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TALK TO BE MADE BY DR. SHERWOOD M. FINE
DIRECTOR OF ECONOMICS AND PLANNING,
ECONOMIC AND SCIENTIFIC SECTION,
BEFORE THE AMERICA-JAPAN SOCIETY,
26 JANUARY 1951
AT THE
INDUSTRY CLUB, MARUNOUCHI, TOKYO

JAPAN'S ECONOMIC OUTLOOK

It is indeed a pleasure to speak before the America-Japan Society. Your distinguished organization has enjoyed an enviable reputation for many years as one of the more eminent and constructive international groups working for furtherance of sympathetic understanding between the East and the West. Among your members have been included some of the most prominent Japanese and Americans active in the commercial, educational and political life of Japan. I have learned from your Chairman that the Society contemplates an expanded and intensified program of activities. I wish you every success in that endeavor.

I am sure that you will all agree that at no time has such close and intimate understanding existed between our two nations. That this is the case at this time speaks eloquently, I believe, for the future prospects of Japanese-American relations. The last five years have witnessed genuinely momentous changes in Japanese orientation, institutions, and outlook, which it is anticipated will soon be crowned by a peace settlement returning Japan to full sovereignty.

I should like this afternoon briefly to scan the developments in the Japanese economy since the Summer of 1945 as background to an appraisal of the economic outlook.

The post-war economic recovery achieved in Japan represents one of the more notable episodes in recent economic history. In a remarkably brief period Japan has been rehabilitated from virtual complete economic prostration to her present economic vigor. Currently she is enjoying a level of industrial activity one-third higher than that experienced in the period 1932 - 1936, while exports as of December 1950, are running at a rate of almost $1.5 billion annually. Not only has Japan's industrial recovery been of remarkable proportions but it has been equally impressive with respect to its persistency. Most indicative of Japanese economic progress has been the sizeable expansion of Japanese exports whose monthly volume has approximately doubled in the last half of 1950 and is now running at a rate of some three times the average monthly volume enjoyed during 1949.

The substantial character of Japanese economic recovery prior to the outbreak of the Korean war is attested by the fact that Japan was one of the few major nations of the world which did not participate in the world-wide currency devaluation which took place in the fall of 1949. The Japanese economy has demonstrated an impressive degree of economic stability enjoying a balanced budget and a stable price structure.

While emphasizing the foregoing favorable developments it should be pointed out that one of the major contributory factors making possible the foregoing accomplishments has been the approximate $2 billion of economic aid contributed by the U.S. The course of economic recovery would most assuredly have been far less favorable in the absence of this generous American assistanc . U.S. provision of imports of

essential industrial raw materials and food in my judgment spelled the difference between a probable protracted depression and a vigorous, healthy recovery.

Many challenging problems, however, continued to confront the Japanese economy. Her productive capacity is still woefully obsolete, backward both in design and efficiency. Required funds for capital expansion and modernization are difficult to secure. Serious difficulty has been experienced in attempting to attain a competitive status in world markets for many of her products due to inefficient productive techniques and inability to secure low cost industrial raw materials in requisite quantities from her former sources of supply. Customary neighboring sources of food procurement have no longer been available. Discouragingly slow progress was experienced in the re-establishment of a reasonably sized merchant fleet and very large foreign exchange outlays for shipping services were thereby annually required. The scale of silk exports to the U.S., the chief source of dollar exchange during the 1920's and 1930's, was well below former levels despite greater reliance upon purchases of raw materials and food from the U.S. The solution to the dollar gap problem does not appear easy of attainment. The problem of reorientation of sources of supply for industrial raw materials as well as food and shifting of export outlets flowing from inability to conduct normal trade relations with China, Manchuria and Korea was an economic impediment of incalculable importance.

Despite the large number of outstanding problems still before her Japan by the Summer of 1949 appeared reasonably well on the road to

achieving self-support. However, the continuity of her newly emerging economic pattern was altered with the outbreak of the Korean War. As the events of the last seven months have disclosed the nations of the entire free world have been obliged to make major adjustments in their economies to meet the imminent threat of war by an agressive Communist imperialism. The treacherous Communist attack across the 38th Parallel forceably confronted the world with the reckless determination to accomplish world domination.

The large scale rearmament program forced upon the free world by international Communism constitutes a radically altered economic framework for the coming years of incalculable importance to Japan's outlook. The free world is now resolved to create at any cost the requisite military machine to defend itself against the menace of Communism. This means full utilization of the free world's physical plant, existing raw materials and manpower for the foreseeable future. Currently the dominant problem facing the free world's economies as well as Japan is that of discovering sources of supply for industrial raw materials to meet the assured demand for manufactured goods of virtually every type. With an ever increasing portion of the free world's national income having to go for non-constructive, non-economic, military uses, the standards of living for most members of the free world will necessarily have to be reduced. Many normal consumer's items will be available only in reduced volume and some no longer procurable before long. World prices have already risen markedly and widespread new tax programs of unprecedented peacetime proportions are being formulated to meet the

record peacetime level of military outlays. The major current economic considerations of the free world are the fulfillment of military requirements without imposition of profound dislocations upon its economic structure, the development of programs to combat inevitable inflationary pressures and the safeguarding of the minimum standards of living of their population.

Japan's economic upsurge of the last seven months has brought in its train many problems. The remarkably successful economic stabilization so hard won is being challenged. The impressive expansion of industrial production and exports has not been paralleled by any commensurate increase in importation of required raw materials. Japan's stockpiles of key raw materials have been seriously declining. International competition for vital materials has been greatly intensified with consequent bidding up of prices. Speculative hoarding and fear buying have reinforced this movement. The substantial advances in domestic wholesale prices reflecting increased world prices and intensified internal buying pressures have precipitated the beginnings of a serious upward price movement.

Rapidly developing industrial raw material shortages have prompted the institution of materials allocations programs along with complementary control measures or the preparation for the institution of control technics by virtually every major Western industrial nation. For those items in scarce world supply, procured from the U.S., recent plans indicate that there will have to be a demonstration by importing nations that only the most essential categories of demand will be satisfied,

with a definite limitation imposed upon unessential requirements as the condition for continuing eligibility for procurement.

The current pressures of inflation stem from worldwide conditions and cannot be easily neutralized by even the most intelligently framed system of economic controls. Even more serious is the great probability that we are still in the early stages of a worldwide inflationary move; the scope of which cannot be foreseen at this time. The military appropriations of the free world give every assurance of attaining greater and greater proportions with consequent progressive tightening of availabilities and more intensified competition for scarce materials. Viewed in this light, the paramount problem confronting the Japanese economy is her ability to secure the requisite flow of essential raw materials. With the setting up of international allocation committees for essential commodities, Japan will obviously have either energetically to compete at exorbitant prices for small quantities outside of the coordinated procurement programs of the major powers or else accommodate herself to the reality of the present world supply situation and attempt to participate cooperatively in existing and contemplated international plans and adopt such selective controls as appear necessary and desirable.

