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REVIEW OF

GOVERNMENT AND POLITICS IN JAPAN

September - 1949

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SCAP STATEMENTS

General MacArthur's Statement on
the Fourth Anniversary of the Japanese Surrender

General MacArthur issued the following statement on 2 September on the occasion of the fourth anniversary of the Japanese surrender and four years since the Allied occupation of Japan:

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

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

integrity of their constitutional processes. Therein lies encouragement for Japan's potential strength as a bulwark of human freedom.

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

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

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

"Socially, the Japanese people are wearing well their constitutional mantle of personal liberty and individual dignity. Apart from the growing

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

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

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

continuous struggle on their part, with machinery established for the hearing and adjudication of individual or collective grievances. This has resulted in a marked uplift in individual morale and greater attendant efficiency in the conduct of the affairs of government.

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

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

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

"With patience, fortitude and self-discipline the Japanese people withstood the privations of the immediate postwar period. With comparable energy, industry and hope they are now launched on the huge task of making Japan once again self-supporting among the family of nations. On the way to that goal great obstacles have been overcome, although some still remain. Since the summer of 1945, when productive activity in Japan was utterly paralyzed, the production of commodities and goods for home consumption, for industrial use and for export has risen steadily until now it is rapidly approaching the average level for the years 1930 to 1934, prescribed by the Far Eastern Commission as an interim standard. Coal, basic to so much of Japan's industry, is now being produced at a monthly rate of 3.2 million metric tons as contrasted with less than 1.7 million metric tons in 1946. Electric power, another basic ingredient of industrial activity, has attained a monthly volume of 3.2 billion KWH, as compared with 2.8 billion one year ago. Production of chemicals, necessary both for industrial uses and for the protection of the public health, has attained a volume of 105% of the 1930-34 average, as compared with 76% one year ago and 21% in January 1946. Equally significant advances have been made in other fields of economic activity, such as in the construction of dwellings and business buildings to replace those destroyed by war, and in the production of an increasing variety of goods both for home consumption and sale overseas.

"To acquire the raw materials needed to feed her industrial machine as well as to overcome the deficit in her indigenous food production, Japan must export a large volume of goods and services. Despite existing handicaps, chiefly the limited availability of raw materials from those sources which customarily supplied Japan in the prewar years, progress in this direction has been heartening. In 1946, Japan's total exports were $103,000,000.00; in 1947, $173,000,000,00; in 1948, $258,000,000.00, and in the first six months of 1949, exports had already exceeded the total for the full year 1948 by a sizable margin.

"In the past twelve months two significant decisions to promote the economic rehabilitation of Japan were taken by the Government of the United

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

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

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

"Since October 1, 1945, nine and one-half million people have been added to the population of Japan--five million by repatriation and the rest through natural increase. Yet there has been no mass unemployment, no social unrest and no large-scale dole. In June 1949, persons reported as totally unem-

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

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

torial areas.

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

"Nor has there been any operation subject to such a variety of influences and pressures--the ideological protagonists, the special pleaders, the vindictive and the lenient--many seeking to influence public opinion through prevarication of the truth. In the search for sensationalism, incidents in Japan, elsewhere scarcely worth the public notice, have been exaggerated out of all proportion to their true significance, with the serenity and order and sincerity of purpose normal to postwar Japan all but ignored. And time and again simultaneous attack has been leveled against Occupation policy, by the leftists as to reactionary and by the conservatives as too liberal. Such an atmosphere, while giving assureance that our moderate course is well charted, does not contribute to an objective public appraisal of the situation.

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

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

Editorial Comments on the
Supreme Commander's Anniversary Statement

All major metropolital newspapers on 2 September carried the full text of General MacArthur's statement, which was accompanied by editorial comments reflecting the views of the various quarters of Japanese public opinion.

Typical of these reflections was the following editorial in Mainichi, under the title of "The Great Reform":

"The statement issued by General MacArthur on the fourth anniversary of the signing of Japan's surrender instrument should be carefully read and digested by all Japanese. Tracing the great changes that have taken place in Japan during the last four years, General MacArthur praised the Japanese people for having 'steadily advanced along the road of spiritual regeneration and physical reconstruction,' and emphasized the historic significance of the Occupation. The statement clearly articulated what most of us have felt but could not adequately express.

