruption Hearings*, Part 3, 555-556.

located in a foreign ranch if the foreign government prohibited the release of documents. While senators like Ribicoff believed that banks were aware of the black market accounts, at least one bank spokesman stated defensively that the “bank obviously cannot know the nature of every deposit into and withdrawal from a checking account.”³⁷⁸

Although banks and moneychangers provided the structure for currency manipulation, a large source of the money that provided the initial capital originated from Americans, particularly American businesses. As the American goal to construct a stable and noncommunist South Vietnamese state required the labor of American companies ranging from construction to transportation to food preparation, hundreds of American companies earned government contracts to complete tasks on behalf of the United States.³⁷⁹ American companies, which were compensated in dollars in Vietnam, would often exchange piasters at the black market rate, instead of at the official rate for corporations, one dollar to 84 piasters, because they could get more piasters at the illegal rate to pay their subcontractors in Vietnam.³⁸⁰ Bellino identified a list of thirteen American firms that dealt in the currency black market while engaged in business with the U.S. military or with the USAID in South Vietnam. These firms nearly doubled their money by depositing their money, a total of \$725,700, in a coded black market bank

³⁷⁸ Cited in “Black Market Perils Vietnam, Senators Told,” *The Washington Post*, 20 November 1969.

³⁷⁹ As historian James Carter has written, beginning in 1954, the United States poured money and expertise to help construct a modern and democratic state below the seventeenth parallel in Vietnam. This state-building project sent numerous Americans specializing, for example, in civil police, public administration, public finance, industry, agriculture, and education to work in South Vietnam. Private contractors also built roads, bridges, canals, and airfields in the country. For more on the massive construction projects in South Vietnam and the war profiteering of private contractors, see Carter, *Inventing Vietnam*, 181–227.

³⁸⁰ William T. Allison, *Military Justice in Vietnam: The Rule of Law in an American War* (Lawrence: University Press of Kansas, 2007), 152. McColloch, “For Profiteers, What a Lovely War,” 48.

account in New York. The firms, all of which had headquarters in Saigon, Hong Kong, Singapore, or Okinawa, would then receive their profits in Vietnamese piasters, estimated to be about \$650,000 more from the illegal currency transactions than they would have if they converted their money legally. One company, Star Distributing Co., which dominated the distribution of the military newspaper, *Pacific Stars and Stripes*, deposited \$58,500 in the Prysumeen account and profited, like other firms identified, by receiving piasters at the rate of at least 200 piasters per dollar. Other firms named that worked with the U.S. government in Vietnam included: American Service Sales, American Industrial Service, Degill Corporation, Elleget Enterprises Incorporated, Mrs. Isobel Evans and R and R Supply Company, Lad Promotions, Sarl Electronics, Tectonics Asia Incorporated, and Worldwide Consultants.³⁸¹ Parker asserted that once deposits were transferred to the Prysumeen account, the bank would notify agents associated with the account, who would then pay the American depositor in piasters at the black market rate.³⁸²

The participation of American civilians, however, was a major factor sustaining the currency black market, Parker maintained. In addition to the money provided by American companies, the money of American civilians employed by U.S. contractors in Vietnam supplied the money for illegal transactions. As Parker stated, “There are a number of Americans in this category who work hard, play equally hard, gamble for high stakes and who see nothing wrong with cashing money wherever they can get the best

³⁸¹ Robert L. Jackson, “Viet Black Money Doubles Money for Firms, Senate Told,” *Los Angeles Times*, 21 November 1969.

³⁸² *Fraud and Corruption Hearings*, Part 3, 545-6.

rate or where they can make a quick profit.”³⁸³ Moreover, he added that these civilian employees knew that if they get caught exchanging money illegally, the worst case scenario would be that they lose their jobs; and if they lost their jobs, they could easily find another one. In the end, however, the companies would terminate all employees anyway when the tasks and projects in Vietnam were completed. The temporary nature of contractor employment, Parker suggested, was a major reason why a large number of American civilians participated in the currency black market. He asserted that many people recruited to work in Vietnam were not career employees and therefore had lesser incentives to exercise virtue in their financial actions.

The other group of American civilians contributing to the currency black market that Parker cited were “category four” Americans, expatriate civilians who lived in South Vietnam and were not associated with the military. Parker asserted that these individuals “roamed around the globe since the 1940s, following our troops wherever they make camp, from France, to Germany to Japan to Korea to Vietnam.”³⁸⁴ Often unemployed, these “category four” Americans took advantage of their American citizenship and their status as private citizens and therefore immune from American jurisdiction, to engage in illicit activities that often accompanied cities where American soldiers were stationed. In addition to illegally transferring money using a variety of dollar instruments, Parker gave an example of a “category four” American who “actively engaged in intimidation,

³⁸³ *Fraud and Corruption Hearings*, Part 3, 539.

³⁸⁴ *Fraud and Corruption Hearings*, Part 3, 540.

extortion, bad checks and other illicit activities while posing at various times as a CID agent, a customs agent, a CIA agent and as an informant for Vietnamese agencies.”³⁸⁵

On the role played by American civilians, Parker conceded that since there was no breach of American laws in most cases of currency manipulation, it was challenging for the U.S. government to take any action against them. He lamented, “Regrettably, it is very difficult for the Government of Vietnam to effectively cope with these people. Because of the role played by the U.S. in the economy of the nation they go out of their way to avoid trouble with Americans.” Parker argued that the United States “desperately need a system whereby American nationals abroad can be brought to justice—especially in Vietnam where the host government is understandably reluctant to file charges against our citizens.” In arguing that South Vietnamese authorities were hesitant to punish American civilians for justifiable reasons, Parker minimized the role South Vietnamese officials played in the black market. He deplored, “For the tragedy is that were it not for American and Free World civilians the black market in Vietnam would not exist as it is today.”³⁸⁶ He thus pinpoints the blame for the severity of the currency black market on American civilians and their allied counterparts. Moreover, Parker argues that the illicit behaviors of American civilians “has corrupted many a soldier, officers as well as enlisted men, and compromised many a civilian employee of our Government and many American contractor employees, too.”³⁸⁷

³⁸⁵ *Fraud and Corruption Hearings*, Part 3, 541.

³⁸⁶ *Fraud and Corruption Hearings*, Part 3, 542.

³⁸⁷ *Fraud and Corruption Hearings*, Part 3, 541.

While Parker emphasized the actions of American civilians in the currency black market, Bellino's investigations revealed that Vietnamese customs officials profited tremendously as well. Bellino stated that when a raid occurred, "any moneys that are found in the establishment are taken and controlled by the customs officials, then later on they divide the amount that was received between all of the individuals that were in on the raid."³⁸⁸ Although there are more anecdotes than clear evidence that higher-ranked Vietnamese officials reaped the benefits of such occasional raids, Bellino's finding confirms a problem known to American officials about a lack of cooperation to tackle the black market from their South Vietnamese allies. Indeed, Vietnamese official often kept the currency, especially MPCs, for their own profit when they conducted raids. Repeating the American claim about MPCs, Vietnamese officials argued that since MPCs had no value in possession of those not authorized to use them, then they should not have to return them to the U.S. government. Vietnamese officials also demanded "premiums" from the United States in exchange for the MPCs, to which American officials refused to pay. A source of diplomatic tension, these unreturned MPCs likely fed back into the cycle of illegal monetary transactions.³⁸⁹

Although Parker acknowledged that the "fundamental problem is economic," he believed that "as far as the mechanics of [the black market] are concerned, increased enforcement will help, making it possible for the soldier to have places where he can acquire piasters legally." He suggested that more locations at which soldiers can legally

³⁸⁸ *Fraud and Corruption Hearings*, Part 3, 659.

³⁸⁹ Allison, *Military Justice in Vietnam*, 163.

exchange their piasters would decrease the numbers of illegal currency transactions. However, Parker did not state the obvious financial logic that encouraged soldiers to engage in the black market: even if there were more places to exchange currency legally, soldiers and civilians exchanged their money on the black market not because they could not exchange them legally, but because it did not make financial sense to knowingly get a worse deal converting at the legal rate.

Ribicoff and other members of the subcommittee, as well as witnesses, defended the decision of GIs to convert their money at better, albeit illegal rates. Ribicoff stated that an ordinary GI knew that the black market rate for their MPCs was approximately 180 or 200 piasters. He stated confidently, “Let us not kid ourselves. He feels, ‘Here I am getting 118 and everybody else is getting 180 to 200 and 220 piasters.’ It would be hard put to expect this person not to try to get as much as he can for his American dollars or military payment certificates.”³⁹⁰ In a later part of the hearing, Ribicoff further asserted, “Human nature being what it is, you can’t expect a GI who is risking his life and his limb in Vietnam, who has a few extra dollars to spend, to pay at a 240 price base when all he gets is 118 when he can go into an Indian moneychanger and get 240.”³⁹¹ Gabriel T. Kerekes, an economist who advised the U.S. government on currency matters after World War II and a partner in the New York brokerage firm of Goodbody & Co., testified at the hearing and concurred with Ribicoff. Kerekes spoke to three officers upon their return to the United States from Vietnam and learned that they all turned to the currency black

³⁹⁰ *Fraud and Corruption Hearings*, Part 3, 551.

³⁹¹ *Fraud and Corruption Hearings*, Part 3, 588.

market. Paraphrasing the soldiers' response, Kerekes stated that the soldiers said, "We had just been out there risking our lives. We got back on a pass and nobody is going to take away half of the little money we have in order to subsidize what is going on here." In his own opinion, Kerekes believed it was "completely immoral to demand that the American fighting man who is risking his life out there should subsidize this kind of operation...or else be in the position of violating the regulations. I think our Government is very wrong in demanding that from him." Kerekes distinguished Vietnam's legal economy from its "extra-legal" economy, a term he preferred to "illegal," because, as he said, "I feel it is a moral connotation that I no longer want to include my soldier friends under."

When asked by members of the subcommittee about the economic impact of currency manipulation, Parker deferred to economists to answer those questions. Senator Percy asked Parker why the Saigon government did not adopt a floating exchange rate for piasters, "thus ending the black market with one fell swoop?"³⁹² Parker replied that he could not answer that question. His inability to provide a sufficient answer was indicative of a major reason why currency manipulation became so pervasive: the exchange rate was in the jurisdiction of South Vietnamese officials, and the United States could not force the Saigon regime to "adopt a floating exchange rate." Parker, however, did not allude to the diplomatic tensions inherent in the exchange rate problem. Similarly, when Senator Adlerman asserted that American taxpayers ultimately paid the price of the loss in hard currency in Vietnam, Parker stated that this was "where it gets a little fuzzier to

³⁹² *Fraud and Corruption Hearings*, Part 3, 560.

me” and concluded that “I just don’t feel competent to deal with rather abstract economic matters of that type.”³⁹³ Senators also pressed Parker to explain why there was an artificial prosperity in consumer goods in Vietnam, when austerity and the lack of consumer goods usually accompanied wartime like during World War II and the Korean War. Although Parker could not explain why the economic climate in Vietnam was not one of austerity, he did acknowledge that the presence of over half a million Americans in South Vietnam contributed to the appearance of prosperity. He added that “wherever you have that much money coming in and being spent, it is bound to have an effect.” Parker’s responses to these questions suggested that the black market was, in essence, a manifestation of the tenuous diplomatic relations between the United States and South Vietnam.

Kerekes provided more clarity about the economic causes and consequences of the currency black market in South Vietnam. He explained that uncertainties regarding the military and political conflict decreased faith in the Vietnamese currency and increased demand for foreign currencies like the American dollar. As Vietnamese sought to deposit their wealth in foreign havens, a second black market exchange rate developed alongside the official exchange rate. Black market currency transactions thus reflected capital flight, ineffectiveness of economic aid, and corruption both among locals and among American military and civilian personnel. These consequences, he warned, could hasten the collapse of South Vietnam and American defeat in the war. The monetary situation would also increase the American balance-of-payments deficit. Kerekes argued

³⁹³ *Fraud and Corruption Hearings*, Part 3, 548.

that every penny of foreign exchange diverted away from Vietnam was “an added burden” on the American taxpayer. He stressed the urgency of the situation, stating that “economically and financially speaking, [it is] the 59th minute of the 23rd hour.”

Kerekes and members of the subcommittee identified negligence of the economic situation on the part of American officials as a key factor in the financial instability in South Vietnam. Kerekes explained that substantial turnover among the staff of American government agencies deprived the American government of the financial expertise necessary for creating workable foreign exchange policies in Vietnam. However, he noted that the U.S. government could still draw upon the experience of those, like himself, who had dealt with similar issues of economic policies during the post-World War II era. Ribicoff expressed shock that “no attention has been paid to these economic problems” by either the American or South Vietnamese governments over the last several years. Ribicoff further stated,

What surprises me is that many of the problems we have internationally involve economic problems that have to do with the Treasury, and Treasury policy. Yet I have never found a situation where the Treasury hasn't always allowed itself to be completely subordinate to the military and the State Department in exercising its responsibility. You could win the war in South Vietnam militarily, you could win the war diplomatically in Paris, but you can lose it just as fast with economic collapse and chaos in turn.³⁹⁴

Here, Ribicoff's statement revealed his mistaken belief that the United States could unilaterally decide South Vietnam's economic plans. Both Kerekes and Ribicoff failed to take into account the crucial role that South Vietnamese leaders played in determining

³⁹⁴ *Fraud and Corruption Hearings*, Part 3, 589.

their own economic policies. Although they were right to assert that military and even diplomatic priorities diverted American focus away from the South Vietnamese economy, they did not acknowledge that South Vietnamese officials had consistently refused to devalue their currency, resulting in the continuation of currency manipulation.

Kerekes offered a few reforms that the American and South Vietnamese governments could adopt to eliminate avenues of diversion of American dollars. One suggestion was the enactment of multiple exchange rates. Kerekes stated that it would be impossible to set one exchange rate for Vietnam that would reflect the different values of the piaster in and outside of the country. He thus recommended that a dual exchange rate be established—the lower rate would subsidize mass consumer goods, and the higher rate would be at the black market rate and be used for the purchase of luxury goods. Another suggestion was to fix the MPC exchange rate to the black market rate of piasters. Since MPCs functioned as an intermediary for those interested in converting their piasters into dollars, they were used to facilitate capital flight.

Discussion of the currency black market in Vietnam also touched upon the sensitive issue of American withdrawal of troops. Kerekes told the committee that plans for withdrawal of troops could exacerbate capital flight out of Vietnam and cause the discrepancy between the official and black market exchange rates to grow further. He predicted that the higher incentives for black market dealings “might escalate an already difficult economic situation into a chaotic one with incalculable consequences.”³⁹⁵

Ribicoff stated that “if our Vietnam program goes into effect, we are going to have the

³⁹⁵ *Fraud and Corruption Hearings*, Part 3, 583.

burden of propping up the entire Vietnamese economy.”³⁹⁶ However, Senator Edward Gurney (R-Fla.) defended the administration’s Vietnamization plans, arguing that if the United States withdrew troops abruptly, the economic consequences for Vietnam would be more severe. He added, “I don’t think we ought to make unfounded charges here...or make statements that the present policy of the present administration is aggravating this problem.”³⁹⁷

Bellino argued that the “Vietnamese Government could really stop [the black market] if they wanted to.” He bluntly suggested that Vietnamese officials should deport Indian moneychangers.³⁹⁸ Gurney added that one of the most effective procedures to curb the currency black market “would be strict law enforcement on the part of the South Vietnam Government, and the deportation of third country nationals who are found in this business.”³⁹⁹ In a private letter to State Secretary William P. Rogers, Gurney stressed the need for American leaders to urge Vietnamese officials to “exercise their sovereignty” and deport those participating in the black market of any nationality, including Americans. He wrote,

These illegal currency transactions could not continue if Vietnamese laws and regulations could be effectively enforced. Part of the problem appears to be the reluctance of SVN police officials to move against private American individuals and firms who are in Viet-Nam because of the war. It would seem the opposite is

³⁹⁶ *Fraud and Corruption Hearings*, Part 3, 587.

³⁹⁷ *Fraud and Corruption Hearings*, Part 3, 591-2.

³⁹⁸ *Fraud and Corruption Hearings*, Part 3, 677.

³⁹⁹ *Fraud and Corruption Hearings*, Part 3, 678.

true: we are embarrassed as a nation because our nationals are engaging in this traffic and the sooner we can impress the Vietnamese of this fact, the better.⁴⁰⁰

Gurney's statement, however, presumed that South Vietnamese officials wanted illegal currency transactions to end. As Ky asserted in 1966, many of his predecessors had left Vietnam "up to [their] armpits in gold."⁴⁰¹ At least some South Vietnamese officials, therefore, had incentives to continue the illegal currency exchanges for their own private benefit.

Moreover, there were reasons why the United States did not want to publicly admit the corruption of Americans in Vietnam. Such an admission could grant Saigon more leverage over Washington and also undermine American support for the war. At the end of the hearings, Ribicoff accused officials at the Treasury, State, and Defense departments of negligence in their duties to curtail the black market in Vietnam. He asserted that they "have been careless, lax and indifferent toward the extent of black market operations in U.S. dollars."⁴⁰² Percy stated, "The ultimate tragedy is that such widespread financial corruption undermines the huge American investment of blood and treasure in Vietnam."⁴⁰³

CONCLUSION

While the congressional hearings uncovered the harmful side effects of

⁴⁰⁰ State to Saigon, 30 November 1969. MACV/Office of the Provost Marshal. Security Classified General Records, 1969-1970. "501-01 Physical Security of Key US Personnel- 1969 THRU 508-05 Black Market Activities—1969" folder. HMS A1 1803, Box 1, Record Group 472, NACP.

⁴⁰¹ Quoted in "The Foreign Aid Steal," *Chicago Tribune*, 29 January 1966.

⁴⁰² Quoted in Robert L. Jackson, "5 Won't Talk at Viet Black Market Hearing," *Los Angeles Times*, 22 November 1969.

⁴⁰³ *Fraud and Corruption Hearings*, Part 3, 533.

widespread currency manipulation on the American war effort, some American officials were reasonably skeptical of the subcommittee's findings. In response to Ribicoff's assertion that currency manipulation amounted to a billion-dollar-per-year business, one leading American economic official stated anonymously, "I think that figure is something he dreamed up one night." He continued, "How can you possibly measure something that is illegal? The flow of traffic is usually pretty well concealed."⁴⁰⁴ In stressing the difficulty of tracking the amount of illegal currency transactions, this official attempted to dismiss the currency black market problem. Although exact figures involved in currency manipulation were impossible to calculate, senate investigators were, in fact, able to estimate the monetary value of the global currency black market. Those who voiced skepticism about the gravity of the problem were often those who benefited from illegal monetary exchanges themselves or were in some way complicit in the process. As such, few people openly disputed the Ribicoff subcommittee's findings to avoid drawing attention to themselves for possible investigation. Mostly, however, the American public accepted the revelations of currency manipulation without question.

Congressional investigations into years of financial mismanagement, fraud, and corruption in South Vietnam added to a climate of great pessimism among Americans about the future course of the war. The November 1969 congressional hearings on currency manipulation were broadcasted and reported widely by the American media. Television news showed former soldiers recounting in front of congressional leaders how they participated in the currency black market. NBC Evening News reported that "rich

⁴⁰⁴ "Big Saigon Business Based on Query What's the Rave?" *The Washington Post*, 27 November 1969.

South Vietnamese [were] trying to squirrel away money...When the Americans leave, they leave.” One news correspondent in Saigon even filmed how easily a Vietnamese moneychanger, who offered 260,000 piasters for \$100, approached him. After explaining that illegal money changing was one cause of inflation in South Vietnam, he concluded, “illegal money changing is more than a way to meet expenses, it’s a way to get rich.”⁴⁰⁵ War profiteering was thus symbolic of the war’s destruction of the morals and morale of both Americans and their allies.

As American policymakers began gradual withdrawal of American troops in 1969, the problem of inflation continued to hurt the South Vietnamese economy. By 1969, Nixon’s Vietnamization plan was well underway, with the first round of 25,000 troops departing South Vietnam that August. The policy, however, would engender its own set of financial consequences for South Vietnam, which will be explored in depth in the final chapter. As one American economist stated, “The South Vietnamese should know by now we are going home, and so is some of our money.”⁴⁰⁶ Indeed, Vietnamization of the military conflict and the beginning of peace talks altered the diplomatic relationship between Washington and Saigon, and one of the effects of the United States extricating itself from the war was that South Vietnamese leaders had to assume more of the responsibility for fighting communists as well as stabilizing their

⁴⁰⁵ “South Vietnam Black Market,” NBC Evening News, 20 November 1969. Vanderbilt Television News Archive, accessed 5 December 2014, <http://tvnews.vanderbilt.edu/tvn-video-view.pl?RC=443431>.

⁴⁰⁶ B. Drummond Ayres, Jr., “Inflation in South Vietnam is Raising Fears of a Crisis,” *New York Times*, 22 September 1969.

own economy. The very possibility of South Vietnam's collapse no longer entailed the United States sending more soldiers or aid to their ally.

With their political leverage over their American counterparts diminished, South Vietnamese leaders began to sing a different tune with regard to their economy. As inflation continued to endanger the economy, South Vietnamese officials, arguably for the first time during the war, urged the nation to make the kinds of sacrifices that a war required. President Nguyen Van Thieu frequently used the word "austerity" in his speeches, while Vice President Nguyen Cao Ky threatened to execute those who opposed austerity measures. Similarly, the Minister of Economy, Pham Kim Ngoc, stated that "from now on, reasonable priorities for a nation at war must govern." However, rhetoric was generally not accompanied by action. Although officials in the Saigon regime agreed that austerity was the only way to close the budgetary gap, they did not have concrete plans to trim the budget. Instead, South Vietnamese leaders proposed increasing duties on luxury imports, which was not popular among South Vietnamese legislators with "a personal fondness of luxuries or a fondness for persons who deal in luxuries."⁴⁰⁷

American officials speculated that South Vietnamese leaders would continue to ask the United States for additional economic aid rather than make the sacrifices incumbent upon countries at war. One American economist asserted, "When it comes to economics, South Vietnam is like a badly spoiled child—somewhat greedy, somewhat ungrateful, always hanging on to apron strings and ducking responsibility, always

⁴⁰⁷ Ibid.

expecting Big Daddy to come to the rescue, no appreciation of what money is worth.”⁴⁰⁸

This judgment about the morality of South Vietnamese economic actions failed to acknowledge that, like a badly spoiled child, Saigon leaders could behave that way only because they were enabled by the United States. For years, American economic aid policies financially rewarded South Vietnamese officials and business through import subsidies and favorable foreign exchange rates. Moreover, American officials did not push back too hard when South Vietnamese leaders refused to devalue the piaster. It was no wonder, then, that the wealthy and powerful, including government officials, profited handsomely from the American presence of soldiers and dollars. After all, South Vietnamese officials, like American soldiers and civilians, reacted rationally to economic incentives.

Currency manipulation and the instability of the South Vietnamese economy were thus deeply intertwined with the diplomatic relations between the United States and South Vietnam. What, then, did American officials do about the problem of currency manipulation in particular and American contributions to the black market in general? The next chapter examines the efforts that both American and South Vietnamese leaders undertook to deal with a problem that was largely diplomatic and economic in nature.

⁴⁰⁸ Ibid.

Chapter Four: American Responses to Corruption in South Vietnam, 1969-1970

Congressional testimony on South Vietnamese corruption at the end of 1969 and press coverage of the hearings intensified pressure on American leaders to halt the black market. On 12 January 1970, President Nixon asked Henry Kissinger to request that U.S. ambassador to South Vietnam Ellsworth Bunker undertake “some quiet work” on corruption in South Vietnam.⁴⁰⁹ Consequently, Bunker met with President Thieu on 30 January to discuss corruption, which he claimed was “now the number one problem” in South Vietnam and a “problem of Vietnamese-American relations.” He stated that U.S. officials were doing their part to limit American involvement in corruption: “Our mission had long had an illegal practices committee to examine reports of black marketing, illegal currency operations, pilfering of government supplies, etc.” Moreover, criticisms of corruption by members of congress and the press were so trenchant, Bunker told Thieu, that President Nixon had to commission a high-level inter-agency committee in Washington to address the problem.

Bunker stressed that it was now up to Thieu to do his part and impressed upon him that “unless there is some real progress in the attack on corruption I see serious trouble ahead—politically, economically, and in his relations with the U.S.” “Too many people were bleeding the economy for their private benefit,” he bemoaned, hurting South

⁴⁰⁹ Nixon asked White House Staff Assistant John Brown to relay a memorandum to Kissinger to communicate this request. See footnote 1 in Telegram from the Embassy in Vietnam to the Department of State, 31 January 1970, *Foreign Relations of the United States, 1969-1976*, Volume VI, Vietnam, Document 175, accessed 24 October 2014, <https://history.state.gov/historicaldocuments/frus1969-76v06/d175>.

Vietnam's reputation in the United States and abroad. Bunker also asserted that corruption was a moral problem, "for it involved the whole question of morale—of the military, of the government servants, of the people generally." Likely referring to the inflation that wrecked the South Vietnamese economy, Bunker was aware of the economic pressures that soldiers, civil servants, and the general population faced to engage in corruption for survival. "A corrupt society," Bunker maintained, "is a weak society. It is a society in which everyone is for himself, no one is for the common good." Bunker thus implied that Thieu had good reason to do all he could to root out corruption, given its harmful effects on his citizens, his country's image, and his partnership with the United States. Thieu took notes and agreed with Bunker's sentiments. The South Vietnamese president said that corruption was a great concern of his and intimated that he was prepared to implement solutions suggested by both his own staff and American leaders. Although Thieu appeared to understand the gravity of the situation, Bunker warned his colleagues in Washington not to "expect miracles." Bunker commented, however, that "the most important thing now is to get some momentum going, and to let Thieu get the word out to the right people that he means to show results soon."⁴¹⁰

Although the United States played a major role in expanding the degree and scope of corruption in Vietnam, as the previous chapter shows, U.S. officials including Bunker often asserted in private that the United States could only do so much to address the problem and that South Vietnam needed to step up its efforts. U.S. policymakers arguably

⁴¹⁰ Telegram from the Embassy in Vietnam to the Department of State, 31 January 1970, *Foreign Relations of the United States, 1969-1976*, Volume VI, Vietnam, Document 175, accessed 24 October 2014, <https://history.state.gov/historicaldocuments/frus1969-76v06/d175>.

could not focus on the real sources of corruption in Vietnam, which could be traced directly to the economic conditions created by the war as well as issues of economic policy like the exchange rate. Given the control that South Vietnamese leaders wielded over economic matters, American officials likely felt hamstrung in their ability to curtail corruption. It made sense, then, that officials like Bunker often placed the onus on South Vietnamese officials to deal with the problem. Meanwhile, in public, American officials pursued anti-corruption measures that demonstrated to Americans that they were taking action to rein in the problem.

Why did the United States ultimately fail to reduce corruption in South Vietnam? Policymakers, scholars, and those involved in fighting the war have offered several answers. Some have argued that the problem was so ingrained in Vietnam that it was impossible to eliminate. Others have claimed that American officials did not impose strict anti-corruption measures because any radical actions could bring about the collapse of a fragile South Vietnamese state. This perspective presumes that the United States wanted to address the problem but could not. Still others have argued that corruption was simply not a top priority for American policymakers, who focused primarily on the military aspects of the war.