It is fully appreciated that the nations adopting economic controls are those countries engaged in large scale rearmament programs. In their case economic controls are designed to guarantee the accomplishment of the rearmament program by the subordination of nonessential production. The second objective sought, however, through economic controls by the free nations of the world is the containment of the inflationary

consequences of a greatly accelerated production effort. In a Democracy, the welfare of the population at large is too important to be sacrificed to the caprice of the market during a period of artifically created scarcity. With respect to Japan, the hazards of inflation may become as real as is the case of those nations currently involved in the struggle against world communism. While happily to date, the retail cost of living has risen only some 5% in the last six months, the wholesale price index however has risen over 20% in the same period. The retail price index will in time tend to follow the direction of the wholesale price index.

As one who has been intimately involved in the development of Japan's economic stabilization program, I cannot help but be disturbed over the resistance currently revealed in the press and elsewhere to suggestions of controls designed to minimize the scope of the present and prospective price rise. Controls per se, it is readily admitted, are disrupting and troublesome. However, under some circumstances, the cost of adhering without deviation to the free market may become excessive. Japan's earlier disconcerting experiences with inflation should have resulted in some conviction to avoid any duplication even in small degree of those unhappy episodes.

Japan cannot isolate herself from the world economy. Her prime reliance upon world trade makes her extraordinarily sensitive to every significant international economic development. Japan cannot afford to close her eyes to the current momentous changes in availability of key raw materials and the technics of control being adopted to cope with this

fact by the leading powers. It is not for one moment contended that Japan should automatically follow whatever course the major industrial powers inaugurate, however, this nation should appreciate fully that the pressures forcing the adoption of selective economic controls are currently, in measure, also operative in her own economy.

No attempt will be made at this time to indicate those selective controls likely to become most appropriate in light of developing circumstances. It is not believed that they will be numerous or particularly troublesome as would undoubtedly be revealed by frank public discussion. The segments of the economy subject to particular strains and those in prospect suggest the direction for mature consideration. Past experience warrants the belief that prompt, intelligent action of a selective character may obviate the necessity for more comprehensive controls at a later date when the inflationary spiral may have made considerable headway.

Let us now undertake to consider some of the major outlines of Japan's economic outlook. It appears to me reasonable to expect continuation of the present state of differences between the free world and the Soviet Union and her satellites. In the absence of any reconsideration by the Soviet Union of her present agressive course, it is difficult to envisage how the free world can move other than in the direction of increased military preparedness. Basically, then, the world economy can reasonably expect to experience for some time to come, through the perverse relationship of military preparedness programs to full employment, a high level of economic activity and relative full utilization of

productive facilities though living standards will of necessity have to suffer. Specifically, with respect to Japan, it would appear that she may be able to experience rising levels of economic activity for some time to come. The index of industrial activity and exports may be able to move to significantly higher levels. Such a development, however, can only ensue in the event that Japan is able to secure the requisite flow of imported industrial raw materials. With the prevailing world shortages of such commodities as coal, coking coal, iron ore, rubber, textile fibers, non-ferrous metals, fats and oils and wood pulp, as well as shipping, it is difficult to be optimistic in this regard although present scarcities for some commodities such as cotton may be alleviated somewhat before long through increased harvests. The greater competitive ability of the major Western powers suggests that Japan with her limited foreign exchange resources is poorly situated in the coming scramble over raw materials.

Recent indications, however, of a coordinated international approach by the free world toward procurement of scarce materials affords some potential relief. The presently contemplated joint procurement by the United States, England and France of scarce raw materials provides perhaps the only tenable solution to the problem of spreading scarce materials among many demandants while avoiding the ordinarily inflationary consequences of competitive bidding. It is fervently to be hoped that it will be possible, through the sponsorship of the United States, to secure for Japan either participation or else representation of her requirements on such international groups as are established. It can only be presumed

that Japan's share, in the event that she becomes a participant to international allocations programs, will largely be a function of her willingness to adopt comparable selective controls to conserve scarce materials to those implemented by the other members of the allocations committees. It is possible, moreover, that nations engaged in costly military production programs may be less than completely sympathetic to the material requirements of countries not assuming such responsibilities.

However, there are numerous indications that upon her attainment of a peace treaty Japan will enthusiastically line up along side the free nations of the world. Her participation as a full member in the United Nations and the various other international organizations and economic bodies would constitute undoubtedly the most effective means for establishing healthy, cooperative relations with the free world.

It is most difficult to undertake to appraise in detail the prospective developments in the Japanese economy dependent as they are upon the resolution of outstanding political and military situations in neighboring areas. It is obvious, however, that the geographic scope of communist activity in the Orient has a direct and profound impact upon the prospects of the Japanese economy. The historical complementary relationship between industrial Japan and the under-developed, raw material exporting neighboring nations makes the present period of Asiatic strife of overwhelming significance in defining the scope of trade relations still open to Japan. Communist advances in China and neighboring areas have already imposed the necessity for substantial reorientation of Japan's trade pattern. It is hoped that the communist pattern of aggression can be effectively

contained permitting Japan to continue normal trade relations with the present non-communist areas. In the event of further communist aggression very serious added problems of trade reorientation will be thrust upon the Japanese economy with greater reliance inevitably being imposed upon trade relations with the United States and the other members of the free world.

The availability of essential industrial raw materials will primarily determine the future levels of Japanese industry and foreign trade. The certainty of worldwide scarcities of most industrial raw materials would appear to make necessary before very long the adoption of conservation measures to ensure the accommodation of the more essential categories of Japanese requirements. Reflecting the worldwide inflation, price pressures upon the Japanese economic structure promise to increase rather than diminish. With growing shortages of raw materials and consumers' goods in prospect inflationary pressures are likely to be progressively manifest. Appropriate adjustments, therefore may also be required in Japan's current fiscal program.

Japan's outlook, as well as that of the entire free world, is dominated by challenging problems of disconcerting complexity. The road ahead appears neither easy nor assured. In the coming years, Japan will play a most influential role in concert with the free world in support of the concepts of democracy and freedom. No effort, economic or otherwise, is too great in the struggle for personal liberty and international justice. Whatever the cost may be, it is insignificant compared to the price of enslavement.

PART III

Surplus Incentive Materials

Source: PIO, GHQ, FEC
Information Bulletin No. 38,
7 April 1950

"The Surplus Incentive Materials program (SIM) was launched late in 1946 following completion of negotiations between SCAP Headquarters and the Department of the Army to divert to it large quantities of U.S. Army surplus stocks in Japan and the United States.

"Utilization of these stocks as incentive goods to workers in key industries in Japan afforded substantial savings in U.S. appropriated funds as compared to the cost had similar goods been purchased from private suppliers.

"This marked the beginning of the SIM program as a real incentive to a working population ill-clad, ill-equipped and starved for consumer goods although earlier, during the rice-short summer of 1946, some goods had been distributed to workers on an incentive basis.

"During the four years of the Occupation, approximately $80,000,000 worth of surplus U.S. Army goods have been received from the United States under the SIM program.

"As of Dec. 31, 1949, a total of 14,370,224 pieces of clothing had been distributed, not including items of clothing manufactured from yardage received through SIM. Total shoe distribution had reached 1,269,730 pairs.

"Farmers have been the largest group of beneficiaries. Approximately 8,000,000 pieces of clothing and 700,000 pairs of shoes have been made available for their purchase.

"Coal miners have been allocated 3,000,000 pieces of clothing and 100,000 pairs of shoes. Other recipients include fishermen and whalers, repatriates, workers of the iron and steel industry; industrial employees, metal and pyrite miners, charcoal and firewood workers, steel shipbuilding and repair men, and chemical fertilizer employees.

