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LOCAL GOVERNMENT

IN

JAPAN

MacARTHUR HAILS DIET PASSAGE OF LOCAL GOVERNMENT REFORMS - 20 September 1946

The Diet's approval of local government reform legislation strikes the bonds which have prevented full emergence of the nation's democratic forces and prepares the way for eventual full realization of the most lofty ideals of a democratic society.

Democracy cannot be imposed upon a nation. It is a thing of the spirit which, to be lasting and durable must impregnate the very roots of society. It is not to be instilled from above. It must have its origins in the understanding and faith of the common people. It must swell up from the people's will to be free, from their desire, and determination to govern their own local affairs without domination by individual strongmen, by minority pressure groups or by entrenched bureaucracy.

It is essential therefore that the people in every prefecture, city and village be given complete opportunity to express their will, and by assuming full responsibility to learn procedures of democratic government. Such direct participation in local government will profoundly influence the shaping of national policies -- will provide a check rein against arbitrary governmental controls and a safeguard to individual freedom. While it leaves much yet to be done in the reshaping of Japan to conform to the pattern of a democratic state, it is a further progressive step, by Japanese initiative, toward placing the sovereign power in the hands of the people.

It is axiomatic that such experience in government will develop the dynamic and enlightened leadership and initiative essential to the vigorous and progressive building of a democratic nation.

EXCERPT FROM MR. RIZZO'S LETTER TO THE CHIEF OF THE NATIONAL ASSOCIATION OF TOWN & VILLAGE ASSEMBLY CHAIRMEN - 23 July 1951

New and added responsibilities of government have accrued to the local public entities since the enactment of the Local Autonomy Law. The added financial burdens resulting therefrom have not in all cases been met by corresponding increases in financial resources. In this situation a strong temptation exists to seek financial relief by relinquishing some responsibilities, but in such solution lies the danger that newly won rights and privileges of self-government may also be surrendered, never to be regained. This danger may be averted through the continued watchfulness of the Town and Village Assemblies.

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THE CONSTITUTION OF JAPAN
(November 3, 1946)

CHAPTER VIII - Local Self-Government: The Local self-government system is the foundation of a constitutional government. If this were to be illustrated by a single tree, the trunk would be the central government and the roots, branches and leaves would be the various local self-governments.

In order to insure the future well-being of our national government which has been modified to the principles of absolute parliamentarism, the local self-government system must be exercised with great care, otherwise it will be like plowing the field without planting any seed. However, in the MEIJI Constitution, no stipulation whatsoever was provided in regard to local self-government, so all matters were referred to the Law. It was not only because of this, but local self-governments in the past leaned heavily toward bureaucracy and had but a trace of democratic tendency.

At times when democratic tendencies emerged, they were influenced in most instances by corrupt practices of the political parties of the past, often with harmful effects. The mutual hopes of the central and local governments for the realization of a true democratic form of government are contained within the basic laws of the New Constitution whereby the concentrated power of the central government is allocated to the local governments and thus transforms a bureaucratic form of government to a democratic one.

This chapter states that the organization and the functions of the local public entities shall be fixed by law in accordance with the fundamental principles of local self-government (92), that the chief executive officers of local public entities, the members of their legislative assemblies, and such other local officials as may be determined by law, shall be elected by direct popular vote (93), thus thoroughly democratizing the composition of such organs.

The prefectural governors and the chief executive officers of TOKYO-To, HOKKAIDO, OSAKA-Fu and KYOTO-Fu shall be elected by the people in accordance with the above.

A fact which should be heeded at this point is that in order to exercise such a large scale self-governing system, unless the people under the self-government have considerable practical governmental knowledge and the capacity for making decisions, self-government may be corrupted by political parties which abuse this freedom.

If a special law applicable only to one local public entity, for example TOKYO, is enacted by the Diet in place of a general law applicable to all local public entities such as prefectures, cities, towns and villages, then its enactment will not be of full satisfaction to the direct interest of the people concerned. Furthermore, its enactment will contradict the principles of local self-government. Therefore, special laws applicable only to one local public entity, cannot be enacted by the Diet without the consent of the majority of the voters of the local public entity concerned.

The foregoing may be regarded as a guarantee of freedom to the individuals of the local public entities in contrast to the freedoms guaranteed to the people of the nation in Chapter 3. Furthermore, it may be considered as one of the underlying fundamental spirits of the New Constitution.

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4 July 1947

EXCERPT FROM GENERAL MacARTHUR'S 4TH OF JULY MESSAGE:

Thus in the inception of Japan's reformation, many voices were raised against the planned implantation here of ideals and principles and standards underlying American democracy, for it was contended that Japanese tradition, Japanese culture, and Japanese experience would not permit their assimilation in Japan's redesigned social system. Never was statement more erroneous and unrealistic. For those very things which have supported Japan's past are responsible for the tragedy of Japan's present, and those very things which have supported America's past are no less responsible for the strength of America's present. This is well within the knowledge of the average Japanese citizen who is reaching out to understand and to embrace those same concepts which have brought individual and collective strength, dignity and security to the American people — and once the process of assimilation has been completed, the Japanese may be expected to adhere to, cherish and preserve this new way of life.

DECLASSIFIED E.O. 14,032 SEC. 3(E) AND 3(D) OR (E) NNDG # 775 012

Tokyo, Japan.

September 16, 1947.

Dear Mr. Prime Minister:

I have given careful consideration to your letter of September 3rd and to the plan for the reorganization of the police system submitted therewith. I fully understand your difficulty in reaching an acceptable compromise between the two divergent schools of thought of which you speak — a compromise which will prove adequately effective to meet the requisites for the preservation of law and order within Japan, and yet at the same time not impinge upon the ideal of human liberty to which the people of Japan are now committed, nor upon that fundamental principle indispensable to a democratic society so aptly stated in the Preamble of the Constitution of Japan, "Government is a sacred trust of the people, the authority for which is derived from the people, and the benefits of which are enjoyed by the people."

I am in full accord with the proposition that the realities of the situation require the maintenance of a national rural police unit to maintain law and order in the rural areas and available to the National Government to meet emergency conditions with which police forces available to the several local governments may be unable adequately to cope, and your suggested increase in the overall authorized police strength to 125,000 men, to provide for such a national rural police meets with my full approval. I am not in accord, however, with the idea of, nor the necessity for, delaying the decentralization of the police power now existing, as I feel that the preservation of that power in its present centralized form is wholly incompatible with the spirit and intent of the new Constitution and inimical to democratic growth.

It has been a dominant characteristic of modern totalitarian dictatorships, as it was in Japan's feudalistic past, to establish and maintain a strongly centralized police bureaucracy headed by a chief executive officer beyond the reach of popular control. Indeed, the strongest weapon of the military clique in Japan in the decade prior to the war was the absolute authority exercised by the national government over the thought police and the Kempei Tai, extending down to prefectural levels of government. Through these media, the military were enabled to spread a network of political espionage, suppress freedom of speech, of assembly, and even of thought, and by means of tyrannical oppression to degrade the dignity of the individual. Japan was thus in the fullest sense a police state.

It is in recognition of this condition that the police system must be so reorganized as to provide what you so clearly describe in your letter as a "fundamental remedy of the misuse of the police by the state power as in the past." In the achievement of this objective, the potentiality of a police state inherent in centralized control must scrupulously be

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avoided. It should never again be possible for anti-democratic elements, either of the extreme right or the extreme left, to enmesh the freedom of the people in a web of police terrorism.

This basic objective can best be accomplished by the thorough decentralization of the police system in accordance with the principle of local autonomy embodied in the Constitution. Each city and town should be responsible for the preservation of law and order within its boundaries through its own local police system independent of the central government and headed by a police chief to be appointed and removable by a commission composed of three civilian members appointed by the mayor of the city or town with the consent of the local assembly and holding office for a fixed term of years. At the prefectural level there should also be a corresponding commission similarly appointed which will exercise operational control over the national rural police operating within the boundaries of that prefecture, reserving to the national government administrative authority over such national rural police wherever stationed.

Such a reformation of the Japanese police system would be in consonance with the general pattern of the reorganization of the Japanese governmental structure, integrating police officials and services as agencies of the people at the appropriate levels of government. Action toward such end should proceed immediately upon enactment of the appropriate statute.

The national government should allocate the necessary funds until such time as local financing is possible. So long as it is necessary for the national government to make allocations of funds, the strength of the police in the various localities should remain fixed at the present number, but after provisions have been made for the localities to assume the financialburden, the responsibility for determining the necessary numbers within their respective borders should belong to the cities and towns, in accordance with local requirements.

The necessary legislation should, of course, be enacted at the present session of the Diet. If vigorously prosecuted, I believe that completion of the plan may be accomplished within a period of ninety days thereafter.

As to an appropriate organization on the national level, I believe that there should be created directly under the authority of the Cabinet a Public Safety Commission composed of five members who have not been career officials, either in the police or the civil service. Such commission should be appointed by the Prime Minister, with the consent of the Diet, and should hold office for a fixed term of years.

To prevent the resurgence in disguised form of a centrally controlled national police network no channel of command should exist between the national rural police unit and the local police forces, but technical channels of communication should, of course, be permitted in the interest of overall efficiency and to facilitate a relationship of mutual assistance, liaison and coordination. The intervention by the national government

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into control over prefectural or local police affairs should temporarily be provided for, however, in the event of a national emergency when, upon the recommendation of the National Public Safety Commission, the Prime Minister might assume operational control over prefectural units of the national rural police force, subject to ratification by the Diet within twenty days. In this way the authority of the prefectural governor may be protected against arbitrary police interference by the national government, at the same time affording adequate safeguard for the national interest.

In the past, one of the ill-conceived aspects of the Japanese police system was the exercise by police officials of numerous administrative functions not related to the task of investigation and apprehension of criminals or the preservation of public order. All such functions should be exercised by non-police representatives of the particular ministry having responsibility for such matters, and wherever proper should be decentralized to local public entities in accordance with the provisions of the Constitution conferring upon such entities "the right to manage their property, affairs and administration."

Closely related to the law enforcement process is, as you have specifically pointed out in your letter, the subject of reform in the judicial administration system. Under the Constitution of Japan, the Supreme Court is now vested with the administration of judicial affairs and the rule-making power. With the establishment of an independent judiciary, the Ministry of Justice no longer is responsible for the determination of rules of procedure and of practice, the internal discipline of the courts, or other attributes of the judicial process. Moreover, with the diminution of the role of the procurators in the administration of justice and their subordination to the rule-making power of the Supreme Court, the basic attributes of the procuratorial system under the Ministry of Justice have been radically revised.

On the other hand, to the Cabinet, as the executive branch of the government, is expressly delegated the responsibility for executing the provisions of the Constitution and of the laws enacted by the National Diet, as well as for determining questions of amnesty, commutation of punishment, and restoration of rights. To reflect adequately this constitutional separation of powers, it would seem desirable that the Ministry of Justice, within which authority over adjudicative functions have been traditionally intermingled with executive power, be replaced by an Attorney General, sitting in the Cabinet as a Minister of State and serving as the chief legal advisor to the executive branch of the government.

To administer the laws effectively requires the closest coordination between police officials charged with the apprehension of offenders against the national laws, and public attorneys charged with the prosecution thereof. The establishment of an Attorney General's Office with the responsibility of conducting all litigation, criminal and civil, in which the government has a direct interest, and of furnishing all legal advice to the Prime Minister and other Ministers of State in the discharge of their duties, would I believe provide a mechanism for such close coordination,

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facilitate the faithful execution of the laws, and support the independence of the judiciary as the bulwark of the liberties of the people. Consistent with this concept of an Attorney General, the present Legislative Bureau of the Cabinet can be dispensed with in the interest of governmental efficiency and economy.

Within the framework of the plan outlined in your letter, modified in the manner I have indicated, I feel confident that a law enforcement system may be evolved in Japan which will satisfy all requirements of public safetly, which will provide for the definitive separation of the administrative from the judicial process, and which at the same time will comply meticulously with the underlying principles of the Constitution. In this connection it should be borne in mind that, in the final analysis, police power in the preservation of law and order in a democratic society does not attain its maximun strength through oppressive controls imposed upon the people from above, but rather does it find infihitely greater strength in the relationship of a servant of, and answerable directly to, the people. Thereby, and thereby alone, may it encourage respect for the people's laws through confidence and paternalistic pride in the police as the law enforcement agency of the people themselves.

I am hopeful that the legislation necessary to give effect to these programs in the reorganization of government can be completed in time for consideration at the current session of the National Diet. To such end do not hesitate to call upon this headquarters for any assistance which you believe would be helpful.

Sincerely yours,

DOUGLAS MacARTHUR

The Prime Minister.

Tokyo, Japan.

DECLASSIFIED E.O. 11,652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 072

1 January 1948

EXCERPT FROM GENERAL MacARTHUR'S NEW YEAR'S DAY MESSAGE:

Politically, progress toward reform has been equally encouraging. Your new constitution is now in full effect, and there is increasing evidence of a growing understanding of the great human ideals which it is designed to serve. Implementing laws have reoriented the entire fabric of your way of life to given emphasis to the increased responsibility, dignity and opportunity which the individual now holds and enjoys. Government has ceased to be totalitarian and has become representative, with its functions decentralized to permit and encourage a maximum of individual thought and initiative and judgment in the management of community affairs. Control of every political segment has been shifted to permit the selection of a new leadership of your free choice capable of advancing democratic growth.

Socially, many of the shackles which traditionally have restricted individual thought and action have been severed and action has been taken to render the exercise of police power a matter for individual and community, rather than national, responsibility. The judicial system has been freed from executive and legislative controls, and laws have been enacted to temper inordinate bureaucratic power by requiring all public officials to justify the trust of public responsibility and answer for their acts directly to the people.

Every Japanese citizen can now for the first time do what he wants, and go where he wants, and say what he wants, within the liberal laws of his land. This means that you can select your own work, and when you have completed it you can choose your own method of relaxation and enjoyment, and on your day of rest you can worship as you please, and always you can criticize and express your views on the actions of your Government. This is liberty. Yet inherent in it are its obligations to act with decorum and self-restraint, and become acutely conscious of the responsibilities which a free society imposes upon its every segment.

The future therefore lies in your hands. If you remain true to the great spiritual revolution which you have undergone, your nation will emerge and go on — if you accept only its benefits without its obligations, it will wither and go under. The line of demarcation is a simple one, understandable to all men — the line between those things which are right and those things which are wrong. The way is long and hard and beset with difficulties and dangers, but it is my hope and belief and prayer this New Year's Day that you will not falter.

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3 May 1948

EXCERPTS FROM GENERAL MacARTHUR'S CONSTITUTION DAY MESSAGE:

It is for the people, therefore, as empowered by its terms, to translate this charter into living and resourceful actuality, that the new Japanese way of life may be fashioned according to its general design, a workable and beneficent way of life which while fundamentally in complete harmony with Japanese character and culture and basic needs, yet overlooks no gain elsewhere made toward advancing human welfare. For the course of civilization is not static, and it is therefore for the Japanese people in shaping their own free destiny carefully to scrutinize the lessons history has taught in other lands in order that the way may be oriented to the best that experience provides. The concept of human freedom is immutable but its translation into living actuality is subject to progressive advance as the minds of men find reorientation with enlightened knowledge and changing conditions with which society must cope.

The past year has witnessed notable progress in the reshaping of Japanese life to conform to Japan's constitutional mandates. The entire body of Japanese law has now been modified and the structure of government redesigned to render it a thoroughly democratic instrument, truly representative of the popular will. The highly centralized controls previously existing have been severed, with each community within the broad outline of the charter left the untrammelled right and fixed responsibility to manage its own affairs, exercise its own police power, and resolve its own peculiar social problems.

The very essence of democracy lies in the reservation of the maximum of political power in the people for exercise up through the smallest political subdivisions of government. Its antithesis lies in the concentration of the political power in the hands of a few for exercise down to the smallest political subdivision of government. Japan, traditionally governed under the latter, is now fully oriented toward the former, as all segments of Japanese life, freed from arbitrary and oppressive centralized control, are becoming welded into strong and purposeful communities, which in common cause and for the common benefit will give vitality to a free nation. Ceaseless vigilance must be maintained to insure that the maximum of local autonomy is preserved if democracy, now firmly planted, is to survive.

The Japanese people are coming to understand, apply and cherish the rights and privileges conferred by their new constitution. It is encouraging to note that care is being exercised to avoid the perversion of grants of liberty into seeming grants of license, and that there is a growing understanding that with every right and privilege conferred there is a corresponding obligation imposed -- an obligation to exercise that right and privilege in such manner as to avoid violence to the rights and

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privileges of others. Every segment of Japanese society will find its authority for advance within the provisions of this great charter, and yet unrelaxed vigilance is necessary to insure that by operation of government no other segment advances at the expense of any other. Thus you will find that if you avoid conferring special privilege upon any one segment you will confer equal privilege upon all and the constitution will thereby serve its avowed purpose of providing that equal protection shall be extended to every citizen of the land.

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July 22, 1948

Dear Mr. Prime Minister:

I have reviewed the conclusions drawn from the joint studies conducted between representatives of your government and this headquarters into the adequacy of the National Public Service Law as a solution to the problems now existing with respect to the Public Service of Japan. I am in general accord with these conclusions as to existing inadequacies which must be corrected.

It was the purpose of the National Public Service Law to provide for the installation of a democratic and efficient public service in the government of Japan. The plan envisioned a modern type personnel system which recruits public employees from the entire public by competitive test and promotes them on the basis of merit, providing scientific supervision over their classification, compensation, training, evaluation, health, safety, welfare, recreation and retirement. The system provides a grievance procedure for employees and assures them fair and equitable treatment in administration. Enforced by a quasi-judicial administrative authority and supplemented by emergency provisions aimed at immediate reform where urgency demands it, it constitutes a constructive program for dealing with the hazards which old bureaucratic practices present to the success of democracy in Japan.

The pattern of personnel administration as here inaugurated views the entire people as exercising sovereignty and control over the employees of government through the National Diet which, functioning through a National Public Service Authority, applies principles of scientific personnel management and standardizes the public service, its recruitment, compensation, discipline, benefits and other factors incident to employment. Such a system in accordance with democratic concepts, is designed to regard the faithful administration of the law and the efficient conduct of the government's business as a prime duty without yielding to the pressure of politics or privilege.

The studies, now completed, of various laws relating to this subject matter, reveal ommissions to deal adequately with the situation. They fail to afford positive safeguards against minority pressure upon the authority and integrity of government and they fail to apply to the law to many classifications of governmental employees who clearly are entitled to civil service benefits and protection and subject to its restrictions. Throughout there is a noticeable failure to distinguish between employee relationships in government and labor relations in private enterprise.