This chapter examines the efforts that American officials undertook to curb the black market in goods and currency. It argues that attempts to fight the black market failed because American and Vietnamese leaders treated corruption as a low-level criminal and moral issue instead of approaching it as a symptom of larger economic problems. They therefore did not confront the deep-rooted economic policies that gave

rise to the black market. Instead of investigating corruption among high-level Vietnamese officials or within American organizations involved in the war, moreover, American policymakers focused on pursuing low-level participants in the black market to show that they were making efforts to address the problem. Ultimately, American policymakers pursued ineffective measures because they could not solve the larger economic and diplomatic problems. The perfunctory resolutions undertaken by American and Vietnamese leaders only exacerbated the state of the South Vietnamese economy. As the final chapter will illustrate, misplaced efforts to deal with corruption allowed it to fester, drove up black market exchange rates, and aggravated inflation.

Issues of economic policy upholding the pragmatism of participating in the black market were difficult to resolve, as they were also matters of diplomacy between leaders in Saigon and Washington. The setting of the exchange rate was fundamentally the jurisdiction of South Vietnam. As an independent and sovereign country, nominally if not in reality, South Vietnam determined its own exchange rate for its own currency. However, because South Vietnam relied upon American economic assistance for its survival, the exchange rate between the piaster and the dollar necessarily required the approval of American policymakers. American officials did not have to furnish economic aid at an exchange rate that they did not find reasonable, but they ultimately went along with the exchange rates established in the past.

Having significantly overvalued the piaster in 1955, U.S. officials frequently brought up the possibility of devaluation in the years to come. As we have seen, however, Ngo Dinh Diem consistently refused to devalue the piaster during his tenure. Diem's

successors followed in his footsteps, fending off constant American pressures to devalue the piaster. Thieu, for example, argued that devaluation would only exacerbate inflation in his country and kept deflecting calls for devaluation. After the piaster was devalued in July 1966, South Vietnamese officials refused to lower the piaster's value again until October 1970.

The ability of South Vietnamese officials to resist American pressures to devalue during the years when the American presence wrought the most transformations upon the Vietnamese economy and when devaluation was perhaps most crucial, attests to the diplomatic leverage that South Vietnamese leaders held over American policymakers. Although American officials had considered withholding the disbursements of economic aid to South Vietnam on several occasions, ultimately American policymakers did not do so. Indeed, withholding aid meant depriving the South Vietnamese government of the funds necessary to function and for the South Vietnamese army to fight the war. South Vietnamese leaders, in refusing to devalue the piaster and permitting currency manipulation to facilitate capital flight, insisted on a path toward the ultimate collapse of its own economy. Resisting devaluation, while beneficial for the short-term when American aid and imports were available, was destructive for the long-term development of the South Vietnamese economy. For approximately five years, Saigon leaders held their own economy hostage and dared American officials to withhold economic aid. U.S. officials had no choice but to acquiesce to South Vietnamese demands if they wanted to continue to fight the war in Vietnam. During the years from 1965 to 1969, American leaders continued to supply economic aid to South Vietnam at the artificially high

exchange rate established by Saigon leaders. It is precisely this diplomatic leverage that South Vietnamese leaders held over economic policies, I argue, that American leaders could not make public. Inaction in response to corruption in South Vietnam was interwoven with the tensions of the U.S.-South Vietnamese relationship.

This chapter also discusses the ways in which American and Vietnamese policymakers attempted to address the problem of black markets. It will begin with a discussion of the Saigon embassy's Irregular Practices Committee (IPC), a group of American officials appointed by Bunker in 1967 to investigate and curb corruption in South Vietnam. Next, it examines two anti-corruption measures undertaken in 1969—one concurrent with the Senate Committee investigations on corruption and the other prompted by the committee hearings. The first campaign was the IPC's use of newspaper advertisements to seek out specific instances of illegal behaviors among American military and civilian personnel beginning in May 1969. The second campaign, initiated by Thieu after the Senate hearings, was a ten-day black market raid jointly administered by American and Vietnamese officials from late November to early December 1969. These results of these two operations demonstrate how both American and South Vietnamese policymakers failed to address the economic sources of black market corruption.

THE IRREGULAR PRACTICES COMMITTEE

Although black marketing and currency manipulation occurred from the beginning of the American buildup in South Vietnam and even before, U.S. officials in

Saigon did not organize a committee devoted to addressing those problems until 1967. In a document establishing the Irregular Practices Committee (IPC) in Saigon on 30 August 1967, Bunker explained his rationale for the group's creation:

I have become increasingly concerned by reports of irregular practices involving illegal currency dealing, contracts calling for payment in U.S. dollars although piaster payment would be less expensive, diversion of Post Exchange into the private sector of the Vietnamese economy and illegal activities by PX concessionaries. The Government of Vietnam has also expressed an urgent desire for additional procedures and regulations aimed at reducing the occurrence of these practices.⁴¹¹

As the ambassador suggested, these irregular practices not only violated the law, but also cost the United States more money than necessary and introduced goods not intended for Vietnamese consumption into the local economy. According to Bunker, these activities were also a problem for U.S.-South Vietnamese relations, because Vietnamese authorities wanted these activities to be eliminated as well. However, the IPC, comprising American diplomats at the embassy as well as leaders from MACV, focused only on curbing black market activities of *Americans* in Vietnam, over whom the U.S. government had jurisdiction. The charter of the IPC was to “develop ways and means for preventing the involvement of U.S. personnel in any activity contrary to U.S. or GVN laws or regulations,” particularly black marketing and currency manipulation. Indeed, the Senate committee hearings revealed that American soldiers and civilians were primarily responsible for supplying commodities and dollars to the black market. The IPC thus chose to focus on American citizens in Vietnam in order to prevent high-demand goods

⁴¹¹ *Fraud and Corruption Hearings*, Part 3, 543.

and currencies from entering the shadow economy.

As Robert Parker, chair of the IPC and former assistant to the Director of the United States Agency for International Development in Vietnam, discussed at the Senate committee hearings, the IPC undertook a variety of methods to fight black marketing and currency manipulation since the committee's inception. Parker noted seventeen methods the IPC employed to "effect tighter controls" on the black market. These included, for example, changing the series of military payment certificates, which rendered old series of hoarded MPCs worthless, punishing and disciplining civilians who violated South Vietnamese laws, blacklisting local firms engaged in black marketing, increasing publicity about the penalties for illicit activities, and establishing mail facilities for the reporting of illegal activities.⁴¹² As these efforts illustrate, the IPC was primarily concerned with deterring Americans from participating in the black market and punishing them when they did. On the deterrence front, Parker stated that "[s]pot announcements on TV and radio, articles in the unit newspapers, briefings for military and civilian personnel and exhortations by commanders and supervisors have all been used to get the word to American personnel." Much like MACV's campaign to persuade soldiers to spend less in the local economy, some of the IPC's efforts revolved around simply convincing soldiers to obey the law and refrain from dealing in the black market. Such measures, like the piaster reduction campaign, appealed to soldiers to act virtuously. When such exhortations did not work, however, the IPC attempted to penalize those who engaged in black market activities. This was more difficult in the case of American civilians who

⁴¹² Ibid.

worked as contractor employees in Vietnam, because the worst that could happen to them would be that they would have their employment terminated. Military personnel caught participating in illicit activities would be subject to military law.

Although the IPC was appointed by Bunker to curtail corruption, the committee could only address the problem by delegating work to independent agencies responsible for remedying corruption. Parker stated in his testimony that the “committee does not handle individual cases, nor does it promulgate regulations. It considers ways and means of identifying problems and taking action to correct or ameliorate them.” Moreover, he explained that the IPC suggested policies and actions and expected individual agencies to implement those measures however they saw fit. The IPC often worked closely with GVN customs and their American advisors, the Criminal Investigation Division (CID), the Office of Naval Intelligence, the Office of Special Investigations, embassy security, and the USAID.⁴¹³

Despite the IPC’s goals, however, efforts to root out corruption did not pare down the black market significantly. Parker asserted that an “intensive enforcement effort” was carried out and that “the level of effort against black market activities [was] very substantial.” However, Parker also argued that some “innovations in legal remedies that might help curtail the activities of American civilians who operate in the black market without fear of punishment are needed.” Since the United States could not court martial American civilians in Vietnam for violating the law, American officials decided that they could only suspend their privileges and access to American military installations, like the

⁴¹³ Ibid.

PX. However, the enforcement of this policy relied on the compliance of individual agencies and their employees on the ground. One of the IPC's efforts to deal with corruption—establishing a mailbox for the anonymous reporting of illicit activities—reveals that corruption often spread to those tasked with enforcing laws and regulations, making it difficult to fully rectify the problem. People were able to partake in black market activities because employees of varying levels often looked the other way and actively facilitated corrupt behavior if they could benefit personally. The pervasiveness of black marketing certainly affected the morale of those who did not participate themselves, as we shall see. An analysis of one of the measures implemented by the IPC to identify and punish those involved in black market transactions, the Victor Frizbee campaign, reveals a general disregard amongst soldiers and civilians for regulations prohibiting black market activities.

THE VICTOR FRIZBEE CAMPAIGN

Beginning in May 1969, an advertisement in the English-language newspaper *Saigon Post* generated impassioned responses from readers. The ad read:

Wanted: Information on theft or diversion of US Government property, blackmarket activities, and illegal currency transactions involving US military personnel, civilian employees, contractors, or contractor employees.

Such information is vitally needed to preserve and protect US interests. Confidences will be respected. Send to: Victor Frizbee, Box 1000, APO 96222 (In Country)⁴¹⁴

⁴¹⁴ Advertisement, *Saigon Post*, undated, Victor Frizbee folder, Box 10, Headquarters, Military Assistance Command, Vietnam (MACV), Provost Marshal, Security and Investigation Division, General Records,

The advertisement prompted dozens of letters from American, Vietnamese, Korean, and Filipino citizens who lived and worked in Vietnam, who furnished names of suspects, locations where Victor Frizbee could catch violators red-handed, and even specific assets and accounts that he could probe for solid evidence of ill-gotten wealth.⁴¹⁵ Other informants withheld details, however, and asked for a meeting in person or a phone call with Frizbee to convey their confidential knowledge. The majority of correspondents wrote anonymously for fear of reprisal, often explaining that disclosure of their identities could ruin their careers and livelihoods. Even those who sent anonymous letters, though, did so with great concern for their safety, as investigations of their claims could easily reveal the source of information. Others reacted more brazenly to Frizbee. Indeed, the public notice not only elicited letters from those who felt compelled to assist Mr. Frizbee's cause of tackling corruption, but also generated anonymous advertisements and letters questioning the identity, whereabouts, and motives of Frizbee. The outpouring of reactions triggered by the advertisement, including both trust and suspicions of Frizbee alike, attests to the contentious and sensitive nature of black marketing and other illegal activities in Vietnam.⁴¹⁶

1969, Records Group 472, National Archives at College Park, MD (hereafter Frizbee folder, RG 472, NACP).

⁴¹⁵ There are approximately fifty letters addressed to Victor Frizbee found in the National Archives. The Office of the Provost Marshall reported that by late September 1969, the office had received approximately 80 letters. It is unclear how many letters were received in total during the entire campaign.

⁴¹⁶ With most cases of corruption, there is no paper trail documenting the specifics of wrongdoing. However, the Victor Frizbee case offers a glimpse into the accusations made at the time through the perspectives of Americans and allied personnel on the ground in South Vietnam. Although not every correspondence sent to Victor Frizbee can be taken at face value, the letters taken as a whole are indicative of pervasive black market activities among Americans and their allies and widespread knowledge of those illicit behaviors.

The truth about Victor Frizbee, however, was that he did not exist; he was an alias created by the IPC. Commissioned by Parker, the advertisement succeeded in collecting numerous eyewitness and participant accounts of corruption. American officials responded to letters when possible and vetted claims when enough details emerged. Officials established a phone line and even assumed the fictitious persona of Victor Frizbee to conduct interviews with sources. Investigations of corruption revealed by the letters, however, often went nowhere. At times, American officials declined formal investigations of those accused of fraud, maintaining that the value of theft involved was insignificant or that the validity of allegations could not be confirmed. They frequently claimed they could not follow up with their correspondents, despite repeated efforts to contact their sources for more information. In many cases, investigations hit a brick wall when no one could or would confirm the purported misconduct, leading U.S. officials to conclude, perhaps prematurely, that allegations were unfounded. Despite the deluge of responses to Frizbee's public plea for information and the consequent investigations, the Victor Frizbee campaign—aimed at reducing black marketing, currency manipulation, and theft of American property—yielded minimal impact on corruption during the Vietnam War.

Letters addressed to Victor Frizbee reveal that the campaign's treatment of corruption as a criminal and moral problem had serious effects on the morale of Americans in South Vietnam. A letter from Don F. Still on 15 November 1969 began, "Dear Mr. Frizbee, I have noticed your ad in the paper for the last few days, and things have boiled to a head with me." Still, a registered nurse with an American construction

consortium, stated that he knew people employed by his company who “do not draw a dime from their employer... but have green [dollars] sent from home monthly, then convert it on the black market.” According to Still, these people were the “biggest offenders,” because the money they converted through illegal channels “is what is buying the ammunition to kill and shoot our own boys from home, and they don’t give a damn for they are profiting from the illegal things they are doing.” Fed up, he finally bemoaned, “I am getting to the point that I don’t care, and have seen so much that is so illegal and have met so many people that won’t speak up about the things they see, for they want to complete their contract, and just get out of here.”⁴¹⁷

After condemning the illegal currency transactions undertaken by civilian employees in Vietnam, Don Still proceeded to name two individuals involved in the racket: Bruce Beall and Harold Priebe. Still asserted that Beall and Priebe had homes in Danang for which they were paying “fabulous prices” and alleged they had dollars sent from the United States to Vietnam, which they converted illegally. Moreover, their homes, according to Still, were air-conditioned “at no expense to themselves” but charged to the OICC (Office in Charge of Construction) or the Navy. “But people don’t question these big assholes,” Still decried. He suggested that Frizbee look into their how much money they were making from their illegal transactions, how much money they drew each month, and how much rent they paid. “I have such a question to the moral[s]

⁴¹⁷ Still worked for the American construction consortium Raymond International, Morrison Knudson, Brown & Root, and J.A. Jones Construction (RMK-BRJ). Still to Frizbee, 15 November 1969, Frizbee folder, RG 472, NACP.

of these people, that I don't trust them one bit," Still deplored.⁴¹⁸

Ten days later, Victor Frizbee responded to Still. "Your letter brings up several points which are well known problem areas in Vietnam, yet are very difficult to eliminate because of the difficulty in obtaining exact details and information," Frizbee stated, explaining why he was unable to act on Still's allegations. Frizbee conceded that without "specific instances and names of individuals, I am powerless to start any corrective action." On Beall and Priebe, moreover, Frizbee wanted to know if Still had "any personal knowledge of this activity, the amount involved a month and the individuals acting as money changers." Frizbee, however, asserted that the house rent and monthly income of Beall and Priebe could be verified, which could "provide a basis for complete investigation into their activities."⁴¹⁹ When Still did not respond to this letter, Frizbee wrote to him again. On a letter dated 9 December 1969, Frizbee reiterated that without detailed information regarding those engaged in illicit activities, "there is very little we can do."⁴²⁰ Like other correspondents who wrote to Mr. Frizbee, Still never sent a second letter with additional information.

Letters received by Frizbee did not always contain specific information that could serve as the basis for further investigation, but they gave an idea of the seriousness of black marketing and other illegal activities as well as the fear experienced by many of those who sent messages. An undated letter from Richard Pellek confided to Frizbee:

⁴¹⁸ Ibid.

⁴¹⁹ Frizbee to Still, 25 November 1969, Frizbee folder, RG 472, NACP.

⁴²⁰ Frizbee to Still, 9 December 1969, Frizbee folder, RG 472, NACP.

I know of some serious wrongdoing but I feel it is a matter for U.S. marshals because it involves violation of federal laws. To be sure black marketing is involved but before I agree to disclose any information I must be certain the government authorities will take action. Black marketing depresses me but the felony involved disturbs me to the point of keeping me awake.⁴²¹

As Pellek's letter suggests, curbing black market activities occurring in South Vietnam was sometimes a matter for American law enforcement officials. Since black marketing on the ground had serious implications for the U.S. government and American taxpayers, Pellek believed U.S. marshals needed to intervene to stop the illegal behaviors of Americans. His letter also reveals that the illegal acts committed by fellow Americans had greatly affected his morale. At the same time, however, Pellek, like most other letter-writers, disclosed his reluctance in conveying all the information he knows. Likely for fear of endangering his own life, he wanted assurance that the U.S. government would punish the wrongdoers before he could be more specific.

Frizbee's response to Pellek on 3 June 1969, however, offered no such guarantee of redress that would encourage Pellek to come forth with more information. Frizbee made plain that "US. Marshals have no jurisdiction in the Republic of Vietnam," adding, "that is not to say, however, that we should ignore violations of our federal laws." Nonetheless, Frizbee claimed that "at this point in time I cannot assure you of what actions will be taken of the personnel you have information on." Asserting that any information provided by respondents form the starting point for investigations, Frizbee claimed that if "the investigation substantiates your allegations, you can rest assured that

⁴²¹ Pellek to Frizbee, undated, Box 1000 folder, Box 10, Headquarters, MACV, PM, SID, GR, 1969, RG 472, NACP (hereafter Box 1000 folder, RG 472, NACP).

some action will be taken.” He reminded Pellek that he could “be of great service to your country and the Republic of Vietnam” if he volunteered whatever information he possessed.⁴²²

The irony of the Frizbee campaign was that as much as American officials were interested in rooting out corruption, they often found many reasons not to investigate certain cases. When anonymous letters had no return addresses and were untraceable, for example, American officials frequently did not elect to pursue investigations. After all, there was no accountability imposed by a particular individual and thus no need to promise any corrective action. For instance, unknown letter-writers alerted Frizbee to a potential case of corruption involving an American civilian, but officials took no action. The authors believed that a civilian by the name of A.A. Newcomb (Buck) was selling cases of beer, cigarettes, and stolen tools from RMK-BRJ, where he worked as a master mechanic, to the black market in Tuy Hoa. Providing Newcomb’s badge number, the authors of the letter claimed that he “sends one of his mechanic[s] to the air force base for beer and cigarettes everyday,” “pays off the cashier,” “takes care of the books to cover up” his dealings, and “even brags about how much money his Chinese girlfriend [gets] for the merchandise.” These accusations suggest that Newcomb’s black marketing activities were facilitated by the complicity of other people as well. Furthermore, the authors revealed that they were deeply bothered that Newcomb had the audacity to boast about the profits his girlfriend made. They concluded, “We think he’s a lousy rat to be

⁴²² Frizbee to Pellek, 3 June 1969, Box 1000 folder, RG 472, NACP.

called an American.”⁴²³ The authors’ choice of words is indicative of the emotional response to the Frizbee campaign and the subjective problem of corruption in Vietnam. To the authors, Newcomb appeared to make windfall profits from his black market activities, while the authors, who likely did not participate in illegal acts, watched a dishonest man get away with his corruption.

Despite the detailed identification information provided in the letter, American officials chose not to launch an investigation. The acting commanding officer of the U.S. Naval Investigative Service Office, N. Idleberg, wrote to the MACV Office of the Provost Marshal that the “monetary value of the alleged thefts is negligible and reliability and motivation of source is considered unreliable, therefore no investigation will be conducted by this office.” Moreover, he reported that liaison “with RMK-BRJ Security Office was effectuated” and that the security director there advised that his office would conduct an investigation of the case.⁴²⁴ Idleberg’s statement demonstrates that American officials were satisfied that RMK-BRJ would take on the task of investigating its own employee, never mind that the construction consortium did not share the same concerns about black marketing and its impact on the South Vietnamese economy that the American government had. Indeed, the American construction consortium had different financial interests, having won government contracts to profit from the construction

⁴²³ Anonymous to Frizbee, 14 November 1969, Frizbee folder, RG 472, NACP.

⁴²⁴ Commanding Officer, U.S. Naval Investigative Service Office, Vietnam to Commander U.S. Military Assistance Command, Vietnam (MACPM), 25 November 1969, Frizbee folder, RG 472, NACP.

required for the war.⁴²⁵

Additionally, Idleberg's assertion that the value of alleged theft was "negligible" contradicts the American government's goal to cut down on corruption. Even if purported instances of theft involved only small amounts, the fact that these illegal transactions occurred widely in South Vietnam had serious consequences for morale and the overall war effort. The lack of any redress did not mollify the subjective experience of seeing a colleague escape punishment for black marketing, but instead may have created the impression that the American government condoned and even rewarded illegal behavior. Finally, claiming that the source making the accusation was "unreliable" was not a strong reason to block an investigation. Due to the nature of the Frizbee campaign, there was no way to substantiate the authenticity or motivation of informants, especially if they were anonymous. It made no sense, then, that Idleberg cited the anonymity of the letter as a reason not to pursue further inquiries. American officials in this case simply decided that it was not worth their time to inquire into the illegal activities of a civilian employed with the American construction consortium.

While some responders wrote about fellow Americans engaged in illicit activities, many other letter-writers complained about the corruption of their allied counterparts. Vietnamese authorities were the focus of some correspondents' ire. T. G. Sunosky, an employee of Pacific Architects and Engineers Communications Division, wrote to Frizbee that he could "only offer a name and last known address of an individual, wheeler

⁴²⁵ For more information on the war profiteering of American construction companies, see Carter, "A National Symphony of Theft, Corruption and Bribery."

and dealer.” However, his larger accusation was suggestive of fraudulent activities among South Vietnamese law enforcement officers. Sunosky stated that Frizbee should pay attention to “the corrupt extortionist National Vietnamese Police animals who are misusing and abusing their authority to prey on unprotected civilians (US) and well as Vietnamese.”⁴²⁶ The gravity of Sunosky’s accusation and his comparing the South Vietnamese national police to animals spoke volumes about his perceptions of corruption on the ground, but Frizbee’s response only explained that he could not personally contact him at this time, but “would appreciate your sending me a letter with the details of the information you have to offer.”⁴²⁷ Frizbee’s brief reply does not acknowledge Sunosky’s complaint about the corrupt behaviors of Vietnamese officials, an obviously sensitive topic for American policymakers.

Some letter-writers did not get responses from Victor Frizbee, often because no return address was available, but their letters nonetheless reveal important information on who participated in black market activities and the extent of their involvement. “SPS Jones,” who had read Mr. Frizbee’s advertisement “for the umpteenth time” and was “sufficiently moved” by Frizbee’s loyalty to American citizens, wrote unabashedly, “First of all, why are you so insistent on prosecuting the American people, those with whom you live?” The informant continued:

Have you ever gone to the Cholon PX and seen how the Koreans and the Thais buy only those items with a high re-sale value?! A friend and I nearly got jumped by some Koreans at the PX the other day because the sales girl told us there was

⁴²⁶ Sunosky to Frizbee, 9 May 1969, Box 1000 folder, RG 472, NACP.

⁴²⁷ Frizbee to Sunosky, 21 May 1969, Box 1000 folder, RG 472, NACP.

one line for Americans and another line for everyone else. Then we attempted to form the “American” line, two Koreans came over and told us to get to the end of the line. Fat chance!⁴²⁸

Jones asserted that “Americans are only a small part of a larger operation—would it seem feasible to try and nail the biggest offenders first?” Attempting to provide Frizbee with convincing first-hand evidence, Jones continued, “If you think I’m kidding, go to the Cholon PX some day when they have fans, refrigerators, cognac, suitcases, or even recording tapes and watch how our allies operate.” Jones surmised that if the Cholon PX would be declared off-limits to Koreans, Thais, and Filipinos, as had occurred at the Tan Son Nhut PX, “I am sure the black market activity would be curtailed to such an extent that the Vietnamese economy could possibly level off.” Finally, the informant stated, “Sorry I can’t sign my real name, but then I’m sure that ‘Victor Frizbee’ must be an Army-issued name.”⁴²⁹ Jones’ complaints against Korean, Thai, and Filipino civilians and soldiers touched upon the delicate subject of relations between Americans and their allies. As members of the Free World Military Forces fought alongside American and South Vietnamese soldiers and had access to the American-operated PX, the financial rationales that motivated American participation in black marketing also encouraged allied personnel to partake in the same illegal activities.

When Victor Frizbee’s replies elicited no further correspondence from the original letter-writer, American officials considered other ways that this fictitious character could continue conversations with those providing information. Provost

⁴²⁸ SPS Jones to Frizbee, 27 November 1969, Frizbee folder, RG 472, NACP.

⁴²⁹ Ibid.

Marshal Warren H. Metzner requested an “unlisted telephone be installed in the MACV Provost Marshal’s Office on a temporary basis to provide an anonymous point of contact.”⁴³⁰ Eugene A. Ginda, the chief of the ES&I division, proposed to utilize investigators working in the office of the Provost Marshall in the Military Assistance Command to “act as Victor Frizbee when meeting informants who request a meeting.” The current plan of operation “requires us to send a letter to the individual requesting information. However, we very seldom receive a reply.” Furthermore, Ginda asserted that most of the letters received requested a private meeting with Mr. Frizbee to relay more information. He explained that “by using our investigators to act as Mr. Frizbee, we can receive valuable information on blackmarket activities, money manipulation and other illegal activities.” Ginda added, “Of course, some of the information might prove to be false, but I believe it would be worth our efforts to sort it out.”⁴³¹ Ginda’s recommendation soon became a reality: Victor Frizbee was now available to meet in person.

One person interviewed by Victor Frizbee himself was Pat Vinson, a former RMK-BRJ employee who sought employment with the construction company Pacific Architects and Engineers. After conveying in a letter that he could furnish information that could help Frizbee “break up a black market organization” in Saigon and that he had knowledge of “check writing and money exchanging at Da Lat and Nha Trang,”⁴³² Vinson earned a visit from Frizbee at his hotel room. During the interview, Vinson stated

⁴³⁰ Warren H. Metzner, Disposition Form to MACJ6, undated, Frizbee folder, RG 472, NACP.

⁴³¹ Eugene A. Ginda, memorandum, 6 September 1969, Box 1000 folder, RG 472, NACP.

⁴³² Vinson to Frizbee, 23 November 1969, Frizbee folder, RG 472, NACP.

that he was assigned as a construction supervisor with RMK-BRJ in Vung Ro Bay, where he observed “cargo diverted from the port area by U.S. Army personnel and placed into RMK-BRJ buildings for subsequent removal and sale on the black market.” He also noted cases of beer and cigarettes appear hidden beneath automotive air and oil filters in the company’s repair shop. Additionally, he stated that the Army PX at Tuy Hoa sold beer and liquor without marking the ration cards of individuals “if the girls are given a small payoff in advance.”⁴³³ Although there was no further follow-up investigation of Vinson’s claims, his statements suggest that American civilian employees in South Vietnam were able to participate in the black market with the assistance of American soldiers and Vietnamese civilian employees.