"The Eighth Army Quartermaster depots in Japan and other Pacific areas had released goods totaling about $4,000,000 as of Dec. 31, 1949. Surplus goods releases aggregating about $10,100,000 have been made from the following sources: British Commonwealth Occupation Forces ($4,100,000), and the Foreign Liquidation Commission Forces ($6,000,000).

"In addition, prior to October 1949, the Eighth Army Quartermaster sold about $5,000,000 in surplus goods such as tobacco, textiles, rubber goods, leather, machinery and miscellaneous items, directly to the Japanese government. These transactions did not involve SIM operations. All of these releases were distributed to essential industries under the supervision of the Price and Distribution Division.

"The incentive goods program is under the sponsorship of the Price and Distribution, Foreign Trade and Commerce and Industry Division of SCAP's Economic and Scientific Section and the Natural Resources Section.

"Incentive materials arriving in Yokohama are received by the appropriate Kodan, a public corporation established to handle transactions in specific commodities on behalf of the Japanese government. In effect, the Kodan purchases, takes possession of and submits a receipt for the goods to the Eighth Army Headquarters. These goods later are resold at official prices to wholesalers and retailers and finally to the eligible consumer.

"The Kodan takes a preliminary inventory at the dock of all cases marked "SIM" and reports its findings to the Price and Distribution Division. Later the cases are unpacked and each item inspected and graded according to its condition. All military insignia are removed and each item is distinctively stamped to indicate its origin as U.S. Army surplus property and to distinguish it from goods used by the Occupation forces.

"Goods are then stored in warehouses to await distribution instructions issued through the Japanese government's Economic Stabilization Board by the Price and Distribution Division.

"All stages of sorting, demilitarizing, warehousing, transporting and distributing this material is by private firms operating under contracts to the Kodan.

"Some materials require reprocessing or repairing before appropriate distribution can be made to consumers. For example, large quantities of canvas or cotton mattress covers have been made into work gloves, raincoats, work suits and similar items. Outsize shoes and clothing must be cut down to Japanese proportions.

"On occasion, the goods may not appeal to Japanese workmen participating in the program. An example was a large quantity of chewing tobacco. The use of tobacco for chewing is practically unknown in Japan and since it was unfit for cigarettes, the tobacco was diverted into the manufacture of insecticides.

"Unless some special disposition is made of the non-incentive type goods, the Economic Stabilization Board is instructed to distribute them to the general public as part of the regular ration or in the free market. Thus, 511,653 tubes of shaving cream were distributed recently to the general public in six large cities.

"When an allocation of incentive goods has been decided upon, for example, the summer crop deliveries, the Price and Distribution Division issues a memorandum to the Economic Stabilization Board. This notification itemizes the allocations and gives instructions for distribution. Wholesalers designated by the Ministry of International Trade and Industry then purchase the goods from the Kodan which holds custody and delivery to the specified local areas proceeds.

"In the prefectures, the usual procedure is for the goods to be received by licensed cooperatives, either at the wholesale or retail level, and allocated to the retailers prescribed by the prefectural government.

"In turn, the farmer or worker presents the coupons or other certification of eligibility he has been issued, and purchases the goods to which he is entitled. These purchases of incentive goods are, of course, in addition to the goods available through general ration outlets.

"The principal objective of the incentive goods program is the achievement of maximum returns through accelerated production. Working with the

Japanese government and interested SCAP sections, the Price and Distribution Division apportions the SIM goods among the diligent and effective workers for their contributions to economic recovery.

"For such industries as coal mining, the incentive goods program was particularly successful. In this industry, the coal miner had been permitted to purchase incentive goods only if his mine attained 100 percent of the monthly quota and he had worked a specified number of days. In the case of Class A, or underground workers, the required minimum was 20 days and for a surface worker, 23 days.

"Attention is given in this SIM operation, to special problems. Incentive materials are distributed on the basis of the particular needs of the recipients, with a view toward preventing disease and unrest. Large quantities of materials have been distributed to repatriated soldiers and civilian prisoners of war on this basis.

"Additional allocations of incentive materials were authorized for farmers during 1949, in view of the critical need for maximizing the indigenous food supply. Because of the importance of rice and sweet potato crops in Japan, a special incentive distribution of consumer goods on a "point" system was authorized for these producers. This was designed to encourage farmers to meet, and where possible, exceed the food collection quotas. Quotas and delivery deadlines are assigned by the Ministry of Agriculture and Forestry in collaboration with prefectural and local authorities.

"Farmers who fulfilled 100 percent of their quota were eligible to purchase incentive goods of domestic origin but were not eligible for U.S. materials. Bonus point coupons were given for exceeding quotas of rice or for making early deliveries of both rice and sweet potatoes, and for deliveries of later or post-season (March 1950) sweet potatoes. These bonus coupons entitled the farmers to purchase additional Japanese goods, or, under specified conditions, to buy the desirable U.S. Army surplus items.

"SIM goods are priced into the Japanese economy at all levels of distribution at official prices established by the Price Board for similar or comparable indigenous goods. No import duty is levied and since official prices include the commodity tax, no additional tax is applied.

"Proceeds of sales flow back to the Ministry of International Trade and Industry or to the Finance Ministry in the case of sales of cigarettes and tobacco. These reports are submitted to the Price and Distribution Division.

"Under the present instructions, MITI is permitted to make the following deductions from the gross proceeds: five percent for handling and other expenses, the commodity taxes due the Ministry of Finance and any amounts paid out for necessary reprocessing, repairs or reconditioning. The balance is deposited in the American Aid Fund awaiting subsequent disposition.

"Transporation, packing and handling charges on SIM shipments are paid from U.S. appropriated funds (GARIOA fund, Government Aid and Relief in Occupied Areas).

"Materials utilized in the SIM program are sold to the Japanese government at the rate of $1,680 per net long ton. Accounts of all transactions are maintained by SCAP and a deferred charge made against the Japanese government. Settlement of all charges will be made at some future date.

"It would be difficult to assay the direct results of the Surplus Incentive Materials Program in statistical terms. However, there is abundant evidence that the goods distributed have represented a real incentive.

"Food deliveries have exceeded quota in nearly every crop since the inception of the program. Vegetable production has progressed to a point justifying price decontrol and elimination of the incentive goods program. The same is true in coal production and firewood collections and may shortly apply in the case of charcoal collections.

"The program has been somewhat less successful with respect to fish and marine products, largely because of the difficulties in getting the goods past the boat-owner group into the hands of the laboring fishermen.

"Special allocations have been made to iron and steel workers, fertilizer workers, transportation workers, metal miners and other production workers. There has been an increased output in each of these fields.

"The program has served to encourage deserving groups such as policemen, teachers and tax collectors in fulfilling their important obligations.

"With more adequate supplies of consumer goods coming into the market as a corollary to Japan's industrial recovery, the value of the incentive goods program, doubtless wil decline. However, for some time to come, it is clear that the program, under effective controls and leadership, will continue to make an important contribution to a nation's progress to economic self sufficiency."