The rapid and unprecendented gains labor has made in Japan during the Occupation attest my own awareness of the vital importance of trade unionism in modern life and of the historical significance of the trade union movement throughout the world in correcting many of the abuses associated with modern industrial economy. In government, however, this movement has but limited application and cannot substitute for or challenge duly constituted executive, judicial and legislative agencies exercising the sovereign power.

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At the start of the industrial era, the tendency existed to treat labor as a commodity, without voice in the price to be paid or the conditions of its employment. As the technology of mass production developed, however, workers had a better opportunity to organize for their mutual benefit and through long and arduous struggle secured the economic power of bargaining collectively through representatives of their own choice for an improved standard of life, a betterment in working conditions and some degree of social security. This right of association with its inherent power of compulsion has progressively developed in the trade union movement an economic power which has brought to bear an increasingly potent influence upon industrial economy. Such influence in democratic society has in turn been translated into political power through the support it has given to political parties, but it would be violative of the democratic concept for the trade union movement to usurp the function of the duly elected representatives of the people as a whole by superimposing union judgment upon legislation and administration.

It is true that in all industrialized countries specific pressure groups exist, representing not only the interests of labor but also those of business, finance, agriculture, and the professions. Although such pressure groups contend for power and influence in a democracy, they are transcended by the fundamental concept of national unity. The "public" is not considered merely the residual members of the community who do not belong to such specific pressure groups, but consists of all the people and the "public interest" is synonymous with the general welfare.

The significance of this concept is as well understood in Japan as in any western democracy. The Constitution of Japan itself recognizes the "unity of the people" and the "will of the people with whom resides sovereign power"; the Constitution itself affirms the principle that "the freedoms and rights guaranteed to the people by this Constitution shall be maintained by the constant endeavor of the people" who, "shall always be responsible for utilizing them for the public welfare"; and the Constitution itself envisages a National Diet as "the highest organ of state power" which shall be "representative of all the people".

If this fundamental concept of the Constitution declaring the unity of the people and the supremacy of the public interest is to be preserved inviolate, no part of the power of government can be delegated to or usurped by any private group whatsoever. Were the contrary true the "responsible government" for Japan contemplated by the Potsdam Declaration and created by the Constitution, could not exist. For it is axiomatic that a government which abdicates its sovereign power is no longer responsible.

By its very nature, as a private entity the labor union does not possess the attributes of government. Wherever it has flourished, the strength of free trade unionism has always sprung from its independence of government and its freedom from domination by government in the pursuit of its lawful and legitimate objectives.

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Having experienced the suppression which was an attribute of totalitarian Japan, Japanese labor since the Occupation has in general understood this principle and chosen the path of free trade unionism, eschewing those reckless policies the inevitable effect of which would be to provoke severe repressive measures in safeguard of the general welfare. It has recognized that free workers in free private enterprise cannot exercise sovereign power except in their capacity as free men at free elections. Indeed, because it upholds the dignity of the individual and of his labor, free trade unionism in the pursuit of labor's legitimate objectives constitutes one of the strongest bulwarks of democracy.

There is, however, a sharp distinction between those who have dedicated their energies to the public service and those engaged in private enterprise. The former are the very instruments used for the exercise by government of the people's sovereign power, and as such owe unconditional allegiance to the public trust imposed by virtue of their employment. For upon them rests, in the words of the late President of the United States, Franklin D. Roosevelt, a foremost exponent of the rights of labor, "the obligation to serve the whole people, whose interests and welfare require orderliness and continuity in the conduct of Government activities. This obligation is paramount. Since their own services have to do with the functioning of the government, a strike of public employees manifests nothing less than an intent on their part to prevent or obstruct the operations of government until their demands are satisfied. Such action, looking toward the paralysis of government by those who have sworn to support it, is unthinkable and intolerable."

I am in full accord with this view. No person holding a position by appointment or employment in the public service of Japan or in any instrumentality thereof should resort to strike or engage in delaying or other dispute tactics which tend to impair the efficiency of governmental operations. I feel that any person, holding such a position, who resorts to such action against the public of Japan thereby betrays the public trust reposed in him and forfeits all rights and privileges accruing to him by virtue of his employment. For as President Roosevelt further stated, "all government employees should realize that the process of collective bargaining, as usually understood, cannot be transplanted into the public service. It has its distinct and insurmountable limitations when applied to public personnel management. The very nature and purpose of government make it impossible for administrative officials to represent fully or to bind the employer in mutual discussions with government employee organizations. The employer is the whole people who speak by means of laws enacted by their representatives in Congress. Accordingly, administrative officials and employees alike are governed and guided, and in many instances restricted, by laws which establish policies, procedures, or rules in personnel matters."

It must be clearly understood, however, that this concept does not mean that public servants are deprived of the untrammelled right

individually or collectively, personally or by chosen representatives, freely to express their views, opinions or grievances for the purpose of seeking a betterment of their conditions of public employment. Such rights are inherent in a democratic society and inalienable and I believe are adequately provided for in the proposed revision of existing law. Moreover, the special restrictions which protection of the national interest impose upon the employees of government make it at all times incumbant upon government to provide adequate safeguards to the welfare and interests of such employees. Indeed, so completely is this concept understood and followed in democratic society that the opportunity for public service with the added dignity, prestige and permanence of such a status, is universally regarded and sought as a desirable privilege.

So far as the railways, salt, camphor, and tobacco activities presently under government ownership are concerned, I believe that employees, thereof might well be excepted from the regular civil service. In this event, however, public corporations should be established by appropriate action to manage and operate these activities. Proper provision should be made for standard, policies, and procedures of employment and while substituting mediation and arbitration measures for the protection accorded others under the civil service, safeguards should be provided to the public interest against any interruption of operations resulting from failure of employees faithfully to discharge their responsibilities of employment. Moreover, in the interest of efficiency, I believe that a complete reorganization of the Ministry of Communications is desirable, with the separation of the postal services of the government from the other functions of that Ministry and the establishment of two Cabinet agencies in lieu thereof.

The National Public Service Law was initially conceived in recognition of the fact that a complete reform of the Japanese bureaucracy is essential to the success of democratic institutions in Japan, as such institutions, whether political, economic or social, will inevitably find strength or weakness in direct proportion to the efficiency of the governmental services and the vigorous leadership which government, as organized to safeguard the public interest and advance the general welfare, is capable of extending to the sovereign people from whom its powers are derived. The success of this reform is accordingly no less a primary objective of the Occupation than it is a prerequisite to the future well-being of the people of Japan.

In the solution of this problem the paramountcy of the public interest is therefore of foremost consideration and corollary thereto is the need that safeguards be erected to insure that the lawful authority of the government as the political instrument to enforce the people's will as expressed in the body of public law be only challengable at the polls as provided under well established democratic practice. To hold otherwise would be to subvert the public interest by rendering government subservient to a primacy of the special privilege of minority groups, a condition which inevitable leads to anarchy, insurrection and destruction.

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDD # 773 012

This is a rule fundamental to the very existence of a democratic society, and yet its enforcement in the great western democracies has only recently necessitated the full application of the police power of the State involving the employment of the armed forces as well as the civil police. In Japan, where the maintenance of armed forces is renounced by constitutional mandate, such application of police power can, however, only be supported by the civil police. This renders it all the more necessary here than elsewhere that the law carefully define and make unmistakeably clear the authority of government and provision for the firm preservation of its integrity and dignity.

It is to this end that I feel that a comprehensive revision of the National Public Service Law to bring the same within the framework of the concepts herein discussed should be undertaken immediately. To assist you in this matter this headquarters will continue to be available for advice and consultation.

Sincerely yours,

DOUGLAS MacARTHUR

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(B) OR (E) NNDB # 775 072

19 December 1948

Dear Mr. Prime Minister:

I am just in receipt of an interim directive from the government of the United States forwarded to me in accordance with the terms of reference of the Far Eastern Commission. This directive established a series of objectives designed to achieve fiscal, monetary, price and wage stability in Japan as rapidly as possible, as well as to maximize production for export. Such objectives, which are listed as an inclosure to this letter are clear and explicit, and as pointed out in the public release of the United States State and Army Department follow an objective pattern, the general aspects of which have heretofore been communicated to the Japanese Government as a means towards the ultimate desired stability.

The directive proceeds from the premises that the prompt economic stabilization of Japan is a primary objective common both to the Allied Powers and the Japanese people; that the American people so long as called upon to underwrite existing deficits in the indigenous resources required to sustain Japanese life are entitled to the maximized industry of the Japanese people and the mininized loss incident to a maldistribution of available resources or failure vigorously to produce native raw products or curb extravagance and waste in the operation of government and industry; and that by positive Allied intervention may obstructions incident to improvidential political conflicts, unobjective labor strife and destructive ideological pressures best be avoided.

The fundamental objective of this action, reduced to language which all may understand, is the prompt achievement of the degree of economic self-sufficiency which alone can justify and insure political freedom. For there can be no political freedom so long as a people's livelihood is dependent upon the largess of others. Nor may a people fully mobilize the collective will as an impregnable barrier against evil and destructive ideological pressures and as an irresistible force toward progressively improved living standards, if lacking in that resolute dignity which alone springs from mastery over its own deficiencies.

Necessarily, the action of the United States is tied in to the problem of relief and recovery appropriations, which may be expected in future only in ratio to progress made through the combined efforts of the Japanese people toward achievement of the stated objectives. This will call for a reorientation of Japanese thought and action, with both subordinated to a primary purpose common to all of the people. It will call for increased austerity in every phase of Japanese life and for the temporary surrender of some of the privileges and immunities inherent in a free society.

There will be no place for interference by management or labor with the acceleration of production, for the burden will be shared by every segment of Japanese society. There will be no place for political conflict over the objectives to be sought as these objectives are stated with crystal clarity. Nor will there be any place for ideological opposition as the purpose to be

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served is common to all of the people, and any attempt to delay or frustrate its accomplishment must be curbed as menacing the general welfare.

In keeping with my long established policy, insofar as is possible, I shall look to the Japanese government and people for the vigorous and faithful fulfillment of this stabilization program. I have faith in their ability, however stern the requirement and great the personal sacrifice, to achieve so worthy a national goal. The course ahead may well prove difficult but its impact upon individual life will be minimized if the burden is equalized among all of the people.

It is my earnest hope and indeed my confident expectation that all Japanese men and women will rally with vigor and determination to the challenge of this objective. If they do, Japan will evolve a pattern of progressive stability for all of strife-torn Asia to emulate. If they do not, Japan may perish".

Very sincerely,

DOUGLAS MacARTHUR

OBJECTIVES SET FORTH IN INTERIM DIRECTIVE OF THE UNITED STATES

1. To achieve a true balance in the consolidated budget at the earliest possible date by stringent curtailing of expenditures and maximum expansion in total governmental revenues, including such new revenue as may be necessary and appropriate.

2. To accelerate and strengthen the program of tax collection and insure prompt, widespread and vigorous criminal prosecution of tax evaders.

3. To assure that credit extension is vigorously limited to those projects contributing to economic recovery Japan.

4. To establish an effective program to achieve wage stability.

5. To strengthen and, if necessary, expand the coverage of existing price control programs.

6. To improve the operation foreign trade controls and tighten existing foreign exchange controls, to the extent that such measures can appropriately be delegated to Japanese agencies.

7. To improve the effectiveness of the present allocation and rationing system, particularly to the end of maximizing exports.

8. To increase production of all essential indigenous raw material and manufactured products.

9. To improve efficiency of the food collection program.

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10. To develop the above plans to pave the way for the early establishment of a single general exchange rate.

DECLASSIFIED E.O. 14,032 SEC. 3(E) AND 3(B) OR (E) NNDB # 775 072

Tokyo, Japan
8 August 1948

Dear Mr. Prime Minister:

I am in receipt of your letter of August 6th pointing out what you believe to be existing inadequacies in the matter of police coordination. Immediately following your last discussion with me on this subject, I directed that an examination be made of the entire police problem and subsequently received the following report from the appropriate agency of my staff:

"The potential effectiveness of the Japanese police has been increased:

(1) Through the authorized loan of 125,000 United States revolvers, necessary ammunition and spare parts, 14,000 of which have been distributed with 42,000 scheduled during the balance of 1949 and the remainder during the first half of 1950. Special instructors training courses in use and care of these weapons have been completed. Delivery of approximately 150 motor vehicles has been made to police force from Japanese industry during the past year.

(2) Through the establishment of local, prefectural and national police training schools which trained 82,000 for 8 weeks or longer in 1948 and which will give in-service training to approximately 75,000 in 1949 plus recruit training for replacements required by normal attrition. Special courses in formation and riot control training for all forces have been completed.

(3) By obtaining complete cooperation of all Japanese agencies concerned with law enforcement through detailed instructions issued by, and conference between, police, procurators and officials of other concerned Japanese government agencies. No major organization, disposition, strength or high level control changes are anticipated in the police forces. With SCAP's moral support, the Japanese police are capable of handling any anticipated internal disturbance without intervention of Occupation Forces.

(4) Current Japanese budget restrictions have not curtailed the police training program or personnel strength. The pay of national police is established under the National Personnel Authority Act which granted an increase to police in 1949. Municipal police are basically paid on comparable or higher wage scale. No pay reduction for police personnel is foreseen. Budget cuts materially curtailed the development and acquisition of required communication equipment and motor transportation. Full consideration was given to these essentials but budget limitations restricted acquisitions in all departments of the Japanese Government."

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On September 16, 1947, in reply to an inquiry from Mr. Katayama, then Prime Minister, I gave my views in some detail concerning desirable changes in the Japanese police system then under severe criticism both inside Japan and without. I am enclosing a copy of this letter in case the name has not been brought to your personal attention.

The philosophy underlying the plan of reorganization therein outlined, and subsequently in essential features embodied in Japanese law, is drawn from the evolutionary experience of the American people but is no less applicable here than elsewhere where human freedom is keystone to the arch of social organization. Its great strength, cohesion, and durability has been drawn not from centralized controls descending from the seat of Federal Government, but rather from the deep rooted concept of community responsibility both in the management of local affairs and through interrelated action in the support of the Federal Government in the conduct of national affairs.

This is a concept somewhat new to the Japanese people but one of which they are showing an increasing understanding and commendable ability fully to grasp and put into practice. It is a concept which will insure that the objectionable features of the police organization and practice in Japan's past will be completely eradicated with little or no danger of their future revival. It was, indeed, in recognition of this danger of the revival of a centralized form of police bureaucracy that the Police Reorganization Law provides that the executive control over the exercise of the police power, both on the national and local levels of government, be brought under the restraining influence of public safety commissions composed of representative and responsible citizens appointed by the executives with legislative approval for fixed terms of years. It is hoped that it will tend to develop in the Japanese people a full consciousness of individual responsibility, so essential to the erection of an edifice capable of withstanding the strains and stresses of contemporary events.

I do not believe that the failure of coordination between the national and local police units of which you speak is due to the manner of their organization or definition of their powers as provided by the law, but rather is a question of the proper education of the personalities involved. This, of course, requires time and evolution but, as pointed out in the report above quoted, progress is being made.

Needless to say, the appropriate agencies of the headquarters remain ready at all times to advise and assist in the progressive implementation of the existing law.

Sincerely yours,

DOUGLAS MacARTHUR

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30 August 1949

GENERAL MacARTHUR'S FOURTH ANNIVERSARY SURRENDER DAY MESSAGE

Today marks the fourth anniversary of that historic event on the Battleship Missouri in Tokyo Bay when the warring nations of the Pacific entered into solemn covenants designed to restore the peace. The four years since passed have been fruitful years here in terms of human progress, as the Japanese people have fully and faithfully observed their surrender commitments and advanced steadily and progressively along the road of spiritual regeneration and physical reconstruction. Today Japan might, indeed, be viewed as a symbol of hope for less fortunate peoples overwhelmed by the despotic rule of coercive force. For, despite the continued presence on Japan's soil of an occupation force from beyond the seas, the Japanese people in their enjoyment of full personal freedom know that by their skill and their industry they serve no other cause but their own. They, themselves, plot the ultimate course of Japan's destiny within the family of free nations.

The past year has witnessed accelerated progress in every phase of Japan's reconstruction. True, as elsewhere, there have been assaults upon the integrity of the democratic process by the small existent Communist minority, but those assaults were effectively repulsed — not by the repressive force of police power but by the weight of an increasingly informed and active Japanese public opinion aroused to meet the threat to their free institutions. As a result, the threat of Communism as a major issue in Japanese life is past. It fell victim of its own excesses. The Japanese mind penetrated the hyprocrisy supporting its position. This test of strength, while disturbing to orderly progress, served to bring to light for the first time the full latent power of the Japanese devotion to the concepts of freedom and the integrity of their constitutional processes. Therein lies encouragement for Japan's potential strength as a bulwark of human freedom.

Politically, progressive gains have been made in the fabrication of a system of government truly representative in character. The lines of separation between the three great branches, executive, legislative and judicial, as provided by the constitutional design, have found strength in healthy public discussion of the vital issue of constitutional interpretation, and as a result the affairs of government have advanced with a minimum of overlapping friction and increasing inter-branch cooperation.

The development of the desired autonomous responsibility in the conduct of local affairs has been retarded somewhat by the need for rationalization in the field of government finance to permit local revenues to support local government. A remedy for this difficulty is now being evolved, providing hope that the coming year will produce the legal basis fully to sustain the severance of pre-existing centralized controls and support the development of a political and social system resting upon interrelated and self-sustaining segments at the community level from which the national government may draw its power and direction. Therein will lie the safeguard against the re-emergence of autocracy as the prevailing philosophy of government in Japan.

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Probably the most significant political development of the past year has been the growing consciousness of individual responsibility in the conduct of public affairs. This has been given emphasis by a popular demand for higher standards of public morality, keynoted by action of the electorate in rejecting for return to elective office public officials whose public record was compromised by the exposure of corruption in government. Administrative and judicial action in the investigation of the stewardship of public responsibility and vigorous prosecution, without fear or favor, of violators of the public trust, not only have served to safeguard the public interest, but have given vital reality to the constitutional assurance of "equality before the law." There is thus rapidly taking form the ethical base upon which the pillars of a free, responsible and representative government safely may rest.

Socially, the Japanese people are wearing well their constitutional mantle of personal liberty and individual dignity. Apart from the growing consciousness of individual responsibility in the conduct of public affairs, there has been a sharp revulsion against persons who have failed to abide the law, with a resulting decisive drop in the incidence of private crime. The basic causes of social unrest throughout Asia have largely been eradicated in Japan by a redesign of the social structure to permit the equalization of individual opportunity and personal privilege. This is having a profound influence upon the economic potential, thereby fortifying the spirit against radical designs of either extreme to suppress freedom.