Other correspondence describing the participation of allied personnel in black market activities to Victor Frizbee yielded supplementary investigations by American officials. An anonymous letter dated 15 October 1969, asked Frizbee to “[k]indly investigate” a Filipino national by the name of Fortunato Reyes of Vietnam Regional Exchange (VRE) in Nha Trang for purchasing rationed items and selling them and “cheating the exchange” in stock. The informant noted that Reyes “has many unregistered appliances at home” and “can manipulate the depot.”⁴³⁴ The investigation involved contacting Reyes’ superior at the VRE, which operated the local PX’s, but his superior denied any knowledge of losses of goods. American officials then concluded in December that year that “there is no proof of Reyes’ involvement in illicit activities” but

⁴³³ Witness Statement, 5 December 1969, Frizbee folder, RG 472, NACP.

⁴³⁴ Anonymous to Frizbee, 15 October 1969, Frizbee folder, RG 472, NACP.

that “his activities are being closely scrutinized” by his supervisors.⁴³⁵ Although it is difficult to substantiate that Reyes was, in fact, innocent of the alleged illegal activities, the anticlimactic end to Reyes’ investigation and other investigations initiated under the Frizbee campaign may indicate that there was a reluctance to verify corrupt activities, particularly if the people asked to confirm the wrongdoing were involved themselves.

Besides Reyes, the actions of some Filipino civilian employees became the subject of several letters. One letter from Kim Il Soong of the Korean Embassy, Juan de la Cruz of the Vietnam Regional Exchange central office, and Pedro de la Cruz of the Vietnam Regional Exchange in Cam Ranh dated 30 August 1969, accused the American government of facilitating black market transactions by Filipino employees. The three men wrote to the general manager of the Vietnam Regional Exchange, “The rottenness of your administration...is in your tolerating or encouraging blackmarketeering activities in this country.” Before terminating the employment of many Filipino employees, they asserted, “you allowed them to buy as much as their jeeps and taxis can carry; they frequent Cholon PX as many as 4 times in a day.” They cited the example of a man by the name of “Dodong” who sold cases of beers by the dozens. “Mr. Frizbee, please plant one or two of your men here,” they exhorted. To the general manager of the VRE, they implored, “try to confiscate or redeem your invalid PX cards and IDs from your terminated employees.” They concluded, “Act now, Gentlemen, or would you rather keep

⁴³⁵ Investigator’s Statement, 11 December 1969, Frizbee folder, RG 472, NACP.

your eyes and ears closed and thus deprive your Uncle Sam of his dollars?”⁴³⁶ The request to “plant” an official to catch thieves at the Cholon PX was not an absurd request, given Frizbee’s desire to find out which individuals contributed to the black market. However, American officials ultimately could not detain or punish allied personnel because they were not American citizens. Additionally, any sense of diplomatic tension between America and its allies in the war would further harm America’s reputation. As the authors of this letter implied, American officials had the choice to address these cases of corruption or continue allowing these illicit activities to squander American taxpayer funds. To avoid the negative consequences of attempting to curb corruption amongst allied forces, U.S. officials had reason to “keep their eyes and ears closed.”

While many readers of the original advertisement relayed information regarding illicit activities to Frizbee, a minority of readers responded with great doubt and suspicion about his true identity and motivations. A countervailing ad appeared in the *Saigon Daily News*: “Wanted: Information relating to the actual identity and present whereabouts of Victor Frizbee. Contact your nearest Bank of India representative. (In country).”⁴³⁷ It is unclear who placed the advertisement, but there is evidence that American officials were not behind it. On 1 May 1969, a memorandum from Fred G. Steiner, Chief of the Provost Marshal Division, noted that “[p]ossible exploitation of this ad is under consideration.”⁴³⁸ Steiner’s statement suggests that American leaders were not responsible for placing the

⁴³⁶ Kim Il Soong, Juan de la Cruz, and Pedro de la Cruz to Frizbee, 30 August 1969, Box 1000 folder, RG 472, NACP.

⁴³⁷ Advertisement, *Saigon Daily News*, undated, Box 1000 folder, RG 472, NACP.

⁴³⁸ Disposition Form, Subject: Use of Box 1000 to Solicit Information, Box 1000 folder, RG 472, NACP.

advertisement in print; if they were, they would likely have considered the uses of the advertisement before deciding to publish it. The notice's instruction to contact a Bank of India representative in Vietnam refers to the powerful Indian moneychangers in Saigon. It is likely that this advertisement was intended to help protect moneychangers by providing information on Victor Frizbee's identity.

Readers of Frizbee's original advertisement were not only skeptical of his identity and method of investigation, but they were also doubtful of his motives. On May 14, 1969, the *Saigon Daily News* published a competing advertisement directed to Mr. Frizbee. The advertisement read:

Attention: Victor Frizbee

Are you aware that: the U.S. Embassy, USAID, OICC, and MAC-V are the major offenders of currency regulations. If, indeed, you desire to preserve and protect U.S. interests, then investigate their methods of paying certain Vietnamese Contractors holding U.S. Dollar banking accounts outside RVN; the Embassy's method of paying the rent on the International House; the U.S. army's method of payment for leasing certain Vietnamese Hotels and Villas, presently being used as billets; etc....or, are these agencies considered "above the law"?⁴³⁹

The author of this notice challenged Frizbee's strategy of uncovering individual Americans involved in black marketing activities and instead insisted that he should pursue the main perpetrators of currency manipulation—the high-level American agencies and organizations involved in executing the war. The author of this advertisement suggested that if Frizbee truly cared about American interests, then Frizbee would stop those agencies from their negligent methods of payment. The author's

⁴³⁹ Advertisement, *Saigon Daily News*, 14 May 1969, Box 1000 folder, RG 472, NACP.

accusation that these agencies may be “above the law” reflects his belief that American officials are purposely ignoring the American government’s large-scale currency transactions with Vietnamese entities. Moreover, the author suggests, in a rather patronizing tone, that eradicating currency manipulation would require solving the problem from the top, not from the bottom, as Frizbee aimed to do.

A letter to the editor of a Saigon newspaper echoed the sentiments of this advertisement. Signed, “A law-abiding citizen wondering about your activities,” the unidentified writer asserted, “Your ‘ad’ is definitely a fallacy as no amount of such information will preserve or protect US interests. If anything, you are trying to preserve and protect RVN interests which is a larger joke.” The unknown author addressed Mr. Frizbee directly in his letter:

I do hope you realize that [not] only are USAID, OICC, and MACV major offenders of currency regulations and blackmarket activities but high ranking government and military officials of RVN...are the people sponsoring and getting rich off of such activities.

If you really wanted to preserve and protect US interests you wouldn’t be here harassing Americans! You would be in the US clearing...corruption behind the above mentioned organizations.

The writer then stated, “No offense is [meant] by the following statement: ‘I think you are fighting a losing battle.’” His reasoning was that “while you are chasing the little man,” the organizations in South Vietnam and the United States “are just becoming that much more stronger and richer.”⁴⁴⁰

⁴⁴⁰ Letter to the Editor, unknown publication, undated, Box 1000 folder, RG 472, NACP.

American officials, however, responded to the allegations made in these anonymous publications by denying them. Richardson wrote to Saigon that a reply to this advertisement was needed “quickly for possible questions by the Ribicoff Committee in hearings.”⁴⁴¹ A memo from Deputy Ambassador Samuel Berger to the Saigon embassy on 24 September 1969, stated briefly, “The allegation is unfounded. Disbursements by the Embassy, USAID, OICC, and MACV are constantly and closely monitored.” Moreover, Berger asserted that there was no evidence of illegal disbursement of funds. Specifically, he maintained that the embassy pays rent to the International House in piasters, the Army leases billets in piasters, and U.S. agencies pay piasters to Vietnamese firms under contract.⁴⁴² As this response from Berger demonstrates, and as many who wrote in to Frizbee in fact feared, American officials’ investigations furthermore demonstrated great reluctance to implicate high-level officials and organizations who may have been responsible for the ubiquity of corrupt practices.

On 24 August 1969, *The Saigon Post* published a letter to the editor in which the author questioned Frizbee’s motivations. The unknown author asked, “Just how serious is his desire to obtain this knowledge? From all outward appearances it would appear that he is not very zealous in his efforts.” Claiming that he will point Mr. Frizbee in the right direction, the letter-writer stated:

Mr. Frisbee, if you will just stand in the entrance of the International House during business hours and check the ID cards of those that enter I think that you might be enlightened. Then Mr. Frisbee if you enter the building and re-check the

⁴⁴¹ State to Embassy, 23 September 1969, Box 1000 folder, RG 472, NACP.

⁴⁴² Embassy to State, 24 September 1969, Box 1000 folder, RG 472, NACP.

ID cards of those persons that pay for their meals and purchase slugs for the one armed bandits I am sure that you would be very surprised.

The author of the letter stated that the only authorized currency for American military personnel in Vietnam was the MPC. However, he asked, “How then can employees of RMK-BRJ, PA&E, and other civilian...companies some of whom are obviously not authorized this privilege pay for their meals and other services openly and flagrantly with no questions asked.” On the topic of MPC conversions, the author exhorted:

By the way, Victor, August 11, 1969 was...the day the US military decided to break the Chinese and Indian banks with their money conversion. Would you please explain to us how the Vietnamese money changers on lower Tu Do street were offering to exchange US green money for the NEW MPC on Sunday August 10, 1969??? My My, Victor, is it not possible to check the foreign bank accounts of the US military finance officers, just to see what kind of increase occurred?⁴⁴³

The accusatory tone of this letter suggests that the author was dubious of Mr. Frizbee’s efforts to address the problem of illegal activities. The author suggests that American military finance officers capitalized on their knowledge of the conversion date and access to the new series of scrip by offering the new MPCs to Vietnamese money changers in exchange for dollars.

Foreign businesses operating in South Vietnam also attracted criticisms from letter-writers. In an undated letter signed by “A concerned American, who loves his country,” the author insisted that Frizbee should “investigate and bring to the American public the procedures of all non-American companies presently doing business with our

⁴⁴³ Letter to the Editor, *Saigon Post*, 24 August 1969, Box 1000 folder, RG 472, NACP.

units here in Viet-Nam.” The author used the example of Hong Kong-based businesses and claimed that they sold millions of dollars worth of items to the military club systems but did not pay American taxes. The author then claimed that the profits go to Hong Kong, “thence probably to Switzerland.” He asserted that Frizbee must be aware of this procedure, but “why don’t you do something about it. I am tired of lip service...I want action. Run these non-US based companies out of Vietnam by simply refusing them business with our troops.” Moreover, the author stated that the “Vietnamese police aren’t going to do anything. They get their fair share of ‘kick-backs.’”⁴⁴⁴

The participation of non-American corporations in corrupt deals and war profiteering spurred other readers to write in to Victor Frizbee. A letter from S.A. Livingstone, a pseudonym, dated 13 September 1969 alleged that Han Jin Transportation of Seoul, South Korea obtained a stevedoring contract with the American military because of connections with American colonels. Livingstone wrote, “The Organization is controlled by a former truck driver now a Multi-Millionaire in the person of Cho, Choong Hoon, and his American educated brother ‘Charlie’ Cho, a couple of shrewd operators.” He lamented, “it is incredible and beyond one’s imagination that the Cho Brothers were ‘SELECTED’ by direct negotiation without experience to do Stevedoring work” in Qui Nhon. He affirmed that their “pay-off runs into fantastic figures plus the usual hot and cold running Vietnamese Broads.” Livingstone estimated more specifically that “Han Jin has profited more than US\$25,000,000.00 during the period of 1966 thru 1969, and they are today still operating and milking the US govt. DRY.” Moreover, he stated that “[i]t is

⁴⁴⁴ Anonymous to Frizbee, undated, Box 1000 folder, RG 472, NACP.

criminal to think of the waste.” Livingstone promised to pursue this case through Congressional committees “in the event if you should overlook any appropriate action in bringing this case of fraud out in the open.” Referencing America’s balance-of-payments problems, Livingstone maintained that “[w]e are making beggars Kings at a time when we ourselves are going through hardships in the good old USA.” The author trusted that his resolve in “stamping out the several ‘carpet baggers’ will assist you and the Government in the elimination of their further activities and let an honest individual get a chance at the bat!”⁴⁴⁵ Livingstone’s message directly relates the alleged activities of a non-American corporation to the financial problems in the United States and asserts that the Korean businessmen were war profiteers. Additionally, his letter intimates that those who behaved morally were the ones being cheated.

Livingstone sent a second letter with the same date that complemented his earlier claims. He wrote, “In riding the gravy train for the past 3 years, they have built themselves an Empire at the lavish expense of the US Government to build themselves a 20 story building in the heart of Seoul,” he asserted. “It is therefore, imperative that the Cho Bros of HAN JIN be thoroughly investigated with a fine tooth comb.” He pressed Frizbee on why U.S. contractors could not bid for this stevedoring contracting, considering that Han Jin had no previous experience in the field: “Does this seem strange and lend cause to suspicion of inborn collusion?”⁴⁴⁶ Victor Frizbee followed up with two letters, one of which requested a personal meeting with Livingstone, acknowledging that

⁴⁴⁵ Livingstone to Frizbee, 13 September 1969, Frizbee folder, RG 472, NACP.

⁴⁴⁶ Livingstone to Frizbee, 13 September 1969, Frizbee folder, RG 472, NACP.

“you obviously are knowledgeable in the area of illicit activities which are detrimental to U.S. interests.”⁴⁴⁷ Frizbee also placed two advertisements in the *Saigon Post* addressed to S.A. Livingstone, but he was never heard from again.⁴⁴⁸

It is worth noting that the overwhelming response to the initial advertisement led American authorities to place another advertisement in local papers—this time, one that was based on false information. Writing on the behalf of other American officials, Warren H. Metzger from the Office of the Provost Marshal commented that responses to the original advertisement had been fruitful. He wrote, “We have obtained valuable information through the use of this ad, and this information well justifies the expenditures for the advertisement.”⁴⁴⁹ American officials, however, were not only interested in collecting the information they sought, but also planned to use the medium of newspapers to mislead some readers. The second advertisement stated:

Wanted:

Information concerning the widespread circulation of excellent counterfeit US federal reserve notes in RVN. Send to: Victor Frizbee Box 1000 APO 96222 (in country)⁴⁵⁰

American officials purposely attempted to deceive newspaper readers into thinking that the counterfeiting of American dollars was popular and thus a focus of investigation. As one official wrote, “While the basic premise of the ad is untrue, it is felt that a great deal of consternation will be experienced among the money changers.” The official explained

⁴⁴⁷ Frizbee to Livingstone, undated, Frizbee folder, RG 472, NACP.

⁴⁴⁸ Advertisements, *Saigon Post*, 27 October and 29 October 1969, Frizbee folder, RG 472, NACP.

⁴⁴⁹ Letter from Warren H. Metzner, Frizbee folder, RG 472, NACP.

⁴⁵⁰ Disposition Form, Subject: Victor Frizbee, 30 October 1969, Frizbee folder, RG 472, NACP.

that at “the present time, the money changers consider personal checks a very high risk, and money orders have been cut off by the MACV mailing requirement, leaving conversion of ‘green’ as the only reliable low risk form of money manipulation.” Since MACV instated a new regulation in October 1969 that required postal money orders to be sent to a specific address at the time of purchase, Americans in Vietnam were no longer able to purchase money orders with no designated payee.⁴⁵¹ However, they were still able to use personal checks with no designated payee, though with great risk because of improved tracking systems. As a result, officials believed that converting American dollars was the dominant and safest method of currency manipulation. The official concluded, “This ad should cause a change in the risk factor.”⁴⁵² The reasoning was that the supposed prevalence of counterfeit dollars would deter money changers from accepting dollars in general, thereby decreasing the volume of illegal transactions. It is likely that this advertisement had little to no effect on illegal currency transactions, as the black marketing of currency continued unabated throughout the American presence. However, this advertisement suggests that American policymakers ventured to counteract currency manipulation by simply placing a fabrication in print.

The Victor Frizbee campaign continued at least into the summer of 1970, but, after congressional investigations brought to light the severe implications of South Vietnamese black markets in 1969, the campaign gradually lost steam. Using an alias to

⁴⁵¹ “Subject: Money Order Control,” September 1969, Box 5, Department of Defense. Pacific Command. US Military Assistance Command Vietnam. Office of the Provost Marshall. Drug Suppression, Investigation and Security Division, RG 472, NACP.

⁴⁵² Disposition Form, Subject: Victor Frizbee, 30 October 1969, Frizbee folder, RG 472, NACP.

encourage individuals to snitch on those engaged in the black market may have had an effect on deterring violations, but since many of the investigations often led to no arrests or disciplinary action, it is more reasonable to conclude that the Victor Frizbee campaign failed to discourage or punish black market transactions. If anything, the campaign may have worsened morale among those who wrote to Frizbee but did not see any results from their letters. Nevertheless, the Frizbee advertisement continued to elicit letters from newspaper readers in Vietnam at least until July 1970.

While the Frizbee campaign was known to those on the ground in Vietnam, it did not produce any visible results to appease all the criticisms of corruption in the United States. Although Parker had prepared a document instructing how American officials should speak to the press about the Frizbee advertisement, since correspondents had inquired about the identity of Victor Frizbee, this anti-corruption campaign generally did not make headlines in the United States. However, as the Senate hearings highlighted the severe consequences for American taxpayers if the black market continued to thrive, members of Congress and news outlets began to pressure American and South Vietnamese leaders to produce evidence that they were attacking the black market. For American and South Vietnamese policymakers, there was one obvious action to take that could immediately placate critics: confiscate the contraband goods and currencies at the center of corruption by raiding the black markets.

BLACK MARKET SWEEPS OF DECEMBER 1969

Black market raids had been employed ever since black markets emerged on the

streets of Saigon, but in 1969, both American and South Vietnamese officials began to take them more seriously due to new allegations of widespread corruption in South Vietnam publicized by Congressional leaders. Since 1966, American officials carried out occasional raids of black markets to attempt to clamp down on illegal financial activities. For example, in November 1966, Lodge orchestrated a raid of the famous PX Alley black market, only to see black market vendors back in business the very next day, selling the same goods for higher prices.⁴⁵³ In March 1968, police in Saigon seized PX products worth millions of dollars at over 2,000 stalls. The raid displaced many black market vendors, but their businesses bounced back almost immediately. In late 1969, on the heels of congressional hearings on the black market in Vietnam, American and Vietnamese officials implemented a ten-day raid. The *New York Times* reported that the American military participated in the raiding teams, in the words of one informant, to “take charge of and to safeguard” any American caught dealing in the black market.⁴⁵⁴ The first raids focused on the black market in Cholon, the sister city of Saigon populated by mostly ethnic Chinese. The Cholon black market was situated just a few blocks from the largest American PX, which was the likely source of commodities to the black market.⁴⁵⁵

After Senate hearings on black markets and currency manipulation concluded in November, President Thieu expressed his concern about those problems and pressed for corrective action. In a letter dated 20 November 1969, he ordered a ten-day campaign, to take place from 27 November to 7 December, to eliminate contraband foreign currency

⁴⁵³ “PX Alley,” *New York Times*.

⁴⁵⁴ “Saigon Opens Drive on Black Market,” *New York Times*, 28 November 1969.

⁴⁵⁵ *Ibid.*

and American PX goods from the black markets in the greater Saigon metropolitan area. The purpose of the campaign was two-fold: first, to confiscate the foreign currencies and PX goods openly exchanged and displayed, and second, to have authorities continue to conduct investigations after the raids ended to eradicate the black market entirely. To carry out the president's order, the South Vietnamese Minister of the Interior established a committee to oversee the campaign. Working closely with the Ministry of Interior, Do Kien Nhieu, Saigon's mayor, convened a meeting of customs agents and American and Vietnamese police officials to organize for the raids. He assembled forty teams, each comprising three national policemen, one customs agent, and one American military policeman (MP). These teams would disperse to various parts of Saigon and nearby Gia Dinh province by precincts based on population size. Individual Precinct Chiefs would then formulate their own specific plan of attack.

The mayor provided general guidance for the teams. He directed teams to search for currency violators in the mornings, black market goods in the afternoons, and black market goods and currency violators in bars and hotels in the evenings. Vietnamese customs officials would take responsibility for confiscating foreign currency, while the Vietnamese national police would be in charge of seizing black market merchandise. Both groups of officers, however, would have the assistance of an American military policeman as well as members of the Saigon Municipal Police Directorate. Mayor Nhieu recommended that teams identify certain establishments and private homes to search beforehand. He also advised officers to inspect places conducive to illegal monetary transactions, including bars, hotels, restaurants, jewelry stores, and foreign business

establishments. More specifically, Nhieu singled out taxi drivers, bar girls and owners, hotel patrons, and travellers at Tan Son Nhut airport as currency manipulators to target. Meanwhile, locations housing black market goods included stores, sidewalk stands, bars, and hotels. The mayor ordered teams not only to confiscate contraband but also to investigate and arrest anyone caught possessing it. In a letter outlining the campaign's plans, the mayor asserted that all departing passengers and their luggage were subject to thorough searches; there would be "no discrimination" of those subject to search, including "deputies and senators."⁴⁵⁶ On the efforts aimed at PX commodities, the mayor stated, "There will be no more street stands selling these PX items after the campaign."⁴⁵⁷

To this end, Americans achieved several purposes in the campaign. The mayor instructed MPs to point out the PX goods and any items belonging to the American government. Additionally, they were instructed to "protect the rights and property" of all American military personnel and "category I" civilians (employed with American government agencies in Vietnam). The mayor also required MPs to attend daily briefings before the raids began and to submit summaries of the previous day's activities as well as currencies and goods confiscated. In addition to having one American MP per search team, six American officers participated as well. Four of the Americans worked in supervisory and coordinating roles in the larger precincts and in the Gia Dinh area. Meanwhile, two Americans, including Hervey Keator, the commander of the Saigon Provost Marshal's office, served as liaisons to the Vietnam Central Committee, which,

⁴⁵⁶ Summary of meeting, 26 November 1969.

⁴⁵⁷ Ibid.

according to American officials, “was assigned overall responsibility for the operation.”⁴⁵⁸

During the ten-day sweeps, the American-South Vietnamese joint mission uncovered a variety of illegal currencies and consumer goods. American MPs reported that the raid teams confiscated \$427 in American dollars, \$1,048.40 MPCs, \$1,450 money orders, and \$750 Bank of America traveler’s checks. They also reported a list of consumer goods seized, including 546 bottles of hard liquor, 432 cases of beers, 140 cartons of cigarettes, 33 cases of soda, and 43 boxes of gum. Also, 739 individual containers of food were taken, including oil, sugar, noodles, meat, crackers, corn meal, salad oil, baby food, M&M candies, applesauce, ham, fruit cocktail, butter, and tea. While some of these food items represent essential commodities, goods considered to be luxury items in South Vietnam were also found at black markets. MPs reported confiscating 20 cameras, 94 rolls of film, 13 tape recorders, 5 television sets, 55 clocks, 6 radios, 7 tuned amplifiers, 1 movie projector, 1 slide projector, 1 typewriter, and 1 electric shaver. Other items seized included batteries, ponchos, suntan lotion, flashlights, matches, and playing cards. In addition to food and consumer goods, the raids impounded 292 American government-issued articles, including mosquito nets, knives, belt buckles, and machetes.⁴⁵⁹

⁴⁵⁸ Memo for Major General Elias C. Townsend, MACV Chief of Staff, “Black Market Activities,” 26 December 1969.

⁴⁵⁹ “Results of Blackmarket Raids As Reported by US Military Police,” Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

The list of confiscated currencies and goods published by American MPs differed considerably from the list produced by the Vietnam Central Committee that supervised the overall campaign. The Central Committee stated that the teams conducting the black market sweeps seized \$16,783 worth of illegal currencies, including \$3,580 green dollars, \$862 in MPCs, and \$9,341 in checks and money orders. Moreover, they estimated that 8,476 items worth approximately 5,621,450 piasters and 250 taels of gold estimated at 3,750,000 piasters were seized. Although American MPs did not calculate a ballpark figure for the merchandise confiscated, the number they reported for currency seized differed significantly from the amount cited by the Central Committee. Hervey Keator of the Office of the Provost Marshal stated that several factors explained the difference in the two lists. He noted that American MPs could not enter some houses and establishments while his Vietnamese counterparts did, though he did not give a reason. Moreover, the discrepancy between the two lists resulted from the fact that Vietnamese members of the team did not tell the American MPs exactly what was confiscated or the amount or value of what was taken.⁴⁶⁰

The inconsistent reports furnished by American MPs and the Vietnamese Central Committee alluded to tensions between American MPs and their Vietnamese teammates. Gerald Lohmeyer, an American MP who worked for a team in the 1st precinct, criticized the work ethic of his Vietnamese partners. He wrote, “The hours they worked and the amount of work they would do was one big joke.” Other MPs echoed his opinion. James

⁴⁶⁰ Memo from Keator to Young, Subject: After Action Record/Saigon Blackmarket Confiscation Campaign,” 17 December 1969, Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

W. Lathrop, an American MP who worked with another team in the same precinct, felt that his Vietnamese partners did not perform their part of the assigned task. He stated, “I did not mind working with these people except that this was their operation and they left everything for us to do.” Calling it “their operation,” Lathrop implied that black market corruption was a *Vietnamese* problem and that his Vietnamese teammates should have more reason than him to do their jobs. Lathrop suggested that any success derived from the raids should be directly attributable to American MPs: “If it was not for the MP’s doing most of the work they would not have gotten anything accomplished. We pointed a lot of things out to them to take but they just looked at us and would not help us out.”⁴⁶¹

The feeling that Vietnamese officers refused to confiscate illegal goods and currencies was shared by American MPs who participated in the ten-day sweeps. Lohmeyer asserted, “If we came upon anything important it usually belonged to someone high and they did not want to remove the item or items.”⁴⁶² Lohmeyer’s claim suggests that Vietnamese police officers were afraid of possible retaliation if they antagonized powerful people by seizing their possessions. Considering that the black market attracted many wealthy and influential Vietnamese, it is understandable that officers sometimes did not confiscate goods in order to protect themselves. Vietnamese officers also gave the opposite reason for allowing black market vendors and consumers to keep their goods. An official in the Office of the Provost Marshal noted that some teams confiscated

⁴⁶¹ James W. Lathrop Analysis, Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

⁴⁶² Gerald J. Lohmeyer Analysis, Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

nothing, particularly toward the end of the campaign, because “the National Policemen would say they were poor.”⁴⁶³ Although it is unclear whether Vietnamese policemen refrained from seizing goods because they pitied the vendors or because they wished to avoid retribution, black market raids certainly put Vietnamese officers in the unenviable position of confiscating goods and currencies that their fellow citizens coveted.

