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JAPAN - AN ECONOMY OF SURVIVAL

This duplicate Fortune Article

The only effective antidote to the American public's traditional neglect of our national interests in the Far East is informed public opinion. Thus I have welcomed the attention of press and periodicals ever since the Occupation of Japan began. All matters not affected by security have been fully disclosed and writers have had every facility to acquaint themselves with the facts. The reports of these observers have been preponderantly favorable but there has, of course, been criticism ranging from mild disapproval to violent attack.

On examination, the criticism has usually proved to be based on either misinformation as to the facts, or subjective appraisals of the administration of the Occupation as too conservative or too liberal. Much of it has come from Allied interests abroad, fearful of Japanese economic competition; from frustrated men who vainly sought to exploit postwar Japan through a "carpet-bagging" invasion; from apologists for the prewar feudalistic Japan who vainly sought to restore the old order; and from a few disgruntled former Occupation employees. Much of the remaining criticism has come from Communists, following the party purpose to destroy public confidence in the Occupation and to create in Japan conditions of confused disorder leading ultimately to violence and failure.

That the criticism has come from both extremes merely shows that the Occupation has not been far off its intended course of leading the Japanese along the broad middle road of political democracy.

Fortune Magazine's last previous article on Japan, prepared by one of its former editors, Herrymon Maurer, after an extended on-the-ground survey and published in March, 1947, is still remembered here as a comprehensive, informed and balanced exposition of conditions in Japan eighteen months after the surrender, entirely in keeping with Fortune's reputation for authenticity of information and authority of opinion. Therein Fortune gave due emphasis to Japan's economic dislocations incident to the violent destruction of war and the deprivation of Empire areas prewar source of food and other needed resources, and aptly termed the result "an economy of survival." It is still by all standards an "economy of survival" and, for reasons which are obvious, will continue to be so even after the present Occupation has become but a chapter in Oriental history.

It was surprising, therefore, that Fortune's article of April, 1949, abruptly shifted from this realism and factuality to a number of glaring inaccuracies of fact and aberrations of opinion which any reasonably careful check against readily available and reliable sources, as for example the Time and Life correspondents now present in Japan, would have dispelled. I do not, of course, question the right of Fortune's editors to publish any matters of fact or opinion which they deem fit, but in view of the gravity of the issues which have been raised in the forum of public opinion, I venture to draw

attention to a view of Japan which evidently was not considered by the editors of Fortune when they prepared and published the article of April, 1949.

First, it is a mistake to attempt to assay the results of the Occupation of Japan solely or even largely in terms of economic recovery. A fair evaluation can be made only with reference to the objectives of the Occupation as set forth in the policy declarations of the United States and its co-participants. Briefly, these were to prevent Japan from again becoming a menace to the peace and security of the world and to bring about the early establishment of a peaceful and responsible government which would respect the rights of other States. Because the Allies believed that a democratic government is more likely to follow the ways of peace than an autocratic government, the Japanese government was expected to conform as closely as possible to principles of democratic self-government, supported by the freely expressed will of the people.

Until the issuance last December of the United States' interim policy directive on the economic rehabilitation of Japan, referred to in the recent Fortune article, the Occupation was expressly charged under its basic 1945 directive from Washington: "You will not assume any responsibility for the economic rehabilitation or the strengthening of the Japanese economy." Washington did not alter this basic economic directive until last December. Thus for over three years, controlling policy prescribed this limitation and the Japanese economy received no financial support from the United States other than that necessary to provide the food required to prevent "widespread disease and unrest." It was stipulated that the Japanese would be expected to carry out programs which would enable them out of their own resources to avoid acute economic distress, assure fair distribution of available supplies, and meet Occupation force and reparations requirements. Two points thus stand out clearly: (1) economic recovery to any stated level of activity was not an explicit Occupation objective or responsibility; and (2) whatever recovery was to be permitted or encouraged would have to be based on the available indigenous Japanese resources.

The meaning of this last term deserves to be examined in some detail. For many years Japan's greatest asset--and liability--has been her large, fast-growing population which now numbers over 81,000,000 or more than half that of the United States, crammed into an area about that of California. Since only about one-sixth of the land area of Japan is arable and the rest mountainous, the population in the arable plains is about 2,840 persons per square mile. Thus, with the most intensive cultivation, Japan is still unable to produce food to meet the minimum requirements for her survival.

Dr. Warren S. Thompson, population expert and Director of the Scripps Foundation at Miami University, Ohio, has estimated that if Japan depended entirely on indigenous natural resources, only fifty

million persons could exist on a reasonable standard of life. Other competent observers have estimated from that figure down to forty million. Only the high degree of prewar industrialization supported a larger population, but the growth of protective barriers and the trend toward autarchy in various parts of the world during the early 1930's raised increasing obstacles to the flow of Japanese goods abroad and the securing of raw materials to feed the Japanese industrial machine at home. This, indeed, more than anything else, led Japan's leaders to take the gamble of war. World conquest may have been the dream of some of the war lords but securing a hold on the sources of raw materials for Japan's industries was the impelling national motive.

The importance of this is recognized in Allied post-surrender policy. One of its objectives is that Japan be permitted access to essential raw materials. Japan's basic concept in the Pacific War was to seize the bases of raw material supply (the Philippines, Malaya, and the Netherlands East Indies) and there take a defensive posture on the theory that the other Powers would consider it too costly to retake these areas. She failed to foresee the new concept of war which was used against her, involving the by-passing of strongly defended points and by the use of the combined services, the cutting of essential lines of communication, whereby these defensive positions were rendered strategically useless and ultimately retaken.

Postwar Japan faced a much more serious economic situation than prewar Japan. During fifty years of empire building she had constructed a political, industrial and financial Empire network: Japan proper, Formosa, Korea, Manchuria and North China. A vast portion of her in-shore economic wealth was poured into the building of her off-shore possessions where raw materials essential to sustain an industrial economy were in supply and whence surplus food could be imported to make up the food deficit in the home islands. During the war a primary American objective was the destruction of Japan's war-making potential and this required destruction or paralysis of production and transportation facilities. Our achievement of this objective is now history.

