The Directive of 9 October 1945 defined the basis on which the Japanese Government should request imports of essential materials. It also directed the submission of a plan whereby resources were to be made available for export to provide necessary foreign exchange. It directed the creation of responsible agency to receive, hold and distribute imports and to inspect, purchase, store and deliver exports to designated ports.

The Directive of 10 October 1945 detailed the type of report to be furnished when requests to import goods are filed.

JAPANESE GOVERNMENT AGENCIES

10. One of the agencies being studied is the Koeki Eidan (The Trading Corporation). It is a government controlled corporation organized in 1943 to carry out the over-all control of exports and imports. Its inventory of materials earmarked for export at the time of surrender is estimated by the Japanese Government at 750,000,000 yen.

11. A study is being made of the activities of the exporters associations and their methods of operation. Each association has been directed to furnish data on current stock available for export, commercial details, markets sold, sales (domestic and export) for the past ten years, FOB prices and other details. Plans are being studied with the ultimate view of abolishing the undesirable features of their operations.

EXPORT ACTIVITIES

12. The goods thus far reported to Washington as surplus to the minimum needs of Japan are as follows:

40,000 bales of raw silk
5,000,000 yards of Habutai
30 tons raw ivory tusks
400 tons of cigarette paper
Handicraft Goods (Cloisonne, pearls, lacquer ware, pottery, etc.)

The following goods are not considered surplus in view of the need in Japan but have been reported to Washington as being available for export in view of the short world supply. Pending further advice they have been frozen.

20,000 tons leather
4,200 tons tin
1,000 tons antimony
10,000 tons rubber

Requests for Japanese Goods

13. Request for short supply goods have been received from other countries as follows:

a. Korea-75,000 tons of coal monthly
150,000 sheets of silkworm eggs

b. China-297,000 mining timbers monthly

c. British Empire (Hong Kong)-18,000 tons of coal monthly.

Action taken on above requests follows:

a. Korea-The Japanese Government has been directed to deliver to Korea 75,000 tons of coal monthly. The first shipment went forward on 3 October 1945. The silkworm eggs will be shipped about 15 December 1945.

b. China-Mining timbers for China can be secured from stocks prepared for export before surrender. Wood is awaited from China as soon as when ships to carry this cargo will arrive.

c. British Empire(Hong Kong)-The coal desired for Hong Kong will be made available upon the arrival of the British bottoms.

Discussions are under way regarding the types of barter goods which will be made available for payment of these exports.

IMPORT ACTIVITIES

14. The Japanese Government has submitted several requests for imports. The paper work of the Japanese Government is bad and great difficulty is experienced in getting adequate information from them as to the basis for their requirements. This is caused by such factors as loss of records in air raids, incompetent personnel, the statistical blackout during the war because of rigid army control and in some cases false figures prepared during the war.

This headquarters has advised the Japanese Government that import requests by them will not be considered until adequate justification is given.

Payment for Imports

15. The Japanese Government has been very slow in formulating plans for payment of imports. It has been advised that imports will be considered only when means of paying for such imports are provided.

Estimated Requirements

16. The initial requests from the Japanese for last quarter 1945 and annual 1946 imports upon investigation proved unreliable and unrealistically high. New estimates have been requested.

Supply in Adjacent Areas

17. In conformity with the policy of securing essentials from adjacent areas, AFWESPAC, COMGEN CHINA and XXIV Corps (Korea) have been requested to furnish estimates of possible export surpluses. AFWESPAC has advised that they have a surplus of 5,000,000 pounds of uncooked soft wheat; shipment to Japan has been requested. COMGEN CHINA reported no surpluses in China of salt or grain; although no report has been received from Formosa, it is anticipated that some surpluses will be reported. XXIV Corps in Korea reported a surplus of 1,000 tons of salt, of which 900 tons have been received to date. Early information from Korea indicated a rice surplus for export of 1,000,000 koku in first quarter of 1946 and 2 million koku the second quarter. Later advice from Korea states that in view of current shortages in Korea and no anticipated imports from Manchuria or elsewhere there will be no exportable surplus of rice from Korea.

MISCELLANEOUS

Excess Supplies of United States Armed Forces

18. The United States Armed Forces have had and will have supplies which have been declared excess to their needs. These excesses will be sold to the Japanese Government when such commodities are considered essential to their minimum needs. Such supplies to date have included:

38,000 bbls of Oil
20,000 bbls of Kerosene
200 tons dynamite

Terms of Sale

19. Wherever practicable, exports and imports are being carried on Japanese repatriation vessels, on terms of FOB Country of Sale in the case of imports, and CIF (in effect) foreign port in the case of exports. The sales of coal and silkworm eggs to Korea

and the purchase of salt from Korea have been negotiated on this basis. In trade routes where Japanese merchant ships are not operating, imports and exports will be on a basis of delivery at Japanese Port. Coal to be shipped to Hong Kong and the mining timbers to China will be on this basis. Japanese shipping at present can handle only a small part of this trade.

Customs

20. The Customs Service in Japan has been investigated and found unsatisfactory.

Licensing

21. A study has been made of the methods of licensing exports and imports prior to the war. Plans have been prepared with respect to the type of licensing controls which will be established when ordinary export and import trade channels have been re-established. In the interim all foreign trade transactions are being carried on between the Export-Import Division and the agency appointed by the Japanese Government in accordance with directive of 9 October 1945.

Records

22. A system of records will be set up whereby quantity receipts of all imports delivered to the Japanese Government and all exports delivered to other countries are recorded. Pending a decision on exchange rates, no effort is being made at this time to establish prices on either exports or imports.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

MONTHLY SUMMARY NO. 1

SECTION 11

LABOR

C O N T E N T S

GENERAL

1. Arrangements whereby Japanese Government procures and pays labor employed by the Occupation Forces are progressing satisfactorily. Although shortages of skilled workers for reconstruction work are noticeable in devastated areas such shortages have not materially affected the operations of the Occupation Forces.

The Japanese wage control system is a complete failure, but the impact of unemployment has caused a deflationary wage decline to all workers except skilled workers. The system is being studied and will be overhauled in order to correlate it to price controls and also to strengthen its minimum wage provisions.

2. The emergence of a strong unified labor movement is perceptible, but its continuance is dependent upon the ability of pre-war opponents to cooperate and to reconcile viewpoints. The two Japanese "labor front" organizations have dissolved voluntarily. One is continuing under a different name as a semi-official governmental agency to procure day laborers for the Occupation Forces. Abolition of this organization is contemplated as soon as employment exchanges are capable of operating effectively. Independent labor unions are flourishing and several well-known pre-war unions have already completed reorganization plans.

3. Protective labor legislation has been reinstated to conditions prevailing prior to the China Incident and legal hindrances to the formation of labor unions have been abrogated. The Government has appointed a deliberative committee to draft a labor union law, to revise the current mediation law, and to establish collective bargaining principles.

4. Labor disputes between Japanese unions and management have been sporadic, but conflict between liberated Koreans and Chinese on the one hand and Japanese employers on the other have assumed serious proportions in Hokkaido. Military intervention has calmed the situation and the working and living conditions of Koreans and Chinese awaiting repatriation have improved. Coal production has been seriously impaired by this unrest and by the repatriation of Korean miners. The Japanese Government has instituted a strong recruitment campaign among Japanese people to replace these repatriated workers and the Cabinet has also approved increased food rations and wages to the miners.

LABOR SUPPLY

Occupational Census.

5. As accurate information regarding manpower distribution throughout Japan is not available, an occupational census of males 12 to 60 years of age and females 12 to 40 will be conducted on 1 December 1945. It will provide data on individual workers as well as the current situation with regard to unemployment.

Skilled Labor

6. On 20 September 1945 the Japanese Government made a survey of skilled labor and reported that 160,883 skilled workers were available for immediate assignment to Occupation work projects. An additional 404,829 skilled workers were either employed or unable to accept employment at that time. A shortage of skilled construction workers exists in most devastated areas due to large demands for construction work required for the Occupation Forces, civilians and the Government.

Unemployed

7. The Welfare Ministry has estimated that unemployment will reach 4,280,000 persons during the period of demobilization and industrial conversion. A further increase in unemployment is anticipated as repatriation of Japanese military and civilian personnel from overseas progresses. The Ministry plans to offset this increase by the displacement of female workers with males and the eventual return of approximately 3,000,000 women to non-industrial occupations.

8. A widespread reluctance to work originally existed among Japanese laborers. The psychological effect of defeat after spartan wartime efforts created a "sikata ga nai" (cannot be helped) attitude which was accentuated by the availability of accumulated war earnings and by the payment of sizeable severance allowances by the munition companies. Demobilized soldiers were also advanced retirement funds which precluded immediate necessity for working. This mass attitude toward non-work is gradually being dissipated and ever increasing numbers are seeking employment. Other factors tend to keep workers from the labor market. People who were evacuated to country relatives during air raids are not disposed to return to the cities where food supplies are limited, burnt-out families are concentrating on the construction of improvised winter shelters, and city dwellers are migrating to rural areas to assist in the grain harvest in order to accumulate food reserves.

PROCUREMENT OF LABOR FOR THE OCCUPATION FORCES

9. The Japanese Government has been directed to provide labor in such quantities and with such skills as are required by the Occupation Forces. This arrangement has been operating in a satisfactory manner through Japanese Liaison committees established in areas occupied by Allied troops. These committees usually composed of police officials and Romu Kyo-kai (Laborers Assn) representatives, are responsible for the procurement and payment of all requisitioned Japanese nationals.

10. Foreign nationals are being employed and paid directly by

labor-using units from funds advanced by the Japanese Government. This procedure has been adopted to avoid the complications that might arise between Japanese and foreign nationals employed by Occupation Forces.

WAGES

Wage Rates

11. Japanese nationals employed by the Occupation Forces are paid by the Japanese Government in accordance with wage rates established by prefectural authorities. The only wage supplement granted by the Japanese is an allotment of food equivalent to one meal; this is extended to skilled workers to induce them to remain on the same project continuously.

Wage rates established by the Japanese are checked by Army units to ascertain their equitability in relation to prevailing wages in private and government concerns and services. Evidence is increasing that greater coordination of these wage rates must be exercised by Japanese authorities in order to prevent dissatisfaction among laborers employed in private concerns.

The Japanese Government extends workmen's compensation benefits to Japanese nationals employed by the Occupation Forces but no other forms of social insurance are provided.

Wage Control

12. The wage control system of Japan is so inefficient that for practical purposes it is useless in controlling inflationary wage increases. One Japanese official concerned with its administration has likened it to "an air-raided concrete building of which there remains only gigantic frames." No correlation exists between wage and salary controls which are administered by separate ministries or between wages and prices. In order to offset "black market" wages the Japanese Government in setting wage schedules for laborers in Tokyo have in effect doubled the wage rate by adding an equivalent amount to the official wage.

13. The wage control regulations contain a stipulation as to minimum wages. In view of the current trend of declining wages due to increasing unemployment, it is planned to strengthen this feature of the ordinance. A thorough study of the wage control system is planned upon the arrival of wage statisticians from the United States. In the meantime preliminary spade work is being done.

LABOR LEGISLATION

14. The immediate objectives of the legislative program as regards labor are as follows:

(1) Modification or abrogation of all labor legislation designed to suppress and regiment labor during the war.

(2) Enactment of legislation conferring legal status on trade unions and providing recognition of collective bargaining principles.

(3) Elimination of regulations that relaxed protective standards of the Factory Act and the Mining Act during the war.

(4) Revision of the Labor Disputes Adjustment Act of 1926 to make it a workable instrument for the arbitration and mediation of labor disputes.

full freedom in organizational activities. The Japanese Government supplemented the directive by abrogating seven wartime labor ordinances and regulations. It also revoked the wartime suspension of the protective standards of the Factory Act and the Mining Act. Pre-war restrictions on dangerous occupations, female labor and child labor are again in force. A deliberative committee composed of labor leaders, industrialists, members of Parliament, economists and the public are drafting legislation for a trade union law and a functional mediation law.

LABOR UNIONS

16. The wartime "labor front" organizations - the Sangyo Hokoku-kai (Sampo) and the Romu Hokoku-kai - dissolved voluntarily on 30 September 1945. Sampo controlled labor employed in factories, mines, communications and agricultural enterprises; while the Romu Hokoku-kai concentrated upon day laborers, stevedores, transport employees and construction workers.

Sampo officials secretly intended to reorganize the offices and personnel of the defunct association into a semi-official labor union, but after conference with this headquarters agreed to discontinue further operations and to donate all assets to the government. Immediately after its dissolution, the Romu Hokoku-kai organized a successor association known as the Romu Kyokai. It has received the approval of and a financial subsidy from the Welfare Ministry. The Romu Kyokai is the principal organ through which the Japanese Government supplies skilled and common labor to the Occupation Forces. Its continued existence is countenanced only because both government and labor leaders concede that the system of employment exchanges is incapable of providing necessary labor to the Occupation Forces at the present time. Japanese officials have been instructed to strengthen the employment exchange system with a view to the eventual absorption of Romu Kyokai functions. Assistance in this respect is expected from the employment exchange authorities due from the United States.

New Labor Organizations

17. Immediately after Japan's surrender, pre-war labor leaders initiated steps to reorganize labor unions and to create an alignment of labor forces to achieve economic and political ends. The leftist- and rightist elements of the 1930's have effected a rapprochement whereby Komakichi Matsuoka and Kanju Kato, who were outstanding opponents in pre-war labor organizations, have agreed to join forces.

18. General MacArthur's statement encouraging the unionization of labor was enthusiastically received by labor leaders. Organizational plans are progressing rapidly. On 10 October 1945 approximately 120 of Japan's labor leaders assembled in Tokyo for the purpose of laying the foundation of a united labor front. The outcome of the meeting was an agreement to create a single labor federation with individual unions represented.

19. Among the principal old time labor unions which have been reorganized are the Japan Seamen's Union, the Tokyo Transport Workers' Union, the Tokyo Gas Workers' Union, The Tokyo Communications Workers' Union and the Japan Farmers' Association. In addition, organizational campaigns are being conducted among railway workers, fishermen, newspaper workers and school teachers.

Political Action

20. Labor union officials contend that political action along lines followed by the British Labor Party is the most certain means of attaining their objectives. They have therefore been among the principal sponsors of the Social Democratic Party.

LABOR DISPUTES

21. Three categories of labor disputes have taken place since the cessation of hostilities:

(1) Strikes to achieve economic ends such as increased dismissal allowances, continuation of wartime allowances, improvement of working conditions, wage increases and larger food rations. Known strikes of this type totaled six.

(2) Strikes by Koreans and Chinese against the working conditions, wages, food rations and discipline of Japanese employers, principally in the coal mining areas of Joban and Hokkaido. These strikes are the instinctive reactions of a liberated people against oppressive labor practices. Some instances of violence have occurred, and the intervention of military police has been necessary to restore and to maintain order in some cases. Steps have been taken to alleviate the living and working conditions of the Koreans and Chinese and their repatriation is being expedited.

(3) Newspapermen, radio broadcasting employess, motion picture workers and others have engaged in strikes and protests for the purpose of "democratizing management". Workers assert that the owners and managers of these enterprises were active in the war effort and therefore are not qualified to guide Japan toward democracy.

22. Strike statistics were not being compiled by the Japanese Government prior to 21 October 1945, but arrangement have been made by the Welfare Ministry to collect such data.

LABOR REPARATIONS

23. In preparation for the impending visit of the Reparations Commission, the following tentative conclusions concerning Japanese labor reparations have been reached:

(1) Deportation of Japanese from Japan to perform labor reparation service should be confined to specialists needed to install and to manage transplanted industrial establishments.

(2) Retention of Japanese technical and managerial personnel already in Korea, Manchuria and China is essential for the economic stability of those areas.

(3) By-passed Japanese military and civilian personnel in the South-west Pacific should be utilized to rebuild damaged areas and to construct new developments in order to take advantage of their otherwise idle and restless manpower.

It is felt that the enforcement of these measures would not cause material suffering or a deterioration of economic conditions in Japan.

ADVISORY LABOR COMMITTEE

24. The War Department was requested on 5 October 1945 to dispatch an advisory labor committee from the United States to advise and assist the Supreme Commander on matters relating to labor in Japan and Korea. Personnel qualified in the following fields were suggested: lawyers experienced in labor legislation, statisticians familiar with wage studies and wage controls, experts on social insurance and employment exchanges, employer-employee consultants, and persons qualified in the general field of Japanese-Korean labor. This committee is expected to arrive about the middle of November.

CIVILIAN PERSONNEL

25. In order that civilian employees of the War Department may be processed and administered in this area, an Office of Civilian Personnel is being established. This agency will be responsible for all phases of civilian personnel procurement and administration.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

MONTHLY SUMMARY NO. 1

SECTION 12

COMMUNICATIONS

C O N T E N T S

Page

GENERAL

1. At the initial stage of occupation of Japan the electric communications operating and manufacturing industries, completely government controlled, were in a state of disrepair, confusion and inactivity. This situation was the product of war damage, neglect of maintenance, full control over key supplies by the Japanese Army and Navy and bureaucratic control. These agencies have now been sufficiently restored to serve the needs of the Occupation Forces and partially to meet those of Japanese Civilian economy. Communications equipment manufacture required for rehabilitation and maintenance has commenced. A younger element has taken initial steps under Allied supervision to liberalize the industries. Surveys have been initiated to develop the basic facts needed to plan programs and formulate policies. A long range program of action was formulated, and the Occupation Forces have been advised on the destruction, guarding or turnover to the Japanese Government of the Japanese Army and Navy equipment. These steps were taken on the basis of: demilitarizing of communications for the security of the Allied Forces; supplying first occupation needs and second the reasonable minimum needs of the internal economy of Japan and Korea and the democratization of the industries.

WIRE COMMUNICATIONS

2. The most immediate requirement was for essential wire communications in Japan by Occupation Forces. The telephone and telegraph system adequately covered the four home islands but it was severely damaged by the war especially in the large cities. It was not adequate to meet all the needs of the Armed Forces. This service has been expanded in the first two months of occupation, and toll plants have been repaired on a temporary basis in most locations. The current needs of the Armed Forces are being met.

It is probable that the peak of wire facilities for the use of the Occupation Forces has been reached. Unless trouble occurs or changes in the location of the Occupation Forces are made the demand is expected to register a downward curve. A long range program of reconditioning and repair has been started. The program aims at building a permanent system adequate for the Occupation Forces and providing a substantial portion of the minimum requirements of the internal economy of Japan.

Radio Network

3. Japan after capitulation possessed a radio broadcasting network of 100 stations and a domestic short wave circuit of about 200 stations. The two systems had been badly run down due to lack of maintenance but were ready to be turned to occupation use. There were active circuits capable of being beamed to the Allied Powers, a complete but dilapidated police radio net and many miscellaneous radio stations. All radio communications in Japan are controlled by the government through the Board of Communications.

The initial problems confronting occupation were to utilize these networks to carry press and broadcast news of the surrender and occupation to the United States; to establish a satisfactory Expeditionary Forces message transmission; to insure proper Japanese management organization and operation of essential services; and to implement measures for rehabilitation where required. The first two problems have been satisfactorily solved. A beginning has been made toward bringing the approximately 700 Japanese transmitters under security controls. Steps are being taken to coordinate those circuits that can be operated and those frequencies that can be used. A basic move has been made toward assuring proper Japanese management organization. An extensive program has been mapped out to facilitate utilization of Japanese Army and Navy stockpiles and to stimulate manufacture of equipment indispensable for rehabilitation.

Signal Equipment

4. The signal communications manufacturing industry has suffered extensive destruction. The Japanese experts estimate that at least half of the signal communications manufacturing plants will require rehabilitation before full production can be resumed.

5. The Japanese Government is now taking steps to abolish the basic laws under which the wartime control associations had been organized. The Japanese communications industry stands a fair chance to lead the conversion of industries to a peace time basis. By the end of October essential manufacturing had been started, though at a slow pace. This reconversion activity is being encouraged as one means to help democratize the industrial fabric of Japan.

6. The long distance wire communications system in Japan is built on the basic plan of providing multiple routes to insure continuity of service under almost all conditions. The toll circuit plan is to provide toll cables linking the four main home islands, running generally north and south from Hokkaido to Kyushu, with open wire toll lines radiating from the cable routes to form cross-island circuits feeding into the toll cables. At present one toll cable runs between Tokyo, Aomori, and Hokkaido. Another toll cable is under construction between Sendai and Tokyo along a different route. Two toll cables following different routes are operating between Tokyo and Osaka and two between Osaka and Fukuoka. One runs along the southern coast of Honshu and the other is routed over Shikoku Island to Oita (Kyushu) thence to Fukuoka. The section between Oita and Fukuoka is under construction.

7. The pole line construction is of high standard. While many pole routes follow highways and railroads, they also go cross-country, over rice fields and muddy areas, making them accessible for maintenance only with difficulty. The aerial cable construction does not meet the standards of the open wire, especially in the slack condition in the cables and the inferior splicing. While temporary repairs of the toll facilities have made them adequate, there are three traffic "bottle-necks" in the war damaged submarine cable between the islands of Kokkaido and Honshu; between Tokyo and Sendai, where additional construction is now

underway; and in the Hiroshima area. Practically all facilities to Korea, Kyushu and the mainland of Japan pass through a single point at Hiroshima. They were completely disrupted by the atomic bomb. Temporary repairs made after the bombing were destroyed by the typhoon in September.

8. Adding to poor maintenance and war damage as causes for the poor quality of service are faulty operating methods; toll operating techniques are completely cut of date. Considerable operator and circuit time is lost in completing toll calls due to the obsolete procedures used.

9. Telegraph printers using either Kana or English characters are used. Fairly high speed automatic tape equipment used on main trunk circuits is capable of moving a large amount of traffic.

10. The Occupation Forces are now using the following long distance toll circuits along the axis of the Eighth Army:

Yokohama	- Tokyo	9
Tokyo	- Sendai	15
Sendai	- Aomori	11
Aomori	- Hokodate	14
Hokodate	- Sapporo	17
Sapporo	- Chotose	5
Sapporo	- Otaru	12

11. The Japanese circuits along the axis of the Sixth Army are:

Tokyo	- Okazaki	17
Okazaki	- Nagoya	19
Nagoya	- Kyoto	29
Kyoto	- Osaka	39
Osaka	- Matsuyama	25
Matsuyama	- Kure	27
Kure	- Shimonoseki	18
Shimonoseki	-Fukuoka	22
Fukuoka	- Sasebo	18
Sasebo	- Kanoya	2

12. There are numerous cable pairs in local cable being used for intra-city service and for tie lines between units within the same area.

13. A few submarine cables of various sizes in good condition connect Japan with Korea. Prior to the war there were cables between Japan-Okinawa, Japan-Formosa, Japan-Shanghai, Formosa-Aomori, Formosa-Hong Kong and Okinawa-Yap. These are now inoperative due to war damage. Carrier systems, particularly the three and six channel carrier types on both open wire and cable are extensively used. The telegraph circuits are

mostly routed over the same wire lines as the telephone but there are short branch open wire routes supporting telegraph circuits only. There were about 10,000 miles of toll cable and about 40,000 miles of toll bare wire circuits before the war. Japan has about 13,000 telegraph offices, including those in post offices and railway stations.

Local Telephone System

14. The local plant consists of about 6,000 telephone exchanges of all types. There were about 1,600,000 telephone instruments in service before the bombing. These handled annually five and a half billion local calls, 425,000 toll calls and 325,000 telegrams. The system has currently 127,000 employees.

15. About 25 percent of the wire communications system was destroyed by bombing and fire. An additional 25 percent replacement is necessary due to wartime neglect and depreciation. Most of the war damage occurred in the large cities where exchanges were burned out. Fifty percent of the telephone instruments were destroyed. In Tokyo, out of 200,000 prewar telephones only 50,000 are in service today. The toll lines outside the cities were only slightly damaged, the estimate being less than 5 percent. All of the repeater stations, except the one in Hiroshima, were located outside the cities and were not damaged. The repeater station in Hiroshima was completely demolished by the atomic bomb.

16. In the central offices, the trouble rate per station and telephone instrument is extremely high and the service rendered is inferior. Switch and dial contact difficulties are frequent. The transmitters are of poor quality. Anti-side tone circuits are not used. The manual local and long distance switchboards are in a general state of disrepair. The building interiors are damp, poorly ventilated, dirty and unsanitary; floor coverings have deteriorated giving rise to bad dust conditions. Building lighting is poor. Unsatisfactory maintenance of the buildings is a contributing factor to the poor state of the central office equipment.

17. The repeater stations are in much better state of repair than are the central offices and the performance of repeater equipment is also much better. There is considerable trouble caused on the toll circuits by the voice frequency ringers used.

Administration

18. The management of the wire communications system by the Board of Communications is through seven of its eleven bureaus. Among these are: The Bureau of Telecommunications, which is the telephone and telegraph operating division, dealing with commercial traffic and operating policies; The Bureau of Electrical Engineering, the engineering department; The Bureau of Telecommunications Reconstruction, in charge of general construction and maintenance; the Electro-Technical Laboratory, the system's research organization; the Higher Communication Training School, which conducts technical training of new employees; the Secretariat Bureau, handling higher personnel and policy; and the General Affairs Bureau, dealing with general matters. In addition to the general headquarters organization there are ten operation district headquarters located in Tokyo, Nagoya, Osaka, Hiroshima, Kumamoto, Sapporo, Sendai, Matsuyama, Nagano and Kanazawa. The organization within each of the operating districts is similar to that of general headquarters. Each district has a director who is responsible for its activities.

