GHQ/SCAP Records(RG 331)
Description of contents

THE NATIONAL ARCHIVES OF THE UNITED STATES

(1) Box no. 2205

(2) Folder title/number: (21)
Finance Ministry - 7th Diet

(3) Date: Jan. 1950 - Mar. 1950

(4) Subject:

Classification	Type of record
500	d, m

(5) Item description and comment:
Includes Contents List

(6) Reproduction: (Yes) No

(7) Film no. Sheet no.

Title	Comment
1. Amendments to Law for Special Account for Counterpart Fund o U S Aid to Japan	ESS (Hutchinson) Obj CIE (Nugent) Obj LS (Appleton) Comment
2. Abolishment of Hypothec Bank of Japan Law	LS (Goodman) No obj ESS (Robinson) No obj
3. Net Worth Tax Bill	LS (Brunckhorst) Obj ESS (Shavell) No obj NR (Barnett) No obj
4. Bill for Achievemnt of Equitable Taxation on Securities, etc	LS (Brunckhorst) Obj ESS (Sanow) No Obj
5. Precious Metals Control Bill	ESS (Hamilton) No obj CPC (Temple) No obj NR (Solomon) No obj LS (Neptune) OBj
6. Bill for Special Rules for Filing of June Provisional Return and First Period of Taxpayment of Income Tax for 1950	ESS (Davis) No obj
7. Shipowners' Mutual Insurance Association Bill	ESS (Eisenstein) No obj DTS (Delaney) No obj LS (Otto) No obj
8. Abolition of Law re Protection of Government from Unjust Claims etc	ESS (Ryder) Obj LS (Appleton) No obj
9. Bill re Responsibility of Budget Executing Officer etc	LS (Brunkhorst) No obj ESS (Harrison) No obj
10. Amendments to Ministry of Finance Establishment Law	ESS (Waller) No obj LS (Brunckhorst) Obj
11. Bill re: Temporary Measures for Separation Allowances for National Public Service Personnel and others	ESS (Herbster) No obj GS/CS (MacCoy) No obj LS (Smith) No comment
12. Amendments to Special Taxation Measures Law ets	LS (Brunckhorst) Obj CIE (Nichols)Obj DS (Diehl) Obj NR (Barnett) No obj ESS (Alber) No obj
13. Assets Revaluation Bill	LS NR (Barnett) No obj ESS (Bronfrenbrenner) No obj
14. Amendments to the Customs Law	LSS (Appleton) Obj ESS(Lassiter) No obj
15. Bill re: Travel Expenses for National Public Service Personnel and Others	ESS (Herbster) No obj LS (Brunckhorst) No obj GS/CS (MacCoy) No obj

16.	Amendments to Corporation Tax Law	ESS (Sanow) No obj NR (Barnett) Obj LS (Brunkhorst) Obj
17.	Amendments to Anti National Tax Evasion Law	ESS (Davis) No obj LS (Appleton) Obj
18.	Amendments to Securities and Exchange Law	ESS (Adams) No obj LS (Neptune) No obj
19.	Bill for Transfer and Payment from Special Accounts to General Account for Appropriation for Retirement Allowances to be Paid to Retired Officials	ESS)Herbster) No obj GS/CS (MacCoy) No obj
20.	Budget of General Account, 1950-51	ESS (McGlauflin) No obj
21.	Amendment to Law for Decision or Revision of Fixed Prices of Manufactured Tobacco	ESS (Berliner) No obj
22.	Amendments to Finance Law	LS (Brunkhorst) No obj ESS (Harrison) No obj
23.	Mint Agency Special Account Bill	LS (Smith) No obj ESS (Harrison) No obj
24.	Abolishment of Securities Transfer Tax Law	ESS (Sanow) No obj LS (Brunckhorst) No obj
25.	Amendments to Liquor Tax Law	ESS (Sanow) No obj LS (Smith) No obj
26.	Bill for Special Account for U S Aid Commodities etc to Japan	LS (Neptune) No obj ESS (Middleton) No obj
27.	Bill for Readjustment of Laws and Orders pursuant to Amendments to Income Tax Law	ESS (Briffenbrenner) No obj
28.	Abolishment of Law for Collection of Commissions etc on Assignment of Goods	LS (Goodman) No obj ESS (harrison) No obj
29.	Budget of Special Account, 1950-51	ESS (McClauflin) No obj
30.	Export Credit Insurance Special Account Bill	ESS (Middleton) No obj LS (Neptune) No obj
31.	Amendments to Insurance Business Law	LS (Brunckhorst) ObjE ESS ( ) No obj
32.	Amendments to National Tax Collection Law	LS (Brunckhorst) Obj ESS (Davis) No obj
33.	Bill for Share Transfer	ESS (Salwin) No obj LS (Neptune) obj

34.	Amendment to Foreign Exchange and Foreign Trade Control Law	ESS (Allison) No obj
35.	Amendments to Certified Public Accountant Law	LS (Neptune) No obj ESS (Robinson) Obj
36.	Amendments to National Public Service Mutual Aid Association Law	LS (Goodman) Obj ESS (Herbster) ~~Obj~~ No obj PHW (Anton) No obj GS/CS (MacCoy) No obj
37.	Amendmenst to Travelling Tax Law	CTS (Ogden) Obj LS (Bruncknorst) No obj ESS (Sanow) No obj
38.	Accessions Tax Bill	LS (Bruncknorst) Obj PHW (Rohrlich) No obj ESS (Shavell) No obj
39.	Amendments to Income Tax Law	LS (Bruncknorst) Obj ESS (Sanow) No obj NR (Barnett) No obj
40.	Transfer from General Account for Covering Shortage of Revenues in Foodstuff Control Special Account	ESS (Larsen) No obj
41.	Transfer from General Account for Appropriation to Resources for Loans for Farm Settlers Special Account	ESS (Larsen) No obj
42.	Transfer from General Account for Covering Shortage of Revenues in Agricultural Mutual Aid Reinsurance Special Account	ESS (Larsen) No obj
43.	Amendments to Unemployment Insurance Special Account Law	ESS (Yeomans) NO obj LS (Goodman) No obj PHW (Rohrlich) No obj
44.	Bill for Transfer from General Account for Appropriation for Liabilities in Special Account for Demand and Supply Adjustment of Charcoal and Firewood	Cleared 6th session
45.	Bill for Exception for Payment from the Alcohol Monopoly Special Account to General Account	LS (Goodman) No obj ESS (Larsen) No obj
46.	Budget of Government Corporations for 1950-51	ESS (McGlauflin) No obj
47.	Bill for Exceptions to the Management of Affairs for Payment of Salaries and Other Pays to be paid Employees etc Engaged in Labor for Allied Forces in Compliance With Demands of the Allied Forces	ESS (Hanna) No obj LS (Goodman) No obj G-4 (Fitch) No obj

48.	Amendments to Extraordinary Currency Law	GS/CS (MacCoy) No obj ESS (Smith) No obj LS (Goodman) No obj
49.	Bill for Transfer from the General Account for Covering Shortage of Revenues in the Special Account for Deposit Bureau, etc, 1950-51	ESS (Foster) No obj
50.	Bill for Payment of Temporary Year-end Allowances to National Public Service Personnel	ESS GS/CS (Roser) Obj
51.	Income from Disolved Organizations Properties Special Account Bill	LS (Steiner) No obj ESS (Mossler) No obj
52.	Bill for Adjustment of Change of Jurisdiction or Change of Administraive Control of National Property between General Account and National Hospital Special Account free of Charge	LS (Steiner) No obj ESS (Herbster) No obj PHW (Morton) No obj
53.	Bill for Transfer to Telecommunications Special Account and National Forestry Enterprises Special Account and the Grant to Japanese National Railways, from Special Account for Counterpart fund of U S Aid to Japan	ESS (Gregory) No obj
54.	Bill for Grants etc for Covering Deficit of Coal Distribution Kodan	ESS (Jeffers) No obj
55.	Amendments to Law for Temporary Measures for Budget and Settlement of Account for Public Corporations etc	ESS (Herbster) No obj LS (Oppler) No obj
56.	Amendments to Peoples Finance Corporation Law	ESS (Foster) No obj
57.	Bill for Deferment etc of Redemption Term for Borrowings of General Account, Imperial Railways Account and Communications Services Special Account for 1946-47	CTS (Ogden) No obj LS (Smith) No obj ESS (Gregory) No obj
58.	Amendments to National Forestry Enterprises Special Account Law	LS (Goodman) No obj ESS (Larsen) No obj NR (Ineson) No obj
59.	Bill for Issuance of Debentures by Banks	LS (Brunckhorst) No obj ESS (Phillips) No obj
60.	Bill for Calculation of Fractions of Receipts and Disbursements etc of the Treasury	ESS (Jeffers) No obj LS (Neptune) No obj
61.	Amendments to Law for Reduction, Exemption, and Postponement of Collection of Taxes for Sufferers from Calamities	LS (Brunckhorst) No obj ESS (Alber) No obj
62.	Abolishment of Law for Special Account for Demand and Supply Adjustment of Charcoal and Firewood	NR (Ineson) No obj ESS (Larsen) No obj
63.	Bill for Special Rules for Arrearage Charges etc on National Tax	LS (Brunckhorst) No obj ESS (Davis) No obj
64.	Supplemental or Revised Budget of Government Corporations for 1950-51	ESS (Hanna) No obj

Bill

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to be submitted for GS approval
Legislative Affairs Section, FOR.
(TEL. 57-6010)

January 30, 1950

1. FOR Number: 40

2. Name of Bill: **Bill for Partial Amendments to the Law concerning the Special Account for Counterpart Fund of U.S. Aid to Japan.**

3. Competent Ministry: **Ministry of Finance**

4. Date of Cabinet Approval: **January 27**

5. SCAP Section concerned:
Mr. Harrison
Public Finance Branch,
Finance Division, E.S.S.

6. Remarks: (reference:)
Law concerning the Special Account for Counterpart Fund of U.S. Aid to Japan (Law No. 40 of 1949), Official Gazette Extra No.34, April 30, 1949.

7. G.S. Reviewers:

GS: ESS
CI&E
LS/GS

Received by GS

Date 1/30/50

(1)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JB/JW/CFC/vs

Subject: Draft Legislation

Capt. Guida

Note No.	From: Govt Sec To: ESS Date: 30 January 1950 26-6076
1.	1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry. 2. Your prompt comment is requested. 1 Incl Partial Amendments to Law re Special Account for Counterpart Fund of U.S. Aid to Japan C. W.