As one of the conditions of the surrender, Japan's geographic area was limited to the central hub of the former imperial system. With its satellite areas taken away, Japan lost control of both raw material and industrial producing capacity and forfeited vast capital accumulations. In the home islands industrial facilities had been devastated. What escaped Allied bombs was in poor condition due to war-imposed exhaustion and lack of repair. Over 80% of the country's shipping had been lost. Productivity of the land had been declining for several years because of insufficient fertilizer and depletion of manpower during the war. This general condition of economic impoverishment was greatly aggravated by the repatriation to the home islands of over six million Japanese, military and civilian. Thus when we entered Japan we found a condition of complete prostration--political, social and economic.

No stated time limit had been fixed for the Occupation. There was no definite indication as to whether it might be two years or twenty before the participating Powers would agree that the terms of the Potsdam Declaration had been met and that the Occupation should end. Nor was there any commitment as to how long the American taxpayer, who was to bear the burden of the expense, would continue to give his sanction thereto. Japan thereafter became in effect a large concentration camp, as it still is, with the forces of Occupation becoming the gaolers of 81,000,000 persons, with no one permitted to enter or leave without specific Allied authority.

In these circumstances I proceeded as rapidly as possible to accomplish the given mission. I decided at an early date to permit the Japanese authorities to carry responsibility and to exercise initiative in administering Japan's internal affairs. Physical disarmament and demilitarization were begun at once and soon completed. In the political field the first important moves were to order the abolition of restrictions on the basic freedoms, enfranchisement of the women, and otherwise broadening of the base of universal adult suffrage, restoration of political prisoners to liberty and return of their civil rights, arrest of war criminals, dissolution of militaristic, ultra-nationalistic and secret societies, removal and exclusion of militarists and ultra-nationalists from public office and from the fields of education, public information and predominant economic enterprises.

Japan was then encouraged to enact a new and democratic Constitution, plus implementing legislation for a representative democratic government characterized by a powerful legislature, an executive of limited powers responsible to the legislature, and an independent judiciary with the power of review. Important self-government powers were vested in the local communities, and all important local governmental posts were made elective. A land reform program of vast proportions was initiated whereby tenant farmers who for many years had lived in a condition of practical serfdom were enabled to buy from the absentee landlords the land they lived and worked on. Programs for the protection and improvement of the public health and welfare were early instituted by the Japanese with the guidance and assistance of the Occupation and have since borne fruit in alleviation of distress, greatly reduced disease and lower death rates, especially among children.

The organization of industrial workers into labor unions of their own choice was encouraged and their right to bargain collectively was guaranteed. In the economic field measures were taken to dissolve the great combines which had monopolized the commercial, financial and industrial facilities of the nation and a number of plants were earmarked for possible reparations removal. Otherwise the Japanese were permitted to maximize production of essential goods in order to restore the Japanese economy. If, at the end of two years, the Occupation had been terminated, I could with a completely clear conscience have reviewed my policy directive and reported, "Mission accomplished."

On March 18, 1947, in answer to questions at a Tokyo Correspondents' Club luncheon I recommended an early peace treaty, withdrawal of the Occupation forces and the termination of the post of Supreme Commander for the Allied Powers coincident therewith. In the same interview I pointed out that within her postwar boundaries Japan was utterly unable to produce the food requirements of her people and hence must be allowed to trade with the world to meet their needs for minimum living conditions, and that until a peace treaty was consummated Japan would remain in more or less degree in the straitjacket of an economic blockade. The Allied failure to reach agreement on such questions as reparations and the permissible level of industrial activity, the steady deterioration of international relations and the growing threat of the Communist advance in Asia postponed the then impending peace conferences and initiated a new phase of Occupation.

In this new phase revival of the Japanese economy ultimately became of primary importance and with the Interim Economic Stabilization Directive issued by the United States Government last December in accordance with the terms of reference of the Far Eastern Commission, rehabilitation of the Japanese economy became an explicit Occupation objective. The previously existing limitation upon my authority to assume responsibility for the rehabilitation of the Japanese economy was superseded and the power and prestige of the United States became committed to the issue. It should be noted that whatever improvement has taken place in the Japanese economy from the beginning of the Occupation to the end of 1948 had come about without benefit of direct American financial aid for industrial rehabilitation purposes.

To solve Japan's economic problem requires increased industrial production both for the home markets and for export. So our efforts in this field have aimed at increasing imported raw materials and production of key indigenous raw materials such as coal. Coal output has expanded from 20,376,000 metric tons in 1946 to 33,720,000 metric tons in 1948, and on this expansion has hinged the revival of production of fertilizer, industrial chemicals and a variety of exportable products. This increase in coal production is all the more notable since it has been achieved after replacing the former conscript Korean and Chinese labor forces with unionized Japanese labor, and providing decent housing and living conditions not previously available. Industrial production has risen steadily since the Occupation began.

To provide access for both raw materials and outside markets, I authorized resumption of commercial communications and, with United States backing in the Far Eastern Commission, have made unrelenting efforts--only partially successful--to relax the blockade which the Occupation imposes upon the Japanese economy, to permit foreign business men to enter Japan and Japanese business men to travel abroad.

The effort to assist Japanese economic recovery has not gone unopposed. The revival of Japanese activity in almost every line of endeavor has aroused opposition from one or more private or governmental sources abroad sensing competition or other danger. The natural

war-born antipathy against the Japanese still exists in many lands. Time alone will heal the wounds and restore Japan to a position of trust and confidence and friendly intercourse with her neighbors.

With the foregoing overall picture of Japan under the Occupation as a background, it may be profitable to examine the "broad stroke" picture drawn in Fortune's series of statements numbered (1) to (8), as well as its other critical observations:

(1) That "inflation has been rampant."

In view of the physical and financial cost of the war, the damage to Japan's productive capacity, the lack of raw materials for rehabilitation purposes and the government's social obligation to minimize widespread suffering, inflation was, of course, unavoidable. It has not, however, approached the runaway stage which the word "rampant" would imply. Compared with other war-devastated countries, postwar price readjustments in Japan have been much less severe and achieved without loss of public confidence in the national currency. The transition to stability will require a long period of austere living and hard work. In implementing the Economic Stabilization Directive of December, 1948, the Japanese Government is bending every effort to bring into real balance the budget for the fiscal year 1949-1950. This, together with a tightening of controls on the issuance of banking credit already initiated, will strike at the monetary causes of inflation.