Rehabilitation

19. The Japanese Officials have proposed a four year program of rehabilitation repair and new construction to put the wire communications system in condition and make it ready to serve Japan. This program will require the following items of major equipment and material:

Lead covered cable, all types and gauges	48,000 km
Insulated wire, all types and gauges	51,000 km
Bare copper wire, all types and gauges	4,000 metric tons
Bare iron wire, all types and gauges	700 metric tons
Steel wire cable messenger	6,000 metric tons
Telephone instruments, all types	1,000,000 each
Switchboard positions all types	15,000 each
Automatic equipment, selectors and connectors	1,000,000 each
Electrical Measuring instruments	17,000 each
Carrier telephone repeaters	1,700 each
Telephone repeaters	325 each
Teletypewriters	2,200 each
Morse telegraph instruments	3,700 each

20. In addition to the above the Japanese state a large quantity of telephone and telegraph storage batteries, power equipment, ringing machines and miscellaneous types of vacuum tubes will be required. Final approval to the four year program has not been given by the Allied Forces. A preliminary examination indicates that the program is in excess of minimum Japanese needs. If a careful study of needs determines that this is the case the program will be ordered reduced. Even before final action is taken, specific recommendations can be and are being made to the Japanese Communications Board to eliminate bottlenecks and insure continuation of satisfactory service to the Occupation Forces. Included are recommendations to the Japanese to:

(1) Place two 14 pair non-loaded cables between Honshu and Hokkaido;

(2) Expedite the cable construction between Tokyo and Sendai;

(3) Expedite the repairs in the Hiroshima area;

(4) Give high priority to the repairs of the open wire and cable on Kyushu and the laying of submarine cable between Tanonwa and Sumoto so that this section will be completed by the time the Matsuyama-Oita route is finished;

(5) Initiate a training program for all outside plant construction and maintenance personnel to teach them improved and correct methods of construction and maintenance and replacing of tubes and making of transmission tests;

(6) Initiate a training program to teach the use of instruments in the location of wire troubles;

(7) Revise the present operating practices to make them more efficient and more in keeping with modern methods;

(8) Initiate a building maintenance program so as to improve the maintenance inside central offices.

RADIO COMMUNICATIONS

GENERAL

21. The Occupation Forces found in Japan a radio broadcasting chain of 100 stations in bad physical condition but useable; and internal radio short-wave net of about 200 stations to support the wire system, also suffering from poor maintenance; active circuits to neutral countries and former Japanese-occupied territories; a complete but worn out police radio system; and numerous other radio stations.

22. During September and October a portion of the Japanese civilian radio system was adapted to the Armed Service Radio Service, operating over 10 stations. Foreign circuits have been put to work sending and receiving Press and Expeditionary Force messages. Wartime interference from Japanese stations has been eliminated through frequency reassignments. Plans to make civilian radio secure, while at the same time serving the Occupation Forces and the internal economy of Japan, have been evolved and in part put in operation.

Thorough surveys of radio communications have been well started and a determination has been made of the external and foreign radio circuits which may be operated by the Japanese. A study has been nearly completed of the Japanese civilian radio frequency assignments to eliminate interference with radio circuits used by the Occupation Troops.

23. The period has seen the loosening of the tight hold of governmental control over both broadcasting and radio telecommunications. It has witnessed an internal revolt against bureaucracy within the operating industry and prospects of the development of competition in a field that has been the Japanese Government's own. The sections of the Board of Communications primarily responsible for radio communications are the Electric Wave Department, concerned with technical and equipment matters, and the Supervision Department, which controls administrative and fiscal matters. There are also regional Bureaus of Communications carrying out the local functions of the Board.

Radio Broadcasting

24. Radio broadcasting is conducted by the Broadcasting Corporation of Japan. The first problem on broadcasting is the Corporation itself. While technically a quasi-private corporation, it operates as a government agent. The President and all directors must be approved by the Board of Communications and may only be removed by it. Until the practice was abolished by an Allied directive, program policies were determined by the Board of Information and the programs censored by the Board of Communications. The Corporation has about 5400 "members", none of whom hold more than 46 units of membership. Stock cannot be transferred except through inheritance. All the shares combined have a voice equal only to that of

the President on the one hand or Board of Directors on the other. There are no dividends paid.

25. Financially the Corporation is in good position. Its original capitalization was ¥1,356,800 but its capital assets currently amount to nearly ¥50,000,000. Its income is from receiver license fees, supported by the government, of ¥1 per month (increased from 50 sen per month 1 August 1945). These fees totalled ¥45,582,981.27 in the fiscal year ending 31 March 1945, with about a 15 per cent collection cost. The increase in rate has been more than sufficient to compensate for the decrease in licenses caused by bombing.

The Corporation is influential in related fields through stock ownership in such agencies as the International Telecommunications Company and in the control association having cognizance over the distribution of home receivers. The continuance of the sound financial position of the corporation is dependent upon government support of the license fee system.

26. The studios at the broadcast centrals located at Nagoya and Hiroshima were destroyed by the bombing. Ten minor stations suffered major damage. Of these, 5 are in operation using temporary facilities, 3 have been closed as no longer necessary, and 2 are in the process of restoration.

27. The Broadcasting Corporation has a good physical plant, although at present it is run down and short of equipment, particularly vacuum tubes of the high power types. It was designed primarily to provide a single nationwide service for the dissemination of propaganda. It was the aim of the Japanese Government to have a system by which the Japanese people could listen to local broadcasts without at the same time being able to listen to foreign broadcasts. It was also necessary to overcome the poor transmission characteristics of the mountainous terrain. Both these aims were accomplished by installing a large number of low power stations (below the high frequency band) connected by wire lines to central studios.

This system of low-power stations when operated on common frequencies as was done during the war, helped to counter the possibility of its use by Allied bombing forces as a navigation aid. At present there are approximately 100 broadcast transmitters in operation throughout Japan with the principal centrals at Tokyo, Osaka, Nagoya, Hiroshima, Kumamoto, Sendai, Sapporo and Matsuyama.

28. The station equipment is of sound design. It is copied from United States and other foreign equipment. There are two 150 kilowatt transmitters in the Tokyo area which are now operating at 10 and 50 kilowatts due to lack of high powered tubes. The 10 kw regional broadcast centrals at Nagoya, Osaka, Hiroshima, Matsuyama, Kumamoto, Sendai, and Sapporo are also operating at reduced power for the same reason. Local stations have powers ranging from 50 watts to 3 kilowatts, and are currently operating on full power.

The Corporation also had a second net work covering the metropolitan centers of Tokyo, Osaka, Nagoya, Sendai, Kumamoto, Sapporo, Hiroshima, Matsuyama, Okayama, Fukuoka, Niigata, Okita, Shizuoka, and Matsue for the transmission of better class programs. This network, discontinued during the war, has been requisitioned for Armed Forces Radio Service, which now broadcasts over 10 stations. The Corporation is setting up its second network service by using reserve transmitters.

29. Distribution is effected by means of wire lines leased from the government and the International Telecommunications Company. Most of the programs originate in the main JOAK studios in Tokyo. Programs can also be originated in the regional broadcast centrals, but are of

secondary importance. As a rule local stations do not originate any programs. The wire network is in bad condition and in many instances high frequency relay stations are used to distribute programs, although the result is poorer quality of reception. The short wave facilities of the International Telecommunications Company are also used by the Company for relaying programs to be rebroadcast on United States networks.

30. The poor physical condition of the broadcast plant has its counterpart in the home receiver situation. The Japanese Government actively encouraged the distribution of cheap receivers to the citizenry to develop a large audience for officially inspired propaganda and to prevent them from having receivers that could tune in on to foreign stations. The average Japanese receiver has four tubes, is cheaply constructed and insensitive compared to the average receiver in the United States.

In the early stages of the war, there were seven and one-half million receivers in Japan. Fifty percent of the homes had one receiver but in the metropolitan areas a much higher percentage of receivers existed. Approximately 1.6 million sets were destroyed in air raids and, of the remainder only about three million are in operating condition. Many receivers are lacking replacement vacuum tubes. There is currently a big demand for receivers and receiving tubes and the current selling prices are inflated far above the pre-war prices.

31. The Japanese were probably far ahead of any other country in the use of radio broadcasting to supplement primary school instruction. At one time practically all of the schools were equipped with usable sets; many multi-unit schools were completely wired for radio reception in every class room. At present the equipment in only a quarter of the schools is operational due to normal attrition and priority is being given to the replacement of inoperative units to facilitate the dissemination of revised curricula.

32. Since the occupation began two important movements in connection with broadcasting have started. The first, originating within important members of the Board of Communications and sponsored by certain prominent business people, has been to set up an independent broadcasting system capitalized at 5 million yen and consisting of 10 stations. The proposal is to support this system by commercial advertising but at present radio advertising in Japan could hardly support a radio chain. It is to be owned by radio manufacturers, newspapers, theaters, department stores and other interests which would stand to profit from having a radio outlet.

The proposal has not yet received Allied approval, and has been sent back for further study by the Japanese because it did not make clear how an independent system could serve the public and survive or what effect it would have upon the Japanese Broadcasting Corporation.

The second movement, originating at the operating levels of the Japan Broadcasting Corporation, seeks to throw off both government control and present top management. It springs both from the personal ambitions of the younger elements in the Corporation and a sincere desire to make radio broadcasting effective in Japan. Careful study is being made of the wisdom of permitting complete independence for the Broadcasting Corporation of Japan at this time. Developments in the management revolt are being watched but not interfered with.

33. The main objectives of the occupation relating to radio broadcasting are: (1) to require the building of a sound regulatory management and financial structure for broadcasting; (2) to permit competition provided it is practicable; and (3) to stimulate production for reconditioning of stations, wire lines and home receivers. A start has been made on the first. The second appears to be definitely in the future. A beginning has been made in the solution of the third problem.

Radio Communications System

34. The Occupation Forces found the International Telecommunications System of nine stations, the police net of 56 stations, approximately 200 Japanese Army and Navy stations and about 33 privately owned stations; nine meteorological stations; about 40 stations providing safety services such as radio range, radio beacons, radio direction finding and a few stations operated by the Railway Bureau and the Post Office Department.

35. There were many problems demanding immediate solution. Some of them have been solved. Japanese officials set up suitable circuits upon the arrival of the Armed Forces to carry surrender news. There are now established daily broadcasts from Radio Tokyo studios over International Telecommunications short wave circuits to America. Expeditionary Force message procedures were established about 15 October and now about 1200 messages per day are being transmitted to and from Mackay Radio, RCA and Press Wireless stations in the United States over three international Telecommunications Company circuits. These circuits are also extensively used for press traffic.

36. A beginning has been made toward controlling the approximately 800 Japanese transmitters. All telecommunications circuits to foreign countries and former Japanese-occupied territories have been brought under censorship by the Civil Censorship Detachment. The Communications Board has been given instruction concerning the circuits it can operate and the frequencies it can use.

Traffic of the character authorized is permitted over the circuits to China, Dutch East Indies, Siam, Europe (Geneva, Moscow, Stockholm, Lisbon), Formosa and Korea. No additional foreign or external circuits may be operated without prior notice to the Supreme Commander, and after clearance of the frequency. Changes in points of communication, station location, station control and ownership may be made only after notice to the Allied Command.

37. A complete list of stations, frequencies, station locations, character of service and power is in the process of compilation by the Japanese. Their list will be the basis of coordination of radio frequency assignments. Only stations of the list for which need can be domonstrated will be permitted to operate and no changes in or additions to the stations on the list can be made without notice to the Supreme Headquarters. Adequate plans for censorship, monitoring and utilization of necessary radio facilities are being developed.

38. The problem of management, organization and operation of essential services centers primarily around the International Telecommunications Corporation. It, like the Japan Broadcasting Corporation, is controlled through approval of officers and corporate actions by the Board of Communications. The government owns half its stock. It conducts all of Japan's radio communications with the outside world. The corporation has shown remarkable growth, its assets increasing from ¥22 million in 1935 to ¥238 million in 1945. It has a current net worth of approximately ¥100 million. The investment in the radio plant is ¥3.5 million. The investment is only one-[illegible]th of the value of the land lines formed and operated by the Corporation in Japan and in Korea. During the past year the Company showed a profit of approximately ¥3 million.

39. The transmitting and receiving facilities of the International Telecommunications Corporation are in the vicinity of Tokyo and Osaka. The receiving stations are at Nagasaki, Oyama, Yamato, Tama and Ashigara. The Tokyo transmitting stations are located at Kemora and Fukuoka. The Osaka stations are at One, Kawachi and Yosami. There are 40 transmitters on hand ranging from very low frequency to high frequency types. The

International Telecommunications Company does not operate any central office equipment for the filing of the actual transmission of messages. The sender files his messages in the local Post Office as in the case of domestic messages. It is then carried over the government's domestic system to either the Tokyo or Osaka Central Office where it is put on the lines controlling transmitters. The organization operates its own laboratory and factory for the development and manufacture of telecommunications apparatus.

40. The Board of Communications has three external radio telegraph circuits to China, one to Korea and three to Formosa with transmitters at Kemigawa, Fukui and Fukueka. There are also about two hundred low power stations scattered over Japan providing service to the numerous islands and supplementing wire telegraph in the domestic service. These stations are presently receiving extensive use due to the poor condition of the wire plant.

41. The police communications system includes ten stations having a power of 1 kilowatt or higher and thirty-eight 50 watt stations located in all key cities. A number of aeronautical communications and navigation stations are being used by the Occupational Air Forces. Japanese meterological stations are being used to broadcast weather information for the Allied Forces in the Pacific.

42. The Japanese Army had an extensive radio communications net of 200 stations covering the home islands and reaching Army outposts. The Army also operated air communications circuits, weather stations and radio navigation aids. The Japanese Navy operated separate stations ship to shore, to home islands and outlying naval stations. Its net now consists of approximately 20 stations.

REDISTRIBUTION OF WAR SUPPLIES

43. One of the important sources of materials to rehabilitate the wire and radio communications system is the supply of Japanese Army and Navy communications equipment that is capable of civilian use. The occupation policy is that such equipment will be turned over to the Japanese Home Ministry. Considerable time and effort has been spent to stimulate and supervise this return and to establish satisfactory plans for the proper control of the returned equipment.

44. The first step was to locate and arrange for the turnover and distribution of transmitting and receiving tubes vitally needed to keep broadcast stations on the air, the telecommunications facilities operating and to supply receiving sets in schools and public buildings. Consolidated lists were sent to the Occupation Forces in Japan proper with instructions to conduct surveys on and report locations of these tubes. Representatives of the Home Ministry were sent to the reported locations to collect and distribute them. As a result of this activity a serious shortage has been temporarily relieved by distribution of approximately 23,000 tubes. Other communications equipment, suitable for civilian use, has been returned to the Home Ministry.

Plan of Operation

45. In order to control the distribution of the collected equipment and prevent and inimical or unsound use thereof, the Japanese Home Ministry was directed to prepare and submit for approval a plan for its collection and distribution. The plan was to provide first for the needs of the Occupation Forces and secondly for the most pressing needs of the civilian economy of Japan. As a result of this directive, a plan was evolved, approved and put into operation with the following features.

(1) The collection, storage, safekeeping and issuance of receipts to the Occupation Forces for reclaimed communications equipment is delegated by the Home Ministry to the Governor of each prefecture. Easily

moved items of equipment are transported to and stored in centrally located warehouses. Items not readily movable without difficulty remain in storage at place of receipt. The local civil police are called upon to furnish the necessary guarding personnel.

(2) Of the equipment collected 10 percent is turned over to schools and institutions for educational programs and installations. First priority on the remaining ninety percent is given to rehabilitation and maintenance of existing facilities; second priority to new facilities urgently needed by the Occupation Forces and Japanese civilian economy; and third priority to other new facilities. Within the above stated priorities, distribution is to be according to use. The public communications services other than radio broadcast, transportation and weather have first call. Second call is to radio broadcast and third to transportation and weather.

(3) The Board of Communications is designated by the Home Ministry as the distributing Agency.

(4) A stock record system is to be kept by both the receiving and distributing agencies.

(5) Periodic reports are to be submitted by the prefectural representatives to the Home Ministry and the Board of Communications. The latter is to submit weekly reports to this Headquarters for study and recommendations.

46. Directives and necessary report forms have been received by the prefectural representatives. Distribution of the equipment, starting slowly, will improve substantially during the current month. Close scrutiny of the weekly reports is planned to maintain proper control and supervision.

SIGNAL COMMUNICATIONS MANUFACTURING INDUSTRY

General

47. The initial tasks of the Occupation Forces in connection with the Japanese signal communications manufacturing industry have been to swing it from abruptly terminated war production to the manufacture of critically needed items to overcome the lethargy caused by the defeat, to begin to understand the intricacies of the controls under which it operated and institute controls over the communications laboratories. By the end of October essential manufacturing had been started on a preliminary scale; the bureaucratic system stifling its freedom was showing signs of breaking up; and plans for laboratory control had been developed.

Main Companies

duced more than a million receivers in 1941. A number of equipment manufacturers made electrical apparatus in addition to communications equipment. The industry was concentrated in few hands. Tokyo Shibaura, Sumitomo Electric Company (formerly Nippon Electric Ltd.), and Oki Denki made 75 percent of all telephone equipment. Furakawa Electric Company Ltd., Sumitomo Electric Wire & Cable Works and Fujikura Electric Cable Works Ltd., made approximately 55 percent of all wire and cable. In the wire and cable industry, only 15 companies were capitalized at over 1 million yen each and 6 over 10 million yen. Tokyo Shibaura produced about 50 percent of all vacuum tubes.

A sudden growth of companies in the communications field developed as a result of the war. One instance is the Iwasaki Instrument Company, which had a capital of 300,000 yen in 1938 and of 10,000,000 yen in 1945.

49. The first demands of the Occupation Forces upon the signal communications manufacturing industry were for high power transmitting tubes for radio broadcasts, radio receivers for schools to carry out the re-education program to the pupils and teachers, and wire and cable for repairs to the wire systems used by the military.

War Damage

50. War damage to the signal communications manufacturing industry was extensive according to Japanese estimates, which preliminary checks indicate are reasonably accurate. Approximately 30 percent of the communications cable manufacturing capacity has been destroyed. Fifty nine of the 127 electric wire and cable manufacturing companies had been damaged. Indication of the destruction is the fact that of the 35,331 persons who were employed in the wire and cable industry during 1944, only 16,804 remained by August 1945. War damage can also be seen in the upward spiral of prices in this industry, in which production dropped from 98.3 thousand tons in 1937 and 65.2 thousand tons in 1944, while the yen value of goods produced rose from 158.2 million yen to 333.1 million yen during the same period. The low point occurred in 1941 when 48.2 thousand tons of wire and cable were delivered but production rose steadily each year to 69.5 thousand tons as of August 1945.

51. Both war damage and the diversion of critical materials to more pressing needs may explain the drop of production of civilian radio receivers from 1,178,322 sets of all types in 1941, to 1,060,866 sets in 1942, 565,000 sets in 1945, and only 72,864 sets in 1944. The capacity of Tokyo Shibaura for making large tubes was completely destroyed by the bombing. One of the six plants of Oki Denki and one of the six plants of Sumitomo were completely destroyed and some of the remaining plants suffered partial destruction. The Japanese estimate that at least half of the signal communications and manufacturing plants will require rehabilitation before full production can be restored.

Government Control

52. Presenting almost as great a problem in restoring production was the governmental control over communications equipment manufacture. All manufacturing of communications equipment for both the war needs and the civil population was directed and administered through a system of control associations. Three of these associations ran the entire communications industry. They are the Electrical Apparatus Manufacturing and Distributing Control Association, The Radio Receivers Distribution Control Association and the Electric Wire and Cable Makers Control Association. Through an intricate system of membership permits, materials allocation, allocation of production and control of distribution, these associations in their respective fields decided every important step manufacturers could take. For a number of weeks after the surrender production was stagnant while the associations debated policy, required manufacturers to submit plans and estimates and engaged in internal political maneuvering. Detailed investigations were made of the first

two named associations and general investigation made of the Electric Wire and Cable Makers Control Association. Studies made showed that abolition of the control associations was necessary not only for the democratization of the industry itself but also to make possible needed production. Since the Japanese Government is taking steps to abolish the basic laws under which the control associations were organized, directives to "free" the communications industry were not required.

Postwar Outlook

53. The factors enumerated, coupled with the general confusion and the uncertainty of the future, have been responsible for a slow start in communications production. However, approximately 3000 radio receivers have been built to meet the immediate needs of the Ministry of Education and schedules call for the building of 35,000 receivers by the end of the year. The production of wire and cable has been assured through the allocation of raw materials to two factories capable of starting immediate production. One of them has materials on hand and production commenced the last week of October on 1800 meters of plain and lead covered cable to meet the needs of the Occupation Forces. Orders for 150 kilometers of telephone cable were also placed and negotiations are presently underway to place orders for 210 kilometers of toll cable urgently needed. Orders have likewise been placed on two factories capable of producing the 1500 transmitting tubes urgently needed for broadcasting. The production schedules of 10 tubes in October (which was met), 100 in November, 250 in December, 350 in January and completion by July 1946 are sufficient to meet the immediate and short term needs of the Japan Broadcasting Corporation, except for two types of high power tubes for Radio Tokyo. The production problems of these two tubes are being studied.

54. More satisfactory is the production of 160,000 receivers tubes during October, with 400,000 promised for the balance of the year. Two of Japan's largest vacuum tube producers are now back in production after almost complete disruption of their main plants in Kawasaki. Tokyo Shibaura Company Ltd., is producing on the following schedule: September, 587; October, 85,800; November, 151,000; December, 292,000. Sumitomo Tsushin Kogyo KK, which prior to the war produced 10 percent of the country's tubes, plans to produce receiving tubes on the following schedule: December, 51,500; January, 52,000; February, 52,000; March, 120,500. This production will not overcome the deficit of receiving tubes accumulated during the war.

55. The occupation policy has been to expedite manufacturing indirectly by pointing out the requirements of the various users such as the Police Department, the Japan Broadcasting Corporation or the International Telecommunications Company to that focal point on all communication matters, the Board of Communications or to the government agency concerned.

56. Business leaders in the industry have ambitious plans for communications production. They hope to produce during the next year, small quantities of experimental television sets, 4 1/2 million radio receivers, 14 million radio tubes, 3/4 million telephones, and 1/3 million automatic switches of all types. These are against estimates of need made by the Japanese of 1.2 million telephones, 42,000 switchboard positions, 2000 television receivers, 7.5 million receiving sets and 23.5 million radio tubes.

57. The occupation policy includes encouragement of production of all-wave receivers that will enable the Japanese people to listen to foreign broadcasts.

Research

58. The problem of control of scientific laboratories and institutions engaged in signal communications research and development does not on first investigation seem difficult of solution. Technical research and development on signal communications in Japan was conducted by both military and non-military organizations. The Army, Navy and Air Forces each had separate laboratories engaged in research on the communications requirements of their respective branches. There were a number of laboratories established by other government departments or by private concerns such as the Electro-technical Laboratory of the Board of Communications and the research laboratories of Sumitomo Tsushin Kohyo, K.K., and Tokyo Shibaura Denki, K. K.

59. Damage from air raids reduced the facilities for communications research by approximately 20 percent. The electronics laboratory of Tokyo Shibaura Denki, considered to have been the best equipped electronics laboratory in Japan, was completely destroyed. Other laboratories were damaged to varying degrees. In an effort to minimize the damage to laboratories from air attacks, a program of dispersion was initiated early in 1945, and at the close of the war this dispersion program was practically completed. Present plans are to return most of these laboratories to their former locations as soon as the necessary reconstruction can be effected. A survey indicates there are now less than ten laboratories in Japan equipped to conduct extensive research in the communications field.

60. Developments in signal communications during the war by non-military laboratories was seriously hampered by the lack of confidence or trust in these organizations by the military. To preserve secrecy, only meager information was supplied to researchers when assigned projects for development. This policy resulted in engineers attempting to develop communications equipment or devices without the knowledge of where or how such devices were to be used. The practice was particularly noticeable in the field of radar research. Interviews with various scientists and engineers who performed research work for the military indicate that their efforts were only about 50 percent effective due to the lack of pertinent information furnished them. All such work stopped with the end of the war.

61. Very little research has been conducted in the communications field since the occupation. Research in radar and similar developments for war by the Japanese has been prohibited. General research in communications has been permitted to continue to the extent necessary to provide the coordinated signal system required to serve the needs of the Occupation Forces and the civilian economy of Japan. Difficulties encountered by the Japanese in conducting research toward peace time uses may be attributed to the shortage and poor grade of raw materials, damage and of uncertainty toward the future. Development of methods for improving existing telephone carrier equipment and multi-channel radio-link systems are considered to be the most important fields for research at the present time.

62. The ultimate objective with respect to civil communications laboratories is to establish a policy which will allow only that scientific research and development which is necessary to serve the requirements of the Occupation Forces and the needs of the internal economy of Japan. A program to accomplish this objective has been initiated. A list of all laboratories, educational institutions and scientific societies related to the signal communications industry is being compiled, together with names of all individuals connected therewith. Monthly reports concerning the activities of each organization have been directed, and complete reports from two of the largest laboratories have already been obtained and are being studied.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

MONTHLY SUMMARY NO. 1

SECTION 13

RATIONING AND PRICE CONTROL

C O N T E N T S

GENERAL

1. The National General Mobilization Law passed in 1938 and revised in 1941 is the authority under which the Japanese Government established rationing and price controls over essential commodities. Imperial Ordinances were the instruments used by the government to create control agencies and handle these matters. The most important of these ordinances were No. 276 issued in April 1938 creating the Central Price Control Committee under the Ministry of Commerce and Industry and No. 703, that pegging the prices of most commodities as of 18 September 1939.

Throughout the war prices were continually revised upward. There never was effective overall control over rationing and prices of necessary goods and services. Each ministry in the Japanese Government was made responsible for the pricing and rationing of commodities under its jurisdiction. They in turn set up control companies and associations to handle prices and rationing of specific items. The pricing of those commodities that were of special concern to more than one ministry were reviewed by cabinet committees. These agencies were ineffective in holding down general price advances.

The present situation is one of short supply, excess purchasing power, excessive subsidies, and black market activities. The distribution of food and other essential commodities is unsatisfactory in large cities primarily because of transportation difficulties and the reluctance of farmers and fishermen to sell at ceiling prices. The Japanese Government has been directed to take appropriate measures to cope with the problem.

At present, necessary directives are being issued to change the commercial economy gradually. Because rationing and price controls are handled through control associations, certain of these are being allowed to continue to carry out the distribution of essential commodities. As soon as essential commodities can be distributed in a more normal manner without risk of starvation and disorder, such economic controls will be removed.

FOOD RATIONING

2. The food situation for the urban population will be critical in six months or sooner. Present estimates indicate that on the basis of rice equivalents ther will be a shortage of approximately 3,500,000 metric tons of food in 1946. Because of the reluctance of farmers and fishermen to sell their entire output through official channels and the lack of transportation facilities, this shortage may be even greater and may have to be relieved by emergency relief supplies. Since it is impossible to limit the caloric intake of the forty million people living in rural areas to the level prevailing in urban areas, the situation will be aggravated.