"The meaningless war and the consequent defeat were an unprecedented tragedy for the Japanese, and on this day, the fourth anniversary of the surrender, we renew the sorrow of that day. However, the reforms undertaken following the surrender are steadily compensating for that tragedy. The opening of a way to Japan's democratic reform was necessary and fortunate not from the narrow framework of Japan but on an international breadth, we cannot but concur with the General's words: 'History will record that the greatest contribution of the Occupation to the progress of civilization was to introduce into Japan the great concepts of personal liberty and individual dignity and to give the Christian ideal the opportunity to advance into Asia.'

"Some Japanese may be opposed to the objectives of occupation policy and to the reforms brought about by them. This may be true in the case of Communists, right-wing nationalists and the old privileged class. Others may not properly understand the meaning of Occupation policy or the reforms engineered by the Occupation, with the result that they welcome or resent each change in terms of its immediate convenience or inconvenience. But most Japanese, as they become familiar with the reforms, have come to realize the immense benefits that have resulted. They are becoming keenly aware that they should rejoice that Occupation policy has been what it is and not another kind of policy.

"General MacArthur has pointed out that various criticisms and differences of opinion exist and that there are ideological attacks against the Occupation. What he probably meant was that they exist in countries outside

Japan. Even before Japan's surrender, there were diametrically opposed views in America with regard to policy toward Japan. Some declared that Japan should be given to China just as Germany should be handed over to the Soviet Union. We know from foreign press dispatches that present Occupation policy and its results have not always been showered with praise even within the United States. But we, who are subject to the Occupation policy, believe it is the best conceivable.

"As regards technical details, even we Japanese may sometimes disagree, but when the whole picture is viewed, we cannot but gaze in wonder at the progress made in achieving great reforms. We must consider the political, social and economic reforms as pointed out by General MacArthur.

"Political, social and economic powers have been transferred from the feudalistic privileged classes to the people, and individual freedom as citizens has been accorded us. It has been a great bloodless revolution; it is progress. However, many Japanese seem unaware of the historic significance and the greatness of what has happened. Even so, they are aware of the freedom that is theirs, a freedom such as they had never dreamt of before. All Japanese will realise this if they stop to think.

"Some say that the democratic reform is reform of a system only, that it does not extend to spiritual things. But spiritual reform is also being achieved, though this change is not so outwardly apparent as the reform of a system. The concept of individual freedom and dignity has only recently been brought home to the Japanese. It is hoped that this fundamental idea will soon become the motivating force and the creed of the Japanese nation.

"General MacArthur touched on this point in his statement, but we Japanese also feel this need keenly. And this force must ultimately become the fundamental motive opposing communism and right-wing totalitarianism that denies individual freedom and dignity.

"We believe that the great reforms designed to make Japan eligible eventually as a member nation in a free world society are being achieved in the realm of the spirit and in a system of government. We express our gratitude for the Occupation policy that made possible these great reforms and for the firm resolve of General MacArthur not to deviate from the way

toward achievement of this ideal. Finally, we express our joy for the recognition and praise granted to Japanese progress by General MacArthur. The independence of Japan has been delayed because of international trends. No prediction can be made concerning the date of the Peace Treaty. However, the Japanese people have been praised by General MacArthur for having 'earned the freedom and dignity and opportunity which alone can come with the restoration of a formal peace.' After independence is restored, no doubt Japan will be able to tread the highway of democracy without the support of an Occupation policy. We await that day."

The following is the text of the Nippon Times editorial entitled "Fruitful Years," on 2 September:

"Today is the fourth anniversary of the signing of the surrender terms on the Battleship Missouri in Tokyo Bay. The Japanese nation can look back upon the past four years as years of vast progress in both the spiritual and material realms.

"Those years have been, in the words of General MacArthur 'fruitful years.' They have been fruitful because 'the Japanese people have fully and faithfully observed their surrender commitments and advanced steadily and progressively along the road of spiritual regeneration and physical reconstruction.'

"But the major portion of the credit for the progress achieved here must go to the Supreme Commander who has so amply revealed his infinite capacities as one of the world's greatest statesmen with a heart full of human understanding and Christian brotherhood. No honest Japanese will deny that their advancement in the concepts of human freedom and economic rehabilitation was made possible only through his sagacious leadership.

"As General MacArthur has summarized so ably in his anniversary statement, the forward steps taken by this war-shattered nation during the past four years in every field of endeavor on the firm basis of democratic principles have been remarkable. A great deal, however, remains to be done. And every Japanese must ask himself truthfully whether he deserves the tribute paid him by the Supreme Commander that the Japanese people 'have well earned the freedom and dignity and opportunity which alone can come with the restoration of formal peace.'