On the other hand, MPs observed that Vietnamese national policemen at times gladly appropriated black market goods—to keep for themselves, or, more likely, to give back to the vendors or owners. Calling the actions of his Vietnamese partners “distasteful,” Lohmeyer commented, “I felt that I was shopping for the Vietnamese. We would go where they wanted to go and pick up what they wanted to get.”⁴⁶⁴ Lohmeyer’s remark suggests that some Vietnamese officers seized goods for their personal gain. Given that black market vendors often paid law enforcement officials to look the other way, however, many Vietnamese officers developed mutually beneficial relationships with black market sellers. It is thus reasonable to assume that even if Vietnamese police confiscated certain goods, they likely returned them afterward because of previous arrangements with the vendors. Arthur Witmeyer, an MP from a second precinct team, recounted that the Canh Sats, the Vietnamese term for police, ignored small stands and markets. He observed that his team raided only large retailers and took only half of the goods displayed. In addition to maintaining that his teammates “appeared to be opposed

⁴⁶³ Memo from Keator to Young, Subject: After Action Record/Saigon Blackmarket Confiscation Campaign,” 17 December 1969, Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

⁴⁶⁴ Lohmeyer Analysis.

to the whole operation,” he noted that goods taken were mostly PX goods and liquor while big-ticket items like tape recorders, televisions, and radios were untouched. Witmeyer observed on several occasions that Vietnamese police gave back confiscated goods when the American MPs were not present. The Vietnamese military police “offered little or no assistance and [were] more of a hindrance,” he added.⁴⁶⁵ Lathrop also noticed that the Vietnamese police gave many PX goods right in front of him. He continued, “Then they expect us to catch these people with the goods so they can let them go.”⁴⁶⁶ Lathrop’s comment suggests that Vietnamese officers would rather let the American MPs take the blame so they can preserve their reputation with vendors. After all, Americans did not have to live with the consequences of alienating black market sellers and buyers, but Vietnamese officers did. Indeed, during the raids, Vietnamese vendors and consumers expressed resentment towards the American officers executing the sweeps. Richard J. Kohlman, another MP who participated in the raids, noted that “[s]ome of the Vietnamese people got pretty hostile and started throwing things at us.”⁴⁶⁷

American MPs also suggest that the officials implemented the black market raids in order to create the impression that serious efforts were undertaken to destroy the black market, when it appeared that they were simply concerned with getting black market goods out of sight temporarily. Michael R. McHugh from a Gia Dinh team noted that the Vietnamese police “seemed more concerned with just getting the blackmarket items out

⁴⁶⁵ Arthur Witmeyer Analysis, Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

⁴⁶⁶ Lathrop Analysis.

⁴⁶⁷ Richard J. Kohlman Analysis, Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

of plain sight rather than trying to abolish it altogether.”⁴⁶⁸ As evidenced by the fact that many Vietnamese officers returned confiscated goods almost immediately, the actual execution of the raids created a brief impression that action was taken. In fact, news coverage of the black market sweeps featured photos of American MPs confiscating black market goods, but not when Vietnamese officials handed back those very goods to their owners.

Overall, American MPs’ assessments of the ten-day black market raids pointed to the failure of the campaign, but American officials were more optimistic about the results of the raids. McHugh concluded that “it was a wasted ten days,” and Witmeyer commented that “the black market in Saigon was hardly affected at all” by the campaign. By the end of the 10-day raids in Saigon, American government officials announced that a total of \$20,047 in American currency and \$76,795 worth of PX goods had been confiscated, with only a few people detained.⁴⁶⁹ A cable from Bunker dated 2 December 1969 summarized a briefing from the South Vietnamese spokesman, who announced that the raids “confiscated some 3 million Vietnamese piastres worth of duty-free PX items and US \$9,739.20 (green) during four-day period November 27 to December 1.” On 5 December 1969, the *New York Times* stated that the approximately \$9,000 in American dollars seized was a “figure that is generally regarded as barely scratching the surface.”⁴⁷⁰ Meanwhile, the black market exchange rate continued to soar to 300 piasters to the dollar,

⁴⁶⁸ Michael R. McHugh Analysis, Box 1, Security Classified General Records, 1969-1970, MACV/Office of the Provost Marshal, RG 472, NACP.

⁴⁶⁹ “Money Racket Raids Completed in Saigon,” *The Hartford Courant*, 9 December 1969.

⁴⁷⁰ “Black Market Drive by Saigon Held Weak,” *New York Times*, 5 December 1969.

while the official exchange rate remained at 118 piasters to the dollar.⁴⁷¹ American officials conceded that after the ten-day raids ended, black market vendors were back in business. Bars in Saigon, for example, were selling PX beer and liquor like before.⁴⁷² After the raids, confiscated goods were taken by the Vietnamese customs and held in warehouses, but American sources suspected that the goods ended up back in the black market.⁴⁷³ One official commented that the “campaign’s success was considerably less than the goals established by the Prime Minister,” but “nonetheless a great deal of material was confiscated and the campaign represented a start by the Vietnamese in combating the problem.”⁴⁷⁴ The problem with this evaluation, however, was that “a start” to fighting the black markets was simply not enough to reverse the damage that had been done to the morale of soldiers and civilians on the ground as well as the economies of both the United States and South Vietnam.

As American MPs had pointed out, black market raids provided visible proof that American and Vietnamese officials were taking action to solve the problem. A black market in Saigon known as the “Little Black Market” was renowned as an easy target for “show” raids used to demonstrate ostensible toughness against the black market. Located a short walk from the American embassy, the Little Black market sold goods which were sent for American aid programs in Vietnam and for American and South Vietnamese

⁴⁷¹ Ibid.

⁴⁷² Memo from Hervey Keator to Young, “Subject: After Action Record/Saigon Black market Confiscation Campaign,” 17 December 1969.

⁴⁷³ “Crackdown is Part of Inflation Fight: Black Market Dealt Kayo Punch?” *Pacific Stars and Stripes*, 1 December 1969.

⁴⁷⁴ Memo from Young to Townsend, “Subject: Black Market Activities,” 26 December 1969.

forces.⁴⁷⁵ According to William Lederer, it was a small black market, compared to the larger ones in Saigon, and was often shown to visitors like it was a tourist attraction.⁴⁷⁶ The Little Black Market operated openly with tacit acceptance by Americans and Vietnamese officials alike, both of whom were aware of the origins of the goods as well as the corruption required to facilitate the movement of goods from its legal depositories to its illegal status on the street. However, American and Vietnamese officials tolerated the Little Market for several reasons. From the American perspective, Tom McAlliffe, an American police instructor in Saigon, stated that, “We aren’t too strict about it because in the first place we don’t want to antagonize the Koreans or the Filipinos.”⁴⁷⁷ He also claimed that economists asserted that the black market helped to stop inflation. McAlliffe thus explained Americans’ acceptance of the black market on the grounds that trying to stamp it out would create diplomatic tensions for the United States and its allies and also worsen inflation, a perpetual problem that worried officials. His comment thus implied that Americans did not want to close the black market for good.

Vietnamese officials, too, it could be argued, were not interested in eradicating the black market. Like Vietnamese police officers who appeared resistant to executing the raids, Lieutenant Vo of the Vietnamese National Police explained that leaders in Saigon wanted to deflect external pressures to curb the black market. As Vo told Lederer in 1968:

⁴⁷⁵ Allison, *Military Justice in Vietnam*, 140.

⁴⁷⁶ Lederer, *Our Own Worst Enemy*, 98.

⁴⁷⁷ *Ibid.*, 99.

The Little Black Market is permitted to continue because it is useful to everyone. When the American press-or perhaps a visiting senator—complains about corruption we close the Little Black Market for a few days. That’s it. Immediate action has been taken. The stalls have been closed. Sometimes the merchandise is burned in the street. Photographs are taken. A few people are arrested. The Americans are satisfied. Action against corruption has been taken. It takes pressure off the US Embassy. It takes pressure off my government. Do you see how useful the Little Market is?⁴⁷⁸

As Vo’s statement reveals, black market raids were staged to mollify American critics of Vietnamese corruption. They were performances that temporarily inconvenienced a few people and sacrificed some consumer goods, but they enabled the black markets to survive. As long as raids offered the opportunity to stage occasional photo opportunities for American consumption, they were allowed to flourish. Ultimately, as Vo states, black markets were “useful to everyone,” and there were reasons for both the United States and South Vietnam to allow them to persist.

The visibility of black market raids dovetails with other visible components of anti-corruption measures in South Vietnam. American officials favored press releases about black market arrests, which would broadcast to the American public the progress made to combat corruption. In later years, Vietnamese officials tasked with fighting corruption proposed televising an award to a customs investigator who uncovered an important black market transaction. Ambassador Berger even suggested to his Vietnamese counterparts that the Vietnamese could feature a television program to demonstrate the ways in which the Saigon government was tackling black market

⁴⁷⁸ Quoted in Ibid.

corruption.⁴⁷⁹ In reality, however, the use of television as a medium to convey to Vietnamese the government's drive against corruption undermines the government's message. After all, most Vietnamese did not have television sets, and those who did often acquired them on the black market.⁴⁸⁰

CONCLUSION

As the Victor Frizbee campaign and the black market raids illustrate, American and Vietnamese officials chose to fight corruption in a way that showed both observers and participants of black market transactions that policymakers at the top were taking actions to remedy the problem. In the Frizbee case, soldiers and civilians on the ground in Vietnam received the message that someone who had American interests at heart was investigating illegal activities. The black market raids orchestrated by Vietnamese officials, on the other hand, demonstrated to American critics of Vietnamese corruption that Vietnamese leaders were cracking down on the black market. Both of these campaigns aimed at trying to deal with the black market as a criminal problem, never addressing the economic rationality that undergirded much of corruption in Vietnam.

The ways in which American and Vietnamese officials approached the problem of black markets erased the economic principle behind black market behavior while focusing on the immorality of black market participation. As letters to Victor Frizbee demonstrate, Americans who engaged in illicit activities were characterized as lacking

⁴⁷⁹ Allison, "War for Sale," 162.

⁴⁸⁰ Ibid.

virtue, self-restraint, and concern for American interests, while those who reported the black market activities often assumed the position of a moral high ground. Similarly, black market raids focused on low-level participants who violated the law and gave into temptations to enjoy PX consumer goods. The amount of currency and goods confiscated during the raids, for example, demonstrate the supposed greed of those dealing in the black market. In dealing with the problem of black markets, officials did not acknowledge the economic conditions created by the war, such as inflation and the shortage of consumer goods on the legitimate market, and the existence of a highly overvalued official exchange rate that provided financial incentives for people to engage in black market activities. As long as the official exchange rate remained profitable, Americans and Vietnamese kept the black market alive. In the meantime, the misplaced efforts by American and Vietnamese officials to deal with the black market in goods and currencies only allowed economic problems to worsen.

While American and Vietnamese officials in Saigon attacked corruption in 1969 by mostly chasing individual transgressors and confiscating black market goods and currencies, in 1970 a newly assembled group of American officials in Washington began focusing on the larger economic circumstances that gave rise to black market corruption. As Bunker imparted to Thieu in early 1970, the problem of black markets became such a high priority for the Nixon administration that officials created a formal interdepartmental Action Task Group (IATG) on Blackmarketing and Currency Manipulation. In December 1969, Secretary of State William P. Rogers approved the establishment of an Action Task Group jointly coordinated by the Departments of State,

Defense, and Treasury to “eliminate opportunities for blackmarketing, currency manipulation and for the purpose of exploring the broader aspects of economic conditions which spawn blackmarketing and currency manipulation.”⁴⁸¹ As Rogers explained, “we have long felt the need for a Washington body, somewhat analogous to the mission-wide Irregular Practices Committee, that could act expeditiously on the committee’s recommendations requiring interagency implementation at the Washington level.”⁴⁸² The collaboration of the Departments of State, Defense, and Treasury reflected Washington’s acknowledgement that corruption in South Vietnam was simultaneously an American diplomatic, military, and economic concern.

By 1970, American officials investigating corruption in South Vietnam emphasized that economic reforms were necessary to slow the black market. In examining the wider economic conditions that facilitated corruption, the IATG recommended that South Vietnamese officials implement major economic reforms to stem the tide of corruption. After a visit to South Vietnam in March 1970 to assess black marketing, currency manipulation and other activities affecting the Vietnamese economy, the IATG reported that “the opportunity for blackmarketing in currency is created by the desire of Vietnamese...and other person with capital funds in Vietnam to escape the threat to the security of their acquisitions by transferring their holdings to hard currencies outside Vietnam or to gold, diamonds, or other enduring tangible assets.” They concluded

⁴⁸¹ Memorandum of Understanding Among the Departments of State, Treasury, and Defense.

⁴⁸² State to Embassy, 18 December 1969, “501-01 Physical Security of Key US Personnel- 1969 THRU 508-05 Black Market Activities— 1969” folder, MACV/Office of the Provost Marshal. Security Classified General Records, 1969-1970, RG 472, NACP.

that, “the adoption of austerity measures appropriate to a war-time situation and the strict enforcement of necessary controls are mandatory if the economic war in Vietnamese is to be won.”⁴⁸³ Moreover, in June 1970, the IATG asserted that the “most significant action which could be taken which would make the economic environment less conducive to corrupt activities would be an improved rate of exchange.” The IATG’s report claimed that the GVN’s official exchange, which was two thirds lower than the world market rate, was a major cause of black marketing in currencies and goods. Buyers and sellers of goods and services in Vietnam consistently ignored the official 1:118 exchange rate; prices of goods were priced at a rate closer to 380 piasters per dollar. They argued that if the legal exchange rate were close to the black market rate, then “there would be little inducement for individuals to deal in the illegal market.”⁴⁸⁴

As the military conflict dominated the agenda of policymakers, the economic aspects of the war became increasingly more urgent by late 1969 and early 1970. In early 1970, officials at the Saigon embassy, including Bunker, believed that economic “problems were becoming more serious than the military threat and if left unsolved might undo everything that had been achieved.”⁴⁸⁵ The beginning of Vietnamization had substantial effects not only on the battlefield but also on the economy. As the next chapter will show, the confluence of the withdrawal of troops, the decline in economic

⁴⁸³ “Report of the Interdepartmental Action Task Group (Vietnam) Team Visit to Southeast Asia 16-27 March 1970.” Folder: 310-03 Irregular Practices Committees (1 of 2), Box 5, MACV Office of the Comptroller, Financial Affairs Division, General Records, RG 472, NACP.

⁴⁸⁴ “Report of the Interdepartmental Action Task Group, June 1970,” Folder: 310-03 Irregular Practices Committees (1 of 2), Box 5, MACV Office of the Comptroller, Financial Affairs Division, General Records, RG 472, NACP.

⁴⁸⁵ Quoted in Kolko, *Anatomy of a War*, 229.

aid, increasing global inflation, and the adoption of austerity measures in South Vietnam—for the first time since the beginning of American escalation—harkened the ultimate collapse of the South Vietnamese economy. When American leaders decided to Vietnamize the war thereby ending American involvement in the conflict, South Vietnamese leaders no longer held leverage over their American counterparts. They could not use the instability of their government to force American leaders to submit to South Vietnamese stipulations on economic policy. Given that the United States was withdrawing troops, it was reasonable for South Vietnamese leaders to think that the United States could withdraw economic aid as well. Faced with the possibility of losing millions of dollars in assistance, President Thieu finally gave in to American pressures to devalue the piaster in October 1970.

Chapter Five: Vietnamization, American Withdrawal of Troops, and the End of War, 1970-1975

Since 1965, the United States had built a house of cards in South Vietnam. Underwritten by millions of dollars in economic aid and flooded with imported consumer goods, South Vietnam appeared on the surface as an economically prosperous country. Luxury homes, extravagant nightclubs, and expensive consumer electronics provided jarring evidence of an affluent urban society in the midst of war. Generous American military spending, including the vast purchasing power of GIs, reinforced this facade of relative comfort. Many South Vietnamese residents participated in and even benefited from the bonanza of American spending, either through lawful employment or corruption. It was undeniable that some individuals, both Americans and Vietnamese, profited handsomely from the war.

The ostensible boom of the American presence, however, masked serious doubts about the basic economic viability of South Vietnam. In fact, American and South Vietnamese leaders' responses to fundamental problems in the South Vietnamese economy not only failed to resolve those long-term issues but also often exacerbated them. In particular, steps taken to address inflation and corruption produced their own set of consequences for the economy and society in South Vietnam, consequences that were arguably fatal for the country regardless of the outcome of the military or political wars.

Since South Vietnam's inception, U.S. policymakers had propped up the Saigon government and treated the problem of inflation by inundating South Vietnam with massive amounts of economic aid and consumer goods. Though the Commercial Import

Program, the United States attempted and succeeded, to a large degree, in using import commodities to tamp down inflation and keep it within manageable levels. As a result, South Vietnamese were able to enjoy relatively high standards of living without having the productive capacities of industrial nations. The availability of imported food and commodities naturally discouraged South Vietnamese development of domestic production and fostered an increasing economic dependence on the United States. Meanwhile, American economic aid also funded South Vietnamese civilian and military expenditures, postponing and even obviating the need for a genuine solution to the lack of a tax collection infrastructure. Along with benefitting from an exchange rate that generously overvalued the piaster, the South Vietnamese government was able to function without generating its own sources of revenue or producing any exports.

The American escalation of war further diminished any urgency to address fundamental questions about South Vietnam's economy, as prosecuting the war took top priority. However, the arrival of the American military presence not only amplified the problem of inflation, but also introduced new social, cultural, and economic dislocations in South Vietnam. The inflationary effects of escalation combined with the creation of a new service sector catering to the needs of GIs widened economic inequality, overturned traditional social hierarchies, made corruption a necessary part of survival, and severely undermined national morale. These radical transformations marginalized crucial segments of the South Vietnamese population, most importantly civil servants and military servicemen, and raised serious concerns among South Vietnamese about the loss of cultural identity. For many South Vietnamese, however, the American presence and

the forced urbanization of war created jobs and provided some measure of economic stability.

Although some American policymakers were not concerned about the social and cultural impact of the American presence, the U.S. military worried about the economic consequences of the war and sought to prevent American wealth within military bases from affecting the South Vietnamese economy. Military authorities appealed to soldiers' virtue and morality to protect the South Vietnamese economy, but such campaigns were ultimately not enough to convince American soldiers and civilians to spend less if they were compensated generously. Moreover, it was difficult to convince individuals to forgo the economic rationality of the black market. After all, the United States created a system that overvalued the Vietnamese piaster, meaning that soldiers would not get the full worth of their dollars if they exchanged currency at legal rates. As the war progressed, the black market in currency and goods thrived, so long as American aid was forthcoming. Policymakers in Washington and Saigon often placated criticisms of the Vietnamese black market with visible efforts to crack down on black market corruption, but these measures failed to remove the economic incentive that undergirded the pervasiveness of corruption. Indeed, the optimistic narrative proffered by American policymakers with regard to the progress of the war downplayed the artificial, vulnerable, and unsustainable nature of the South Vietnamese economy.

The boom of the American presence, however, as everyone knew, would not last forever. The house of cards would collapse once American policymakers began a policy of de-escalating the war in Vietnam. Inflation, corruption, and the creation of a service-

sector economy intertwined to produce a deeply unstable situation for South Vietnam—politically, militarily, economically, socially, and culturally—and the mere beginning of American withdrawal would unmask the country’s serious economic flaws. By 1969, when President Nixon announced the beginning of American troop withdrawals and the replacement of American soldiers with Vietnamese forces, the country’s shaky economic foundation could no longer be ignored. Fundamental questions about the economic sustainability of South Vietnam, largely neglected in the years of American escalation, finally rose to the top of South Vietnam’s priorities when the United States began to extricate itself from the war. The presence of American troops to fight a war while attempting to construct a nation in South Vietnam proved to exacerbate the country’s fragile economic foundations. By the time that American troops left, the South Vietnamese were in a much worse economic position than they were in during American escalation.

This chapter examines the impact of the withdrawal of the American presence on South Vietnam and the ways in which American and South Vietnamese policymakers responded to the economic consequences of withdrawal. It argues that the crises that resulted from the departure of American military personnel revealed the fragility of the South Vietnamese state and economy that the American military presence had cultivated since 1965. Moreover, it asserts that the consequences of American extrication further eroded national legitimacy and morale among important segments of the South Vietnamese population, especially civil servants and members of the armed forces. By the early 1970s, the confluence of American troop withdrawal, global inflation, the

implementation of austerity measures, and the gradual decline of economic aid in South Vietnam created the perfect storm for South Vietnam's eventual collapse.

Although historians have tended to focus more on the military and diplomatic dimensions of the conflict to the exclusion of the economic aspects of the Vietnam War's ending, this chapter attempts to refocus attention on the urgency of the South Vietnamese economic situation as the war wound down. Scholarship on the last stages of the Vietnam War has, with good reason, centered on the Paris Peace talks, North Vietnamese military intransigence, and the simultaneous American contraction and expansion of war within and beyond Vietnam, among other events and trends.⁴⁸⁶ However, as the very survival of South Vietnam, even from the beginning, depended on American economic assistance, the gradual withdrawal of the American presence and concomitant reductions in military and economic aid had consequential effects on the ultimate existence of the country, and thus merit scholarly analysis. This is not to say that American withdrawal directly caused the fall of Saigon. In fact, this chapter refutes a major argument offered by many revisionist scholars, namely that the withdrawal of American military and economic aid was largely responsible for the collapse of South Vietnam.⁴⁸⁷ In particular, revisionists

⁴⁸⁶ For some of the scholarship on the last stages of the war, see: Nguyen, *Hanoi's War*; Pierre Asselin, *A Bitter Peace: Washington, Hanoi, and the Making of the Paris Agreement* (Chapel Hill: The University of North Carolina Press, 2002); James H. Willbanks, *Abandoning Vietnam: How America Left and South Vietnam Lost Its War* (Lawrence: University Press of Kansas, 2008); Cheng Guan Ang, *Ending the Vietnam War: The Vietnamese Communists' Perspective* (London and New York: Routledge, 2005); Larry Berman, *No Peace, No Honor: Nixon, Kissinger, and Betrayal in Vietnam* (New York: Simon and Schuster, 2001); Arnold R. Isaacs, *Without Honor: Defeat in Vietnam and Cambodia* (Baltimore: Johns Hopkins University Press, 1998); Robert D. Schulzinger, "The End of the Vietnam War, 1973-1976," in *Nixon in the World: American Foreign Relations, 1969-1977*, ed. Fredrik Logevall and Andrew Preston (New York: Oxford University Press, 2008).

⁴⁸⁷ The most prominent revisionist authors who have made this argument include: Sorley, *A Better War*; Henry Kissinger, *Ending the Vietnam War: A History of America's Involvement in and Extermination from the*

have argued that if only Congress did not vote to reduce, and later, cut off economic and military assistance to South Vietnam, the country would not have fallen to communism. This chapter argues strongly against this revisionist argument. It asserts that American withdrawal was a necessary remedy to the problems created by the American presence. The very suggestion that South Vietnam's defeat was wholly premised upon the denial of American aid, however, reveals important questions about South Vietnam's economic viability that deserve critical examination. This chapter demonstrates that the economic problems faced by South Vietnam toward the end of its existence were a result of decisions made beforehand. The collapse of South Vietnam was not predetermined but, in fact, contingent upon choices that both U.S. and South Vietnamese policymakers made in the years leading up to the American withdrawal of troops.

This chapter presents the story of how Vietnamese and Americans shaped, interpreted, and reacted to the unfolding of events in South Vietnam from 1969 to the early 1970s. It begins with an overview of major political and military developments during the unwinding of the war. Next, the chapter discusses the state of the South Vietnamese economy and the austerity measures implemented in Saigon to tackle the twin problems of inflation and corruption. These economic developments alarmed policymakers in Washington as they wrestled with the consequences of American disengagement. The signing of the Paris Peace Accords in 1973, which mandated the complete withdrawal of American troops, marks the halfway point of this story. The

Vietnam War (New York: Simon and Schuster, 2003); Mark Moyar, "Getting Vietnam Right," *The American Spectator*, 30 August 2007. Accessed 16 May 2015, <http://spectator.org/articles/44878/getting-vietnam-right>.

second half of the chapter focuses on the economic implications of the American pullout from the perspectives of American policymakers and South Vietnamese citizens. While American policymakers touted the resiliency of the Vietnamese economy, South Vietnamese reactions to the withdrawal of American troops, their lived experiences of economic recession, and their perspectives on South Vietnam's national legitimacy proved otherwise.

THE VIETNAMIZATION OF WAR, 1969-1971

As American disillusionment with the Vietnam War led to a growing chorus of voices calling for the complete withdrawal of U.S. troops, the de-escalation of war and the search for peace that begun under the Johnson administration would continue into the next decade. After the Tet Offensive, the Johnson administration shifted military strategies in further attempts to gain the upper hand in peace negotiations with Hanoi. To appease both doves outraged with the number of American casualties and hawks demanding further intensification of the war, the Johnson administration adopted the strategies of pacification and the beginning of what would later be called "Vietnamization." Under the new leadership of Creighton Abrams, who replaced William Westmoreland as commander of MACV in March 1968, the U.S. military began implementing plans to win the "hearts and minds" of Vietnamese civilians, thereby increasing security in the Vietnamese countryside, and stepping up efforts to expand, arm, and train the ARVN. When Richard Nixon took office in January 1969, then, his

plan to gradually phase down American involvement in Vietnam was more or less already underway.

Despite hoping to end the war quickly, however, Nixon found that achieving “peace with honor” in Vietnam—ending the war with an independent South Vietnam still intact—would require more time than he anticipated. Like Johnson, Nixon worried about the political repercussions of policy decisions for his own electoral ambitions. He rebuffed demands for the unilateral and immediate withdrawal of American troops, which he perceived as a failure of American foreign policy. In his view, such a plan would not only precipitate the rapid collapse of South Vietnam but also endanger American credibility around the world. Working closely with his main foreign policy adviser, National Security Advisor Henry Kissinger, Nixon settled on a mixture of strategies to induce Hanoi to negotiate on terms favorable to the United States while quelling domestic discontent with American losses in the war. First, they sought to apply pressure on the Soviet Union, whose leaders were eager to renew diplomatic relations with the United States, to use its influence to coerce North Vietnam into signing a peace agreement. Second, they aimed to convince Hanoi’s leaders that Nixon would use any military force, including nuclear weapons, to win the war.⁴⁸⁸ His “madman theory,” Nixon believed, could intimidate Hanoi to the point that “Ho Chi Minh himself will be in Paris in two days begging for peace.”⁴⁸⁹

⁴⁸⁸ Lawrence, *The Vietnam War*, 140.

⁴⁸⁹ Quoted in Rick Perlstein, *Nixonland: The Rise of a President and the Fracturing of America* (New York: Simon and Schuster, 2010), 419.

In the meantime, as they awaited the results of these strategies, Nixon and Kissinger initiated the first stages of incremental U.S. troop withdrawals to satisfy the American public. In June 1969, Nixon announced the departure of 25,000 American troops from Vietnam, followed by an announcement in September ordering the withdrawal of another 35,000. Many antiwar Americans, however, were not content with Nixon's phased withdrawal plan. In nationally orchestrated "Moratorium" demonstrations in October, approximately two million Americans protested the slow pace of troop pullouts; a month later, 250,000 antiwar protesters marched in Washington, DC. In a nationally televised speech on 3 November 1969, President Nixon dismissed the criticisms of protesters by asserting that a "silent majority" of Americans supported his administration's policies in Vietnam. In the same speech, Nixon formally announced his Vietnamization strategy, the plan to gradually withdraw American troops while increasing the training and equipment of South Vietnamese military forces to eventually assume all responsibility for fighting the war. Contrasting his aims with those of Johnson, Nixon maintained, "In the previous administration, we Americanized the war in Vietnam. In this administration, we are Vietnamizing the search for peace."⁴⁹⁰ In line with the newly-declared Nixon Doctrine, which stated that the United States would defend allied countries with military aid and equipment instead of American troops, the Vietnamization strategy indicated a different direction for American foreign policy.⁴⁹¹

⁴⁹⁰ "Address to the Nation on the War in Vietnam," Richard M. Nixon, 3 November 1969, The American Presidency Project, University of California, Santa Barbara. <http://www.presidency.ucsb.edu/ws/?pid=2303> Accessed 1 April 2015.