P & P DIV

FILE COPY

7/30

Amdmt to Law re Spec. Acct for
Counterpart Funds of U.S. aid
to Japan

(Fair Hwy)

File: 101(30 Jun 50)ESS/FT

From: ESS To: Govt Sec

WFA/ESS/ECH/eb
Mr. Hutchinson, 25-6054
7 MAR 1950

2. ESS has no objection to the attached bill to amend the Counterpart Fund law. However, according to check sheet of 25 February 1950 to GS from CI&E, objection was taken by CI&E to the proposed paragraph 2 of Article 4. From the nature of the objection raised by CI&E, it appears that some time may be required to work out an acceptable manner of financing the reorientation program. In view of that fact and in view of the fact that the other amendments proposed are essential to the operation of the fund, ESS would recommend that the bill be released with the portion objected to by CI&E deleted. Conversations with Lt.Col. Hugent have, however, indicated that he is opposed to that procedure. It is, therefore, recommended that a conference be arranged immediately among GS, CI&E, and ESS to work out an acceptable solution.

1 Incl:
n/c

No Memo for Record necessary.

E.M.R.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JM/JW/CFG/vs

Subject: Draft Legislation

Capt. Guida

Note No.	From: Govt Sec To: CI&E Date: 30 January 1950 26-6076
1.	1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry. 2. Your prompt comment is requested. 1 Incl Partial Amendments to Law re Special Account for Counter-part Fund of U.S. Aid to Japan
	C. W.

P & R DIV

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1. Paragraph 2, page 1, of subject draft legislation is unacceptable to CIE and, if allowed to stand, will prove highly embarrassing to the headquarters.

2. As a result of conferences last September between the Under Secretary of the Army, D C/S(SCAP), Chief, ESS, Chief, CIE, and other SCAP officials, it was determined that expenditures within Japan for reorientation purposes would not be made from appropriated dollar funds but rather from the Counterpart Fund. Mr. Voorhees looked upon the Counterpart Fund as U. S. rather than Japanese property - at least to the extent that its use would be directed by SCAP authorities. At the same time it was agreed by all present that the reorientation program should not be a burden on the Japanese economy nor should expenditures for it appear to come from Japanese sources. Should the reorientation program even appear to be financed from Japanese sources a situation equally embarrassing to that which surrounded reorientation expenditures in Germany might arise in Congress.

3. Subject draft legislation makes it appear that the Japanese Government will appropriate Japanese funds for reorientation purposes, placing the Occupation in an untenable position. In addition, subject draft legislation makes it appear that "To, Do, Fu, or prefecture" operate the civil information and education services which are "prescribed by a Cabinet Order." This is not only without basis in fact but would prove highly embarrassing to this headquarters were it

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Lt Col Nugent 26-6575

Draft Legislation

CIE GS 25 Feb 1950

2 Cont'd publicized in the U. S. press. If the "civil information and education services" referred to in subject draft legislation embrace the SCAP-CIE Information Centers, the Japanese Government should be informed in no uncertain terms that none of its agencies operate such centers or maintain any supervision whatsoever of their activities.

4. Attention is invited to the fact that, by direction of the Chief of Staff, 250 million yen from the Counterpart Fund is to be made available for reorientation activities. These activities include not only the operation of the SCAP-CIE Information Centers but the documentary film program (which is not operated in "To, Do, Fu, or prefecture as far as the production or adaptation of films is concerned) and a number of miscellaneous activities. Check-notes of Chief of Staff on this subject are attached as TAB A and TAB B.

5. It is recommended that a conference be arranged between GS, ESS, and CIE to explore the situation and determine a method by which yen funds for reorientation purposes may be made available from the Counterpart Fund free from any appearance of appropriation, control, or supervision by the Japanese Government.

3 Incls
Added 2 incl
2. TAB A - C/N fm C/S dtd 13 Oct 49, re Util. of Counterpart Fund
3. TAB B - C/N fm C/S dtd 16 Feb 50, re Util. of Counterpart Fund

- D. R. N. - - - - - - - -

Copy sent to ESS (Hutchinson) 3/3

C O N F I D E N T I A L

C
O
P
Y

Subject: Utilization of Counterpart Funds

From: CofS

To: CIE
PHW
ESS
G-4
Comptroller

Date: 13 Oct 49

1. After full consideration of the proposals to use yen from the Counterpart Fund for certain educational, health and welfare purposes, a decision has been reached to limit the use of the Counterpart Fund to projects which further economic stabilization and recovery. As a consequence of this decision, such projects in the fields of education, health and welfare as are justifiable should, if possible, be provided for in the next budget of the Japanese Govemment, and not be financed from the Counterpart Fund.

2. As an exception to the foregoing, expenditures from the Counterpart Fund will be authorized for the maintenance and operation of Information Centers and for the production of documentary films under the auspices of CI&E. Estimates for these two projects amount to ¥250,000,000.

- E. M. A. - - - - - - -

C O N F I D E N T I A L

C O N F I D E N T I A L

C
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P
Y

Subject: Utilization of Counterpart Funds

From: CofS

To: CIE
PHW
ESS
G-4
COM

Date: 16 February 1950

1. 1. Reference is Chief of Staff checknote, subject as above, dated 13 October 1949. Paragraph 2 is rescinded and the following substituted therefor:

2. As an exception to the foregoing, expenditures from the Counterpart Fund will be authorized for the maintenance and operation of information centers, for the production of documentary films, and for miscellaneous expenses and open purchases under the auspices of CIE for use in the re-orientation program. Estimates for these needs amount to ¥250,000,000.

- E. M. A. - - - - -

C O N F I D E N T I A L

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) GW/JH/JW/CFG/vs

Subject: Draft Legislation

Note No.	
1.	From: Govt Sec To: LS/LAJ Date: 30 January 1950 1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry. 2. Your prompt comment is requested. 1 Incl Partial Amendments to Law re Special Account for Counterpart Fund of U.S. Aid to Japan C. W.

Capt. Guide 26-8076

P & P DIV

30 January 1950

Subject: Partial Amendments to
Law re Special Account
for Counterpart Fund of
U.S. Aid to Japan

2. From: Legal Sec To: GS Date: 9 February 1950
R. B. Appleton 2635-473

Subject bill amends the law establishing the Counterpart Fund of U.S. Aid to Japan (Law No. 40 of 1949) by extending the purposes for which the Fund may be used. Among other things, it prescribes that the Fund may be used "for the expenses necessary for operating the civil information and education services prescribed by a Cabinet Order...". It should be noted that the U.S. Aid Counterpart Fund was established pursuant to SCAPIN 1988 of 1 April 1949. According to par. 3 of this SCAPIN "the Japanese Government will be permitted to draw from the Fund only such amounts and only for such purposes as may be approved by the Supreme Commander". This requirement of the SCAPIN is to be implemented by direct communication between ESS and appropriate agencies of the Japanese Government (see Par. 6 of the SCAPIN). However, pars. 4 and 5 of the SCAPIN make it clear that releases from the Fund are intended only "for promoting and maintaining internal monetary and financial stability, for stimulating exports and for carrying out the other objectives set forth in the letter of 19 December 1948 from the Supreme Commander to the Prime Minister". No explicit mention is made of any "civil information and education services". Whether the extension of the use of the Fund beyond the purposes of economic stabilization should be approved orally by SCAP or whether the amendment to the Japanese Law should be held up until the SCAPIN is amended -- assuming that the change in the use of the Fund is approved by SCAP -- is a policy question of primary concern to ESS.

Incl w/d

- A.C.C. - - - - - - - -

Mr. Rizzo:

The attached bill "Amendments to Law re; Special Account for Counter-part Fund of U. S. Aid to Japan" is herewith referred for necessary action.

Attention is invited to comments of E.S.S. and Legal Section and to objections expressed by Lt Col Nugent of C.I.&.E.

Mr. Hutchinson of ESS states that there is an unreconcilable difference of opinion with C.I.&E and requests that Government Section arrange a conference to work out an acceptable solution.

(1) Amend Article 4, paragraph 1, of the existing law concerning the special account for Counterpart Fund of U. S. aid to Japan, as follows:

Article 4, Para 1: Immediately after the word "reconstruction" insert "specified educational projects and programs."

Paragraph 2

(2) Delete/from the proposed bill for Partial Amendment to the Law.

(3) Concurrently with the passage of the above addition and deletions adopt a Resolution reading as follows:

"Whereas, the Counterpart Fund of U. S. Aid to Japan provides for use of the fund for specified educational projects and programs,

Be it Resolved, that for expenses attendant upon such specified educational projects and programs the prior instructions of the SCAP shall be obtained."

Conference; 3/28/50 11:20
Kuichi, HC Dep. Comm. Chrm.
Kawano, HR " "
Kishida HR Lwak. Spec, Dep Comm
Iwasaki - HC Liaison Dir.
12 Lock -

Above agreed to by conferees.

Bill for Partial Amendments to the Law
concerning the Special Account for
Counterpart Fund of U.S. Aid to Japan

Law concerning the Special Account for Counterpart Fund of U.S. Aid to Japan (Law No. 40 of 1949) shall be partially amended as follows:

In Article 4 paragraph 1, "for private and public enterprise" shall be amended as "for the State, the public enterprise operated by those other than State or the private enterprise", "for the public enterprise" as "for the State or the public enterprise operated by those other than the State"; in paragraph 2, "the preceding paragraph" shall be amended as "paragraph 4"; paragraph 2 and its succeeding paragraphs shall be moved down by one, and the following one paragraph shall be added next to paragraph 1.

delete

2. Other than purposes prescribed in the preceding paragraph, the Aid Fund may be used for the fund for the State or To, Do, Fu or prefecture for appropriating it for the expenses necessary for operating the civil information and education services prescribed by a Cabinet Order and operated by the State or To, Do, Fu or prefecture.

3/24/50 (11 AM)
Bill passed HR Fin. Comm. 3/23.
Chrm., HR Fin Comm. + Chrm., Steering Comm.
notified to "hold up temporarily!"

Sakurauchi - HC. Fin. Comm. Chrm.
informed of necessary amendment
to para. 2. Will discuss with his Comm.
Then, will coordinate with HC. Comm. Chrm.
to determine most expedient way of getting
amend. into bill.
Will keep HR informed. Hh.

3. It is therefore recommended that in lieu of any directive the GS be authorized to advise the JG that paragraph 2 of the proposed legislation shall be amended to read as follows:

"2. Other than purposes prescribed in the preceding paragraph the Aid Fund may be appropriated to defray expenses attendant with such projects or programs as may be specifically prescribed by the SCAP".