"Unfortunately, doubts are still being raised in many sections of the world whether the Japanese people in the short space of four years have fully assimilated democratic ideals which will make Japan a trusted and peaceful member of the society of nations. That such doubts should remain is not surprising in view of the destruction and havoc caused by the Japanese military in carving out their vast Asiatic empire. Time may heal, but it is just as important that the people and their leaders, in view of such suspicions, redouble their efforts to win back the confidence of the world not by words alone but by positive action which can leave no question that the Japan which attacked Pearl Harbor is not the Japan of today.

"General MacArthur has stated that 'no operation in history has been subjected to such an extraordinary divergence of opinion.....than has the Occupation of Japan.' Of the 'extravagant' praise and criticism, the Supreme Commander said, 'the truth, awaiting the judgment of history, will rest somewhere in between.' Needless to say, the truth of how far the Japanese people have progressed along the road to democracy since the surrender terms were signed four years ago will also await history's final work. And realistically speaking, it will rest somewhere in between at this stage.

"But such instances as the threat of communism being smashed by an aroused Japanese people will go a long ways toward proving that the final judgment will rest heavily in favor of democratic principles having taken firm roots here. The dissolution of communism as a major issue in Japanese life, according to General MacArthur, was due 'to the weight of an increasingly informed and active Japanese public opinion aroused to meet the threat to their free institutions.'

"On this anniversary date, it can be said that the great majority of the people are making sincere efforts to shake off the evil vestiges of the past and to live up to those democratic concepts 'of personal liberty and individual dignity.' There is no doubt that this majority will never allow a Communist or an ultra-nationalistic minority to raise its head to embark on any mad adventure. Of that the democratic nations may be well assured.

"Indeed, the past four years have been 'fruitful years.' By building upon the democratic bases, the coming years can be just as fruitful."

General MacArthur's Statement
on National Newspaper Week in Japan

In observance of National Newspaper Week in Japan, opening on 1 October, General MacArthur issued the following statement on 23 September:

"In reflecting upon the responsibility of the public press in the building of the new Japan it is heartening, indeed, to note impressive strides over the year just past toward a press which is truly free and resolutely objective--free in the sense that it is not under arbitrary restrictions of the general law nor subservient to the narrow rigidity of special interests or monopolistic control; objective in the sense that its publishers, editors and writers honestly seek to propagate the truth concerning happenings and events.

"Such progress is fundamental to the building of a society which is free. For keystone to the arch of representative democracy is a dynamic and informed public opinion which in turn must draw of its direction from the public press. In modern society the press is a powerful force for good or for evil.

"For four years I have closely observed the evolution of a responsible Japanese press under the impetus of the vision and courage of many of its leaders and the avidity with which the people have searched its columns for information and guidance. During this transition of the Japanese press from the former strictures of despotic control to its present freedom, with progress limited only by the patriotism, the integrity, and the fearlessness of those who report the news and fashion the editorial viewpoint, the progressive marshalling of its full power and influence behind the forces of law and order and good government has been one of the most encouraging developments of postwar Japan.

"In a world still part enslaved and part free, where some of the press is committed to the advance of freedom and some in opposition--where some seek with forthrightness and courage to advance the truth for the benefit of all the people and some to suppress it in furtherance of special privilege or minority rule--the publishers, editors and writers of Japan, free to chart their own voluntary course, have, indeed, a challenging opportunity."

Statement of Under-Secretary of the Army Voorhees

Following is the text of the statement made by Tracy S. Voorhees, Under-Secretary of the Army, at a press conference in Tokyo on 10 September:

"The first thing I want to do is to thank the Tokyo press representatives for interpreting the Occupation to the world. We are not troubled by such criticism as you feel justified in making. We can take it. But the great thing to us is your help in keeping the basic facts of the Occupation, and thereby its importance, before the public in America and throughout the world, because this is indeed an important task which is being performed here.

"Because I was told that the press in Tokyo would want to ask me some questions, I arranged this conference. This was not done because I had or expected to have any sparkling news story. I am afraid, therefore, that I am bound to be something of a disappointment to you as far as furnishing much of news value. But I personally am very glad to have the opportunity to talk with you frankly and to answer such of your questions as I can within the field of my competence. I asked to have your questions submitted in advance because I felt that I could give you in that way better thought-out, more accurate and more satisfying answers than if I attempted merely curbstone replies. Your questions were given me by Colonel Echols without any suggestion, without any steering, and without any request as to how I should reply. Whatever I may say accordingly is my own thinking, if it may be dignified by such a name. Therefore, any errors, omissions, or weaknesses which you may find will be entirely my own fault and my own responsibility.