(2) That "industry is stagnant," and that industrial recovery since the war is the lowest in the world.

Industrial activity in Japan has improved steadily since the Occupation began, and the rate of improvement compares favorably with that in other war damaged countries. According to the Statistical Bulletin of the United Nations for March, 1949, comparative percentages of increase of industrial production in the year 1948 over the year 1946 were:

Germany	133%
<u>Japan</u>	<u>100%</u>
Poland	88%
Netherlands	66%
France	28%
Czechoslovakia	20%
United Kingdom	20%

On a per capita basis the total financial aid received by Japan from the United States since the Occupation began has been but one-fourth of that extended to Germany, not counting the cost of airlift operations. The German economy, furthermore, reflects the benefit of direct American aid for economic rehabilitation. The Japanese does not.

For statistical purposes the five year period 1930-1934, inclusive, is considered representative of the Japanese peacetime economy before the war and is used by the Far Eastern Commission as a level of reference for measuring postwar peacetime economic goals. It is infinitely more realistic than the 1938 basis of comparison used in the Fortune article, for in that year and 1939 Japanese industrial production, with the full benefit of her Empire, reached the peak in gearing the economy for war. In terms of the 1930-1934 reference level overall industrial activity, including both mining and manufacturing, had reached 64.4% of normal by December, 1948, as compared with 41% in December, 1947, and 32.5% in December, 1946.

In certain fields particularly vital to rehabilitation, recoveries have been much more striking. By January, 1949, production of chemicals had reached 85.3% of 1930-1934 compared with 20.4% in January, 1946. Total electric power generated by public utilities in 1948 was 31.7 billion kilowatt hours, nearly twice the average annual figure of 16.6 billion kilowatt hours for 1930-1934.

(3) That "tax delinquency is the norm."

Since the latter part of 1947 when the Occupation took a direct interest in tax collection, this has greatly improved. Far from tax delinquency being "the norm", collections at the end of March, 1949 had reached 100% of the assessments based on the budgetary estimates for the 1948-1949 fiscal year, a record to which exception may not objectively be taken. Tax delinquency may have been a traditional norm in prewar Japan. But under the guidance of the Occupation, the record shows marked improvement. Fully as important as the monetary gain are the gains being made toward the development in individual Japanese of civic responsibility for the financial support of government.

(4) That "foreign trade, the lifeblood of the Islands' economy, is 10% of 1938" and

(8) that "Japan depends on the U. S. for better than three-fourths of its imports."

That the bulk of imports in the postwar period should come from the United States is only natural; such imports are largely food and raw materials no longer available from Japan's prewar sources of supply, and the United States has assumed the predominant Occupation responsibility.

Before the war Japan took three and one-half million tons of food per annum from Formosa, Korea, Manchuria, Burma, etc., and in return sent textiles, machinery and other manufactures. Cotton, the raw material for her textiles, came from abroad. The exchange with which to pay for cotton and other raw material imports came from the sale of raw silk, manufactured goods, shipping and other services. Since the war Formosa, Korea and Manchuria have had no food to export to Japan.

A large share of the prewar market for silk has been lost to nylon and other synthetic fibers. As noted by Fortune, Japan now not only does not sell shipping services but actually has to buy them.

Prewar competition offered in world markets by cheap Japanese goods based on underpaid labor was a source of continuing resentment and complaint in other countries. With the trade unionism developed under the Occupation, Japanese labor for the first time in history has been freed from exploitation. For the first time in history a proper balance is being effected between labor and capital in the Japanese economy, and Japanese exporters must find their markets on a more truly competitive basis.

In spite of the existing drawbacks, exports from Japan rose from \$103,000,000 in the year 1946 to \$173,000,000 in 1947 and \$258,000,000 in 1948. Exports in the twelve-month period ending June 30th are expected to exceed \$425,000,000.

(5) That "uncertainty, the climate that kills incentive, still prevails."

Uncertainty is inherent in the existing situation. Japan is a defeated country under the Occupation and, as recognized by Fortune, the victor nations have not yet agreed on her permissible level of industrial activity or reparations assessment. Once the Far Eastern Commission has determined these basic issues, much of this uncertainty will, of course, be lifted.

Fortune's contention that the purge program contributes to this uncertainty by leaving "thousands of businessmen ineligible to work or to have holdings" is without basis in fact. No one is denied the right to work in Japan, nor does the purge affect anyone's property holdings.

(6) That "the cost of Occupation has been piling up."

Both the statistics used to support this statement and the reference to two billion dollars in the title of the Fortune article are misleading in their implication that these sums had been spent in or for the benefit of the Japanese economy. They evidently include the pay and logistical support of the troops stationed in Japan, disbursed from normal military appropriations. These represent expenses which would be incurred no matter where these troops were stationed, and are of no benefit to the Japanese economy. For relief and non-military administration in Japan, the Congress has made the following appropriations: for the fiscal year ending June 30, 1946, none; 1947, \$311,000,000; 1948, \$354,000,000; 1949, \$396,000,000. In the fiscal year 1946 some \$225,000,000 in food and other relief supplies were made available out of military appropriations. For economic rehabilitation purposes the first apportionment to Japan was \$107,000,000 in the fiscal year 1949, but up to the end of 1948 none of the supplies purchasable with these funds had yet arrived in Japan.

(7) That "the natural lethargy and inefficiency of bureaucracy fail the economy in its small normal crises of supply and demand whereas a free economy naturally meets these crises."

The seeming purpose of this statement is to stress the evils of economic control, and in support the article states that "...the Oriental Economist, a publication even politer than the London Economist, but just as influential in its own area, has quietly demonstrated that probably only three controls are actually needed in all Japan: control over rice, over coal, and over the expenditure of foreign exchange. If all other controls were wiped out tomorrow, and a certain confusion period excused, the Japanese economy would certainly improve remarkably...."

It is correct to call the Oriental Economist "influential", but this has no bearing on the soundness of its views. This is the same Oriental Economist which was designated by the Japanese Government as bearing responsibility for formulating and propagating policies which led to the Pacific War, urging business into an all-out alliance with the military for the development and exploitation of the Greater East Asia Sphere, calling for the rigidity of totalitarianism as the ideal political and economic system in peace as well as in war, beating the drums for war against the United States fully fifteen months before "Pearl Harbor", and promising its readers that in a Pacific clash the United States' Navy would promptly be defeated by the naval might of Japan. It was the former president and editor of this same periodical who, as Finance Minister in the first Yoshida Cabinet in 1946, publicly insisted that the Japanese economy required expansion rather than a contraction of currency and whose reckless policies as Finance Minister aggravated the inflationary situation in Japan.