⁴⁹¹ Campbell Craig and Fredrik Logevall, *America's Cold War: The Politics of Insecurity* (Cambridge, MA: Belknap Press, 2012), 261.

In addition to making gestures toward peace, Nixon and Kissinger expanded the war beyond Vietnam in the hopes that Hanoi would reach its breaking point. During the first few months of his presidency, Nixon extended the bombing of the Ho Chi Minh Trail begun under the Johnson administration by authorizing Operation Menu, the secret B-52 bombing of communist sanctuaries in Cambodia. Despite the risks associated with violating the neutrality of Cambodia, Nixon's expansion of war to Vietnam's neighbor only deepened further, owing to subsequent events. In March 1970, pro-American General Lon Nol overthrew Prince Sihanouk's neutralist government, opening the doors for direct American military intervention. To help Lon Nol defeat Vietnamese communists and Cambodian communists, called the Khmer Rouge, Nixon went against the wishes of his advisers and authorized an invasion of Cambodia with fifty thousand South Vietnamese and thirty thousand American troops that April. Though ARVN and American forces achieved some successes as a result of the invasion, including the capture of enemy munitions, food, and supplies, which created substantive setbacks for North Vietnamese and NLF forces, the invasion also radicalized the Khmer Rouge, with tragic consequences for the future of Cambodia.⁴⁹² Nixon defended the temporary "incursion" into Cambodia by arguing that it was necessary to protect American troops remaining in Vietnam and guarantee the successful implementation of Vietnamization. Although Nixon removed all American and South Vietnamese soldiers from Cambodia by the end of June, the damage to U.S. domestic politics had already been done.

⁴⁹² Bradley, *Vietnam at War*, 158–160.

The American invasion of Cambodia set off a firestorm of domestic protests. Indeed, the expansion of war during a supposed drawdown of the conflict angered an already disaffected American public. Antiwar protests on the Kent State University campus turned into a national tragedy on 4 May 1970, when the Ohio National Guard fired on the crowd, killing four students and wounding at least nine.⁴⁹³ In the following weeks, over four million college students participated in strikes, boycotts, and demonstrations to protest the continuing war. Adding to the domestic turmoil, two hundred pro-war construction workers attacked a group of high school and college students protesting the Cambodian invasion, the Kent State shootings, and the war in Vietnam on 8 May during the Hard Hat Riot. These incidents marked a period of widespread national outrage, including from politicians on Capitol Hill, directed at the Nixon administration. Members of the Senate, in fact, were so infuriated with the invasion that the Senate repealed the 1964 Gulf of Tonkin Resolution that June. Although amendments to terminate funds for American operations in Cambodia and to mandate the withdrawal of American troops by 1972 did not pass, it was clear that members of Congress would continue to challenge Nixon's broadening of the war.⁴⁹⁴

As the U.S. violation of Cambodian neutrality turned the American public increasingly bitter toward Nixon's foreign policies, leaders in Hanoi continued to press on with the war with the full intention of achieving a negotiated settlement on their terms. Indeed, Nixon and Kissinger underestimated the intransigence of North Vietnamese

⁴⁹³ Jeremi Suri, *Power and Protest: Global Revolution and the Rise of Detente* (Cambridge, MA: Harvard University Press, 2005), 237.

⁴⁹⁴ Lawrence, *The Vietnam War*, 147.

leaders, who refused to surrender to American military threats. Despite declining morale among communist forces and no clear edge on the battlefield, North Vietnamese leaders rejected American suggestions for mutual troop withdrawals. Instead, Hanoi's leaders continued to demand unilateral American troop pullouts and the establishment of a coalition government, the NLF's Provisional Revolutionary Government, to rule the South after communist conquest. Most notably, Hanoi officials insisted on sidelining Thieu completely in this new government, which American policymakers rebuffed. With stalemate at the negotiating table, North Vietnamese officials continued their approach of "talking while fighting," but they agreed to establish secret backchannel communications with the United States to continue negotiations outside of the official channels.⁴⁹⁵

Although the Paris Peace talks began in 1968, both Americans and North Vietnamese were unwilling to compromise for an agreement until several years later. As in the past, both Washington and Hanoi sought military advantages to place themselves in better negotiating positions.

While Hanoi remained firm in its demands, American attempts to curry the favor of Moscow and Beijing failed to coerce Hanoi into signing a peace settlement. These efforts, however, would eventually succeed in renewing relations with former communist adversaries. As American policymakers later discovered, by the end of the decade Moscow's influence on Hanoi had waned from its peak in earlier years of the war. In fact, North Vietnamese leaders came to lean more on the Chinese for support and advice than

⁴⁹⁵ For more on North Vietnam's strategy of "talking while fighting," see Brigham, *Guerrilla Diplomacy*, 94–112; Nguyen, *Hanoi's War*, 194–228.

on the Soviets. As Sino-Soviet relations deteriorated, Nixon and Kissinger embraced triangular diplomacy to exploit the hostility between China and the Soviet Union. After efforts to convince the Soviets to pressure Hanoi came to naught, Nixon and Kissinger looked to Beijing to pressure Hanoi into peace. Chinese leaders, for their part, believed that friendly relations with the United States would not only isolate their Soviet rivals but also improve China's international reputation. For Nixon, too, resumed relations with China could potentially strong-arm Hanoi into a peace settlement. Whereas Chinese leaders had previously called on Hanoi to spurn negotiations in favor of a military victory, at least by the early 1970s, it was clear to Hanoi that the Chinese could be more interested in improving relations with the United States than helping the North Vietnamese win the war. Indeed, in late 1969, secret communications between American and Chinese officials began, culminating in Kissinger's private trip to China in 1971 followed by Nixon's visit in 1972, which formally normalized American relations with China.⁴⁹⁶

As the evolving dynamic between the United States, China, the Soviet Union, and North Vietnam affected the strategies of ending the war, the situation in South Vietnam remained as unstable and fragile as ever. In practice, Vietnamization expanded the ARVN from 850,000 soldiers to more than one million by 1971, outfitted the ARVN with large quantities of the latest weapons and military vehicles, and improved wages, benefits, and conditions for military servicemen. As one of the largest and best-equipped armies in the world, the ARVN's performance on the battlefield did improve overall,

⁴⁹⁶ Bradley, *Vietnam at War*, 164.

although some ARVN success could be attributed to communist strategies of assuming more defensive positions and waiting out American troop withdrawals. Long entrenched problems of poor training, inadequate leadership, widespread corruption, and low morale continued to plague the South Vietnamese armed forces, and it was highly doubtful that ARVN could truly replace the fighting capacity of American soldiers.⁴⁹⁷ Meanwhile, Saigon's control of the South Vietnamese population remained tenuous. Though the Saigon government focused more efforts on pacification in the countryside and redistributed over a million hectares of land in 1970, there was no clear evidence that Thieu had garnered more loyalty for his government. As historian George Herring has written, "Thieu had skillfully built a durable governing structure comprising Chinese merchants, loyal bureaucrats, and army officers and held together by the glue of corruption."⁴⁹⁸ As South Vietnam's legitimacy hung in the balance during this period of American withdrawal, the economic ramifications of policy decisions in Saigon and Washington would further complicate the South Vietnamese population's attitudes toward their own government.

POLICYMAKERS AND THE SOUTH VIETNAMESE ECONOMY, 1969-1971

In contrast to free-spending habits during the early years of the war, toward the end of the decade Saigon leaders began to implement plans for economic austerity due to American pressure. In late October 1969, Thieu issued a presidential decree imposing new taxes on imported luxury goods as part of an austerity program intended to reduce

⁴⁹⁷ Herring, *America's Longest War*, 291–296.

⁴⁹⁸ *Ibid.* 294.

the national deficit, which stood at a half billion dollars by the end of the 1969. Thieu's goal to balance the national budget came at the urging of American economists, who long believed that South Vietnam had lived beyond its means. The new levies affected over a thousand imports and doubled, tripled, and in some cases even quadrupled the price of goods. Under these new taxes, a refrigerator that previously cost the piaster equivalent of about \$300 increased to \$400. Likewise, the price of a portable television increased from \$175 to \$300. The cost of a small Japanese or German car jumped from \$4,000 to nearly \$19,000.⁴⁹⁹ These duties naturally angered wealthy individuals, since the new levies targeted luxury consumers.

Although the new levies were directed toward the upper class, in reality Thieu's luxury tax affected the poor, who comprised most of South Vietnam's 17 million people, more than the rich. As many lower-class South Vietnamese expected, taxes on luxury imported goods aimed at the top trickled down to everyone else, as Vietnamese merchants cited the new tax as a reason to implement across-the-board price increases. Indeed, the prices of commodities produced in South Vietnam such as rice, sugar, and milk soared the after Thieu's announcement. A pound of rice, for example, cost twenty percent more just one week after Thieu declared the new luxury tax. The president's austerity tax caused panic among Vietnamese citizens, who began purchasing and hoarding goods.⁵⁰⁰ The ensuing panic and profiteering also had the effect of raising prices

⁴⁹⁹ B. Drummond Ayres Jr., "Saigon Places a Heavy Tax on Luxuries to Aid Budget," *New York Times*, 25 Oct. 1969.

⁵⁰⁰ Alvin Shuster, "Saigon Takes Steps to Fight Inflation," *New York Times*, 4 Oct. 1970.

of both domestic and imported goods, aggravating inflation.⁵⁰¹ The consequences of the presidential decree prompted protests from members of the National Assembly, business and labor organizations, as well as civil servants and members of the armed forces, who lived on fixed wages. During a special legislative session, one senator called his government a “pickpocket.”⁵⁰²

In order to mitigate the domestic backlash, Thieu took to the airwaves to defend his austerity plans. In a 50-minute address broadcast on national television and radio on 31 October 1969, President Thieu asserted, “We cannot be beggars, we cannot lean on others.” Invoking nationalism, Thieu continued, “The honor of the Vietnamese nation does not permit it, the pride of the nation does not permit it and the conscience does not permit it.” Thieu cited the statistic that South Vietnam spent \$600 million on imports while making a mere \$20 million in exports in the last year. The president acknowledged that South Vietnamese had been “living above our means during the past few years,” creating a situation of “false prosperity” that was “dangerous and unacceptable.” Thieu called on citizens to “to accept more efforts, more sacrifices than anyone else.” Referring to the new exigencies created by American troop withdrawals, he asserted, “We must carry responsibilities in every field, political, military and social.” Thieu also commented on South Vietnam’s economic dependence on American economic aid, stating that “we must do everything we can do for ourselves before we turn to our friends to ask for more aid. That is the way to self-support, self-reliance and self-sufficiency.” Toward the end of

⁵⁰¹ Terence Smith, “Austerity Chokes Vietnam Business,” *New York Times*, 19 Jan. 1970.

⁵⁰² B. Drummond Ayres Jr., “Prices of Staples Soar Under Thieu Luxury Tax,” *New York Times*, 31 Oct. 1969.

his address, Thieu wept as he pledged that he would step down as president if the majority of citizens opposed his policies or if his policies led the country to communism.⁵⁰³

Alongside these new austerity measures, South Vietnamese officials also requested the cooperation of their American and international counterparts to stop the import of luxury items into South Vietnam. In November 1969, South Vietnamese Economic Minister Pham Kim Ngoc appealed to Bunker to prevent the import of luxury goods into the country through the PX system.⁵⁰⁴ This was the first time the South Vietnamese government formally asked American officials not to bring luxury goods to Vietnam, even though such goods were only for sale legally to American military personnel. The economic minister's request arose as a result of criticisms from South Vietnamese businessmen, who asserted that while the Saigon regime increased taxes on imported luxury goods, luxury items from the PXs entered the local black markets and bypassed the new taxation. According to the *Saigon Post*, businessmen argued that the "tax-free commodities have been sold easily and at lower prices than the legally imported ones."⁵⁰⁵ Though the United States sought to boost their soldiers' morale with PX commodities, the program of bringing American comforts and luxuries to South Vietnam benefited local citizens as well but harmed the implementation of economic austerity in the country.

⁵⁰³ Terence Smith, "Thieu, in Tears, Asks Sacrifices," *New York Times*, 1 November 1969.

⁵⁰⁴ "American asked to stop PX flow of luxury goods," *Saigon Post*, 8 November 1969. Box 1, MACV/Office of the Provost Marshal. Security Classified General Records, 1969-1970, RG 472, NACP.

⁵⁰⁵ *Ibid.*

As a way to crack down on black market corruption involving currency manipulation, moreover, the South Vietnamese government devalued the Vietnamese piaster to more accurately reflect its real value on the international market. For years, Thieu and other leaders resisted calls to devalue the Vietnamese currency, because they understood—correctly—that devaluation would lead to price increases. Meanwhile, members of Congress had good reason to trust that devaluing the piaster would lower inflation and discourage currency manipulation, but currency devaluation also produced other negative side effects, such as hurting citizens' purchasing power. American advisers realized that devaluation was not beneficial in some regards for South Vietnam and therefore did not consistently pressure Thieu to devalue the piaster.⁵⁰⁶ By 1970, however, heavy pressure from Congress in addition to difficult economic circumstances in South Vietnam prompted Thieu to devalue the piaster. On 3 October 1970, Thieu devalued the piaster from one dollar to 118 piasters to one dollar to 275 piasters for certain transactions. With new the devaluation, American servicemen and civilians were granted an exchange rate of 275 piasters per dollar, instead of 118 piasters they received prior to the devaluation, but the 1 to 118 exchange rate remained for transactions between the United States and South Vietnam related to the import of essential commodities. Importers specializing in what American officials classified as luxury goods, including refrigerators, air conditioners, radios, and phonographs, needed 275 piasters to purchase a

⁵⁰⁶ Dacy, *Foreign Aid*, 34.

dollar to bring such commodities into South Vietnam, making it more expensive for consumers to afford these goods.⁵⁰⁷

The devaluation of the Vietnamese piaster, as Thieu and other leaders predicted, ultimately compounded the problem of inflation and income inequality. After the devaluation in 1970 and a further decrease in the value of the currency from 275 piasters to the dollar to slightly over 400 piasters in late 1971, South Vietnamese were forced to stop purchasing everything except for the most basic foods and eat fewer meals. Many citizens also complained about the price of rice; the cheapest American rice cost 4,000 piasters per hundred-pound bag, the equivalent of about \$10, while the best Vietnamese rice cost 11,500 piasters, up from the 6,000 piasters that it used to cost.⁵⁰⁸ As in 1966, occupation determined whether one's family would be able to keep pace with the rise in inflation. In 1970, for example, a policeman made the equivalent of around \$25 monthly, and a civil servant with twenty years of experience earned around \$85. Meanwhile, a construction worker employed by the Americans could make \$300, and a bar girl could earn more than \$850 a month.⁵⁰⁹ The resurgence of potential runaway inflation continued to threaten the economic stability of the Saigon regime as American plans for troop withdrawal were implemented.

While the Americanization of war created a boom in urban employment, the Vietnamization of war caused the burst of that employment bubble and the beginning of

⁵⁰⁷ Alvin Shuster, "Saigon Takes Steps."

⁵⁰⁸ Gloria Emerson, "Saigon Residents Finding the Price Squeeze Worse Than Ever," *New York Times*, 11 December 1971.

⁵⁰⁹ "Vietnamization: Will It Work?"

severe recession. Rapid urbanization during the war brought many refugees from the countryside to the cities, where the labor force increased by 200,000 each year during the war.⁵¹⁰ As agriculture and manufacturing production declined sharply during the war, the service and government sectors comprised 78 percent of the South Vietnamese economy by 1972.⁵¹¹ Because the South Vietnamese economy was predominantly centered on service occupations, the withdrawal of Americans caused massive unemployment. At the peak of the war in 1969, around 145,000 South Vietnamese worked for American agencies, but that figure declined to about 15,000 by the end of 1973. Indirect employment of Vietnamese by Americans in a variety of service work, including maids and prostitutes, was estimated to drop similarly.⁵¹² By 1972, Pham Kim Ngoc stated that “unemployment has never been this bad, and it is nothing short of catastrophic.”⁵¹³ The economic condition of the urban population by the end of the war, as one economist described, was “dismal if not desperate.”⁵¹⁴

These indications of growing economic problems in South Vietnam beginning in 1969 could not escape the attention of policymakers in Washington. In addition to news of the billion-dollar currency manipulation racket, reports of rising inflation in South Vietnam continued to worry American policymakers. Moreover, as Vietnamization came into full swing, some Nixon administration officials grew concerned about the implications of the program on South Vietnam’s economy. Indeed, as the decision for de-

⁵¹⁰ Dacy, *Foreign Aid*, 118.

⁵¹¹ Bradley, *Vietnam at War*, 121.

⁵¹² Kolko, *Anatomy of a War*, 490.

⁵¹³ Malcolm Brownes, “Deep Recession Grips Vietnam,” *New York Times*, 4 June 1972

⁵¹⁴ Dacy, *Foreign Aid*, 118.

escalation of the war was made solely based on military and political factors, the economic consequences of troop withdrawal and Vietnamization were often not considered or discussed until after the policies had already been implemented.

As American officials understood after troop withdrawals commenced, the departure of American military forces generated new inflationary pressures on the South Vietnamese economy. During the course of the American buildup, the U.S. military, through the Department of Defense, purchased piasters from the National Bank of Vietnam at rates favorable to South Vietnam. As with economic aid, the military's purchases of piasters gave more American dollars to the South Vietnamese government than the piasters were worth because of the generous exchange rate for U.S.-South Vietnamese commercial transactions.⁵¹⁵ These piaster purchases were deflationary, and not inflationary as analysts had previously believed, because the South Vietnamese government was able to use this source of American dollars to finance not only military and civilian expenditures, but also their own version of an import program similar to the Commercial Import Program.⁵¹⁶ By purchasing piasters from the South Vietnamese government, then, the Defense of Defense constituted a "major donor of 'hidden' economic aid" to the Saigon regime.⁵¹⁷ American troop withdrawals therefore reduced

⁵¹⁵ Ibid.

⁵¹⁶ Like the Commercial Import Program, the South Vietnamese government's import program aimed to dampen inflation by importing a variety of consumer goods to soak up extraneous piasters. Because the RVN's import program primarily imported goods from Japan, which were often substantially cheaper than goods from the United States, it was considered to be more deflationary than the American-financed CIP.

⁵¹⁷ Memo for the Secretary of Defense, 11 Dec. 1969, Box 5, MACV office of the comptroller, financial affairs division, General Records, RG 472, NACP.

military spending, which increased inflationary forces on the South Vietnamese economy.

In addition to inflation caused by troop pullouts, greater burdens on the South Vietnamese government to assume responsibility for fighting the war exacerbated inflation. As Secretary of State William Rogers observed, “The increase in GVN military and para-military force involves increased GVN expenditures with consequent inflationary effects and greater demand for imports...At the same time, there will be less foreign exchange available for imports, partly as a result of U.S. force reductions.”⁵¹⁸ Rogers believed that unresolved economic problems would ultimately harm the military and political objectives of Vietnamization. He wrote to Nixon, “Significant military and political advances may be seriously jeopardized if provisions are not made to maintain the economic underpinnings of the war effort as Vietnamization progresses.”⁵¹⁹ Kissinger, too, perceived the inflationary effects of Vietnamization and agreed on the need to contain inflation in South Vietnam. Conveying to Nixon the importance of managing inflation levels, Kissinger wrote that increased military and political efforts by the South Vietnamese government “will accelerate inflation there unless offsetting actions are taken. Some inflation is unavoidable in wartime, but it should be kept within tolerable limits since nothing erodes confidence so rapidly as a decline in the value of its

⁵¹⁸ Memo from William P. Rogers for the President, “A.I.D and PL 480 Programs for Vietnam—FY 1970,” 20 Oct. 1969, Box 75, NSC Vietnam Subject Files, Richard M. Nixon Library [hereafter cited as RMNL].

⁵¹⁹ Ibid.

currency.”⁵²⁰ Analysis from the National Security Council appeared to confirm that economic weakness in South Vietnam had direct consequences for the war effort. A memo from Dean Moor, who served as part of the operations staff of the National Security Council, to Kissinger in July 1969 cited an increasing number of reports from a range of sources that inflation, budget deficits, and financial mismanagement in South Vietnam worsened noticeably in past few months. Moor wrote, “Already, these problems are beginning to sap some of the Government’s vitality in attempting to build a competitive position against Communists in a future post-war environment.”⁵²¹ Though Moor assumed that the Saigon regime would continue to exist in a post-war setting, his belief that economic insecurity weakened Saigon’s position vis-a-vis the communists was an important one that others in the Nixon administration also shared.

American officials understood that a solution to these new inflationary pressures of simultaneously expanding the ARVN and withdrawing American forces would require compromise between the United States and South Vietnam. Rogers forecasted that increasing South Vietnamese military forces while sending American GIs back home “could result in an increase in the money supply of more than 50% in CY [Calendar Year] 1970, unless extraordinary measures are taken.” These measures, he argued, “would have to include an increase in US financial assistance as well as monetary and fiscal action on the part of the GVN.” On the Americans’ part, Rogers urged the president to expand economic aid to South Vietnam to prevent economic catastrophe. He wrote,

⁵²⁰ Memo from Kissinger to the President, undated (est. Oct. 1969), Box 75, NSC Vietnam Subject Files, RMNL.

⁵²¹ “Memo from Moor to Kissinger,” 1 July 1969, Box 74, NSC Vietnam Subject Files, RMNL.

“An essential element in our efforts to ‘Vietnamize’ the war is an increase in US economic aid to help meet the additional burdens on Vietnam’s already strained economy. The more rapid the pace of troop withdrawals and the shift of military responsibilities to the GVN, the larger will be its requirements for economic support.”⁵²² Implicit in Roger’s analysis is that the strategy of Vietnamization would fail if the United States did not increase its aid levels.

Roger’s recommendation to Nixon was echoed by Robert Mayo, Director of the Bureau of the Budget within the White House, who asserted that both the United States and South Vietnam needed to take appropriate financial measures to avert economic disaster. Mayo, like several other officials, believed that Vietnamization would intensify the economic problems facing the Saigon government and that expanding the Vietnamese armed forces and the pacification program would cause higher levels of spending in South Vietnam. Conversely, he noted, “GVN receipts will fall as the phasedown reduces spending by US agencies and personnel. The resulting additional inflationary pressures must be restrained through some combination of more stringent GVN fiscal measures and increased US assistance.”⁵²³ Among Nixon’s closest advisers within the Cabinet and the White House, then, a consensus emerged that South Vietnam would require greater assistance to tamp down the menacing threat of runaway inflation.

Outside of the White House, a number of prominent individuals and organizations also sounded the alarm of possible economic collapse in South Vietnam due to high rates

⁵²² Memo from Laird to the President, 24 Oct. 1969, Box 75, NSC Vietnam Subject Files, RMNL.

⁵²³ Memo from Robert P. Mayo to the President, 24 Oct. 1969, Box 75, NSC Vietnam Subject Files, RMNL.

of inflation, though often under the assumption that the Nixon administration was unaware of the impending danger. Writing in October 1969, Reed J. Irvine, a member of the Federal Reserve system, indicated his disapproval of the President's handling of economic problems in South Vietnam to Arthur Burns, Counselor to the President. Irvine noticed there was a "marked contrast between the determination to come to grips with the problem [of inflation] in 1966 and the treatment of the problem today." In 1966, Irvine commented, the Federal Reserve succeeded in generating "keen White House interest" in South Vietnam's economic problems, and American officials "impress[ed] upon the leaders there, in both the Vietnam government and our military, of the importance of curbing inflation."⁵²⁴ The urgency to deal with South Vietnamese inflation remained as important as in 1966, Irvine remarked, but the Nixon administration appeared to assign economic concerns to a low priority. Irvine wrote:

We at the Federal Reserve have again taken the initiative in trying to stimulate some action. The response, however, has been very different. As far as we have been able to ascertain there has been no interest on the part of anyone connected with the White House.... The actual White House involvement in planning the 1966 stabilization program was not great, but everyone had the feeling that it was a matter which was considered important by people at the top. This energized the lower ranks. This seems to be the ingredient that is now missing. The lower ranks do not seem to be getting clear signals that higher levels attach any importance to this matter. The result is a tendency to push the problem aside or assign it low priority. This is profoundly discouraging to those of us who know from past experience what a dangerous and demoralizing force rampant inflation can be in a country that is being subjected to a strong subversive attack.⁵²⁵

⁵²⁴ Reed J. Irvine to Arthur F. Burns, "Subject: Vietnam Stabilization Efforts," 3 October 1969, Box 75, NSC Vietnam Subject Files, RMNL.

⁵²⁵ Ibid.

In the context of American troop withdrawal and Vietnamization, Irvine's criticism of high-level Nixon administration officials emphasized that neglect of the inflation problem could erode South Vietnamese citizens' faith in Saigon's leadership. Although Burns recommended that the National Security Council "inquire into this problem immediately" as a result of Irvine's observations,⁵²⁶ it is clear that all levels of the administration, including Nixon himself, were already well aware of the dangers of runaway inflation. The problem, as Irvine may have implied, was that little action had been taken by the administration to deal with inflation satisfactorily.

As American troop withdrawal began to pick up speed, former officials from the Johnson administration similarly urged Nixon and his staff to pay greater attention to the economic consequences of Vietnamization on the South Vietnam population. In a memo dated December 29, 1969, Walt Rostow warned Kissinger of the economic pressures on the South Vietnamese population: "This more important than it may look, my non-economist friend: Vietnamization means urban unemployment unless there is a surge in industrial employment; and Thieu's recent experience with his austerity taxes should make it clear the Vietnamese electorate is like any other. We'd be damned fools to let Vietnamese political life fall apart because of an economic failure."⁵²⁷ A staunch anti-communist, Rostow believed that the combination of austerity measures and widespread unemployment in South Vietnam could spell defeat for the Saigon regime. Likewise, Bunker, a known hawk, believed that economic matters could undermine military efforts.

⁵²⁶ Memo from Burns to the President, 8 October 1969, Box 84, White House Central Files Subject Files CO, RMNL.

⁵²⁷ "Memo from Rostow to Kissinger," 29 December 1969, Box 832, NSC Name Files, RMNL.

As one of the key policymakers on the ground in South Vietnam who served both Johnson and Nixon, Bunker recalled that by early 1970, members of the embassy thought that economic “problems were becoming more serious than the military threat and if left unsolved might undo everything that had been achieved.”⁵²⁸

In late 1969 and early 1970, then, fears of inflation undercutting the entire war effort harkened back to similar discussions among officials in 1966. As discussed in the second chapter, Secretary of Defense Robert McNamara expressed serious concerns about the poor wages and conditions of ARVN soldiers in debates about troop escalation in 1966. In McNamara’s view, the most vulnerable victims of high inflation in South Vietnam were the very people who worked for the functioning and the defense of the country. As American troops departed and as the Saigon regime prepared to expand the number of ARVN forces in 1969, anxieties over hyperinflation were thus inextricably tied to the well being of those whose jobs were to serve the South Vietnamese government.