"When I arrived in Tokyo a week ago Monday I told the press that the purpose of my visit was merely to gain at first hand some knowledge of conditions here, with the objective of placing myself in a position to give more effective support and liaison from Washington to General MacArthur in his historic work as Supreme Commander for the Allied Powers. That was not merely a formal or polite remark. It was a simple statement of fact. It is still true. I have I have no apology to make for my deep and abiding respect and admiration for the

truly historic work which General MacArthur has done, is doing and will, I know, continue to do in post-war Japan. Whatever the luster of his achievements in war, they will, I believe, not outshine in the judgment of history his accomplishments in peace. I do not say these things because I am a visitor. The converse is true--I undertook this job--because I believe these things.

"The Army has, for many years, had a basic policy of giving a very large measure of autonomy to its theater commanders overseas. It does not attempt to do backseat driving from Washington, thousands of miles away, as to the manner and the detailed steps by which the broad U.S. policy objectives are to be achieved by Army theater commanders overseas. There will be no change in this policy.

"Every day that I have been in Tokyo, General MacArthur and I have spent an hour to two hours going over informally a wide range of questions, and it is a source of satisfaction to me that my thinking and our ideas in Washington are so closely in accord with General MacArthur's views. From these talks and from the talks with General MacArthur's staff, I have learned much.

"I expect over a period of months to devote my full time to matters concerning the occupation of Japan. This indeed was the purpose of my accepting appointment as Under-Secretary of the Army. I shall hope to come back here again for informal talks within a few months. In the meantime, there will be similar close and equally informal contacts between the SCAP staff and my staff in Washington. To this end there will be frequent personal meetings and a minimum of formal directives, paper work, and red tape. As a beginning, I am taking back with me for a brief visit Colonel Babcock and Lt. Colonel Nugent of General MacArthur's staff, who will help me improve certain specific matters in which I feel that we should be doing a better job in Washington. Similarly, at General MacArthur's invitation, various key members of my staff in Washington will, I hope, come here this fall and obtain through first hand contact a better understanding of matters here -- as I have been doing, or trying to do, over the past two weeks.

"Yesterday I had the great privilege of meeting for an informal talk with Prime Minister Yoshida and later with the Prime Minister and members of his Cabinet. I should like to emphasize to you that I come here as a friend of

Japan in the great effort which its Government and its people are making toward restoration of a peaceful nation, in which human dignity and the rights of the individual are of paramount importance, and in which democracy is alike the cherished faith of Japan and of the United States.

Within the past three months, General Clay, as to Germany, and General MacArthur, as to Japan, have independently and without in either case having any knowledge of the statement made by the other, expressed to me almost identical opinions as to the American occupation of the countries with which they have been concerned. Their considered opinion is that the success achieved has been due in very large measure to the essentially humanitarian character of the Occupations, made possible in turn by the inherent humanity of America. Never before in history has a victorious nation treated vanquished enemies as the United States, through Generals MacArthur and Clay and through the Department of the Army in Washington, has treated Japan and Germany. Two great and civilized peoples had fallen into evil ways under despicable leadership. But the treatment of some 50 million people in Western Germany and some 80 million people in Japan cannot be primarily punitive. It has been the genius of the United States that it saw that these people must be restored, helped, and re-educated rather than punished in mass. To that end, the War Department (and later its successor the Department of the Army) which had done its part in war undertook the task of peace. The Army did not desire this work; it was merely one of the services which the Army is constantly rendering to the Government. There is no other agency in Washington which as yet has been able to take over this task. It is an interesting fact that over a four year period at the request of the Army, which had fought Germany and Japan, upwards of four billion dollars has been or is in this fiscal year being appropriated to feed millions of former enemies who would have otherwise starved, and to give both of these great peoples, the Germans and the Japanese, a chance to live again. The Pentagon, which was built to fight Germany and Japan, has continued in operation to save them. From the fund appropriated and being this year appropriated by the Congress, the Army has bought over a four-year period or will buy before the end of the present fiscal year, a grand total of over one billion nine hundred million dollars of relief supplies for Japan and the Ryukyus alone, including now many materials necessary for economic recovery. It is indeed a new conception