28 March 1950

MEMORANDUM FOR RECORD:

In conference in the Office of the Deputy Chief of Staff, SCAP, this date, discussion centered on the means to be used to cause Counterpart Funds in the amounts previously approved by the Chief of Staff to be made available for the SCAP Reorientation and Reeducation Program. This involves a suggestion to the Diet to take Course No. 2, as outlined in the attached, without the use of a directive from this headquarters. In the event that the Diet will not take this action, it is agreed that Course No. 1 will be followed. Conferees were Brig Gen G. V. Keyser; Lt Col D. R. Nugent, CIE; Mr. F. Rizzo, GS; Lt Col W. T. Ryder, ESS; and Mr. E. C. Hutchinson, ESS.

G. V. K.

CONCURRENCES:

CIE _____

ESS _____

GS _____

Course No. 1:

To eliminate paragraph number 2 in the "Bill for Partial Amendments to the Law Concerning the Special Account for Counterpart Fund of U.S. Aid to Japan." With the elimination of this paragraph, it will be necessary to obtain the desired funds (already authorized by the Chief of Staff) from the Counterpart Fund by means of a SCAP directive to the Japanese Government. The directive would ~~incorporate~~ read approximately as follows: "The Japanese Government is directed to make available from the U.S. Counterpart Fund, ~~an amount to~~ such funds as may be specified by this headquarters and for uses as prescribed by this headquarters."

The memorandum for record on the proposed directive would indicate the amounts presently, or in future, authorized by the Chief of Staff for Civil Information and Education activities.

Course No. 2:

Amend the existing law concerning the special account for Counterpart Fund of U.S. aid to Japan as follows:

Article 4, Para 1: Immediately after the word "reconstruction" insert "specified educational projects and programs."

Eliminate from the proposed bill for partial amendments to the law Paragraph 2 (the same paragraph referred to in Course No. 1).

In addition, concurrently with the passage of the proposed amendments to the Counterpart Fund Law, adopt a Diet resolution reading as follows: "Whereas the Counterpart Fund of U.S. Aid to Japan provides for use of the fund for specified educational projects and programs, be it resolved that for expenses attendant upon such specified educational projects and programs

the prior instructions of the SCAP shall be obtained."

Bill

to be submitted for GS approval
Legislative Affairs Section, FOM
(TEL.57-6010)

February 21, 1950

1. FOM Number: 140

2. Name of Bill: Bill for Abolishment of Hypothec Bank of Japan Law, etc.

3. Competent Ministry: Ministry of Finance

4. Date of Cabinet Approval: February 14, 1950

5. SCAP Section concerned:

Mr. Smith, Banking and Foreign Exchange Division, ESS.

6. Remarks: (Reference:)

See attached paper.

7. G.S Reviewers:

GS: ESS
NS/hj

Received by GS

Date 2/21/50

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CEK/mk

Subject: Draft Legislation

Capt. Morris 26-6076

Note No. | From: Govt Sec To: LS/LJ Date: 21 Feb. 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Bill for Abolishment of Hypothec Bank of Japan Law, etc.

C. W.

D

A & P DIV

(2)

Enclosure

Subject: Bill for Abolishment of Hypothec
Bank of Japan Law, Etc.

From: LS To: GS F.C.Goodman-2635-269
Date: 2 March 1950

2. This Section has no legal objections to subject bill. The bill is of primary concern to ESS/Finance Division.

1 Incl w/d

- A.C.S. - - - - - - - - - -

Sent GS 3/3/50

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CHN/nk

Subject: Draft Legislation

Capt. Norris

Note No. | From: Govt Sec | To: ESS | Date: 21 Feb. 1950 | 28-6076

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Bill for Abolishment of Hypothec Bank of Japan Law, etc.

C. W. Mr. Henry, 33-7051
Mr. Robinson, 33-7052
WRS/FRJR/JN/EHR/CJH/emb

From: ESS To: Govt Sec

28 FEB 1950

2. 1. No objection to draft legislation abolishing Special Bank Laws (Hypothec Bank of Japan, Industrial Bank of Japan, and Hokkaido Colonial Bank). Recommend immediate introduction in Diet.

1 Incl
n/c

- - - - - - - - - - - - - - - E. F. H. - - - - - - - - - - -

Recd 9S 2/28/50

~~CONFIDENTIAL~~

Classification removed per telephone conversation with J. J. Henry, 28 Mar 50
R. Curtis Jr.
CAPT FA

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CHN/gb

Subject: Draft Legislation

Capt. Norris
26-6076

Note No.	From: Govt Sec To: ESS Date: 17 March 1950
1.	1. Immediate introduction of the attached draft bill in the Diet is proposed by the House of Representatives. 2. Your prompt comment is requested. 1 Incl Amendments to Bill for Abolition of Hypothec Bank of Japan Law, etc.

Cy to LS/LJ C. W.

WFM/FRJG/JCS/JJH/zl
Mr. J. J. Henry, 33-7052
25 MAR 1950

OIO(17 MAR 1950)ESS/BFE

2. From: ESS To: Govt Sec

1. The inclosed draft for Amendments to Bill for Abolition of Hypothec Bank Law, etc., is returned herewith with the recommendation that it be not introduced in the Diet at this time as proposed by the House of Representatives.

2. The effect of these amendments is to alter the Law of the Central Cooperative Bank of Agriculture and Forestry (Law No. 42 of 1923) by providing for the appointment of the officers, directors and auditors of the Bank by election at the general meeting of the shareholders with the approval of the competent ministers, the meeting to be convened within 90 days after enforcement of the amendment. In the present law, the appointment of these officers, directors, and auditors is by the competent ministers. In other words, the proposed change in the law is to remove government contro by giving shareholders the right to appoint their own managing officials of the bank, subject to approval by government.

3. An examination of the affairs and conditionsof the Central Cooperative Bank for Agriculture and Forestry completed by the Banking Bureau, Ministry of Finance, on 12 March 1950, and filed with the Bank, discloses an extremely unsatisfactory condition of affairs inasmuch as the report records an impairment of 33% of capital, and frozen assets of ¥3,276,000,000 in addition to the

~~CONFIDENTIAL~~

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2 (Cont'd) impairment. Total past-due loans carried on the bank's books amount to ¥2,485,482,510.58, a situation brought about partially by the reorganizations of various units in the cooperative system. Examiner's comments in the report of examination regarding loaning policies and practices reads:

"(1) Credit is habitually granted in flagrant disregard for financial condition of borrowers, simply listening to and admitting the request from clients for requirement of funds. Loans that are renewed and increased for borrowers who have suffered heavy financial reverses, without taking collateral could only be deemed as deed of charity or relief work without any apparent concern as to whether future possibilities of payment are good or bad.

"(2) The Bank's surveillance of borrowers is reported most careless and ineffective. As the result, many instances were noticed where the loan proceeds were misused by borrowers and regular short term loans as prescribed in the term of accounts of the Bank being nominally applied to typical intermediate term or long-term loans for obvious semi-capital or capital expansion requirement. Not only that, in spite of their being well conversant of such actual facts, collateral has rarely been taken in. And there are other instances even when it is understood that the loan is to be secured, the Bank is often careless about seeing that the collateral is actually delivered or where enough pressure has not been carried out for the collection on the pretext that the borrowers are in the course of liquidation or reorganization to new organizations. These may also be considered the cases of the outcome of careless or ineffective surveillance of borrowers.

"(3) With regard to collateral, besides the facts as denoted in the preceding paragraphs, many instances were noted of the borrowers' non-performance or of non-registration or informity in form-of-pledge necessary to give Bank control, and power to enforce its lien in case of non-payment of the loan. (Refer page 12. 12-a, etc.) And as to the selection of guarantors, a trend is noticeable of accepting men who hold no practical means, simply to make up the item necessary for completing the form required.

"(4) Pertaining to loans reloaned to members of debtor association, when the former could not meet their obligations, the liabilities of the latter as direct borrowers are too frequently neglected. Further effort should be made to preclude such defects as criticized above as soon as possible by authorities in Head Office as well as in Branch Offices and it is deemed most essential that the ideas something like

CONFIDENTIAL

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(Cont'd) as enumerated below should constantly be kept in mind as the basis of operation.

"A. To select borrowers by wise and planned judgment from among huge amount of funds requirement.

"B. To close initial contract with better and strict caution at the time of granting loans so that nothing should go amiss for the fulfillment of the accommodation. In other words, to impress the borrowers rigidly with tremendous responsibilities accompanying to the outcome of the loan.

"C. To exert utmost effort for the liquidation of the loans classified as bad and doubtful assets at present.

"D. To set up plans of collection in the future for frozen loans likely to last for intermediate or long period."

4. It is the view of this Section that enactment of this legislation at this time is untimely in that it would permit a change of management which would throw upon new hands an extremely difficult task of correction and rehabilitation of the affairs and condition of the Bank and would tend to render the situation worse. The new management would not have sufficient time to take hold of things under such conditions. The most expeditious approach to a solution of this case is to retain the present management to work with the Banking Bureau toward a speedy correction of the situation with the proposed change in the method of appointment of officials of the bank held in abeyance during this interim correction period.

1 Incl
n/c

- W.F.M.- - - - - - - - - - - - - - -

CONFIDENTIAL

DECLASSIFIED AUTH: NARA 11652 SEC. 3(E) AND 3(D) OR (E) NNDB 773012

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JH/JW/CHN/cb

Subject: Draft Legislation

Capt. Norris
26-6076

Note No. | From: Govt Sec To: LS/LJ Date: 17 March 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the House of Representatives.

2. Your prompt comment is requested.

1 Incl
Amendments to Bill for
Abolition of Hypothec
Bank of Japan Law, etc.

Cy to ESS C. W.

P & P DIV

DISAPPROVED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NND # 775012

3/17

Subject: Amendments to Bill for Abolition of Hypothec Bank of Japan Law, Etc.

From: LS/LAJ To: GS F.C.Goodman-2635-269
Date: 24 March 1950

2. 1. Subject bill is actually an addition or supplement to the bill for the Abolishment of the Hypothec Bank of Japan Law, etc. regarding which bill this Section by check sheet of March 1950 informed Government Section that it had no legal objections. In addition, most of the provisions of subject bill amend the Law for the Central Bank of Agriculture and Forestry (Law No. 42 of 1923). This should be done by a separate bill, entitled: Bill for Amendment to the Central Bank of Agriculture and Forestry Law (Law No. 42 of 1923), instead of being tacked on to the proposed Bill for Abolition of Hypothec Bank of Japan Law. Legal Section has repeatedly objected to such procedure which makes the finding of laws extremely difficult if not impossible.