Contrary to the erroneous statement in Fortune that I have "expressed the hope that when the United States leaves Japan its political center of gravity will be a little 'left of center'", I have consistently and repeatedly publicly declared that our political aim here lies along the middle road of democracy. I am unalterably opposed to the imposition or retention of needless controls upon Japanese life and activity. Indeed, our primary economic purpose has been to lay strong foundations for the development in Japan of a capitalistic system based upon free private competitive enterprise, and to such end we have removed controls numbering in the thousands which long had existed prior to the Occupation. The United States interim directive on the rehabilitation of the Japanese economy issued last December, however, makes mandatory certain essential controls until its objectives have been achieved.

So long as critical raw materials remain scarce, it would be fatal to economic recovery to remove allocation procedures and thus permit their diversion to speculative and non-essential channels. Similarly, removal of rationing controls on essential consumer goods in scarce supply would profit none but the speculators and bring in-

creased hardships on millions of people. Laissez-faire proposals have their place, but not in an economy of poverty, with limited access to the outside world. No responsible administration could pursue such a reckless course.

"That the Zaibatsu alone, of all major groups in Japan...were... against war with the U. S. But the U. S. Army and the young bureaucrats, ignorant of this history, got rid of two thousand of the top managers and began to work down into the lower echelons."

This statement is thoroughly refuted by the known facts, yet continues to crop up from one or another source, usually with a private axe to grind. There is a tendency to use the goal of economic recovery as a cover for special interest pleading, sometimes insidiously persuasive to the uninformed. The responsibility of the Zaibatsu in the formulation of policy leading to the Pacific War is a matter of undisputed historical record. Some Zaibatsu elements may have privately or even publicly opposed such policy in its initial phases, but the record clearly shows that once the military entered upon its decision of conquest long before "Pearl Harbor", the great business and financial interests of Japan with complete solidarity associated themselves with the effort.

Those designated as purgees had full access to regular appellate procedures. If finally purged, they were not excluded from all economic activity but only from certain listed companies affected with a public interest where it would be prejudicial to the future peaceful development of Japan to permit a management tainted with war responsibility. Persons affected by the Zaibatsu Family Law are subject to even less restriction than persons purged as militarists or ultranationalists. Actual members of the Zaibatsu families are excluded only from managerial positions in Zaibatsu enterprises, leaving them entirely free to engage in any other activity. High policy-making officials of Zaibatsu companies not members of Zaibatsu families, but close enough to be considered their agents, are excluded only from companies belonging to the particular Zaibatsu combine with which they were identified. They are entirely free to apply their initiative and talents anywhere else, and in most cases are doing so.

That "ironically enough, the wartime bureaucracy had not only not been purged but had been permitted to expand. ...it now numbers over three million persons...."

The government bureaucracy was the very first group to be screened under the purge program, this phase having been completed by the middle of 1946.

The figure of three million persons quoted above is another example of the kind of exaggeration and misrepresentation to which the situation in both public and private employment in Japan is sometimes subject, for the administrative personnel of the Japanese government, including the postal services and the national rural police, number only 839,500. The Japanese Government for many years

has owned and operated the telephone and telegraph systems, the bulk of the railroad mileage, the tobacco monopoly and other enterprises which in the United States have been privately owned and operated. Employed in these activities are 714,578 operational persons. Even if this operational personnel of the railways, tele-communications systems and monopoly enterprises were added, the total would be only 1,554,078 or only about one-half of the figure stated by Fortune.

The employment situation in Japan is not, however, a matter of mere statistics. Much more is involved. Overstaffing undoubtedly exists, but this is not, as inferred, chargeable to the Occupation or its controlling policy. The Japanese often employ more labor to perform a given job than would seem normal in the United States. But this practice, antedating the Occupation by many years, reflects a lack of labor-saving devices, different work habits, and a residue of Japan's traditional paternalistic employer-employee relationship.

In postwar Japan, where the oversupply of labor was aggravated by the arrival of millions of repatriates from abroad, dividing the work was the alternative to mass unemployment and a large-scale government dole. The orthodox economist might favor the latter solution as a painful but quick remedy for an unsound industrial situation. But those in charge of the Japanese Government and Japanese industry during the critical post-surrender period have had to reckon with the social and political implications of mass unemployment and unrest. The Japanese solution was one way of absorbing the shock of transition. It may have been the means of preserving the capitalist structure in Japan. Certainly it has been the means of avoiding the unrest inevitable to mass unemployment.

With the Nine-Point Stabilization Program, under which the Occupation is taking more direct responsibility for control of the Japanese economy than has been true heretofore, the Japanese are moving toward the practice of strict governmental economy and a rationalization of industry so that it may be enabled to stand on its own feet in the competitive world. Since this process cannot be accomplished in one step, it has been necessary to agree to continue provision of substantial sums in the most recent budget for industrial subsidies to permit industry to make the transition.

That "SCAP finally was driven to see what businessmen had seen from the start: recovery comes first."

This statement is a plain distortion of the actualities and violates the principle of "first things first." In the very nature of the Occupation's task the reform of the prewar feudalistic structure of Japan merited and received primary attention. Without the great political and social reform measures which the Fortune article briefly credits, truly free competitive enterprise in Japan could not exist any more than could it without reform of Japan's traditional commercial, industrial and financial organization. Co-related with the pre-Occupation political and social concepts of Japan, economic

activity had a tremendous concentration of power in the hands of a few big family interests which operated in close association with the Government as partners and recipients of special privileges. Through their own monopoly powers and aided by a system of control associations which exercised governmental powers of allocation and price fixing, these groups held the power of economic life and death over millions of Japanese. Dissolution of this system was just as necessary to the development of a peaceful and democratic Japan as the measures taken in the political field, for none of the democratic and social reforms would have been secure, nor could political and social democracy exist in such an atmosphere of economic serfdom. To paraphrase one of Fortune's statements, even in Japan Man cannot live by rice alone. He must have freedom.