of international law, if such it be called, that reparations should be paid not from the defeated to the conquerors but by the victor to the vanquished. But it is the essential humanity inherent in this policy which General MacArthur and General Clay believe has done more than any other one thing to lead these peoples to the ways of peace, democracy and law and thereby to enable them to play their part in maintaining a peaceful world. The United States has no ulterior purpose in this policy. It seeks no domination by it. Its objective is only a peaceful world. To this great post-war goal Germany and Japan are already making significant contributions and, I believe, these will increase with the years. Germany is one of the participating nations under the Marshall Plan. The Marshall Plan could not succeed without it. Germany begins this month existence under a new federal democratic government.

"Moving now to this side of the world, Japan has courageously and firmly, I believe, entered upon the paths of democracy and peace.

"The chance to participate, even in a small way, in this great post-war task of the United States which is carried out in Washington through the Department of the Army, (now, as you know, part of the Department of Defense), and carried out here through General MacArthur and his staff is an opportunity for which I am profoundly grateful, and to which I am giving and will give the best that is in me.

"Now, I am going to try to answer as far as I can the questions you presented to me and here again a transcript will be made and will be furnished to you in ample time for you to prepare your stories before the specified time of release. In answering these questions, I shall deal only with matters which are within my competence as the Under-Secretary of the Army charged with matters relating to the Occupation. On this account, I cannot attempt to answer questions relating to military problems - those are for the Joint Chiefs of Staff - nor questions relating to the foreign policy of the United States which are for the Secretary of State. Nor can I answer questions as to China aid -- a subject for decision far above my level in the government and one which is now being, as you know, intensively studied in Washington.

"I have been asked as to trade with Communist China. As General MacArthur recently stated, this question is at present largely academic because there is

no exportable surplus in China--Nationalist or Communist--in its present economic condition. Even before the Communist advance, trade with Japan was, I have learned, reduced to merely a trickle, and very little having been exported from China to Japan for nearly a year. There is still, I find, a trade deficit owed by China to Japan of several million dollars and we would be in a most receptive mood to obtain goods from China to pay this.

"Now, I shall read the questions and then attempt my best to answer them.

"First, 'For how long do you believe GARIOA and EROA appropriations or other forms of United States aid must be continued?'

"For any of you who are not familiar with our Washington gobbledegook, GARIOA is an abbreviation for an appropriation made to the Army and known as 'Government and Relief in Occupied Areas.' EROA means 'Economic Rehabilitation of Occupied Areas.' EROA only applies to Japan and the Ryukyus because economic recovery in Germany, as you know, is a function of the Economic Cooperation Administration. Taken together, GARIOA and EROA appropriations represent the funds for relief and economic recovery in Japan and the Ryukyus. Such funds will, in my judgment, be progressively reduced. From what I can see, based upon bills which have passed the House and the Senate but have not as yet, as far as I know, been agreed to in conference, the total appropriations for Japan and the Ryukyus will probably be about four hundred and seventy million dollars, of which in the neighborhood of a quarter will be for materials primarily relating to economic recovery and about three-quarters for so-called GARIOA relief food, nitrogen fertilizer, etc. Let me say that GARIOA and EROA appropriations are part of the foreign assistance appropriations bill and therefore part of the bill as for the Economic Cooperation Administration. There have been various questions between the Senate and the House affecting ECA. There aren't any serious problems of that nature as far as I know affecting these Army appropriations for GARIOA and EROA, but because they are in the same bill they have been held up. I estimate that in the fiscal year beginning next July 1 such appropriations could be reduced by 20% or perhaps a little more and still accomplish their essential purposes as Japan's economic recovery proceeds. The date of final balance when Japan could be economically self-supporting is something that I cannot predict because when I was born there was an unfortunate omission as a result of which I lack the gift of prophecy.