Control Agencies

3. The Ministry of Agriculture and Forestry is responsible for food rationing in Japan. Individual food products such as staples, fruits and vegetables, and marine products are dealt with by special bureaus. Control companies and associations responsible to the Ministry are charged with the mechanics of distribution. They purchase food supplies from the government and distribute them to local branches for resale to dealers associations. The latter in each locality sell to distribution stations or retail stores for resale to the general public.

Prefectural governors have the responsibility for supervising food distribution in their respective prefectures, while mayors and town heads supervise distribution at the municipal level. Staple commodities are rationed on a national basis, but perishables are distributed locally depending on the supply. Canned and processed foods are distributed by special ration depending on the supply and the particular needs of a locality.

Rationing Methods

4. Rationing is based on population, but special consideration being given to various categories of workers. Ration books are supplied by the Commerce and Industry Ministry to local governments for distribution to consumers through the police. The ration books are presented to the neighborhood associations through which the distribution of food to the household is made. Coupons are also used for meals obtained in restaurants. Dealers use these coupons as a claim to purchase additional supplies from the control companies. Large food manufacturers receive special coupons from the government to obtain their raw materials. Food processors such as flour mills operate on a commission basis and do not actually purchase the products they process.

Ration Allowances

5. Ration allowances differ in each locality, depending on local supplies and transportation. The national ration of 2.3 go, or about 330 grams of staple foods was reduced to 2.1 go, or about 294 grams, in July 1945. It was originally intended to issue this ration in rice, but in recent months it has consisted of wheat, barley and sweet potatoes. There is no hope of increasing the staple ration during the coming year. The national ration of staples is supplemented by perishables. Distribution of vegetables and fish has been very irregular

in large cities [illegible]e primarily to low production [illegible], black market activities. It is hoped to increase the production of fish to enable larger quantities to reach urban areas.

CLOTHING RATIONING

Rationing Methods

6. Control of the distribution of silk is under the Ministry of Agriculture and Forestry, rayon and staple fiber under the Ministry of Commerce and Industry. A Textile Control board allots raw materials to the spinning, rayon thread, and raw silk manufacturers and sets quotas for the manufacture of yarns and fibers. Distribution to textile clothing manufacturers is also on a quota basis. Manufactured fabrics are purchased by the several central control agencies which were organized by wholesale dealers in order to exercise unified control over distribution. These manufactured fabrics are in turn sold to various prefectural control companies which are the sole distributing agencies for their respective prefectures and are composed of local wholesale and retail dealers and department stores. Working clothes are distributed at places of employment and students clothing at schools in exchange for purchase tickets. Other items are sold to consumers through local department and retail stores upon a point rationing system.

7. Due to clothing shortages, no ration tickets were issued to the general public in 1945. Special tickets were issued for war sufferers, returnees, expectant mothers, new born babies and other needy persons. Critical clothing items such as undergarments, towels, flannel cloth, bleached cotton, etc., are distributed at department and retail stores under supervision of local neighborhood organizations to insure proper distribution to the needy. Available supplies and prices are widely advertised by local newspapers and posters.

Black Markets

8. Black market activities in this field are minor due to stringent police supervision, but enforcement may become lax due to the loss in prestige of the police since the Occupation.

FUEL RATIONING

Petroleum

9. The Sikiyu Toseika (Petroleum Control Institute) pools materials and equipment, controls refineries, and carries out government policies. The government purchases refined products from the refineries and sells them to the Sikiyu Haikyu Tosei (Petroleum Distribution Company). The latter has exclusive control over the distribution of all petroleum products both imported and locally refined. Under it there are numerous sub-distributers. The company sells directly to the government offices and bureaus as well as to agricultural, forestry and fishing associations.

10. Purchase tickets were formerly required when dealers sold petroleum products to consumers, but this was suspended prior to occupation. Effective November 1945, tickets will be issued by prefectural governments to insure the delivery of supplies to essential consumers. All Japanese petroleum products seized by the Occupational Troops have been turned over to the Japanese Home Ministry for distribution to essential consumers through the Petroleum Distribution Company.

Coal

11. In 1939 due to a critical shortage of coal the government established the Japan Coal Company which was given complete monopoly over

the distribution of coal. In 1943 the Ministry of Commerce and Industry (later the Munitions Ministry) granted additional powers to this company. It thus became the organization through which the Japanese Government allocated coal to all consumers. Eight local subsidiaries handled the distribution of coal to consumers requiring less than 20,000 tons annually; large consumers purchased directly from the company.

12. Prior to 26 November 1941 when the Coal Control Association of Japan supplanted the Federation of Mine Owners, governmental control of the production of coal was limited to various licensing and supervisory measures. The new association was given complete power over all phases of operation of mining companies and its president reported directly to the Minister of Commerce and Industy. Because quotas for production were set by the government at figures above capacity and demands of the companies for labor and materials always exceeded supply, the association was largely concerned with adjusting discrepancies.

13. Since 1941 there has been no significant change in the control of coal. The current shortage of coal is largely due to poor conditions of the mines and to transportation, labor and equipment shortages.

Charcoal

14. Charcoal is an important fuel in Japan for transportation and for industrial and household use. The Japan Gas and Charcoal Company controls production and the United Association for District Sales handles distribution in each prefacture. The prefectural offices control rationing through branch offices, and distribution is made at selected points in school districts or neighborhoods. While ration tickets are used, the system varies in each district. Police stations have emergency supplies. Rationing is under the general supervision of the Police Department under the Home Ministry.

MONOPOLY COMMODITIES

15. Salt, tobacco, alcohol and camphor which are government monopolies in Japan and controlled by the Bureau of Monopolies under the Ministry of Finance. Local Monopoly Bureaus are located in the eight Administrative Districts.

16. Private companies, licensed by the government, engage in production, importation and distribution of monopoly products. These commodities are rationed by a ticket system, tickets being issued to consumers by the local Monopoly Bureau.

17. The present ration of salt is negligible because of the serious shortage in Japan. Efforts are being made to obtain salt for use in the preservation of foods for industrial use and for household purposes.

18. The tobacco ration prior to Occupation was seven cigarettes per adult male per day, but this ration was later cut to three.

PAPER

19. Total paper and paperboard production during the months of September and October 1945 was at the rate of approximately 25 percent of prewar production. Newsprint and paper for books and magazines (foreign paper) are the most critical types of paper. In September and October newsprint was produced at the monthly rate of 12.1 million pounds, which is 18 percent of prewar production. The largest obstacle to greater production is the loss of South Sakhalin, formerly the chief source of pulp. Other factors are lack of coal, transportation, and war damage. Under present plans production will be increased to about 27 million pounds a month by April 1946.

20. Due to the scarcity of newsprint during the war, the number of newspapers was reduced from 5,000 to 75, newspapers were cut down to four pages and circulation was reduced 25 percent. The Japanese Government controlled the distribution of newsprint through the Japan Newspaper Association until September 1945 when restrictions were lifted and the newly formed Newspaper League assumed independent control over distribution.

21. Production of high grade foreign paper for books and magazines has largely ceased due to the loss of South Sakhalin. It contained 62 percent of Japan's sulphite pulp capacity and Korea and Formosa 5 percent. Of prewar capacity of 480,000 tons annually, Japan proper retains only 140,000 tons or 30 percent. The remaining supply of sulphite pulp is being mixed with ground pulp to produce cheaper papers. Paper available for books and magazines is only 4 percent of prewar consumption. The distribution of foreign paper for books and magazines was controlled by the Japanese Government during the war through the Japanese Publishers Society. It has been replaced by the Japanese Publishers Association which has independent control of distribution.

22. The critical nature of the supply of newsprint and foreign paper makes rationing inevitable. The independent control of distribution by the Newspaper and Publishers Associations was open to abuses by the powerful interests. Therefore, a directive was issued 28 October 1945 instructing the Japanese Government to establish a paper rationing board to effect an impartial distribution of paper. This board is presently being organized.

MISCELLANEOUS COMMODITIES

23. There is a critical shortage of essential household items in Japan; for example soap has not been rationed for several months. Efforts are being made to revive production of these items.

Rationing of critical commodities in short supply is handled the same as foods. Control companies selected to distribute these products announce the date of distribution and quantity to be issued, and allocations are made to the neighborhood associations.

PRICE CONTROLS

Control Organizations

24. Interested ministries in the Japanese Government are responsible for establishing prices of commodities under their jurisdiction. Commodity prices of concern to several ministries are studied by the Price Division of the Cabinet Research Bureau before final decisions are made. The prices of important basic commodities are subject to cabinet review before they are revised. Throughout the war price controls were established through Imperial Ordinances. The cost plus method of establishing ceiling prices is widely employed in heavy industries; but the price freeze as of 18 September 1939 is used as a basis for setting ceilings of consumers goods. Various associations dealing in particular commodities readjust inequalities among their dealers and then apply for special consideration to the government. Middlemen and wholesalers as well as certain industries operate on a commission basis.

25. Enforcement of price regulations is left to the Economic Police of the Home Ministry. Despite close supervision, ceilings are not obeyed. Although high penalties are given offenders, the government has made many public appeals for better public support. There are numerous cases in which the police have been guilty of allowing price violators to go unapprehended.

Price Movements

26. Although the rise in prices throughout the war was steady, special consideration was given to producers holding war contracts. Since Occupation no price freeze order has been issued, but the Japanese Government has been ordered to stabilize prices and to watch unwarranted demands for raising the prices of newly manufactured commodities.

27. Several attempts to place essential commodities on a free market and to remove subsidies to producers of vital consumer goods have been halted. Any significant price changes are now brought to SCAP for study before being publicly announced.

The purchase price of rice by the government is being raised because of low production resulting from typhoon damage. The increase will not be passed on to the consumer but will apparently be largely absorbed by additional governmental subsidies.

The present official price to the consumer for the ration of 294 grams is Y 0.104. As present official prices are low compared to the great profits and high wages realized by the majority of the population during the war, every effort is being made to keep them low to protect salaried and low income groups.

Black Markets

28. Black markets exist in every locality and almost every commodity has its black market price. The situation is particularly serious in foods. Regulations were passed prohibiting private transport of food on trains; but since Occupation thousands of people leave the large cities every day for rural areas in search of black market foods. At present the government is endeavoring to obtain transportation and readjust prices to enable larger quantities of perishables to reach large urban centers. Black marketing of staple foods has been fairly well controlled. It is hoped that the increase in the price of rice and better police supervision will enable the government to continue the control of this basic commodity.

29. While bartering between troops and the civilian population continues, the opening of souvenir PX's has curtailed the practice, and Japanese and American military police are breaking up organized black market rings. The prices of services required by the Occupation Forces have been fixed on a reasonable and fair level.

30. Prices of black market items vary greatly as indicated by the following list of selected commodities (Source: Metropolitan Police Board, October 1945):

Commodity	Unit	Highest Black Market Price	Official Price	Percentage of Increase
Sugar	1 kan	1000.00	3.75	26666.7
Toilet soap	1 piece	20.00	.10	20000.0
Refined rice	1 sho	70.00	.53	13207.5
Boiled sweet potatoes	100 momme	10.00	.08	12500.0
Millet-jelly	1 kan	400.00	3.40	11764.7
Kneaded rice-ball	1 ball	8.00	.10	8000.0
Cotton socks	1 pair	40.00	.50	8000.0

Commodity	Unit	Highest Black Market Price	Official Price	Percentage of Increase
Rear car tire	1	150.00	20.00	7500.0
Rape seed oil	1 to	2000.000	26.80	7462.7
Cotton yarn	1 bundle	22.00	.30	7333.3
Raw mackerel	100 momme	20.00	.34	5882.4
Ration bread to RR passengers	1 loaf	10.00	.20	5000.0
Soy	2 liters	60.00	1.32	4545.5
Second grade sake	shot	350.00	8.00	4375.0
Sweet potatoes	kan	50.00	1.20	4166.7
Japanese pipe tobacco	1 piece	18.00	.45	4000.0
Cigarette (Kinshi brand)	10 pieces	13.00	.35	3714.3
Drawers for winter	suit	80.00	2.20	3636.4
Apples	100 momme	13.00	.36	3611.1
Umbrella	1	50.00	1.50	3333.3
Cut tobacco (Minori brand)	30 grams	19.00	.60	3166.9
Writing pad	1 pad	4.00	.17	2352.9
Charges for shoe repair	1 pair	80.00	3.50	2285.7
Small dried fish	100 momme	23.00	1.13	2035.4
Miso (bean paste)	kan	40.00	2.00	2000.0
Salt	kan	40.00	2.00	2000.0
Electric Bulb	1 (100 watt)	20.00	1.18	1694.9
Scrubbing brush	1	2.40	.15	1600.0
Shoe polish	1	7.00	.50	1400.0
Shoes	pair	530.00	42.00	1261.9
Tooth brush	1	2.00	.17	1176.5
Egg	100 momme	21.00	1.82	11.53.8
Curry powder	1 package	2.00	.21	952.4
Overcoat for winter	1 suit	160.00	18.00	88.9
Note book	1 copy	3.00	.35	857.1
Paper for sliding paper door (about 12 feet)	roll	16.00	2.00	800.0
Beef	100 momme	22.00	3.00	733.3

Commodity	Unit	Highes Black Market Price	Official Price	Percentage of Increase
Beer (bigger bottle)	1 bottle	20.00	2.85	701.8
Painted clogs for women	1 pair	20.00	3.00	666.7
Tea	100 momme	20.00	3.30	606.1
Safety razor	1	1.25	.25	600.00
Burdock	1 kan	10.00	1.70	588.2
Radish	1 kan	3.00	.60	500.0
Glass for watch & clock	1	1.50	.40	375.0
Pickled radish	1 kan	5.00	2.00	250.0
Average (Medium)				2285.7

COST OF LIVING STATISTICS

31. The principal sources for obtaining cost of living indices have been the Bank of Japan, the Government Bureau of Statistics, and the newspaper "Asahi". Japanese statistics are not always reliable and their statistical methods are vague. Many records were destroyed during the air raids or were moved to outlying regions for safe-keeping. Complete information is therefore not available.

32. The latest figure of the "Asahi" Index is that of December 1944 when the cost of living was 199.5 using July 1937 as a base. The Tokyo Retail Price Index prepared by the Bank of Japan shows a climb from 262.9 as of January 1941 to 434.2 as of September 1945 using July 1914 as a base. The Tokyo Wholesale Price Index published in the "Oriental Economist" shows an increase from 273.3 for 1944 to 296.2 in April 1945, using the 1931 average as a base. The Japanese are preparing statistics on current economic trends and will supply complete information of their statistical methods.

INTERNAL TRADE

War Damage

33. The business districts of the larger cities were largely destroyed, but new shops are being reopened and special shops and amusement centers catering to Allied needs are being built. The stocks of the sidewalk peddlers are very poor and few items of major use are offered for sale.

Significant Trends

34. Numerous producers believe that the Occupation will be followed by free trade and many business men have been advocating the removal of economic controls. This has resulted in considerable confusion, with the result that merchants are hesitating to put their products on the market. The objectives of SCAP have been explained in conferences and the importance of increasing production of essential commodities has been stressed. Conferees have been told that economic controls over distribution will be retained until essential needs can be supplied under normal commercial conditions.

PROCUREMENT

35. The supervision of procurement of Japanese services, supplies, real property and facilities for the use of the Occupation Forces has been centralized in the General Purchasing Agent. A survey has been conducted of the Japanese supply situation and responsible Japanese officials informed of their responsibilities. Procedures, controls and required report data have been issued to lower echelons to provide for uniform and equitable distribution of procurement.

The policy of this Headquarters is that the needs of the Occupation Forces will be met by the Japanese only to the extent that it will not cause starvation, widespread disease or acute physical distress to the civilian population. Critical items such as medical supplies, rice, milk and fish are centrally controlled in order to implement this policy. Surplus perishable foodstuffs are authorized for procurement to prevent wastage and to supplement the rations of the Occupation Forces. Cash purchases are authorized in emergencies, with a 3,000 yen limitation in each instance.

taken to put into effect the policy of dissolving the control associations: (1) Japanese Governmental agencies have been directed to submit a full report on control agencies under their jurisdiction; (2) control agencies have been directed to submit full reports on their past operations and future plans; (3) conferences have been held with government officials and representative of control agencies and also with individual and groups of manufacturers, wholesalers and distributors; and (4) above reports have been analyzed and a list of the more important control associations and companies prepared.

Comments on Control Agencies

59. Comments on control agencies elicited at conferences mentioned in paragraph 116 are as follows: (1) control agencies were necessary under wartime economy of scarcity and the same type of control will be required for many years to come in almost all fields because Japan's economy will be one of scarity; (2) compulsory controls under government supervision should be abolished; (3) direct control is not feasible because of the inexperience and incompetence of government bureaucrats, the unwillingness of industry to cooperate and belief on the part of small industry that large industry would control the policies of the government; and (4) future controls should be by voluntary associations similar to those existing prior to wartime legislation. A minority of small manufacturers contend that no controls are necessary, that absolutely laissez faire is possible and that any control system will be dominated by large industry.

Progress in Dissolution

60. The Japanese government has been ordered to dissolve the Japan Silk Controlling Company, the Japan Raw Silk Manufacturing Company and the Mutually Prosperous Silk Reeling Company. The Japanese Government has been ordered to create a paper rationing organization comprising representatives of the government, publishers and public which will displace the Japan Newspaper League (Nippon Shinbun Renei) and the Japan Publishers Association (Nippon Shuppan Kyokai). Most of the other major control associations, recognizing occupational policies, are taking steps for voluntary dissolution under supervision of SCAP.

Further Study

61. Study of the problem of dissolution is being continued by a special group with a view to the ultimate dissolution of control associations and the transfer of their necessary functions to government agencies.

SCIENTIFIC ACTIVITIES

62. At this time the supervision of scientific activities in Japan is being exercised as a function of the land, sea and air intelligence groups and special non-military investigating bodies. All Japanese scientific laboratories are required to submit monthly reports of their activities.

63. One of the outstanding physicists in Japan is Dr. U. Nishina of the Institute of Physical and Chemical Research. His request for permission to operate a 60-inch cyclotron was granted by Economic and Scientific Section in October with the restriction that experiments could be carried on only in the fields of biology and medicine but not in the field of chemistry or metallurgy.

Dr. Nishina was also permitted to transfer a set of magnetron oscillators from a Japanese Naval Laboratory to his own plant to be used for irradiation of seeds.

64. A scientific investigatory group is being sent to Japan by the Australian government and will arrive in November. Their primary mission is to study industrial technologies and processes that can be applied in Australian manufactures.

The initial consideration is the restoration of the handicrafts industry to supply souvenirs to the Allied Forces, and secondly for trade balance exports.

The handicrafts industries specifically considered are those making items representive of Japanese art, such as chinaware, lacquer ware, silk textiles (especially of the "Tsuzure-ori" class or hand-loomed), cloisonne, porcelain, jewelry (using culture pearls), toys and small wood products. Small scale production has already begun, with most of the output going to the souvenir trade with the Occupation Forces.

ELECTRIC POWER

50. Present installed capacity is approximately 5,800,000 KW hydro-electric and 3,000,000 KW steam power, a total of 8,800,000 KW. Only about 30 percent of this capacity is now in use. Industrial demand for power dropped off sharply, beginning in February 1945, as the result of air raids and other difficulties in maintaining production. A further drop in industrial demand came at the end of the war when the manufacture of munitions stopped.

51. Hydro-electric plants were practically undamaged. In general, there was no extensive damage to electric power facilities until 1945 and even then damage was confined to distribution networks in cities, and to a few steam plants and substations. Repair of damaged facilities has not been vigorously prosecuted because of the large surplus of available power. Repair materials can be found in existing non-essential installations or in spare stocks.

52. During the winter when the water flow is low electric power generated from coal is the principal source of power. In normal years 90 percent of the coal burned in Japan during the winter months is used for power generation. At the present time coal stocks at the steam power plants are extremely low. Output of steam plants is currently limited to about 500,000 KW.

CARTELS

53. An inquiry into Japanese participation in international cartels has so far disclosed only one, governing the sale of chlorate of potash.

The Japanese participating group consisted of Nippon Denki Kogyo, Nihon Soda K.K. and Hodogaya Soda K.K. The cartel also included I. G. Farben and French, Italian and Swedish concerns. Uniform Chemical Products of New York was not a member but had first option on the purchase of the 300 metric tons which were allotted to the Japanese as their annual sales quota in the United States.

54. The territory and quotas allotted to the Japanese were Japan, Formosa, Korea, Manchukuo, Kwantung, 55 percent of the total China trade, 600 metric tons annually in British India and 300 metric tons in the United States. They also had the right to offer and sell on the same basis with the European firms in Australia, New Zealand, Mexico, Siam and the Philippines.

While this is the only publicly known international cartel in operation, an inquiry into the existence of secret agreements is continuing.

CONTROL ASSOCIATIONS

55. There are 21 commercial or industrial Control Associations, 50 Control Companies and 150 Unions under the jurisdiction of the Minister of Commerce and Industry. There are other Control Associations under the Minister of Agriculture and other ministers. The key commercial

and industrial enterprises of Japan are regimented and controlled rigidly through these agencies. Although existing before the war, they were greatly strengthened during wartime, when the government delegated to them responsibility for the rationing of commodities and the control of prices. Business men frequently have to deal with several of these agencies to complete a single transaction.

Legal Basis and Functions

56. A series of laws, ordinances and special acts dating from 1941 in general provide for the establishment of control associations by the Minister concerned for the purpose of planning production, allocation of materials and labor, and finance; and for the enforcement of these plans. The associations purchase materials and sell products, carry out research and investigations and receive government subsidies. Control companies were established to purchase, sell, export, import, transport and store commodities. Commerce and Industry unions were established to purchase, sell, store, finance and generally control the products of its members, including mining concerns. The regulations of these unions are enforced by the police power. Chambers of Commerce were established within given geographical areas (prefectures, cities) to cooperate in the control of commerce and industry in such areas, although they are not operating organizations and have no inherent powers to enforce regulations. Special Control Companies were established to handle critical items such as petroleum, alcohol, electric power, coal and iron. The purpose of all these agencies was to maximize production under powerful state control to allocate raw materials and finished products, and to control prices.

Methods of Operation

57. Methods of operation vary from one industry to another. Among the least complex are those of the rubber industry, but even here there are six control factors:

(1) The Organic Chemistry Section of the Industry Bureau of the Commerce and Industry Ministry, which is charged with administrative supervision.

(2) The Rubber Control Association, which cooperates in planning raw material requirements, allocation of raw materials to manufacturers and production schedules.

(3) The Rubber Materials Control Company, which purchases all rubber, new materials, sells allocated quantities to manufacturers, receives a percentage commission on all sales and receives a subsidy from the government to compensate for the difference between the cost of materials and final sales price.

(4) The Rubber Goods Control Company, which purchases all rubber goods other than those sold to the military, allocates goods to unions for distribution in each consuming area, sells goods to distributors and receives a percentage on all goods handled.

(5) A rubber goods union which allocates available stocks to dealers exists for each type of rubber goods.

(6) The rubber goods dealers sell to consumers. They are members in one Rubber Goods Union for each type of goods sold, and in one or more Chambers of Commerce and Industry (depending on the number of areas in which they operate).

Approach to the Problem of Dissolution

58. The control agencies are so integrated into the economic scheme that to disturb any portion of them without providing satisfactory substitute controls would injure the entire economy. The following steps are being

25. The following commodities reported to be available in the Russian zone are needed in the American zone: coal, soy beans, wheat, salt, steel pig iron, aluminum, ferro-molybdenum, ferro-tungsten, fertilizer, super phosphate, ammonium sulphate, calcium cyanide, apatite ore, pyrite ore, borax, copper sulphate, caustic soda, liquid chlorine, nitric acid, hydrochloric acid, ammonia, sulphuric acid, rails and coupling parts, coal tar and barley.

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Commodities available in the American zone which may be surplus for exchange are: rice, and when production is resumed, molybdenum concentrates, graphite mineral, asbestos mineral, zinc metallic, lead metallic, copper metallic, fluorite mineral, manganese ore and mining machinery.

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LEGAL AND JUDICIAL AFFAIRS

Background

26. The judicial system of Korea has followed basically that of Japan. It was headed by a Bureau of Justice in the Government General which included under its jurisdiction one Supreme Court in Seoul, three Courts of Appeal (at Seoul and P'yongyang in the American zone and at Taegu in the Russian zone), and a number of district courts with branches and sub-branches. Japanese occupied all important positions in the Bureau and the courts. In 1939 there were only eight Koreans among 120 procurators and only 46 among 235 judges. As in Japan the Bureau supervised penal institutions.

Military Government and Bureau of Justice

27. When the Military Government entered Seoul on 8 September 1945 a preliminary investigation of the Bureau of Justice was begun. It revealed that high officials had illegally destroyed important official documents, including part of the fingerprint records, and had embezzled government funds. The director was immediately put under arrest.

Conferences held with the officials of the National Bar Association resulted in recommendations for the temporary appointment of Koreans in the Bureau.

Further investigation was pursued and by 15 October 1945, approximately four million yen of embezzled funds had been recovered. Also some of the destroyed records were restored from fractional documents available in other bureaux. The arrested director was formally removed from office and a Military Government officer was appointed to fill the vacancy. Koreans were selected for all other important positions replacing the Japanese officials. Young Korean employees already holding minor positions in the Bureau were in general retained and some Japanese were temporarily retained for essential work.

The Bureau was reorganized and now contains the following departments: General Affairs, Civil, Criminal, Penal, Bar Associations and Admissions. Under these departments is the office of the Supervisor of Provincial and City Administration of Justice. In addition there are the following officers which report directly to the director: Director of Korean Code Drafting, Secretary of Special Criminal Investigation Committee, Secretary of Advisory Council on Administration of Justice and, by a pending order, Supervisor of Special Property Courts.

Courts

28. All Japanese judges and procurators have been removed from the Supreme Court, the Court of Appeals at Seoul, the Juvenile Court at Seoul and the district courts at Seoul and Fusan, and have been replaced by Koreans. District court branches at Songdo and Chuun Chu were abolished and replaced by district courts with Korean judges. The Japanese judges and procurators on Saishu-To (Qualpart Island) having fled their posts, a Korean judge and procurator were appointed and the court reopened. Replacement eventually extended to all district courts and courts of appeal in the American zone.