Substantial progress has been made in the building of an effective police system based upon the statutory principle of decentralization in the exercise of the police power. Increasingly the Japanese people are coming to understand that this power rests in their hands, rather than in the hands of any ruling clique, and provides the legal weapon for the preservation of the local security by their direction. They realize that the maintenance of internal order in the nation as a whole, subject to the safeguards provided by law, is dependent upon the manner in which each community administers the police power corresponding to its local responsibility. Here, too, difficulties are being experienced due to the present maladjustment of government finance, but this problem, as pointed out, is in process of solution. Apart from this, progressive strides have been made toward implementation of the new concepts embodied in the police law, and the police services are being administered with restraint, tolerance and commendable efficiency. The danger that a police state will re-emerge or that the police system as now constituted and manned will fail to maintain reasonable law and order is non-existent.

Progress of trade unionization during the past year, despite a degree of freedom unsurpassed in modern civilization, has been somewhat impeded by the machinations of an irresponsible union leadership, but its rank and file are showing an increasing awareness of this threat to labor's legitimate objectives and are moving to insist upon moderation and objectivity. Workers in the public service, through the functioning of a modernized and enlightened civil service system established by law, for the first time in Japan's history find protection of their rights and interests adequately provided for, without continuous struggle on their part, with machinery established

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for the hearing and adjudication of individual or collective grievances. This has resulted in a marked uplift in individual morale and greater attendant efficiency in the conduct of the affairs of government.

The enfranchized women of Japan are exerting an increasingly beneficial influence upon Japan's political, economic and social life. They are responding magnificently to the challenge of the attending responsibility and give every promise of proving a powerful and effective force in the shaping of Japan's peaceful destiny.

Economically, Japan is still in transition from an economy of survival to one of health, but the past year has witnessed significant progress along a broad front. Foremost of the gains made lies in the development of a more positive leadership and an increasingly informed public opinion.

Both leaders and people are coming to understand that representative democracy draws its strength from the support of a broad majority of the people imbued with the belief that under it they may attain a standard of living commensurate with the capabilities of modern civilization — that a prerequisite to that condition is individual freedom of activity in the field of economic enterprise, for no individual bound in economic thralldom can be politically free. Thus, for the vast majority of those who earn their living in industrial and commercial pursuits there could be no political freedom so long as their economic destiny was determined by decisions made in the closed councils of the few families which formerly controlled the vast bulk of the productive and financial resources of Japan. Nor could there be any political freedom for those who work the soil so long as they were economic serfs under a feudalistic system of land tenure. The fruition during the past year of the plans laid down by the Occupation and carried out by the Japanese Government to remove, through the Economic Deconcentration Program on the one hand and the Land Reform Program on the other, these barriers to the existence of a free society, has established in Japan the economic basis for the existence of a broad middle class which, having a stake in the economic well-being of the country, will support the ideal of democracy as their way of life and will reject with scorn any will-of-the wisp economic utopias which require the surrender of individual's freedom to the State.

With patience, fortitude and self-discipline the Japanese people withstood the privations of the immediate postwar period. With comparable energy, industry and hope they are now launched on the huge task of making Japan once again self-supporting among the family of nations. On the way to that goal great obstacles have been overcome, although some still remain. Since the summer of 1945, when productive activity in Japan was utterly paralyzed, the production of commodities and goods for home consumption, for industrial use and for export has risen steadily until now it is rapidly approaching the average level for the years 1930 to 1934, prescribed by the Far Eastern Commission as an interim standard. Coal, basic to so much of Japan's industry, is now being produced at a monthly rate of 3.2 million metric tons as contrasted with less than 1.7 million metric tons in 1946. Electric power, another basic ingredient of industrial activity, has attained a monthly volume of 3.2 billion KWH, as compared with 2.8 billion one year ago. Production of chemicals, necessary both for industrial uses and for the protection

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of the public health, has attained a volume of 105% of the 1930-34 average, as compared with 76% one year ago and 21% in January 1946. Equally significant advances have been made in other fields of economic activity, such as in the construction of dwellings and business buildings to replace those destroyed by war, and in the production of an increasing variety of goods both for home consumption and sale overseas.

To acquire the raw materials needed to feed her industrial machine as well as to overcome the deficit in her indigenous food production, Japan must export a large volume of goods and services. Despite existing handicaps, chiefly the limited availability of raw materials from those sources which customarily supplied Japan in the prewar years, progress in this direction has been heartening. In 1946, Japan's total exports were $103,000,000.00; in 1947, $173,000,000.00; in 1948, $258,000,000.00, and in the first six months of 1949, exports had already exceeded the total for the full year 1948 by a sizable margin.

In the past twelve months two significant decisions to promote the economic rehabilitation of Japan were taken by the Government of the United States. One was that of May 1949, to cease the removal of industrial plants for reparations. This action dispelled the pall of uncertainty which had previously paralyzed entreprenourial initiative and restored the incentive to the investment of capital in the rehabilitation and construction of capital plant and equipment. The second was the authorization by the Congress of the United States of limited budgetary appropriations for financing the importation into Japan of materials needed for rehabilitation purposes in addition to the appropriations previously made for the importation of primary necessities such as food, fertilizer and medicines to protect the Japanese people against widespread suffering and disease.

The enactment by the Japanese National Diet in the spring of 1949 of a national budget which for the first time in many years achieved a true balance, and subsequent action to sharply curtail the cost of government by streamlining its structure and reducing its personnel, have struck at one of the contributing factors in the postwar inflation and are gradually effecting greater stability. To prevent the specter of inflation from rising again, a firm and determined course based upon sound fiscal and financial policies is now being pursued by the Japanese Government. This, accompanied by maximum utilization of indigenous resources and efficient employment of the manpower of Japan in the useful pursuits of peace, will speed the day when the Japanese economy will be stablized and its dependence on American subsidy eliminated.

To stimulate productive endeavor and to strengthen the foundations for the growth of free private competitive enterprise in Japan, the economic controls necessitated by the war-generated shortages of critical materials have been removed as fast as the availability of adequate supplies has obviated thier necessity. The timing of progressive further relaxations will, of course, depend on the progress of the transition from an economy of scarcity to one of normalcy.

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Since October 1, 1945, nine and one-half million people have been added to the population of Japan -- five million by repatriation and the rest through natural increase. Yet there has been no mass unemployment, no social unrest and no large-scale dole. In June 1949, persons reported as totally unemployed were fewer than 400,000. Further, despite recent reductions in the number of government employees in the interest of governmental economy and efficiency and the current rationalization of industry necessitated by the adoption of a single foreign exchange rate for foreign trade and the transition from subsidized to competitive industry, total unemployment by the end of August 1949 is estimated not to exceed one-half million persons. During the twelve months ended June 30, 1949, the total number of persons at work in any given week averaged over 34.5 million, as compared with 32.9 million in the preceding twelve-month period, or an average increase of 1.6 million in the total number of persons at work. In June 1949, the total number of persons at work stood at an all-time high of 37.4 million. These figures reflect an orderly absorption of the working energies of the increasing population in an expanding number of employment opportunities in industry, agriculture and small scale family enterprises. Unemployment, therefore, presents no major problem at the present time, and the expanding areas of employment in the work of reconstruction will stand safeguard against any acute unemployment problem in the foreseeable future.

Since the full employment of Japan's industrial potential requires a vigorous revival of her foreign trade and since among her chief customers in the past were the countries bordering on the Pacific basin, the question as to whether Japan will regain her traditional trade with China, despite the stranglehold of communism upon that tragic land, has been mooted with increasing frequency. This question is largely academic. Foreign trade requires production in excess of domestic needs. Human experience demonstrates with striking clarity that the further removed a people become from the economic philosophy of free enterprise in like ratio does its productive capacity deteriorate. This deterioration proceeds until, as under Communism, with incentive completely lost, the human energy and individual initiative which find their expression in production give way to indolence and despair. In such unhealthy climate industry and commerce cannot thrive and realism warns that the potentialities of trade with any people under the strictures of a collectivistic system must be discounted accordingly. For the time being, therefore, and for some time to come, Japan must look elsewhere for the sources of her needed imports and the markets for her manufactures. Against this need Japan has already initiated foreign trade with 113 other countries and territorial areas.

I dare say that no operation in history has been subject to such an extraordinary divergence of opinion carried in the media of public expression than has the Occupation of Japan. Some writers have been extravagant in their praise, others no less extravagant in their criticism. The truth, awaiting the judgment of history, will rest somewhere in between.

Nor has there been any operation subject to such a variety of influences and pressures -- the ideological protagonists, the special pleaders, the vindictive and the lenient -- many seeking to influence public opinion through prevarication of the truth. In the search for sensationalism, incidents in Japan, elsewhere scarcely worth the public notice, have been exaggerated out

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of all proportion to their true significance, with the serenity of purpose normal to postwar Japan all but ignored. And time and again simultaneous attack has been leveled against Occupation policy, by the leftists as too reactionary and by the conservatives as too liberal. Such an atmosphere, while giving assurance that our moderate course is well charted, does not contribute to an objective public appraisal of the situation.

The great and nobel effort by the American people, with the wholehearted support of other Allies, toward the reorientation and reconstruction of postwar Japan, beyond peradventure of doubt, will prove eminently successful. Long hence history will record of the Occupation that its greatest contribution to the progress of civilization was to introduce into Japan the great concepts of personal liberty and individual dignity and to give the Christian ideal the opportunity to advance into Asia.

Of the Japanese people I can pay no higher tribute than to repeat that they have fully and faithfully fulfilled their surrender commitments and have well earned the freedom and dignity and opportunity which alone can come with the restoration of a formal Peace.

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15 September 1949

Dear Mr. Prime Minister:

I transmit herewith the report on Japanese taxation prepared by Dr. Carl Shoup and the members of his mission, who were invited by me to come to Japan to conduct a comprehensive survey of the existing Japanese tax structure with the view of submitting recommendations which would assist in the establishment of a more equitable tax system.

This special mission, after four months of intensive study which included interviews with taxpayers in all walks of life and investigations of many different types of business and agricultural activities, has evolved a body of recommendations which, taken together, should provide a vehicle for placing the finances of the national and local governments of Japan on a sound foundation.

I trust that the Japanese Government will be able to formulate an appropriate program for effectuating the broad principles and objectives set forth in Dr. Shoup's recommendations in sufficient time to permit the Japanese Diet to consider that program simultaneously with the related budgetary and stabilization programs in order that the Japanese people may at the earliest possible time have the benefits of a sound fiscal system.

Sincerely yours,

DOUGLAS MacARTHUR

REPORT ON JAPANESE TAXATION
by the
SHOUP MISSION
(September 1949)

VOLUME I - Chapter 2:- INTERGOVERNMENTAL FISCAL RELATIONS: The national, prefectural, and local governments are bound together by a complex network of fiscal relationships. Only a part of this network consists of taxes. Nevertheless, the whole must be examined and suggestions made for changing even the non-tax sections of it, before a proper system of taxation can be devised.

Our suggestions for change are based on two facts. The first fact is that local autonomy is one of the announced goals of the Occupation and of the Japanese government. The second fact is that local autonomy is far from being fully achieved at the present moment, and has little chance of being fully achieved unless the fiscal powers of the local governments are strengthened, including a more equal division of power among the richer and poorer areas. "Local" refers both to prefectures and to cities, towns, and villages. (When we wish to refer only to cities, towns, and villages we shall use the word "municipalities").

Realistic recommendations cannot be given without some estimate of the amount of additional resources that the local authorities need, if local autonomy is to be developed.

* * * * * * * * * *

1. The total amount raised by local taxation should be increased from 150 billion yen to about 190 billion yen. Without more tax revenue of their own, the localities would continue to depend too much on voluntary contributions or would become too dependent on the central government for money. We recommend that all of this 40 billion yen increase go to the municipalities. It is they that need strengthening, rather than the prefectures, if local autonomy is to develop.

2. The device of municipal surtaxes on prefectural taxes should be abandoned. Each of the two local levels should have its own kinds of tax. The citizens of any locality will then know which set of government officials to hold responsible for the rate set on each tax. We also believe that, under prevailing circumstances, each tax is likely to be more vigorously administered if revenue and administration are concentrated at one level.

3. There should be fewer taxes, at somewhat higher rates, in place of the present medley of taxes.

4. The three major local taxes, the land and house tax (now to be called the tax on real estate and depreciable assets, or "the real estate tax" for short), the inhabitant's tax, and the enterprise tax, should be extensively revised; the yield of the inhabitant's tax should be more than doubled, and the yield of the house and land tax more than tripled. The revenue consequences of these changes are presented in Table 2 in the next chapter. The details of the changes recommended are given in Chapters 11 - 13.

About 25 billion yen is obtained from rents, fees, and miscellaneous sources. We have not studied these revenue items, and make no recommendations concerning them.

B. Subsidies (Specific Grants in Aid) - There exists at present in Japan a complex system of numerous subsidies, or grants, by the national government to the local governments. For the FY 1949-50 they will total about 85 billion yen (80 billion yen net, since 5 billion yen is scheduled to be repaid to the central government this year). We believe that the general idea of grants-in-aid is sound, and that the total of such grants should increase somewhat. However, the present system needs to be extensively revised.

First, almost all of the 100 percent subsidies, where the national government supplies all the money but the function is performed by local officials, should be abolished. In most of these cases the national government's own officials should carry out the work. In some cases the localities might continue to perform the function, but also defray the expenses. The present system confuses the citizen as to which level of government is really responsible for the activity; it subjects local officials to undue control from the national levels and decisions on how much money is to be devoted to each function give rise to friction between national and local officials. About 10 billion yen is being given this year in 100 percent subsidies.

Second, the amount given in partial subsidies should be lowered. There are some 210 partial subsidies by the national government to the prefectures and localities. They will amount to about 40 billion yen in 1949-50. These subsidies range from 25 percent to 50 percent of the local expenditures for a particular purpose. For example, the national government supplies funds to pay 50 percent of the salaries of teachers in the local elementary schools. Indeed, most of the grants are on this 50-50, or "matching" basis.

Some of these subsidies, called "shares" of the national government, reflect a theory that certain government services are partly of national interest and partly of local interest. They are given to help finance education, local police, and other well recognized functions of government. We believe that national support for such activities should instead be given through a general equalizing grant, described below.

Others of the partial subsidies are promotional in nature, designed to encourage the localities to pioneer in new fields of government service, or in better ways of rendering familiar services. This class of partial subsidies should be retained — provided a general equalizing subsidy is also a part of the system. We suggest that the promotional subsidies total about 15 billion yen or so.

Third, subsidies for local public works, estimated at nearly 35 billion yen this year, might be continued much as at present, except that rehabilitation following natural disasters should be made entirely a

national-government responsibility. Such action would drop some 20 or 30 billion yen out of local expenditures; or if it remained, it would be financed by a 100 percent grant.

Fourth, the "distribution tax" should be replaced by a larger, general purpose equalization grant. "Distribution tax" refers to the share of the localities in the personal income tax and in the corporation tax. This share is distributed among localities with some but not sufficient, attention to relative need and ability. The size of the share, expressed as a percentage of the yield, has changed from year to year, chiefly according to what the authorities at the national level thought was needed by the local units. For 1945-49 the share was 33 percent. It is 17 percent for 1949-50. Such a fluctuation is unduly upsetting to local budget plans. But even if the percentage were kept constant, the device would not be a good one, for then the amount received by localities would still fluctuate too much, since the income tax yield is very sensitive to changes in business conditions.

The equalization grant should be computed for each locality separately. It should equal the difference between: (a) what would be yielded by local taxes at certain standard rates; and (b) the minimum cost of providing necessary local services in that locality.

In 1950-51, however, and even for a year or so thereafter, this full degree of equalization could hardly be achieved. But even in 1950-51 the grant should be large enough to assure the localities that, in total, their fiscal resources will reach the 425 billion yen figure specified in an earlier paragraph. The equalization grant would thus have to be about 120 billion yen in 1950-51.

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An effort should be made to sell local bonds to the public directly, rather than to the national government's Deposit Bureau, and it should be possible to borrow at lower rates of interest than now obtained.

D. Local Finance Commission - A permanent commission or agency of some sort is needed to answer questions that will continually arise in national-prefectural-local fiscal relations, questions which cannot be answered in advance, in the law. Such a commission is needed to consider applications by localities to levy taxes which may be appropriate on occasion, but which cannot be safely granted to localities by general law. It should distribute among the localities the limited amount of total local borrowing authorized, as long as that kind of limitation is retained. It should allocate among prefectures the profits element in the enterprise tax, with respect to corporations doing business in more than one prefecture. Maximum rates of local taxes specified in national law could be temporarily suspended by the commission. The commission should be charged with setting the "adjustment" factor recommended in Chapter 12 for valuing farm lands under the revised land and house (real estate) tax. The commission should also make the studies necessary to determine standards of

ability for the local units under the formula for the general equalization grant. It should assemble continuous series of data on local finances. Still other functions would doubtless be required in the course of adjusting to the new intergovernmental relations. All in all, this new body would be one of the most important organs of governments. It must be so constituted as to represent local interests adequately, something that the existing committees of somewhat similar status seem not to have done.

There are at present two bodies that have authority in national-local fiscal relations; the Local Tax Deliberation Committee and the Local Autonomy Agency. Neither one as it now stands is quite suitable to act as the Local Finance Commission. These boards should therefore be abolished, and a Local Finance Commission should be constituted, approximately as follows: a five-man committee, one member each to be appointed by the President of the Association of Prefectural Governors, the President of the Association of Mayors of Cities, and the President of the Association of Mayors of Towns and Villages, and two members appointed by the Prime Minister. All five would be subject to confirmation by the Diet.

A temporary commission on Local Government Organization should be formed at once to recommend which functions of government can best be performed by municipalities, which by prefectures, and which by the national government -- and which by joint action at two or more levels of government. In the course of this study, this Commission should formulate the details of the changes recommended in the present report concerning the system of 100 percent subsidies.

E. The Fiscal Program and Local Autonomy - Under the recommendations listed in this chapter, the proportion of total local government outlay that is obtained from independent local taxes is not substantially different from that which is found under the existing system. The proportion that is covered by grants from the national government is likewise not very different. (See Table 1 in Chapter 3.) It might therefore seem that the proposed program did little to strengthen local autonomy. But this conclusion would be based on a misconception of what local autonomy means, in financial terms. We conceive that it means:

1. The possession by the localities, of taxes that are potentially strong enough to support additional demands, if those demands reflect a genuine desire by the local inhabitants for more government services, for which they are willing and able to pay. The present system of independent local taxes is not sound enough to meet such demands if they should occur. Moreoever, it is hedged by too many requirements for getting permission from national government authorities.