2. Article 11 of subject bill provides that the Chairman and Vice Chairman of the Directorate, Directors and Auditors of the Central Bank of Agriculture and Forestry shall be elected at the general meeting of investors in accordance with the Articles of Incorporation, and "they must be authorized by the competent Minister". This provision that the officers elected by the stockholders at the general meeting must be approved by the competent minister appears inconsistent with the alleged purpose of the amendment, i.e., to eliminate excessive government control.

Sent GS 3/24

3. The bill is of primary concern to ESS/Finance Division.

1 Incl. w/d

- A.C.C. - - - - - - - - - - -

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NND # 773012

Bill

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to be submitted for GS approval
Legislative Affairs Section, HQ.
(TEL. 47-6010)

Feb. 3 , 1950

1. FOM Number: 58

2. Name of Bill: Net Worth Tax Bill

5. Competent Ministry: Ministry of Finance

4. Date of Cabinet Approval: Jan. 27

5. SCAP Section concerned: Mr. Shavell:
Internal Revenue Division, ESS.

6. Remarks: (reference:)

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.....

7. G.S. Reviewers:

CS: ESS
LS/LJ

Received by 65

Date 2/3/50

3

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NND # 775012

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JM/JW/CHM/va

Subject: Draft Legislation

Capt. Norris
26-6076

Note No. | From: Govt Sec To: LS/LAD Date: 3 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Net Worth Tax Bill

C. W.

P & P DIV

DECLASSIFIED AND RELEASED UNDER SEC. 3(E) AND 3(D) OR (E) NNDB # 775012

Det worth Tax Bill

From: LS To: OS R.T. BRUNCKHORST-2635-420
Date: 20 February 1950

2.

1. The subject bill provides for a new type of taxation in Japan, namely The Net Worth Tax. The United States does not have such a tax but it has been utilized by at least two Swiss cantons, and by Germany for a period after World War 1. There are advantages to this type of tax. It prevents the accumulation of large fortunes. The tax starts on net worth over and above five million yen. The Net Worth Law forces those subject to the tax to set forth yearly a report of income, assets and liabilities. This can be checked against their income tax returns and thereby errors and false returns can be brought to light. This will help prevent evasion of unreported capital gains and perhaps some of the black market gains. The Net Worth tax is considered necessary in connection with the lowered rates of the higher incomes in the Income Tax Law. Lowered rates on income tax produce more incentive to produce. The Net Worth Tax must be paid whether income is recieved or not and consequently a large taxpayer will not be able to reduce his tax liability by refusing to invest or exert himself.

Recd 6S 4/24/50

2. Legal Section suggests that Art. 37-3 be rewritten as follows: "No persons shall be prosecuted or subjected to any criminal penalty or forfeiture for or on account of any transaction, matter or thing concerning which he shall be compelled to testify or produce evidence, documentary or otherwise, in the course of such inspection or examination except that he shall not

DECLASSIFIED AND RELEASED SEC. 3(E) AND 3(D) OR (E) NNDS # 775012

2.
(Cont'd) be exempt from punishment for making any false statement."

3. Legal Section generally disapproves of delegation in substantive matters of legislative power to Cabinet Order. In Article 6 of said law, there is ennumerated who shall be included in a "co-living family" and then Para. 4 of said Article provides that other definitions may be made by Cabinet Order. Another illustration is Article 8 of said law. This section provides that certain deductions may be made, ennumerating them, and then leaves additional deductions to Cabinet Order. In both instances the authorization to legislate by Cabinet Order confers excessive powers on the executive. It is suggested to leave out in the statute all delegation to Cabinet Order and provide for a general catch clause of the following nature: "Necessary administrative and procedural matters shall be provided for by Cabinet Order."

4. The policy behind Art. 31 and 32 should be seriously reconsidered. Because of certain various features connected with the former police state, Legal Section is not in favor of rewarding any informer.

5. Art. 9(1) exempts certain articles that pass to the Imperial Heir to the throne when he is enthroned. These articles are of the non-income producing variety such as the symbols of the office.

Incl: w/d

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DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNCC # 779012

SUBJECT: Draft Legislation

From: Govt Section To: ESS Date: 3 Feb 50

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
The Net Worth Tax Law

- - - - - - - - - - - - - - - - - - C. W. - - - - - - - - - - - -

2. From: ESS To: Govt Sec

H. S[illegible]ell 26-8556
WFM/LWM/HS/lrk
Date: 13 Feb 50

There is no objection to the introduction of the attached draft bill in the Diet.

1 Incl
n/c

- - - - - - - - - - - - - - - - - - W. F. M. - - - - - - - - - -

Rec'd GS
2/16/50

DOWNGRADED AT THREE YEAR INTERVALS; DECLASSIFIED AFTER TWELVE YEARS. DOD DIR 5200.10

DOCUMENT CONTAINS INFO. AFFECTING THE NATIONAL DEFENSE OF THE U.S. WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794. THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. DOCUMENT HAS BEEN REVIEWED BY OSD AND DOES NOT CONTAIN INFO. WHICH WARRANTS CLASSIFICATION UNDER SEC. 3(E) AND 3(D) OR (E) EXEC. ORDER 10501 AS AMENDED

NNDB 715012

Lt Col N.P.Barnett,. 26-6810
HGS/NWR/WG/NPB/la

NR 711 ( )P Draft Legislation

1 MAR 1950

NR GS

1 MAR 1950

1 1. Reference draft legislation "Net Worth Tax Law". At request of Lt Col Barnett draft was handcarried to NR on 9 Feb 50 by Capt Norris, GS, for comments.

2. NR nonconcurs in the proposed legislation as drafted for reasons stipulated in the attached memorandum for record.

1 Incl
M/R NR 514 (27 Feb 50)Fo
"Proposed Net-Worth Tax Law"

- H. G. S. - - - - - - - - - - - -

Rec'd GS 3/1

NAVY DISPATCH 58 Exp 1950

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Natural Resources Section

NRS/NRD/FAI/mh
27 February 1950

NR 514 (27 Feb 50) Fo

MEMORANDUM FOR: Record

SUBJECT: Proposed Net-Worth Tax Law

1. Reference is made to Plans and Policies memorandum of 10 Feb 50 transmitting the proposed Net Worth Tax Law for comments and/or concurrence.

2. NR/Fo recommends that NR nonconcur in the proposed law as drafted and vigorously oppose its enactment unless adequate revision is made to assure that this law does not result in undesirable confiscation of the properties of large, individual owners. The proposed net-worth tax rates are apparently based on unwarranted assumptions as to the general relation between income and net worth.

3. This law in its present form would result in the confiscation of the properties of large individual forest land owners and bring about the cutting of immature timber, the overcutting of relatively mature timber, and practically prevent the reforestation of cut-over forest lands of such owners.

4. The proposed net-worth tax law is based on the recommendations of the Shoup Mission. Provisions of the law and its rates are identical with the Shoup Mission recommendations. (Report on Japanese Taxation by the Shoup Mission, GHQ, SCAP, September 1949, Vol I, ch 5, A. Taxation of High Incomes, 77-89.) Theoretically, the proposed net-worth tax appears sound. It must be concluded, however, that the Shoup Mission was unable, in the relatively short period at their disposal, to adequately determine the effects of applying this proposal to various segments of the economy.

a. The net-worth tax was proposed by the Shoup Mission to supplement the income tax on individuals in the higher brackets.

b. It was designed to provide indirectly for a progression of tax rates against income above the maximum rate (55 percent) of the income tax on incomes of 500,000 yen or more by a direct tax on net worth. In this way it was hoped to avoid the loss of tax revenue occasioned by evasion of the income tax under the present high bracket rates and at the same time to "provide a substantial obstacle to the accumulation of large fortunes that threaten to concentrate the control of the economic system in the hands of a few wealthy individuals." (p 81, ibid) One of the stated purposes was to prevent the accumulation of large fortunes. Confiscation of existing wealth was not proposed.

Encl #1

c. The Shoup Mission proposed "an annual, low rate tax on the net worth of well-to-do individuals. An individual's net worth is the excess of the sum of his assets over the sum of his liabilities." (p 81, ibid.)

d. It was the firmly expressed intention of the Shoup Mission that the net worth tax would be paid from income and not from capital. "Although it would be a tax on capital, it would be light enough so that it would not have to be paid out of capital. The taxpayer could normally pay both it and the national and local (inhabitants tax) income taxes out of this current year's income." (p 82, ibid.) Also, "If there is a net worth tax, so that the top rates in the national income tax can equitably be kept down to 50 percent or 60 percent, even fairly substantial local taxes on income will still produce a combined burden of well under 100 percent." (p 84, ibid.)

e. The net worth tax was definitely looked on as a substitute for and not an addition to the income tax at the higher rates. "The point at issue is not what it takes to administer the net worth tax, but whether it is more or less difficult to administer the net worth tax than it is to administer income tax rates going up to 60, 70 and 80 percent. One is a substitute for the other, not an addition to the other." (p 84, ibid.)

5. The rates proposed by the Shoup Mission will result in a tax payable from capital for enterprises where income amounts to less than five percent of net worth.

a. The rates proposed by the Shoup Mission were apparently based on the assumption that income generally amounts to 8 to 15 percent or more relative to net worth. (See Table 1 for apparent ratio income to net worth)

(1) In illustrating the relation between the proposed income and net worth taxes, the Shoup Mission used an example—"....if it is assumed that the income is 15 percent of capital...." (pp 82,83, ibid.).

(2) With reference to hoarding an example was used, "If he can get 8 percent by investing his money rather than hoarding it...." (p 86, ibid.)

(3) If the assumption is made that a reasonable progression of income tax rates above the proposed maximum would be:

More than 1,000,000 yen	60 percent
More than 2,000,000 yen	65 percent
More than 5,000,000 yen	70 percent
More than 10,000,000 yen	75 percent

More than 30,000,000 yen	80 percent
More than 50,000,000 yen	85 percent

then the proposed net worth tax rates should provide the desired revenue above that yielded by the proposed income tax.

b. The relation of income to net worth for the long-term investment required in producing timber is recognized as seldom exceeding three percent. Such a return on net worth will result in the following ratios of combined income and net worth taxes to income (the inhabitants tax has not been included): (See Table 2 for calculation)

Income	Ratio income tax and net worth tax to income
Yen	Percent
1,000,000	98.2
2,000,000	113.2
5,000,000	138.3
10,000,000	146.6
20,000,000	150.8
50,000,000	153.3
100,000,000	154.2

Such ratios will cut into capital at relatively low income brackets. In support of the contention that some forest properties come within these tax brackets is the report that three lumber producers had incomes above 10 million yen in 1949 (Nippon Times 23 Feb 50).