The former Japanese method of exercising summary police punishment without trial has been abolished and in all districts a procedure is being introduced requiring the police to report promptly all arrests to the district courts on a special delivery form to the procurator for the custody of arrested persons.

After 15 August 1945 when the Japanese officials learned of the acceptance of the surrender terms they embarked on a systematic and extensive looting of government funds. In order to provide prompt and adequate investigation and punishment of these criminal acts without putting an impossible burden on the existing court system, a new organization and procedure were developed. On 11 October the Military Governor appointed a Special Criminal Investigation Committee consisting of nine judges, three each from the Supreme Court at Seoul and the District Court at Seoul. A Secretary and certain other officials were also named. This committee was directed to hold hearings on such matters as might be referred to it by the director of the Bureau of Justice.

In order to prevent clogging of the district courts with the many judicial problems arising from the blocking of transfers of Japanese and other enemy property, the investigation and settling of fraudulent transfers, the determination of real ownership of property, and similar questions Special Property Courts are being established as independent branches of the district courts. These will be under the control of a Supervisor of Special Property Courts in the Bureau of Justice.

Penal Institutions

29. In the reorganization of the Bureau of Justice the supervision of penal institutions has been made a separate department instead of merely a subsection as formerly and all Japanese officials have been removed and replaced by Koreans. Investigation revealed that all the Japanese officials of the prisons in Seoul, namely the old Seoul Prison and the modern Westgate Prison, had been involved in illegally destroying prison records, distributing prison funds and selling prison goods and pocketing the proceeds. All were arrested and imprisoned promptly and replaced by Koreans. The two prisons were merged into one, Westgate Prison, to which all prisoners were transferred. The old Seoul Prison is now undergoing repair and rehabilitation.

Immediate investigation and reorganization of all other penal institutions in the American zone is planned.

Legal Division

30. The Legal Division is in the General Affairs Section of the Secretariat of the Government General and is under the supervision of the General Counsel. The Director of the Bureau of Justice is

serving also as Secretary of the General Affairs Section and General Counsel.

The work of the General Counsel and Legal Division includes Legal advice to the Military Government and its Bureaus and Sections drafting Military Government orders issued by the Military Governor and by Bureaus and Sections in his name, and approving all Military Government instruments as to form and legal effectiveness.

In the future the Legal Division will be required to draft or pass upon numerous corporate charters and other corporate and financial instruments, contracts, leases and licenses, and orders and technical instructions to accomplish reorganization of the industrial and commercial economy of Korea away from Japanese domination and towards private enterprise and free economy.

Legislation

31. Legislation now issued includes the following:

Proclamation by CINCAFPAC

No. 1.	General	7 Sep 45
2.	Crimes and Offenses	7 Sep 45
3.	Currency	7 Sep 45

General Orders by Commanding General including

No. 2.	Officer Appointments in Military Government	14 Sep 45
3.	Removal of Certain Japanese Officials in Government General	17 Sep 45

Ordinances by Military Governor

No. 1.	Establishment of Bureau of Public Health	24 Sep 45
2.	Concerning Property Transfers	25 Sep 45
3.	Collection of Arms from Civilians (Swords and Knives)	26 Sep 45
4.	Concerning Japanese Military and Naval Property	28 Sep 45
5.	Disarming Civilians (Firearms)	29 Sep 45
6.	Reopening and Operation of Schools	29 Sep 45
7.	Abolishing Local Affairs Section in Secretariat and Transferring Functions to Planning Section	1 Oct 45
8.	Establishing Foreign Affairs and Property Control Sections in Secretariat	1 Oct 45
9.	Maximum Tenant Farmer's Rents	5 Oct 45
10.	Registration of Japanese Nationals	8 Oct 45

provided that the temporary appointment and dismissal was specified in the order. The appointment and dismissal of third (Hannin) rank officials does not require the approval of the Military Government.

Most of the records and pension funds of the Korean Civil Service are kept in Tokyo by the Japanese civil service administration. Arrangements are being made to transfer necessary records and funds to Korea. The Japanese Government has been prohibited from promoting or otherwise exercising direct control over civil servants in Korea.

Foreign Affairs

21. Russian consular officials are stationed in Seoul. A reciprocal privilege does not exist in the North.

All connections between the Japanese Government in Tokyo and the diplomatic and consular officials of the former Japanese created government in Peking and elsewhere in China have been severed. Such officials in China will henceforth receive any necessary orders from the American Military Government of Korea.

Repatriation

22. Korea cannot attain final stability until return of the Japanese Forces to their country has been accomplished. This is being done rapidly and without unusual incident. As of 25 October a total of 110,000 Japanese soldiers and sailors had been returned to Japan. It is estimated that by 20 November all Japanese Army and Navy personnel will have been evacuated from Korea except for certain Army personnel retained at Fusan to aid in repatriation of Japanese civilians.

The number of civilian Japanese living in Korea was some 700,000 by 25 October 71,000 of these had been transferred to Japan and in return 160,000 Koreans in Japan had been brought back to Korea.

COORDINATION WITH RUSSIAN SECTOR

General Problem

23. The present division of Korea into Russian-controlled northern and American-controlled southern sections presents many problems of policy and operation. Aside from the administrative problems arising from the fact that the 38th parallel cuts through three provinces, the economic and cultural dichotomy resulting from the dual control has serious consequences. The Korean people are greatly concerned with the artificial division of their country.

Self-Dependency of Two Sectors

24. Southern Korea containing the capital is the hub of the communications system. It also has the principal cereal crops. On the other hand it is dependent on Northern Korea for coal and electric power. Coal which is not yet obtainable from Northern Korea must now be imported from Kyushu or shipped half way around the peninsula from a small coal port on the eastern shore south of 38 degrees. The amount and duration of electrical supply is controlled by Northern Korea without consultation with consumers south of the line. Neither section of the country is self-sufficient.

On 23 October, a meeting of 200 persons (representatives of all prominent parties) was held with Dr. Rhee. A central Committee for Korean Independence to unify all existing parties was proposed and will probably be organized shortly. The presence of Dr. Rhee and the desire of all parties for independence are strong influences towards consolidation of political parties.

Kim Koo, President of the Korean Provisional Government, has been invited to return to Korea from Chungking. It is expected that he will cooperate with Dr. Rhee in the move to consolidate Korean political parties. Officials of the Korean Provisional Government and Kim Kyusik (leader of the Revolutionary Party, the more radical group supporting the Provisional Government in China) are expected later. All persons returning to Korea are informed that they return in the capacity of private citizens and that there is no implication that the United States will recognize them as constituting a provisional government or having powers over and above those exerted through personal leadership.

17. On 25 October the conservative Korean Democratic Party joined with the Korean Communist Party and the middle-of-the-read Nationalist Party in a resolution throwing complete support to the Provisional Government in Chungking and urging its immediate recall. The newspaper Mai-Il Shin Bo on 28 October analyzed the central political problem as reconciliation of the supporters of the Provisional Government in Chungking with the People's Republic of Korea and its adherents. It hoped that Dr. Rhee might accomplish this objective.

18. Meanwhile the Korean People's Republic is going ahead with its program of self-expansion. On 29 October it announced elaborate plans for the second "conference representing all the people" to be held in Seoul on 1 March 1946. Elections of representatives for this conference will be held --one representative for each 30,000 inhabitants. Candidates may nominate themselves and campaign freely. Suffrage will be offered to every Korean above the age of 18, regardless of sex, occupation, wealth, religion, or social status. All Japanese, as well as Koreans who worked with the Japanese for anything more than a salary, are denied voting privileges.

19. "Trusteeship" has met with wide disapproval in Korea. The Communist Party, the Nationalist Party, the Korean People's Republic, and the Korean Democratic Party unite in denouncing it. Even the latter party has called it "A great insult to Korea" and has announced that as a concrete demonstration against it everyone is willing to stop cooperating with the Military Government. The press has been carrying out a loud and continuous clamor against trusteeship and each issue of every paper contains adverse comments. The Koreans feel that they are capable of establishing an independent government immediately.

Civil Service

20. The Military Government expects to make no basic change in the Civil Service System established by the Japanese except to eliminate regulations which discriminate on the basis of race, nationality or politics. An order of the Military Governor's office of 5 October

(2) That these committees submit this proposal together with a plan for substituting the proposed new government for Military Government in a way that will result in the minimum disruption of industry, commerce, law and order. (To date this assignment has been given only to two parties: The Korean Democratic Party and the Women's Nationalist Party.)

14. Numerous posters and pamphlets have appeared, most of which are distributed by the People's Republic of Korea. They claim that the party represents the people and should be recognized as the government, that Military Government is being advised by Japanese "traitors", that reports of Russian lawlessness in the North are false, that Russian policies of equal land distribution and abolition of land taxes should be adopted in the South, and that the People's Republic of Korea represents a unified government of all Korea, regardless of the dividing line. The radical propaganda campaign singles out the Korean Democratic Party as its whipping boy and accuses it of being the tool of capitalists, landowners and collaborators. All problems are simplified by blaming the Military Government and its advisers, the members of the Korean Democratic Party.

On 13 October a pamphlet entitled "The Traitors and the Patriots" appeared. It was sponsored by the "Government of the People of Korea". In attacks the statement to the press (10 October) of the Military Governor, General Arnold, that Military Government is the only government in South Korea and calls on the people to stop pronouncements of irresponsible political groups.

The pamphlet claims that the People's Republic of Korea is the legal government of Korea by virtue of an assembly which met in Seoul on 6 October before the arrival of the American Forces. This pamphlet denounces certain Korean advisers to Military Government and other Koreans appointed to leading positions in civilian administration, quoting from speeches and writings of these persons before the liberation.

A sampling of public opinion indicates that the radical propaganda has been partially successful. The handbills and pamphlets of the conservatives so far have been inept and offer no concrete program or specific action. Military Government recently prohibited the further publishing or distribution of posters and handbills.

15. The Korean Communist Party has shown little direct political activity aside from a handbill ("A Manifesto") found in Seoul on 20 October. This party has been publicized as a supporter of the Korean People's Republic. A meeting of communist sympathizers was held on 25 September to form a solid front.

16. The return to Korea of Dr. Syngman Rhee, long-time representative of the Korean Provisional Government in the United States, has been hailed by all factions and the press. At a welcoming held in Seoul on 18 October Dr. Rhee urged patience, cooperation with Military Government and personal self-sacrifice. At an unscheduled liberation-day speech before 50,000 Koreans in Seoul on 20 October, Dr. Rhee stated Korea's opposition to the division along the 38th parallel. "We remained unconquered and undivided under Japanese oppression, and we shall fight to remain so at the cost of our very lives." He advised the people that the answer to the question of whether Korea was to remain divided would be easier if the Koreans cooperated and if they showed they were able to control their people, act together, and work with the United States Government and Occupation Forces.

by Koreans, Military Government has made use of advisory councils of Koreans; the members have been appointed to represent various shades of political opinion, but with no commitment to the organizations to which they may belong. An advisory council of 11 Koreans (educators, lawyers, business men, radical and conservative political leaders) was appointed to advise the Government General at Seoul on 5 October. The reception of the advisory councils has been somewhat lukewarm by those Koreans who want immediate independence.

Political Parties

9. At a recent meeting of political leaders called by the Military Governor, 1200 Koreans appeared. As of 24 October, 54 parties were registered with Military Government Headquarters. Their principal officers have been catalogued and from most of them statements of platforms have been obtained. The aims of these parties are in many cases vague and obscure and some of them have only a few dozen followers. About the only common thoughts are: seizure of Japanese property, expulsion of Japanese persons from Korea, immediate independence and self-rule. The love of Koreans for political factions, the lengthy suppression of political activity by the Japanese and the difficulty of underground operations have combined to cause a wide split in political trends.

10. All political parties agree that unification of the various groups is a necessary preliminary to political maturity. The chief contenders in the struggle to control the unification movement are the Korean People's Republic (radical) and the Korean Democratic Party (conservative). Both sides claim Kim Koo and Syngman Rhee, in an attempt to capitalize on the popularity of these two leading figures.

11. The Korean People's Republic is the most active and articulate party. Its platform calls for changes in land ownership, a more rapid ousting of Japanese and pro-Japanese Koreans from high places, higher wages, and stable prices. The conservative program is cautious and full of vague generalities.

Public opinion is concerned about the economic disturbances resulting from the artificial division of the country. All insist that something be done about it. The radicals praise Russian administration in the North and contrast United States administration unfavorably with it. The conservatives condemn Russian methods and urge reforms.

12. On 10 October a preliminary meeting of representatives of 43 parties was held to discuss unification. At the October 14th meeting an action committee, "Unification Committee for Political Party Activities" composed of a Communist, a Nationalist and a Radical, was appointed to lay the groundwork for unification. This effort has met with little success as 33 of the member parties have left the organization. The Korean Democratic Party refused to attend any meetings, claiming the presence of the People's Republic of Korea made it impossible.

13. Military Government has thus far placed two requirements on the parties.

(1) That each form suitable committees for drafting a proposed framework of government which is consistent with the needs and traditions of Korea.

The nine bureaus are: Finance, Mining and Industry, Agriculture and Commerce, Public Safety, Public Health, Education, Justice, Communications, and Transportation. These bureaus (staffed with Military Government officers and Korean officials), are the operating agencies of the central government. The Directors of the Bureaus and the Civil Administrator constitute the Cabinet of the Governor General. Policy questions must be submitted by the various bureaus to the appropriate Section of the Secretariat for final study before being placed in the hands of the Civil Administrator.

Below the level of the central government, Military Government teams are attached to tactical units and are under the command of such units. Liaison between the Government General and such teams is maintained through the Secretariat. As the problems of the occupation become more complicated and more civilian in nature it is expected that the provincial and municipal teams will be removed from command of tactical units and placed directly under the Military Governor.

Military Government teams have been operating at Seoul, Jinsen and Fusan, and will operate in other areas as they become available. It has been impossible as yet to spread permanent occupation forces over very large areas. Therefore small detachments have been sent to important points throughout Southern Korea to carry the United States Flag, to observe activities of the disarmed Japanese Forces, and to report conditions to higher headquarters.

Establishment of Military Control

6. United States policy prohibits official recognition or utilization for political purposes of any so-called Korean provisional government or other political organization by the United States Forces. It also requires the prompt removal of Japanese and pro-Japanese Koreans from civil administration. Because there were no authorities then available to administer the country, the establishment of full-scale, direct Military Government has been necessary. The substitution of American Military Government for the Japanese Government has not met with complete approval and many Korean elements desire immediate and complete independence. They interpret the "in due course" language of the Cairo Declaration to mean "in a few days".

Removal of Japanese Officials

7. The Koreans have been insistent upon the removal of Japanese officials, and any attempts to utilize their services by Military Government have been unfavorably received. The Koreans feel that they have been liberated and will not obey Japanese officials.

All important Japanese officials in the Government General at Seoul have been removed. In some cases Japanese officials, although relieved of authority, have been requisitioned to do essential work. These will be relieved as soon as substitutes are found. In general it may be stated that the Koreans do not have qualified personnel except for the low-level positions and have very few skilled technicians for essential public utilities and services. Qualified Koreans who held responsible positions are generally thought to be collaborators. Removal and replacement of officials in provincial and local governments is undertaken as soon as it is possible to assign Military Government teams to the areas.

Korean Advisory Councils

8. In order to provide for a greater share in the government

situation involving dozens of parties with widely conflicting views and a broad split between radical and conservative elements.

Occupation Problems

4. In this situation, besides fulfilling the normal obligation of occupying forces to maintain law and order and carrying out the immediate task of disarming and repatriating the Japanese Forces, the United States Forces have set about their longer-term job of separating Korea from Japan and paving the way for independent Korean governmental, economic, and social institutions. In this they have received the enthusiastic support and cooperation of the majority of the Korean people.

The almost complete lack of qualified Korean administrators untainted by Japanese collaboration and the absence of any political party truly representative of the people made necessary either the continuance of the Japanese administration or the establishment of some measure of direct Military Government. The latter alternative has been followed. A proclamation of General MacArthur (7 September 1945) announced the establishment of control and the assumption of all governmental authority in Southern Korea; a United States Military Governor has been appointed; a Military Government has been organized to parallel the Government General at Seoul. Military Government teams are operating in the three principal cities occupied by United States Forces (Seoul, Fusan and Jinsen) and are being deployed to other provincial and local centers as they arrive in Korea.

CIVIL ADMINISTRATION AND POLITICAL MATTERS

Military Government Organization

5. Military Government at the top level (Government General) is organized to correspond to the existing central government organization in Korea. The United States Military Governor is acting Governor General of the Korean Government General and also commands all Military Government personnel not attached to tactical units.

To assist the Military Governor there is a Civil Administrator who coordinates the activities of the Secretariat and the various Bureaus with the staff of the Military Governor. The Secretariat is composed of the following Sections: General Affairs, Foreign Affairs Intelligence and Information, Personnel (Korean Civil Service), Army Administration, Property Custodian, Planning, and Accounts.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

SECTION 17

POLITICAL ACTIVITIES IN KOREA

C O N T E N T S

GENERAL

Occupation

1. The occupation of Southern Korea came so rapidly that preparations for civil affairs activities in the area were far from complete, both in terms of policy directives and personnel. The United States Forces suddenly found themselves charged with occupation of an area of approximately 36,700 square miles populated by about 17 million people. They were to treat this area as a liberated country. They were in Korea to foster conditions which would bring about the establishment of a free and independent nation capable of taking her place as a responsible and peaceful member of the United Nations.

Japanese Influence

2. Since formal annexation of Korea to Japan in 1910, the Japanese have made every effort to deprive Korea of the ability to stand alone as an independent country. Korean industry has been controlled by the Japanese and the trade and commerce of the country have been made subservient to Japan and Japanese profits. In government the Japanese have exercised absolute and autocratic power. There has been no pretense of self-government. All except subordinate government positions have been filled by Japanese. The police both civil and military, have been thoroughly Japanized and efficiently utilized as an instrument of tyranny.

Complicating Factors

3. Conditions at the time of surrender were complicated by the presence of large numbers of Japanese soldiers and Korean collaborators, who are intensely hated by the Koreans; by the strong expectation of the Korean people of immediate independence and complete sweeping out of the Japanese and liquidation of their holdings; by the artificial division of Korea along the 38th parallel, which split the industrial north from the agricultural south and divided the country between occupying forces; and by the confused political

radio broadcasting facilities.

On 4 October the first major step was taken to sever Japan from the practices of the past when a memorandum was issued to the Japanese Government ordering it to "abrogate and immediately suspend the operation of all laws, decrees, orders, ordinances and regulations" which restricted "political, civil and religious liberties".

The memorandum called for unrestricted discussion of the Emperor, the Imperial Institution and the Japanese Government. Restrictions on the collection and dissemination of information were eliminated and all laws which "by their terms or their application operate unequally in favor of or against any person by reason of race, nationality, creed or political opinion" were ordered repealed. Freeing of all political prisoners was ordered. The Thought Police was abolished and the Home Minister and high police officials were dismissed from office.

An immediate aftermath of the directive was the resignation of the Higashikuni cabinet. The document also gave new impetus to the liberal movement. Japanese press reaction in no way reflected popular elation to the document. After it became obvious that no change was forthcoming, leading newspaper and radio executives were summoned to this Headquarters on 24 October and told to explain the meaning of the directive to the people. At the same time newspaper employees began to express open dissatisfaction with the policies of their papers. They asked for "clarification of the management's war guilt" and for "democratization" of newspaper policies, and called upon the publishers to turn over direction of the editorial policies to employees committees. This movement was undoubtedly related to the activities of this Command on behalf of a free press.

The dispute in the newspaper industry demonstrated sharply the need for an interim labor policy. This Headquarters and the Welfare Ministry have worked out a formula for labor arbitration which is acceptable to both the government and the organized labor movement.

Radio programs, including talks by prominent Japanese liberals and a series of broadcasts by released political prisoners on the radio to explain the Allied directive were initiated. Arrangements were made with a studio for the production of a feature entitled "Now You Can Speak".

Work was also initiated with organizations. The Committee for the Total Abolition of Oppressive Laws was formed to "wipe out feudalistic and bureaucratic influences and pave the way for democratic evolution". A program has been announced to carry out propaganda for the masses through lectures at organization meetings, radio and liberal newspapers, and use of motion pictures and theatrical activities for public entertainment. A public rally in Tokyo's largest auditorium, which will be broadcast over a national hook-up, is scheduled. A series of talks will be given to trade union members on the rise and fall of the thought control laws.

Another stride toward freedom of the press was taken when steps were initiated to eliminate control of the big publishers and the government over the paper supply. Previously paper had been allocated to publishers on basis of 70 percent of their pre-war circulation. Obviously there was no provision in this procedure for starting of new publications. In a memorandum dated 26 October the Japanese Government was directed to assume responsibility for distributing newsprint and foreign-type paper by 1 November or as soon thereafter as practicable. This function was removed from the control of the Japan Newspaper League and the Japan Publishers Association.

The government was ordered to set up paper rationing sections composed of government officials, representatives of large and small publishers and at least three well-known disinterested individuals. Thus it is hoped that all publishers will get fair and equal access to the available paper supply.

After an initial period of apathy following the surrender the Japanese people are beginning to cast aside old fears and are awakening to the possibilities for self-expression afforded them by the occupation. The movement to utilize the newly found rights has gained increasing momentum. All types of discussion groups are being formed. Trade unions are organizing. Formerly "taboo" subjects such as the future of the Imperial Institution are being discussed openly on the street, at public meetings and in the various information media.

"Food" Information Program

45. Very soon after the Occupation Forces arrived in Japan it became evident that the single most pressing problem facing the Japanese people was the critical shortage of food. More space has been devoted to this question in the newspapers than to any other.

A singular similarity in approach by all of the newspapers indicated that a pattern for the treatment of the food problem had been set. The newspapers were content to indulge in aimless castigation of inefficient bureaucrats and exhortions to the people to "improve their lot". In addition, with increasing frequency, releases were prepared by the Japanese press giving heavy play to the severity of the food shortage. Stories on anticipated starvation totals were given prominent space. A survey of the newspaper treatment of the food problem was made and the following conclusions were reached:

The Japanese Ministry of Agriculture and Forestry had published reports showing the food position as of 31 August 1945. These reports indicated that there was going to be a critical shortage of food in Japan during 1946 and consequently the Japanese pleaded for 4,616,000 m/tons of imported rice and 500,000 m/tons of fodder to guarantee an average diet of 2,123 calories per person per day. An analysis prepared by this Headquarters showed that there was in fact enough food in Japan for 1945, and that by importing 2,144,000 m/tons of rice or its equivalent in 1946, a per capita consumption of 1,800 calories per day per person could be achieved with equitable distribution. Statistics provided for release by the Ministry of Agriculture and Forestry showed that all shortages were computed on the basis of 2,160 daily caloric intake. However, an examination of the diet record for the years 1931 to date revealed that the diet of the average Japanese in Tokyo in June 1945 was far beneath this figure.

There was a marked absence in the Japanese press of explanations for the critical food shortage. The newspapers devoted much space to the aggravated conditions arising from the shortages, but not one newspaper went into the underlying causes of the situation. In some especially notable cases there was inference that the presence of the Occupational Forces contributed to the trouble.

It was felt that as hardships accumulate this winter, the people's unrest might be directed against the Occupation Forces. It became imperative that the Japanese people, and particularly the government, recognize the food problem as one of their own making and one which would require their own efforts for correction and relief. This Headquarters undertook a program of information based on the following themes:

Releases on the true caloric needs of the Japanese, tying in with the theme of the present food problems of the Allied and the United States first obligation to these Allies. Prominent Japanese dietary experts were reached and statements have been secured from them for publication that 1,800 caloric intake is a liberal minimum subsistence diet.

Japanese editorials were asked to supply easily understood stories on the underlying reasons for the food shortage. The Ministry of Agriculture and Forestry was asked to circulate information on actual crop estimates with an unbiased analysis. Releases are

being made through the Japanese newspapers encouraging the Japanese people to report hidden food dumps created from former military and naval supplies and stored by the Japanese officers and men during the initial days of demobilization. It is pointed out that recovered food will be returned to the people.

The amount of newspaper space devoted to the food problem has increased. There is currently however an attempt to get at the core of the problem. Farm-peasant unions, agriculturists and dietary experts are all contributing "letters-to-the-editor", and other material for publication. Radio forums on the food problem have also been arranged.

While the Japanese masses may remain indifferent to political affairs, this is not true in regard to their nation's economy. Poorly paid and overworked peasants who for many years entertained a vague hostility to the forces of oppression are beginning to come forward. It is quite possible that the pressing problem of food will speed the wakening of the Japanese people to their political and economic consciousness.

Japanese "POW" Information Program.

46. When the war with Japan ended on 15 August there were more than 4,000,000 Japanese prisoners of war and civilian internees outside the limits of the Japanese homeland. The large majority of these were in China, Korea, Formosa and the Philippines.

It was recognized that this group would present an important problem in the reconstruction of the country. Removed from communication with their families and homeland, they would require considerable mental reconditioning before returning to Japan.

For this purpose a tabloid weekly newspaper was especially designed for the orientation and information of prisoners of war. On 5 October at the suggestion of SCAP the three leading Japanese newspapers, Mainichi, Yomi Iuri and Asahi, agreed to publish such a weekly newspaper with the following aims:

(1) To inform demobilized troops overseas on present conditions in Japan as a defeated nation.

(2) To show the steps that led Japan to war.

(3) To show the progress of the occupation regarding food, elections, revision of the Constitution, labor unions, women's suffrage and democratization of the country.

(4) To show reasons for delay in returning Japanese troops.

(5) To report on the interest of the people at home in troops overseas.

(6) To report on world news in order to acquaint the troops with the progress toward a secure world.

(7) To demonstrate that militarism is ended and that Japan is turning to ways of peace into which demobilized troops must fit in order to live useful and productive lives.

Three issues of each of the tabloids have been published to date. Forty thousand weekly copies each are being sent by courier plane to the Philippines and Korea for distribution through the Commanding Generals of these areas. The newspapers are distributed on the basis of one copy for each 10 POW's. Since the request for POW's reaction on this operation has not yet been answered, it is too early to evaluate the effectiveness of this program. If reactions are favorable suggestions will be made to the Commanding General of the China Theater to distribute these papers among the POW's in that area.