I think that these appropriations will be reduced progressively year by year and probably very substantially. I think that can be done and that it should be done. But the date of final balance to some degree depends not only upon world conditions but as well upon solution of the soft currency--hard currency situation in which Japan has to buy its essential raw materials in large measure in dollar areas, but on the other hand can sell the bulk of its finished goods only in soft currency areas. This is a problem which is identical with that which Mr. Hoffman and the ECA are struggling with in Europe. The date of final self support for Japan also depends to some extent upon the policy of the United States. If the United States wishes to continue to supply Japan with large amounts of U.S. agricultural products as at present, it will probably take longer before Japan becomes economically self-supporting and appropriations from the United States to make up the food deficit here will have to continue. On the other hand, if adequate long range credit were in some way made available by the United States for Japan to proceed to develop very long term trade agreements, it might be possible for her to supply equipment, nitrogen fertilizer, etc. to other Far Eastern areas, such as South East Asia, to enable them to develop additional food resources. These nations could then pay back in food for the equipment, nitrogen fertilizer and other goods they had received from Japan. If that were done there would, of course, be a reduction for the market found in Japan for U.S. agricultural products. Now this concerns the Secretary of Agriculture. It concerns also other departments of the government and it is above my level. I have discussed it with General MacArthur and I think the function of the Department of the Army is to present these long range alternatives, study them out, see what the possibilities are and let the highest governmental authorities decide what the best way is. Of course it might well be a combination of both.

"The next question is, 'Do you believe such aid must be continued after a peace treaty and if so under what form, if any, of Allied supervision?'

"I don't think a peace treaty has anything in particular to do with it. A peace treaty alone isn't going to feed people. A continuation of aid would be based on the economic situation whatever the status of the peace treaty and I don't see that the supervision would be very different. As things are

developing here now there isn't going to be any fundamental difference between the way we are administering the aid here and the way Mr. Hoffman is doing it for various countries which have never been enemy countries. There will always be some supervision. Otherwise appropriations would not be made by Congress and would not be justified. ECA maintains such supervision. But the program in general will be supervised by the Japanese themselves and General MacArthur is proceeding very rapidly towards such Japanese supervision now, as you already know.

"The next question is, 'In broad terms, what are the Defense Department's or Army Department's plans for reduction of personnel (civilian and military) on the Japanese occupation staff?'

"Under the policy of a large measure of autonomy to the theater commander, our plans are those which General MacArthur recently announced for a reduction in staff, that is the civilian staff, of the Occupation. The only comment that I could make is that I anticipate that the ceiling which the pending appropriation law will fix on total funds that can be spent for administrative purposes such as salaries, travel, etc. of civilian personnel, will, I think be approximately 20% below that of the last fiscal year. I speak now of reductions in the fiscal year commencing July 1, 1949, as contrasted to the year commencing July 1, 1948. Whether there will be a reduction greater than 20% will be left to General MacArthur. If he can get along and do the job with less personnel he will certainly do it. But when we are spending over here almost half a billion dollars of United States money, the most important thing is to make sure that the money is needed, is well spent, and is achieving its purpose. I therefore make no apology for there being a substantial staff to see that this vast outpouring of wealth from the United States to help Japan is achieving its purpose. I am sure that the Japanese would also agree with the desirability of that. Now I want to say that I have been talking solely about civilians. There is no change in contemplation in the combat strength in Japan.

"The next question is, 'Do you believe that Japan has progressed sufficiently along the path to democracy and economic recovery to permit radical reduction of Occupation controls and assistance?'

"I want to emphasize here the great reduction in Occupation control which has already been announced by General MacArthur and the progressive reduction in

assistance which I have discussed in answer to a preceding question. The question of the relaxation of such controls is a matter for the theater commander; it is not one in which I would think of interfering. I may say that aside from the fact that I have a great deal more respect for General MacArthur's ability than I have for my own, I have looked up the statistics. These show that he has been here over four years and I have been here less than two weeks. So I prefer his judgment on these matters rather than my own and I propose to act accordingly.

"Next, 'Do you subscribe to the view that Occupation civil affairs administration should be transferred to civilian control?'

"This is a question which has come up repeatedly over the past six months. There isn't anything new to add to what I have said previously upon it. Basic authority is in the Supreme Commander for the Allied Powers, who is, as you all know, an international officer. Therefore I should not anticipate any change in that arrangement. Now as to the U.S. organization in Washington--that is as to whether direction should come from the Department of the Army or the Department of State--I know of no pending plan for the Department of State to take this responsibility. I don't believe that this will be done at any early date that I can now foresee. The Army's basic policy as to this is that it is not an Army job, but a service that we are rendering. We are not building anyempires. We don't want to continue it any longer than we have to, but since there is no other agency of the Government that is apparently in a position to do it I assume the Army must continue with it. I should perhaps explain the differences in this respect--which I don't think are fully understood--between Germany and Japan. There are many differences. In the first place, under the new German Government, the only powers reserved are those under the Occupation Statute and they are reserved to an Allied High Commission of three members of which the United States is only one. Therefore the task of Occupation is much reduced and is much more of a supervisory and much less of an operating job than it has been in the past or than it is now in Japan where all of the residual powers are in General MacArthur. But even more important is the fact--perhaps, not fully understood--that the State Department does not want to undertake a great operational job. It was possible in