6. The proposed net worth tax rates, if adopted, will undoubtedly result in underevaluation of the net worth of forest properties.

a. The Shoup Mission recognized that some wealthy individuals would attempt to evade the net worth tax by conversion of visible assets into yen notes and precious stones (see p 86, par 2, ibid.). Some forest property may be so converted during the period elapsing before forest property is revalued.

b. The real evasion is likely to occur, however, through assuring that standing timber is undervaluated. The annual evaluation of standing timber is going to give the tax authorities administering the net worth tax a tremendous administrative problem. It is recommended that periodic evaluation of standing timber on a five- or ten-year period basis be provided for.

7. One advantage of a reasonable net worth tax is that it would reduce the likelihood of a large forest land owner making less than full use of his property. It would make it unprofitable to hoard timber on the stump. "The net worth tax must be paid whether or not any income is received, or whether or not any effort is made." (p 82, ibid.) "Also the net worth tax requires a contribution to government expenses from those who merely hoard their wealth in an unproductive form that yields no income." (p 84, ibid.)

8. The proposed net worth tax will be an innovation in Japan. The Shoup Mission reported its use in "...at least two Swiss cantons, and it was a feature of the German tax system after the first World War." (pp 87,88, ibid.) Experience with this tax is, therefore, relatively light.

9. It would appear that the problem stated with relation to forest properties will apply likewise to other enterprises with relatively low rates of income.

10. It is recommended that consideration be given by the Japanese Government to the following:

a. Raising the lower limit of exemption.

b. Reducing the proposed net worth tax rates.

c. Providing recognition of the general relation of income to net worth for various enterprises by applying the tax to a proportion of true net worth represented by the actual relation of income to net worth as a proportion of 10 or 15 percent. For example, provision might be made that the net worth tax would be applied to one-third of the net worth in recognition of a prevailing income return of about three percent.

Frank A. Ineson

FRANK A. INESON
Forest Economist
Forestry Division

26-7036

Copies furnished:
ESS/IR

Table 1 - Relation of Income to Net Worth
Based on Reasonable Progression
of Tax on Income in High Brackets

Assumed Income	Assumed Reasonable Income Tax 1/	Net Worth Tax Needed 2/	Indicated Net Worth 3/	Ratio Income to Net Worth
YEN	YEN	YEN	YEN	PERCENT
1,000,000	490,000	0	-	-
2,000,000	1,090,000	50,000	12,500,000	16.0
5,000,000	3,040,000	380,000	31,250,000	16.0
10,000,000	6,560,000	1,100,000	62,500,000	16.0
30,000,000	14,080,000	3,100,000	129,133,000	15.5
80,000,000	38,080,000	10,600,000	379,133,000	13.3
100,000,000	80,560,000	25,600,000	879,133,000	11.4

1/ Based on rates shown in paragraph 6. a. (3).
2/ Difference between assumed reasonable income tax and proposed income tax shown in Table 2.
3/ Determined from "Net worth tax needed" and proposed net worth tax rates.

Table 2 - Relation of Combined Proposed Income and Net Worth Taxes to Net Worth When Income is Three Percent of Net Worth

Assumed Income	Net Worth 1/	Income Tax 2/	Net Worth Tax 3/	Total Income & Net Worth Taxes	Ratio Tax to Income
YEN	YEN	YEN	YEN	YEN	PERCENT
1,000,000	33,333,000	490,000	391,660	881,660	88.2
2,000,000	66,667,000	1,040,000	1,225,000	2,265,000	113.2
5,000,000	166,667,000	2,690,000	4,225,000	6,915,000	138.3
10,000,000	333,333,000	5,440,000	9,225,000	14,665,000	146.6
20,000,000	666,667,000	10,940,000	19,225,000	30,165,000	150.8
50,000,000	1,666,667,000	27,440,000	49,225,000	76,665,000	153.3
100,000,000	3,333,333,000	54,940,000	99,225,000	154,165,000	154.2

1/ Based on an income of three percent of net worth.
2/ Based on proposed income tax rates.
3/ Based on proposed net worth tax rates.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JM/JW/CFG/vs

Subject: Draft Legislation

Capt. Guida

Note No. From: Govt Sec To: ESS 28-6076 Date: 30 March 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the House of Councillors.

2. Your prompt comment is requested.

1 Incl
Amendments to Bill for
Net Worth Tax Law

C. W.

P & P DIV

2.

From: ESS To: Govt Section

HS/CCG/db
K.P. Sanow. 26-8515

6 APR 1950

1. The proposed amendment to the net worth tax would allow full exemption of national treasures and other "important objects of art" from the net worth valuation base. This would permit a large loophole for evasion of the net worth tax as individuals would purchase and hold these items to lower their net worth valuation for taxation purposes.

2. ESS objects to the proposed amendment for the reasons enumerated in paragraph 1 above.

1 Incl
n/c

- -W. F. M.- - - - - - - - - - - -

Bill

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to be submitted for GS approval
Legislative Affairs Section, FOR
(TEL. 37-6010)

February 16, 1950

1. FOR Number: 107

2. Name of Bill: Bill for Achievment of equitable Taxation on Securities, etc.

3. Competent Ministry: Ministry of Finance

4. Date of Cabinet Approval: February 14, 1950

5. SCAP Section concerned:
Mr. Sanow, Research & Program Br. E.S.S.

6. Remarks: (reference:)
None
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7. G.S. Reviewers:

GS. ESS
RS/RJ

Received by GS

Date 2/16/50

(4)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T GW/JN/JW/[illegible]/ak

(Do not remove from attached sheet)

Subject: Draft Legislation

Capt. Morris
26-6076

Note No. | From: Govt Sec | To: LS/LJ | Date: 16 Feb. 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Bill for Achievement of Equitable Taxation on Securities, etc.

C. W.

P & P DIV

4/16

Achievement of Equitable Taxation
on Securities, etc
(Fin Min)

2. From: LS To: GS Mr. Bruncknorst 2635-420
Date: 28 Feb 50

1. The purpose of this bill is to assist tax collectors in tracing and discovering hidden assets. All shares of stock, bonds, debentures, etc., owned or purchased, received through amalgamation or increase of capital, etc., shall be recorded periodically, stamped and the name of the owner, transferee or pledgee recorded. The tax officials will have the right to examine the records in the registration institution.

2. All bank accounts, deposits in postal savings accounts, trusts, etc., shall now bear the name of the true owner thereof. Previously one could have a bank account under a fictitious name or in some instances even under a code number. This made it exceedingly difficult to trace funds.

note

3. LS objects to the excessive grant of authority to the Cabinet in Article 15 of the bill. This article grants the Cabinet the authority to designate the person who, according to subsequent penal provisions, shall become liable to a penalty. Such authorisation is considered excessive and contrary to Circular 81 of 1947.

Rec'd 6 S 3/2

4. No opinion is expressed as to the policy behind the bill, which establishes rigid controls over holders of shares and practically eliminates the privacy of the relationship between bank and customer.

Incl: w/d

---------- A. C. C. ----------

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet)

CW/JH/JW/ HH/nk

Subject: Draft Legislation

Capt. Morris

Note No. 26-6076

From: Govt Sec To: SGS Date: 16 Feb. 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Bill for Achievement of Equitable Taxation on Securities, etc.

C. W.

P & P DIV

2 From: ESS To: Govt Sec

WFM/[illegible]/KRS/dm
K. F. Ganow 26-8515
Date: 20 Feb 1950

There is no objection to the introduction of the bill "Law for Achievement of Equitable Taxation on Securities, etc." in the Diet.

- - - - - - - - - -2- - - - - - - - - - - - - - - W. F. M. - - - - - - -

Rec'd Gs 2/24

21 FEB 1950

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JW/JW/CHG/vm

Subject: Draft Legislation

Capt. Cuida
26-6076

Note No. | From: Govt Sec | To: ESS | Date: 8 March 1950 revised

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Bill for Achievement of Equitable Taxation on Securities, etc.

Cy to LS/IAI

C. W.

P & P DIV

Revised Draft
Finance
3/8

2

K.P.Sanow 26-8515
WFM/LHM/KPS/tm
Date:
18 MAR 1950

From: ESS To: Govt Sec

1. The bill "Law for Achievement of Equitable Taxation on Securities, etc." is designed to eliminate fictitious bank deposits and require a formal record of ownership of bonds and stocks. However, modifications to the bill will be required in order that it does not adversely effect an already depressed securities market through slowing the process of transferring aecurities. This could have a serious effect on the stabilization program.

2. ESS objects to the introduction of this bill into the Diet until suitable modifications to this bill have been made.

1 Incl
n/c

- - - - - - - - - - - - - - - - W. F. M. - - - - - - - - - - - -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JW/JW/CPG/vs

Subject: Draft Legislation

Sept. Guide

Note No. | From: Govt Sec | To: LS/LAJ | 26-6076 Date: 8 March 1950 revised

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Bill for Achievement of Equitable Taxation on Securities, etc.

Cy to GS

C. W.

P & P DIV

Subject: Bill for Achievement of Equitable Taxation on Securities, etc.

3/8/52

1.

2.

R. T. Brunckhorst
2835-420

From: LS/LAJ To: Govt Sec Date: 15 March 1950

1. Under date of 28 February 1950, LS sent a check sheet to GS on subject bill in which LS objected to the excessive grant of authority given to the Cabinet in Article 15, which grants the Cabinet authority to designate the person who, according to subsequent penal provisions, shall become liable to a penalty. Such authorization is considered excessive and contrary to Circular 81 of 1947. Subject bill has been revised in part, but Article 15 remains as in the original draft. L/S repeats its previous objection to said Article, and also objects to the wording in Article 22 as vague. LS suggests that the Article be recorded as follows: "The necessary matters for the procedural and administrative enforcement of/the law shall be prescribed by Cabinet Order.

Rec'd 6 S 3/17/52

1 Incl:
w/d

- A. C. C. - - - - - - - - - - - - -

Not to be
cleared — —
Hold. (CW's order)
HL

Law for achievement
of taxation on
securities.