That "corruption is now commonplace, outraging ancient traditions of honor, shocking the rooted public belief in the incorruptibility of officialdom--under SCAP, Japanese morality has unquestionably changed for the worse, as the countless unnecessary controls have forced the Japanese, historically a law-abiding people, into disregard of laws."

The assertion that SCAP-sponsored controls have led the Japanese into unprecedented political corruption and general disregard of the laws is completely unrealistic. It finds support neither in history nor in the record of postwar Japan. There has been political corruption but such is no more novel to the Orient than to the Occident--the novelty to the Orient and to a somewhat lesser degree to the Occident is that in postwar Japan political corruption has run afoul of a new popular concept of political morality, has been exposed to the light of public odium and suffered the penalties prescribed by law. Even more vital in the Japanese advance is the living meaning thus given to the constitutional phrase, "equality before the law." Heretofore no such equality had been recognized in actual Japanese justice. It is true, as Fortune points out, that since the war there has been an increase in the number of economic crimes but the incidence is by no means disproportionate to the war-wrought impoverishment of the people and is small compared to the violence recorded in other war-ravaged areas of the world. Controls upon the equitable distribution and use of those commodities essential to preserve the people's livelihood and in critically short supply did not encourage the disregard of law, as Fortune suggests, but to the contrary preserved the people from widespread violence and death--and contributed greatly to the record of stability and calm universally credited to postwar Japan.

To fill the spiritual vacuum left by the devastation of war and defeat and the discrediting of popular reliance upon myths, beliefs and legends from Japan's past, the Occupation has brought to the understanding of the Japanese people new and totally different concepts of right and wrong in human behavior and a knowledge of the mode of life based upon the transcendent and immutable Christian principles and ethics. Occupationnaires, military or civilian, by their daily life have the opportunity to exemplify before the Japanese people that code of conduct learned in the American home, and are magnificently avail-

ing themselves of that opportunity. The institutions and laws and even many customs are being redesigned best to serve the requirements of popular sovereignty and individual dignity. Christian missionaries are ministering to the spiritual welfare of the people in double the prewar numbers and more are constantly arriving. As a result of these moral influences Japanese are coming to live by the tenets of the Christian faith and there is daily evidence of a profound and beneficial influence upon the moral viewpoint and ethical standards of the race. This is the greatest challenge and opportunity Christianity has had throughout the Christian era.

Objective criticism of the Occupation is always helpful and welcome, but too often critics, from whatever motive, tend to condemn without offering alternative solutions; to charge existing controls as unwarranted and unnecessary, without suggesting any other method by which acutely short vital resources in an economy of poverty, by Fortune termed an "economy of survival", might equitably be distributed over the broad front of urgent human need; to deprecate advances made in stepping up Japan's export trade, without regard to existing raw material scarcities, the prevailing economic blockade or the social barriers to the entry of Japanese goods into Allied countries; to criticize failure to ship Japan's products in Japanese bottoms, oblivious to the realism that such bottoms, even if they existed, could not, under present Allied policies, enter Allied ports.

Japan's recovery problems are peculiar to Japan and monumental, and intensify as the pressure of her population expands without corresponding expansion of her indigenous resources. True, there remain still ahead many imponderables in the area of international politics, economic competition and social prejudice, but I am profoundly confident that if we hold to a steady course our objectives will be fully consummated. In this, I rely implicitly upon the integrity, the ability and the devotion to the public service of that fine group of American men and women who compose my technical staff. No group has ever done more to merit the confidence, the admiration, and the gratitude of the American people.

No one who objectively reviews the record of postwar Japan in the light of both domestic and foreign circumstances influencing the course of events can help but note encouraging progress. The rate of such progress may not satisfy those who would attempt to apply to Japan standards and remedies peculiarly applicable to conditions elsewhere, but a comprehensive understanding of the Japanese problem arouses wonder that such progress has been as great and rapid as it has.

DOUGLAS MacARTHUR

FILE

091

ASMGL 091(Japan)

SUBJECT: Separation of Cities, Towns and Villages

3 MAY 1949

TO: Commanding General
I Corps
APO 301

1. The separation of local public entities under the provisions of Law No. 179, 1948 (Law for Partial Amendment to the Local Autonomy Law) is a problem of serious importance in many areas. The chief of the Local Autonomy Section, Secretariat, Prime Minister's Office, has issued a notification and several statements on this subject, copies of which are inclosed.

2. The statement contained in page 3 of Inclosure 1 is correct; however, this should not be construed as a directive to the local entities concerned. There are several legal problems involved which might require a final decision by a Japanese tribunal or corrective action by the Japanese Diet.

BY COMMAND OF LIEUTENANT GENERAL WALKER:

2 Incls

1. Notification, No. 405,
dtd 12 Apr 49 (6 copies)
2. Statements fr Local Aut
Sec, Secretariat, Prime
Min's Office (6 copies)

J. A. O'BRIEN
CWO USA
Asst Adj Gen

BASIC: Ltr, Hq Eighth Army, AGMGL 091(Japan), dtd 3 May 1949, subj:
"Separation of Cities, Towns and Villages,"

AG 091 - BA

1st Ind

LEJ/mo

Hq I Corps, APO 301,

TO: CO, Kinki Mil Govt Region, APO 25
CO, Kyushu Mil Govt Region, APO 24-5
CO, Chugoku Mil Govt Region, APO 248
CO, Shikoku Mil Govt Region, APO 1050
CO, Tokai-Hokuriku Mil Govt Region, APO 710

MAY 10 1949

For your information.

BY COMMAND OF MAJOR GENERAL COULTER:

A. SEIPEL
Lt Col, AGD
Asst. Adj General

2 Incls:
n/c

2nd Ind

JBS/te

KYUSHU MIL GOVT REGION, HQ & HQ DET, APO 24-5, 23 May 1949

TO: Commanding Officer, Fukuoka Mil Govt Team, APO 24-5
Commanding Officer, Saga Mil Govt Team, APO 24-5
Commanding Officer, Nagasaki Mil Govt Team, APO 24-5
Commanding Officer, Kumamoto Mil Govt Team, APO 24-1
Commanding Officer, Kagoshima Mil Govt Team, APO 970
Commanding Officer, Oita Mil Govt Team, APO 24-2
Commanding Officer, Miyazaki Mil Govt Team, APO 24-2

2 Incls:
n/c

C. L. B.

(No. 405, April 12, 1949)

To: The governor of each metropolis, district or urban or rural prefecture

From: The Chief of the Local Autonomy Section, Secretariat, Prime Minister's Office

Notification concerning the resolution of the assembly of a metropolis, district or urban or rural prefecture prescribed in the provisions of Article 2, paragraph 5 of the Supplementary Provisions of the Law No. 179, 1948 (Law for Partial Amendments to the Local Autonomy Law).