2. The assurance that the localities will not be at the mercy of a yearly decision by the national government of what the localities need for the coming year. Under the present system, the amount coming to the localities from the distribution tax is, in effect, fixed in just this way. Consequently, the localities can make few if any long-term plans, or indeed even short-term plans. Under the system we recommend, the national government's grants to the localities will be fairly well fixed in amount from year to year. At least, there will be definite rules of the game that the national government must follow.

3. The focussing of responsibility for the imposition of each particular tax and the performance of each particular function. This principle cannot be applied strictly. There must be some sharing of rospensibility. But responsibility can be focussed much more than it now is. This action increased local autonomy because it increases the citizen's awareness of what his local government does for him and what he has to pay it for these services. This is an essential step in promoting an intelligent interest in local government.

4. Special support from the national government for the exceptionally poor areas, so that they are in fact, as well as in principle, free to vary the amount of services they supply their citizens with, through changes in their own tax rates. A poor locality that is already exacting the maximum in local taxes just in order to maintain the bare essentials of local government, or not even that much, does not have effective local autonomy. It has no leeway for action. Under the kind of equalization grant that we recommend, such a locality is given enough support so that it gains at least some degree of true freedom of action.

It is, therefore, not primarily in the ratios but in the structure that we place our expectations of a strengthened local autonomy under the program recommended here. If the localities are truly free at the margin of their activities, so to speak — free to move forward or backward, with the responsibility clearly on them when they do so — then local autonomy can be a reality.

An appendix to this report presents details respecting most of the topics covered in this chapter.

REPORT ON JAPANESE TAXATION
by the
SHOUP MISSION
(September 1949)

VOLUME III, Appendix A: FINANCE OF LOCAL GOVERNMENTS: -

A. Problems of Local Finance

Specifically, the present finance of local government is subject to five grave weaknesses or problems.

1. The division of functions and the allocation of responsibilities among municipal, prefectural, and central government is unnecessarily complex and overlapping.

2. The division of tax sources among the three levels of government is in some respects inappropriate, and the control of local tax sources by the central government is excessive.

3. The financial resources of local bodies are insufficient to meet essential local expenditures.

4. The subsidies and grants from the national government are often determined arbitrarily; they are unpredictable in amount; they are set without due regard for differences among local areas in need of money; they sometimes place a strain on local resources by requiring that national payments be matched locally; and, taken together, they involve excessive control in detail by central government over local authorities.

5. The power of local authorities to borrow too severely is limited.

B. Need for Stronger Local Government

The functions of local government are peculiarly close to the people. These functions include such vital services and facilities as education, hospitals, prevention of disease, sanitation, relief, child and maternal welfare, police and fire protection, roads and streets, recreation, housing, and care of defective persons. They are designed specifically to provide opportunity for individuals, better living conditions, greater security, and protection from personal misfortune. The future progress and welfare of Japan, or of any country, depends as much on the quantity and quality of local government services available as upon any other factor.

Local government must be strengthened, moreover, because of its potential contributions to the democratic way of life. With strong, independent, and effective local governing bodies, political power is diffused and placed close to the people rather than centralized in a distant and impersonal national government.

Local government provides a useful vehicle for educating citizens and for training leaders in the arts of democracy. The manner in which local governments are administered can be readily observed and understood by the citizen. He can measure intelligently the relation between the benefits he receives from local services and the costs involved. Habits and attitudes developed at the local level may be expected to influence the conduct of government at the national level.

Local autonomy is also important simply because some tasks can be performed more effectively by small units that are familiar with the peculiar needs and problems of individual localities.

There are, of course, arguments against local autonomy. Sometimes independent local governments are unimaginative, inefficient, or corrupt. Sometimes they make mistakes. Some areas are too poor or too backward to support adequate local services. Indeed most local areas are unable to become completely self-sufficient because the revenue from the kinds of taxes that can be administered locally is limited. For these reasons, the concept of local autonomy should not be carried to an unreasonable extreme.

In Japan, the principle of local autonomy has not been widely accepted as practical until recently. Therefore, even if it is conceded that compromise is necessary in any realistic view of local autonomy, the problem in Japan is still to reduce the dominance of the National Government and to increase the independence of local bodies. The next step is clearly to provide adequate and independent sources of revenue for local government, so that substance may be added to the form of local autonomy.

C. Can Japan Afford Better Local Government?

It is frequently argued that Japan is so impoverished as a result of war that it should not attempt to maintain strong and progressive local governments. However, a strong case can be made for the view that Japan can afford to improve its local government. To be sure, an increase in local expenditures would require corresponding tax revenue to be raised either by the national government or the local governments. The question is: Which is more desirable, less tax reduction or a corresponding increase in local government services: If taxes are reduced, people will have more purchasing power, most of which they will use to try to increase their consumption. But because goods for consumption are largely limited by the supply of food and raw materials, the increased private spending will be used to bid up prices or to increase the amount being spent on inconsequential luxuries. Japan would not be materially benefited by the tax reduction unless its power to produce for the export market would be thereby increased. Such an increase in production for export would occur only to the extent that tax reduction would result in increased capital formation or in diverting productive resources to the export market. One may safely estimate that the extent of such capital formation or diversion of resources to the export market would be small. On the other hand, if the same money were devoted to local government, the result would be a direct investment in Japan's greatest resource, namely, its people. The investment would take the form of improved education, better health, greater security and safety, and expanded opportunity.

There are two ways to increase the standard of living of a people. One is to provide them with more goods for individualized consumption, and the other is to give them more goods for collective consumption. One of the most promising ways of raising the standard of living and the level of welfare of the Japanese people is to increase their collective consumption. This type of consumption can be supplied primarily through indigenous production. It depends only slightly on imports from abroad. On the other hand, any attempt to increase individualized consumption immediately raises the vexing problem of foreign markets. Thus, on purely economic grounds, a strong case for a vigorous and expanding local government can be made.

D. Division of Functions

At present, the allocation of functions to the three levels of government is complex, and inimical to local autonomy and local responsibility on several grounds:

1. The present division diffuses, rather than fixes, political responsibility for the provision of particular governmental services. It is dufficult to tell which unit of government should be held accountable for its stewardship with respect to particular governmental services.

2. The complexity of the present division of functions detracts from the ability of the citizen to understand his government, and in particular to understand how the taxes he pays are returned to him in the form of useful and valuable governmental services.

3. Because the National Government participates in so many activities of municipal government, local autonomy is impaired. Moreover, municipal governments sometimes have onerous new duties prescribed for them unilaterally by the National Government often without adequate financial provision. When traditional functions of National Government are transferred to municipalities, the new duties of the local bodies are regarded as work performed for the National Government. It is assumed that in such cases subsidies should be paid and national controls exercised. For example, primary education, police and fire protection, and elections have been transferred as independent functions of local government, yet the attitude prevails that these are national functions being carried on by local government and therefore requiring direct subsidy and national control.

4. Specific functions are in some cases assigned to units of government which are not well-suited to discharging them effectively and efficiently.

We recommend that the division of functions among the various levels of government should be studied in detail, and a reallocation of functions effected. This study should be carried on by a special national commission created specifically for the purpose, and empowered to make recommendations to the Diet. This

Commission should be composed of five persons having recognized professional competence in public administration. One member each might be appointed by the President of the Association of Mayors of Cities, and by the President of the Association of Mayors of towns and villages. Two members might be appointed by the Prime Minister. This Commission should have funds provided for the employment of technicians and consultants.

The work of the Commission should be based upon the following general principles:

1. So far as possible or practicable, the functions of the three levels of government should be clearly demarcated, and each specific function should be assigned exclusively to one level of government. The level of government would then be fully responsible for performing the function and for financing it from general funds.

2. Each function would be allocated to that level of government which is equipped by virtue of its size, its power, and financial resources to perform it efficiently.

3. In the interests of local autonomy each function would be given to the lowest appropriate level of government. Municipalities would have first priority in the sense that no function would be given to the prefecture or national government which could be performed adequately by municipalities. The prefecture would be given second priority, and the national government would assume only those functions which cannot be administered effectively under local direction.

We recognize that there are difficulties in applying these principles in practice. In many cases, a sharp division of functions would be unwise or even impossible.

Although we have not been able to undertake a comprehensive study, a few tentative suggestions will illustrate the possible solutions.

1. Financial and operating responsibility for the entire 6-3-3 school system might eventually be assumed by the municipalities (and their associated boards of education), in a series of steps.

2. Full responsibility for police could be assigned to all levels of municipalities except as national rural police are provided for. The municipalities should be free to determine the number of policemen they will employ. This number should be determined with full consideration of local circumstances and local needs rather than by the allocation of an arbitrary quota.

3. The National Government could well assume full financial responsibility for reconstruction and rehabilitation following natural disasters. However, the actual work relating to locally-controlled facilities might be done by local governments. At present, the National Government assumes part of the burden, but prefectural and municipal governments also carry a heavy load. Because natural disasters are unpredictable and involve sudden and heavy costs, their occurrence tends to demoralize the finances of the affected local bodies. As a result they are forced to borrow, to raise emergency funds, to tax heavily, and to curtail normal expenditures. The problem is one that can be met satisfactorily only by the National Government.

4. The tendency of the National Government to assign its work to local authorities, with or without subsidies, should be curtailed. (See Articles 10 to 22 of the Local Finance Law). Many such activities could be assigned with full responsibility to local bodies or carried on directly by the central government — in some cases through regional offices. There would be great advantages in a clearer separation of state and local functions by narrowing the range of activities in which the local governments serve as agents of the National Government. For example, functions that might be largely taken over by the National Government are statistical services, or agricultural land adjustment, and functions that might be transferred fully to local areas are the conduct of elections, or local planning.

5. In cases where municipalities have difficulty in supporting schools, police, or other activities independently, they should be encouraged to join together cooperatively with contiguous areas. Similarly, adjoining prefectures should be encouraged to cooperate in order to enlarge the scale of particular services, e.g., flood control or university education. The consolidation of municipalities or of prefectures should also be encouraged when desirable for increasing efficiency of operations. In this way, the disadvantages of small scale operations could be overcome.

A special effort should be made to eliminate duplication and overlapping between the activities of prefectures and of large cities within their boundaries for roads, health services and high schools.

These recommendations cover only a few of the many cases where reorganization of local government would be advantageous. They are illustrative of widespread overlapping, duplication and inefficient allocation of functions. Our primary recommendation is that the entire organization of local government, and the division of functions among these levels of government, be subjected to a thorough study looking toward far-reaching reform and rationalization.

E. The Local Tax System

In formulating a tax system for autonomous local governments, several basic principles should be considered.

1. The tax system should be simple. The number of different taxes should be held to a minimum, and the taxes levied should be of a kind that can be readily understood by taxpayers.

2. Each local tax should be capable of effective local administration. The base of the tax must be clearly assignable to particular local areas and must not involve highly technical administrative problems.

3. So far as practicable without losing too much in efficiency of tax administration, and without resorting to inferior types of taxes, there should be separation of tax sources among the national government, the prefectures, and the municipalities. With such separation, the citizen would be able to fix the political responsibility for the amount of taxes levied upon him and for the manner in which they are administered.

4. The local units should have the power to raise or lower tax rates in response to the needs and desires of local electorates.

The present system of local taxation in Japan should be reformed in accordance with these principles.

The number of taxes levied by local authorities should be reduced. At present, about 30 different legalized taxes are levied and, in addition, most local areas impose numerous non-legalized taxes -- usually of a petty nature. (Non-legalized taxes are defined as those not specified in law as available to local authorities). For example, a report of the Hokkaido Towns and Villages Association indicated that 77 different non-legalized taxes were being levied by various municipalities in Hokkaido.

In the interests of local autonomy, we recommend that local units be permitted to levy these taxes, as non-legalized taxes, along with other non-legalized taxes which they may choose to levy. We would counsel the local authorities to restrict the number of non-legalized taxes. But we believe that each local body should be generally free to decide this matter for itself. The new Local Finance Commission proposed in this report should maintain general surveillance over the non-legalized taxes levied by local authorities. It should have the power to disallow existing non-legalized taxes, and to disallow the applications of local authorities to levy new ones. Such taxes would be disallowed only when they are clearly opposed to the national interest, for example, when they have the effect of burdensome inland "customs" duties, when they impose intolerable discrimination, or when they interfere unduly with the collection of national taxes. The Commission should be permitted to restrict the financial independence of local authorities only in exceptional cases where the national interest is clearly jeopardized.

The underlying reason for the present tendency of local authorities to make excessive, and perhaps unsound, use of fragmental non-legalized taxes is that they are desperately short of revenue. If they are given access to substantial and dependable tax resources, the problem of non-legalized taxes will be greatly reduced and could be safely entrusted to local determination except in unusual cases.

The precise rates of particular local taxes should not be prescribed by the National Government. Since local taxes would be largely independent of national taxes, under the program recommended here, except for the income element in the inhabitants tax, local authorities would not be competing with the national government for identical tax bases, and would be less likely to endanger national tax revenues. Each locality would be prevented from raising its taxes far out of line with those of other localities because of the pressure of its citizens and because of a desire to avoid driving enterprise and wealth away from the locality. Each locality would be deterred from shirking its financial responsibilities by the requirement that it must raise a reasonable minimum of total revenue, in relation to its tax base, in order to qualify for the basic equalization grant from the National Government. (This basic equalization grant, discussed below, would replace the present distribution tax.)

It has been argued that the local tax system should be composed of taxes having elasticity of yield. By elasticity is meant the capacity of the tax to produce increasing revenue under inflationary conditions. The widespread concern with elasticity is due to the fact that the country has just experienced a devastating inflation and the particular local taxes in effect have been found unresponsive to rising prices. The proposed local tax revisions would add somewhat to the elasticity of the local tax system, but would not make it exceptionally responsive to changing prices and employment. Indeed, elasticity is in some respects a disadvantage for local taxes. It implies contraction of revenue in times of falling prices and unemployment. Rather, the major factor of adjustment in local revenues should be the equalization grant. The onus of adjustment to changing economic conditions would then be placed upon the National Government, which is the only level of government that is fully equipped to perform that function.

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We recommend that the partial subsidies based on the theory of dual responsibility be sharply curtailed and that full responsibility for these activities be assigned to the level of government best equipped to undertake them. Financial adjustments would then be made through the equalization grant.

The second of the two theories underlying the partial subsidies has more merit. This theory is that partial subsidies may be used to encourage local authorities to undertake particular functions which they would otherwise not assume or to induce them to improve the quality of local services in particular respects. Such subsidies might be called "promotional subsidies".

Through the use of promotional subsidies, accompanied by consultation and technical assistance, the National Government can exercise leadership and provide inducement for improving local government and enhancing public welfare. In doing so, the National Government need not assume full responsibility for the activities involved nor encroach unduly upon local autonomy. The subsidy would be regarded as a tool of leadership and not as an instrument of domination. For subsidies to perform this function, they should not be paid for the regular and fully-assimilated functions of local government. For example, they should not be paid for ordinary teacher's salaries or for the administration of routine health services or for the control of weights and measures. These functions should be financed through local taxes supplemented by equalization grants. Promotional subsidies should be used, rather, to stimulate local authorities to develop new or improved services, for example, public housing, the special education of handicapped children, imaginative programs to eradicate tuberculosis, high school scholarships for gifted children, etc. In granting such subsidies, the government would expect that eventually the subsidized activity would be assimilated into the regular functions of local governments throughout the country. At that time, the specific subsidy would be withdrawn and the finance arranged in the ordinary manner through local taxes and equalization grants. Then, new objects for subsidization would be adopted. In this way, the quality of local government would be steadily improved and the welfare of the Japanese people consistently increased.

If a sound system of equalization were in effect, promotional subsidies of the type suggested would be available to poor as well as to rich areas. The revenue to defray ordinary costs of government would be equalized throughout the country. Each local authority would then be able to finance its share of the subsidized activity by an increase in taxes involving about the same addition to aggregate financial burden. And all localities would be in a position to decide, on about the same terms, whether or not to accept the subsidy and the corresponding increase in local tax burdens. On the other hand, if subsidies were granted without prior equalization of financial resources, as is currently the case, the subsidy would tend to place increasing burdens on the already overburdened poor areas.

In order to avoid the possibility that subsidies may have the effect of stimulating activity along subsidized lines at the expense of the ordinary activities of government, proffered subsidies should be limited to an amount that is possible for local areas to accept without financial stringency in meeting the local share.

The third class of subsidies, payments for public works, are estimated at about ¥33 billions for 1949-50, of which ¥18.5 billion is for rehabilitation following natural disasters, and ¥14.5 billions for other public works.

Subsidies for natural disaster rehabilitation are currently paid at the rate of two-thirds of the cost of the work resulting from major disasters. The work eligible for subsidies includes principally reconstruction of dikes, roads, harbors, irrigation facilities, and the like. It does not ordinarily include the repair of buildings. Our recommendation regarding disaster subsidies is that the amount should be increased to 100 percent of the costs involved, and all kinds of rehabilitation work should

be included. The National Government should budget annually an amount equal to the estimated average cost of natural disasters during the preceding five years, and utilize this fund to defray all public costs incident to floods, typhoons, earthquakes, and similar calamities. In case the budgeted amount were not completely expended in any one year, the balance remaining at the end of the year would be used for debt retirement. This recommendation, if carried out, would provide a national insurance system against disasters. In the actual operation of the plan a definition of what is meant by a "disaster" should be liberal, but should not include minor damage amounting only to a small percentage (say 5 to 10 percent in any one year) of the budget of affected localities.

H. Equalization Grants

We have recommended that tax revenues available to local authorities be substantially increased, that subsidies be decreased, and that some of the present local expenditures be assumed by the National Government. The balance of the revenue required by local authorities should be met by an equalization grant. This grant should be distributed in such a manner as more nearly to equalize both the tax burdens and the quality of local services among local areas having differing taxable capacity and differing needs.

The concept of an equalization grant is not new to Japan. The local distribution tax is designed to provide equalization. The local distribution tax law provides that a certain percentage of revenue derived from the national income tax and the corporation tax shall be distributed to local authorities. Under the law of 1948, 33.14 percent of the yield of these two taxes was to be distributed. In the recent curtailment of the national budget, however, this percentage was halved. The estimated amount to be distributed in 1949-50 is ¥57 billions.

In practice the percentage to be distributed varies from year to year in an unpredictable manner. Today local officials are universally bitter regarding the decision to halve the distribution tax after they had planned their budgets on the expectation of receiving the full amount. They lack confidence in the distribution tax, the amount of which they feel will be determined each year according to the degree of stringency in national finance and the dictates of the National Government. But even if the percentage remained fixed from year to year, the fluctuation in receipts would be too great, for the income taxes are very sensitive to changes in economic conditions.