Bill

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to be submitted for GS approval
Legislative Affairs Section, PO.
(TEL. 67-6010)

February 9 ,1950

1. PO. Number: 78

2. Name of Bill: **Precious Metals Control Bill**

3. Competent Ministry: **Ministry of Finance**

4. Date of Cabinet Approval: **February 2, 1950**

5. SCAP Section concerned:
**Mr. J.F. Temple, Japanese Government Property Br.
Account Division, Civil Property Custodian, G.H.Q.**

6. Remarks: (reference:)
See attached paper.
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7. G.S. Reviewers:

CS: CPC
ESS
LS/LJ
NRS

Received by GS

Date 2/9/50

(5)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JM/JW/CHM/ve

Subject: Draft Legislation

Capt. Norris
26-6076

Note No. | From: Govt Sec To: LS/LAJ Date: 9 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

C. W.

P & P DIV

Finance

From: LS To: GS R H Neptune - 3635-479
Date: 22 February 1950

2

1. The Precious Metals Control Law will replace the Gold Production Law (Law No. 59, 1937) with the primary purpose remaining the same, that is, to have complete government control over the production, transaction, and use of precious metals.

2. The law (a) provides for licensing of the several different persons who process, or in any way handle precious metals, prohibiting persons not licensed to acquire,

(b) provides for government to purchase precious metals,

(c) provides for sale of precious metals by the government on an allocation system (buying and selling prices are as determined by Minister)

(d) restricts transactions in gold bullion except upon permission of the competent Minister,

(e) provides for government supervision over smelting, buying, selling (for dental use), etc., by requiring a license and the filing of the business plan; suspension or revocation of license may be done only after notice and public hearing,

(f) requires from persons handling precious metals reports and answers to inquiry by the Minister (or Governor in case of dental metals); the authority for inspection and inquiry is not to be construed as "being given for criminal search"

(g) provides penalties.

filed GS 2/27/50

(cont'd)

3. Necessarily hasty review does not reveal any serious legal objection.

1 Incl:
w/d

- A.A.G. - - - - - - - - - - - - - - -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JN/CHN/ve

Subject: Draft Legislation

Capt. Norris

Note No. | From: Govt Sec To: ESS | 26-6076 Date: 9 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

P & P DIV

C. W.

From: Govt Sec To: ESS Subj: Draft Legislation

9 Feb 50

2 From: ESS To: Govt Sec MMC/MEC/cc
Capt. James F. Hamilton,
18 FEB 1950 26,8251

ESS recommends that the following changes and additions be incorporated in the proposed Precious Metals Control Bill:

a. Art. 2, No. 2, Page 1, be changed to read:

"Bullion of precious metals" in this law shall mean precious metals or their alloys which have been put through a process of smelting and/or refining, and which is in such a state or condition that its value depends primarily upon the precious metals contents and not upon its form.

Reason: In the present proposal, if 100 lbs. of lead bullion contains 9 lb. of precious metals it would not be classed as "Bullion of Precious Metals", because the precious metals weight does not exceed 1/10th the total weight, even though the value of the precious metals contained is over 43 times the value of the lead in the following example:

1 cont'd

Lead value	91 lbs. @ .12¢/lb.----------	$ 10.92
Prec. Metals value:		
Gold	1 lb. @ $420.00 t/lb.	$420.00
Silver	8 lb. @ $ 8.79 t/lb.	70.32
		$490.32

b. Art. 10, No. 2, Page 6, be changed to read:

In case where the person who has purchased bullion of precious metals owned by the Government intends to change the use indicated in accordance with the provision of Art. 8, he shall make application to the competent Minister, who shall predetermine, whether or not the new use is justifiable and whether any portion of the bullion of precious metals possessed by the applicant will be in excess of the amount required for the new intended use, and said competent Minister will have the authority to order the recall, and resale to the government of that portion he deems to be in excess.

Reason: Primarily to prevent misuse, to discourage the changes of use of precious metals after allocation has been made for a specific purpose, to give better control, and to provide the necessary authority for the Government to recall precious metals which might otherwise be dissipated.

c. Page 13, add as Art. 22a:

Licensing

(1) No person shall make application, for the same purpose, to more than one of the following licensing agencies: the appropriate Minister of the Japanese Government, the Governors of Tokyo-to, Hokkaido, Osaka-fu, and Kyoto-fu, or any other prefectural Governor, and in the event any one person is, through misrepresentation or mistake, issued a license from more than one licensing agency, or more than one license from the same agency, and for the same purpose, all licenses issued to such persons shall be void from the date of the multiple issue. Every applicant engaging in a business requiring a license shall state in his application whether or not he has a substantial interest in any partnership, association or corporation, or if any such business association exists between himself and a person having a substantial interest in such partnership, association or corporation.

410.2(9 FEB 1950)BSS/IMD Draft Legislation

18 FEB 1950

BSS Govt Sec

1 cont'd

(2) No agency shall issue any type of license to any person, if in its judgement, more than one license for the same purpose will be held for the principal use or benefit of the same persons or interests.

(3) Any person licensed under this sub-part acquiring a principal interest in any partnership, association, or corporation holding a similar license for the same purpose, shall within 90 days from the time of acquisition of a principal interest in any partnership, association or corporation, so inform the agency or agencies which issued the licenses.

Reason: If a person through misrepresentation or mistake possessed 2 or more licenses for the same purpose and one license was revoked because of a violation of some part of this law, he could still continue in business using the remaining license or licenses. The same holds true for any partnership, association or corporation.

d. Page 17, Penal provisions------add as Art. 27, No. 5:

(5) Person who, in violation of provisions of par 1 of Art. 22 A, through misrepresentation, obtained more than one license for the same purpose.

Reason: To support the proposed Art. 22A, above.

e. Page 18, Penal provisions---------add as Art. 29 (5):

(5) Person who, in violation of provisions of par 3, Art. 22A, failed to notify the agency or agencies which issued the licenses within the specified time.

Reason: To support the proposed Art. 22A.

f. Page 18, Penal Provisions---------add as Art. 31:

Art. 31: Any precious metals withheld, acquired, transported, transferred, melted or treated, earmarked or held in custody in violation of this act, or of any regulation issued hereunder or of any license issued pursuant thereto or hereto, shall be forfeited to the Government and may be condemned and seized, and become the property of the National Treasury.

410.2(9 FEB 1950)ESS/IMD Draft Legislation

18 FEB 1950

ESS

Govt Sec

1
cont'd

Reason: There is no mention in this proposed law of the disposition of precious metals involved in the violations of such controls. Provides the necessary authority for the government to institute prompt action.

1 Incl
m/e

- - - -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CHN/vs

Subject: Draft Legislation

Capt. Norris

Note No. | From: Govt Sec To: NRS | 26-6076 Date: 9 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

C. W.

P & P DIV

Finance -

2 From: NR To: GS A. M. Solomon 26-6291
NGS/RYG/AMS/jrm
Date:
17 FEB 1950

1. The following comment is offered by NR/MG personnel on the Proposed Precious Metals Control Bill:

a. No objection is offered to a bill which will effectively control the purchase, sale and distribution of precious metals, if considered by the Japanese Government in the interests of international monetary balance.

b. Objection is made, however, to control over the mining and smelting of precious metals, as indicated in Articles 1, 15 and 16, and related portions of the bill. Reasons for the objection are as follows:

(1) Under the definition of "bullion of precious metals" as bullion containing precious metals in excess of one tenth by weight, mining and smelting of most of the valuable minerals in Japan are included within the scope of the law.

Rec'd GS 2/17/50

CW #2
(Cont)

Precious metals, chiefly gold and silver, are usually produced as a by-product of mining and smelting of copper, lead, zinc and other minerals in Japan.

(2) The effect, therefore, of Article 15 which requires licensing by the competent Minister to engage in the smelting of precious metals, is a control over substantially the entire smelting industry of Japan, since the smelting of precious metals is a small part of the integrated process of smelting the bulk of the mineral wealth of the country. Provisions such as paragraph 3 (3) of Article 15 makes issuance of a license discretionary and dependent on "managing or technical ability", an extremely loose standard.

(3) Article 16 goes beyond the business of smelting of precious metals and includes those "engaged in mining of precious metals", which in effect brings substantially the entire mining industry under wartime controls by the government. The article also requires the filing of a business plan for the fiscal year, and of any modification of such business plan by the mining and smelting plant operators, which permits intrusion of government into every phase of the operations.

c. It is believed that the control over purchase, sale and distribution of precious metals, can be effective without hamstringing the entire mining, smelting and refining industry, in its effort to increase production of essential minerals. Policy has been directed along lines of avoiding bureaucratic controls in industry where unnecessary, and the controls over production and processing of minerals are deemed beyond the requirements of effective precious metals control.

1 Incl
w/d

---------- H. O.S. -------

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CHN/vs

Subject: Draft Legislation

Capt. Norris
26-6076

Note No. From: Govt Sec To: CPC Date: 9 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

C.W.

ACY/JFT
Mr. Temple 26-7543

2 From: CPC To: Govt Sec Date: 16 FEB 1950

There is no objection to the introduction to the Diet of draft bill forwarded as inclosure to C/N 1 above.

1 Incl
n/c

E.C.M., Jr.

Rec'd GS 2/17/50

PRECIOUS METALS CONTROL BILL

The following changes and/or additions are recommended for incorporation in this proposed draft.

1. Article 2, No. 2 be rewritten: "Bullion of precious metals"in this law shall mean precious metals or their alloys which had been put through a process of smelting and/or refining, and which is in such a state or condition that its value depends primarily on the precious metal's contents and not upon its form." In the present proposal, if 100 lbs. of lead bullion contains 9 lb. of precious metal, it should not be classified as "bullion of precious metals", because the precious metals' weight does not exceed 1/10th the total weight, even though the value of the previous metals contained is over 43 times the value of the lead.

2. Article 10, No. 2 be changed to read, "In case where the person who has purchased bullion of precious metals owned by the government intends to change the use indicated in accordance with the provisions of Article 8, he shall make application to the competent minister, who shall determine whether or not the new use is justifiable and whether any portion of the bullion of precious metals possessed by the applicant will be in excess of the amount required for the new intended use, and said competent minister will have the authority to order the recall and resale to the government of that portion he deems to be in excess. " The reason for this change in wording is to prevent misuse or to discourage the changes of use of precious metals after allocation has been made for a specific purpose, to give better control, and to provide the necessary authority for the government to recall preciousmetals which might otherwise be dissipated.