ORGANIZATIONS

47. There were no independent organizations in Japan when the American Forces entered the country. Political, social and economic groups were used primarily as vehicles for propaganda. There was no organized liberal movement. Most liberal leaders were either in jail or had faded into obscurity during the war years. Some of the former liberal leaders had yielded to the pressure of the militaristic regime and had become vigorous proponents of the "new order".

The arrival of the American Army brought no immediate change. Prewar leaders dazed by 15 years of suppression were unsure of themselves and after being subject to years of jingoist and racial propaganda were even unsure of the Allies. Their forces were scattered. The great mass of people were still harassed by fear of the police and thought control laws. On 4 October the budding liberal movement was given impetus by SCAP through the issuance of the "Magna Charta" directive ordering the removal of all restrictions on civil, religious and political liberties and the freeing of political prisoners. Since that time, organizational activities have developed with ever increasing vigor. SCAP has not attempted to influence the new political groups in any way but steps have been taken to insure that they are given the opportunity to express themselves freely.

Although no "political" times has been allocated on the radio, leaders of various political groups have been allowed to go on the air to explain their views on current problems. Newspaper and radio have been instructed to permit and encourage free discussion of all issues which have a bearing on the welfare of the Japanese people, and provide all segments of responsible public opinion with equal access to the channels of public expression. Press and radio have been warned to stop repressing the discussion of the Imperial Institution.

Political Parties

48. At the close of the war the political scene was dominated entirely by the Greater Japan Political Association, a party which was formed along characteristically totalitarian lines. The prewar political parties were dead. The old leaders who were not in jail had been absorbed in the GJPA. New leaders had not yet emerged. Unlike the other Axis countries where at least a spark of democratic resistance to militarism had been kept alive, all opposition to the militarist regime in Japan had been crushed. There was not even the semblance of an underground opposition. The secret police had done its work effectively.

For the liberal movement the first month of occupation was mostly a matter of getting people together and becoming oriented to a new, unfamiliar situation. The Socialist Party, the first major political group to make its appearance, held its preliminary organizing conference on 22 September. Other political groups made their debut soon afterward.

At the present time there are more than 20 political and quasi-political groups crowding the political scene. The Greater Japan Political Association is now completely inactive although many of its members have reappeared with new party labels. The majority of the new political groups have yet to announce their platforms and since there has not been a free election for many years it is difficult to assess their following. Many of them will undoubtedly merge or disappear altogether as soon as the political situation begins to define itself. A number of well-known wartime leaders have formed new groups. In view of the resentment against the militarist regime this may turn out to be more of a handicap than an asset. Party lines are blurred and it is difficult to make a sharp distinction between political parties at this time. It appears that the majority of the parties fall into four main groups.

Extreme Right Wing

49. The parties in this group are bound together by personalities as much as by political principles. Virtually all of them are led by men who were prominently identified with the militarist regime. None of them has formally announced a party program but it is apparent that they will seek to salvage as much as possible of the old regime. Judging by their published statements they will probably wage their campaigns chiefly around two issues: preservation of the present powers of the Emperor and opposition to "communism".

The main parties in this group are the Japan National Party, the Proletarian Party and one other party as yet unnamed which is being formed by former leaders of the GJPA. It is doubtful if much can be expected of these groups in the way of vigorous democratic reforms.

Conservatives

50. The Japan Liberal Party is the strongest of the conservative parties. It includes a number of prewar politicians as well as a number of men who were in the Diet during the war but claim that they were only "passive". Although the party has no known connection with the Mitsui-Mitsubishi group, it is generally regarded as the voice of the upper middle class. Only a portion of the Party's program has been announced thus far. It calls for placing the supreme power in the hands of the Diet and "respect" for human rights. Japan's policy in China is criticized. The Party's stand on the Imperial Institution has not yet been announced. According to reliable sources party leaders favor reducing the prerogatives of the Emperor but would leave him with nominally absolute veto power.

Socialist Party

51. The Socialist Party will emerge as a formidable factor in the coming election if it can maintain its unity. There are at least three different factions in the Party, all of them with widely divergent views. The minority left wing is close to the Communist in ideology but the right is extremely conservative and would hardly be regarded as "socialist" by United States standards. Although agreed on a common platform, the differences between them are still very real. Whether their unity can stand the test of a bitter election campaign still remains to be seen. The party program calls for extensive land reforms, development of cooperatives, enactment of wage and hour laws, official recognition of labor unions, establishment of health and unemployment insurance and other special legislation, separation of church and state, abolition of the peerage system and "democratization of Constitution according to the will of the people". Party leaders are believed to differ on the future status of the Emperor and the party has not yet announced its stand on the question.

Radical

52. The Communist Party has not yet formally reconstituted itself, although it has carried on a vigorous program of activity and its presence has been keenly felt on the political scene. Published statements by party leaders indicate that they will carry on a "Popular Front" program approaching that of the Socialist Party in many respects. They have stated that the Japanese people are not ready for socialism. The main objective of the Party will be to break the hold of the "financial oligarchy". They seek to establish a "democratic Japan" in accordance with the Potsdam Declaration. They have announced that they would leave medium and small industries in the hands of the capitalists.

The Communists have been the one group to call for the total abolition of the Imperial Institution, but there are some indications that this stand may be modified with the arrival of the Japanese Communist group at present staying in Yenan, the headquarters of the Chinese Communist Party. This group, according to newspaper reports, does not regard the

Emperor question as a burning issue and is willing to compromise on the point to provide a basis for unity with other labor factions.

Labor and Farm Organizations

53. The labor and farm organizations have been assisted in securing adequate representation in the various information media, particularly on the radio. Farm and labor leaders have been given the opportunity to go on the air. Portions of the national convention of the Farmers Union were broadcast. There has been no complaint from farm or labor leaders that the news of farm and labor organizations has been distorted or reported untruthfully.

Youth

54. There was no vestige of an independent youth movement when the Occupation Forces entered the country. The liberal student movement of the early 1930's had been completely crushed. Its leaders were either in jail or had matured and lost interest in the movement. The youth of the country were organized in a National Youth Corps, a strongly nationalistic group which was entrenched in all the schools and was used chiefly to mobilize the youth for war. This Youth Corps has been disbanded and no independent youth movement of a forceful nature has yet arisen.

Women

55. From time immemorial the great mass of Japanese women has been restricted both by custom and legislation from any form of activity which would make them appear as equal of men. Bound to the home, their sole role has been to serve as housekeeper and mother in the family. Only a few women, through contact with western culture, became vitally concerned with lifting women from their feudal status but they made little progress except among the intellectuals.

Beginning with the conflict in Manchuria, the government began to show active interest in women's organizations and after a number of reorganizations two nationwide groups were established. They were the Aikoku Fujinkai, comprising the upper and upper middle classes, with a membership of about 1,000,000 and the Kokugo Fujinkai, with members from the lower and lower middle classes, totaling 1,000,000. As the war progressed, these two organizations were merged into the Dai Nippon Fujinkai.

Officers of this organization were "elected" in name only. Generally they were government appointed. Funds were secured through donations. The Empress contributed a gift of 1,000,000 yen. The program was largely concerned with home aspects of the war effort such as welfare for the soldiers, aid to their families and promotion of scrap and bond drives. Women at rallies were expected to do what they were told. There was no freedom of discussion and no chance to decide on their own program of activities. Attendance was compulsory.

Despite the dictatorial character of the Dai Nippon Fujinkai it had one value. For the first time in their lives, women throughout Japan had an excuse to leave their homes and become a part of an organized group.

With the announcement that they now had the right to vote, the prewar liberal women were encouraged to use their new rights. The following steps have been taken: (1) a list of laws restricting the rights of women has been compiled; (2) nationally known women leaders have been given the opportunity to appear on the radio; (3) a "Women's Hour" has been established; (4) officers of women's organizations have been advised on methods for organization; (5) a library of information on women's organizations in other countries is being brought from the United States and (6) a number of films on the subject of women's place in life are in production.

The films which have been produced extol the lives of famous Japanese liberal women who before the war were heroines to many Japanese women. They emphasize self-reliance, the new place of Japanese women in life and equality between men and women. These include "The Life of Hideko Kageyama" which will be released in February, "Half Her Life" a film based on the need for emancipation of women and "Design for Marriage" a documentary film on voting which stresses self-reliance on the part of women.

The following groups now have a membership of less than 1,000, but their membership includes capable women who are planning nationwide branches. (1) Reactionary groups. One of these which is being observed by this headquarters is headed by women active in prewar government sponsored groups. (2) A large number of small unorganized groups which have infinite possibilities despite lack of experienced leadership. These groups, which are in an amorphous state and are being given help as they are discovered include, among others, women's press association and college alumnae groups. (3) Union groups such as the Nihon Joshi Remmei, which includes in its program the organization of technical schools, education on women suffrage, the enactment of child labor laws and safety and sanitation laws for women.

While new developments in the status of Japanese women have not yet reached the masses, women leaders are in general intelligent and progressive. They are aware of the shortcomings of the movement and are undoubtedly capable of correcting them. They are eager for help from such American organizations as the League of Women Voters and business and professional women's clubs.

ANALYSIS AND RESEARCH

56. Daily analysis of the Japanese press is made and trends noted. At first the press failed to report news fully and accurately even after this Headquarters removed government restrictions, but under constant advisory direction press coverage and treatment now show definite improvement. Public opinion polls are being planned and personnel secured to measure public reactions to the progress of occupation. A reference library of American materials will be set up in Tokyo to furnish the Japanese public, editors, educators and writers with facts about America, international affairs and the war.

Scanning of the vernacular Japanese press is being done daily. It was discovered shortly after the beginning of occupation that the press was restricted from, or perhaps had no intention of, voluntarily explaining the objectives of the Potsdam Declaration or the aims, policies or directives of the Supreme Commander. Following the issuance of the directive of 4 October 1945 which called for the immediate abrogation of all Japanese Government restrictions on information dissemination agencies, analysis proved that certain subjects continued to be systematically ignored by press and radio while other subjects were distorted or grossly underplayed.

Analysis to date shows that the press is responding slowly but surely. First noticeable reaction occurred in the handling of foreign items. More space was devoted to world news and there was more information per news item. The next improvement was noted in articles which encourage social thinking, the activities of political parties, strikes in protest of wrongs, government attention or inattention to social difficulties and a growing discussion of war crimes and criminals.

There remains much to be desired in an adequate and independent press explanation of the aims and activities of the Occupation Forces but here too improvement has been noted. Especially significant was the first open discussion of the future status of the Emperor in the Japanese press when "Asahi" featured a roundup of representative world opinion on the subject. Press discussions heretofore had been limited chiefly to delicately worded comments on the extent of the possible revision of the Emperor's powers without reference to the possibility of the total abolition of the Imperial Institution.

atrocities committed by her soldiers and there was little feeling of moral culpability. There was widespread belief that Japan's defeat was due solely to industrial and scientific inferiority and to the atomic bomb. The Imperial Rescript announcing the cessation of hostilities was chiefly a reaffirmation of Japan's war aims, and if allowed to stand unchallenged would have provided the Japanese people with moral justification for a future war of aggression.

An extensive information and education program has been undertaken to bring the true facts before the people. Documentary material on Japanese atrocities in the Philippines has been released to the press and radio. This includes photostats of Japanese army orders and diaries, photographs of atrocities and articles. There are numerous indications that the truth of these is now being accepted.

A series of twenty articles on the war in the Pacific has been prepared and is being distributed to newspapers, magazines and radio. The articles show in detail the steps which led Japan to war and the reasons for her military defeat. These articles have been designated a "must" for all newspapers in Japan. This material will be presented also in motion pictures and on the radio.

With notable exceptions Japanese papers during the first six weeks ignored the subject of war criminals despite widespread public discussion. Leading Japanese press and radio executives were therefore summoned to SCAP on 24 October for a conference on the subject. There has been fuller and franker discussion since that time.

A series of radio broadcasts by prominent Japanese liberals has been devoted to war criminals. This problem has also been treated on other programs. Japanese film companies are being stimulated to produce a series of documentary and feature films stressing the war guilt program.

Cultural, economic, professional and other groups have been encouraged to hold discussions on the subject and many have passed resolutions calling for punishment of war criminals. A labor advisory group set up by SCAP and consisting of four nationally known labor leaders has instituted a series of talks on the subject of war leaders in local unions. A Committee for the Total Abolition of Oppressive Laws, consisting of representatives of numerous organizations, was formed with the assistance of SCAP. One of its objectives is to explain the importance of punishing war criminals.

A poll of prominent Japanese leaders taken at the end of October shows that there is growing consciousness of Japan's war guilt. Conservative, liberal and radical leaders questioned on the subject stated that Japan should bear responsibility for the war and the following groups should be prosecuted as war criminals:

- Members of the Tojo cabinet
- Certain members of succeeding cabinets
- Members of secret societies
- Financial backers of militarists
- War profiteers
- Political leaders who advocated aggression
- High ranking military leaders
- Those who committed crimes against the Japanese people (such as suppressing civil liberties)
- Those who committed atrocities against Allied prisoners of war and subject peoples.

"Freedom of Thought" Information Program.

44. In the course of 20 years, Japanese militarists had constructed effective machinery for controlling the speech, thoughts and movements of the people. This was accomplished through legislation, the police, censorship regulations, centralized control over newsprint and ownership of

Totally destroyed	78 percent
Partially destroyed	19 "
Extent of damage not stated	3 "

A report at the time of surrender in the area of the Eighth Army indicates the following damage:

Totally destroyed	43 percent
Partially damaged	51 "
Not damaged	6 "

These figures represent damage in areas of intensive bombing and cannot be considered as indicative of the nation as a whole.

Measures for Protection

41. From the start of occupation the commands have been charged with the protection of arts and monuments. On 28 August 1945 instructions were given that Commanding Generals of Armies were responsible for seeing that historical, cultural and religious objects and installations were carefully preserved and that Imperial palaces and all shrines be given special protection. On 26 September Commanders of Armies and Fleets were directed that religious and educational institutions and properties occupied by members of the Imperial family would not be requisitioned or occupied except with express approval of SCAP. Available information on monuments and sites has been arranged for filing and maintenance as a working record. Military Police guards have been posted at the most important shrines, temples and Imperial properties. There has been no evidence of vandalism.

SPECIAL PROJECTS

42. Problems of information and public relations require comprehensive planning and the use of all media. The aim of the occupation that the Japanese people should know the facts about the war and the guilt of their war-leaders and war criminals is being met by furnishing all media factual evidence which can be disseminated. A factual series of articles on the war with Japan will be released shortly by press and radio.

The introduction of new freedoms in Japan required that a coordinated campaign of information be developed to guide the activities of the press, radio and other media. Keystone of this program is the task of explaining the meaning and implications of the 4 October memorandum on the "Removal of Restrictions on Political, Civil and Religious Liberties."

The attempts of the Japanese Government to claim that food would have to be imported by the Allied Powers were countered by a campaign to present the facts to the people of Japan. Evidence was made available to all media to show that Japan was in a position to feed herself and that importation of food was not necessary.

Japan's returning soldiers from overseas needed a program of information to prepare them for their return home. A tabloid weekly newspaper has been started and is receiving distribution in Korea and the Philippines.

War Guilt Campaign

43. When the Occupation Forces entered Tokyo there was little if any consciousness of war guilt among the Japanese people. They did not know the steps which led Japan to war, the causes of her defeat, or the

exercised through the Home Ministry. All but the cheapest escapism and propaganda was discouraged among the new writers, and great emphasis was laid on "historical" plays such as Kabuki "classics". No new plays of merit were written and the modern theater was completely emasculated. The following table gives significant information about the Japanese theater in general:

Major legitimate theaters in Japan before bombing	50
Major theaters wrecked by bombing	10
Tokyo October production	28
Percentage of liberal plays in October	0
Estimated Tokyo November productions	33
Estimated percentage of liberal plays in November	10

("Liberal means saying something, however little, against war or for democracy." No truly liberal scripts have appeared yet.)

Theater tax	200 percent
Percentage of population attending legitimate theaters	20 percent

Current Activities

37. Conferences have been held with the Producer's Association, the Drama Association, the Theater Arts Committee and the Writer's Association. The position of SCAP has been clearly explained: that an increasing number of plays dealing with the problems of the new Japan and the expression of new liberal ideas are sought. Producers have been given liberal themes from which new educational plays can be drawn. At the request of Japanese producers, plans are being made to make appropriate American plays available in Japan.

Production Schedules

38. Arrangements have been made with the producers to furnish synopses of all current plays and all plays to be produced. Bi-weekly reports are to be submitted showing the schedule of each producer. With this report will come a synopsis of each play to be produced, a copy of the script in Japanese and a copy of an English translation of the script.

ARTS AND MONUMENTS

39. Measures of protection have been taken to protect Japanese works of art and antiquity, cultural treasures, religious buildings and articles, museums, libraries, archives, and historical monuments. The protective measures which became effective at the start of the occupation have prevented vandalism. Total destruction of arts and monuments in areas subject to severe air raids has been estimated at more than 50 percent and partial destruction at more than 90 percent. A file of information on monuments and sites is being maintained and a record of estimated damage is made as the information is obtained.

Conditions at Surrender

40. The Japanese Government estimates that there are 85,000 art works, monuments and related holdings under its supervision. Of these, some 8,000 are considered to be of national importance. Movable objects of art in the leading public collections had been removed to places of safety. The following table based upon 148 installations and sites damaged by war indicates extent of loss:

Recently the industry submitted a draft of a proposed plan for a Motion Picture Producer's Association. Although this was free of any hint of government control, the stated aim of this association was to establish a monopoly which would limit production of films to its original membership. Since competition in Japan is necessary for some time to come and in order to encourage new writers and producers, this proposal was disapproved.

Motion Picture Industry Guide

34. The following production guide has been given to the motion picture industry: abolition of Japanese militarism and military nationalism themes and encouragement of liberal tendencies and processes in Japan including the basic freedoms of religion, speech and right of assembly.

There are many ways in which the film industry can assist these objectives by producing pictures which:

(1) Show Japanese in all walks of life cooperating to build a peaceful nation.

(2) Deal with the resettlement of Japanese soldiers into civilian life.

(3) Show Japanese prisoners of war formerly in our hands being restored to favor in the community.

(4) Demonstrate individual initiative and enterprise solving the post-war problems of Japan in industry, agriculture and all phases of the national life.

(5) Encourage the peaceful and constructive organization of labor unions.

(6) Develop political consciousness and responsibility among the people.

(7) Approve free discussion of political issues.

(8) Encourage respect for the rights of men as individuals.

(9) Promote tolerance and respect among all races and classes.

(10) Dramatize figures in Japanese history who have stood for freedom and representative government.

THEATER

35. The Japanese theater was under strict external control of the government and was further strangled by the internal control of the "big three" producers. It was solely a militarist propaganda medium. All liberal theater people kept silent or were jailed. Since the occupation, government control has been removed although some laws which tend to restrict theater freedom still remain. The production of plays dealing with the new problems facing Japan are being contemplated and encouraged. Constructive developments may be expected.

Occupation and Present Situation

36. At the time of the occupation the Japanese theater had been reduced from a peacetime norm of approximately 500 major productions a month to 50. Bombing, taxes and government pressure to close down expensive amusement centers were responsible for the reduction. Characteristic of the industry at that time was iron-clad government control

YEAR	TOKYO	OUTSIDE TOKYO	TOTAL
1937	267	1,482	1,749
1938	296	1,579	1,875
1939	303	1,715	2,018
1940	316	2,047	2,363
1941	327	2,145	2,472
1942	319	2,011	2,330
1943	300	2,248	2,548
1944	271	2,135	2,406
1945 (to March)	234	942	1,176

Production Capacity

32. Before the war Japanese motion picture companies had produced nearly 500 features per year but due to shortage of film this decreased sharply during the war to less than 100. Although every motion picture company in Japan did produce propaganda films, there were many in the industry who rebelled against the government policy. Anticipating peace as early as July 1945, two studios began preparing scenarios of innocuous musicals with "western" music as their theme. After the industry-wide conference held in September all studios submitted motion picture scenarios to this Headquarters. At that time three major "feature" producers stated that they planned to complete a total of six features per month. To date this figure has not been achieved. The present rate of production has reached four and a half per month and by January, seven pictures per month are anticipated.

Action Taken to Free Motion Picture Industry

33. SCAP on 16 October issued a directive to the Japanese Government which ordered it to eliminate government control of the motion picture industry. The provisions for freedom of speech which were contained in the SCAP directive of 27 September and those of the directive titled "Removal of Restrictions on Political, Civil and Religious Liberties" were extended to apply to motion pictures. Procedures for the enforcement of restriction on freedom of expression were ordered inoperative.

The Japanese Government was further ordered to take no punitive action against the industry or any firm or individual in it for exercising lawful freedom of expression. Some 17 specifically mentioned laws were ordered abrogated and the government was ordered to take steps to repeal them. All instructions to enforcement agencies were ordered cancelled.

Government subsidies to Eiga Kosha, the only distributor of motion pictures in Japan, and the Nippon Newsreel Company, the only newsreel company in Japan, were discontinued.

To insure removal of propagandistic, anti-American and highly nationalistic films from motion picture channels it was necessary to check nearly 300 feature length films. Half of these were removed from circulation and all prints and negatives are being assembled for destruction. Still to be checked are more than 2,000 negatives in order to make certain that no undemocratic propaganda films remain in Japan.

By 1 December 1945 it is anticipated that producers of features will establish their own distribution facilities and Eiga Kosha, the company founded by governmental decree, will go out of business. It is also anticipated that Asahi Newspaper Company will take over Nippon Newsreel Company and with its established news service will be able to get greater coverage.

Programming

29. SCAP has stimulated the initiation of new programs to carry out the occupational mission. Among these are:

(1) "The Man on the Street" is a fifteen minute program three days per week. Recorded on the streets of Tokyo and pre-censored by SCAP, these broadcasts give the average citizen an opportunity to express his opinion on current problems and demonstrate to the listening audience the fact that Japan at last has freedom of thought and speech on the air.

(2) "The Voice of the People" is a ten minute program twice daily. This broadcast of letters from the people in which they discuss problems of public interest has a large following and indicates public reaction to SCAP operations.

(3) "The Woman's Hour" is a half hour program twice daily. Dealing primarily with the feminine point of view, these broadcasts feature music, news and talks aimed at developing social and political consciousness and responsibility in the women of Japan.

(4) "Freedom of Thought" is a quarter hour program daily. It brings to the microphone Japanese professional and political leaders presenting their ideas and opinions as to what should be done in the reconstruction of Japan.

(5) "The Farm Hour" is a full hour program once a week. This program is designed to tell the farmer what is going on in the agricultural world and to impress him with his personal responsibility in rehabilitating Japan.

MOTION PICTURES

30. During the war and at the time of occupation the motion picture industry with reduced output, was under strict governmental control. This control has now been broken and a trend toward liberal themes and films dealing with the problems facing Japan has been stimulated. Old propaganda films have been withdrawn from circulation. Newsreel production, at a low ebb both in quality and quantity during the war, is reviving and is being supplemented by the importation of American newsreel footage. Educational films which were devoted entirely to the Japanese war effort are being assembled to be destroyed. New films are being prepared. Effective cooperation under SCAP supervision of this medium of information and entertainment can be expected during the next few months. Many producers and exhibitors are already planning rehabilitation and reconstruction of war damaged properties and three new companies have been organized following repeal by directive of the oppressive motion picture laws.

Condition at Occupation

31. From a peak of 2,548 motion picture theaters in 1943 the number decreased to 845 in operation on 1 September. The principal cause of this decrease was loss by bombing and fire, although high taxes on the manufacture of raw film, production-cost taxes and amusement taxes closed many picture houses and put small producers out of business. It is expected that 100 more motion picture theaters will be opened during the early part of 1946. Production and distribution of Japanese moving pictures from January to March 1945 was features 12, documentary films 13, newsreels 8 and educational 16. Table of motion picture theaters in Japan from 1937 to March 1945 follows:

Magazines

25. Before the war, 1,200 magazines were published in Japan. At the beginning of the occupation, only 32 were still in existence. Now 306 children's, women's, technical, educational, agricultural, fiction, political and news magazines are being published. Conferences have been held with magazine editors to explain to them how they would be affected by the Allied occupation policies. Freedom of expression was encouraged. Difficulties about fair rationing of newsprint were solved when the rationing of paper was transferred from Nippon Shuppan Kai, the Japanese Publishing Association, to the Japanese Government.

RADIO

Broadcasting Corporation

26. From its inception in 1926 until surrender the Broadcasting Corporation of Japan, organized as a public utility organization, served as a propaganda medium for the government. Since the cessation of hostilities the broadcast facilities consisting of three networks totaling 120 stations have been closely supervised by SCAP for the purpose of expediting the occupation mission. Two networks are now in use to insure public understanding of all directives, policies and plans for the political, economic and social rehabilitation of Japan. This is being accomplished by broadcasting complete news coverage and explanations of all directives, by giving voice to sound Japanese political and reconstruction thought and by taking steps to minimize government control of radio, thereby establishing it as a reliable and trustworthy source of news, information, education and entertainment for the Japanese people. SCAP program control of Japanese broadcasting includes the censoring of scripts and monitering of all Japanese broadcasts.

Organizational Structure

27. Under provisions of the Wireless Telegraph Law all officers, financial matters and operational plans of the Broadcasting Corporation must be approved by the Japanese Government. Revenue of the Corporation which amounted to approximately 45,500,000 yen for 1945 is derived by payment of an original license fee of 50 sen and a listening fee of 12 yen per year from every radio set owner in Japan.

Facilities

28. The Broadcasting Corporation operates three networks. Number one network of 100 stations covering the entire nation broadcasts 15 hours daily. Number two network of seven stations covering the major metropolitan areas of Tokyo, Osaka, Nagoya, Kumamoto, Sendai, Hiroshima and Sapporo broadcasts four evening hours a day. Number three network of seven stations, now being used exclusively by Armed Forces Radio Service for the information and entertainment of American troops, broadcasts 16 hours a day. This network is supplemented by nine Army installed stations completing radio coverage of all occupational areas. The Japanese Government estimates that there are 5,000,000 radio receivers at present in operation. Radio manufacturers have been instructed to expedite production of tubes, parts and new sets to satisfy the heavy demand for receiver equipment. The Corporation is increasing the power of its major stations thereby extending coverage and improving reception.

otherwise restricted in freedom under these laws or charged under pretext with minor offenses or held without charge were ordered released. By this measure the officials primarily responsible for control of speech and press were ousted and any apparent direct governmental restriction of the press and speech ceased to exist.