PIO, GHQ, FEC Press Release, 3 January 1330

The following items of U.S. Army surplus clothing were released for distribution to Japanese municipal and industrial workers:

33,000 pairs of shoes to electric power industry workers;
20,800 pairs of combat boots and shoes for firemen;
10,000 pairs of shoes to workers in the petroleum industry;
22,500 ponchos to the Japanese Communication Ministry for reprocessing into raincoats and distribution to communications workers.

PIO, GHQ, FEC Press Release, 7 February 1330

1,360,000 packages of cigarettes, 1,000,000 bars of soap and 2,375,000 spools of thread have been released for providing each farm household with one of the three items released. Also released for distribution as incentive goods to farmers who have made over-quota deliveries of rice and sweet potatoes were:

27,522 raincoats; 108,421 pairs of drawers; 33,461 shirts; 156,054 coats; 101,904 jackets and 532 comforters.

PIO, GHQ, FEC Press Release, 9 February 1630

65,151 items of U. S. Army surplus clothing were released for distribution among specified groups of Japanese workers.

8,000 pairs of trousers, 8,856 pairs of shoes, 5,000 shirts and 295 dresses, a quantity sufficient to provide one item of clothing for each worker, were released for distribution to guards and firemen at Allied installations.

PIO, GHQ, FEC Press Release, 27 February 1950

15,496 cakes of U. S. Army surplus shaving soap, the second release of shaving soap to be made available to the general public, were released.

ESS, GHQ, SCAP 6 March	7,919 trousers, 6,322 jackets and 3,930 shirts from U. S. Army surplus clothing stocks were distributed to Japanese pyrite miners and workers in pyrite refineries. (at the official prices established by the Price Board in October 1949).
ESS, GHQ, SCAP 13 March	U. S. Army surplus footwear was released for distribution to workers engaged in the dairy industry in Hokkaido: leather boots or shoes 10,000 pairs, shoe pacs 10,000 pairs, rubber boots 10,000 pairs.
ESS, GHQ, SCAP 13 March	12,000 United States Army surplus ponchos were released to the Ministry of Construction and 5,000 ponchos were released to the Ministry of Labor both for reprocessing into raincoats.
ESS, GHQ, SCAP 15 March	60,000 pounds of assorted United States Army surplus candy were released for distribution as incentive goods to textile workers.
ESS, GHQ, SCAP 16 March	6,440 trousers and 5,590 shirts from the Seni Boeki Kodan's stock of surplus United States Army clothing were released to workers in synthetic dyestuff plants.
ESS, GHQ, SCAP 18 March	20,000 pairs of United States Army surplus shoes were released for distribution to workers engaged in the iron and steel industry.
ESS, GHQ, SCAP 18 March	5,000 pairs of rubber boots and 1,000 pairs of combat boots were released for distribution to postal workers in Hokkaido.
PIO, GHQ, FEC Press Release, 20 March	63,478 cotton nurses uniforms, 7,303 assorted dresses and 3,051 each of Red Cross and WAC suits were released for distribution to registered nurses employed in hospitals and public clinics.
" " " "	11,407 pairs of U.S. Army surplus trousers and 9,053 shirts were released for distribution to miners and industrial workers. Of these, 1,780 trousers and 1,580 shirts were for distribution to iron ore workers in mines that met 90 percent or more of their production quota for June-August 1949.

ESS, GHQ, SCAP 22 March	6,257 trousers and 4,960 shirts of United States Army surplus clothing were released for distribution to workers in the gas and coke industry.
PIO, GHQ, FEC Press Release, 23 March 1330	60,000 pounds of U.S. Army surplus assorted candy were distributed to women workers engaged in synthetic fiber spinning and weaving, silk spinning and weaving, flax fiber spinning, linen weaving and textile dyeing mills that fulfilled 90 percent of their planned production for October-December 1949.
PIO, GHQ, FEC Press Release, 23 March 1330	8,508 pairs of trousers and 7,900 shirts from U.S. Army surplus stocks were distributed to workers in caustic soda plants that attained 90 percent or more of their quota in the period July-September 1949.
PIO, GHQ, FEC Press Release, 25 March 1200	88,640 surplus U.S. Army mosquito bars were released to the Japanese Government Railways Corporation. They will be reprocessed into Japanese-style mosquito nets for use in JGR billets. The cloth material at the bottom of the bar will be made into trousers and futons which will be distributed to railway workers. The quantity of bars and cloth made available by this distribution is sufficient to produce 24,000 mosquito nets of varying size, 17,450 trousers and 4,360 sets of futons.
	2,900 pieces of assorted U.S. Army surplus clothing items were also released as samples to registered Japanese wholesalers.
	6,440 trousers and 5,590 shirts of U.S. Army surplus clothing were released for distribution to dyestuff workers in those plants that exceeded 90 percent of their quota for October December 1949.
ESS, GHQ, SCAP 25 March	3,370 trousers and 2,513 shirts of surplus United States Army clothing were released for distribution to gold miners.
ESS, GHQ, SCAP 25 March	2,000 pairs of United States Army surplus combat boots were released for distribution to the Metropolitan Police.
	5,000 pairs of rubber boots and 5,000 pairs of overshoes were released for distribution to workers engaged in repairing and construction of steel ships.

PIO, GHQ, FEC Press Release, 31 March 1330	20,000 pairs of U.S. Army surplus shoes were released for distribution to workers engaged in the iron and steel industry, the second release of this kind to make it possible for every heavy laborer in the industry to have a pair of shoes. U.S. Army combat boots and shoes from surplus Army supplies were released for distribution as follows: 25,379 pairs of combat boots to National Rural Police; 8,869 pairs of shoes to Maritime Safety Agency; 10,000 pairs of combat boots to Attorney General's Office (prison guards); 3,000 pairs of combat boots to Ministry of Communications (workers in Hokkaido); 8,000 pairs of shoes to Ministry of Labor (labor standards inspectors); and 7, 900 pairs of shoes to the Ministry of Agriculture and Forestry.
PIO, GHQ, FEC Press Release, 7 April 1630	The following items of United States Army surplus abrasive materials were released to Japanese coal mines and fishing industry: Emery cloth.....121,874 sheets Sand paper..... 64,181 sheets Half emery paper..... 10,400 pieces Abrasive cloth..... 135 rolls Emery paper..... 1,133 rolls
ESS, GHQ, SCAP 7 April	10,660 trousers and 11,430 jackets of U.S. Army surplus clothing were released for distribution to workers employed in water works.
ESS, GHQ, SCAP 11 April	2,026 jackets and 1,570 trousers of U.S. Army surplus clothing were released to workers in coal tar products factories.
ESS, GHQ, SCAP 12 April	3,100 trousers and 2,840 shirts were released for distribution to workers in glass factories.
ESS, GHQ, SCAP 28 March and PIO, GHQ, FEC Press Release, 14 April 1330	17,599 mattresses and 17,599 blankets were released for distribution to Government-operated hospitals in the Tokyo-Yokohama area. 19,000 yards of wool serge cloth for making standard uniforms for Government workers. (5,500 yards to the National Fire Defense Agency; 13,500 yards to the Attorney General's Office.) to prison guards. 1,293 jackets and 1,000 coats of U.S. Army surplus clothing were released to workers in alcohol and ether plants.