Taking into consideration the purpose of the Local Autonomy Law, it should be understood that the resolution of the assembly of a metropolis, district or urban or rural prefecture prescribed in the provisions of Article 2, paragraph 5 of the Supplementary Provisions of Law No. 179, 1948 should be made on the basis of the results of the general vote of inhabitants of the area concerned.

Expecting you to do your best, I hereby inform you of this effect.

Reason.

Notwithstanding the definite course on the powers of the assembly of a metropolis, district, or urban or rural prefecture provided for in Supplementary Provisions, Art. 2, par. 5 of the Law No. 179, '48 has been set by successive answers of our Section, in some prefecture, two or three cases have recently occurred in which the assembly has made a resolution which is reverse to the will of inhabitants represented by the general vote provided for in par. 3. of the same Article.

This institution is one of the temporary and time limited institutions as a measure to save the situation by enacting a special proceeding, where the results of the alteration of the area made during the war have been still remained and it is difficult to correct it by the general proceedings in accordance with the provisions of Art. 7 of the Local Autonomy Law on account of distribution of influence or parties in the assembly or other

reasons, so as to open the way to correct such absurdity by the direct will of inhabitants. Accordingly this fact should be taken in consideration in understanding this institution.

In the Local Autonomy Law there are two kinds of institution of direct demand, in the case of one the right of initiation alone is given to inhabitants directly (examples, the right to demand to enact bylaws, the right to recall assistant-governor, assistant-mayor, treasurer and others) and in the case of the other both the right of initiation and the right of decision are given to inhabitants directly (examples, the right to recall the chief or the member of assembly of local public body, the right to demand to resolve of the assembly of local public body), and, in the later case, the last decision should be made by the general vote.

And, with regard to the institution of direct demand of the alteration of area, taking into consideration the essence of this institution, it should be understood that the right of decision is as well as the right of the initiation given to the inhabitants of the area concerned, and, in this mean, the authority of the general vote provided for in this institution is almost equal to that of the general vote in the case of other institution of direct demand.

Technically the power of the assembly provided for in the provisions of par. 5 of this Article is similar to that contemplated in the provisions of Art. 7 par. 1 of the Local Autonomy Law, but taking into consideration the above-mentioned essence of this institution and the authority of the general vote which should be recognized in this institution, it should be understood that the resolution of the assembly of a metropolis, district or urban or rural prefecture in accordance with this paragraph should be made on the basis of the will of inhabitants of the area concerned which has been expressed in the results of the general vote.

(It may be added that the Legal and Government Division, Military Government Section, Headquarters of the Eighth Army is of the same opinion.)

The authorized answer which were given by the chief of the Local Autonomy Section, Secretariat, Prime Minister's Office to questions concerning the powers of the assembly provided for in Supplementary Provisions Art. 2, par. 5 of the Law No. 179, '48.

Reply (document)

1. Reply to the Chief of General Affairs Division of Oita-ken. (Answer No. 1,163, November 19, '48)
(Question)

In relation to the resolution of the Assembly provided for in Supplementary Provisions Art. 2, par. 5 of the Law No. 179, '48, may the assembly pass or reject the bill concerning the alteration of area according to its own will, notwithstanding the result of a general vote?
(Reply)

Technically your conclusion is correct, but, taking into consideration the fact that the alteration of area is left to the decision of the general vote of inhabitants, it is not proper that, in the case where yeas and nays are obvious in consequence of the general vote, the assembly make a resolution disregarding the actual situation.

2. Reply to the Chief of General Affairs Division of Oita-ken. (Answer No. 146, February 14, '49)
(Question)

In the case where, after the division has been decided by a general vote, wishes for reversal of such decision represented by many electors who formerly approved the division and then changed their will on account of the change of situation, may the assembly reject the division by respecting the will of electors.

(Note)

There is a district within the jurisdiction of our prefecture (Oita-ken) the division of which had been decided in consequence of a general vote, and there are many inhabitants of the district who have formerly approved the division, and then represented the wishes for reversal thereof for financial and other reasons. Accordingly it is not considered proper to pass the bill concerning the division according to the consequence of the voting, in disregard of the actual situation.

Is there any way to help it?

(Reply)

Taking into consideration the fact that the alteration of area is left to the decision of the general vote of inhabitants, the will of inhabitants should be judged by the result of the general vote and the resolution of the assembly should be made on the basis thereof.

3. Reply to the Chief of General Affairs Division of Shizuoka-ken. (Answer No. 334, March 8, '49)
(Question)

In the case where the governor has presented the bill "to divide" according to the results of the general vote and the assembly has amended it to "not to divide", should the action of the assembly be deemed to be within its powers or may the governor see it as the violation of the right of initiation and make a disposition in accordance with the provisions of Art. 176 of the Local Autonomy Law?

(Reply)

Taking into consideration the purpose of the Local Autonomy Law which leaves the alteration of area to the decision of the general vote of inhabitants, it should be understood that the resolution of the assembly of metropolis, district or urban or rural prefecture should be made on the basis of the results of the general vote.

Reply (oral or telephone ----- gist)

4. Replies to the prefectural offices of Yamaguchi-ken and Shizuoka-ken and the assemblies of Ehime-ken and Fujinomiya-shi, Shizuoka-ken. (February and March, '49)

(Question)

Have the assemblies of Metropolis, Districts or urban or rural prefectures the powers to make rejection in relation to the alteration of area which is provided for in Supplementary Provisions, Art. 2 of the Law No. 179, '48?

(Answer)

The resolution of the assembly which is provided for in par. 5 of the same Article should be made on the basis of the results of the general vote which is provided in par. 3. The Legal and Government Division, Military Government Section, Headquarters of the Eighth Army is of the same opinion.