One-half of the distributed amount goes to prefectures and one-half to municipalities. The distribution of the funds among individual local authorities is determined by means of a formula which includes factors relating to local taxable capacity and to local financial need. The formula is intended to give larger amounts to poorer local areas or to areas having greater needs, and smaller amounts to wealthier local areas or areas in which needs are less urgent. Thus, the intended effect of the distribution tax is to reduce inequalities in the tax burdens and in the availability of services as among poor and rich local areas.

But the formula contains several arbitrary features that do not necessarily reflect actual financial capacity or the needs of different local areas. For example, one-half the distribution tax is paid to the prefectures and one-half to the municipalities. This particular divison is a mere convenience and is not based on a study of the relative needs of the two classes of local areas. Most competent observers believe that under this division the financial position of the prefectures is made substantially stronger than that of the municipalities. Similarly, several arbitrary adjustments in the formula are made for cities of varying sizes of population.

The overcome these objections, the distribution tax should be converted into an equalization grant paid out of the general funds of the National Government. The aggregate amount of this grant should be determined through studies of the capacity and need of local authorities under reasonable standards. The distribution to local areas should be made in terms of a formula which gives full recognition to differences in capacity and need.

The method of distributing the grants would be similar in principle to that now used in the distribution tax formula. Today, however, the problem is approached from the point of view of the National Government in terms of its financial needs, resources, and administrative convenience. We recommend the total amount to be distributed and the method of distribution be determined more nearly in accordance with the needs and financial resources of the local governments.

The necessity for equalization arises from the fact that the financial resources, the need for services, and the cost of particular local activities vary widely among different local areas. In Japan, for example, the per capita taxable capacity of some prefectures is 3 to 4 times that of others, and the difference may be as much as 10 to 1 between the richest and poorest municipalities. Unfortunately, the areas requiring the most local service, namely, those in which there are the most children, the highest incidence of disease, the largest crime rate, and the greatest need for unemployment relief, are likely to be the precise areas having the least taxable capacity. The result is that poor localities are subjected to crushing tax burdens to maintain low standards of service, whereas rich areas may bear lighter tax loads to support much higher standards of local service. These differences are not only unjust but undesirable in their effects on individual and national welfare. The injustice arises from the differences in tax burdens imposed upon persons similar in all respects except that they live in different jurisdictions. The effect on national welfare arises from the inability of poorer localities to maintain education, health services, roads, welfare activities, etc., at an adequate level.

Under full equalization, grants would be determined by relating the financial resources of each local authority to its need for revenue. The amount to be paid to each locality would be its calculated total need for revenue assuming that it is to perform standard services on a reasonable but minimal basis, minus its calculated financial resources expressed as

the yield of available taxes at reasonable standard rates. The total amount to be distributed by the National Government would be the sum of the amounts to be paid to the separate local authorities.

The equalization grant of each local area would be computed by means of a formula. The formula would contain two parts, the first relating to the measurement of the local need for services, and the second relating to the measurement of local financial ability. As with the present distribution tax, the measurement of need would vary among different classes of local authorities according to their responsibilities, and the measurement of ability would vary according to the kinds of tax resources at their disposal. Separate calculations would be made for prefectures of various classes and for municipalities of different classes.

The financial need for each item of local service would be computed as the number of units of the service to be rendered multiplied by the standard cost per unit of providing the service at an acceptable but minimal quantity and quality. The total financial need would be the sum of the amounts needed for all services combined. This computation would not imply that the local authority should limit its expenditures to the amount determined as its total requirement. This amount would merely be used in the calculation of the equalization grant. The local government would be free to exceed this standard and would be encouraged to do so through the influence of the central government and through the use of promotional subsidies. The local authority would be required, however, to spend at least the calculated total amount in order to qualify for the grant.

The financial capacity of each local tax would be computed as the amount of revenue that the tax would yield if levied at a standard rate with standard levels of assessment and collection. The total financial capacity would be the sum of the yields of all taxes, assuming that each was levied at the standard rate. The standard rate in each case would be a reasonable but minimal rate. The standard would be set low enough so that the local authority would be able to exceed the rate if it wished to raise more than the minimal level. There would be no implication that the local authority must actually levy each of the taxes at just the standard rates. They would be free to apply rates either below or above the standard. The only requirement, to qualify for the grant, would be that they raise total revenue at least equal to that which could have been produced by the standard rates.

Ideally, in calculating need, the formula would include every item of local government service, and, in computing ability, would include every item of revenue. In practice, however, only the main items of local service would be considered separately in measuring need, and all other minor services would be lumped together as a unit. Similarly, only the principal revenue sources would be considered separately in measuring ability, and all other minor sources would be treated as a unit.

It is sometimes argued that equalization would undermine local autonomy. It is true, of course, that any payment by the National Government

to local government makes local authorities dependent and subjects them to restrictions and controls. The equalization grant, however, is the kind of grant which minimizes detailed national control of local bodies.

In particular, the equalization grant involves less detailed control than specific subsidies for particular purposes. To qualify for the grant the local authority must spend with reasonable efficiency an amount (including the grant) at least equal to the standard need, thus providing a minimum level of local service. Also, it must raise at least the amount of revenue that could be obtained by levying the standard taxes at standard rates, thus assuming its fair share of local costs.

Beyond these two limitations, the local authority may be completely free to decide on the kinds and amounts of local services to provide and on the kinds and rates of taxes to levy. On the other hand, if such freedom were likely to be abused, various additional conditions could be imposed, for example the requirement of specific standards for education. The equalization grant offers great flexibility in that the number of restraints or requirements imposed by the National Government may be reduced to a bare minimum or may be applied to any desirable degree. We would strongly recommend that in Japan today, where one of the major problems is to develop a vigorous independent local government, national controls in connection with an equalization grant be reduced to a minimum. It would be better to err on the side of excessive freedom than on the side of excessive restrictions.

The degree to which the equalization grant might impair local autonomy would vary with the amount of the grant and the resulting extent of local dependence. It would be desirable, therefore, to restrict the grant to the smallest amount that would be consistent with equalization. If this were done, some of the richer local areas would not ordinarily receive grants. This in turn requires that local authorities be given productive independent local taxes.

I. Implementation of Equalization

Local government in Japan faces a crisis. More money is needed quickly. In view of this urgency, it is not practicable to wait for the development of a full-scale system of equalization grants. Therefore, we recommend that the equalization plan be adopted as a long-range objective but that immediate steps be taken to put local government in a sound financial position. These steps should be consistent with an contributory to the development of a full equalization scheme over the next two or three years.

Step 1. Abolish the local distribution tax which connects the total amount to be distributed with the yield of the national income taxes.

Step 2. Appropriate 120 billion yen for the equalization grant for 1950-51, as explained in Chapter 2 of the main text of this report.

Step 3. Distribute the equalization grant to local authorities on the basis of a new provisional formula containing some of the elements of the distribution tax formula, but designed to be a first approximation of a true equalization formula.

Step 4. Begin immediate studies of various local government services and revenues in order to develop data with which a true equalization formula could be constructed.

Step 5. In a later year, adopt full equalization.

We advise against continued use of the present distribution tax formula. The transition to a new type of scheme should be made when the total amount of local finances are being substantially increased. At this time the absolute amount of the revenue of most local authorities will be increased; hence the new plan will be received favorably. If, on the other hand, the transition is made later, when there is no increase in the aggregate amount of local revenue, those local authorities whose funds are cut will resist the change, and the reform may become politically difficult.

The new provisional formula for 1950-51 should approach the ideal of equalization as closely as existing data permit. The classification of local units now used in the distribution tax formula would be appropriate (perhaps with some further sub-classification on the basis of population), namely, prefectures with large urban populations, other prefectures, cities of more than 500,000 population, other cities, towns and villages with police, and towns and villages without police.

For each local authority of each class, the estimated revenue from major available taxes at reasonable standard rates would be computed. This amount would be adjusted by a standard percentage to allow for minor taxes and other sources of revenue. The result of this calculation would measure the financial capacity of each local area.

21 October 1949

Dear Mr. Prime Minister:

Today marks the third anniversary of the inception of what is possibly the most successful land reform program in history. Three years ago today, the Japanese Diet enacted the historic legislation which forms the foundation of this reform. Now that the primary part of the program is drawing to a close, I take this occasion to pay tribute to the people of rural Japan for the magnificent accomplishment which their devotion to this task has made possible.

The world watched your work skeptically, in belief that the job was too big, that you would not approach it with sincerety, that feudalistic interest would render it only a token reform. Your progress shows no deviation from the high objectives enunciated, and today you have earned the world's admiration. The pattern you have set for depressed peoples is already widely recognized. As Japan works toward re-entry into the family of nations, this achievement stands as one of the most important single demonstrations of her approaching maturity as a democratic nation.

The time has come now to appraise what has been done and what remains to be done, and to measure and define the nature of the obligation which rests with the people of Japan to keep faith with future generations of Japanese farmers. The benefits of the reform must become a permanent part of the texture of Japanese rural society. Any possibility of a gradual reversion to the land tenure system as it existed before the reform must be forestalled. Widespread establishment of owner-farmers on family-size farms and protection of the rights of cultivators must continue to be assured. Land reform laws must have teeth and toughness. They must be given adequate administrative support. Assurance of democratic application of the law at the local level must be guaranteed by continuance of a suitable commission system.

All of these factors are important. But if the present gains are not to be lost, the most essential requirement will be constant and continuing vigilance on the part of Japanese farmers in defense of their own rights. This is the basic privilege and obligation of citizenship. It is a right and a responsibility to be held in trust, to be used boldly now with justice and wisdom, and to be passed intact from generation to generation. The future of Japan is in the hands of the people of Japan. The future of the land reform program will constitute a critical test of their capacity to meet the challenge of citizenship.

Sincerely yours,

DOUGLAS MacARTHUR

1 January 1950

GENERAL MacARTHUR'S NEW YEAR'S DAY
STATEMENT

To the People of Japan:

On this fifth New Year's Day following hostilities' end, one fact inescapably stands out -- although Japan is still technically at war, there are few places on earth more completely at peace.

In keeping with my announced purpose to transfer the authority of government to your chosen representatives just as rapidly as they demonstrated the will and the capacity firmly to discharge the attending responsibility, the past year has witnessed progressive and far-reaching relaxation of Occupation controls. We have, indeed, gone a long way and internally have virtually arrived at a de facto peace. Your new leadership, strengthening under the stimulus of responsibility, is rapidly becoming safe guarantee against either the re-emergence of those institutions which brought your race to the brink of destruction or the substitution of alien concepts no less provocative of disaster. The ideal of human freedom, vigorously taking root in Japanese hearts, is progressively asserting itself through expression of the public mind whenever suppressive forces arise to challenge it. The myth of an unbridgeable gulf between the ways of the East and the ways of the West has been thoroughly exploded by the lesson of experiences and no longer dominates man's thinking. For men now know that humanity, whatever the origin, race or cultural environment, is fundamentally the same in the impelling universal desire for higher personal dignity, broader individual liberty and a betterment of life. Given the opportunity, any segment of the human race thus will draw upon the best of the East and the best of the West, and from the resulting blend of tried and proved ideas will fashion a way of life best adapted to advance its own well being. If, therefore, out of the bankruptcy, chaos and despair left in war's wake there emerges an ethical base for NewJapan, embodying many sound ideas which in practice have raised the standard of Western life and provided the moral basis of Western thought, it will be but another triumph of common sense in its age-old struggle to apply enlightened knowledge as the guide to human decision.

During the past year Japan has scored impressive gains along almost every front and the confidence reflected in my message to you of a year ago has found complete support in ensuing events. Despite the convulsions in many lands where the concept of human freedom is suppressed or under assault, Japan's free institutions progressively have strengthened. The individual citizen is grasping with increasing understanding and firmness the political responsibility which attaches to the sovereign power. The public opinion is giving striking evidence of its insistence upon responsibility in government and public officials are showing a growing consciousness of their responsibility for the stewardship of public affairs.

The police of Japan have made rapid strides in organization and training and proved that they can adequately cope with the problems of enforcing the law and preserving the public order as servants, rather than masters, of the citizenry.

With the continuation of the able support of the American people tendered a prostrate Japan in her hour of most desparate need, a further broad advance has been made toward the self-supporting economy which is the goal of every Japanese citizen. The adoption of a truly balanced consolidated budget in the last fiscal year and the projection of one similarly balanced for the next has largely corrected the inflationary fiscal practice which persisted in the immediate post-war years, strengthened the Government's financial position and established the foundation for a sound system of public finance based on the capability of the people's support. The volume of currency outstanding has been stabilized, and for the second consecutive year provision has been made for debt retirement. Marked improvement in tax collections evidences an increasing consciousness of the individual's responsibility to support the operation of his public institutions. The implementation of the Government's plans to establish a more equitable tax structure and a fair and more efficient system of tax administration, will equalize the burden and, it is my hope, will permit substantial future tax reductions over a broad base.

Production has continued the forward march initiated in 1946. Coal, utilities and other basic components of industrial activity are gradually approaching their pre-war levels, thus furnishing the sinews for overall industrial recover. Consumer goods have become available in increasing quantities, and the production and collection of foods, benefited by good crops and a large catch of marine products, have reached new post-war highs. The farmers and fishermen thus are not only acquitting well their responsibilities toward securing the people's livelihood but are providing a striking demonstration of the fruits of free enterprise.

Labor, too, by its energy and patriotism is making a splendid contribution to the national recovery. Turning from an irresponsible leadership of the past, it is now becoming well oriented toward an objective and healthy future. And its demand for moderation evidences that labor is coming to understand that in a society which is truly free the individual standard of life must bear a direct relationship to the constructive energies the individual contributes to life — that every segment of society must earn its own way, as the arbitrary advancement of one segment at the expense of another inevitably weakens political and economic freedom.

Correction of the fiscal maladjustment and elimination of many shortages have made it possible to approach a condition where stability of the price structure derives from the equilibrium of normal economic forces rather than from artificial devices. Thus, the economic control exercised through rationing, price ceilings and subsidies during the period of acute shortages and inflationary pressure has been lifted as rapidly as conditions in the various fields have warranted. With the latest relaxation of control, export trade was returned to a private basis on December 1st, as is import trade being returned today, retaining in the hands of the Government only such control as is necessary to safeguard Japan's foreign exchange

position, the stability of her currency, and the equitable distribution of essential commodities still in short supply. Japan thus rapidly is approaching that economic ideal — free private competitive enterprise — which alone can provide hope for progressive advancement of the living standard.

In foreign trade the gains initiated with the post-war resumption of exports have continued. Reflecting the accelerated industrial production and re-opening of foreign trade outlets, exports this year approximately doubled those of the last. Coincident with the expansion of international trade, definite gains are being made toward attaining a balance between imports and exports. All this, indeed, shows healthy progress in the building of New Japan and foretells the day not long hence when political maturity, social justice, and economic self-sufficiency will make of Japan a sturdy and highly respected member of the society of free nations.

This synopsis of the present etches the pattern of the future. It reflects the steady, unswerving progress of a people who, with backs to a discredited past, see a lofty goal ahead and are determined to achieve it. It gives unmistakable answer to those voices of men — the uninformed or misinformed, the informed but pathological cynic; the indoctrines of Japan's old and discredited order, so blind that he "will not see"; and the subversive who would sabotage the people's faith — raised during the four years and more of occupation in self-ordained omniscience to forecast from time to time with insatiable persistence the imminence of economic disaster, the re-emergency of political reaction, the widespread absorption of the Communist hypocrisy, and the social convulsions inevitable from any effort to integrate Western ideals with Eastern culture. It is to the credit of both the American and Japanese peoples that these prophets of gloom have had their say without marring in the least the pattern of steady progress.

As we enter the new year, two basic and yet unresolved problems cause concern in every Japanese mind — the global ideological struggle brought close to Japan by the Communist roll over China, and the international procedural conflict delaying call of a Japanese peace conference. Such concern is indeed most natural. But the solution of these problems does not lie within Japan's present capability, and should not directly be drawn within the orbit of Japan's internal politics. Pending such solution, however, Japan's road ahead is clearly delineated. She must continue steadfastly and invincibly forward along the course so well charted by the constitutional precepts. To do so is not only to strengthen Japan's own free institutions, but by example to strengthen the free institutions of others as well.

Some contemporary cynics deride as visionary Japan's constitutional renunciation of the concept of belligerency and armed security. Be not overly concerned by such detractors. A product of Japanese thought, this provision is based upon the highest of moral ideals, and yet no constitutional provision was ever more fundamentally sound and practical. While by no sophistry of reasoning can it be interpreted as complete negation of the inalienable right of self-defense against unprovoked attack, it is a ringing affirmation by a people laid prostrate by the sword, of faith

in the ultimate triumph of international morality and justice without resort to the sword. It must be understood, however, that so long as predatory international banditry is permitted to roam the earth to crush human freedom under its averice and violence, the high concept to which you are pledged will be slow in finding universal acceptance. But it is axiomatic that there must always be a first in all things. In this historic decision, you are the first. The opportunity, therefore, is yours to exemplify before mankind the soundness of this concept and the inestimable benefit resulting from the dedication of all energy and all resource to peaceful progress. In due course other nations will join you in this dedication, but meanwhile you must not falter. Have faith in my countrymen and other peoples who share the same high ideals. Above all, have faith in yourselves.

21 March 1950

Dear Mr. Prime Minister:

I am in complete agreement with the necessity for reducing the tax burden on the people of Japan as reviewed in your letter to me under date of 18 March 1950. The Shoup recommendations, to which your government has made commitment, provide an appreciable relief during the 1950-51 Japanese Fiscal Year and lay the groundwork for significant further reductions in the following year.

Fundamental to the implementation of the Shoup tax proposals is the requirement that revenues accuring to local governments be adequate to provide rendition of full governmental services to the peoples of the municipalities. As you are aware, I am convinced that democratic government for Japan must evolve from the thousands of local communities administering to the needs of the public under a sound program of local administration to include an acceptable fiscal system.

In Dr. Shoup's final report he placed particular emphasis on the need for increasing revenues and facilities at the local level and he urged a fixed rate for the Municipal Property Tax during the inaugural year of the program. In the event that some municipalities are able to function effectively with lower revenue requirements, the standard rates of the Inhabitants Tax, which is not set at a fixed percentage could be varied to obtain the flexibility you seek.

I feel that it is imperative that the revised local tax laws become effective as of April 1st 1950 in order that the localities may be assured of a full year's revenue. As any later initiation of the new system could imperil the entire local tax reform, I trust your government will recognize this situation and that it will take necessary action to insure the attainment of the prime objective on which we are all agreed.