ESS, GHQ, SCAP 24 April	8,500 pairs of U.S. Army surplus shoes were released for distribution to forestry workers in Hokkaido.
" " "	20,000 pairs of U.S. Army surplus combat boots were released for distribution to the local municipal police.
ESS, GHQ, SCAP 25 April	3,580 trousers and 2,683 coats from stocks of U.S. Army surplus clothing were released for distribution to workers in explosives factories.
ESS, GHQ, SCAP 27 April	The following quantities of assorted U.S. Army surplus candy were released for distribution to workers engaged in the essential industries:

Misc. metal products	20,000 lbs.
Metal mining	13,000 "
Pulp and paper	12,000 "
Tobacco	10,000 "
Cement	7,000 "
Glass	3,000 "
Coal tar products	1,500 "
	66,500 lbs.

ESS, GHQ, SCAP 29 April	4,982 trousers and 4,600 jackets from stocks of U.S. Army surplus clothing were released for distribution to petroleum workers.
ESS, GHQ, SCAP 29 April	2,760 trousers, 2,760 coats, 3,760 drawers, and 3,760 undershirts were released from U.S. Army surplus clothing for distribution to customs officers.
ESS, GHQ, SCAP 1 May	25,900 trousers, 23,557 shirts and 29,300 jackets from U.S. Army surplus clothing were released for distribution to postal workers.
ESS, GHQ, SCAP 4 May	2,467 trousers and 2,018 shirts of U.S. Army surplus clothing were released to to pyrite miners and workers in synthetic dyestuff plants.
CIE, GHQ, SCAP Press Release, 12 May	A release of U.S. Army surplus candy was authorized by SCAP for distribution to Japanese male workers under 18 years of age, and to all Japanese women workers engaged in essential industries which have not been included in previous releases. (Approximately one pound of assorted candy to each of 160,000 workers.)

PIO, GHQ, FEC Press Release, 22 May 1630	20,000 trousers, 8,000 shirts, 6,900 shorts, 8,000 coats and 8,000 jackets from U.S. Army surplus stock were released for distribution to some 50,900 men school teachers in each of the 46 prefectures.
ESS, GHQ, SCAP 25 May	4,000 pairs of rubber overshoes, 2,000 pairs of rubber boots of U.S. Army surplus footwear were released for distribution to labor standard inspectors. Also, 5,000 pairs of rubber boots of U.S. Army surplus goods were allocated for fishermen.
ESS, GHQ, SCAP 25 May	5,400 pieces of assorted U.S. Army surplus clothing items were released for distribution to registered wholesalers for samples.

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RESTRICTED

STATEMENT BY MR. JOSEPH M. DODGE
BEFORE NATIONAL ADVISORY COUNCIL STAFF COMMITTEE
On 13 JANUARY 1950

In considering the problem of the FY 51 appropriation for Japan, I believe the following basis factors deserve particular consideration:

1. Japan is, at present, the focal point of our established Far Eastern interests. While over some period in the future it may become one of several important interests of the United States, at present it is the sole Asiatic nation is which we have both a major influence and complete control over all of the factors necessary to achieve our objectives.

2. The trend of events in this area over the past year, and particularly recently, has served to emphasize our need to reinforce and solidify our position in Japan.

3. It is probable that the development of our future Far Eastern policy will require the use of Japan as a springboard and source of supply for the extension of further aid to the Far Eastern areas.

4. What has been accomplished in Germany at substantially greater cost was because of an earlier large direct outlay plus billions of dollars of aid in contiguous trading areas which contributed to the recovery of Germany, and multiplies the effectiveness of our direct aid to Germany. Germany was integrated into the European Recovery Program.

This has not been true in the Far East. A growing market was created for German production while Japan continues to exist in an area of political and economic disturbance having production, trade and income levels still below pre-war.

The actual and projected appropriations for the fiscal years 1949, 1950 and 1951 for economic aid for Tri-Zone Germany are approximately twice that for Japan. On a po;ulation basis for Germany of something more than half that of Japan, the appropriations for Germany are over three times the amount for Japan per capita. The proposed FY 51 appropriation for Tri-Zone Germany is more than twice that of the amount of economic aid requested for Japan.

5. We should note the substantial progress that has been made in Japan on relatively modest appropriations. Effective financial stabilization substantially has been achieved. There has been as increasing transfer of responsibility from the Occupation to the Japanese Government and to the Japanese people. There has been a substantial increase in exports and industrial recovery has proceeded at a heartening pace and is now at almost the level of the 1932-1936 period. For the first time (in 1949) there is a reduction in the foreign trade deficit.

In no other nation has no much been accomplished with so little.

6. The FY 51 appropriation request for Japan has been reduced substantially. On a basis of $320 million for Japan and the Ryukyus, the reduction for FY 51 from FY 50 is 33.6%. In economic aid requested for Japan there is a reduction of 36%. This compares with a proposed reduction for FY 51 in the ECA total of 21.4% and for Tri-Zone Germany of

21.7%.

7. There are two fundamental policy directives affecting the administration of Japan. One is the Stabilization Directive, which originated in the NAC, and the other, the NSC 13 Directive. Aggressive and progressive steps have been taken to implement both of these.

However, it should be realized that there is a certain degree of conflict in implementing these while arriving at a common objective. The progressive decontrol of the economy, according to the principles of NSC 13, contributes to the difficulty of maintaining a stabilized economy. The additional freedome accorded the economic mechanism add to the dangers of a recurring inflation.

For example, the elimination of the local area military government teams adds to the difficulty of food collections in a nation were there continue to be shortages of essential industrial raw materials and food and where the black market has not been completely eradicated. The direct use and the indirect influence of this element are lost and have a limiting effect on the most efficient marshalling of assets.

8. The Stabilization Directive is being implemented and fulfilled to the maximum degree with the full support of the SCAP organization, and at least so far, with the minimum of difficulty considering the scope and nature of the problem.

In consequence, Japan is well on the way toward the achievement of the fiscal, monetary price and wage stability which is required by the Stabilization Directive; for example, a balanced consolidated Japanese Budget has been achieved for fiscal years 1949 and 1950 - viz. April 1, 1949 to April 1, 1951.

It is imperative to remember that there is a direct relationship between the amount of economic aid given Japan and the price, the wage and the tax structure in the Japanese budget computations.

The elimination or reduction of subsidies and the decontrols have been reflacted in higher commodity and other prices. The same is true of increased railroad freight rates. The reduction of the price for over-quota deliveries of rice from three times the official price to two times, may, and probably will, somewhat curtail the rice collections. These and other similar factors are an integral part of the budget computations. In other words, our endeavors to achieve fiscal and monstary stability have the closest of relationships with the problems of achieving price and wage stability.

9. One of the real issues connected with economic stabilization is in its political and social repercussions. The problem is to prevent justification for demands for disruptive increased monetary wages by maintaining the present real wages or insuring slight increases. A beginning has been made on this and some noticeable results accomplished, but the issue continues to be threatened. Currently there is great political pressure for wage increases. The increases in official prices which affect living costs have been effset as nearly as possible by tax decreases, but this is a very difficult result to forecast accurately.

If there should be an adverse crop result or any failure in food collections, there would be great difficulty in maintaining the wage stabilization called for by the Stabilization Directive. We have been very fortunate in that Japan has recently benefitted from two excellent crop years.