The explanation to be given by the Chief of the Local Autonomy Section, Secretariat, Prime Minister's Office at the meeting of the Chiefs of General Affairs Division of metropolis, District or urban or rural prefecture on April 13, '49.

The essence of the general vote provided for in Supplementary Provisions, Art. 2 par. 5 of the Law No. 179, '48 is almost equal to that of the general vote in the case of recall of the chief or the member of assembly of an ordinary local public body, accordingly it should be understood that the creation, dissolution, division and union of cities towns and villages or the alteration of their boundaries should be substantially decided by the consequence of the general vote and the resolution of the assembly of metropolis, district or urban or rural prefecture should be an action of affirmation of this last decision. It may be added that the Legal and Government Division, Military Government Section, Headquarters of the Eighth Army is of the same opinion.

KYUSHU MILITARY GOVERNMENT REGION
HEADQUARTERS AND HEADQUARTERS DETACHMENT
Fukuoka, Kyushu, Japan

091 (Japan)

APO 24 Unit 5
14 March 1949

SUBJECT: Japanese Coal Production Team Personnel

THROUGH: Commanding General, I Corps, APO 301

TO : Commanding General, Eighth Army, APO 343

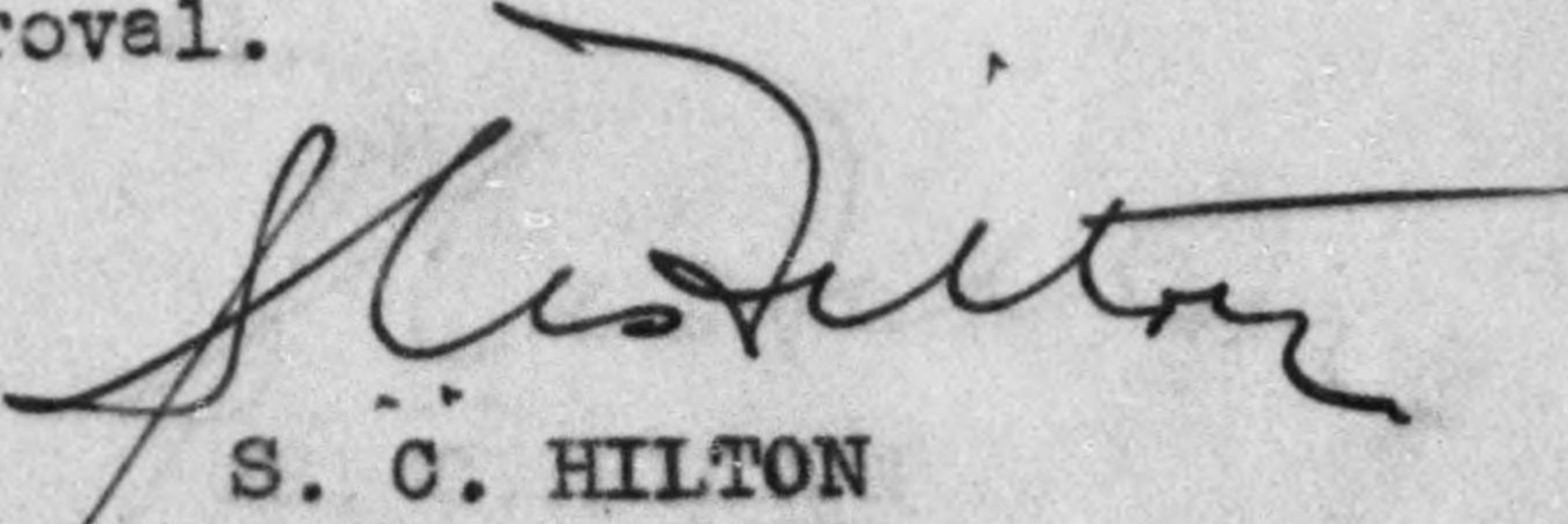
1. Request has been received by this Headquarters from the Chief of the Japanese Coal Production Team to replace two members of that team.

2. The Japanese team desires to appoint Mr. TSUTOMU IDE as the Incentive Goods member, vice Mr. ISHIKAWA. Mr. ISHIKAWA has tendered his resignation. Also, the Japanese Team wishes to confirm the appointment of Mr. TATSUO TANABE as Assistant Chief of the Team. Mr. Tanabe has been acting in the capacity as Assistant Chief and has been a member of the Team since its inception.

3. To the best of the knowledge of this Headquarters, both men are qualified.

4. Recommend approval.

1 Incl:
Alteration of Member.


S. C. HILTON
Colonel, FA
Commanding

BASIC: Ltr, Kyushu Mil Govt Region, subj: "Japanese Coal Production Team Personnel", dtd 14 March 49.

AG 463 - BA

1st Ind

EHN/tc

Hq I Corps, APO 301,

MAR 22 1949

TO: CG, Eighth Army, APO 343

Recommend approval.

FOR THE COMMANDING GENERAL:

A. Seipel
A. SEIPEL
Lt Col, AGD
Asst Adj General



5575

1 Incl:
n/c

AGMGEN 463.3

2nd Ind

29 MAR 1949

Headquarters Eighth Army, APO 343

TO: Commanding General, I Corps, APO 301

M G

4260

1. The Coal Board, Ministry of Commerce and Industry has approved the appointment of Mr. Ide as the Incentive Goods member of the Japanese Coal Team.

2. As Mr. Tanabe joined the team probationally for the first time on 8 March 1949, the Coal Board is awaiting a report on his performance from the captain of the Japanese coal team before appointing him as a permanent member of the team.

8

BY COMMAND OF LIEUTENANT GENERAL WALKER:

1 Incl:
n/c

George W. Finney
GEORGE W. FINNEY
Major AGD
Asst Adj Gen
I CORPS

932

BASIC: Ltr, Kyushu Mil Govt Region, subj: "Japanese Coal Production Team Personnel", dtd 14 Mar 49.

AG 463 - BA

3rd Ind

EHN/ay

Hq I Corps, APO 301,

APR 4 1949

TO: CG, Kyushu Mil Govt Region, APO 24-5

Your attention is directed to the 2nd indorsement.