Because a major part of implementing Vietnamization depended on the ability of the ARVN to recruit and maintain soldiers in its ranks, American policymakers understood that low wages and poor benefits for South Vietnamese soldiers presented a major obstacle for the ultimate success of Vietnamization. Like McNamara in 1966, Nixon suggested that the United States should increase its funding to support the expansion of the ARVN. In a November 1969 memo to Kissinger, Nixon wrote, “The desertion rates in the South Vietnamese armed forces [have] been raised on several

⁵²⁸ Quoted in Kolko, *Anatomy of a War*, 229.

occasions, but little seems to be done about it. I gather from [Secretary of Defense Melvin] Laird that it really gets down in great part to a question of adequate pay and other financial incentives.” Nixon inquired, “If this is the case would this be an area where we ought to pay more now even though it means increasing the budget substantially in order to prepare the way for further reductions we are going to make later?”⁵²⁹ Although it is unclear what Kissinger’s response was, it appeared that the president considered the economic conditions of South Vietnamese soldiers to be worthy of additional American aid.

Laird, one of the biggest proponents of Vietnamization and rapid American troop withdrawals, worried about the morale of the South Vietnamese armed forces as well. Laird, branded the “newest and most anxious student of South Vietnam’s economic problems” by the *New York Times* in July 1970, observed that inflation, corruption, and poor wages and conditions within the South Vietnamese army had spawned high desertion rates, estimated unofficially at around 10,000 deserters per month in 1970.⁵³⁰ As a result, Laird not only tracked the performance of South Vietnamese military forces closely but also pressed Saigon leaders to implement programs of economic reform. However, improving wages and conditions was a solution that also generated additional problems, which explained why Thieu and other South Vietnamese policymakers did not raise wages to keep pace with inflation despite the fact that those in the armed forces and

⁵²⁹ “Memo for Kissinger from the President,” 24 November 1969, Box 84, Subject Files CO, White House Central Files, RMNL.

⁵³⁰ Max Frankel, “Laird Keeps Close Eye on South Vietnam’s Economy,” 15 July 1970, *New York Times*.

civil service were hurt the most by inflation.⁵³¹ Like Thieu, Bunker understood that increasing soldiers' and civil servants' salaries would likely only further increase inflation. As Bunker stated to his State Department colleagues, "The problem of the low salaries of civil servants and military in the face of inflation remains acute. There is no easy or quick solution to this problem because any significant increase in salaries would aggravate the already strongly inflationary situation."⁵³² Paying civil servants and the armed forces more would entail the South Vietnamese government printing additional piasters, unless the government were to receive additional funds from the United States to cover the costs or somehow generate additional revenue on its own. South Vietnam's many years of dependency on American economic aid, therefore, ensured that no straightforward solutions could be implemented to solve the complex economic problems at hand.

In fact, basic questions about the viability of the South Vietnamese economy resurfaced as Vietnamization brought economic problems into the spotlight. In *A Report on the Economics of Vietnamization*, the Office of the Deputy Chief of Staff for Economic Affairs, which worked closely with USAID and the U.S. embassy in Saigon to

⁵³¹ The CIA reported that South Vietnamese civil servants received a 25 percent increase in their pay beginning in July 1969, the first such pay increase since mid-1966. It reported that the pay increase would "add 10 billion piasters (US \$85 million) to government expenditures this year alone, but that the government had no alternative because the civil servants' financial situation had been ignored for too long." Meanwhile, those in the armed services received a pay increase in January 1968. Intelligence Report, "The Economic Situation in South Vietnam," Central Intelligence Agency, 16 June 1969, Box 62, NSC Files Vietnam Subject Files, RMNL.

⁵³² Saigon to State, 3 Feb. 1969, Box 2, National Security Advisor NSC Vietnam Information Group: Intelligence and other reports, 1967-1975, Gerald R. Ford Library (hereafter cited as GRFL).

assist Thieu in implementing economic reforms,⁵³³ remarked that it “would be ironic if the GVN were to destroy itself fiscally...while the war was being ‘won’ militarily.”⁵³⁴ The report stated that inflation in South Vietnam “would be understandable if the war had seriously depressed per capita consumption. It is difficult for any government to tax away an extra part of the purchasing power of people who have already suffered a reduction in their living standards.” The office observed that in South Vietnam, however, the opposite was the case; consumption was higher than ever before, so the Saigon government could actually tax citizens. What was missing, the report stated, was “the machinery to collect such taxes and the will to levy them. For this last omission the blame must fall in part on past support policies of the USG [United States Government].”⁵³⁵ As the report implied, the distorted South Vietnam economy, long propped up by American economic aid, created a kind of economic dependency that was further exacerbated by the lack of commitment by both the United States and South Vietnam to establish an infrastructure for tax collection. The report was critical of American officials, who, in prioritizing military concerns, never encouraged the South Vietnamese government to generate its own sources of revenue.

Besides staff at the Office of the Deputy Chief of Staff for Economic Affairs, the Secretary of Defense also criticized economic policies condoned by the American

⁵³³ For more on the Office of the Deputy Chief of Staff for Economic Affairs, an agency within MACV, see Graham A. Cosmas, *MACV: The Joint Command in the Years of Withdrawal, 1968-1973* (Washington, D.C.: Government Printing Office, 2007), 201.

⁵³⁴ *A Report on the Economics of Vietnamization*, p. 12, Box 25, Security Classified General Records, 1970-1973. Defense, Pacific Command, US MACV, Office of the Deputy Chief of Staff for Economic Affairs, RG 472, NACP.

⁵³⁵ *Ibid*, 44.

government in the past. In February 1970, Laird visited South Vietnam along with General Earle Wheeler, the Chairman of the Joint Chiefs of Staff, during which they met with Bunker, his colleagues at the Saigon embassy, and South Vietnamese officials to discuss a variety of issues including the South Vietnamese economy. Laird wrote to the president that in the course of budget discussions with MACV and embassy staff, “it became clear that... economic aspects of Vietnamization are fraught with potential hazards.” The South Vietnamese economy, he asserted, was almost completely supported by the United States. Laird observed that as “part of the war effort designed to attract popular support to the cause, we have followed a policy of raising the standard of living for the SVN populace rather than imposing a regime of austerity.” Laird’s remarks referred to the Commercial Import Program, which primarily served as an anti-inflationary tool, but also introduced many consumer goods to South Vietnamese society that boosted living standards instead of forcing citizens to make economic sacrifices common during wartime.

Moreover, the Secretary of Defense expressed outrage at the lack of a basic understanding of economic problems in South Vietnam, especially since Vietnamization produced serious economic consequences for the South Vietnamese. Laird argued that a “prerequisite for Vietnamizing the economic institutions and apparatus is first and foremost some definition of the problem.” If “a stable and reliable SVN economy is to be insured,” the Secretary of Defense argued that the United States “must obtain a clear picture” of what the war was costing; what proportion of the cost was borne by the United States and by South Vietnam; what costs were valid and what were not; how the

cost of the war and its distribution would change with Vietnamization; and how the current and future costs of the conflict should be funded by the United States and by South Vietnam. Laird wrote, “Such a definition does not now exist. It is a matter of the utmost urgency that we obtain this understanding. The South Vietnamese shall be proceeding in the meantime between the Scylla and Charybdis of potentially destructive economic failure, from phenomena such as hyperinflation, and the equally destructive possibility of military failure because of too few resources to accomplish the security mission.”⁵³⁶ As Laird pointed out, if American officials did not know the total costs of the war or what proportion of the financial burden was on South Vietnam, the current uninformed path of dealing with economic problems would push the South Vietnamese government toward financial and military collapse.

The worsening of economic problems for Saigon due to American troop pullouts and the imposition of austerity measures raised the stakes of answering these essential questions. As Chairman of the Vietnam Special Studies Group, Kissinger authored a background paper on the economic problems related to Vietnamization.⁵³⁷ Stating that the withdrawal of troops reduced Saigon’s foreign exchange but that neither the Department of Defense nor USAID wanted to “cover these shortfalls,” Kissinger asserted that the South Vietnamese government had two choices: spend more than its revenues, leading to

⁵³⁶ “Trip to Vietnam and CINCPAC, 10-14 February 1970” and Memo from Haig to the President, 17 February 1970, Box 1008, NSC Alexander Haig Special File, RMNL.

⁵³⁷ The Vietnam Special Studies Group was tasked with analyzing American programs and activities in Vietnam, undertaking studies to support policy and program decisions, and facilitating interagency analysis of U.S. programs and policies in Vietnam. National Security Decision Memorandum 23, “Vietnam Special Studies Group,” 16 Sept. 1969, Richard M. Nixon Virtual Library, http://www.nixonlibrary.gov/virtuallibrary/documents/nsdm/nsdm_023.pdf. Accessed 17 April 2015.

“intolerable rates of inflation,” or cut back programs and foreclose the possibility of any new programs necessary to carry out tasks formerly performed by American units. Moreover, Kissinger noted that Saigon’s economic policies have already demonstrated “serious political repercussions.” Specifically, Thieu’s austerity tax was “implemented hastily and ineptly causing major political problems with fixed wage earners, intimidating the National Assembly, and precipitating a Supreme Court ruling that is likely to be unfavorable to the government.” Moreover, a possible political confrontation arose between Thieu and disabled Vietnamese veterans over changes to their benefits.⁵³⁸ As Kissinger’s observations suggested, social and political unrest caused by troop withdrawals and austerity made the resolution of economic problems even more urgent.

Kissinger, like Laird, pressed for decisions to intrinsic dilemmas related to the economics of Vietnamization. He wrote that the “U.S. has no idea what the GVN will do” in response to these economic difficulties, but “the best guess is they have not even decided themselves.” He cited that “recent official conversations have indicated the Vietnamese are not anywhere close to recognizing and solving the economic problems facing them.”⁵³⁹ On the part of Americans, however, Kissinger believed that the United States needed to decide on several matters of crucial importance, including “how the costs of Vietnamization are to be shared between the GVN and U.S.; that is, what will we provide, knowing the GVN must pay for the most of the rest with inflation,” “how is the American portion of the burden to be shared among the Departments and Agencies of this

⁵³⁸ “HAK Background Paper on Vietnamization Economic Problems,” Vietnam Special Studies Group May 19, 1070 meeting, NSC Institutional Files, Box H001, RMNL.

⁵³⁹ Ibid.

government,” and “whether Congress will be asked for additional appropriations or whether already budgeted funds will be diverted from their planned use to fund Vietnamization.” Kissinger concluded, however, that there was “no satisfactory way to resolve these issues.” His resignation perhaps indicated that by the early 1970s, economic problems in South Vietnam were nearly intractable.

There were, indeed, no easy answers to these fundamental questions that Laird and Kissinger posed. Instead of addressing these basic inquiries, however, Nixon administration officials thought that finding the right person to handle these complicated economic problems would help the situation. Officials grew increasingly concerned that South Vietnam needed the expertise and guidance of an established American economist to avoid economic breakdown. Kissinger noted in 1970 that there was “no reputable high-level US economist in Saigon today. Our top economic slot is filled with a development planner who is worried about post-war economic plans.”⁵⁴⁰ In April 1971, Nixon and his advisers proposed the idea of assigning an “economic czar” to be in charge of economic matters in Saigon, though there had always been an economist within the Saigon embassy. The president was “convinced that a well-respected American of known accomplishments who would represent [a] father [figure]” to the Vietnamese would be beneficial for the country.⁵⁴¹ Nixon administration officials ultimately did not appoint an economic czar for South Vietnam, but the fact that such a proposal surfaced during this late stage of the war revealed that American policymakers believed that merely

⁵⁴⁰ Ibid.

⁵⁴¹ “Memo for the President’s File from Haig,” 9 April 1971, Box 820, NSC Name Files, RMNL.

identifying the right leader would solve South Vietnam's complicated economic problems.

The economic ramifications of Vietnamization were largely an afterthought for administration officials, as military and political priorities determined the direction of foreign policy during the last stages of the war. However, that is not to say that they were oblivious to the economic problems that continued to plague South Vietnam. The problem of inflation had preoccupied American policymakers since the country's inception and rates of inflation veered dangerously close to politically-destabilizing levels at times. By the time Nixon entered office, however, the stakes of uncontrolled inflation were greater than ever before, but the options for ameliorating the problem were limited by decisions made in the past.

SOUTH VIETNAMESE REACTIONS TO AMERICAN WITHDRAWAL, 1969-1971

Although news of American troop withdrawal elicited a range of views from South Vietnamese who had grown accustomed to years of war, one of the more common reactions was that of feeling disappointed by the decisions of the United States. Among South Vietnamese policymakers, the exit of American troops signaled the beginning of the end of Saigon's partnership with Washington. As Bui Diem, South Vietnamese ambassador to the United States, asserted,

The Vietnamese couldn't think in terms of the Americans intervening in something and not succeeding, and so it is a kind of blind trust that the South Vietnamese wrongly or rightly put into the Americans. They couldn't think that the Americans—once having committed their troops in Vietnam, having spent so

much money in Vietnam—could one of these days leave everything behind and call it quits.⁵⁴²

Given the long relationship between the United States and South Vietnam since 1955, it was not unusual for South Vietnamese officials to express feelings of being let down by their American allies. These attitudes of disillusionment among South Vietnamese would become more pronounced as North Vietnamese communists grew more emboldened militarily and as the United States prepared to extricate itself completely from the war.

In addition to the shock and disbelief that the United States would pull out of a conflict and alliance it had invested so much in, feelings of betrayal by the United States began to emerge within South Vietnamese politics and society. As early as 1968, when peace talks between Washington and Hanoi commenced, Saigon leaders expressed insecurities about their own positions and the future of their country. Though South Vietnamese leaders had often publicly criticized the United States as a way to boost their own legitimacy among citizens, they also realized that South Vietnam could not exist without the continued assistance of the United States. The possibility of complete American military withdrawal thus prompted great anxiety and vulnerability among South Vietnamese politicians. In fact, as *The Baltimore Sun* reported, those who had “committed themselves to the Saigon Government fear[ed] that the Americans like the French before them, will negotiate a defeat at the conference table, while the South

⁵⁴² Bui Diem Interview, Martin Smith, “Vietnamizing the War,” *Vietnam: A Television History* (Boston: WGBH, 1983).

Vietnamese stand helplessly by.”⁵⁴³ As Americans withdrew their soldiers, then, it appeared that the leverage held by Saigon leaders over their American counterparts could diminish to a point where the United States could unilaterally negotiate a political settlement with North Vietnam.

Although hostile attitudes toward the United States existed in South Vietnam ever since large numbers of U.S. combat troops arrived to the country, a different kind of anti-Americanism—a form that simultaneously revealed a loss of faith in the United States and invoked the notion of Vietnamese sovereignty—began to emerge as the war started to unwind. The betrayal felt by some Saigon policymakers manifested in South Vietnamese publications as denunciation of American actions and policies. The *Saigon Daily News*, for example, stated in an editorial that the “Americans must be told that they cannot help defend our freedom and at the same time trample on our sovereignty.”⁵⁴⁴ Sentiments like this not only positioned American intervention as wholly incompatible with South Vietnamese autonomy, but also revealed profound skepticism of the motives behind American intervention. Soon after the announcement of American troop withdrawals in early 1969, a South Vietnamese newspaper published a poem, excerpted below, similarly critical of the American presence:

You Americans came here in droves, and
our country suffered many upsets on
every side and in every respect. Those
are things that belong to the past, and
you also must have heard them and seen

⁵⁴³ “Anti-Americanism Around the World,” *The Baltimore Sun*, 18 Aug. 1968, Box 1, NSA NSC Vietnam Information Group, GRFL.

⁵⁴⁴ Quoted in *ibid.*

them.... The money you have thrown around has blurred the perspectives of a number of people who have forgotten their own homeland which is in the flames of war. A minority of people, dependent upon you, have naturally become a rich ruling class. For that reason, a new element has manifested itself in our society: an element of people who wish to maintain the conflict, to prolong the conflict, to live clinging to it in order to enrich themselves and produce personal profits. That is the tragic situation, you have created unintentionally or purposefully...

We do not believe that you will eventually withdraw completely from here, because from Japan to Korea the truth has already been proven. And in our humble opinion, if it is really so that you will slowly withdraw completely, it will only be because we Vietnamese can defeat the enemy more easily. In saying this we do not mean to be ungrateful but we say it because your presence here has crowded us to the point where we have had enough, and, invisibly, has created for the enemy a righteous cause in his continued prosecution of the conflict.⁵⁴⁵

In a matter-of-fact tone, the poet asserted that the influx of American dollars had created a citizenry that had “forgotten their own homeland” and instead pursued selfish lives “clinging” to war. Additionally, the poet referred to the socio-economic class stratification that intensified as a “ruling class” grew more and more dependent on

⁵⁴⁵ Nguyen Tan Bi, “Goi nguoi ban My sap rut khoi Viet-Nam” [An Open Letter to American Friends who are about to Withdraw from Vietnam], *Duoc Nha Nam*, 22 Feb. 1969, translated and cited in Woodside, “Some Southern Vietnamese Writers,” 53-54.

American money, causing great divisions within Vietnamese society. The ultimate tragedy of the American presence, as the poet contends, was the undermining of South Vietnamese unity. The poet also used the continued presence of Americans in Japan and South Korea to question whether the United States would carry through a full withdrawal, with the rhetorical effect of provoking the Americans to leave quickly. The anti-American tone combined with an assertion of South Vietnamese sovereignty in the poem, therefore, suggests that the United States and South Vietnamese sought divergent goals in prosecuting war and should terminate the alliance. Despite the poet's stated humility and deference toward the United States, the poem ultimately leaned more toward criticism of Americans than ambivalence.

Beyond the press, anti-American sentiments were also expressed in demonstrations, sit-ins, and parades. Student leaders in Saigon in particular articulated the following attitude: "If only the Americans would go away, we Vietnamese could settle the war between ourselves."⁵⁴⁶ Such students were largely anti-communist, but they began to protest the actions of Americans as a result of witnessing the consequences of the American presence first-hand. Ha Dinh Nguyen, chairman of the Student Struggle Committee at Saigon University stated, "I was a senior in high school when I saw Americans for the first time in my life...I admired those soldiers." After he moved to Saigon, however, his attitudes toward the Americans changed: "I saw how they interfered at all levels in Vietnamese society...I saw myself how the lives of city people were disrupted by the American presence. I began to feel that the American presence itself is

⁵⁴⁶ Takashi Oka, "Saigon Students Are Making the U.S. A Major Target," *New York Times*, 4 July 1970.

the reason the Communists continue the war.” Nguyen’s attitudes resonated with other student activists, some of whom protested at the American Embassy in June 1970, writing “Peace Now” and “Bunker Go Home” on walls and pavements.⁵⁴⁷

As the exodus of Americans forced South Vietnamese to directly confront the transformations to their society wrought by the American presence, reactions on the ground to American withdrawal confirmed the view that some Vietnamese had a strong interest in the continuation of war. As the first chapter illustrated, the South Vietnamese citizens who prospered during the war were often those who worked for Americans in the service-sector. It was natural, then, that such employees saw the pullout of American troops as detrimental to their lives. A 23-year-old Saigon bar girl named Madeleine, for example, expressed her desire for the continued presence of American soldiers. Although she disliked many of her GI customers, she also profited from their business; Madeleine asked, “Why should I want the war to end? I’ve saved enough to make most Americans look poor.”⁵⁴⁸

After Nixon’s April 1971 announcement that 100,000 additional American troops would be withdrawn from South Vietnam, service workers in South Vietnamese cities conveyed disappointment but also hope at the news. As the United Press International reported, bar girls interviewed at the Osaka bar in downtown Saigon believed this phase of withdrawals would be “bad for their business.”⁵⁴⁹ However, they also expressed

⁵⁴⁷ Ibid.

⁵⁴⁸ “Vietnamization: Will It Work?”

⁵⁴⁹ “Pullout Bad, Bar Girls Say,” *S+SI*, 10 April 1971, Box 9, Robert F. Turner Papers, Hoover Institute, Stanford, CA.

optimism for the future. “It’s bad for us,” one of the bar girls stated, “but this has happened before and they always come back. Sure, they will this time. The United States is here to help us. My boyfriends have me [believe] the Americans won’t run out on us.”⁵⁵⁰ Although the hopes of this bar girl would soon be dashed, that she trusted Americans to return to South Vietnam was indicative of a desire to see the war persist.

As troop withdrawals continued, some South Vietnamese who made a living through black market transactions articulated their adjustment to the gradually diminishing presence of American troops and PX commodities. “Business is sometimes good, sometimes bad,” said a woman selling stolen PX goods on a sidewalk stall in Danang. “If we can not sell this thing, we will switch to other things.” Moreover, she asserted that “there is nothing to be afraid of. Instead of eating three bowls of rice you may eat only one, but nobody will die of hunger after all.”⁵⁵¹ Although this woman expressed an adaptability to the changing economic situation, many more Vietnamese conveyed feelings of hopelessness and despair at the increasingly dire economic situation in South Vietnam.

Although black market corruption involving American PX commodities decreased as the war wound down, other forms of corruption continued to plague all segments of South Vietnamese society, including members of the armed forces and their families. The expansion of the South Vietnamese armed forces and brutal inflation after the withdrawal of American troops contributed to the growing ubiquity of petty

⁵⁵⁰ Quoted in Ibid.

⁵⁵¹ Joseph B. Treaster, “In Danang, Belts Tighter As Americans Head Home,” *New York Times*, 20 Feb. 1972.

corruption. Although Saigon officials attempted to crack down on corruption within the government, their efforts yielded few results. In January 1972, Thieu authorized Vice President Tran Van Huong to curb corruption among civil servants and members of the armed forces at all levels. To this end, Huong ordered government officials to decline “gifts” from subordinates who sought personal favors or benefits. However, most Vietnamese believed that the vice president’s promulgation would produce no real effects.⁵⁵²

As Vietnamization added new pressures on the South Vietnamese army to enlist more soldiers, many South Vietnamese families resorted to bribery to escape the draft or to avoid the most dangerous aspects of enlistment. A South Vietnamese hoping to dodge the draft, for example, would have to pay more than \$100 to acquire a fake identification card presenting a false age. A family who wished to transfer their soldier son from being in a combat role to being in the rear would have to pay twice as much, about 80,000 piasters.⁵⁵³ The beneficiaries of bribes were often those in government positions who were eager to supplement their meager salaries, the value of which was eroded by inflation, with additional income.

For those within the military, fixed wages continued to be a source of motivation for corruption and pilferage. Despite awareness among Nixon administration officials and Saigon leaders of the importance of improving salaries and conditions for members of the armed forces, no significant enhancements were made regarding military pay or benefits.

⁵⁵² Gloria Emerson, “Bribes to Evade Draft or Pass a Test or Get a Job Make Corruption a Way of Life in South Vietnam,” *New York Times*, 30 Jan. 1972.

⁵⁵³ *Ibid.*

In fact, as historian Gabriel Kolko has written, the real income of those in the South Vietnamese armed forces fell more precipitously after 1972 than the period from 1963 to 1969, when their income shrank by two-thirds. From January 1973 to May 1974, moreover, soldiers' real incomes dropped by another two-thirds.⁵⁵⁴ Opportunities to move up the military ranks through promotion were few and far between, and the Vietnamization budget did not include finance resources to ameliorate soldiers' living conditions. The habit of corruption among high-level officers was demoralizing to lower-ranked soldiers, who witnessed their superiors abusing their public office for private gain. The commander of one ARVN division, for example, used a military helicopter to transport his wife for a hair appointment in Saigon, while another division commander ordered some of his men to construct a summer home for his enjoyment. These examples of corruption at the highest levels of military service no doubt affected the morale of rank-and-file soldiers. As one recruit asked in exasperation, "Why should I risk my life for people like that?" He continued, "You feel like you're fighting for the Mafia, not for your country's honor."⁵⁵⁵

As corruption within the military became more entrenched toward the last stages of the conflict, there was a noticeable change in the style of corruption among those on the take in South Vietnam, from disgraceful concealment of corruption to unabashed acknowledgement of it. The story of a mother who attempted to protect her son by seeking his transfer from Kientuong Province near the Cambodian border to Saigon

⁵⁵⁴ Kolko, *Anatomy of a War*, 468.

⁵⁵⁵ "Vietnamization: Will It Work?"

demonstrated this shift in attitudes regarding corruption. “Mrs. Thuy,” the pseudonym of this mother, had spent over 40,000 piasters in bribes to military officials, in particular the wife of a colonel at the armored cavalry command in Saigon. Mrs. Thuy stated, “When I came to her and asked for help I expected her to tell a lie and say that she had to give money to such and such people to have my son transferred.” Mrs. Thuy asserted, “But no, not at all, she did not lie. She shamelessly told me that the money went to her and her husband as the price for their help.” Mrs. Thuy’s son later volunteered to become a noncommissioned officer and was relocated to Quangtri Province below the demilitarized zone, but it would cost his family 50,000 piasters to transfer him to Saigon again. “This family has sunk deeper and deeper into trouble,” said Mrs. Thuy, whose husband earned 15,000 piasters monthly as a welder. She conceded, “It is impossible for us to pay again. Instead of paying, I now pray for my son.”⁵⁵⁶ Like many other parents, Mrs. Thuy paid numerous bribes above the financial resources of their families in the hopes of safeguarding their son from the dangers of war, but there was often no guarantee that their payments would bring results.

While those within the military grew dependent on bribes, civil servants, too, found that dishonesty was the only way to survive. A teacher by the name of Mr. Thien, for example, earned a monthly salary of 20,000 piasters, which amounted to less than \$50. According to Thien, “Teaching is an ideal job, but in peacetime only.” To augment his low teacher’s salary, Thien accepted “coffee money,” a term which Vietnamese used to refer to supplemental income from corruption, by helping place young men of draft

⁵⁵⁶ Emerson, “Bribes to Evade Draft.”

age in army roles safe from combat. “I started making coffee money when a friend of mine, a recruiter officer, suggested that if I knew of any draft-age boys who wanted to stay out of the war, I should contact him and we would both be richer for it,” stated Mr. Thien, who usually earned over \$200 for his services. The profits were then split with his friend.⁵⁵⁷ As Mr. Thien’s personal story illustrates, the low wages of serving the state as a teacher motivated him to seek other sources of income.

As American troops began their departure from South Vietnam, military bases and the physical objects within soon became abandoned. In fact, the departure of American troops from military bases contributed to a new form of black market corruption: the dealing of various parts of military bases, including equipment, supplies, and the physical infrastructure of bases. A South Vietnamese major general, Ngo Dzu, for example, was accused of “masterminding the black market sales of the base’s goods.”⁵⁵⁸ Moreover, American intelligence officials became aware that American troop withdrawal produced direct effects on the morale of South Vietnamese military forces. In late 1971, an intelligence information cable stated that the withdrawal of American forces from bases in Military Region I, which consisted of five northern provinces in South Vietnam, provided new opportunities for large-scale corruption among the officers of the ARVN. An ARVN officer reported “that the widespread corruption was having a serious effect, not only on the morale of the troops and minor unit commanders, but also on the military

⁵⁵⁷ Emerson, “Bribes to Evade Draft.”

