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February 6, 1960

MEMORANDUM FOR THE RECORD

BY: Dr. Lloyd D. Musolf, Chief Advisor *LM*

SUBJECT: Developments in the Tax Situation



Within the last 48 hours, there have been encouraging developments in the tax situation. On Thursday I had a luncheon meeting with Vu Van Thai at which the matters of business administration education, the duration of Murphy's stay here, and the tax situation were discussed. It was quite apparent that Thai was not adamant in his position as to the three tax consultants and as to meeting with Milt Taylor. It was apparent too that Thai seemed to assume that the Tax Directorate would continue its independent existence. Thai envisaged the furnishing of data on taxes to the Tax Directorate in the same fashion that he now furnishes budget data to various agencies.

Thursday afternoon I received a letter from Ralph Watkins, the Brookings Institution consultant who had spent ten days or so here. When I had met with Watkins, I had emphasized to him that I considered it a mistake for Gardiner to refuse to push for the appointment of the three tax consultants and, in fact, to impose a gag on anyone who might mention the subject to Thai. Watkins appeared to agree with me, but he pointed out that Thai had said he would be glad to meet with Taylor but Taylor had continually refused to meet with him. I suggested to Watkins that this was not the true state of affairs, and perhaps Thai was painting himself in colors of injured innocence. At any rate, if I may quote from Watkins' letter to me, you will see that Watkins acted as something of a missionary for the MSUG position. "I informed him (Thai) we would avoid any duplications with Taylor's work by deferring any appointment in the taxation field until mid-August. Thai was entirely in accord. I informed him also that, although I had not had a chance to read Taylor's reports, I was confident that his work would be helpful to our projected program. Then I urged him to talk with Taylor and to inform himself on his work. Thai replied that he would be glad to talk with Taylor at any time Taylor wished to see him. I then said that I would urge you to

take the initiative in securing the concurrence of Mr. Thuan, or others as required, in transmitting copies of your tax studies to him, and in arranging for Mr. Taylor to discuss his work with him. I trust this may be helpful. Again, many thanks to you."

Yesterday afternoon, I had a conference with Mr. Gardiner in which we discussed the tax matter in addition to Austin's projected visit. Gardiner mentioned that he was about to see Thai and that he had come to the conclusion that three tax consultants should be hired after all. I expressed my gratification that Gardiner was now taking this position. Referring to Watkins' letter, I spoke of the desirability of Thai and Taylor meeting to discuss plans in the tax area. Again, Gardiner agreed.

This morning Gardiner called me and reported on his talk with Thai. He said that Thai wants Taylor to meet with him, and Gardiner suggested that Taylor call up Thai and refer to the Thai-Gardiner conversation. Gardiner suggested to me that Taylor take Roland Smith of the USOM Finance Division with him. (I take it that this reflects Gardiner's continuing apprehensiveness about the way in which Milt states things.) Gardiner also told me that Thai has agreed to let the three tax advisors come. Thai will talk to the Vice President as head of the Monetary Council and confirm this decision. Thai's only reservation about the three technicians is that they should not be "anti-machine." I suggested to Gardiner that it seemed to me USOM could take care of this situation through its recruiting process for the three technicians.

Naturally, Taylor and I are both gratified at the way things have turned out. It does seem to us, however, that, if MSUG had not stuck to its guns and made its position known to the parties concerned, the entire matter might not have turned out favorably.

lDM/dcm

cc: Acting Coordinator
Dr. Ralph Smuckler
Dean Alfred Seelye
Dean Glen Taggart

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PERSONAL

February 13, 1960

MEMORANDUM FOR THE RECORD

BY: Dr. Lloyd D. Musolf, Chief Advisor *LDM*

SUBJECT: Developments in the Tax Situation

Further favorable developments have occurred since my memorandum for the record of February 6. Although the situation is not completely clarified, perhaps the broad outlines have been established.

As indicated in the earlier memorandum, Vu Van Thai agreed to meet with Milt Taylor. The meeting turned out to be an amiable affair although Milt Taylor came back feeling that he had not had a chance to express himself. The reasons were that Thai talked at great length about his ideas and Roland Smith elaborated on the request for the three tax consultants. As a parting shot, however, Taylor asked Thai if he might see him again and talk about the technical aspects of tax administration. Milt was impressed with Thai's calm reasonableness and with his eagerness to talk further with Milt about tax administration.

After the years of rumors that the Secretary of Finance, Ha Van Vuong, would be replaced, the event finally came about. Vuong, who has been an obstructionist about tax reform during most of his period in office, has been kicked upstairs to be the President's tax advisor. Vuong's replacement will be Nguyen Luong, former Director General of Social Action. Little is known of Mr. Luong in American circles, but it is anticipated that the change is for the better. Luong has apparently established a record of being energetic in his present post. This morning Taylor has informed me that it is likely that our former participant, Mr. Huynh Xuan Tho, the Director General of Taxation, will become the assistant to Mr. Vuong. As such, and as an ironic note, his task apparently will be to keep Vu Van Thai informed on the technical aspects of tax administration.

LDM/dcm

cc: Coordinator
Dr. Smuckler
Dean Seelye
Dean Taggart