I am fully aware of the political problems posed by the tax reform program but I am confident that the citizens of Japan will recognize that their best interests in the long run will be served by its enactment without modification in its major provisions.

With cordial regards,

DOUGLAS MacARTHUR

Tokyo, Japan

11 April 1950

Dear Mr. Prime Minister:

I have considered the legislative proposals of your government as contained in the attached proposed Local Finance Equalization Grant Law and the Local Finance Commission Establishment Law which would establish and order the administration of a general equalization grant fund for local governments and the performance of certain other functions of a regulatory nature, in connection with national-local government fiscal relations.

These proposals, I am informed, form part of the government's legislative program designed to carry out certain recommendations of the Shoup Mission aimed at strengthening the fiscal powers of local governments. The need for such measures has long been evident. Although the decentralization of governmental powers to the local communities has proceeded to a commendable degree, much remains to be done if the goal of local autonomy expressed in the Constitution is to be achieved. In my statement of September 2, 1949, while noting the advances made by the Japanese people during the past four years, I referred to the need for rationalization in the field of public finance, and having in mind the recommendations of the Shoup Mission and the studies of the Japanese Government thereon, I pointed out that a remedy for this difficulty was then being solved.

As stated in the proposals, the purpose of the general equalization grant is to insure the maintenance of the essential services of government by local communities despite the inequalities in their relative resources by helping them to finance the aggregate cost of such services to the extent that it cannot be met from independent local revenues available to them. To accomplish this purpose without impairing local autonomy, the Shoup Mission recommended this form of grant as one which would involve "less detailed control than specific subsidies for particular services" and thus minimize "detailed national control of local bodies." It pointed out that the local authorities should, of course, "spend with reasonable efficiency an amount (including the grant) at least equal to the standard need" and to raise "at least the amount of revenue that could be obtained by levying the standard taxes at standard rates," but otherwise they should be "completely free to decide on the kinds and amounts of local services to provide and on the kinds and rates of taxes to levy," and in conclusion recommended that, "in Japan today, where one of the major problems is to develop a vigorous independent local government, national controls in

connection with the equalization grant be reduced to a minimum." I am in full accord with the aims and principles embodied in these recommendations.

As envisaged by the Shoup Mission, the purpose of the new Local Finance Commission is to determine the standards of need and of financial ability for local communities under the formula for the equalization grant and to perform a number of other functions of a regulatory nature in connection with local finances requiring determinations which cannot be adequately made in advance by means of a general law, such as: distributing among localities the limited amount of total borrowing authorized, allocating among prefectures the profit element in the enterprise tax with respect to corporations doing an inter-prefectural business; considering applications by localities to levy special taxes or temporarily suspend nationally specified local tax rates; and resolving other issues which continually arise in national-local fiscal relations.

These are important functions indeed, and the manner and spirit in which they are performed will in large measure shape the evolution of local autonomy in Japan. This makes it imperative that the basic principles of the Shoup Mission's recommendations be closely followed and that adequate safeguards of the rights and interests of the local public entities be incorporated in the law. Specifically, if the legislation in question is to advance these objectives, it should meet the following tests:

(1) The Local Finance Commission should be so constituted as to represent local interests effectively. This requires not only that it be representative in composition, but that it possess an independence of status and a sufficiency of authority to permit it to function free of arbitrary control by the national government.

(2) When the Cabinet's decision as to the amount of the total grant to be included in the national budget differs from the Commission's recommendation, the Commission should have the authority to submit its views direct to the Diet, a safeguard similar to that provided for other agencies of government.

(3) The procedures of the Commission should include provision for the due hearing of issues involving the rights and equities of individual communities in unusual circumstances or conflicts of interest between local entities in the administration of the law.

(4) The procedures for the determination of the equalization grant should, in accord with the Constitution, be fully prescribed in the law and not left for later determination by Cabinet orders.

(5) Following the principle of local autonomy, local communities should be left free to determine in the light of local need the distribution of the grant among the essential public services.

The government's proposals are commendable in that they aim to strengthen the financial foundations of local public entities. Moreover, by including representatives of the various levels of government, the representative character of the Commission is guaranteed, with expression provided for both national and local viewpoints. But the very purpose of giving voice to the local government view is negated by superimposing upon the Commission direct Cabinet control through arbitrarily placing it under the chairmanship of a Cabinet Minister, through denying it independent access to the Diet, through stipulating that all matters affecting the determination of the local government's financial needs be determined by Cabinet Order, and through withholding from the Commission the power to make final decisions in the performance of its regulatory functions in local fiscal matters. These provisions and the assignment to the Commission of a number of administrative functions in national-local government relations not connected with fiscal matters would, contrary to the purpose of the Shoup Mission's recommendation, transform the Commission into an advisory and administrative agency of the Cabinet. Further, the proposals fail adequately to safeguard the vital interests of local communities by requiring that all or certain services be performed by the local bodies in accordance with specific individual standards prescribed by the national government, and by denying local governments the right to be heard in the course of the Commission's deliberations on matters in which they are immediately concerned. If each individual service rather than the total standard need and total revenue were to be made a criterion of eligibility, the equalization grant inevitably would degenerate into the very system of individual subsidies for specific purposes which it is intended to supplant.

It appears to me that the cumulative effect of these deviations from basic principles renders the legislative proposals in their present form unsuitable as a vehicle for attaining the goal of local autonomy toward which they are aimed. They would unduly circumscribe the self-governing powers of local public entities, empower the executive branch of the national government to regulate and control the details of local government administration and thus fashion an instrument for reconstituting the excessive concentration of governmental powers formerly exercised through the Ministry of Home Affairs. The normal tendency of the executive agencies of the national government to extend their authority into the areas of local responsibility, finding no effective curb, would inexorably cancel the advance so far achieved toward that high degree of local self-government which is necessary to the exercise of individual and community responsibility in the conduct of public affairs.

The appropriate agencies of this headquarters will be glad at any time to give you such technical assistance as your government may desire in the revision of these bills to bring them in consonance with the principles I have above outlined.

Very sincerely,

DOUGLAS MacARTHUR

The Prime Minister,

Tokyo, Japan.

3 May 1950

GENERAL MacARTHUR'S COMMENT ON LOCAL TAX LAW REVISION BILL

Asked to comment upon the action of the National Diet in not enacting at this session the Local Tax Law Revision Bill, General MacArthur today observed that whereas the resulting lack of essential revenue sources to finance local government "cannot fail to hamper the efficient operation of local public services", both sides on the issue acted in full accord with the Constitution and pertinent laws, and the "legislative stalemates which resulted was not unusual under the democratic process in comparable situations".

He expressed full confidence that once the coming election is out of the way, the Diet will proceed "with resolution, statesmanship and unity of purpose" to discharge its attendant responsibility in implementation of this phase of the Economic Stabilization Program designed to insure "stability in public finance as reciprocal warrant for American economic aid."

He added that, contrary to a widespread impression, the effect of the bill taken in conjunction with reductions recently effected in the national taxes in anticipation of the bill's enactment, would be to lighten the over-all tax burden heretofore existing by approximately fifty billion yen. Japan's taxes, heavy as they are, due to the cost of war and defeat, are lighter in relation to national income than those currently levied by such nations as the United States, England or Germany.

25 May 1950

Dear Mr. Prime Minister:

I have given thoughtful consideration to the report of Finance Minister Hayato Ikeda forwarded with your letter to me of May 22nd. Many of the proposals contained therein would be in conflict with the principles of the Economic Stabilization program directed from Washington and transmitted to you by my letter of December 19, 1948, which must guide the formulation of Japanese economic and fiscal policy in consideration of continued economic aid from the United States. They would, if adopted, require a complete revision of the national budget only recently enacted into law and entail abandonment, in favor of an inflationary course, of essential measures designed to implement the stabilization program, the sucess of which has already been established.

As has been widely reported in the press, the world at large stands in admiration of Japan's efforts toward economic stabilization and the significant accomplishments achieved thus far. This attitude was particularly noticeable during Mr. Ikeda's recent visit to the United States where Japan's budgetary position was most favorably commented upon. Nothing could be more unfortunate than ill-advised action at this time which would impair this renascent international reputation, such as reversion to previous inflationary policies whose ill effects are just now responding to adequate and proper measures as reflected in recent economic developments.

Industrial activity in April has increased for the third successive month and now stands at 104% of the 1932-36 levels. April exports have reached $61 million, another postwar record, and total export proceeds for the year ending June 1950 should reach $600 million, including income from invisible exports. In April the consumer price index stood at 11% below its postwar high of just one year ago. Without infraction of nominal wage levels, the cost of living has been reduced for the average individual thereby effecting a defacto increase in real wages. At the end of January, according to press reports, dividends of 268 companies whose shares are listed on the Tokyo Securities Exchange averaged 12.8%, while in eighteen months the number of companies paying dividends rose from 22% to 51%. Overall taxes for the present annual period are approximately $50 billion lessthan last year and tax relief has been advanced in some cases as far as a quarter of a year ahead of the beginning of the new fiscal period. The overall tax load on the Japanese people in relation to the aggregate national income is less than that of the United States, England, Germany and many other countries.

All of these contributions to the economic welfare are measures of historic importance which have been responsible for the development of a degree of recovery in Japan comparing favorably with many of the victorious nations of World War II. It is difficult to comprehend a proposal which would effect drastic revision in policies and programs which have produced such satisfactory results.

Any proposal for changes in the Local Tax Law Revision Bill will require careful study to insure that the revenues derived from the new local tax rates are sufficient to meet the revenue requirements of local governments without necessitating grants from the national treasury in addition to those already provided in the 1950-51 budget, and that the basic principles of taxation upon which the tax program is based are not violated. This is a matter which may be the subject of joint studies between representatives of your government and the Economic and Scientific Section of this Headquarters prior to the next session of the Diet.

Admission of Japan into the International Monetary Fund, the International Bank for Reconstruction and Development and other similar international organizations has commanded my interest for some time. The matter is clearly involved in the accord of international acceptance which, in spite of repeated efforts by the Occupation, has been refused by some of the Far Eastern Commission nations. Efforts along this line shall be pursued with tactful perseverance, but you must not lose sight of the many practical obstacles which bar the way.

I have heretofore outlined certain objectives which should govern in the preparation of the budget for the next fiscal year if the present rate of progress continues and economic conditions warrant. These objectives are:

1. The budget must be balanced.

2. The total budget requirements should be lower than those contained in the JFY 1950-51 budget.

3. The budget should provide for a further reduction in taxation consistent with provisions of the Shoup Tax Mission recommendations.

4. Provision should be contained in the budget for an appropriate revision in government wages based upon a re-study of the situation by the National Personnel Authority.

5. No appropriations should be made for the reduction of the national debt from ordinary Japanese budget revenues. Counterpart funds for this purpose should be reduced.

6. No supplementary budgets will be authorized except for the single readjustment budget to be made effective before the beginning of the final fiscal quarters.

7. Price subsidies should be further reduced and eliminated wherever possible.

These objectives contemplate the progressive reduction of the burden borne by the Japanese people in consonance with the continuation rather than the abolition of stabilization measures, and are patterned to fit the actualities without disturbing existing equilibrium.

In general, the proposals offered by Mr. Ikeda would appear to be matters for future consideration in connection with long range planning when conditions make this possible. Indeed, they in part have been previously considered in connection with the present fiscal year's budget and found impractical of adoption in view of existing conditions. The Chief, Economic and Scientific Section will of course gladly discuss with you in fuller detail the impact which untimely adoption of such proposals would have upon the Japanese economy.

Very sincerely,

DOUGLAS MacARTHUR

GENERAL HEADQUARTERS
FAR EAST COMMAND
Public Information Office

Tokyo, Japan
8 July 1950

Dear Mr. Prime Minister:

In keeping with my established policy to re-invest autonomous authority in the Japanese Government as rapidly as the situation permits, I have visualized the progressive development of law enforcing agencies adequate to the maintenance of internal security and order and the safeguard of Japan's coastline against unlawful immigration and smuggling.

By letter of September 16, 1947 I approved the recommendation of the Japanese Government for an increase in the overall strength of Japan's police force to 125,000 men, making provision for a new national rural police force of 30,000 men. It was then the view of the government, in which I fully concurred, that the strength recommended and authorized was not an arbitrary determination of future police requirements but designed to provide an adequate force around which might be built a modern and democratic police system oriented to an effective decentralization of the police responsibility in harmony with the constitutional principle of local autonomy.

Subsequent action in the recruitment, equipping and training of the police force then authorized has proceeded with commendable efficiency. The concept of autonomous responsibility has been faithfully observed, essential coordination has been carefully developed and the proper relationship between the police and private citizenry has been progressively forged. As a consequence, the Japanese people today may take justifiable pride in this agency for the enforcement of law at all levels of government. Indeed, it may be credited to both organizational police efficiency and the law-abiding character of the Japanese people that, despite a much lower police strength in relation to population here than is to be found in most of the other democratic states and the general post-war impoverishment and other adverse conditions usually conducive to lawlessness, Japan stands out with a calmness and serenity which lends emphasis to the violence, confusion and disorder which exist in other nearby lands.

To insure that this favorable condition will continue unchallenged by lawless minorities, here as elsewhere committed to the subversion of the due processes of law and assaults of opportunity against the peace and public welfare, I believe that the police system has reached that degree of efficiency in organization and training which will permit its augmentation to a strength which will bring it within the limits experience has shown to be essential to the safeguard of the public welfare in a democratic society.

Insofar as maritime safety in the harbors and coastal waters of Japan is concerned the Maritime Safety Board has achieved highly satisfactory results but events disclose that safeguard of the long Japanese coastal line against unlawful immigration and smuggling activity requires employment of a larger force under this agency than is presently provided for by law.

Accordingly, I authorize your government to take the necessary measures to establish a national police reserve of 75,000 men and expand the existing authorized strength of the personnel serving under the Maritime Safety Board by an additional 8000. The current year's operating cost of these increments to existing agencies may be made available from funds previously allocated in the General Account of the National Budget toward retirement of the public debt. The appropriate sections of this Headquarters will be available, as heretofore, to advise and assist in the technical aspects of these measures.

Very sincerely,

(sgd)
DOUGLAS MacARTHUR

Mr. Shigeru Yoshida,
Prime Minister of Japan,
Tokyo.

1 January 1951

EXCERPT
GENERAL MacARTHUR'S NEW YEAR'S DAY MESSAGE

"As the dawn of another year breaks upon New Japan, every Japanese citizen may review the past with satisfaction at progress achieved, and look forward with added self-assurance to the difficult tests which lie ahead. For this land in the past year has witnessed advances in every field of human and social endeavor and the Japanese citizen has undoubtedly emerged with added individual liberty and higher personal dignity. From this period of trial has, indeed, come a measure of the moral stature of the Japanese nation and people who have met the challenge of a flaming Asia with calm deliberation, unruffled composure and quiet determination."

* * * * * * * * * * * *

June 25, 1951

Dear Mr. Kanasashi:

I regret that I am unable to take advantage of your kind invitation to be personally present at the 10th general meeting of the All Japan Mayors' Association convening in Tokyo on June 25, 1951, but I hope that you will be good enough to transmit my greetings to the convention.

The post-war development of a system of locally elected administrations vested with authority to manage their own local affairs with primary responsibility to the citizens of their respective communities has already established a degree of self-government not previously experienced in the history of modern Japan. Concurrently, this development has raised a number of complex and difficult problems of finance and administration whose solution is imperative if the ideal of vigorous local self-government is to be fully realized. Because so many of these problems are common to all municipal governments the function of your Association as a medium of joint study and cooperation for the development of definite and unified policies and programs which will enhance the common good is a most important one.

Please accept my sincere wishes for the success of the convention.

Very truly yours,

FRANK RIZZO
Chief, Government Section

Mr. Fujitaro Kanasashi
Chief of All Japan Mayors' Association

July 9, 1951

My dear Mr. Imayoshi:

I am honored by your invitation to attend the National Convention of Town and Village Mayors but regret that my immediate duties preclude personal attendance on the day of your meeting. I do, however, wish to take this opportunity to address a few words of greeting to the members of your association on this occasion.

As you know, I have observed with keen interest and gratification the renewed development of self-governing responsibility at the local levels of government throughout Japan. For this development, great credit is due to the town and village mayors of Japan whose foresight, initiative and devoted energy have served to inspire the framers of the basic national legislation which has accorded to these local public entities an increasing measure of authority to manage the conduct of public affairs within their respective communities.

I am aware that many difficult and pressing problems of jurisdiction, administration and finance remain to be solved. No blueprint of law or political system is final or perfect. All are instruments of a living social organization subject to periodic amendment, modification and improvement in response to changing conditions and the lessons of experience. With the same initiative, energy and devotion which has characterized your efforts during the last five years I feel certain that you can overcome your present problems and face the continuing challenge of the future.

Sincerely yours,

FRANK RIZZO
Chief, Government Section

Mr. T. Imayoshi, Acting President
National Association of Towns & Villages
35 Nishikubo Tomoe-Cho
Minato-Ku, Tokyo.

July 23, 1951

My dear Mr. Imayoshi:

Pressure of official duties prevents acceptance of your kind invitation to attend the National Convention of the Town and Village Assembly Chairmen on 25 July, but I hope that you will be good enough to convey my greetings to the Convention.

I am informed that the Town and Village Assembly Chairmen are making a positive effort to propagate the spirit of local autonomy and in concert are actively planning steps for further strengthening local government. As chairmen of their respective assemblies, theirs is a most important role in this endeavor. By faithfully reflecting the needs and desires of all the citizens of their respective communities, by diligently ascertaining the true conditions bearing on local problems, by honestly and fearlessly advising the executives of the local public entities, and by keeping their constituents informed through open and factual discussion of public affairs, the Town and Village Assemblies can best serve their Constitutional purpose.

New and added responsibilities of government have accrued to the local public entities since the enactment of the Local Autonomy Law. The added financial burdens resulting therefrom have not in all cases been met by corresponding increases in financial resources. In this situation a strong temptation exists to seek financial relief by relinquishing some responsibilities, but in such solution lies the danger that newly won rights and privileges of self-government may also be surrendered, never to be regained. This danger may be averted through the continued watchfulness of the Town and Village Assemblies.

Please accept my best wishes for the success of your Convention.