⁵⁵⁸ Stewart Kellerman, “What Happens to Bits and Pieces of a Base?” *Stars and Stripes*, 18 July 1971, Investigation Files Relating to War Crimes and Malfeasance by Vietnamese Officials, 1971-1971, RG 472, NACP.

effectiveness of the installations and the security of the surrounding areas.”⁵⁵⁹ The officer observed that division commanders often held informal auctions where regimental commanders vied for the chance to occupy a vacant American installation. According to the officer, the price of occupancy was usually between three and five million piasters, roughly the equivalent of \$11,000 to \$18,000. The intelligence report further explained that the “materials turned over by the departing American unit become the personal property of the unit commander, who sells everything from buildings to individual weapons in order to recover his investment. On some occasions, so much is removed from an installation that it becomes both uninhabitable and indefensible.” As Americans gradually withdrew from military involvement in Southeast Asia, little thought was given to the extravagant military bases and equipment that the Americans left behind in Vietnam. Even Nixon himself was indifferent toward the topic, stating, “This business of just picking up a lot of stuff and hauling it home, it doesn’t do anything except for bookkeeping.... Leave it in Vietnam. Let ‘em sell it, put it on the black market, anything they want.”⁵⁶⁰

The degree to which corruption infiltrated every aspect of military and civilian life in South Vietnam caused many of Saigon’s intellectuals to lament the collapse of national morale. One leading Saigon journalist stated, “It’s not simply a matter of paying the police a few hundred piasters to overlook a traffic violation, or even of the large-scale

⁵⁵⁹ Intelligence Information Cable, “Opportunities for Corruption Among High Ranking Vietnamese Army Officers in the Turnover of American Bases in Military Region I,” July 1971, Box 2, National Security Advisor NSC Vietnam Information Group: Intelligence and other reports, 1967-1975, GRFL.

⁵⁶⁰ Douglas Brinkley and Luke Nichter, *The Nixon Tapes: 1971-1972* (Boston: Houghton Mifflin Harcourt, 2014), 177.

war profiteering and black-market operations.” The journalist asserted, “It’s much more serious. Now we have reached the stage at which human pity has mostly left us. We steal some poor soldier’s watch for a few extra piasters. Our commanders drive over their own troops in their desperation to escape battles. We are ready to sell our wives to afford a television set.” The journalist went on to bemoan what corruption had done to the South Vietnamese nation: “We have come to despise ourselves and our nationality and the more revulsion we feel the more we excuse ourselves on ground that you cannot survive in such a system without participating in it.”⁵⁶¹ This journalist’s comments focused on the dehumanizing effects of American wealth and consumerism on human relations in the context of a war-ravaged land. By making economic circumstances difficult for most South Vietnamese while enriching others, the journalist asserted, the effect of the American presence was the imposition of money-centered thinking and the destruction of national solidarity.

Some Vietnamese intellectuals and officials placed the blame of worsening social relations toward the end of the war on the economic policies of the United States. An unidentified former Vietnamese official contended that the effects of generous American economic aid were devastating. He stated, “The Americans have introduced the devil of luxury consumer goods and the whole philosophy of keeping up with the Joneses. When they leave, we shall no longer be able to afford these things, but we shall still want them.” Moreover, the official argued that the “Americans have helped disrupt the old ways, in which 90 percent of the people felt they were living fairly well in their rice fields, and

⁵⁶¹ Malcolm Brownes, “Saigon Intellectuals See Morale Collapse,” *New York Times*, 5 July 1972.

have brought in things for which Vietnam is not prepared.” Referring to the rapid rise of living standards and the flood of consumer goods during the war, the official suggested that it would have been better for South Vietnam had the United States not pursued those policies. The official also asserted, “If we could have achieved those things slowly and naturally on our own, we could have avoided the cruel dislocations and shock.”⁵⁶² Sentiments like this were shared by other intellectuals in the country. Ton That Thien, who served as a Cabinet Minister before later heading the sociology department at Saigon’s Van Hanh University, believed that the United States should have either colonized South Vietnam or “left us to work out our own problems.” Under formal colonization, he believed, “They could have forced new skills and new attitudes on us that would have made survival a possibility. The French at least built a civil service they left us.” Instead, Thien argued, the United States “preserved the fiction of Vietnamese sovereignty by avoiding taking direct control of anything. Instead, they run Vietnam more or less behind the scenes, tampering with every aspect of our national life. Worst of all, they send us amateurs instead of colonial professionals, and by the time they learn something here they are ready to leave and be replaced by a new batch.”⁵⁶³ Criticizing what he perceived as the lack of professional experience and constant turnover among American staff and officials in South Vietnam, Thien does not hold back on his censure of the operations of the U.S. government. His observations imply a sense of anger, frustration, and even ingratitude toward American intervention.

⁵⁶² Malcolm Brownes, “Deep Recession Grips Vietnam,” *New York Times*, 4 June 1972.

⁵⁶³ Malcolm Brownes, “Saigon Intellectuals See Morale Collapse,” *New York Times*, 5 July 1972.

Although American officials believed that the departure of American forces was “less dislocating to the Vietnamese society than their arrival and presence had been,”⁵⁶⁴ the withdrawal of American troops was, in fact, immensely disruptive to South Vietnamese life, particularly in urban areas which were most affected by the American presence. South Vietnamese criticisms of the United States, already evident even before news of troop withdrawal spread, would intensify after the Americans formally ended all military involvement in Southeast Asia. These anti-American attitudes, to be sure, both demonstrated feelings of betrayal as well as resentment toward the disruptions of the American presence. The signing of a peace agreement in 1973, combined with trends and events in and outside of Vietnam, would further exacerbate the tenuous livelihoods of South Vietnamese.

RENEWED NEGOTIATIONS, BOMBINGS, AND THE ELUSIVENESS OF PEACE, 1972-1973

As Americans became more embittered with U.S. interventions in Southeast Asia, revelations of American actions regarding Vietnam further undermined their faith in the U.S. government. Reports of U.S. soldiers’ massacre of hundreds of civilians in My Lai raised grave doubts among Americans about the morality of U.S. intervention. Furthermore, the publication of the Pentagon Papers in 1971 revealed that the Johnson administration deceived the American public and even members of Congress about the extent of American military involvement in Indochina. During a time of already declining

⁵⁶⁴ “Vietnam—Preliminaries to a Net Assessment of the Vietnam Conflict, 1972,” Box A101, Melvin R. Laird Papers, GRFL.

trust in the American government, these events added to a national atmosphere that would no longer tolerate a continued prosecution of the war. In Vietnam as well, the decline of morale and willingness to fight among American soldiers was evidenced in the rise of fraggings and drug use.⁵⁶⁵

Despite adopting a variety of techniques to achieve success in Vietnam, Nixon realized that domestic agitation would constrain him to the point where he could not achieve peace in Vietnam on American terms. Despite expanding the use of military force, the United States was unable to force Hanoi into capitulation. Similarly, Nixon and Kissinger's attempts to get Moscow and Beijing to break the stalemate between Washington and Hanoi were to no avail. As domestic political unrest could ultimately harm his own electoral prospects, Nixon hoped to sign a peace settlement before the 1972 presidential election. In 1971, deliberations toward a political settlement broke out of deadlock due to a major shift in the American negotiating position. Though both Hanoi and Washington had insisted on a mutual withdrawal of troops throughout the negotiation process, Kissinger, through secret channel communications with Hanoi, stated that the United States would agree to unilaterally withdrawal its troops from South Vietnam. In forgoing the requirement for North Vietnamese troops to withdraw simultaneously, then,

⁵⁶⁵ For more on the increase in fraggings, see George Lepre, *Fragging: Why U.S. Soldiers Assaulted Their Officers in Vietnam* (Lubbock, TX: Texas Tech University Press, 2011); David Cortright, *Soldiers in Revolt: GI Resistance During the Vietnam War* (Chicago IL: Haymarket Books, 2005). For different perspectives on heroin use among American soldiers, see Alfred W. McCoy, Cathleen B. Read, and Leonard P. Adams, *The Politics of Heroin in Southeast Asia*, 1st ed. (New York: Harper & Row, 1972); Jeremy Kuzmarov, *The Myth of the Addicted Army: Vietnam and the Modern War on Drugs* (Amherst: University of Massachusetts Press, 2009).

American officials conceded that they could not force North Vietnamese communists out of South Vietnam.⁵⁶⁶

For Nixon and Kissinger, however, the bargaining concession and a subsequent peace settlement could still lead to victory for American credibility. Though they still hoped that Vietnamization would allow South Vietnam to remain independent, they also prepared for the strong likelihood of Saigon's collapse. In granting the concession to North Vietnamese negotiators, Kissinger believed that, in the event that communists take over South Vietnam, there would be some amount of time between the extrication of American troops and communist victory in South Vietnam, so that the American government could be absolved of responsibility for Saigon's defeat. This "decent interval," as Kissinger called it, would allow the United States to achieve "peace with honor."⁵⁶⁷

Although negotiations resumed with renewed vigor after the new American concession, American and North Vietnamese still did not arrive at an agreement in 1971. In response to Kissinger's concession, Hanoi agreed to free all American prisoners of war as soon as the last American troops departed. However, Hanoi and Washington still did not see eye to eye on the future of Thieu's leadership in Saigon. North Vietnamese negotiators demanded the removal of Thieu, but Nixon, believing that doing so would hasten South Vietnam's defeat, refused to acquiesce.⁵⁶⁸

⁵⁶⁶ Lawrence, *The Vietnam War*, 152.

⁵⁶⁷ Craig and Logevall, *America's Cold War*, 259–260.

⁵⁶⁸ Lawrence, *The Vietnam War*, 152.

In light of these breakdowns in discussions, the North Vietnamese sought further military actions to pressure Americans into signing an agreement favorable to Hanoi. Aware of Nixon's preoccupation with the 1972 election and the antiwar political climate in the United States, North Vietnamese leaders believed that they should undertake a major offensive, just like they did in 1968, to demonstrate their resolve for decisive victory and force the United States to grant additional concessions.⁵⁶⁹ Emboldened by the ARVN's defeat in its invasion of Laos earlier in the year, Hanoi officials also sought to capitalize on military aid from Moscow and Beijing, which supported Hanoi for the time being despite rapprochement with Washington, and the continued withdrawal of American troops. Hawks within North Vietnamese leadership agreed on the need to secure more advantages on the battlefield. On March 30, 1972, North Vietnamese troops invaded South Vietnam, initiating the Nguyen Hue Offensive, more commonly known in the United States as the Easter Offensive. North Vietnamese forces fought well, so well in fact that Nixon, concerned about the possibility of Saigon's collapse, responded with continuous raids to stop communist advances in the South. In an operation code-named Linebacker, the United States, for the first time since Operation Rolling Thunder ended, launched a continuous large-scale aerial campaign directed toward transportation lines, military installations, and cities in North Vietnam. Additionally, Nixon ordered the mining of Hai Phong harbor to disrupt Hanoi's naval supply lines.⁵⁷⁰ American actions

⁵⁶⁹ Nguyen, *Hanoi's War*, 212.

⁵⁷⁰ *Ibid.*, 256.

weakened the offensive and helped ARVN forces recapture territory, but they did not place the United States in a significantly better negotiating position, as Nixon had hoped.

By mid-July, American and North Vietnamese negotiators returned to the negotiating table closer to agreeing to a peace settlement than ever before. Like Kissinger had done earlier, Le Duc Tho, the chief North Vietnamese negotiator, offered a major concession the Americans: Hanoi would relinquish their demand for Thieu's ouster.⁵⁷¹ Tho proposed instead that the existing Saigon regime would partake in a tripartite commission alongside the Provisional Revolutionary Government and neutralist elements. Moreover, Tho added, Thieu would have veto power in the commissions' decision making. In October 1972, Kissinger and Tho appeared ready to sign a deal stipulating that the United States would withdraw troops in South Vietnam within sixty days of the ceasefire and that Hanoi would release all American prisoners of war. Under the plan, the future of South Vietnam would be determined by a tripartite organization called the National Council of Reconciliation and Concord.⁵⁷²

As Kissinger and Tho prepared to sign the deal, however, Thieu rejected the proposal, furthering delaying the production of a ceasefire. Already frustrated that he was not included in peace negotiations, Thieu found the provision that American troops would withdraw unilaterally to be completely unacceptable. Kissinger, however, dismissed Thieu's objections and encouraged Nixon to sign the agreement anyway. Freed from domestic political calculations after his landslide reelection, Nixon instead wished

⁵⁷¹ Ibid., 272.

⁵⁷² Asselin, *A Bitter Peace*, 80.

to re-negotiate parts of the accord. When North Vietnamese negotiators refused, Nixon ordered Operation Linebacker II, the so-called “Christmas Bombings,” which dropped over 20,000 tons of bombs on Hanoi and Haiphong, to attempt to break the stalemate and demonstrate American support for South Vietnam.⁵⁷³

By the end of 1972, North Vietnamese leaders announced their interest in reopening negotiations, which they would likely have done even without the devastation of aerial bombardment.⁵⁷⁴ Nixon’s “Christmas Bombings” provoked major outrage across the globe and in the United States, particularly within Congress.⁵⁷⁵ Predicting that Congress would soon vote to end the war, Nixon agreed to a ceasefire. On January 27, 1973, Kissinger and Tho signed a peace agreement that ended direct American military involvement in Vietnam. Officially called the “Agreement on Ending the War and Restoring Peace in Vietnam,” the negotiated settlement resembled the exact deal that Kissinger and Tho had initially agreed to in October 1972 but that the United States had previously rejected.⁵⁷⁶

The Paris Peace Accords neither ended the war nor restored peace in Vietnam. In fact, the war would continue to rage for another two more years before all hostilities ceased. “There was not a single senior member of the Nixon administration,” Kissinger later admitted, “who did not have doubts about the precariousness of the agreement.”⁵⁷⁷ In fact, Kissinger believed that there would be “inevitable violations” of the ceasefire

⁵⁷³ Herring, *America’s Longest War*, 326–327.

⁵⁷⁴ *Ibid.*, 329.

⁵⁷⁵ Brigham, *Guerrilla Diplomacy*, 111.

⁵⁷⁶ Lawrence, *The Vietnam War*, 159.

⁵⁷⁷ Quoted in Asselin, *A Bitter Peace*, 184.

even before he signed the agreement.⁵⁷⁸ In the aftermath of the Paris Peace Accords, Nixon promised Thieu that the United States would “respond with full force” if the communists violated the ceasefire, and Thieu acquiesced to the Accords.⁵⁷⁹ It was not surprising, then, that Thieu expected the aid of American airpower when North Vietnamese forces later invaded below the seventeenth parallel.

THE END OF THE ROAD IN SOUTH VIETNAM, 1973-1975

The tenuous future of the Paris Peace Accords for South Vietnam would become further complicated by domestic politics in the United States and decisions in North Vietnam. In the United States, Nixon’s cynicism toward domestic anti-war protesters and his authorization of illegal forms of surveillance on such individuals and groups culminated in the Watergate scandal, which led to Nixon’s resignation in August 1974. Meanwhile, leaders in Hanoi settled on more aggressive military actions to reunite the country under communist leadership, contributing to the rapidly deteriorating military and economic situation in South Vietnam. In South Vietnam, the signing of the peace agreement produced serious consequences for citizens, who had to adapt to life without the large presence of American soldiers, after so many years of living with it.

1973 was the year that witnessed not only the Paris Peace Accords but also profound global economic instabilities that would shape the remainder of the twentieth century. In addition to the complete withdrawal of American troops resulting from the Paris Peace Accords, global economic crises would exacerbate the economic situation in

⁵⁷⁸ Ibid.

⁵⁷⁹ Ibid., 155.

South Vietnam. In October 1973, Arab members of the Organization of Petroleum Exporting Countries declared an oil embargo, sending oil prices skyrocketing from \$3 a barrel to \$12 a barrel at the end of the embargo in March 1974. The oil crisis generated massive surpluses for oil-exporting nations but caused severe inflation and dampened economic growth—a combination known as “stagflation”—for Western industrial nations.⁵⁸⁰ In the United States, the oil shock made gas rationing a part of daily life. More significantly, however, the oil crisis further strained an American economy that, after years of massive spending on the Vietnam War and on domestic programs without tax increases, was already badly damaged. Coupled with the demise of the Bretton Woods system in 1971, which ended the American dollar’s gold convertibility and devalued the dollar, the oil shock marked a period of economic recession globally, especially in the United States. Dependent almost entirely on American economic aid, South Vietnam would suffer the consequences of the global economic downturn as well as the consequences of the American exit. Due to global inflation, in fact, the volume of imported goods into South Vietnam in 1974 was 54 percent that of 1971, even though the United States spent more in dollars in 1974 than in the years before.⁵⁸¹

By the end of March 1973, the extrication of American troops from South Vietnam was complete. Alongside soldiers, the majority of military support personnel and employees of the large American construction companies left Vietnam as well. In

⁵⁸⁰ “1973-74 Oil Crisis,” *Slaying the Dragon of Debt: Fiscal Politics & Policy from the 1970s to the Present*, Regional Oral History Office, University of California, Berkeley, <http://bancroft.berkeley.edu/ROHO/projects/debt/oilcrisis.html>, accessed 11 May 2015.

⁵⁸¹ Kolko, *Anatomy of a War*, 490.

this climate of phasing down the war, it became clear that American economic and military aid, too, would soon decline, as Thieu and other American policymakers had predicted. Indeed, American military aid fell from \$2.3 billion in 1973 to \$1 billion the next year.⁵⁸² As historian Robert Schulzinger has written, “With Americans gone, spending by U.S. personnel on bars, taxis, prostitutes, servants, and souvenirs shrank from \$400 million in 1971 to \$100 million in 1973.”⁵⁸³ The economic ramifications of American troop pullout, long felt by the South Vietnamese population before 1973, would intensify after that momentous year particular in unemployment and inflation figures. By 1974, in fact, three to four million South Vietnamese were unemployed.⁵⁸⁴ Prices, which increased 26 percent in 1972 and 45 percent in 1973, rose by 63 percent in 1974.⁵⁸⁵

Severe economic recession after the complete pullout of American military forces brought feelings of hopelessness and desperation among South Vietnamese citizens. Those who had benefited from the bonanza of wartime spending in earlier years found themselves suffering from the inability to afford basic necessities. Taxi drivers, for example, who were maligned by fellow citizens during the peak of the American presence for their profiteering during the war, saw their business dwindle after the exit of American GIs. One taxi driver stated despondently, “We are going to die.” The driver remarked that the government raised the cost of gas by 47 percent and communists had

⁵⁸² Bradley, *Vietnam at War*, 170.

⁵⁸³ Schulzinger, *A Time for War*, 315.

⁵⁸⁴ Herring, *America's Longest War*, 341.

⁵⁸⁵ Kolko, *Anatomy of a War*, 490.

destroyed half of the nation's civilian supply of gas in a depot near Saigon. After purchasing gas and paying for his rental car, the driver admitted that he only had 500 piasters, equivalent of ninety cents, which was not enough to feed his wife and six children.⁵⁸⁶ Even South Vietnam's millionaires believed the economic recession foreboded disaster for the country. Nguyen Ngoc Linh, a successful businessman who served as president of the Mekong Group of Companies, observed that the "recession is in full swing" and that if the rate of inflation continued at the present rate around 40 percent, "then everything will fall apart."⁵⁸⁷ The sense of national pessimism in South Vietnam affected the rich and the poor.

Members of the armed forces and civil servants again bore the brunt of economic recession in the wake of troop departures. As one former Saigon military and political leader, Van Don Tran, recalled, after American troops exited the country, the resultant spiraling inflation hurt people on fixed incomes such as civil servants and soldiers the most. Tran wrote, "A sergeant with a family might make 10,000 piasters a month, amounting to perhaps \$50.00 buying power. Rice to feed his family would take this entire amount, leaving nothing for necessities, so he would have to look to other methods for additional funds."⁵⁸⁸ Other soldiers and civil servants earned less. In 1973, some

⁵⁸⁶ James M. Markham, "Thieu's Warnings of a Communist Drive Are Greeted in Saigon by Weary Shrugs," *New York Times*, 29 Dec. 1973.

⁵⁸⁷ Ibid.

⁵⁸⁸ Tran, *Our Endless War*, 171.

government clerks and army lieutenants made the equivalent of \$25 a month and could not afford to feed their families.⁵⁸⁹

The rise in hunger and unemployment contributed to a spike in corruption after the departure of American troops.⁵⁹⁰ Corruption, which was prevalent during the peak of the war, appeared to be the only way to survive, but dishonest wheeling and dealing also contributed to the decline in support for the Saigon regime. “Corruption may not actually be any worse, but with the American withdrawal there is less fat around to live off,” a former colonel who later participated in the National Assembly remarked. He continued, “corrupt officials these days have to turn for money to ordinary Vietnamese not the American[s].” As this former colonel revealed, Vietnamese corruption after American withdrawal more frequently involved Vietnamese stealing from each other. Despite evidence that corruption harmed average South Vietnamese citizens and undermined support for the Saigon leadership, some Vietnamese and Americans believed that Thieu tolerated corruption in exchange for loyalty to his government.⁵⁹¹

The combination of poverty, despair, and the war itself in urban areas led to surges in crime that was unusual in South Vietnam. Stories of robberies, rapes, and murder in cities like Saigon began to top headlines. As the *New York Times* reported in late December 1973, a Saigon policeman named Tran Van Duoc went on a killing spree after losing in a card game. Duoc used his service revolver to kill his fellow card player, three young girls, and himself. In a separate incident, a robber who was later reported to

⁵⁸⁹ Fox Butterfield, “Corruption in South Vietnam Seems Worse,” *New York Times*, 18 Sept. 1973

⁵⁹⁰ Herring, *America’s Longest War*, 341.

⁵⁹¹ *Ibid.*

be an army captain stabbed and strangled a businessman, his wife, and their three-year-old grandson.⁵⁹² These violent acts constituted outward manifestations of the desperation and fatalism experienced by many South Vietnamese.

Despite grim economic realities on the ground, however, American policymakers refused to acknowledge the deteriorating financial crisis in South Vietnam. Much like their optimism in the military progress of the war, American officials continued to exude confidence in the future direction of the South Vietnamese economy. American policymakers, in fact, touted the economic success of South Vietnam to convince members of Congress to continue appropriating economic aid to the country. When Congress ultimately denied further military and economic aid to South Vietnam, as many American officials anticipated, those in favor of continuing to support South Vietnam militarily could and did foist blame on Capitol Hill for the eventual collapse of South Vietnam.

In the face of staggering unemployment figures in South Vietnamese cities, U.S. policymakers cited migration back to the countryside as an indicator of South Vietnam's improving economy. Although serious economic problems remained, Ford administration officials remained optimistic about overall economic trends. During the Nixon administration, officials reported that despite serious economic problems, "a quiet economic revolution has taken place in rural Vietnam. While urban income has declined from inflation, the peasant has been getting higher and higher prices for his rice and his

⁵⁹² James M. Markham, "Thieu's Warnings of a Communist Drive Are Greeted in Saigon by Weary Shrugs," *New York Times*, 29 Dec. 1973.

real income has risen significantly.” Due to increased security in the countryside, new and rebuilt roads, the availability of transistor radios which helps farmers determine the best prices, and the development of “miracle” rice, Vietnamese in rural areas were able to witness growing incomes.⁵⁹³ American officials, in fact, later fixed on any sources that reaffirmed South Vietnamese accomplishments in rice production, including a survey that claimed that “the degree of success achieved in reversing the decline in rice production” was “most spectacular of all.”⁵⁹⁴ From the end of 1972 to the end of 1974, the price of rice indeed increased 143 percent.⁵⁹⁵ One South Vietnamese official, Nguyen Tien Hung, stated that the price of a one hundred pound bag of rice in the final years of the war was 14,000 piasters, or the equivalent of about \$20.⁵⁹⁶ However, officials often failed to take into account the drastic decline in purchasing power for most South Vietnamese, who could not afford the rising price of rice.

The satisfaction that American officials exhibited at the “quiet economic revolution” in the countryside ignored the chaos and desperation in urban areas, where unemployment was estimated to affect 1.2 million people, or 14 percent of the South Vietnamese populace by 1974.⁵⁹⁷ The percent of South Vietnamese urban citizens was approximately 20 percent by that year.⁵⁹⁸ In addition to the rise in urban unemployment, real wages for employed workers dropped by around 30 percent, and the total per capita

⁵⁹³ “Progress in Vietnam,” 12 June 1971, Box 27, William J. Baroody, Jr. Papers, 1961-1988, GRFL.

⁵⁹⁴ The Morgan Guaranty Survey, March 1973, “South Vietnam—What Future for the Economy?”, Box 11, NSA NSC East Asian and Pacific Affairs Staff: files (1969), 1973-1976, GRFL.

⁵⁹⁵ Kolko, *Anatomy of a War*, 493.

⁵⁹⁶ Gregory Tien Hung Nguyen and Jerrold L. Schecter, *The Palace File* (New York: Harper & Row, 1986), 211.

⁵⁹⁷ Dacy, *Foreign Aid*, 17.

⁵⁹⁸ *Ibid.*

income decreased by 36 to 48 percent. As economist Douglas Dacy argues, the political implications of widespread urban unemployment and poverty were felt among citizens even before 1975.⁵⁹⁹

Ford administration officials, however, continued to cast aside serious economic concerns in the cities in favor of embracing more hopeful narratives of the South Vietnamese economy. In March 1975, the National Security Council hired an expert on Southeast Asia, Sir Robert Thompson, to travel to South Vietnam and give his testimony of the economic progress he observed there. In a report that included his opinions on the South Vietnamese economy, Thompson wrote, “If anyone, even three years ago, had forecast the present economic situation they would have predicted a total collapse. A year ago I too had thought that, with the high unemployment and under-employment in the cities, disturbances might occur which could bring down the Government. No other country has proved itself so resilient.” Moreover, Thompson commented that the “most encouraging aspect has been that, in spite of the fuel crisis and the high price of fertilizer, agricultural production has again increased.”⁶⁰⁰ In a memo to the president which included the attachment of Thompson’s report, Kissinger wrote that Thompson was “one of the leading experts on Southeast Asia” and that his past reports have “generally proven to be quite accurate and reliable.”⁶⁰¹

⁵⁹⁹ Ibid., 17–18.

⁶⁰⁰ Sir Robert Thompson, “Report to the President,” Box 12, NSA NSC East Asian and Pacific Affairs Staff: files (1969), 1973-1976, GRFL.

⁶⁰¹ Memo from Kissinger to the President, 10 Mar. 1975, Box 12, NSA NSC East Asian and Pacific Affairs Staff: files (1969), 1973-1976, GRFL.