Dissolution of Domei

22. The Domei News Agency had exercised a monopoly so powerful that no paper could exist without its services. It was government controlled and was a powerful weapon of the militarists during the war. On 14 September Domei was placed under censorship and immediately suspended. The following day it was reopened as a purely domestic news agency under strict censorship. The statement of occupation aims made Domei's position appear precarious and on 30 September its Board of Directors voted dissolution of the agency. The dissolution became effective 31 October. Kyodo, a news agency, began functioning 1 November replacing Domei. It now supplies news to 60 Japanese newspapers and to Radio Tokyo. It has a contract with AP and is negotiating with UP and Reuter. The Jiji agency publishes a home news service.

Laxity in News Treatment

23. On 24 October, after many informal discussions, leading editors and publishers were summoned to this Headquarters. They were told of their failure to establish a free and independent press. Many important developments were cited that had practically been ignored by them. Directives of far reaching significance were printed without comment. It was pointed out that the responsibility of the press and radio was to explain and interpret these directives to the people. The press had indirectly attempted to justify the thought control laws by leaving the impression that they had been aimed at the suppression of "communism".

Attention was called to the lack of full and frank discussion of war criminals and Japan's wartime leaders. Foreign news was not being adequately reported and discussion of the Imperial household avoided. Demand was made that press and radio report domestic and foreign news fully and truthfully, that they permit and encourage free discussion of all issues which have a bearing on the welfare of the Japanese people and that they provide all segments of responsible public opinion with equal access to channels of public expression. The result of the conference became apparent a few days later. Analysis of the daily Japanese newspapers revealed better coverage of foreign news and efforts to explain the significance of events which had taken place under the occupation.

Newspaper Circulation

24. The total circulation of daily newspapers in Japan is approximately 9,500,000. Circulation figures for the ten leading newspapers are as follows:

NEWSPAPERS WITH LARGEST CIRCULATION IN JAPAN

Mainichi Shimbun (Tokyo-Osaka) 2,412,663
Asahi Shimbun (Tokyo-Okura) 1,572,444
Yomiuri-Hochi (Tokyo) 1,456,322
Chubu Nippon Shimbun (Nagoya) 641,595
Hokkaido Shimbun (Sapporo) 587,642
Osaka Shimbun (Osaka) 393,400
Nippon Sangyo Keizai (Tokyo) 162,854
Sangyo Keizai Shimbun (Osaka) 155,182
Kobe Shimbun (Tsu) 111,169
Niigata Nippo (Niigata) 100,584

The remaining circulation is divided among 52 other dailies distributed throughout the main islands.

by the Allied Forces were explained. It was emphasized that freedom of the press would be established and maintained. The first move toward establishing press freedom came with the issue of a directive on 4 October, subject "Removal of Restrictions on Political, Civil and Religious Liberties". This lifted the controls the Japanese Government had been exerting over all freedoms. The liberalizing of the press was further stimulated on 24 October when the editors of the Tokyo dailies were called to SCAP and told to carry out their obligations to establish a free press. A further though indirect result of the SCAP policy was a spontaneous movement toward reorganization within the Japanese press. Reorganization of one leading Tokyo daily has been effected and preparations for similar reorganizations in three other Tokyo dailies are under way. Japanese newspapermen have begun discussion of formation of a newspaper guild. Domei, the government monopoly news agency, has been dissolved. Two independent news agencies have been established.

An immediate problem upon occupation and one which was a potential means of press control was that of paper supply. Paper had been distributed through private organizations of publishers which could refuse paper to non-members or to those whom it wished to suppress. Control was also exercised by the Government over the distributors as it rationed the paper. A directive issued on 26 October removed paper rationing from the hands of private groups and placed it under a Japanese Government commission with SCAP supervision.

Newspapers at Time of Occupation

18. During the war the newspapers of Japan had been reduced to the use of a single sheet printed on both sides because of the paper shortage. Their content was directly government controlled and they were used as propaganda media up to the time of surrender. Control over content was exercised by the forced use of government press releases and pre-publication censorship. The Domei agency was a "cannery" of news. It had a monopoly and was under strict governmental supervision and control. Throughout the country many of the smaller newspapers had suspended publication because of the paper shortage.

Reaction to Surrender

19. Even after surrender the newspapers continued to be under governmental control but in the general confusion it was not enforced. At the beginning of the occupation, stories of "incidents" appeared only as minor news items. There was a tendency to handle occupation news cautiously as bare news. A need for a limited amount of censorship also became obvious.

Censorship

20. A directive of 19 September entitled "Press Code of Japan" set forth a 10-point program of censorship requiring all news to adhere strictly to truth, forbidding criticism of the Allied Powers and penalizing the distortion of news for propaganda purposes. In addition, the security of troop movements was maintained.

Political, Civil and Religious Freedom

21. On 4 October a directive was issued to the Japanese Government in which all laws, orders, decrees, ordinances and regulations restricting freedom of thought, religion, right of assembly and speech were abrogated. It permitted unrestricted discussion of the Emperor, the Imperial Institution and the Japanese Government. All restrictions on the collection and dissemination of information were ordered lifted except the Press Code promulgated 19 September. Laws which discriminated against persons because of race, nationality, creed or political opinion were revoked. The Japanese Thought Police and other similar restrictive agencies were discontinued. All those detained or imprisoned under "protection or surveillance" or

aid of individual historical founders. The latter which centers largely on the faith itself was originated in the modern period by the historical founders. All Shinto sects were before occupation under the Religious Bureau of the Ministry of Education. Shinto shrines are still supervised by the Bureau of Shrines of the Home Ministry. There are 221 state rank and 110 prefectural and village rank Shinto Shrines. The income of Imperial and National Shrines in 1942 was:

Imperial Household	¥	45,755.00
National Treasury		824,000.00
Public Contributions		7,543,206.00
Revenue from properties		2,490,093.00
Total	¥	10,903,054.00

The revenue of the Ise Shrine amounted to ¥988,324.00 in 1943. Offerings from the public accounted for about two-thirds of the total. The prefectural governments, municipalities, town or village offices make offerings ranging from 20 to 100 Yen to shrines within the areas under their jurisdiction. The bulk of the revenue comes from private contributions.

The Thirteen Sects of Kyoha (Sect or Church) Shinto

Sect	No of Adherents
Fuso-kyo	648,000
Konko-kyo	1,120,000
Misogi-kyo	343,000
Shinshu-kyo	775,000
Shinto-kyo	1,272,000
Taisei-kyo	728,000
Tenri-kyo	4,385,000
Jikko-kyo	436,000
Kurozumi-kyo	566,000
Ontake-kyo	2,048,000
Shinri-kyo	1,489,000
Shusei-kyo	430,000
Taisha-kyo	3,373,000
Total	17,613,000

MEDIA OF EXPRESSION

PRESS

17. At the time of occupation the Japanese press was closely controlled by the government. Early in the occupation liaison was established with the Japanese press and the policies to be put into effect

STATE SHINTOISM

13. The officially sponsored State Shintoism required every Japanese to believe that Japan is a land divinely created, in a family of emperors descended in unbroken line from the Sun Goddess Amaterasu Omikami and in a people descended from gods collateral with the ancestors of the Imperial family. Anyone openly expressing disbelief was liable to prosecution as a "dangerous thinker".

It was the Japanese official view however that State Shintoism was not a religion but a civic institution for instilling patriotism. It was held that it was no violation of religious freedom to teach it in the schools while excluding other religions or to compel people to observe it by visiting shrines. In 1936 the Catholic Church despite a long period of opposition formally accepted the official definition. The Protestant groups had already acceded in practice. No religious group could do otherwise and continue to exist.

RELIGIOUS BODIES LAW

14. In April 1940 when the Religious Bodies Law of 1939 was put into effect further restriction was placed upon the freedom of religion. The Ministry of Education declared that no sect would be recognized as a religious group with the privileges of a judicial body unless it could claim at least 50 churches and 5,000 adherents. This interpretation was the beginning of official pressure for the consolidation of the Christian sects into one religious body. At the time of occupation all Christian groups except the Roman Catholics, about two-thirds of the Anglican churches and a few small independent churches had been joined together as the Church of Christ in Japan. Those Protestant sects which did not join were not recognized as religious bodies and as a result had to pay taxes and were subject to police control though all other religious denominations (except State Shintoism) were under the supervision of the Ministry of Education.

ACCOMPLISHMENTS

15. On 4 October 1945 the directive on "Removal of Restrictions on Political, Civil and Religious Liberties" was issued to the Japanese Government ordering the abrogation and immediate suspension of all laws, decrees, ordinances and regulations which establish restriction on freedom of religion. Specifically names for suspension and abrogation was the Religious Bodies Law. Prior to the issuance of the directive a conference was held with prominent Japanese Christians to discuss the question of religious freedom in general and the Religious Bodies Law in particular.

A study of State Shintoism has been prepared for the purpose of determining how a separation of Shintoism from the state can be effected without interferring with Shintoism as a religion or philosophy of individuals. Authorities from the leading universities have been consulted.

By order of 16 October the Ministry of Education instructed prefectural and local officials to permit private schools to give instruction in religion. This action superseded the Japanese order of 1899 forbidding the teaching of religion. The Religious Bureau in the Ministry of Education has been abolished. A new Religious Affairs Section has been created in the Bureau of Social Education of the Ministry of Education. It acts largely as a records section and has no regulating power over religion. Requirements of SCAP have been complied with and the Japanese Government has shown a spirit of cooperation. No oppressive action against religion has been taken since the start of the occupation.

SHRINE AND SECT SHINTOISM

16. Shintoism is divided into two major branches, State or Shrine Shintoism and Sect Shintoism. The former claims to perpetuate the authentic and traditional rituals and beliefs of the Japanese race and declares that it has developed "spontaneously" in the national life without

eliminate objectionable portions. Other texts are now under examination. The Education Ministry has completed its censorship of existing textbooks.

Orders have been issued to give utmost encouragement to the inculcation of concepts and establishment of practices in harmony with representative governments, international peace, the dignity of the individual and such fundamental human rights as the freedom of assembly, speech and religion.

PROCEDURES USED

11. Two distinct procedures have been used in reopening schools and encouraging Japanese education. The first consists of technical guidance and suggestion to the Japanese educational authorities. The second consists of directives which have the force of law and is accordingly reserved for fundamental issues. An amalgamation of the two processes has proven effective and will probably be used extensively in the future.

The Japanese authorities, non-governmental as well as governmental, wherever possible are informally briefed on the general character of contemplated directives and any practical suggestions they have to offer are taken into consideration. When the formal announcement of a directive is made the governmental authorities have had time to complete such of the preliminary work necessary to carry it out satisfactorily. They are then given technical advice and their plans for carrying out the provisions of the directive are evaluated.

By this procedure it is possible to ensure that the finished plan when officially submitted will be in approved form. The long period of isolation from democratic procedures and western knowledge has made it inevitable that all officials, however willing, will fail through ignorance unless given technical assistance. This method of guidance maintains their effectiveness by avoiding their public humiliation.

RELIGION

12. Throughout the war period the Japanese people regardless of the faiths they professed were committed to an acceptance of State Shintoism. Though the government had repeatedly declared that it was not a religion, anyone so bold as to express doubt of the validity of the official mythology was in danger of persecution for "dangerous thoughts". Religions other than State Shintoism were closely supervised by the Education Ministry under authority of the Religious Bodies Law of 1939.

Soon after occupation all restrictions of freedom of religion were rescinded in a directive to the Japanese Government. Such restrictions were the result of political rather than religious causes, and they aimed at binding the Japanese people into a single unit. Among the laws specifically ordered abrogated was the Religious Bodies Law. Apparently the Japanese Government has followed the spirit as well as the letter of the directive. There is no evidence of discrimination or pressure of any kind on the part of the government against any person because of his religious beliefs. Press and public reactions to the new freedom have been uniformly favorable. Plans are in preparation for the elimination of Shintoism from schools and for the separation of Shintoism from the state.

BACKGROUND AND VOLUNTARY REFORM

9. The Japanese educational system at the beginning of the war provided an ideal instrument for the diffusion of militaristic indoctrination. It included 16,000,000 students, 400,000 teachers, 50,000 schools and an estimated budget of ¥600,000,000. Noteworthy is the fact that until 1932 the education budget was larger than that of the Army and Navy combined. Thirty-seven percent of the population was included in the elementary school and pre-school age level and 99.6 percent adult literacy was claimed by the Japanese Government. The highly centralized educational system emanating from the Education Ministry facilitated the speedy introduction of uniform propaganda. The adoption of the National School Plan in April 1941 marked the first swing toward wartime militarism with an intensification of ultra-nationalism.

The period of the war brought a complete revision of all textbooks in use in the elementary and secondary schools with the insertion of a positive and inflammatory militaristic word campaign in the 1942 and 1943 editions. The 1944 editions indicate a recognition of the inevitability of defeat by supply lines and superior science. On 11 July 1945 a revision in the Ministry brought a transfer of powers, some personnel and records of the Regional Superintendents General. On 13 July 1945 revision of educational policy designed to prepare the schools for the approaching homeland battle was announced by the Ministry. Virtually all schools above the elementary level had been closed to divert the students to productive war labor. Military officers who had been distributed among the schools as instructors were made members of the school staffs on 17 July 1945.

Between the time of capitulation and the establishment of the Allied General Headquarters in Tokyo the Japanese voluntarily undertook reforms. They conducted a survey which indicated that 4,059 schools had been destroyed by bombing and that approximately 39,053 were usable. They initiated a censorship of the existing official textbooks, reorganized the Education Ministry, reopened the schools and abrogated many of the laws, orders and regulations which had been the basis of authority for militaristic and ultra-nationalistic indoctrination. These changes coincided with the outbreak of strikes by students demanding full recognition of their rights.

DIRECTIVES AND RESULTS

10. For the purpose of patterning Japanese thought and education in conformity with standards considered essential to develop democracy, a basic directive was issued in the form of a charter for future educational reform. A supplement directed the investigation, screening and certification of teachers.

Under SCAP direction the Ministry of Education has issued orders providing for the return of all categories of displaced primary and secondary students to schools, closing down of military schools, education of war orphans and inauguration of democratized youth organizations in place of the dissolved Youth Corps. They further provided for intensification of education in food production and in reconstruction of devastated areas and deletion of undesirable material from textbooks.

In pursuance of the directives the Japanese Government abrogated all wartime regulations concerning military, naval and aviation training, closed the military academies, eliminated military affairs training from schools, impounded school arsenals, reoriented teachers training, inaugurated radio education for the 21,770 schools which had radio receivers, barred military personnel from teaching until screened and approved and reinstated liberal educators who had been removed from service. Discrimination against any student, educator or groups for race, nationality, or creed was prohibited. It was ordered that known militaristic and ultra-nationalistic teachers be removed from their posts. Censoring of textbooks was undertaken and official school texts were translated and checked to

EDUCATION

GENERAL

8. Surrender Day found the Japanese educational system at a virtual standstill. Eighteen million students were idle, 4,000 schools destroyed, 20 percent of the necessary textbooks available, military officers occupying responsible educational positions, textbooks permeated with militaristic propaganda, teachers dispersed, the Ministry of Education a tool of the militarists and liberal educators in hiding from the Thought Police.

Between the time of Japanese capitulation and establishment of Allied General Headquarters in Tokyo the Japanese voluntarily undertook many reforms. They conducted a rough school survey, initiated censorship of the existing official textbooks, reorganized the Ministry of Education and reopened the schools. They abrogated the laws, orders and regulations which had been the basis of authority for militaristic and ultra-nationalistic indoctrination in the schools.

During September and October the Japanese under SCAP guidance closed the military schools, provided for the transfer of displaced students who had previously been in military academies, war industry or evacuation areas and disposed of school military supplies and weapons. They issued directions for the guidance of teachers in using existing textbooks until they could be censored and dissolved the Youth Corps, which had been a tool of militaristic propaganda.

A SCAP Directive dated 22 October was issued to serve as a charter for future educational reform and a supplementary directive on 30 October directed the investigation, screening and certification of teachers. An effective method of procedure embodying unofficial SCAP technical advice has been evolved. It is to insure that when the Japanese plans are officially submitted they will be in a form that can be approved.

Positive progress has been made in implementing the ten basic policies enunciated in the Basic Directive on Administration of the Educational System of Japan. All militaristic orders have been revoked, military schools have been closed, weapons have been impounded and certain objectionable subjects have been eliminated from the curricula. A beginning has been made on censoring the textbooks, the radio is being used both to teach and to reorient the teachers, a start has been made on the production and distribution of educational films to supplement the textbooks and some objectionable teaching personnel have been eliminated. All demobilized military personnel are barred from teaching until investigated and a plan is in progress for the screening of all teachers. Religious education is again permitted in private schools. A plan for the equitable absorption of ex-military students and war-work students is nearing completion and plans are under way for the bringing to Japan of an educational mission to advise on the rehabilitation of the system.

Student strikes, transfer of ex-military students and resignation of former militaristic leaders occupy primary attention in the press.

in governmental controls over the media of expression. Those operating the media were bewildered. They looked to the government for direction but found only confusion and lack of coordination. The post-surrender period revealed the need for executing measures to remove all restrictions on expression and give full encouragement to the concepts of freedom of speech, thought, religion and assembly. The following statements spotlight the accomplishments in the fields of education, religion and media of expression:

(1) Reorganization of the Board of Information to insure more instructive public relations policy by the Japanese Government and elimination of information controls.

(2) Initiation of research and planning to effect liberalizing of the press, encourage new publications and assure adequate coverage of the progress of occupation and its effects on all media.

(3) Removal of restrictions on the motion picture industry.

(4) Production of new films, stage plays and musical compositions.

5. Close supervision of the program planning of the Japanese broadcasting system and initiation of new programs in light of the occupation policy were undertaken. At the same time a complete study of the broadcasting system was initiated to determine plans for liberalizing radio and improving it as a medium for information and public expression. A "War Guilt" program was inaugurated with a series of factual press articles and supplemented with radio programs and newsreel features. War history booklets have been planned for distribution to schools. The procedure of holding regular conferences with Japanese publishers was established. A weekly tabloid newspaper for Japanese prisoners of war in Korea, the Philippines and other Pacific areas was started. Japanese newspapers are editing and publishing this project.

6. Plans were initiated for establishment of reference libraries of American books, newspapers and magazines in Tokyo and other leading cities for guidance of publishers, editors, writers and politicians. American and world news coverage established through the State Department service is being supplied to the Japanese press and radio. "Pacific Stars and Stripes", American Army daily, is being distributed to the Japanese press and officials. The Armed Forces Radio broadcast to troops sixteen hours a day is developing a large Japanese listening audience. Regular contacts are being maintained with political, cultural, farm, women's and other groups to encourage democratic interest and activity. Thorough analysis of the Japanese press and radio comments has been instituted and a plan for public opinion polls initiated. Special public relations and information plans have been projected to insure public understanding of directives and of such rights as freedom of thought and assembly.

Education and Religion

7. Appropriate measures have been set in motion to educate the Japanese people in democracy and stamp out every vestige of militarism. The Ministry of Education has been reorganized and liberal educators have been appointed to key positions. Military training and drill have been abolished in all schools and revised physical education and recreation programs introduced. In place of the disbanded wartime students corps, new youth organizations on a decentralized scale are being encouraged. Basic plans have been instituted for complete investigation, screening and certification of all school teachers and instructors to assure elimination of militaristic and ultra-nationalistic influence and personnel from the school system. A request for a mission of leading American educators to advise on educational matters has been instituted. Steps are under way to do away with Shinto practices and precepts from schools. Restrictions on the freedom of religion were removed on 4 October. A survey is in progress covering influences of State Shintoism on the educational system.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

MONTHLY SUMMATION NO. 1

SECTION 16

EDUCATION, RELIGION AND MEDIA OF EXPRESSION

C O N T E N T S

GENERAL

1. All media of information dissemination in Japan including education and religion had been mobilized for purposes of national defense during the war period. To that end the government propaganda machine utilized the psychological motivations of patriotism, religion, Emperor worship and tradition. In the hands of the militarists it produced a social unity beneficial to the continuance of the war. The propaganda machine was controlled by a highly centralized administration operating in Tokyo, an administration that affected all shades of expression by direct or indirect intervention. Radio was controlled by two governmental agencies: the Board of Information which determined broadcast programming, flow of propaganda and "controlled" news, and the Bureau of Communications which exercised a rigid censorship to prevent the real facts from disturbing "normal tranquillity".

2. The press fed by a semi-official news agency was controlled by governmental censorship and by government allocation of newsprint stocks. A sameness marked the appearance of all newspapers and little opportunity for even the simplest expression of a free press existed. The motion picture industry was similarly muzzled. It was controlled by three major producers cooperating with the government. Film stocks were tightly rationed and the pictures produced were propaganda vehicles designed to maintain and restrain public morals. Newsreels were largely exhortations to live a Spartan life and contained little news. Educational films were sheer propaganda and had no relations to the teaching process. The Japanese theater was in a condition of stagnation. Expression of new ideas was not permitted and plays were either propagandistic or escapist in nature. Troupes touring the country presented nothing but obviously official materials.

3. Education had been mobilized for war prosecution. Most schools failed to reopen in the spring of 1945 because a great majority of students were conscripted for the fighting services, munitions plants or food production. Textbooks had been rewritten and carefully edited to serve the purposes of the military. Teachers were trained and directed to function as mouthpieces of the government.

Religion was closely supervised and the Religious Bodies Law strengthened governmental control. The practices of State Shintoism were greatly emphasized and efforts were made to turn the religious sentiment more strongly to the service of the state.

Post-Surrender Measures

4. A period of instability followed surrender. Though the government remained in a state of partial suspension, there was little change

The possibility of a special supplement for heavy workers and selected persons including nursing mothers are the only exceptions considered likely at this time. Little or no new data of consequence have been procured from special groups of the Ministry of Health, National Nutrition Laboratory, Tokyo Municipal Hygiene Laboratory and various groups of researchers. There is no concrete evidence of malnutrition to date.

vaccination are required at the earliest possible time. DDT powder and equipment in adequate quantities to meet anticipated needs are in transit. The major problems reported are among the mining and labor camp groups, largely Koreans, who were "invited" to Japan when special labor groups were needed.

A Port Quarantine Officer is responsible for technical directions to the Japanese officials carrying out required quarantine procedure for non-Japanese returning to their homelands and Japanese repatriates returning from the Pacific and other areas. The U.S. Typhus Commission staff is responsible for all technical instructions to Japanese officials regarding typhus control measures. The typhus situation in Korea is potentially more serious than in the Japanese home islands. Similar steps for clearance of repatriates and handling of endemic conditions are being formulated on a basis more intensive than is anticipated for foci areas in Japan.

Sanitary Engineering

40. Water supply and waste disposal plants are functioning more or less at pre-war standards according to Japanese reports except for such heavily bombed areas as Hiroshima and Nagasaki. Stocks of water treatment material are inadequate throughout the islands. It is estimated that Japanese industries are in a position to meet domestic demands for water treatment materials on basis of Japanese pre-war standards, provided raw materials are available.

While Japanese reports state there has been continuous chlorination of certain public water supplies in the past current information indicates that many were chlorinated only during epidemics of enteric disease. There is also evidence that the dosage of chlorine was inadequate to meet American standards. Dosage was at source of supply with little or no attention being paid to chlorine residual of the tap water.

All public water supplies are considered unsafe for military use. Data are not available on the special treatment procedures for night soil prior to use as fertilizer. No reports have been received indicating any special problems due to rodents or insects except for typhus fever.

Laboratories

42. Despite encouraging reports from the Japanese on biologicals production and surplus stocks, steps have been taken to appraise more thoroughly the current stock situation and production potential for the future. The extremely high incidence of certain diseases indicates that ineffective and inadequate measures are employed for the control of diseases for which active immunization materials are available. Diagnostic techniques for venereal diseases require special attention. It is anticipated that special measures in process of development in Tokyo may be used as the "proving ground" for more effective programs elsewhere in Japan.

Nutrition

42. Consideration has been given to types of foodstuffs and per capita calorie requirements. Current estimates indicate that 1,550-1,600 calories per capita per day can be provided in 1946 with very limited importation of foodstuffs. The current ration in Tokyo is estimated at nearly 1,500 calories per day with the rice issued supplying approximately 50 percent of the caloric intake.

It is believed that an average diet of 1,800 calories per person per day will be adequate to the extent that health will be maintained and that sub-clinical evidences of malnutrition will not develop if a balanced diet of that caloric value is provided.

pooled to control the situation. Only cholera, diphtheria, plague, dysentery, epidemic cerebro-spinal meningitis, para-typhoid fever, smallpox, typhoid fever, epidemic louse-borne typhus fever and scarlet fever are reportable under the current Japanese law. Communicable diseases reported in 1945 are as follows:

Summary Report of Notifiable Diseases in 1945

(Includes all reports through 13 October 1945)

DISEASE	JAN-JUNE (Inc)	JULY	AUGUST	SEPT	1 Oct to 13 Oct.	TOTAL
Diphtheria	41,263	2,847	2,539	2,324	1,904	50,877
Dysentery	15,947	7,849	18,520	10,778	4,617	57,729
Meningitis (Spith, C-S)	3,363	126	45	72	18	3,624
Para-typhoid	2,417	739	971	1,247	581	5,955
Scarlet fever	1,268	146	135	142	46	1,737
Small pox	791	139	343	30	15	1,318
Typhoid	10,993	3,822	5,094	5,742	3,136	28,787
Typhus fever	1,457	238	71	122	12	1,900

No cases of cholera or plague were reported. All data are subject to question as to accuracy but positive data are significant in that they indicate local or area trends.

Venereal Diseases

38. Venereal diseases are not reported under previous Japanese law. The Japanese Government has recently received a directive requiring the inclusion of venereal diseases (syphilis, gonorrhea and chancroid) in the list of reportable diseases. The inauguration of this program will not be easy despite the desire of the small professionally crumble and public interest must come before individual license if these diseases are to be materially decreased.

Surveys of licensed and unlicensed prostitute groups show infection rates of at least the following: syphilis in excess of 50 percent, gonorrhea in excess of 20 percent and chancroid in excess of 8 percent. There is every reason to believe that correspondingly high rates exist in other groups not classed as prostitutes but equally as promiscuous.