Sincerely yours,

FRANK RIZZO
Chief, Government Section

Mr. T. Imayoshi, Acting President
National Association of Town & Village Assembly Chairmen
35 Nishikubo Tomoe-Cho
Minato-Ku, Tokyo

local Govt file

要請書

参而院において、全会一致第十二回会の衆参両院において、全会一致第十二回会の衆参両院において、全会一致第十二回会の衆参両

意見書

政府は、さきに第十二國会の衆・参両院において、全会一致の決議をもつて、地方財政の窮乏を緩和するため、平衡交付金等の増額に関し特別決議をされたので、給与改訂・物価の騰貴等の財源に悩む市町村としては、特に第十二國会における決議の趣旨にそつて、すみやかに準ずる財政措置を期待していたのであるが、実現を見ず遺憾である。

よつて、今期通常國会においては、是非共第十二國会の特別決議の趣旨を没却することなく、適切なる財政措置を講ぜられるよう北海道全市町村を代表して切望する。

昭和二十六年二月十七日

北海道市長会
北海道町村会

昭和二十七年二月十七日

北海道市長会長　高田富與　殿

北海道市議会議長会長　岩谷靜雄

北海道町村会長　山田利一

北海道町村議会議長会長　石丸瀧藏

非共産系十二四会

代表者　國井雄次郎

G、H、Q、民政局長　殿

二四会つくらんとするリーダー殿拳

実施を歓迎するものである。

一、本件を知事並に関係当局に陳情の際は市町村議会の総意に依り市町村議会議長会長の連名を以て陳情する

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Good Statistics file L.6

地方公共団体の議会の議員及び長の党派別現在数調

知事 (Governor)

Survey Concerning the Number of Chiefs and Assemblymen of Local Public Bodies

昭和26年9月1日現在
September 1 1951

		定数 Fixed Numb.	自由 L.	民主 D.	社会 S.D.	共産 C.	社民 "S.D."	労農 L.F.	農協 F.C	諸派 Minor	無所属 Ind.	欠員 Absent
北海道	Hokkaido	1			1							
青森	Aomori	1									1	
岩手	Iwate	1									1	
宮城	Miyagi	1	1					1			1	
秋田	Akita	1									1	
山形	Yamagata	1									1	
福島	Fukushima	1	1								1	
茨城	Ibaragi	1										
栃木	Tochigi	1	1								1	
群馬	Gunma	1									1	
埼玉	Saitama	1									1	
千葉	Chiba	1									1	
東京	Tokyo	1									1	
神奈川	Kanagawa	1									1	
新潟	Niigata	1									1	
富山	Toyama	1									1	
石川	Ishikawa	1									1	
福井	Fukui	1									1	
山梨	Yamanashi	1										
長野	Nagano	1			1						1	
岐阜	Gifu	1									1	
静岡	Shizuoka	1									1	
愛知	Aichi	1									1	
三重	Mie	1										
滋賀	Shiga	1	1	1								
京都	Kyoto	1			1						1	
		1	1									

千葉	Chiba	1										1		
東京	Tokyo	1										1		
神奈川	Kanagawa	1										1		
新潟	Niigata	1										1		
富山	Toyama	1										1		
石川	Ishikawa	1										1		
福井	Fukui	1										1		
山梨	Yamanashi	1										1		
長野	Nagano	1			1									
岐阜	Gifu	1										1		
静岡	Shizuoka	1										1		
愛知	Aichi	1										1		
三重	Mie	1										1		
滋賀	Shiga	1	1	1										
京都	Kyoto	1			1									
大阪	Osaka	1	1									1		
兵庫	Hyogo	1										1		
奈良	Nara	1										1		
和歌山	Wakayama	1										1		
鳥取	Tottori	1										1		
島根	Shimane	1										1		
岡山	Okayama	1										1		
広島	Hiroshima	1										1		
山口	Yamaguchi	1										1		
徳島	Tokushima	1	1											
香川	Kagawa	1	1											
愛媛	Ehime	1										1		
高知	Kochi	1	1											
福岡	Fukuoka	1			1									
佐賀	Saga	1										1		
長崎	Nagasaki	1	1											
熊本	Kumamoto	1										1		
大分	Oita	1										1		
宮崎	Miyazaki	1										1		
鹿児島	Kagoshima	1										1		
26年9月1日 Sept. 1 1951		46 (100.00)	9 (19.57)		4 (8.69)							33 (71.74)		
26年6月1日 June. 1 1951		46	9		4							33		
25年9月1日 Sept. 1 1950		46	9		5						1	30	1	

National Election Administration Commission

都道府県会議員　Prefectural Assemblymen

都道府県	定数 Fixed Number	自 L.	民 D.	社 S.D	共 C	社民 "S.D."	労農 L-F.	農物 F-C	諸派 Minor	無 Ind	欠員 Absent
Hokkaido	93	24	11	21			5	21		11	
Aomori	50	25	11	5		1				8	
Iwate	50	26		5						19	
Miyagi	55	34	1	4					1	15	
Akita	50	30	7	6					2		
Yamagata	51	39		6					6		
Fukushima	61	50	1	4						6	
Ibaragi	60	39	12	2				1		1	
Tochigi	53	39	3	4						7	
Gumma	54	13	31	4						6	
Saitama	62	50		5						7	
Chiba	62	33	8	8						12	1
Tokyo	120	66	11	19	2					22	
Kanagawa	67	35	9	15					8		
Niigata	65	28	11	11						15	
Toyama	46	21	10	2					1	12	
Ishikawa	45	12	26	4						3	
Fukui	41	16		2					6	17	
Yamanashi	42	9	3	6					3	21	
Nagano	61	20	3	15					22	1	
Gifu	53	32		7					10	4	
Shizuoka	67	56	1	8						2	
Aichi	80	33	25	12						10	
Mie	52	11	5	6					27	3	
Shiga	43	31	5	5					2		
Kyoto	57	20	12	13	3				1	8	
Osaka	86	35	14	21	1				19	15	

Tokyo	120	66	11	19	2				8			
Kanagawa	67	35	9	15						15		
Niigata	65	28	11	11					1	12		
Toyama	46	21	10	2						3		
Ishikawa	45	12	26	4					6	17		
Fukui	41	16		2					3	21		
Yamanashi	42	9	3	6					22	1		
Nagano	61	20	3	15					10	4		
Gifu	53	32		7						2		
Shizuoka	67	56	1	8						10		
Aichi	80	33	24	12					27	3		
Mie	52	11	4	6					2			
Shiga	43	31	5	5					1	8		
Kyoto	57	20	12	13	3					15		
Osaka	86	35	14	21	1				19			
Hyogo	78	48		11						14		
Nara	41	22		5					2	27		
Wakayama	45	8	3	4		1			36			
Tottori	40	2		2					10	11		
Shimane	44	5	8	10			1		1	8		
Okayama	55	34		11					42			
Hiroshima	61	15		4		1				18		
Yamaguchi	53	26		8						30		
Tokushima	43	4	7	2					1	19		
Kagawa	44	14		10						21		
Ehime	53	23	2	7						20		
Kochi	43	18	2	3					17	26		
Fukuoka	82	14	7	18					28			
Saga	44	12		4						23		
Nagasaki	55	19	5	8						17		
Kumamoto	57	20	18	2					17			
Oita	49	26	2	4					24			
Miyazaki	47	20		3						49		
Kagoshima	57	8										
26. 9. 1 Sept. 1. 1951	2617 (100.00)	1165 (44.52)	274 (10.47)	341 (13.03)	6 (0.23)	2 (0.11)	6 (0.23)	22 (0.84)	291 (11.12)	508 (1941)	1 (0.04)	
26. 6. 1 June 1. 1951	2617	1151	276	340	6	2	—	1	254	587	—	
25. 9. 1 Sept. 1. 1950	2495	917	514	394	6	4	5	1	355	241	58	

市長 Mayor （区長を含む Including chiefs of Wards）

都道府県	定数 Fixed Number	自 L.	民 D.	社 S.D	共 C	社民 "S.D.	労農 L.F	協同 F.C	諸派 Minor	無 Ind	欠員 Absent
Hokkaido	15	1	1							13	
Aomori	3	1								2	
Iwate	4	1								3	
Miyagi	4	1								3	
Akita	4									4	
Yamagata	5									5	
Fukushima	5									5	
Ibaragi	4									4	
Tochigi	5	4		1							
Gumma	5		2							3	
Saitama	8	2		2						4	
Chiba	9	2	1							6	
Tokyo	(23) 5	(8)	(1)							(14) 5	
Kanagawa	8	3								5	
Niigata	7	1								6	
Toyama	3									3	
Ishikawa	3	1	2								
Fukui	4									4	
Yamanashi	2	1								1	
Nagano	6	1								5	
Gifu	5									5	
Shizuoka	12	1								11	
Aichi	12									12	
Mie	7			1						6	
Shiga	3	2								1	
Kyoto	5			1						4	

Chiba	7	2	1								6	
Tokyo	(23) 5	(8)	(1)								(14) 5	
Kanagawa	8	3									5	
Niigata	7	1									6	
Toyama	3										3	
Ishikawa	3	1	2									
Fukui	4										4	
Yamanashi	2	1									1	
Nagano	6	1									5	
Gifu	5										5	
Shizuoka	12	1									11	
Aichi	12										12	
Mie	7			1							6	
Shiga	3	2									1	
Kyoto	5			1							4	
Osaka	17	3	1	5							8	
Hyogo	13	1		1							10	1
Nara	2										2	
Wakayama	4										4	
Tottori	2										2	
Shimane	3										3	
Okayama	5	1									4	
Hiroshima	5			1							4	
Yamaguchi	10			1							9	
Tokushima	3										3	
Kagawa	3			1							3	
Ehime	6			1							5	
Kochi	1			1								
Fukuoka	11										10	
Saga	2										2	
Nagasaki	5										5	
Kumamoto	5	2	1								2	
Oita	7	3									4	
Miyazaki	6										6	
Kagoshima	5										5	
26. 9. 1 Sept. 1, 1951	291 (100.00)	40 (13.74)	9 (3.09)	16 (5.50)							225 (77.32)	1 (0.34)
26. 6. 1 June. 1, 1951	290 (100.00)	40 (13.79)	8 (2.76)	16 (5.52)							226 (77.93)	*
25. 9. 1 Sept. 1, 1950	269	40	13	10						3	203	

市會議員 City Assemblymen （区会議員を含む Including Assemblymen of Wards）

都道府県	団体数 Number of city	定数 Fixed Number	自 L.	民 D.	社 S.D	共 C.	社民 "S.D."	労農 L-F	農物 F.C.	諸 Miny	無 Ind.	欠員 Absent
Hokkaido	15	522	85	50	48			3		28	306	2
Aomori	3	108	36	19	1	1					50	1
Iwate	4	126	20	2	8						95	1
Miyagi	4	144	18		6	2					118	
Akita	4	126	33	13	6					4	69	1
Yamagata	5	162	43		5	1					113	
Fukushima	5	168	62		6					2	98	
Ibaragi	4	138	14	5	6	2				3	108	
Tochigi	5	168	88	7	4					5	70	
Gumma	5	168	13	30	3	4				22	96	
Saitama	8	270	102		17					5	146	
Chiba	9	286	25	7	16	2					236	
Tokyo	(23) 5	(967) 164	(141) 21	(71) 3	(85) 7	(12) 2				(18)	(138) 137	
Kanagawa	8	324	91	29	29	3				63	108	1
Niigata	7	233	39	20	15	1				1	157	
Toyama	3	106	20	1	3					15	67	
Ishikawa	3	110	21	63	6						20	
Fukui	4	126	3		1						122	
Yamanashi	2	66	9	3	6					5	43	
Nagano	6	184	11	1	12	1					159	
Gifu	5	176	24		9	1				1	141	
Shizuoka	12	396	139	9	11	2	2			17	215	1
Aichi	12	424	43	51	30	2				4	293	1
Mie	7	218	1	4	4	3				11	195	
Shiga	3	96	32	4	8						52	
Kyoto	5	183	19	12	23	3					126	
Osaka	17	576	90	25	64	11				13	368	5
Hyogo	13	456	19		51	4				61	291	30
Nara	2	66	7		2	1					56	
Wakayama	4	130	9		9						112	
					3	1				23	45	

Ishikawa	3	110	21	63	6						20		
Fukui	4	126	3		1						122		
Yamanashi	2	66	9	3	6					5	43		
Nagano	6	184	11	1	12	1					159		
Gifu	5	176	24		9	1				1	141		
Shizuoka	12	396	139	9	11	2		2		17	215	1	
Aichi	12	424	43	51	30	2				4	293	1	
Mie	7	218	1	4	4	3				11	195		
Shiga	3	96	32	4	8						52		
Kyoto	5	183	19	12	23	3					126		
Osaka	17	576	90	25	44	11				13	368	5	
Hyogo	13	456	19		51	4				61	291	30	
Nara	2	66	7		2	1					56		
Wakayama	4	130	9		9						112		
Tottori	2	72			3	1				23	45		
Shimane	3	96	6		9	1					80		
Okayama	5	166	3		8	1			1		153		
Hiroshima	5	188	9		13	1				26	135	4	
Yamaguchi	10	340	43		16	2				2	276	1	
Tokushima	3	96			2						94		
Kagawa	3	96	2		6						88		
Ehime	6	186	40		9						137		
Kochi	1	36	1	2			1			1	31		
Fukuoka	11	406	42	27	57					10	270		
Saga	2	60	12	2	2						44		
Nagasaki	5	186	27	10	10						139		
Kumamoto	5	158	36	25	5						92		
Oita	7	228	27	6	2	1					131	1	
Miyazaki	6	198	19		5						170	4	
Kagoshima	5	166	1		6						159		
26. 9. 1 Sept. 1. 1951	291	10,075	1883 (18.19)	495 (4.91)	654 (6.49)	70 (0.69)	1 (0.01)	5 (0.05)	1 (0.01)	340 (3.28)	6573 (65.24)	53 (0.53)	
26. 6. 1 June. 1. 1951	290	10042	1850	504	652	67	2	6	4	284	6662	11	
25. 9. 1 Sept. 1. 1950	-	9299	2207	856	753	85	8	8	7	398	4474	503	

町村長 Chiefs of Town and Village

都道府県	定数 Fixed Number	自 L.	民 D.	社 S.D.	共 C.	社民 "S.D."	労農 L.F.	農協 F.C.	諫 Minor	無 Ind.	欠員 Absent
Hokkaido	262	1		5				2	2	250	2
Aomori	160	23	8							128	1
Iwate	221	7		3						210	1
Miyagi	185	3	1						1	180	
Akita	219	16	6	5						192	
Yamagata	218	11		1						206	
Fukushima	354	24	1	1						328	
Ibaragi	363	14	1	3						344	1
Tochigi	166	13		4						149	
Gumma	191	3	10	2						175	1
Saitama	315	17		2					1	295	
Chiba	290	8	4	4						272	2
Tokyo	79	2		2						74	1
Kanagawa	100	3								97	
Niigata	377	38	8	5					3	321	2
Toyama	209	8	4							197	
Ishikawa	177	14	15							148	
Fukui	147								1	145	1
Yamanashi	186	3	1	9					1	171	1
Nagano	370	8	2	8					1	349	2
Gifu	279	12								267	
Shizuoka	271	19		1						250	1
Aichi	205		1							203	1
Mie	270		1	1						267	1
Shiga	158	21	1	4						132	
Kyoto	144	7								136	1

Chiba	290	8	4	4						272	2
Tokyo	79	2		2						74	1
Kanagawa	100	3								97	
Niigata	377	38	8	5					3	321	2
Toyama	209	8	4							197	
Ishikawa	177	14	15							148	
Fukui	147								1	145	1
Yamanashi	186	3	1	9					1	171	1
Nagano	370	8	2	8					1	349	2
Gifu	279	12								267	
Shizuoka	271	19		1						250	1
Aichi	205		1							203	1
Mie	270		1	1						267	1
Shiga	158	21	1	4						132	
Kyoto	144	7								136	1
Osaka	134	4							1	128	1
Hyogo	313	2	1					1	1	308	
Nara	136	5								128	3
Wakayama	196	1								192	3
Tottori	166			1						165	
Shimane	211	2								207	2
Okayama	344	1		3			2			346	2
Hiroshima	336			3					1	331	1
Yamaguchi	161	8								153	
Tokushima	125			3					1	121	
Kagawa	156	3		1						152	
Ehime	233	25								207	1
Kochi	168	18	1	1						148	
Fukuoka	261	1							1	247	2
Saga	120	2								113	
Nagasaki	155	5								149	1
Kumamoto	305	32	17	1						255	
Oita	189	13								176	
Miyazaki	73	1								72	
Kagoshima	116	1								115	
26.9.1 Sept. 1, 1951	9,814 (100.00)	404 (4.12)	83 (0.85)	73 (0.74)			2 (0.02)	3 (0.03)	15 (0.15)	9,199 (93.73)	35 (0.36)
26.6.1 June 1, 1951	9820	392	86	76	1	2	2	1	17	9212	31
25.9.1 Sep. 1, 1950	10099	806	286	208	16	4	3	13	20	8687	56

町村會議員 Assemblymen of Town & Village

	両体数	定数 Fixed Number	自 L	民 D.	社 S.D	共 C.	社民 S.D'	労農 L.F.	農協 F.C.	諮詢 Minor	無所属 Ind	欠員 Absent
Hokkaido	212	5.794	171	14	94	10		3	960	118	5.193	31
Aomori	160	3.060	132	49	28	7	4			1	2.838	1
Iwate	221	3.934	118		20	7				1	3.759	19
Miyagi	185	3.564	85		27	2				24	3.419	7
Akita	220	3.900	151	44	114	17	9	3	2	10	3545	5
Yamagata	218	3.648	158	2	43	8				2	3.428	7
Fukushima	354	6.220	164	2	53	14				2	5.983	2
Ibaragi	363	6.396	86	7	47	25	1	1	4	14	6.196	15
Tochigi	166	3.488	179	33	67	11				1	3.192	5
Gumma	191	3.743	114	150	99	19				5	3349	7
Saitama	315	5.621	126		57	19				15	5398	16
Chiba	290	5262	57	6	36	13					5150	
Tokyo	78	1.448	46	1	29	13				1	1344	14
Kanagawa	106	1.856	32	2	23	10				22	1762	5
Niigata	379	6.858	545	46	199	27	4			66	5946	13
Toyama	209	3.302	84	43	22	6				2	3143	2
Ishikawa	177	2696	108	113	7	7					2459	4
Fukui	148	2228			2					6	2216	4
Yamanashi	190	3.080	88	17	166	17	16			40	2741	3
Nagano	372	6.532	102	6	89	52	1	3		4	6266	9
Gifu	281	4.594	82		14	13				2	4465	6
Shizuoka	272	5130	248	7	37	6		1		1	4812	11
Aichi	205	4293	2	1	12	7				4	4261	6
Mie	270	4263	3	3	7	15				9	4164	62
Shiga	158	2.639	178	5	38	2	1			19	2391	5
Kyoto	144	2244	21		30	8			1		2161	23
Osaka	134	2460	25		15	23					2392	5
Hyogo	313	5275	36	3	42	18			71	23	5057	25
[illegible]	121	2283	26		8	6		1		2	2223	17