Wolfgang Lehman, who served as Deputy U.S. Ambassador in Saigon and Deputy Chief of Mission from 1974 to 1975, echoed the interpretation that the last two years of South Vietnam's existence demonstrated signs of optimism for the economy. He argued that the "economic situation in South Vietnam in these last two years was in many ways a difficult one but also one in which the South Vietnamese people again demonstrated the amazing resiliency for which they have never received appropriate credit." The South Vietnamese economy, Lehmann contended, rebounded from the effects of American troop withdrawal, worldwide inflation, and the 1973 oil crisis, "all outside the control of the Vietnamese." He asserted that "with the extraordinary resilience which those of us who are familiar with the Vietnamese know, as well as courageous and intelligent economic and monetary policies, the Vietnamese economy began slowly to climb out of its deep trough in the course of 1974."⁶⁰²

Members of Congress, however, would not buy these arguments of a buoyant South Vietnamese economy offered by administration officials. In 1972, some members of Congress expressed the sentiment that American support for the Saigon government had reached an end point. Appearing on national television, Senator Edmund Muskie asserted, "We have done as much for the South Vietnamese government as anyone could reasonably have asked of us. It is not unreasonable now to ask that government to test its own ability to survive."⁶⁰³ Similarly, other members of Congress believed that South

⁶⁰² Wolfgang J. Lehmann Speech, "Vietnam—The Last Two Years," 8 March 1977, Box 1, Wolfgang J. Lehmann Papers, 1973-1979, GRFL.

⁶⁰³ "Indochina: Another View" Remarks, ABC Television, 22 April 1971, Box 2, NSA Presidential Subject File, GRFL.

Vietnam was simply not deserving of additional human or financial costs. Senator George McGovern maintained, “General Thieu is not worth one more American dollar, one more American prisoner, one more drop of American blood.”⁶⁰⁴ By 1973, these attitudes toward the war in Vietnam led Congressional members to pass the War Powers Resolution, which prohibited presidents from extending combat deployment without congressional approval, and to ban further U.S. military combat in Indochina after August 1973. Although Congress did not cut off aid to Vietnam completely, both parties in Congress voted in 1974 to further cut economic aid to South Vietnam to \$700 million.⁶⁰⁵

As North Vietnamese forces advanced southward toward Saigon, after capturing Hue, Da Nang and other cities, members of the Ford administration continued to apply pressure on Congress to vote for continued aid to South Vietnam in March 1975. In meetings with several members of Congress, including James B. Pearson (R-KS) and Frank Church (D-ID), Ford attempted to convince them of the strength of the South Vietnamese economy. In fact, Ford’s talking points for his meetings included the following appraisal of South Vietnam’s economic prospects: “South Vietnam has considerable economic potential and is by no means a permanent basket case. It should soon be able to export rice, sugar and other valuation products; moreover, oil and natural gas have been struck off its coast. In time, those deposits could be important sources of revenue.” Moreover, another talking point emphasized the economic progress South

⁶⁰⁴ “Proposal,” 10 Oct. 1972, Box 2, NSA Presidential Subject File, GRFL.

⁶⁰⁵ David L. Anderson, *The Columbia History of the Vietnam War* (New York: Columbia University Press, 2010), 76, 234.

Vietnam had made thus far: “The South Vietnamese have managed their economy well...During the last quarter of 1974, for example, they only had a single digit inflation rate—because they have really tightened their belts.”⁶⁰⁶ Whether Ford administration officials truly believed that in the positive appraisal of South Vietnamese economy or whether they only echoed these optimistic assessments for political maneuvers is difficult to determine. However, their positive portrayal of South Vietnam aimed to strengthen their argument, when Congress eventually denied military and economic aid, that Congress was responsible for the collapse of South Vietnam.

Throughout April 1975, Ford administration officials continued to lobby members of Congress to approve an additional \$722 million in military and economic aid to South Vietnamese allies. Congressional members, however, did not trust the administration’s rationale. Representative Millicent Fenwick (R-NJ) stated, “We’ve sent, so to speak, battleship after battleship, and bomber after bomber, and 500,000 or more men, and billions and billions of dollars. If billions and billions didn’t do at a time when we had all our men there, how can \$722 million save the day?”⁶⁰⁷ Fenwick’s statement embodied the sentiments of many Americans, who wished to see America’s financial commitment to South Vietnam end.

The administration linked Congress’s reductions in aid to military difficulties faced by South Vietnamese forces. Though the Ford administration conceded that the United States did not have a legal commitment to aid South Vietnam, it asserted that

⁶⁰⁶ Memo From Stearman to Henry Kissinger, 3 March 1975, Box 12, NSA NSC East Asian and Pacific Affairs Staff: Files (1969), 1973-1976, GRFL.

⁶⁰⁷ “The End of the Tunnel,” *Vietnam: A Television History*.

there was a moral commitment to assist America's long-time ally. However, when it became clear that Congress would not approve the \$722 million that Ford requested, the president began to pinpoint blame on Congress for the deteriorating military situation in South Vietnam. Ford lamented, "For just a relatively small additional commitment in economic and military aid, relatively small compared to the \$150-billion that we spent, that at the last minute of the last quarter we don't make that special effort and now we are faced with this human tragedy. It just makes me sick..."⁶⁰⁸ He was "absolutely convinced" that had Congress approved the military aid he requested, "the South Vietnamese could stabilize the military situation in South Vietnam today."⁶⁰⁹ With Congress steadfast in its refusal to continue aid, Ford declared on April 23 that the Vietnam War was "finished as far as America is concerned."⁶¹⁰

The end of aid to South Vietnam justifiably angered Thieu, whose government depended on the flow of American funds. On April 22, Thieu resigned as President of South Vietnam in a long, impassioned, and rambling address to South Vietnamese citizens. He stated indignantly, "If the Americans do not want to support us anymore, let them go, get out! Let them forget their humanitarian promises!"⁶¹¹ Thieu recalled Nixon's promise to aid South Vietnam in the event that North Vietnamese forces violated the Paris Peace Accords: "President Nixon told me that all accords are only pieces of paper, with no value unless they are implemented. What was important, he said, was not

⁶⁰⁸ Quoted in Philip Shabecoff, "Ford Asserts U.S. Has Failed Saigon," *New York Times*, 17 April 1975.

⁶⁰⁹ Quoted in *ibid.*

⁶¹⁰ Lawrence, *The Vietnam War*, 167.

⁶¹¹ "Excerpts From Address on Resignation," *New York Times*, 22 April 1975.

that he had signed the accord but that the United States would always stand ready to help South Vietnam in case the Communists violated the accord.”⁶¹² Thieu stated, “The United States has not respected its promises. It is unfair. It is inhumane. It is not trustworthy. It is irresponsible.”⁶¹³

Among South Vietnamese intellectuals, too, a sense of betrayal by the United States emerged as the collapse of South Vietnam became more likely. Just before the Fall of Saigon on April 30, 1975, Le Hoang Trong, a South Vietnamese intellectual and a member of the democratic opposition, advocated for the end of the American economic aid program as it had operated for the last decade in favor of a new aid program based on loans instead of grants. He provided an analogy to demonstrate the destructive consequences of the United States bombarding South Vietnam with economic aid and then rescinding it years later. Trong wrote,

The situation is comparable to the liquidation of an union between a rich man and a poor girl. It costs money to get divorced. Some say there was no legal marriage—it was a rape, they argue. The indisputable fact is that there has been cohabitation—peaceful or otherwise—for over eight years and this has produced a number of unwanted children. The eldest child has a name: dependency. Others could be named: e.g., “newly created needs and wants.” The mother and the children are habituated to the luxury of the father's home. She is broke now and was not prepared for the day when she would have to earn a living on her own. Moreover, she has to fight off an aggressor.⁶¹⁴

Contrary to Trong’s view, however, the relationship between the United States and South Vietnam was borne out of war; it was not intended to be a perpetual union until death did

⁶¹² Ibid.

⁶¹³ Malcolm W. Browne, “10-Year Rule Ends: Vice President Huong, 71 Years Old, Takes Office in Saigon,” *New York Times*, 22 April 1975.

⁶¹⁴ Le Hoang Trong, “Survival and Self-Reliance: A Vietnamese Perspective,” *Asian Survey* 15, no. 4 (April 1975): 282.

them part. Trong's interpretation of the U.S.-South Vietnam alliance led him to believe that Congress betrayed the South Vietnamese nation by cutting off aid. In fact, Trong writes, "To put pressure on Thieu or to 'punish' him, Congress cuts the aid and the people of South Vietnam get the punishment. This punishment takes the form of runaway inflation, unemployment, skyrocketing cost of living, shortages of commodities essential to everyday life and functions."⁶¹⁵ Trong's observations reflect a belief that the United States had stabbed its partner in the back. However, Trong's assertion that the Americans were culpable in the event of Saigon's downfall is premised on the overpowering presence of American power in South Vietnam over the span of almost twenty years:

It must be emphasized that the Americans have overwhelmingly affected the course of events in South Vietnam during the past two decades and they will continue to do so for a few more years—either by action or by inaction. At this point, an absence of action is itself action. The staggering impact has been due to the sheer scale and scope of its presence in Vietnam and to the magnitude of power (technological, economical, military) at its command. The largest share of responsibility, therefore, for the events of the coming months lies with the Americans. Should South Vietnam collapse as a result of unwarranted aid cuts, the Americans must bear the responsibility.⁶¹⁶

Although Trong places the blame for many of South Vietnam's economic problems on the United States, he appears to be more critical of the years of misguided American economic policies rather than the singular moment during which Congress voted to discontinue aid.

Conclusion

⁶¹⁵ Ibid., 288.

⁶¹⁶ Ibid., 289.

Americans policymakers' optimism toward the South Vietnamese economy in the last stages of the war has played a large role in shaping scholarly debates on the reasons for South Vietnam's collapse. Their positive narrative contributed to revisionist views that Congress had stabbed South Vietnam in the back by denying the country much-needed and much-deserved aid. After Congress denied Ford's request of military aid, Saigon fell on April 30, ending the war and South Vietnam's twenty-year existence. For American and South Vietnamese leaders who had vested interests in the future of South Vietnam, it was convenient to link the actions and attitudes of Congress and antiwar constituents during those last months to the final outcome of the Vietnam War: a defeat for the United States and the collapse of a country that was allied with the United States for so long.

The house of cards that the Americans built in South Vietnam collapsed in 1975 when aid was no longer free-flowing. However, the interesting question is not what blew down the house of cards but what held it together in the first place. Political scientist William Turley argues that "corruption had become the glue that held the Thieu regime together."⁶¹⁷ It was the availability of American dollars, I argue, that enabled corruption to take place and hold together the house of cards together for years. The viability of South Vietnam was premised upon the continued flow of American aid. Independent of the results on the battlefield, the very basis of South Vietnam's existence was that its economy was supported almost entirely by American dollars. At no point during the alliance between South Vietnam and the United States, however, did American or

⁶¹⁷ Quoted in Hess, *Vietnam and the United States*, 133.

Vietnamese policymakers make any serious attempts to wean South Vietnam off of American assistance. The choices that American and South Vietnamese policymakers made, in fact, contributing to fostering the economic dependence. Moreover, even when choices had to be made, American policymakers settled on shortcuts that did not actually solve the problems but continued to support Thieu with economic aid, even as inflation and corruption demonstrably tore away at national morale.

The enormous amounts of American aid gave rise to numerous economic and social problems. Despite, and perhaps because of, measures that the United States took to curb inflation, South Vietnam was flooded with mass quantities of consumer goods it could never had produced. Moreover, the influx of American dollars was coupled with opportunities for gains, incentivizing jobs working for comparatively wealthy Americans economic and illegal transactions that guaranteed easy profits. As the war wore on, the legitimate economy in South Vietnam continued to erode as an artificial economy took hold. As inflation soared, corruption worsened, and aid reduced toward the end of the war, South Vietnam became a country where citizens stole from each other in order to feed themselves. Desperate economic circumstances forced Vietnamese into corruption, including members of the armed services and civil servants, who functioned as crucial members providing legitimacy to the state. The unsolved problems of wage inequality and corruption ultimately undermined the South Vietnamese population's faith in their own leaders.

While some South Vietnamese became increasingly disenchanted by their leaders, others became apathetic with regard to the political future of their nation. As American

officials grew preoccupied with military objectives to win the conflict, it is arguable that some Vietnamese became more and more apolitical. The uncertainty of the war's outcome and the future of their nation prompted an attitude to seize the day. As *Newsweek* reported, "The Vietnamese who have capitalized on the war economy have, by and large, tended to invest their money not in industry or in other lasting enterprises, but in hotels, bars, massage parlors and residences for Americans, all designed for a quick profit." The result, the magazine asserted, was that South Vietnam "built more nightclubs than hospitals, more luxury apartment buildings than schools."⁶¹⁸ Indeed, the incentives of private profits for Vietnamese never aligned with the incentives of national economic development.

For American policymakers, too, the priority of waging war against the communists ending up conflicting with the goal of building a stable and independent South Vietnam. If South Vietnam was ever to become truly economically independent, the ways in which Washington cultivated dependence in Saigon prevented the realization of that goal. It was no wonder that the lack of progress toward South Vietnamese problems caused ordinary Americans and members of Congress to question why Americans continued to sacrifice their tax dollars to support a corrupt government that lacked the popular support of its own people. The lack of accountability by American leaders and their condoning of South Vietnam's corrupt leaders eventually forced an end to a war that had sacrificed so many Vietnamese and American lives.

⁶¹⁸ "Vietnamization: Will It Work?"

Conclusion

On April 30, 1975, the political goal American and South Vietnamese leaders had worked toward for nearly two decades—an independent, anticommunist South Vietnam—came to an end. After bombarding Saigon’s Tan Son Nhut Airport with heavy artillery the day before, North Vietnamese tanks rolled into Saigon’s presidential palace and captured the South Vietnamese capital. General Duong Van “Big” Minh, president of South Vietnam for just two days, surrendered unconditionally to the communists. North Vietnamese troops raised their flag over the South Vietnamese presidential palace, marking the end of a decade-long war and the beginning of reunification in Vietnam.

As the fall of Saigon became imminent in late April, many South Vietnamese, with the assistance of Americans on the ground, were already planning to leave their homeland. In the chaotic final days of South Vietnam’s existence, thousands of Vietnamese gathered at the American embassy and rushed to get on the last helicopters leaving the capital. As depicted in the 2014 documentary *Last Days in Vietnam*, Americans ultimately evacuated approximately 135,000 Vietnamese, many of whom had close connections to Americans and were considered by American officials to be at high risk of communist retribution if left behind.⁶¹⁹ Those who received priority included South Vietnam’s top military and political leaders, wives and mistresses of Americans and their biracial children, and employees of American government organizations. Americans coordinating the evacuation also recalled trying to save their South

⁶¹⁹ Mark Bailey, Rory Kennedy, and Keven McAlester, *Last Days in Vietnam*, videorecording (PBS, 2015).

Vietnamese friends, as well as Vietnamese who did not work for the U.S. government but nevertheless interacted frequently with Americans, including their favorite cooks and tailors. While the formal evacuation directed by Ambassador Graham Martin commenced on April 29, several South Vietnamese air force generals took their futures into their own hands, piloting helicopters, including a few Hueys and one Chinook, to evacuate themselves and their families from Saigon.

For the most part, those with the most intimate relations with Americans escaped their country, but South Vietnamese who had no direct link to Americans and thus did not have the personal connections to leave Vietnam had no option but to stay. As the highest-ranked ARVN officials deserted their positions to prepare for new lives in the United States, ordinary ARVN soldiers were left leaderless and fearful of their fates in the newly-captured capital. They took off their boots and uniforms and destroyed all military identification papers as thousands of North Vietnamese troops patrolled victoriously in downtown Saigon. Often left wearing nothing but their underwear, these former low-level ARVN soldiers felt vulnerable to fears of communist reprisal anticipated upon South Vietnam's defeat.

Although the images of ARVN combat boots and uniforms strewn on the streets of Saigon symbolized the formal end of the South Vietnamese state, many rank-and-file functionaries of the South Vietnamese government had begun to shed their loyalty and obligation to the state long before North Vietnamese troops conquered Saigon in 1975. ARVN soldiers and civil servants, the very people whose jobs entailed maintaining the functions of South Vietnam's military and government, were also some of the most

vulnerable citizens during the war. Although the problem of state legitimacy afflicted South Vietnam from the country's inception, soldiers and civil servants, by performing their roles, granted some form of legitimacy to the state. As the war progressed, however, the ARVN suffered from high rates of desertion, corruption, poor training, and poor leadership. ARVN soldiers and civil servants alike, as employees of the South Vietnamese state, experienced the largest blow to their purchasing power, as their salaries failed to keep pace with ever-increasing rates of inflation in a war-torn country. Many employed by the state had to resort to corrupt practices to stay alive. By the time that South Vietnamese leaders capitulated to North Vietnamese rule, many ARVN troops and civil servants had already functionally abandoned their posts.

Examining who could leave Vietnam and who had to stay in the final days of the war thus offers a window into the social, economic, and cultural transformations wrought by the American presence and the consequent collapse of state legitimacy. In the long lines of Americans and Vietnamese waiting to be evacuated by helicopters, South Vietnamese who arguably benefited the most from the American presence were also those who were rescued and brought to the United States. Many employees of the U.S. government, wives and mistresses, high-ranking military officials and political leaders, service workers catering to American needs, and some businessmen, whose lives depended on the Americans, left South Vietnam when they had the opportunity.⁶²⁰ Often

⁶²⁰ This is not to say that all Vietnamese who worked for the Americans or profited from the American presence successfully escaped the country in April 1975. One of the biggest groups of Vietnamese that benefited tremendously from the American presence but were not able to leave Vietnam at the end of the war were businessmen and their families, the majority of whom were of ethnic Chinese backgrounds. Many

closely associated with Americans, these South Vietnamese were able to escape the aftermath of communist takeover that those less connected could not.

The story of many South Vietnamese who left their fallen country in 1975 would continue in the United States, where many immigrated as refugees. As historian Nhi Lieu has written, “Introduced and exposed to American democratic ideals and consumer capitalism before migrating to the imperial center, Vietnamese refugees arrived in the United States with hopes of assimilating, fitting in, and becoming free subjects in an advanced capitalist society; in essence, they wished to live the American Dream.”⁶²¹ As Lieu argues, though narratives of Vietnamese refugees have often overwhelmingly focused on their status as traumatized war victims, Vietnamese refugees in America, in fact, endeavored to use popular culture to assimilate into middle-class American society as Vietnamese Americans. Lieu observes, moreover, that the “cross-cultural and economic exchanges between the United States and South Vietnam transformed the Vietnamese citizenry and, in some respects, prepared them for life in America.”⁶²² In the years after 1975, Vietnamese-Americans created their own ethnic communities in the United States and preserved their cultural identities while assimilating into American culture and society. Although many of the former South Vietnamese who left often express nostalgia for their fallen country and have continued to display the flag of South

ethnic Chinese business leaders remained in Vietnam and suffered persecution by the new communist regime.

⁶²¹ Nhi T. Lieu, *The American Dream in Vietnamese* (Minneapolis: University Of Minnesota Press, 2011), xv.

⁶²² *Ibid.*, 6.

Vietnam in their local communities, they are also grateful to have had the opportunity to become citizens in the United States.

Back in the newly reunified Vietnam, however, those who remained faced persecution under the communist regime. Indeed, although the number of communist executions remains unclear, scholars have estimated that communists executed as many as 65,000 former South Vietnamese residents. Over 200,000 Vietnamese who stayed in southern Vietnam, including many former ARVN soldiers, were forced to endure hard labor at reeducation camps under the new communist regime.⁶²³ In the years between unification and the country's market economy reforms in 1986, life in the Socialist Republic of Vietnam was characterized by severe economic deprivation. The communist government seized all private property in the former South Vietnam, displaced citizens from their homes and forced them into "new economic zones," and subjected citizens to strict food rations. The regime mismanaged the collectivization of industrial and agricultural production, resulting in widespread starvation. Dire economic and political circumstances forced between one to two million Vietnamese to flee the country in multiple waves between the late 1970s and the early 1990s. "Boat people" who attempted to escape Vietnam faced many mortal dangers on the high seas, and many perished before reaching safe haven. Meanwhile, those who did not flee continued to suffer from economic hardship in a country devastated by decades of war. The contrast of experiences between Vietnamese who migrated to the United States and those who

⁶²³ Lawrence, *The Vietnam War*, 168.

remained in Vietnam again harkens back to the divergent experience of South Vietnamese citizens during the height of the war.

This dissertation argues that the twin problems of inflation and corruption ultimately led to the destruction of national morale in South Vietnam. The American presence during the war, as we have seen, widened social and economic inequalities among the South Vietnamese population. By introducing vast sums of money and consumer goods in the midst of war, the American presence incentivized the pursuit of wealth and rewarded South Vietnamese who worked for the Americans. In an environment of military, political, and economic insecurity, it made rational sense for Vietnamese to ingratiate themselves with the American presence. Those not employed by Americans, however, often found themselves unable to keep pace with inflation in South Vietnam. Consequently, it was necessary for many South Vietnamese, especially soldiers and civil servants, to resort to corruption in order to support their families. Citizens of South Vietnam were thus placed in circumstances where defending and serving the interests of their country was at odds with supporting their families. The U.S. military presence, in exacerbating inflation, encouraging South Vietnamese to work in jobs serving American employers, and forcing those on fixed incomes to engage in corruption for survival, contributed to eroding South Vietnam's legitimacy.

Moreover, this dissertation contends that American policymakers responded to the consequences of the U.S. military presence in South Vietnam by undertaking measures that only superficially addressed the problems of inflation and corruption. Though policymakers had some idea, based on U.S. involvement in previous military

interventions, of the potential impact of the American presence on inflation and corruption in South Vietnam, they were nevertheless unprepared and unable to address the root causes of those problems. Due to various constraints of policy decisions made before American escalation as well as the increasingly tenuous relations between the United States and South Vietnam, American leaders often pursued measures that aimed more at appeasing American critics of problems in Vietnam than actually solving them. They paid lip service to those who voiced concern over the high level of inflation. Similarly, American and South Vietnamese officials attempted to allay criticism of corruption in Vietnam through temporary crackdowns to catch low-level participants. In the end, both American and South Vietnamese policymakers could not contain the economic, social, and cultural consequences of the American military presence from South Vietnamese society.

This dissertation contributes to scholarship on the Vietnam War by examining American nation-building in South Vietnam after escalation. Although scholars have often contended that U.S. nation-building in South Vietnam had already failed in the early 1960s, and was thus no longer a focus of American policy, this dissertation asserts that nation building continued throughout the war, albeit with similarly scant results. In fact, the overall aims of nation-building—the establishment of an independent, anticommunist state below the seventeenth parallel—never eluded American and South Vietnamese policymakers during the war. The overwhelming presence of Americans created new challenges and aggravated old ones, changing the nature of the American task of protecting and enhancing political legitimacy in South Vietnam.

Moreover, though scholars have often pointed to military and political problems in relations between the United States and South Vietnam, they have often overlooked the war's economic impact on South Vietnam. Indeed, the Republic of Vietnam's economic viability deserves scholarly attention, because it is a fundamental matter that determined the country's existence from its very inception. In examining the war's inflationary consequences and the everyday lived experience of widespread inflation and corruption in South Vietnamese society, this study shows that questions of economic survival were intricately tied to questions of the country's political and even military survival. As many South Vietnamese leaders asserted both during and after the war, corruption was a primary factor that led to the collapse of the South Vietnamese state. Analyzing the economic effects of the war through the problem of inflation and corruption demonstrates that the American infusion of wealth and the inflation and corruption that ensued was harmful to South Vietnamese national morale, particularly among those who were arguably the most important to the state—ARVN soldiers and civil servants.

In examining the effects of the American presence on South Vietnamese economy and society during the Vietnam War, this dissertation underscores several implications for understanding the Vietnam War and America's role in the world broadly. First, in the case of the Vietnam conflict, the American presence abroad produced a “catch-22” for American policymakers. On the one hand, South Vietnam could not have survived as an independent, anticommunist country without the intervention of the United States. On the other hand, American involvement in war and the concomitant disruptive presence of soldiers and civilians, were detrimental and even lethal to South Vietnamese political

legitimacy. This dilemma was not lost on America's South Vietnamese allies, who were aware that the American presence undermined their own political credibility. As Nguyen Cao Ky stated, "The Americans controlled the fighting of the war. American aid financed the country; without it we could not survive."⁶²⁴ His assertion underscores the paradox of U.S. nation-building abroad, particularly when it involves military assistance or economic aid: efforts intended to help an allied government solidify its nationalist credentials can end up instead harming its political legitimacy in the eyes of its own people. Striking the right balance to help without hindering South Vietnam's political legitimacy was thus an extremely difficult task, since any intervention from the United States on behalf of South Vietnam naturally undermined South Vietnamese leadership.

Second, the evolving patron-client relationship between the United States and South Vietnam limited what both countries could achieve in South Vietnam. The assassination of Ngo Dinh Diem in 1963 deeply shaped the importance with which American policymakers attached to South Vietnamese political stability after that consequential event. As a result, the U.S.-South Vietnam relationship was characterized by fear on both sides; leaders in Washington often worried that demanding their counterparts in Saigon to adopt strict, austere, and iron-clad policies could destabilize South Vietnam's leadership, while South Vietnamese officials worried about upsetting their American partners if they pointed out the problems caused by the American presence, ranging from the widespread availability of luxury goods to the sometimes disruptive behaviors of American servicemen. For the most part, however, given how

⁶²⁴ Nguyen Cao Ky, *How We Lost the Vietnam War* (Lanham: Rowman & Littlefield, 2002), 137.

much South Vietnam mattered to the United States in the minds of U.S. policymakers, particularly Lyndon Johnson, U.S. officials arguably feared the possibility of South Vietnam's collapse more than South Vietnamese fretted over unsettling their American counterparts. In the end, the very fragility of South Vietnam also constrained the options that American policymakers considered to address some of the most serious matters afflicting South Vietnam.

Finally, American policymakers' method of waging war in Vietnam to satisfy domestic constituencies and maintain support for the war also undermined and limited their own success in nation-building in South Vietnam. With regard to both inflation and corruption in South Vietnam, U.S. leaders could not publicly admit that the American presence contributed significantly to exacerbating those problems, because doing so would have turned the American public against the war. Instead, leaders in Washington often blamed Saigon leaders for those problems. As American officials attempted to downplay the severity of corruption, even though many Americans themselves enabled corruption to grow to the extent that it did, corruption in South Vietnamese society continued to eat away at national morale. This dissertation thus demonstrates that American leaders' lack of reflection upon mistakes made by the United States and inability to admit fault also produced serious consequences for its political objectives overseas.

In the decades after the end of the Vietnam War, U.S. defeat in Southeast Asia would continue to haunt American policymakers. While some leaders interpreted the failure of Vietnam as a lesson for more restrained actions in foreign policy, others leaders

used the Vietnam War as an example for more aggressive military interventions. Despite the different and even contradictory lessons drawn from Vietnam, however, one lesson that has yet to be fully absorbed into the exercise of American foreign policy is the importance of understanding the economic, cultural, and social consequences of American interventions abroad. Indeed, examining the gap between the intentions of high-level military and political policies and the actual results of those policies on the local society and economy could help those who make policy better understand the full consequences of their decisions.

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Richard M. Nixon Library (RMNL)

PERIODICALS

Bulletin of Concerned Asian Scholars

Cavalair

Commonweal

Hi-Lite

Newsweek

The American Spectator

The Army Reporter

The Asia Letter

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