10. The critiocal internal issue (which parallels the economic and financial stabilization) is tin the insurance of a corresponding political and wage stabilization, and the creatinn of living conditions that will not contribute to encouragement of Communist activities.

The accomplishment of this largely lies in a progressive increase in the purchasing power of wages as against the shadow of the substance of an increase in monetary wages. It hinger almost entirely on improvement in the food ration and in domestic cotton consumption.

I have made a practive of asking informed Japanese what they would do, if they could control the situation, to insure political stabilization, labor stabilization, and a continuing economic and democratic reconstruction, Invariably, the reply called for some increase in food and cotton goods availability.

11. The present Japanese budget provides for an offset to increased prices for food consumption items by a decontrol of sweet potatoes, and a substitution for cereals. It was originally believed that a full substitution could be made. The present indications are that this cannot take place. It appears that the total in-take (that is, the official ration plus other purchases) which, on the average absorbs shout 65% of the individual Japanese income, will represent about 2115 calories, compared with a much larger intake provided in Germany and Europe. The requested appropriation will increase the total in-take about 40 calories above FY 50, which is only a fractional increase. It is necessary to maintain as high a rationing availability as possible,

primarily for the depressing effect on black market prices and the resulting improvement in real wages.

The budget provision for cotton provides for a more significant increase. However, this is the area of domestic consumption which remains at a relativery law and completely unsatisfactory level. What is proposed would raise domestic consumption of taxtiles to about 57% of pre-war, as against Germany, at 90% of pre-war in fiscal 51. The pre-war domestic consumption of cotton in Japan was approximately seven pounds per capita, whereas the budget proposal brings this up to 3.4 of about half that level.

12. It should be emphasized that the principal components of the appropriations have to do with food and cotton referred to above. These are both commodities which are and will remain in surplas and which are now held by the Commodity Credit Corporation, or which the C.C.C. is committed to buy under existing legislation. To that extent, they do not represent increased expenditures or an increase in future Government expenditures.

13. To summarize, the internal stabilization, politically and economically, depends substantially on effectively increasing the real value of wages and reducting black market prices as long as shortages exist. This is the only way to withstand the pressure for wage increases and stave off another spiral of wage-price increases.

Japanese FY 49 and FY 50 are, I am convinced, the most critical years in achieving a permanent foundation for the stabilization of the economy.

To reduce the appropriation below the amount finally submitted for your consideration would be to run a serious danger of defeating the stabilization accomplishments to date, which have been carried out under instructions from and agreement with the NAC and NSC.

OO Civil Inf. OO

HEADQUARTERS I CORPS
APO 301 (Kyoto, Honshu)

JJB/ay

AG 091.3 - BA

1 April 1949

SUBJECT: Economic Stabilization Program

TO : See Distribution

1. References:

a. Letter Headquarters I Corps, file AG 014 - BA, subject: "Japanese Economic Recovery", dated 10 February 1949.

b. Letter, Headquarters I Corps, file AG 091.3 - BA, subject: "Economic Stabilization", dated 23 February 1949.

2. Reports received by this headquarters indicate that the nine point recovery program has received preliminary implementation by military government regions and teams throughout the I Corps area. Recovery commissions have been established and committees appointed to explore local possibilities for implementation of each of the points contained in the SCAP interim directive. A weakness noted in their composition is that large worker segments of the population, such as labor, farmers, and fishermen have not received adequate representation on the commissions.

3. The economic recovery program is of interest to and must be implemented not only by the economic section of military government units, but by all sections. Team commanders will scrutinize the activities and plans of all of their sections to insure conformity with the objectives of the Economic Stabilization Program.

4. In the development of the Economic Stabilization Program due consideration must be given to its political and social aspects. Dissident groups must not be permitted to obstruct the attainment of the nine point objective. Any such obstruction constitutes a violation of a SCAP directive, and consequently is punishable in Japanese courts. A Japanese official who willfully fails to support the Economic Stabilization Program should be reported to his local superior for appropriate action. If an erring official can not be properly disciplined locally, he should be reported through military channels for removal by direction of SCAP. Adequate documentary evidence, including sworn statements of witnesses to support all charges, must be included in the report. Publicizing of one or two successfully prosecuted important cases in a region should attain the necessary cooperation. From the social aspect, employment in projects contributing to the stabilization of Japan for those workers who are discharged as surplus by government and industry must be provided. To this end projects

which can be started on short notice should be sought as well as those of a long range nature. Some short-notice projects are:

a. Salvaging materials of war damaged installations.

b. Constructing earth dams for irrigation and power purposes. Developing local housing, warehousing, canning, food preservation, rat extermination, etc., projects.

5. In view of the importance of Japanese economic recovery, it is imperative that encouragement be given to all program and projects that will assist in the achievement of this goal. Economic recovery commissions should be assisted in their deliberations and efforts by military government. Occupation personnel should constantly be alert to means of implementing this program. Pending the issuance of implementing directives by SCAP and higher headquarters, it is desired that all military government units in the I Corps Zone of Responsibility use their imagination and facilities to attain as early as possible, an economically independent and self-sustaining Japan.

The following are a few of the principles which are elemental to economic recovery. They can be put into effect now at regional and prefectural levels by the Japanese.

a. <u>Scrutinization of Budgets</u>

(1) Prefectural and local budgets should be carefully screened to eliminate items which are not immediately essential or do not contribute to economic stabilization.

(2) The services of qualified, trained specialists should be secured to make an impartial study of the items contained in the budget.

(3) A budget committee should be formed to study all requests for appropriations with a view to their reduction or elimination.

(4) Each department of government should be required to justify the amount asked as the irreducible minimum. The inclusion of an item in the budget does not make it mandatory that the money be spent, if need for expenditure does not arise. The budget should require all departments to live within authorized appropriations and to turn back unexpended funds at the end of the fiscal year.

(5) Once established, budgets should be strictly adhered to and additional allocations made only in exceptional circumstances.

(6) Appropriations for "entertainment" and "miscellaneous items" should be eliminated.

(7) The proposed budget should be published well in advance so as to allow public discussion prior to adoption.

(8) Budgets which have been already legislated and which had not been carefully scrutinized should be subjected to a careful revision downwards.

b. Taxation.

(1) Encourage and educate Japanese citizens to pay their taxes.

(2) Encourage Japanese individuals and business workers to adopt an honest, reliable bookkeeping system so that costs and profits will be established as a matter of fact, rather than conjecture.

(3) Insist that organizations such as the Livelihood Protective League, which encourage false income tax reporting, be prosecuted.

(4) Publicize the importance to each individual of keeping an accurate account of income received and of his deductible expenditures for presentation to tax officials if called for.

(5) Point out that a reduction of local expenditures will result in a lighter tax load and that each individual is a watchdog of the public treasury.

(6) Emphasize through in adult educational program the need for collection, use, and proper expenditure of taxes.

c. Development of New Industries

(1) Review local industries which were in successful operation in the pre-war period. Determine which can be revived.

(2) Encourage development of local industries based on materials indigenous to the area.

(3) Analyze the skill of local labor and see if it can be combined with the available local material for establishment of a new industry.

(4) Considering transportation, material, and production costs determine what new industries using imported materials can be expanded or created to manufacture profitable exports.