Legal measures for the control of venereal diseases have been vague and not subject to enforcement. Recent regulations formulated as result of a directive for more effective control of known cases of venereal disease bridge the gaps used to dodge halfhearted enforcement measures in the past.

Typhus Fever and Port Quarantine

39. Epidemic louse-borne typhus fever was prevalent in epidemic proportions in Hokkaido, Kyushu, North Honshu and Korea early in 1945. Sporadic cases are currently reported in all those areas. Special and energetic measures including delousing and selective

PREVENTIVE MEDICINE

36. Observation of current activities and organization and the study of current and past reports indicate that the Japanese public health service does not measure up to functional standards reported in the past.

The public health program is seriously handicapped by the so-called "civil service" system which protects a small group of legally trained administrators who are the only eligibles for major administrative positions in the Health Ministry despite their lack of experience and training in medical and related fields.

The present staff contains a few well-trained professional men and others with some ability. However, the staff is too small, the pay too little and the opportunity for advancement too slight under current conditions to encourage many competent men to seek public health work as a career service. Despite the apparent desire to cooperate and carry out suggestions made, the enormity of the problems, the limited personnel and material resources and the lack of public information on preventive medicine make a none too bright picture for the near future. Major problems aside from personnel and financial needs include:

(1) Control of such acute communicable diseases as diphtheria, venereal diseases, typhoid fever and other filth-borne diseases.

(2) Control of tuberculosis.

(3) Environmental sanitation matters.

(4) Clinical and sub-clinical nutritional conditions.

(5) Lack of basic health education program.

Communicable disease reporting has been incomplete and inaccurate in the past. The current reporting system does not include all communicable diseases that constitute major public health problems for which there are effective and specific preventives. Current Japanese knowledge and practice in public health fields are outmoded. It is felt that too much time is devoted to research on relatively unimportant problems to the neglect of major problems for which specific preventive measures are available.

Communicable Diseases - General

37. The reporting of communicable diseases in Japan has been ineffective since 1942. The data prior to that time are subject to question. Control measures appear to have been largely hypothetical except in cases of epidemics when national, prefectural and local resources were

production and distribution but the Army and Navy, which were the largest consumers during the war, were not required to secure materials through the established control agencies. Steps are now being taken to solve the problems connected with the manufacture of all types of medical supplies.

Narcotics

31. Action has been initiated to place strict control over all phases of the narcotic trade. A directive to the Japanese Government under date of 12 October 1945 prohibited the planting, cultivation or growth of narcotic seeds or plants and the exportation of narcotics. Importation also was prohibited except as authorized by SCAP.

All stocks of crude, semi-processed or smoking opium, crude or semi-processed cocaine, heroin and marijuana have been frozen and the removal, destruction, use or sale thereof or of any books or records is prohibited. Steps are now being taken to transfer to the custody of U.S. Forces all stocks of crude or semi-processed narcotics.

Finished products now in normal channels of distribution except heroin and marijuana will be left in the hands of the Japanese for medicinal use unless the inventory which is submitted discloses amounts in excess of any normal requirement. Heroin and marijuana are being turned over to American Forces for destruction. Studies are being made of Japanese laws and regulations pertaining to the handling of narcotics with a view to determining whether present controls are adequate.

LEGAL

32. Examination was made of existing Japanese laws, ordinances and regulations concerning public health, welfare and sanitation and recommendations made for supplementation and modification. Study is being made of the regulations for manufacture of sera and vaccines. It appears that no present legislation in Japan affords any assurance that the potency or strength of sera is as advertised.

Venereal Disease Control

33. Study of existing laws and ordinances relative to control of communicable diseases and venereal disease examinations indicated that they were inadequate to meet current control needs and that enforcement was lax and inefficient.

A directive to the Japanese Government was issued placing venereal diseases in the same legal category as other communicable diseases with reference to periodical health examinations and other preventive measures. As a result a standard Venereal Disease Control Ordinance is being adopted in each prefecture specifying weekly medical examinations for all persons whose occupations are such as to make them potential transmitters of infection. In addition, the Japanese authorities are enlarging the scope of treatments and initiating penicillin techniques for venereal disease patients.

Ministry of Health

34. A study is being made of the legal structure of the Ministry of Health with a view to encouraging wider use of professional men and qualified technicians in health activities and communicable disease control. Civil service regulations which favor general administrative personnel in technical positions are receiving particular attention.

Associations

35. Study is being made of the corporate structures of the Japanese Nurses Association and various professional and medical manufacturers associations to ascertain the degree of governmental control present therein and the possibility of suggesting modifications.

showing stocks on hand, previous consumption and amounts required to maintain normal standards of medical care and treatment.

Supply Operation

29. Under the initial supply plan a reserve of medical and sanitary supplies was set up for shipment to Japan. This was to be used to supplement Japanese stocks if necessary. Shipment of that reserve was cancelled when a policy was established that no civilian relief supplies would be imported. Further study of the subject at that time indicated the possibility of a need for importation of certain medical supplies as a protection to the health of the Occupation Forces and to alleviate acute suffering and distress among the civilian population. Accordingly limited requirements have been reestablished.

Typhus control equipment and supplies have been shipped and additional quantities have been requisitioned for shipment to Japan for use in the event of emergency. Recommendations have been submitted to the War Department for establishment in U. S. depots of a reserve of basic medical, sanitary, dental and veterinary civilian relief supplies which would be available for immediate shipment upon call.

Upon movement of the Occupation Forces to Japan the Sixth and Eighth Armies, XXIV Corps and the V Amphibious Corps were each issued limited quantities of medical and sanitary supplies. Practically none of these supplies have been used. Instructions prohibit the issue of any such supplies for civilian relief without authority of this Headquarters. Two shipments of civilian relief supplies consisting of approximately 4,000 boxes of medical supplies have been received by the Eighth Army and are now stored in Yokohama. These shipments were originally destined for the Philippines but were diverted en route due to the fact that the vessels contained considerable amounts of military supplies urgently required by the Occupation Forces.

On 6 September approximately 12 tons of medical supplies were dispatched to the International Red Cross Delegate at Hiroshima for use in the relief of Japanese persons injured in that area. Distribution of the supplies was under direction of the International Red Cross and that agency submitted a detailed report to this Headquarters showing disposition made of individual items.

Under date of 24 September the Japanese Government was directed to initiate necessary action to inventory, receive and distribute for civilian use stocks of medical supplies held by the Japanese Armed Forces. The Home Ministry has been designated to perform this mission for all classes of material including medical. The procedure as set up requires the responsible Japanese officials to submit an inventory to Occupation Force Commanders who are authorized to accept the inventory, if considered accurate. A physical transfer is then made to the Home Ministry. The distribution for civilian use represents a considerable task. Locations of all sources of supply are not known and records are incomplete in that respect. Distribution has to be determined according to needs in the various prefectures and accurate figures of need do not appear to be available.

Manufacture

30. The manufacture of medical, dental and veterinary supplies is practically at a standstill at the present time. All plants visited in the Tokyo-Yokohama area have suffered extensive damage and no comprehensive plan of rehabilitation has been inaugurated. Extensive reports have been received covering requirements of medical supplies but it has been very difficult to determine just what is necessary to reestablish the industry and the extent of manufacturing required to maintain normal standards of medical care and treatment.

The Japanese had a very complex system of control over both

NURSING AFFAIRS

24. Nursing had reached its lowest point about the time of the termination of the war. Before the war there had been a trend toward standardization of training and practice but during war years standards had gradually been lowered by reducing the age requirement for entrance to training schools, shortening courses from two years to one and absorbing approximately 34,000 nurses into the Army and Navy. Standards of education, registration and organization varied greatly.

Nursing Education

25. In spite of specific regulations, nursing education was found to be far below the standard. Many nurses with no practical experience in one or two of the major services of medicine or surgery were able to get licenses. Public health or clinical nurses may take the examination for midwife without specific training for it. Since "accredited schools" do not require a prefectural examination a nurse may practice midwifery simply by making an application for a license.

Licenses for medical personnel in each of the 47 prefectures are issued by a board composed of 10 to 20 lawyers, official of cities, politicians and a few doctors. There are no nursing representatives on the boards.

At the present time there are approximately 166,300 graduates of the 605 training schools. Of these graduates 93,270 are classified as clinical nurses, 13,070 are in public health and approximately 60,000 are midwives. Public health graduate nurses numbering 13,071 are employed in official work, 536, in health centers 4,423, school nurses 1,036, in industries 1,098, in health insurance 5,907 and miscellaneous 71. The 39,727 nurses in training are classified as clinical 19,011, public health 7,745, midwives 3,695 and Red Cross hospital students 8,376.

Nursing Associations

26. Japanese nurses have no control over their training, licensing or practice. The Nurses Association representatives, Public Health Association members and prefectural heads of nurses are all men. Full power is placed in the hands of the presidents and first vice-presidents of boards, composed of lawyers, politicians and so called "health officers" of the lower level.

Midwifery

27. The standards of the midwifery program always low have been reduced even further during the war. After 6 months of training a girl may take a prefectural examination and if she is successful she receives a license on payment of ¥ 0.50. She practices without supervision or inspection.

MEDICAL SUPPLY

28. During September and October extensive studies were made concerning the requirements of medical, dental and veterinary supplies for Japan and Korea with a view to determining whether stocks and manufacturing facilities were adequate to provide necessary medical care and treatment under policies prescribed by SCAP. Surveys have been made of medical supply manufacturing installations in the Tokyo area and Japanese officials have submitted reports and statistics

The normal routine functioning of the two ministries administering the veterinary service in Japan has been interfered with by the war to such an extent that the reestablishment of pre-war standards is going to be slow and difficult. The loss of key men, lack of equipment and destruction of buildings and supplies coupled with a very evident post-surrender inertia and demoralization has apparently stifled the initiative of many of those in authority.

DENTAL AFFAIRS

20. All phases of dentistry in Japan were impaired during the war. Dental hygiene programs were curtailed, practitioners were burned out, manufacturing was devastated and dental education handicapped. Records were incomplete and the general dental health of the people was on a rapid decline. Dental educators and the Education Ministry have agreed on a plan for raising the standards of ental education.

Dental Administration

21. Industrial dental hygiene is controlled by the Sanitary Bureau of the Ministry of Public Health and Social Affairs. This service was impaired during the war but plans are under way for its rejuvenation.

Dental licensure comes under this bureau but examinations are conducted only for foreigners and self-educated applicants. Graduates of recognized schools are permitted to pratice without examination. Dental health insurance is incorporated in the health insurance programs which are controlled by the Insurance Bureau. School dental hygiene is under the jurisdiction of the Department of Education which also controls the dental colleges.

The Departments of Army and Navy until two years ago provided dental care by attaching civilian dentists to military organizations. From then until surrender service was rendered by a corps of approximately 400 dentists plus attached civilians.

Dental Supplies and Equipment

22. Manufacture of supplies and equipment is estimated to be at 50 percent of the required capacity, with normal capacity expected within a year. Supplies are rationed and prices controlled through the Dental Materials Control Company whose president is appointed by the Ministry of Public Health and Social Affairs

Sales from October 1942 to March 1943	3,627,319 Yen
Sales from October 1944 to March 1945	1,854,927 Yen
Proposed production for 1946	34,000,000 Yen

Accurate figures for dental health are difficult to obtain but it is safe to say that 75 percent of the pre-adolescent children are dental cripples. Malnutrition, low fluorine content of the water, a disrupted ental service and high prices are contributing factors.

Practitioners

23. There are approximately 23,000 dentists in Japan. About 3,600 were in the Army as soldiers and an additional 400 on a professional status. Of the nearly 7,000 displaced from the larger cities by the air raids an estimated 30 percent can be rehabilitated in the near future. Most dentists practice in their own homes under adverse conditions because they believe it is economically unsound to practice in large office buildings. Some traveling dentists are giving service to rural areas where evacuees have augmented the population.

Slaughter Houses	712
Cattle slaughtered	382,340
Calves slaughtered	35,817
Sheep slaughtered	5,317
Goats slaughtered	12,035
Swine slaughtered	603,180
Horses slaughtered	36,415
Number cattle condemned	
Ante Mortem	51
Post Mortem	
Total Carcasses	147
Partial carcass	4,702
Viscera only	73,667
Number swine condemned	
Ante Mortem	127
Post Mortem	
Total carcasses	249
Partial carcass	3,274
Viscera only	203,673
Number horses condemned	
Ante Mortem	42
Post Mortem	
Total carcasses	52
Partial carcasses	2,550
Viscera only	4,720

Statistics are being brought up to date as the disrupted veterinary service is reestablished in the various prefectures. At present animal slaughter is about 10 percent of normal because animals are not available. The quality and condition of slaughtered animals are comparatively low. Meat inspection methods in general parallel those in the United States with the exception of sanitary requirements. Veterinary inspectors appear to be efficient and interested in their jobs but their methods leave much to be desired.

Dairy production is almost at a standstill except in Hokkaido. Sanitation in all establishments visited was found to be substandard. Pasteurization of milk is hampered by faulty temperature control devices. Many establishments contain modern dairy equipment not in use because of shortages of personnel, power, spare parts, or milk supply. The 1941 reports on milk consumption indicate that approximately 2,840,000 liters of pasteurized and 242,890,000 liters of raw milk were consumed.

The Ministry of Agriculture and Forestry reports communicable diseases for the period of 1 January to 31 October 1945 as follows:

Disease	Outbreaks	Cases
Blackleg	3	5
Anthrax	11	25
Texas Fever	3	61
Swine Cholera	9	519
Swine Erysipelas	3	25
Swine Plague	9	352
Scabies	2	9
Bovine Inf. Abortion	17	937
Fowl Pest	1	685
White Diarrhea, chicks	19	13,109

Tuberculosis eradication in dairy cattle showed 3 percent affected in 1942, date of last report.

Meat and Dairy Inspection

19. The Japanese Government has been directed to inaugurate or re-establish measures for the inspection of meat, meat food or dairy products, preserve all statistical records on meat, meat food or dairy inspection and submit a monthly milk and meat inspection report by prefecture. The Ministry of Health and Welfare reports as follows (1941 figures):

15 September 1945 an estimated 248,126 Army, Navy and civilian patients were hospitalized. Hospitals in Japan during September 1945 were operating at approximately two-thirds of total capacities. The Japanese hospital capacity is adequate and their professional personnel is ample at present. Weekly hospital strength reports show little change in the number of persons hospitalized. It is expected that illness and epidemic danger will increase this winter, particularly in areas of food and fuel shortage.

VETERINARY AFFAIRS

15. A survey of animal disease control and meat and dairy inspection in Japan, conducted immediately after surrender, revealed the fact that the war had curtailed such activities almost to the point where they were nearly non-existent in many parts of the country. There are four government veterinary laboratories where sera, vaccines and biologicals were manufactured for all types of animals.

Governmental Organization

16. Veterinary affairs in Japan are administered by two ministries. The Ministry of Agriculture and Forestry through the Animal Husbandry Section administers animal disease control, port quarantine and licensing of veterinarians and through the Veterinary Laboratory Section has administrative control of experimentation, manufacture of biologicals and diagnosis.

The Ministry of Health and Social Affairs contains the Preventive Medicine Division, a part of which is the Veterinary Hygiene Section responsible for meat and dairy inspection.

Animal Industry

17. The Ministry of Agriculture and Forestry reports the number of animals (1944 census) to the nearest thousand:

Horses	1,191,000
Cattle	2,403,000
Swine	310,000
Sheep	181,000
Goats	252,000
Rabbits	3,227,000
Poultry	22,879,000

Animal Disease Control

18. The Japanese Government has been directed to establish measures for the control of animal diseases, preserve all statistical records on animal diseases and submit an immediate report of each initial case of anthrax, black leg and foot and mouth disease. In addition it will submit a monthly statistical report of all animal diseases by prefecture, an annual report on the results of examination for bovine tuberculosis and an annual report on the preparation and distribution of veterinary sera, vaccines and biologicals.

Repatriation of Koreans

10. At the time of the activation of SCAP's Public Health and Welfare Section the repatriation of Koreans from Japan had been in progress for approximately one month. Japanese shipping used in returning Japanese nationals from Fusan to the Shimonoseki area is utilized on the return trip to transport Koreans from Japan.

It is estimated by the Japanese Government that on 15 August 1945, there were about two million Koreans in Japan, including 350,000 contract (requisitioned) laborers, and that through 31 October approximately 150,000 had been repatriated to Fusan. Collection of data on the location and condition of Koreans in Japan is underway and the Japanese plan of repatriation and policy for their minimum care and protection are under surveillance.

A memorandum is in process of being released to the Japanese Government which requires provision for adequate diet, clothing, shelter and medical care for all Koreans awaiting repatriation.

Care of Foreign Nationals

11. Nationals of other countries who were resident in Japan at the time of occupation number approximately Formosan-Chinese 30,000, Chinese 30,000 and others 6,000. Arrangements were made for the International Red Cross to distribute excess POW supplies (dropped by air prior to occupation) to United Nations nationals and certain neutrals in need of assistance. Monetary relief to foreign nationals has not been required but it has been found necessary to supplement their diet to bring it above the normal Japanese standard and to prevent malnutrition. Repatriation of the Chinese groups has been started by the Japanese Government. Most Western nationals desire to remain in Japan.

ADMINISTRATION OF HOSPITALS

12. Incomplete reports from the Japanese Government of civilian hospital facilities show that approximately 25 percent of hospitals and 15 percent of available hospital beds were destroyed as a result of Allied air raids. The Ministry of Health and Social Affairs on 15 September 1945 reported 1,025 hospitals totally destroyed and 58 hospitals partially destroyed by bombing in 46 prefectures. The 1,083 destroyed and damaged hospitals had a total bed capacity of 53,007. Data were not available for those hospitals having 10 beds or less.

It is considered that at present the hospital capacity of Japan is adequate and that professional personnel is ample. The Ministry of Health and Social Affairs reported 39,269 physicians, 17,438 dentists and 96,846 nurses available in Japan in September 1945 and estimated that there were an additional 20,000 physicians, 4,000 dentists and 35,000 nurses in the armed forces to be demobilized.

Japanese Army and Navy Hospitals

13. According to reports received from the Japanese Army 78,000 sick and wounded veterans were being treated in 268 hospitals in Japan and 9 hospitals in Korea on 15 August 1945. Of these, 8 hospitals were destroyed in whole or in part by the bombing. Most of these have subsequently been moved to inns, schools or other civil buildings. In addition, there were approximately 68 field and 4 clearing hospitals, which are gradually being demobilized.

The Ministry of the Japanese Navy reported 58 hospitals having a total capacity of 30,900 beds. The report stated that 3 hospitals having a capacity of 700 beds were 70 to 80 percent destroyed by fire.

Japanese Civilian Hospitals

14. Hospitals in Japan, including Army and Navy facilities now available for civilian use, total approximately 3,335 with 356,143 beds. On

load, areas of greatest need and information of similar nature. In these respects only summary information has been presented.

An incomplete report indicated a total of 83,502 persons in need of relief among approximately 75 million inhabitants. No information was available concerning the quantities of supplies and facilities available for their care. There were no reliable figures on the number of persons actually receiving relief but the number was estimated at 83,502. This was the same figure used to indicate the number in need.

7. The most significant aspect of the welfare problem is the lack of essential food, clothing, housing and fuel. It can readily be determined that in a situation of scarce supply, high prices and ineffectual controls brought about by wartime dislocations the dependent group suffers to a greater extent than normally. Public welfare administration in Japan makes little contribution to the solution of this problem. Such measures as are taken are largely under the sponsorship of the Home Ministry.

Social Insurance

8. The Social Insurance Bureau of the Ministry of Health and Social Affairs is responsible for supervision of five insurance programs in Japan: Sickness Insurance, National Sickness Insurance, Workmen's Liability Insurance for Accidents, Seamen's Insurance, and Pensions Insurance. Local administration of these insurance systems is conducted by the prefectural insurance institutions and private insurance associations recognized by the Ministry of Health and Social Affairs.

The Social Insurance Bureau has submitted preliminary information summarizing its activities and outlining the several types of insurance coverage. The Bureau reports 9,500,000 persons insured by Sickness Insurance in December 1944, 41,500,000 persons by National Sickness Insurance in September 1945, 270,000 workers by Workers Liability Insurance in December 1944, 160,000 seamen by Seamen's Insurance in April 1945 and 8,500,000 persons by Pensions Insurance in November 1944. The Bureau has been directed to submit current statistics on coverage, contributions, benefits paid, reserve funds and related subjects.

Private Agencies

9. A Washington representative of the American Red Cross has been in Tokyo for conversations regarding possible activities of ARC in the Japanese civilian program. The representative has also surveyed the situation in Korea. No proposal has yet been received for action by this Headquarters though the possibility has been explored that skilled ARC social work technicians be assigned to lower echelon Army units in advisory capacities.

The reorganization of the Japanese Red Cross to eliminate its military status and dependence upon the Japanese Army and Navy has been the subject of discussion between this Headquarters and the current JRC leadership. During the war the activities of that agency were almost wholly confined to its medical function within the Army and Navy. Its National Relief Department was supervised by the Japanese Army Chief Surgeon.

Although approximately 10 hospitals were maintained for civilian care, major emphasis was directed toward the military program. No civilian relief has been undertaken nor is there any well organized relief staff comparable to the American Red Cross disaster relief organization for post-war use. Under disaster conditions the fact that the local Red Cross organization is under the direction of the prefectural governors tends to obscure any civilian aspect of its program. The close control of the organization by government personnel requires revision. With American Red Cross assistance it is proposed to encourage speedy charter changes and reactivation of the agency's peacetime functions.

3. By a directive the Japanese Government has been ordered to furnish accurate statistics on the status of the several government managed social insurance systems. Civil Service Regulations which favor general administrative personnel in technical positions are receiving attention. Action has begun on the raising of training standards of all professional and welfare personnel. The Japanese Government has been directed to report specifically on all phases of public health and welfare activity.

PUBLIC WELFARE

4. Public Welfare Administration in Japan during the war was influenced by the two main pressures of rapid industrialization and urbanization in the four main islands and the dominance of military aims over all social welfare considerations. Industrialization and expansion of urban population created additional social problems and intensified the emotional strain of war. Some expansion of social insurance, particularly health protection, and the development of measures to keep labor in a productive mood were required.

The pressure of militarism brought relatively greater emphasis on such wartime protective measures for individuals as compensation for bomb damage, free transportation from devastated areas, and the "cultural development" of Koreans in Japan. It also resulted in a complete cessation of social work training and an attempt to eliminate other Western influences in public welfare administration.

The wartime pressures coupled with the traditional paternalism of Japanese thought and its shallow attack upon fundamental problems resulted in an almost complete breakdown of both public and private social work administration. The closing months of the war added confusion to an already disorganized administrative pattern.

5. The Ministry of Health and Social Affairs is nominally the agency of the Japanese Government charged with the operation and supervision of welfare activities. But the Home Ministry through its appointment and control of prefectural governors and the Finance Ministry through budgetary controls have actual supervision of all activities at lower governmental echelons. The prefectural governors report directly to the Home Ministry.

Although technical liaison is maintained between the prefectural welfare staffs and the Welfare Ministry, the latter does not influence local administration. Nor does it maintain a field supervisory service, budget or auditing controls, a system for obtaining current statistics on expenditures or caseloads (except a fiscal year report), standards for professional employment or requirements regarding performance.

Relief

6. During the war several public and private agencies were established for meeting welfare and relief needs. An attempt has been made to sift through the meager materials presented to date in order to determine the function of each agency. In addition the Ministry of Health and Social Affairs has been directed to present data regarding its organization, functions, current statistics, estimated future cases

SUPREME COMMANDER

FOR THE ALLIED POWERS

SUMMATION OF

NON-MILITARY ACTIVITIES

In

JAPAN AND KOREA

For

SEPTEMBER - OCTOBER 1945

[redacted]

[redacted]

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

MONTHLY SUMMARY NO. 1

SECTION 14

FINANCE

C O N T E N T S

GENERAL

1. All banking and other financial institutions have continued to function, except for national policy banks and development companies which were closed and their officials dismissed. The Bank of Japan has been required to furnish currency and banking facilities for the Occupation Forces.

Note issue has remained unchanged since the occupation began. Because of a return of confidence in banks and other depositories and the dissipation of the fears entertained prior to the arrival of the Occupation Forces, much currency issued in the second half of August has returned from circulation, as indicated by the large increase in deposits.

Other inflationary factors have expanded. The government has sold bond issues totaling over 12 billion yen to the Bank of Japan, and payments to discharged soldiers and workers have continued. Under the circumstances lack of increase in the note issue is disturbing rather than reassuring, for a decline might have been expected in this situation. Potential disbursements of the government in settlement of various war claims are tremendous. It is only the fact that so much potential purchasing power is frozen in restricted accounts that the inflationary pressures are not explosive.

Currency and Budget

2. Bank of Japan notes. State notes and currency and military yen "Type B" have been declared the only legal tender, and the circulation of all other currencies prohibited. As arrangements have been made for the use of Bank of Japan notes by the Occupation Forces except in case of emergency, "Type B" notes are being retired by the Bank of Japan.

3. It is now clearly evident that revenue will be considerably estimates and may decline by as much as 50 percent. They were estimated in the budget at 18 billion yen, but are now expected to be not more than 12 billion yen and may decline to as low as 9 billion yen. Ordinary expenditures, exclusive of occupation cost and liquidation of war commitments, are estimated at 22 billion yen. Japanese public debt had reached 118 billion yen at 31 October.

Computations for the new budget are hampered by a lack of policy determination by the Japanese Government. Disposition of the tremendous obligations assumed by the Government during the war is a primary problem.

Control Measures

4. Major blocking and freezing controls and control over foreign transactions have been established. Statistics on Japanese foreign assets are being collected.

5. Transactions in properties in Japan owned by nationals of designated countries have been prohibited and reports thereon are being received. The Japanese Government has been required to protect properties of Allied nationals and to report upon their present condition and disposition. Gold, silver and platinum bullion; gold and silver coins; and foreign exchange assets have been impounded and reports required. All precious metals and jewels belonging to the Japanese Government, the Army and Navy have been seized and are now in the custody of the Occupation Forces. Plates, paper and unissued stocks of currency and stamps for use outside Japan have been seized.