3. Article 22a titled "Licensing" should be included as follows:

a. No person shall make application, for the same purpose, to more than one of the following licensing agencies: the appropriate minister of the Japanese government, the governors of Tokyo-to, Hokkaido, Osaka-fu, and Kyoto-fu or any other prefectural governors, and in the event any one person is, through misrepresentation or mistake, issued a license from more than one licensing agencies, or more than one license ffom the same agency, and for the same purpose, all licenses issued to such person shall be void from the date of the multiple issue. Every applicant engaging in a business requiring a license shall state in his application whether or not he has a substantial interest in any partnership, association or corporation, or if any such business association exists between himself and a person having a substantial interest in such partnership, association or corporation.

b. No agency shall issue any type of license to any person, if in his judgment, more than one license for the same purpose will be held for the principal use or benefit of the same persons or interests.

c. Any person licensed under this sub-part acquiring a principal interest in any partnership , association or corporation holding a similar license for the same purpose, shall within 90 days from the time of acquisition of a principal interest in any partnership, association or corporation so inform the agency or agencies which issued the licenses. The reason for the above suggested inclusion is to prevent a person who, through misrepresentation or mistake, possesses two or more licenses for the same purpose. If one license was revoked because of a violation of some part of this law, he then could still continue in business using the remaining license or licenses which should be made illegal. The same holds true for any partnership, association or corporation.

4. No. 5 should be added to Article 27 as follows: "5. Person who in violation of provision of paragraph 1 of Article 22a, through misrepresentation, obtained more than one license for the same purpose".

5. Under Article 29, No. 5 should be added: "5. Person who in violation of provisions of paragraph 3, Article 22a, failed to notify the agency or agencies which issued the license within the specified date".

6. Article 31 should be amended as follows: "Any precious metals withheld, acquired, transported, transferred, melted or treated, earmarked or held in custody in violation of this law, or of any regulation issued hereunder or of any license issued pursuant hereto or thereto shall be forfeited to the government and may be condemned and seized and become the property of the national treasury".

7. Changes shall also be made in Article 15 which makes issuance of a license discretionary and dependent on managing or technical ability, which is an extremely loose standard. Also in Article 16 which in effect brings substantially the entire mining industry under war-time controls by the Government.

It is believed that the control ~~under~~ over the purchase, sale and distribution of precious metals can be effected without imposing unnecessary control ~~under~~ over the entire mining, smelting and refining industry in an effort to increase production of essential minerals.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) GS/JS/JW/CHN/vs

Subject: Draft Legislation

Capt. Morris
26-6076

Note No. From: Govt Sec To: ESS Date: 6 March 1950 revised

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control Bill

cc: NRS

C. W.

P & P DIV

no objection Capt Hamilton 3/16

Finance
Precious Metals Control
3/6/52
Revised

2

From: ESS To: Govt Sec

WPM/WTR/TOK/fs
TOKennedy 26-8147
Date: 30 MAR 1950

1. Referring to Chapters V and VI of the Draft Bill entitled Precious Metal Control, ESS is of the opinion that Article 16 is unnecessarily restrictive and interposes too much governmental red tape. Articles 24 and 25 provide for bonus and tax relief which we think are not proper to establish.

2. Fundamentally, the purpose of this legislation is to ensure that purchase and sale transactions effecting gold and gold bullion should be permitted only with the Japanese Government. This fundamental purpose should be accomplished with a less complicated bill.

Revd 6S 3/30

1 Incl
n/c

- W.P.M. - - - - - - - -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CHN/vs

Subject: Draft Legislation

Capt. Norris
26-6076

Note No. From: Govt Sec To: NRS Date: 6 March 1950 revised

1. Immediate introduction of the attached/draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control Bill

cc: ESS

From: NR To: GS

Albert H. Solomon 26-6291
HGS/RYG/AHS/tk
Date: 9 MAR 1950

1. Reference Note 2, NR to GS, subject, Precious Metals Control Bill, 17 February 1950, transmitting comment on earlier draft of the Bill now presented with certain revisions.

2. The changes have been examined, but such changes do not substantially alter the objections strongly indicated to the first draft. The change in Article 2 in the definition of "bullion of precious metals" and substitution of new loose standards in paragraph 3(3) of Article 15, do not materially affect the sweeping controls over the mining and smelting industries set up by Articles 15 and 16 and related provisions of the revised draft of the Bill.

3. It is apparent in the revision that little, if any, consideration was given to the objection voiced by NR in the comments on the earlier draft, which stressed the danger of bureaucratic controls over production and processing of minerals in general, in view of the fact that gold and silver and other previous metals are mere by-products of the major mineral production and processing in Japan. The objection is therefore basic and reiterated as to the revised draft submitted.

Rec'd GS 3/9

1 Incl
w/d

H.G.S.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JM/JW/CFG/vs

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. | From: Govt Sec | To: ESS | Date: 22 March 1950
Att: Capt. Hamilton 2nd Revised

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

Cy to CPC, NRS, LS/L&J C. W.

P & P DIV.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CPG/vs

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. 1 From: Govt Sec To: CPC Date: 22 March 1950
Att: Mr. Temple 2nd revised

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

Cy to ESS, NRS, LS/L&J C. W.

Mr. Temple 26-8332

From: CPC/USV To: Govt Section 27 MAR 1950

2 No objection is made to introduction of 2nd revised draft bill inclosed with C/N 1 above.

1 Incl
w/d

- - - - - - - - - - - - - - - - - - J.F.C.- - - - - - - - - - -

Rec'd GS 3/28/50

51320

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CFG/vs

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. | From: Govt Sec | To: NRS Att: Mr. Solomon | Date: 22 March 1950 2nd revised

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

Cy to CRC, ESS, LS/L&J C. W.

Mr Solomon 26-6291
HGS/RYG/AHS/jm

Check Note 2 | From: NR | To: Govt Sec | Date: 27 MAR 1950

1. Articles 15 and 16 requiring licensing of persons engaged in smelting and business plans from these and persons in precious metals mining, are out; so is Article 24 of the old Bill concerning subsidies.

2. Import tax exemptions are limited for a three-year period to those items fixed in the table attached.

3. Note especially Article 1, paras 5 and 15, Article 20, Article 22, par 1 (7), 2(1), 3(1) and (2), which affect mining and smelting. They call for reports from persons engaged in gold mining, who imported commodities on the exempt list; give power of investigation, and inspection of books and articles at office, business place, plant or warehouse, and place where precious metals, minerals, residues, precious metals containing materials or bullion are stored or "considered to be stored".

Read GS 3/28/50

4. Essentially, the direct control is eliminated from the law, and since exemptions are granted from tax on imports, the use of such articles as are imported must be checked. In addition, inspection is set up to detect violations directly related to precious metal bullion, which is tightly controlled throughout the Bill.

Check Note
2 (cont'd) 5. It is believed that the Bill in its present form is not subject to the major objections previously offered, and no objection should be made to its presentation to the Diet. It is up to the industry to raise further objection to specific portions if it is seriously affected by them.

1 Incl
w/d

- -H.G.S. - - - - - - - - - - - - -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JM/JW/CMB/vs

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. | From: Govt Sec | To: LS/L&J Att: Mr. Neptune | Date: 22 March 1950 2nd revised

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Precious Metals Control
Bill

Cy to CPC, ESS, NRS — C. W.

P & P DIV

Finance

~~Optics~~ Precision Metals
Control
Revised text

3/22

R.B. Neptune 2635-479

From: LS To: GS Date: 25 March 1950

This draft bill was revised to meet objections from SCAP sections other than LS, which previously expressed no serious objections to the bill. However, since the preparation of LS Checknote, dated 22 Feb 50, regarding this bill, LS has consistently objected to the penal provisions which make liable a natural person employer for the unlawful act of his employee. Such provision is included in Article 27 of this law. It is recommended that this Article be amended to read in the following sense: "In case where any representative of a juridical person, proxy, employee, or the other worker of a juridical person or of a natural person commits the violation under the provision of Articles 24 to 26, for the business of the juridical person or the natural person, not only the offender be punished, but the juridical person or the natural person concerned shall be liable to a fine under each Article in the Penal Provisions, unless it is proved that due care and supervision has been exercised in order to prevent the aforesaid violation committed by his proxy, employee or other worker". There are no other legal objections.

Rec'd GS 3/27/50

Incl w/d

A. C. C.

Bill

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to be submitted for GS approval
Legislative Affairs Section, FOM
(TEL. 57-6010)

April 14, 1950

1. FOM Number: 199

2. Name of Bill:

Bill Concerning Special Rules for Filing of June Provisional Return and the First Period of Taxpayment of Income Tax for 1950.

3. Competent Ministry:
Ministry of Finance

4. Date of Cabinet Approval:
April 14, 1950

5. SCAP Section concerned:

Mr. Sanow, Internal Revenue Division, ESSS

6. Remarks: (Reference:)

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.....None.....

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7. G.S. Reviewers:

CS4: ESS

Received by GS

Date 4/14/50.

(6)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CFO/vs

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. From: Govt Sec To: PSS Date: 14 April 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Special Rules for Filing of June Provisional Return & First Period of Taxpayment of Income Tax for 1950

C. W.

P & P DIV

WFM/RES/JEM/RED/my
Ray E. Davis 26-8476
19 April 1950

From: ESS To: Govt Sec

2 There is no objection to the introduction of the bill entitled "Bill Concerning Special Rules for Filing of June Provisional Return and the First Period of Tax Payment of Income Tax for 1950" in the Diet.

1 Incl
n/c

- W.F.M. - - - - - - - - - - - -

Rec'd GS 4/23

Bill

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to be submitted for GS approval
Legislative Affairs Section, EOM
(TEL. 57-5010)

February 25 , 1950

1. EOM Number: 151

2. Name of Bill: Shipowners' Mutual Insurance Association Bill (Draft)

3. Competent Ministry: Ministry of Finance

4. Date of Cabinet Approval: February 14, 1950

5. SCAP Section concerned:

Mr. R. M.Catlin, Money & Banking Branch,
Banking and Foreign Exchange Division, ESS, GHQ, SCAP.

6. Remarks: (Reference:)

1. Trade Association Law (Law No. 191, July 29, 1946) Official Gazette No. 698
2. Corporation Tax Law (Law No. 28, March 31, 1947) Official Gazette Extra (2)
3. Law concerning Foreign Insurers (Law No. 184, June 1, 1949) Official Gazette Extra No. 68
4. ~~Excerpt Copies of~~
   (1) Commercial Code
   (2) ~~Insurance Business Law~~
   (3) Civil Code
   (4) ~~Fishing Boat Insurance Law~~
   (5) Registration Tax Law

are attached hereto

7. G.S. Reviewers: Received by GS

Date 2/25/50

GS:
ESS
AS/LJ
CTB.