(5) Develop industries which will directly contribute to the needs of the area. Deposits of limestone or pyrite might well serve as the basis for a commercial fertilizer industry. Lumber secured from local forests might be used for exportable furniture.

(6) Develop new mines.

d. Planning.

(1) Emphasize the importance of foresight and planning as an effective means of eliminating waste.

(2) Prepare a list of public work projects which can be financed locally. Wherever possible, the projects should be productive of food, shelter, or exportable items, and be self liquidating.

(3) Encourage projects that can be quickly undertaken and will serve to allay anxiety or unrest, and absorb displaced labor.

(4) Scrutinize war damaged factories and buildings for salvage value, or as a possible site for a new industry, and as a project which can be immediately undertaken to absorb displaced labor.

e. Conservation.

(1) Postpone all new projects which do not contribute to economic stabilization.

(2) Utilize existing personnel, buildings, and equipment to the fullest extent before expanding. For example, in education this might be accomplished by consolidation of schools, transfer of teachers and equipment, and elimination of "dead-wood" from overhead.

(3) Make maximum use of indigenous resources and available materials. Wherever possible, use wood and stone and other indigenous materials, for building purposes in place of iron, steel or other materials which must be imported.

(4) Develop and utilize hydro-electric power as a substitute for coal.

(5) Eliminate food spoilage by proper preservation and storage. Encourage development of food canning, desicating, and preserving plants, ice plants, and dry and cold storage warehouses. Speed up transportation of perishable food and provide icing enroute.

(6) Conduct local campaigns aimed at conservation of heat, light, power, and salvageable materials.

f. Foreign Trade.

(1) Imports should be limited to those items which are necessary to feed the Japanese people and to provide materials and equipment needed for production of export items. They should be used only for such purposes.

(2) Encourage development of industries which are able to compete successfully on the world market. Some items suited for competitive export are those which require dexterity, painstaking care, and lots of labor in their manufacture. Most products of this nature require little material and find a ready market abroad. Examples are: bamboo fishing poles, fine woven cloth, fine furniture, toys, and scientific and musical instruments.

(3) Manufacture souvenir items which are not only unique and attractive but practical.

(4) Encourage display of manufactured articles at major display centers visited by foreign traders.

(5) Urge the Chamber of Commerce to prepare pamphlets and publicity media for items manufactured locally which are available for export.

(6) Develop tourist trade.

g. Increased Food Production

(1) Analyze existing food collection, storage, and distribution facilities with thought of improving the efficiency of present procedures and facilities.

(2) Utilize excess labor for construction of small reservoirs. The impounded water can be used both for irrigation and as a possible source of power.

(3) Use excess labor to clean, repair, and provide adequate safeguards for all food warehouses.

h. Labor

(1) Carefully screen the number of workers employed both by private industry and by the government, with a view to their reduction and placement in work contributing to economic stabilization.

(2) If labor is in short supply then encourage the transfer of workers from service categories to occupations which contribute directly or indirectly to economic stabilization.

(3) Establish vocational schools which will train unemployed labor in skills and trades which are in demand.

(4) Secure the cooperation of labor during the critical period of growth of a new industry. Explain the interest of labor in the manner in which labor is effected by industrial recovery. Educate labor in the full import of the program.

(5) Insure that Japanese employees of the Occupation Forces who are discharged for cause do not receive termination allowance.

(6) Encourage the gradual withdrawal by Labor Ministry agencies from the field of labor education, and the separate conduct by trade unions and managements of their own program and schools for labor and management education.

i. Cooperation.

(1) Assist the planning activities of all economic agencies of the local government. This involves close cooperation with the Economic Investigation Board, Shokuryo Kodan, Economic Stabilization Board, Maritime Ministry, and Japanese agencies for land, forestry and fishing.

(2) Sponsor community forests, in which public lands are planted to trees by local excess or displaced labor.

(3) Emphasize efficiency and contraction in all projects instead of expansion in both material aspects and in number of personnel employed. New buildings should not be constructed nor new equipment purchased when the old will temporarily suffice, but plant expansion should take place if it will increase the amount of exportable items produced.

j. Financing.

(1) Insure that essential industries receive funds necessary for proper development.

(2) Study potentialities of small streams as means of irrigation or as a possible source of power for local usage. Funds for development might be raised by public subscription or subscribed by farmer cooperatives.

(3) Encourage projects such as cooperative housing, that are locally financed, rather than continue dependance on the Central Government for subsidies to pay for local enterprises.

(4) Direct attention of cooperative organizations to advantages of initiating projects for their own benefit.

k. Effective use of Existing Facilities.

(1) Have local Japanese officials trace disposition and utilization of all buildings and supplies returned to the Japanese by the Occupation Forces.

(2) Study possible voluntary transfer or sales of land between private individuals, in order to provide for more efficient utilization.

(3) Eliminate all "frills" from programs and provide for essentials only.

l. Publicity

(1) Conduct contests in which the public is invited to contribute ideas and suggestions on conservation measures and economic recovery that might prove effective.

(2) Suggest formation of a speakers' bureau composed of local economic, tax, educational, and industrial officials to educate the masses with importance of economic recovery.

(3) Develop a locally significant eye-catching design or insignia which will indicate participation in the economic recovery program.

(4) Suggest a series of movie lecture meetings (sponsored by agricultural cooperatives) on the role of the farmer in the nine-point economic recovery program.

(5) Develop public scrap collecting programs.

m. Economic Control Laws.

(1) Intensify the compaign against the blackmarket in all its forms.

(2) Prompt the investigation, prosecution, and trial of all violators of economic control laws.

(3) Eliminate ghost population in allocation of food. Encourage spot check by police of food issuing points. Check ration cards against actual recipients of food.

(4) Have investigation and adjucating authorities insure that violations of laws implementing the nine-point directive have priority in disposal.

(5) Insist on prompt and effective action against United Nations people where law violations are at variance with the nine-point program.

(6) Advise careful review of relief roles, to determine whether recipients are qualified for assistance. Court action, with accompanying publicity to punish malefactors should be initiated.

6. The above principles and suggestions are not all inclusive. They should be augmented as practical. In order that the best thought and ideas of the whole corps may be available to all teams, a consolidated regional list of new ideas developed in the regions will be submitted to this headquarters by 10 May 1948. A corps consolidated list will be then issued.

BY COMMAND OF MAJOR GENERAL COULTER:

/s/ C. C. Carter
/t/ C. C. CARTER
Colonel, AGD
Adjutant General

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9-point Economic Stabilization Plan

OVERALL OBJECTIVE

To explain to the Japanese people in terms of their daily living and future, the 9-Point Econ. Stab. Program, the interrelationships of its individual points, and its implications in terms of their daily lives and future welfare of their country.

Essentially, the plan seeks to effect economic reforms necessary to meet Japan's two basic requirements--to maintain minimum living standards and at the same time to provide capital required to fill the trade pipe line and enable Japan to produce efficiently.

ref; "New Themes on 9-Point ESP", fr Hq, 8th A dtd 3 Sept 49

HEADQUARTERS EIGHTH ARMY
United States Army
Civil Affairs Section
APO 343

FOR THE CIVIL INFORMATION OFFICER:

Supplementing the materials prepared by CI&E Section, GHQ, SCAP on the Economics Stabilization Plan and distributed to all Civil Affairs teams in recent weeks, herewith is a translation of the Japanese information plan on the same subject, prepared by the Economic Stabilization Board. This plan is forwarded for your information and reference in guiding or assisting Japanese agencies engaged in promoting this program.