6. The Japanese Government guaranteed claims against Japanese insurance companies arising from war damage. As of 31 August 1945 property damage claims amounting to 19 billion yen had been paid; claims estimated at 14 billion yen remained unsettled. At the end of October insurance company assets exceeded 10.5 billion yen of which at least 75 percent was represented by government securities or government guaranteed loans to war industries. Premium income has declined sharply. Claims of Korean and foreign policy-holders are a major difficulty, since no method is at present available either for the receipt of premiums or the settlement of claims. Efforts are being made to locate insurance company assets in Korea which could be used to meet such claims.

7. Stock exchanges were closed by order of the Japanese Government on 9 August 1945. On 27 September the reopening of any closed stock, commodity or similar exchange was prohibited without the permission of SCAP. An over-the-counter market in securities exists, but the volume of transactions is said to be small. Quotations on securities of war industries have declined, those of peace industries have advanced.

8. Records necessary to indicate receipts and expenditures of the Occupation Forces have been established. The net total of currency supplies to Disbursing Officers to 31 October 1945 is ¥ 1,098,092,698.

BANKS AND CURRENCY

9. Efficient channels have been established for the supply of Bank of Japan notes to Army and Navy Disbursing Officers. "Type B" notes are therefore gradually disappearing from circulation.

The note issue of the Bank of Japan increased from 17.7 billion yen at the end of 1944 to 28.4 billion yen on 31 July 1945 and to 42.3 billion yen at 31 August. Circulation on 29 October was 42.04 billion yen. The rapid increase in circulating media up through 31 August reflected continued deficit financing by the government, the collapse of price control mechanisms and the greater use of currency as the result of disruption of communications from air raids. The sudden jump of 14 billion yen during August was at least partially due to hoarding.

Bank of Japan

10. The Bank of Japan and all its branches are operating as usual. When the wartime financial institutions were closed, the Bank of Japan was suspended for a day. The condensed statement of the Bank of Japan as of 20 October 1945 follows:

Millions of Yen

Assets		Liabilities	
Loans	24,690	Notes Issued	42,040
Cash and Bullion	540	Gov't Deposits	11,260
Gov't Bonds & Other securities	11,980	Other Deposits	3,450
Agency Accounts	14,860	Misc Assets	950
Misc Acct's	5,840	Capital and Reserves	210
Total	57,910		57,910

Though the Bank of Japan functioned as the primary source of all foreign exchange during the war, the Yokohama Specie Bank was the real originator of policies and the operating mechanism for foreign exchange transactions.

Private Banking Institutions

11. The closing of the National Financial Control Association, the overburdened condition of communication facilities, and the priority of the Allied Forces requirements have delayed the accumulation of currency nationwide figures on banking operations. The latest complete data available is for 31 May 1945: (Millions of Yen)

	Special Banks	Ordinary Banks	Savings Banks	Total
Total Deposits	8,679	76,534	9,202	94,417
Loans and Discounts	19,820	45,785	694	66,300
Government Bonds	3,524	28,514	6,762	38,802
Other Securities	698	7,475	1,108	10,280
Cash	580	5,076	504	6,161

The big banks assumed the major burden of munitions financing during the war and their condition would be critical were it not for government guarantees of both loans and deposits. The assets of provincial banks (located outside the large centers) consist principally of government bonds and cash.

Savings Banks

12. The number of savings banks was reduced from 72 to 20 during the war. At present about 97 per cent of savings deposits are concentrated in the Nippon Savings Bank, which had total deposits of 8.9 billion yen as of 30 May 1945. As a class, savings banks are fourth in importance in the collection of savings as indicated by the following analysis of savings type deposits as of 31 May 1945.

Deposit Funds Management Bureau	¥33,895,000,000
Ordinary Banks	¥32,627,000,000
Credit Cooperatives	¥12,908,000,000
Savings Banks	¥ 9,202,000,000 *

*As of 31 Dec 1944

Objectionable Personnel

13. The publicly announced program of liquidation of the Zaibatsu has resulted in important personnel changes in the family-controlled "Big" banks. A directive issued on 22 October ordered the submission of complete information on all banking institutions controlled either directly or indirectly by the 15 Zaibatsu companies.

Major Problems

14. Major problems are: (1) removal of militaristic personnel; (2) investigation of the Yokohama Specie Bank; (3) democratization and decentralization of the banking system; (4) reduction of government control and interference; and (5) elimination of Zaibatsu influence.

NATIONAL POLICY BANKS AND COMPANIES

15. The directive of 30 September closed the head offices, branches and agencies in Japan of 29 banks, development companies and other institutions with wartime or colonial functions. Operations of these institutions ceased, high-level officials were discharged, business quarters were closed, and military guards were placed on the premises where necessary. Premises have been inspected and the location of records, securities and cash determined. Arrangements have been made for the pay of employees, many of whom will be needed in the work of liquidation.

Liquidation of Closed Banks

16. The Ministries of Finance, Home Affairs and Foreign Affairs have appointed liaison personnel to assist the Finance Division in its relations with closed institutions. The Bank of Japan has been designated liquidator of the branches and offices in Japan of the following banks; Bank of Chosen, Bank of Taiwan, Chosen Colonization Bank, Banque Franco-Japonaise and Deutsche Bank fuer Ostasian. Its power and authority as liquidator have been carefully defined, and its duties for the present only require it to prepare reports of financial condition of the closed institutions. It does not have authority to dispose of assets, collect claims, pay deposits or perform other acts customarily associated with the liquidation of banks.

INSURANCE

Private Insurance Companies

17. The importance of the insurance business in Japanese economy cannot be overestimated. Volume of life and property damage policies is normally high, and normal volume has been augmented by war damage insurance. Principles of operation and underwriting were patterned after American and British principles, and until the advent of war were sound.

As of 1 October 1945 there were 17 stock and three mutual life insurance companies and 20 stock property damage companies, which is a reduction of about 50 percent from the number of companies operating in 1938. All present companies can be classified as "big". Their total assets exceed 10.5 billion yen.

18. During the war complete control was established over insurance operations by the entry of various government departments into the underwriting field and by the formation of Control Associations which had jurisdiction over business methods, investments and personnel. A major function of the Control Associations was to direct the flow of investment funds into government securities for war financing.

20. All extraordinary war risks on life, fire and marine policies were assumed by the government. As the mount of extra premiums for war damage was negligible, sea and air attacks on the Japanese mainland created acute problems. In order to avoid panic, the government guaranteed the liabilities of all companies and associations and became directly liable for losses. This was accomplished by setting up the Central Insurance Corporation, which was subsidized to the amount of 50,000,000 yen and which operated as a reinsurance facility, accepting war risk premiums and reimbursing insurance companies for claims paid.

Prior to April 1945, the extra premiums for war risk (4 to 8 percent were sufficient to cover war losses; subsequently they became a negligible factor. Up to 31 August 1945 property damage claims numbering 1,603,194 had been settled for 18.9 billion yen. Claims totalling an estimated 14 billion yen have not been processed. (These figures do not include marine insurance, on which information is not yet available.)

Before payment all claims had to be approved by the Property Damage Insurance Council which was under jurisdiction of the Minister of Finance. Cash payments could not exceed 5,000 yen on any one claim; the balance was deposited to the credit of the insured in a blocked bank account. A note of the Central Insurance Corporation for the full amount of the claim was then delivered to the bank, which thereupon reimbursed the insurance company. Life and personal injury claims were handled in a similar manner.

21. Japanese insurance companies are permitted to invest in corporate stocks, make loans, and transact other banking business. At least 75 percent of their total assets are now represented by government bonds or the debentures of and loans to war industries. Although many of the latter are guaranteed by the government, it will be some time before they can be evaluated.

Corporate forms generally follow the American practice. Actual stock ownership, however, is in most cases concentrated in holding companies, banks and even industrial concerns. There is much cross-ownership of stock, the effect of which is to centralize control in the hands of a few individuals who have made a minimum personal investment and who are normally able to direct the flow of insurance investment funds toward those corporations in which they have an interest.

Overseas Business

22. As Japanese companies wrote a large number of life and war damage policies in territories formerly under Japan's control, they and their policy-holders now face losses. The 20 Japanese Life Insurance companies, through their 160 branch offices, placed over 1,100,000 policies aggregating over 2.75 billion yen in Korea. The logal reserve on these contracts, which is the property of the insured, is held in Japan, and no method is at present available either for the payment of premiums or the settlement of claims.

An even more pressing situation exists in China, where the Japanese Government prohibited foreign exchange transactions in 1943, while the companies continued to insure in yen and to accept payments in inflated Chinese dollars which, whether or not converted into securities, remain in China. The policy reserves thus created, totalling over 1 billion yen, cannot be utilized by the companies in Japan. Most of the business was written on the lives of Japanese nationals who are now returning to Japan, so that payment of claims or withdrawals must be made out of reserve funds in Japan.

23. Dividends and income from investments have declined sharply due to the stoppage of production and the loss of overseas territories. Premium income of property damage companies has declined as much as 60 percent because of the large destruction caused by air raids.

Government Bureau Insurance

24. Various governmental departments and bureaus are engaged in the direct underwriting of insurance. Coverage is for such factors as health, workmen's compensation and annuities, crops and livestock, fishing vessels and accidents. This policy of direct insurance was adopted to supplement social security. A Deposit Bureau was created for the reception of funds, and special accounts have been set up as a part of the operating machinery.

SECURITY AND COMMODITY EXCHANGES

25. The stock Exchange of Japan was closed by the Japanese Government on 9 August 1945. Commodity markets had not been allowed to operate since the end of 1941 due to governmental control of commodity distribution. The Stock Exchange received authority from the Japanese Government to reopen on 10 October, but a 27 September directive prohibited the reopening of any stock exchange, commodity exchange or similar institution without prior approval of the plan of operation by this Headquarters.

Proposals for Reopening

26. On 29 September representatives of the Ministry of Finance presented to SCAP an informal draft of conditions under which the Securities Exchange would be allowed to operate, as well as a list of the names of 326 companies whose securities were to be admitted to trading and 401 companies whose securities were to be delisted. Most of the companies whose securities were to be delisted were those which had operated mainly in occupied areas, whose value was in doubt, or which had ceased to operate because of SCAP directives.

There is an over-the counter market in securities, but it is not believed to be of sufficient size to afford an adequate indication of conditions.

Major Problems

27. The major problem is the proper timing of permission to reopen. Commodities are so scarce and so closely controlled that no object would be gained by reopening commodity exchanges now. Until major decisions are taken by the Japanese Government, it is also undesirable to reopen the stock exchanges.

PUBLIC FINANCE

GENERAL

28. In Japan commercial banks were used in financing war production. All such financial aid and war risk insurance were government guaranteed. A smaller share of war expense was met through current revenue. Forced savings provided a market for government bonds, which together with price and rationing controls proved a reasonably effective deterrent to inflation.

Japan's public debt as of 31 October was 118 billion yen as against a national income estimated at 90 billion yen in early 1945.

29. The Ministry of Finance and other fiscal divisions of the government are in reasonably good operating condition. Trouble in keeping records current results from delays and disruptions in communications with outlying sections.

Budgetary computations are hampered by lack of policy determination by the government. Lack of personnel in some of the departments concerned with maintaining records, particularly in translation is a cause of delay in furnishing reports. The Japanese system of records and accounts is being studied by this Headquarters so that requests for reports will correspond with the Japanese system as far as possible and still obtain the necessary information. Finance officials have on the whole evidenced a cooperative attitude.

30. The immediate major problem is the disposition of governmental obligations growing out of the war. This includes the extent of compensation to be allowed on war contracts, war risk property damage insurance, governmental aid to munitions companies for conversion and governmental guarantees of munitions bills.

Other important problems are the question of sales or other disposition of government or Imperial Household properties, recoupment of war profits through taxation or otherwise and control of government borrowing and expenditures with a view to suppressing inflation without injury to finance reconversion and rehabilitation. In working out solutions, voluntary planning and action on the part of the Japanese are encouraged.

Budget

31. At the time of Japanese surrender, the 1945-46 national budget was in effect. It had been prepared late in 1944, was passed by the Diet in early 1945 and went into effect 1 April 1945 to run through 31 March 1946. As amended and supplemented, it totaled 103 billion yen. It called for the Japanese people to return over 73 percent of the national income to the government, another 15 percent to be channeled into the capital needs of government controlled industry, and the 12 percent remaining to be available for civilian consumption.

The salient revenue features included heavy direct taxation, numerous excise taxes, substantial enterprise and monopoly revenues, and heavy loans from the occupied regions. The major source of funds was the domestic sale of bonds through a comprehensive system of compulsory savings. On the expenditure side of the budget direct military expenditures alone accounted for more than 85 percent of the total. A summary table of this budget follows.

1945,46 Japanese Budget
(1 April 1945 to 31 March 1946)

General Account	Revenue	(Thousands of Yen)
Tax		13,661,443
Stamp Duties		279,889
Profit of Monopoly		2,118,021
Miscellaneous		1,659,893
Receipts from Loans		11,321,782
Total General Account		28,951,027
Special War Expenditure Account		
Receipts from Public Loans		35,298,577
Receipts from Special Accounts (net) (a)		1,556,628
Other Ordinary Receipts		7,894,747
Advances by Banks		30,136,463
Total War Expenditure Account		74,886,415
TOTAL REVENUES		103,837,442

(a) Actual total is ¥11,670,211,000 but ¥10,113,583,000 represents transfers from General and Special Account.

Expenditure

General Account	(Thousands of Yen)
Imperial Household	4,500
Foreign Affairs (including Greater East Asia)	653,594
Home Affairs	1,950,123
Finance (including Communication)	19,765,066
Justice	108,619
Education	647,558
Welfare	638,708
Agriculture and Forestry	1,672,817
Commerce & Industry	3,264,674
Transportation	243,530
Army	678
Navy	1,160
Special War Expenditure Account (net) (a)	74,886,415
TOTAL EXPENDITURES	103,837,442

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Commerce & Industry		3,264,674
Transportation		243,530
Army		678
Navy		1,160
Special War Expenditure Account (net) (a)		74,886,415
TOTAL EXPENDITURES		103,837,442

(a) Detailed figures for this account are being secured. Actual total for this account is ¥85,000,000,000 but ¥10,113,583,000 represents transfers from General and Special Accounts.

This budget plan was followed without substantial deviation up until surrender. Incurring of further obligations for war purposes naturally ceased at that time. Settlement of direct war obligations previously incurred has been suspended pending accumulation of complete reports on their magnitude and the economic effects of their payments or cancellation. These obligations are principally accounts payable to munitions and supply companies for war goods, and government guaranteed war risk insurance claims. (Above ¥5,000 on individual claims). Japanese editorial opinion favors scaling down or cancellation of the former.

The 1945-46 budget has otherwise been substantially followed from the date of surrender until the present. Tax and enterprise revenues have fallen off with the decline in economic activity, while expenditures incident to demobilization, rehabilitation, and the Occupation have been heavy. Total expenditures have continued at about the wartime rate. Public borrowings, due to the decline in revenues and the cessation of income from overseas areas, are therefore increasing beyond the wartime level. Compulsory savings are being continued.

The revised proposals for the General Account are summarized below:

Proposed Expenditures for the Period from 1 September 1945 to 31 March 1946.

General Account only

Ministry	Expenditures for work Completed prior to 1 September 45 (a)	Expenditures for Period from 1 September 45 to 31 March 46 (a)	Total Proposed Expenditures
Imperial Household	----------	2,000,000	2,000,000
Foreign Affairs (b)	88,313,396	42,277,037	130,590,433
Home Affairs	584,059,309	1,293,883,116	1,877,942,425
Finance	10,176,855,944	5,479,679,123	15,656,535,067
Justice	6,588	36,737,712	36,744,300
Education	161,837,857	255,524,063	417,361,920
Welfare	672,158,922	165,201,654	837,360,576
Agriculture & Forestry	145,406,235	1,354,129,733	1,500,136,058
Commerce & Industry(c)	1,268,493,306	207,815,426	1,476,308,732
Transportation	41,087,924	48,795,332	89,883,256
Total	13,138,219,571	8,886,643,196	22,024,862,767

SOURCE: Liaison Office, Bureau of Budget, Japanese Ministry of Finance (1 Nov 45)

(a) Division between "Expenditures for Work Completed Prior to 1 Sept 45" and "Expenditures for Period from 1 Sept 45 to 31 March 46" is a rough estimate according to the Japanese Bureau of Budget.
(b) Includes Greater East Asia.
(c) In 1945-46 Japanese Budget as approved by the Diet this item was termed "munitions."

319. It is contemplated that analysis of the figures submitted and detailed study of the Japanese Government organization will lead to the preparation and approval of a new budget which will take a more moderate share of the national income, will slow down accumulation of the public debt and will discourage inflation. Expenditures for the military establishment, war production, foreign and colonial affairs, anti-democratic and authoritarian functions, and other activities prohibited or divorced from the government will be either eliminated entirely or reduced to the minimum needed for final wind-up of those activities. Expenditures for continuing government functions will be reshaped to conform to the reduced national economy, but rehabilitation and occupation costs will be new or increased over the wartime level.

The Japanese Government has already announced its budgetary objectives to be speedy elimination of all expenses stemming from or connected with the war, and trimming of the remaining peacetime governmental establishments to sizes approximating those of 1931. The latter objective is estimated by them to involve a 50 percent cut in personnel.

Revenues

320. Estimated revenues for the fiscal year ending 31 March 1946 show substantial reductions from the original budget as follows: taxes of 13.7 billion yen decreased to 9 billion, stamp duties of 280 billion yen reduced to 238 billion yen and monopoly profits of 2.7 billion yen reduced to 1.2 billion.

At the present time the Japanese government is drafting proposals for changing the tax structure by overhauling certain provisions of the individual and corporation income tax laws and by imposing a capital levy and a special war profits tax designed to recoup the profits of corporations and individuals during the war. The Commodities Tax Law has been amended to enable Post Exchanges to purchase goods in Japan free of sales or manufacturing taxes.

Expenditures

321. Complete details of government expenditures during the 1945-46 fiscal year are being compiled by the Japanese Government. Incomplete totals indicate that up to the time of surrender government spending in general was distributed according to the above budget plan but fell considerably short of the amounts authorized by the budget for that portion of the fiscal year.

Future expenditures will be controlled by the revised budget now being prepared. Compilation of accurate expenditure figures has been retarded by the decentralization of disbursing officers, particularly of the Japanese Army and Navy, and the independence of those services from the Finance Ministry. Until corrected, these conditions will also increase the difficulty of effective control of expenditures.

Public Debt

322. Despite the constantly expanding public debt, only sporadic attempts were made to balance the budget and the series of deficits since 1931 have remained unbroken. The rate of increase of bonds was sharp after the start of the China War and it has skyrocketed since 1940, as shown by the following table (in millions of yen):

Fiscal Year	Issued	Absorbed (a)	Percentage
1940-41	6,884	5,693	82.7
1941-42	10,191	8,873	87.1
1942-43	14,259	13,663	95.8
1943-44	21,147	19,751	93.4
1944-45	30,484	27,883	91.4
1945-(Apr-Jul)	6,636	10,396	156.6
August	4,055		
September	5,000		
October	7,029		

(a) Not retained by the Bank of Japan.

The October issue of bonds through the Bank of Japan represented the largest ever made in a single month and brought the yearly total up to 22.3 billion yen, or slightly less than half the amount budgeted for the fiscal year 1945-46. Anticipated decreases in revenue and expenditures at a high rate for reconversion and rehabilitation of war damaged properties point toward deficit financing at a high rate for the immediate future. Absorption by financial institutions and by the public is becoming increasingly difficult. The forced savings program, although naturally not popular, is being continued by the Japanese Government as a method of bond absorption as well as an inflation deterrent.

PROPERTY CONTROL

323. Direct action was taken to seize the stocks of gold, silver, platinum and precious stones held by the Japanese Government, the Bank of Japan and other financial institutions. Similar action was taken with respect to stocks held by the various control organizations which acquired or distributed these valuables. The seized metals and stones are being consolidated in the vaults of the Bank of Japan under guard. Accurate figures of the amounts seized are not yet available.

Estimates supplied primarily by the Japanese Government are as follows:

1.	Gold Bullion	99,085,267 grams
2.	Gold Bullion Earmarked for foreign governments or banks	73,329,647.1 grams
3.	Gold Coin	16,598,300 grams
4.	Silver Bullion	2,244,994,084.9 grams
5.	Silver Coin	194,633,000 grams
6.	Platinum	6,176,317.9 grams
7.	Iridium	18,317 grams
8.	Rhodium	4,831 grams
9.	Palladium	5,614 grams
10.	Osmium	140 grams
11.	Ruthinium	120 grams
12.	Radium	235 Capsules (various)
13.	Diamonds	158,977.28 Carets
14.	Diamond Dies	1 box
15.	Diamond Tools	2,487 Pieces

38. Property known or suspected to belong to the German Government or to the Nazi Party has been seized. The properties of the governments or nationals of Germany, Italy, Bulgaria, Finland, Thailand Rumania and Hungary are reported as follows:

Enemy Nationals Holding Property in Japan

Country	Real Property	Personal Property (Household, etc.)	Personal Property (Cash, Bonds, Stocks, etc.)	To
Germany	135	734	639	1,508
Germany (Jewish Refugees)	2	22	23	47
Rumania	None	1	11	12
Hungary	1	9	8	18
Finland	None	3	3	6
Siam	1	60	50	111
Italy	8	71	82	161
Total	147	900	816	1,863

39. The unissued stocks of Bank of Chosen notes held by the Japanese branches of the Bank of Chosen were seized and shipped to Korea. Engraving plates used in printing of currency other than the Japanese yen were seized and similar action was taken in respect to plates used to print postage stamps for the Philippines.

FOREIGN EXCHANGE

Major Controls

40. Blocking and freezing controls over certain types of financial transactions within Japan and between Japan and other countries have been established. The major controls imposed thus far are:

(1) Prohibition, except by special permission, of all transactions in gold and other precious metals, in assets owned or controlled abroad by residents of Japan, and in assets owned or controlled in Japan by persons resident abroad, and all transactions in foreign exchange.
(2) Prohibition, except by special permission, of transactions in bank deposits and other property in Japan owned or controlled by the nationals or governments of former enemy powers.
(3) Prohibition, except by special permission, of exports and imports of gold, silver, securities and financial instruments, and the transmission between Japan and foreign countries of authorization or instructions to effect financial or property transactions.

Significant Problems

41. Requests from the governments and nationals of former neutrals and of the United Nations for transfer abroad of funds blocked in Japan have been received, but do not involve substantial amounts. To date no transfers involving foreign exchange transactions have been permitted.

42. Requests have been received for the release of certain funds and properties owned or controlled by former enemy nationals. One German controlled Company, Leybold X. X. has been permitted to operate under supervision of the Occupation Forces because its products are urgently required by the Occupation Forces and are essential to the health of civilian population. Funds of individuals have also been released up to maximum amounts of 1,500 yen a month for heads of families plus 500 yen for each dependent to meet living expenses and for payment of taxes to the Japanese Government.

All assets owned by persons being repatriated to and from Japan in excess of maximum amounts of 1,000 yen for civilians, 500 yen for officers and 200 yen for enlisted men are being taken up against receipt for subsequent disposition. Instructions are currently being prepared clarifying the administration of these controls.

Data Requested from Japanese Government

43. Reports of the external assets of Japan are to be furnished on approved forms, the first report to be available about 5 December 1945. A rough estimate values external assets as of 6 December 1941 at 1.6 billion yen (excluding occupied areas) as follows:

External Assets of Residents of Japan (1)

In ¥1000

Kinds of Asset	USA (2)	British (2) Empire	Dutch Indies	Axis Countries	Others	Total
Bank Deposits	277,936	127,605	124,697	113,876	47,192	691,306
Insurance	47,916	72,463	439	1,749	1,903	124,470
Ships and Shipping Companies	6,300	4,517	1,215	3,701	2,332	18,065
Trading Co's	148,602	56,095	26,419	50,814	30,435	312,365
Colonization Co's	45,395	176,675	102,424	7,527	161,173	493,194
Others	9,233	8,413	1,554	782	1,598	21,580
Total Assets	535,382	445,768	256,748	178,449	244,633	1,660,980
Total Liabilities	278,790	135,845	50,450	344,787	60,871	870,743
Net Assets	256,592	309,923	206,298	166,338	183,762	790,237

(1) Exclusive of foreign assets of Japanese Government and exclusive of properties owned in China, Manchuria, Kwantung, Korea and Formosa.

OCCUPATION COSTS

44. Breakdown of requisitioned funds and type "B" Yen to date follows:

Requisitioned Funds

Requisitioned from Japanese Government		¥1,100,000,000
Transferred to Disbursing Officers September	¥ 839,415,950	
Balance in Bank of Japan, requisitioned Funds, 30 September 1945		¥260,584,050
Transferred to Disbursing Officers in October	¥228,860,000	
Returned to Funding Officer in October	¥146,145,900	
Net Transferred to Disbursing Officers in October		¥82,714,100
Balance in Bank of Japan, Req. Funds 31 October 1945		¥177,869,950

ZAIBATSU

45. Many conferences have been held with senior government officials and representatives of the Zaibatsu to have them understand the objectives of the Supreme Commander with regard to the Zaibatsu and the monopoly problem in Japan. Due to lack of personnel, it was felt that progress toward solution of this problem could best be made by encouraging voluntary action by the Japanese. It was therefore decided to concentrate on the four major firms of Mitsui, Mitsubishi, Yasuda and Sumitomo as an initial step. These are the dominant firms, each representing a slightly different form of combine. It has been made clear to the Japanese Government that all firms similar to the four leading Zaibatsu including direct and indirect subsidiaries, would be expected to take appropriate action.

By the middle of October, Yasuda, Mitsui and Sumitumo had agreed to present plans for dissolution conforming to the principles discussed informally with them at numerous meetings. The Minister of Finance, the Minister of Commerce and Industry and the President and Vice-President of the Liaison Committee were also active participants in the discussions.

By radio to the Joint Chiefs of Staff, Washington was informed of the developments and approval was requested to proceed on the basis of proposed plan. Subsequent to the dispatch of the radio, Mitsubishi also agreed to adopt the same plan. The plan calls for the complete elimination of the "Honsha" (holding company) in each company, the resignation of the members of the respective families from all positions of influence, the resignation of the directors and auditors of the Honsha, and the creation of a Holding Company Liquidation Commission to receive and dispose of the