(7)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JR/JR/CHE/ahm

Subject: Draft Legislation

Capt Herrin
25-8076

Note No. From: Govt Sec To: GS/LAJ Date: 25 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by Finance Ministry

2. Your prompt comment is requested.

1 Incl

Shipowners' Mutual Insurance Bill

C. W.

D

DIV 4 & 2

2/25

Subject: Shipowners' Mutual Insurance Bill

2. (Fin Min)

L. A. Otto, Jr. -2625-420

2. From: LS/LAJ To: Govt Sec Date: 23 March 1950

1. Subject bill authorizes ship owners or charterers to establish their own mutual insurance associations. There is no existing law on this subject, other than a war-time measure covering wooden ships that does not meet present conditions. Subject bill provides two classes of associations according to the type of vessel: (1) wooden vessels other than fishing boats and (2) other types of ships. In the former class, associations are authorized to insure both the vessels ("hull" insurance) and against liabilities; in the second class, however, only the liability insurance is authorized. Provisions are made for the organization of associations, the approval of their incorporation by the competent minister (who is the Minister of Finance and Minister of Transportation in the case of wooden vessels, and the Minister of Finance in the case of other ships), the operation of the association, payment of claims, disbursal of the profits, transfer of shares, liquidation, suspension of operations or revocation of incorporation by the Minister for cause. Numerous provisions of the Insurance Business Law (Law No. 41 of 1939) and the Commercial Code (No. 48 of 1899) are incorporated into subject bill by reference.

2. In the time available, thorough study of all the provisions of this bill has not been possible, but no outstanding defects of a legal nature are apparent other than those stated in the succeeding paragraphs.

Fec'd GS 3/24

2. (Cont'd) 3. LS objects to the provision in Article 50, par. 2 to the effect that investigators may interrogate officers and employees of the association and Article 57, par. 1, item 2, which provides a criminal penalty if they refuse to answer. In its present form this provision in effect requires an individual to incriminate himself, if such are the circumstances, or be subject to a penalty for remaining silent as he is entitled to do under Article 38 of the Japanese Constitution. It is suggested that if Article 50, par. 2 be retained, an amendment should be provided giving an individual immunity from prosecution based upon his personal statement elicited by interrogation under this paragraph.

4. LS objects to Article 56, par. 2 and Article 57, par. 2 because in effect these provisions create a conclusive presumption of guilt against an employer, either an individual or a juridical person, for the criminal acts of an employee or agent even in cases where the individual employer or the responsible officers of the juridical person are actually innocent.

5. In Article 51 there is a mistranslation: "Article 15, par. 2," should be "Article 16, par. 2."

1 Incl:
w/d

- - - -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JS/JW/CHM/elm

Subject: Draft Legislation

Capt Norris
25-6076

Note No. | From: Govt Sec | To: ESS | Date: 28 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by Finance Ministry

2. Your prompt comment is requested.

1 Incl

Shipowners' Mutual Insurance Bill

C. W.

P & P DIV

2/25

1. Shipowners' Mutual Insurance Bill

(Fin. Min)

WFM/ECW/gg
E.C.Welsh, 26-6561
20 March 1950

From: ESS To: GS

2. 1. Reference is C/M 1 of 25 February 1950 from GS to ESS requesting comment regarding the Shipowners' Mutual Insurance Bill.

2. The organization of a Shipowners' Mutual Insurance Association, as proposed in reference draft bill, would be a violation of the Headquarters-sponsored Trade Association Law. This conflict is recognized by reference draft and such document calls for an exception to the Trade Association Law in order to permit the organization of a Shipowners' Mutual Insurance Association.

3. Reference Law is objectionable to ESS because:

a. It conflicts with Headquarters policy and Japanese legislation regarding trade associations.

b. An exception to the Trade Association Law of this nature would establish a precedent which would undoubtedly contribute toward further weakening of the Trade Association Law.

Rec'd GS 3/15

c. Although exceptions can be made to legislation if

(25 Feb 50)ESS/FTP(AC), 20 MAR 1950
Subj: Draft Legislation

necessity or other practical factors so dictate, it is not considered that any such factors exist in this situation since there are already in operation established insurance companies which can handle the insurance business for shipowners.

Incl
w/d ---------- W. F. M. --------

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet)

CW/JN/JW/CHN/chn

Subject: Draft Legislation

Note No. 1 From: Govt Sec To: CTS Date: Capt Harris 25 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by Finance Ministry

2. Your prompt comment is requested.

1 Incl

Shipowners' Mutual Insurance Bill

C. W.

From: CTS To: Govt Section Mr. Ogden 26-6086

Date: 2 MAR 1950

2 **The Shipowners' Mutual Insurance Bill has not been examined for possible conflict with other existing laws. On its own merits, however, the Chief, CTS, considers the proposed legislation desirable and will interpose no interference to its passage.**

1 Incl.
W/D

H.T.M.

Read GS 3/3/50

DECLASSIFIED BY AUTH. PROM SEC. 3(E) AND 3(D) OR (E) NNDB # 775012

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JR/JW/CFG/gb

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. | From: Govt Sec | To: GS | Date: 19 April 1950

1. Immediate introduction of the attached revised draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Shipowners' Mutual
Insurance Association
Law

Cy to LS/LAJ

C. W.

P & P DIV

DECLASSIFIED AND RELEASED UNDER SEC. 3(E) AND 3(D) OR (E) NNOB # 779012

Finance

Shipowners Mutual Insurance
(revised)
4/19/50

UFE/HCW/LHS/IE/sm
I. Eisenstein, 26-6664
Date: 27 April 1950

From: ESS To: GS

2

1. Reference is C/S 1 from GS to ESS, dated 19 April 1950 requesting comment on the proposed Shipowner's Mutual Insurance Association law.

2. ESS interposes no objections to the proposed law.

Incl
w/d

- -E.F.M.- - - - - - - - - - - - -

Sent GS 4/27/50

DECLASSIFIED PER E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 779012

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JN/JW/CFG/vs

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. | From: Govt Sec | To: CTS | Date: 21 April 1950 revised

1. Immediate introduction of the attached/draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Shipowners' Mutual
Insurance Assn. Law

Cy to ESS, LS/L&J

C. W.

From: CTS | To: Govt Sec

Mr. Delaney, 26-6124
Date:

2 The Chief of CTS concurs.

1 Incl
w/d

H. T. M.

Recd 6 PM
4/25/50

DECLASSIFIED AUTH: NND 963052 SEC. 3(E) AND 3(J) OR (E) NNDG # 773012

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JM/JW/CFG/gb

Subject: Draft Legislation

Capt. Guida
26-6076

Note No. ; From: Govt Sec To: LS/LAJ Date: 19 April 1950

1. Immediate introduction of the attached revised draft bill in the Diet is proposed by the Ministry of Finance.

2. Your prompt comment is requested.

1 Incl
Shipowners' Mutual
Insurance Association
Law

Cy to ESS C. W.

P & P DIV

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDS # 779012

Friends

Shipowners Mutual Insurance
Association Law
Revised Draft
4/19

1

2

Mr. L. A. Otto - Meiji 420
From: LS To: GS Date: 24 April 1950

1. No legal objections.

2. Subject bill, as revised, substantially complies with suggestions in checksheet, LS, 23 March 1950.

1 Incl
w/d

A. C. C.

Recd GS
4/24/50

DECLASSIFIED AND E.O. 11652 SEC. 3(E) AND 3(J) OR (K) NND # 775012

B111

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to be submitted for GS approval
Legislative Affairs Section, FOA
(TEL. 37-6010)

February 2, 1950

1. FOA Number: 62

2. Name of Bill: Bill for abolition of the Law concerning the Protection of the Government against Unjust Claims and Others

3. Competent Ministry: Ministry of Finance

4. Date of Cabinet Approval: February 2, 1950

5. SCAP Section concerned:
E.S.S. Finance Division,
Mr. J.W. Harrison

6. Remarks: (reference:)
Reference is attached herewith.
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.....
.....
.....
.....
.....

7. G.S. Reviewers:

GS:
ESS
LS/LVJ.

~~Received by~~ 2/3/50 JS

~~Date~~ _____

(8)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) GN/JH/JW/CHM/vs

Subject: Draft Legislation

Capt. Morris
26-6076

Note No. | From: Govt Sec To: **ESS** Date: **3 February 1950**

1. Immediate introduction of the attached draft bill in the Diet is proposed by **the Finance Ministry.**

2. Your prompt comment is requested.

1 Incl
Abolition of Law re Protection of the Government against Unjust Claims and Others

C. W.

P & P DIV

DECLASSIFIED: AUTHORITY DOD DIR 5200.9 SEC DEF MEMO 27 MAY 70 PER E.O. 11652 SEC 3(E) AND 5(D) OR (E) NNDB

WFM/WTR/mp
Lt. Col. Ryder 26-6298

P3S Government Section 28 February 1950

1 1. Concur in principle with repeal of Law 171 as proposed in the attached legislation, however, that law contains one feature pertaining to adequate labor standards which should be continued.

2. The United Nations Internation Labor Office convention concerning clauses in public contracts prescribes that national governments should provide legislation to insure that labor which is employed by private concerns who have government contracts must be paid at prevailing wage rates for their category of occupation. In the United States this guarantee is provided by the Walsh-Healy and Davis-Bacon acts and the general principle is recognized as a normal standard in all countries which profess a free and democratic labor movement.

3. It is considered that the elimination of the present safeguard by total abolition of Law 171 would place Japan at a disadvantage in its relations with the International Labor Office in view of the fact that it would reflect an apparent reluctance to provide minimum safeguards for labor employed under government contracts.

4. It is therefore recommended that appropriate officials of the Japanese Government be advised that full consideration should be given to one of the following courses of action:

a. Leave that specific portion of Law 171 pertaining to the prevailing wage in effect until new legislation can be provided, or

b. delay abolition of Law 171 in toto until new legislation covering the prevailing wage can be introduced simultaneously.

1 Incl as indicated

- W. F. M. - - - - - - -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

(Do not remove from attached sheet) CW/JR/JW/CHN/vs

Subject: Draft Legislation

Capt. Norris

Note No. | From: Govt Sec To: LS/LAJ 26-6076 Date: 3 February 1950

1. Immediate introduction of the attached draft bill in the Diet is proposed by the Finance Ministry.

2. Your prompt comment is requested.

1 Incl
Abolition of Law re Protection of the Government against Unjust Claims and Others

C. W.

P & P DIV