Since the quantity of printed materials to be furnished by ESB will be reduced from that originally planned, local agencies should be encouraged to develop their own materials and make use of local media as much as possible.

1 Incl

Over-all Information Program

DISTRIBUTION:

CG I Corps
Chiefs All CAff Regions
Chief, Hokkaido CAff District

OVER-ALL INFORMATION PROGRAM ON NINE-POINT ECONOMIC STABILIZATION PLAN

12 September 1949

Public Relations Section,
E. S. B.

OVER-ALL OBJECTIVE

To explain to the Japanese people, in terms of their daily living and future, the Nine-Point Economic Stabilization Program, the relationships of its individual points, its im-

plications in terms of their daily lives.

GENERAL THEMES

1. All segments of Japanese society must make sacrifices. Increase of Japanese export will require conservation of both raw materials and human resources, and will require sacrifices from all of the people -- from management, labour, farmers, and the general public. Labour is not expected to carry the entire burden nor to do more than its share. If all segments of the people cooperate, Japan can look forward, after a year or two of "austerity", to progressively better living standards, at least until a level as high as the average per capita standard for the base period 1930-34 is reached.

2. Since U. S. aid cannot continue indefinitely, all Japanese should work together to achieve economic self-support as soon as possible. (Special emphasis needs to be placed on explaining how the United States contributes to Japanese recovery through EROA and GARIOA, yen expenditures by Occupation personnel, technical assistance, etc.)

3. Increased exports are essential to making Japan self-supporting. To accomplish this objective will require:

a. More efficient utilization by management of plant, fuel and raw materials.

b. Improved labour efficiency -- greater production by the same number of workers.

c. Halting diversion of Japan's resources into black-market consumer items.

d. Reduction of hoarding of essential raw materials and consumer goods.

e. Channeling of Japan's limited financial resources

into essential production.

4. Individual points of the stabilization program are interrelated, and failure to achieve one or more of the specific objectives imperils the entire program.

INFORMATION PLAN

PRESS

1. Distribution by the Economic Stabilization Board to newspapers, industrial house organs and other publications, of a weekly clip sheet containing articles in publishable form and material for editorials on current developments and problems relating to the stabilization program (material for this clip sheet will be supplied by ESB and other Ministries and bureaus represented on the ESB Coordinating Committee, which meets weekly).

2. Semi-weekly press conference by the Director-General of ESB, weekly press conference by the Deputy Director-geenral of ESB, and weekly press conference by the Chief Secretary to the President.

3. Periodic off-the record background conferences by ESB for editors and special writers on magazines and newspapers.

4. Press releases by ESB on current developments in the stabilization program.

5. Special press releases to trade publications covering specific data in their field.

6. Periodic over-all program report by ESB, probably once a month, summarizing achievements in over-all program and pointing to difficulties with a view toward securing public cooperation in overcoming them.

RADIO

The objectives outlined in this program will be widely publicized on national, regional, and local broadcasting stations, with appeals both to the general public and to business and labour. Current programs which appear to offer a good outlet for this information include:

a. News programs

b. Commentary and editorial programs

c. Question and answer programs

d. Audience participation programs

e. Documentary dramatic treatment

f. Discussion programs

MAGAZINES

1. Periodic magazine conferences.

2. Preparation and servicing of magazines with special material suited to their editorial requirements.

3. Stimulation of magazine to prepare, on their own initiative, articles on economic stabilization including such subjects as "Why Austerity is Necessary", "United States Aid to Japanese Economy", "The Meaning of Exports in Terms of the Life of the Average Japanese", etc.

4. Purchase by ESB of reprints from magazines and distribution to schools, libraries, and other information centers.

ORGANIZATIONS

L. Preparation and servicing of publications of the principal trade and business organizations with articles and other data on economic stabilization.

2. Economic organizations and societies throughout Japan will be encouraged to give full discussion to current development in the economic stabilization program. Press and radio coverage for those meetings will be encouraged.

3. The approximately 5,000 citizens' public halls in Japan will be provided through the Mombusho with periodic discussion outlines on economic stabilization problems with a view toward encouraging open forum discussion.

4. Principal women's organizations will be encouraged to discuss the relationship between economic stabilization and the daily lives of the people.

5. Principal labour federation and unions will be provided through the Rodosho with material on the over-all stabilization program suitable for discussion at union meetings.

6. Management organizations will be provided with material encouraging more efficient utilization of plant, labour, and materials.

7. Information materials on economic stabilization also will be provided, insofar as the budget will permit, to farm groups, professional societies, women's groups, parent-teacher associations, youth groups and other organizations.

PAMPHLETS

1. ESB is planning to produce at least two pamphlets during the current fiscal year. Proposed subjects are:

a. "Relationship Between Exports and the Austerity Life"

b. "Why Japan Must be Economically Self-Supporting Before it Can be Politically Independent"

LEAFLETS

1. ESB is planning to produce a minimum of three leaflets during the current fiscal year. These will be aimed at the general public and will be distributed at open forums and on other appropriate occasions.

a. "Why it is Necessary for Every Family to Make Further Sacrifices in Order to Rebuild Japan"

b. "Contributions of the United States to the Japanese Economy"

c. "How Japan can Benefit by Producing High Quality Merchandise at Lower Prices"

(Theme: "Make Japan the Swiss Precision Country of the Far East")

WALL-NEWSPAPER

1. ESB is planning to produce a minimum of two wall-newspapers during current fiscal year. These will be distributed to public libraries, schools, and citizen's public halls, etc. Proposed subjects are:

a. Relation ship between exports and the austerity life.

b. Why Japan must be economically self-supporting before

it can be politically independent.

FILMS

1. A minimum of four film strips are planned for this fiscal year. Proposed suggestions are:

a. Rationalization of Industry

b. What Exports Mean to the Average Japanese Citizen

c. Contributions of the United States to the Japanese economy.

d. Economic self-support of Japan is a prerequisite for political independence.

2. All newsreel companies will be encouraged to cover all events which have a constructive angle which encouraged economic stabilization.

3. All major film producers will be provided with "bits of business" or slogans suitable for introduction into entertainment films.

4. Documentary film companies will be encouraged to produce, on their own initiative, films on economic stabilization.

5. All existing documentary films on the Japanese economy will be re-examined, a selected list of useful films prepared and their widespread showing encouraged through prefectural film libraries.

EDUCATION

1. The Mombusho will be provided with materials on economic stabilization suitable for distribution purposes in universities and colleges.

LIBRARIES

1. Current information materials prepared by ESB and obtained from other sources will be supplied to university and public libraries throughout Japan.

2. A bibliography of books and magazines in Japan which further the objectives of economic stabilization will be supplied to all university and public libraries.

3. ESB will enlist the aid of Japanese Library Association in publicizing the information on economic stabilization.

4. Public libraries, through the Japanese Library Association, will be encouraged to prepare bulletin boards and window displays featuring books, pamphlets, periodicals and documents relating to economic stabilization.

Since the above plan was drafted, the proposed budget has been cut, necessitating some reduction in printed materials.

11 October 1949.