Kanagawa	106	1,856	32	2	23	10				22	1762	5
Niigata	377	6,858	555	45	199	27	4			66	5946	13
Toyama	209	3,302	84	43	22	6				2	3143	2
Ishikawa	177	2696	108	113	7	7					2457	4
Fukui	148	2228			2					6	2216	4
Yamanashi	170	3,088	88	17	166	17	16			40	2741	3
Nagano	372	6,532	102	6	89	52	1	3		4	6266	9
Gifu	281	4,583	82		14	13				2	4465	6
Shizuoka	272	5130	248	7	39	6		1		1	4812	11
Aichi	205	4293	2	1	12	7				4	4261	6
Mie	270	4263	3	3	7	15				9	4164	62
Shiga	158	2639	178	5	38	2	1			19	2391	5
Kyoto	144	2244	21		30	8			1		2161	23
Osaka	134	2460	25		15	23					2392	5
Hyogo	312	5275	36	3	42	18			71	23	5057	25
Nara	136	2283	30		8	6		1		3	2223	12
Wakayama	196	3107	2	1	20	5					3000	79
Tottori	166	2454	5		9	5					2435	
Shimane	211	3350	7	4	40	19					3273	7
Okayama	354	5701	12		18	6		7	2		5656	
Hiroshima	338	5370	17		38	8				21	5260	24
Yamaguchi	161	2700	89		22	7		1		37	2639	5
Tokushima	125	2376	13		23	4				4	2331	1
Kagawa	156	2588	13		22	11	1	1	18	7	2514	1
Ehime	233	4040	89	1	24	12					3910	4
Kochi	169	2832	71	5	10	10				1	2735	
Fukuoka	251	4577	43	1	91	10	9		10	72	4337	4
Saga	120	2206	125	4	4	2					2171	
Nagasaki	155	3019	9	2	19						2983	6
Kumamoto	305	5070	231	83	16					10	4673	2
Oita	189	3054	120	2	12	3				1	2915	1
Miyazaki	73	1530	9	1	1					1	1547	1
Kagoshima	116	2680	1		15	6				4	2624	30
26. 9. 1 Sept. 1. 1951	9833	172,611 (100.00)	4044 (2.34)	660 (0.38)	1811 (1.05)	490 (0.28)	46 (0.03)	21 (0.01)	268 (0.16)	558 (0.32)	164,224 (95.14)	489 (1.29)
26. 6. 1 June. 1. 1951	9845	172,745	4006	647	1,794	492	35	25	25	791	164,649	251
25. 9. 1 Sept. 1 1950		180,771	10185	3916	4268	691	59	74	576	641	152,089	827

Significant events in development of local government in Japan

(From Sept. 1948 to Sept. 1950)

The significant events - legislative, political or financial - in development of local government from Sept. 1948 to Sept. 1950 are as follows:

I. Summary

A. Legislative

a. Matters concerning the National Government Organization which have influence over local autonomy

The Local Autonomy Section, Secretariat, Prime Minister's Office and the Local Finance Committee existed hitherto were abolished and the Local Autonomy Agency was newly established as from June 1, 1949, and, after that, the Local Finance Commission and the Local Administration Investigation Committee were established due to the Report on Japanese Taxation by the Shoup Mission. On the other hand, so many local agencies of national government, abolition of which were keenly desired by all To, Do, Fu and prefectures, were abolished in compilance with enforcement of respective Ministries Establishment Laws, etc. in this preiod.

b. Matters concerning the Local Administration

The Local Autonomy Law was partially amended relating to the procedures of the direct demand etc. for the purpose of securing fairness and stablility of the local administration, besides, the Public Offices Election Law and such special laws as the Law for Construction of Hiroshima Eternal Peace Commemorating City, were enacted.

B. Political

a. Though creations of cities, towns or villages as well as their dissolutions,
a. divisions or unions were effected comparatively in a low tone, good many new cities were established on the one hand and good many separation of cities, towns or villages, which had been compulsorily united during the war time, were effected according to popular voting. Thus, the reorganization of cities, towns or village was gradually effected due to the will of the inhabitants.

b. Many autonomous legislations, such as the bylaws concerning the public safety, were enacted.

c. Many direct demands, as the demand for the dissolution of the assembly and the dismissal of the chief, were held throughout the country and in the course of these demands the interest of the inhabitants in the local autonomy were remarkably enhanced. But, as a certain part of the people looked to abuse the right of the direct demand, the Local Autonomy Law was partially amended for the purpose of securing the fairness of the procedures thereof.

d. Many cases happended where the assemblies and chiefs of cities, towns or villages stood face to face and quarreled each other concerning such matters as the establishment of the lower secondary school or collection of rice, and the number of the chiefs of cities, towns or villages who retired from office during about one year amounted to 1976 persons.

e. The allowances of the officials of local public bodies were improved and the reduction in the number of the personnel in local public bodies was effected corresponding to the national policy.

f. National associations of the respective local associations of organs of To, Do, Fu and prefectures, or cities, towns or villages, such as the national association of the chiefs of assembly of To, Do, Fu and prefectures, were established and took active part in local autonomy.

C. Financial

a. The divisions of the charges concerning administration between the state and local public bodies, such as the alloted charge, the subsidy or the delivery fund, were coordinated and uniformed by the Law for Partial Amendments to the Local Finance Law.

b. The amount of fifty five billion and seven hundred million yen, was reduced of the local distribution tax, and consequently the local finance was in straits.
(1949 fiscal year)

c. The Enterprise Tax, Inhabitants Tax etc. were partially amended by the Law for Partial Amendments to the Local Tax Law.

d. According as the system of the local tax and finance was requested to be studied fundamentally again by the first Report of the Shoup Mission, the Local Equalization Grant Law, the Local Tax Law etc. were enacted or amended as well as the Local

Finance Commission was newly established. And, furthermore, the reform of the system concerning the local tax and finance based on the second Report of the Shoup Mission is now under way.

e. The system of the local finance equalization grant was newly established, and the amount of one hundred and five billion yen for 1950 fiscal year was appropriated in the national budget.

II Main Question

A. Legislative

a. Matters concerning the National Government Organization

(1) Central National Government

(Name)	(Date of Promulgation)	(Law Number)	(Summary)	(Remarks)
1. Law for Partial Amendments to the Local Finance Committee Law	Dec. 4, '48	Law No. 223	The Committee was amended to exist till Mar. 31, '49. (formerly till Dec. 7, '48)	
2. Same as above	Dec. 18, '48	Law No. 248	As to the members of the committee, "one person of the representative of the members of the National Diet" was amended as "respectively one person of the representative of the members of the House of Representatives and the House of Councillors", and one person for learning and experience was newly added. So, the fixed number of the members become 7.	
3. Same as above	Mar. 31, '49	Law No. 25	The Committee was amended to exist till May 31, '49.	
4. Respective Ministries Establishment Laws	May , '49		Laws concerning the establishment of respective ministries were enacted on May '49, and the good many national local agencies were abolished in complisnee with them.	
5. Local Autonomy Agency Establishment Law	May 31, '48	Law No. 131	(1) The agency was established as an external organ of the Prime Minister's Office for the purpose of the liaison between the state and local public bodies,	

			the liaison and cooperation among local public bodies themselves and supporting the right of local autonomy of local public bodies. (2) The Local Autonomy Committee was composed of 12 members, and the Director's Secretariat, the Liaison and Administration Division and the Finance Division were established as internal subdivisions. (3) The Local Finance Committee was abolished.
6. Local Administration Investigation Committee Establishment Law	Dec. 27, '49	Law No. 281	(1) The Committee shall study, plan and recommend concerning the reallocation of the functions among the state and local public bodies for the purpose of extension of the local autonomy. (2) The Committee is composed of five members.
7. Local Finance Commission Establishment Law	May 30, '50	Law No. 210	(1) The Commission is established to contribute to realization of the principle of local autonomy by promoting the adjustment of financial relations among the state and local public bodies. (2) The Commission is composed of five members, and the members shall include three persons recommended by the chiefs of local public bodies. (3) With respect to the local finance, the Local Autonomy Agency shall take charge of planning and drawing up laws and orders.

The Local Autonomy Committee was amended as to be composed of eight members and the Internal Subdivisions were abolished.

(2) Adjustment and Abolition of the Local Agencies of the National Government

(Date)	(Name of National Local Agency)	(Summary)	(Remarks)
June 1, '49	(1) Ministry of Education Osaka Branch Office	Abolished in compilance with the enforcement of respective Ministries Establishment Laws	1
	(2) Ministry of Education Prefectural Resident Officer of Educational Facilities Bureau	"	46
	(3) Ministry of Welfare President Medicine Resident Officer	"	46
	(4) Ministry of Agriculture and Forestry Resident Officer of Agricultural Administration Bureau	"	6
	(5) Ministry of Agriculture and Forestry National Grazing Land Officer	"	9
	(6) Ministry of Agriculture and Forestry Resident Officer of Groceries Bureau	"	8
	(7) Ministry of Commerce and Industry Local Trade Bureau	"	8
	(8)Patent Standard Bureau Osaka Branch Office	"	1

Aug. 1, '49	(9) Ministry of Transportation Road Transportation Operation Administration Office	Abolished in compilance with the enforcement of the Ministry of Transportation Establishment Law. The detached Office of Regional Land Transportation Bureau was newly established.
	(10) Ministry of Commerce and Industry Branch Office of Commerce and Industry Bureau	Abolished in compilance with the enforcement of the Ministry of International Trade and Industry Establishment Law. The Detached Office of International Trade and Industry Bureau was newly established.
Nov. 1, '49	(11) Ministry of Transportation Detached Office of Regional Land Transportation Bureau	Abolished. The powers were transfered to the governors of To, Do, Fu and prefectures. The Land Transportation Offices are newly established in To, Do, Fu and prefectures.
	(12) Ministry of International Trade and Industry Detached Office of International Trade and Industry	Abolished. The powers were transfered to the governors of To, Do, Fu and prefectures. The Commerce and Industry Material Offices are newly established in To, Do, Fu and prefectures.
May 31, '50	(13) Ministry of Agriculture and Forestry Material Adjustment Office	Abolished by the Law for Partial Amendments to the Ministry of Agriculture and Forestry Establishment Law (Law No. 113 Apr. 24, '50)
	(14) Ministry of Agriculture and Forestry Charcoal Office	Intended to be abolished as from Jan. 1, '51 by the above-mentioned Law.

B. b. Matters concerning the Local Administration

(1) System of Local Administration

(title)	(Date of promulgation)	(Law-Number)	(outline)
1. Public Offices Election Law	Apr. 15, '50	Law No. 100	The uniformed provisions are prescribed with respect to the election of the members of the National Diet, and the assemblymen,chiefs and members of the board of education of the local public bodies.
2. Law for Partial Amendments to the Local Autonomy Law	May 4, '50	Law No. 143	It is the third amendments to the Local Autonomy Law. The provisions concerning the direct demand, the operation of the assembly etc. were amended generally, for the purpose of securing fairness and stability in local administration.

(2) Special laws as are applicable only to one local public body

(title)	(Date of promulgation)	(Law-Number)	(outline)
1. Law for Construction of Hiroshima Eternal Peace Commemorating City	Aug. 6, '49	Law No. 219	Hiroshima City shall be constructed as the Eternal Peace Commemorating City, and the state and local public bodies shall assist it as much as possible.
2. Law for Construction of Nagasaki International Cultural City	Aug. 9, '49	Law No. 220	Nagasaki City shall be constructed as the International Cultural City, and the state and local public bodies shall assist it as much as possible.

3. The National Capital Construction Law	June 28, '50	Law No. 219	(1) Applied to Tokyo To. (2) The Capital Construction Committee shall be established in the national government. (3) The State may transfer the common properties to Tokyo To.
4. Law for Conversion of Former Naval Port Cities	June 28, '50	Law No. 220	(1) Applied to Yokosuka, Sasebo, Kure and Maizuru Cities. (2) The Council shall be newly established in the national government. (3) The State may transfer the common properties to these cities.
5. Law for Construction of Beppu International Sightseeing Hot-Spring and Cultural City	Jul. 18, '50	Law No. 221	(1) Applied to Beppu City (2) The state may transfer the common properties to the city.
6. Law for Constriction of Ito International Sightseeing Hot-Spring and Cultural City	Jul. 25, '50	Law No. 222	(1) Applied to Ito City. (2) Same as above.
7. Law for Construction of Atami International Sightseeing Hot-Spring and Cultural City	Aug. 1, '50	Law No. 233	(1) Applied to Atami City. (2) Same as above.
8. Law for Construction of Yokohama International Port City	Sep. 21, '50	Law No. 248	(1) Applied to YOKOHAMA City (2) Same as above

9. Law for Construction of Kobe International Port City	Sept. 21 '50	Law No. 249	(1) Applied to Kobe City (2) The State may trasfer the common properties to the city
10. Law for Construction of Nara International Sightseeing and Cultural City	Sept. 21 '50	Law No. 250	(1) Applied to Nara City (2) Same as above
11. Law for Construction of ~~Nara~~ Kyoto International Sightseeing and Cultural City.	Sept. 22, '50	Law No. 251	(1) Applied to Kyoto City (2) Same as above

B. Political

1. Trend of increase and decrease in the number of city, town and village throughout the country.

a. Number of city

		(name of the city created)
Sept. 1, 1948 number of city 227	(Kanuma, Wakkanai, Shinjyo, Shirakawa, Gyota,	
Sept. 1, 1949 number of city 234	(Minamata, Makurazaki	
Sept. 1, 1950 number of city 246	(Nichinan, Bibai, Chichibu, Kariya, Usaki,	
	(Kobayashi, Toyooka, Tondabayashi, Kakogawa,	
	(Noda, Koga, Ayabe. (total 19 cities created)	

b. Number of town and village

Sept. 1, 1948	Number of town 1,802	Number of village 8,455 total 10,257
Sept. 12, 1950	Number of town 1,834	Number of village 8,354 total 10,188

Increase and decrease of the number of town or village in above mentioned two years (Mark @ means decrease)

Number of town 32, Number of village @ 101 total @ 69

2. Matters concerning bylaws

a. Bylaws relating to the administrative affairs enacted by ~~the~~ To, Do and prefecture	from Sept. 1, 1948 to July 31, 1950	230 bylaws relating to the business control, inspection of commodities etc., were enacted.

b. Bylaws relating to the Control over the parade or demonstration (So-colled public Safety bylaw)	From Sept. 1, '48 to July 1, '50	13 prefecture, including Tokyo, and 66 cities, towns and villages enacted the bylaws.

3. Matters concerning Election

a. General election for the members of House of Representatives	Jan. 13, 1949	In 466 representatives, 264 persons belonged to Democratic Liberal party and 35 persons belonged to Japan Communist party and Democratic party, especially, Social democratic party were strikingly defeated. Percentage of voting was 74.9%, and it was the best record in recent years.
b. People's Examination of the Supreme Court Judges.	Jan. 13, 1949	As it was not familiar to be people, there were many invalid votes. The result showed that the people was not for dismissal of 14 Judges.
c. Election of Members of Board of Education	Oct. 5, 1948	Percentage of voting 56% 276 persons elected (including 33 women)
d. Regular Election of Members of the House of Councillors.	July 4, 1950	Liberal party and Social Democratic party advanced remarkably, and Communist party were perfectly defeated in local constituency and Ryokuhu-kai and Democratic party were flat. Percentage of voting was 72%. ~~and held on April in 1947.~~ In addition, the number of perfect voting towns and villages, were 26.

e. Election of Governor of To, Do, Fu or prefecture

Prefecture	Date of election	Name of the elected	Party	Percentage of voting	votes obtained by the successful candidate	valid votes	Percentage of votes obtained by the successful candidate
Toyama	Nov. 20, 1948	Takatsuji Takekuni	Ind.	65.0	162,872	335,598	48.5
Miyagi	Feb. 24, 1949	Sasaki Kazuji	Demo--Liberal	62.4	225.166	483,775	46.5
Saitama	May 17, 1949	Ōsawa Yūichi	Ind.	60.0	244,516	632,746	38.6
Fukushima	Jan. 23, 1950	Ōtake Sakuma	Demo Liberal	71.7	386,357	711,535	54.3
Kyoto	April 20, 1950	Ninagawa Torazō	Socialist	61.5	325,955	618,707	53.7
Kagawa	Sept. 11,1950	Kaneko Masanori	Liberal	77.7	228,787	393,460	58.1

4. Direct Demands

			To, Do, Fu and Pref.	City, Town or Village	Total
a. Demand for Enactment, amendment or abolition of bylaws.	Sept. 1, '48 -Oct. 20, '49	Cases where procedure for demand began	4	6	10
		Successful cases	2	5	*7
		cases adopted by assembly	1	2	3

b.	Demand for Inspection	Sept 1, 1948 -Oct. 20, '49	Cases where procedure for demand began	1	16	17
			Successful cases	-	11	11
c.	Demands for Dissolutions of Assemblies	"	Cases where procedure for demand began	-	81	81
			cases wher all assemblymen resigned	-	10	10
			Cases where voting were held	-	37	37
			Successful case	-	16	16
d.	Demands for Dismissals of Assemblymen	"	Cases where procedure for demand began	-	20 (37 persons)	20 (37 persons)
			cases where voting were held	-	9 (26 persons)	9 (26 persons)
			number of assemblymen who were dismissed	-	12 persons	12 persons
e.	Demands for Dismissals of Chiefs of local public bodies	"	Cases where procedure for demand began	-	70	70
			Number of chiefs who resigned	-	18 persons	18 persons
			Cases where voting were held	-	32	32
			Number of chiefs who were dismissed	-	12 persons	12 persons

f. Demands for Dismissal of key personnel	"	Cases where procedure for demand began	-	2	2
		Successful cases	-	2	2
		Cases adopted by assembly	-	-	-
		Number of personnel who resigned	-	1	1

(Note) Table 4 was made by the materials reported to this agency as of Oct. 20, 1949, and many other cases seem to be left unknown.

5. Assemblies and Chiefs of Cities, towns or villages

a. Resolution of non-confidence in chiefs of cities, towns or villages	April 1, 1948 - June 1, 1949	44 cases	Cases where the chief resigned	2
			Cases where all assemblymen resigned	1
			Cases where the chief dissolved the assembly	41
		among above 41	Cases where resolution of non-confidence was again made by the assembly	9
			Cases where the chiefs~~the~~ hold the post continually	3
b. Resignation of all assemblymen of cities, towns or villages	"	90 cases	due to establishment of lower secondary school	37
			due to opposition to chiefs	10