BY COMMAND OF MAJOR GENERAL COULTER:

A. Seipel
A. SEIPEL
 Lt. Col. AGD
 Asst Adj General



1 Incl:
 n/c

463.3

4th Ind

CFL/yf

3065

KYUSHU MIL GOVT REGION, HQ & HQ DET, APO 24-5, 18 April 49

THRU: CG, I Corps, APO 301

MG

TO : CG, Eighth Army, APO 343

Reference 2nd indorsement. Herewith report submitted by Japanese Coal Production Team in reference to Mr. Tanabe's appointment.

G. W. Sargent

for

S. C. HILTON
 Colonel, FA
 Commanding

G. W. SARGENT,
 Lt. Col. CAG.

2 Incls:

1. n/c
2. Ltr, Japanese Coal Prod. Team

BH 11977

MARCH
932

BASIC: Ltr, Kyushu Mil Govt Region, subj: "Japanese Coal Production Team Personnel", dtd 14 Mar 49.

7818

AG 463 - BA 5th Ind APR 25 1949 EHN/tn
Hq I Corps, APO 301,
TO: CG, Eighth Army, APO 343

A.S.



2 Incls:
n/c

ACMGEN 091(JAPAN) 6th Ind

Headquarters Eighth Army, APO 343

1 MAY 1949

M/S

TO: Commanding General, I Corps, APO 301

187

The Coal Board, Ministry of Commerce and Industry, has approved the appointment of Mr. Tatsuo Tanabe as Assistant Chief of the Japanese Coal Team.

8

BY COMMAND OF LIEUTENANT GENERAL WALKER:

2 Incls:
n/c

J. A. O'Brien
J. A. O'BRIEN
CWO, USA
Asst Adj Gen

AG 463 - BA 7th Ind EHN/ea
Hq I Corps, APO 301, MAY 5 1949

TO: CO, Kyushu Mil Govt Region, APO 24-5

Your attention is directed to the 6th indorsement.

BY COMMAND OF MAJOR GENERAL COULTER:

2 Incls:
n/c

William A. Franks
WILLIAM A. FRANKS
Major, AGD
Asst Adj General



BA/2311

COAL
PRODUCTION TEAM

21 Feb. 1949

To : Col. Oliver, Chief Kyushu Coal Board.
Subject: Alteration of Member.

We request your approval on an alteration of Chief, Incentive Good Section from Mr. Ishikawa to Mr. Ide and appointment of Mr. Tanabe as an assistant Chief of Japanese Team.

Mr. Ide was a member of the Team, but domestic affairs has been prevented him from on job and Mr. Ishikawa has been a temporary Chief of the Incentive Section.

1. Full name of these men.
Tatsuo Tanabe
Tsutomu Ide

Ido Takego

Chief, Japanese Team

Encl 11

COAL
PRODUCTION TEAM

F.C.G. 31

14 Apr. 49

To : Col. Oliver, Chief Kyushu Coal Board.

Subject: Appointment of Member.

We request your approval on an appointment of Mr. T. Tanabe as regular member of Japanese Team.

Mr. Tatsuo Tanabe has been taking part in our Team as a probationary member. And as a result of my close observation on his business since 7th Mar. I confirmed he is a suited person as an Chief, Production Section and assistant Chief of our Team.

W. Rakajis
Chief, Japanese Team.

Incl 2'

KYUSHU MILITARY GOVERNMENT REGION
HEADQUARTERS AND HEADQUARTERS DETACHMENT
Fukuoka, Kyushu, Japan

CFL/ff

091 (Japan)
APO 24 Unit 5
31 March 1949

137
SUBJECT: Change of Personnel of Japanese Coal Team

THROUGH: Commanding General, I Corps, APO 301

TO : Commanding General, Eighth Army, APO 343 *mg*

1. Request has been received by this headquarters from the Japanese Coal Production Team to appoint Mr. KOTOHITO NAKAJIMA as transportation member vice Mr. KIWAMU SHIMIZU. Request is predicated on the fact that Mr. Shimizu is returning to private employment in Tokyo.

2. It is believed that Mr. Nakajima is well qualified by reason of his past experience and background to assume the duties as transportation member.

3. Recommend approval.

S. C. Hilton
S. C. HILTON
Colonel, FA
Commanding

6802 AG 200 - BA

1st Ind

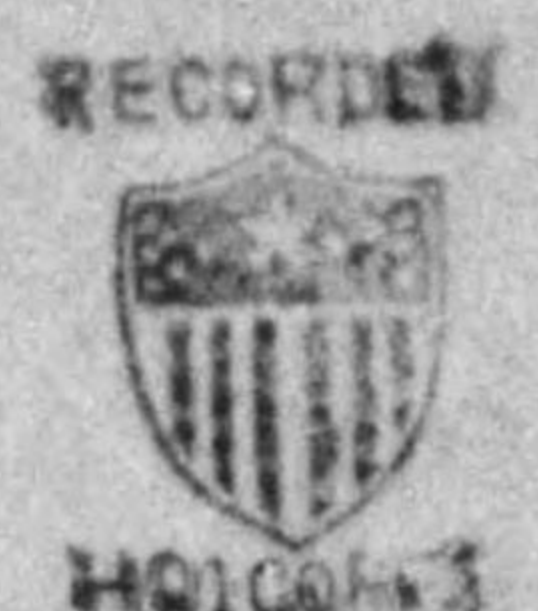
APR 11 1949

EHN/mo

Hq I Corps, APO 301,

TO: CG, Eighth Army, APO 343

AK
A. S.



10704

091 (Japan)

AGMGEN 091 (JAPAN)

2nd Ind

18 APR 1949

SUBJECT: Change of Personnel of Japanese Coal Team (31 March 1949)

Headquarters Eighth Army, APO 343

mb

2586

TO: Commanding General, I Corps, APO 301

The Coal Board, Ministry of Commerce and Industry, has approved the appointment of Mr. Kotohito Nakajima as Transportation member of the Japanese Coal Team.

BY COMMAND OF LIEUTENANT GENERAL WALKER:



J. L. O'Brien
J. L. O'BRIEN
CWO3 USA
Asst Adj Gen

AG 091 - BA

3rd Ind

EHN/mo

Hq I Corps, APO 301,

APR 22 1949

TO: CO, Kyushu Mil Govt Region, APO 24-5

Your attention is directed to the 2nd indorsement.

BY COMMAND OF MAJOR GENERAL COULTER:

A. Seipel
A. SEIPEL
Lt Col, AGD
Asst Adj General



BA 11631