Germany to make the change because the Economic Cooperation Administration was in existence and already had a large appropriation running in the neighborhood of three hundred fifty million to four hundred million dollars, which it was administering for Germany for economic recovery. The Army had its GARIOA appropriation of between four hundred million and five hundred million. So by an administrative accident there were two appropriations for relief and economic recovery in Germany which were being administered by two separate agencies. We felt that we could correct that condition by turning over the GARIOA responsibility for Germany, the funds and the operating job, the ECA and letting ECA furnish all the aid, both for relief and for economic recovery of Germany. That made it possible for the State Department to take over other responsibilities because it didn't have to assume a big operating job. But there is no ECA that is in Japan, and I can see no arrangement comparable to that in Germany which could be made as to Japan.

"Next, 'Have your conversations here encouraged or discouraged the hope that Japan will be able to balance its foreign trade and end dependence upon America aid before 1953?'

"I would say that my conversations have certainly encouraged the hope for a progressive reduction in such aid because I believe that great improvements are being made in the economy of Japan and will continue. But due to the lack of the gift of prophecy, I can't tell by what date a final balance will be reached. I believe however, that it will come because there is great vitality and willingness to work on the part of the Japanese people; they want to stand on their own and I believe they will be able to do so.

"Next, 'In view of general agreement, both official and unofficial, that Japan must have a sizeable merchant marine and carry a large proportion of its foreign trade in Japanese bottoms, does the Army Department propose to take any action to remove current restrictions on Japanese shipping?'

"First let me say that--aside from some small coastal ships about which I am not talking--there are, I find, no idle Japanese ships at the present time. They are all busy. The problem of Japanese shipping is not at present a Japanese problem. It is primarily a question of moving cargoes purchased with U.S. funds appropriated to the Army. Now, there are certain legal questions applicable to this. In the ECA Statute, for example, the provision

is that 50 percent of the U.S. aid cargoes must be carried in U.S.bottoms. There is no comparable provision in the GARIOA and ERCA legislation for Japan, but there are other complicated legal questions. The problem is one which is going to receive a good deal further study. It is not, however, an immediate question. The U.S. tax payers are paying for the shipment at the present time, and so this is not affecting or prejudicing Japanese recovery at present.

"The next question is, 'What do you think about the state of Japan's economic recovery?' .

"I think I have covered that as well as I can. The economic recovery I think is remarkable considering the tremendous difficulties which are being faced. I am going to touch on that in a moment in answer to another question of comparison of Germany's and Japan's economic recovery.

"The next question, 'Will you make any recommendations in Washington that the Occupation be altered or reduced from its present strength? What recommendations will you make?'

"I think I have already pretty well covered that. I am not going to make any such recommendation. I think a splendid job is being done. General MacArthur himself has taken the initiative and is making such cuts as he found possible. I have great confidence in the way he is running it and he is the man who is going to make the decisions as to what should be done.

"The next question that I shall attempt to answer concerns the problem of Japan's entering or benefiting from the International Wheat Agreement.

"In keeping with the terms of the International Wheat Agreement an International Wheat Council has been formed and its next meeting is in November. Election to Council required an application by a nation and a two-thirds vote of approval by the member nations. I would certainly hope that the Japanese Government would apply for membership and I would earnestly hope that Japan would be elected to membership. Following election to membership, a nation determines what amount of wheat it will accept over a period of four or five years. The process requires, therefore, considerable looking ahead and planning, not only just as to joining but as to the amount that the nation would propose to buy. I should think that with the situation as it is now that Japan would want to contract for a very substantial amount. Certainly our

view is that membership would be a step forward for Japan, since it would result in getting wheat from the United States at prices very substantially below the current market prices as they were when I left Washington. This would also be another step in restoring Japan to the family of nations. The same incidentally applies to Germany which hadn't been able to join because it didn't have any government until this month. I am hopeful that it will join also.

"The next question involves the redemption of prewar foreign bonds.

"There is nothing that I can add to the statement which was made by Prime Minister Yoshida the other day in which he said entirely on his own initiative that Japan proposed to undertake the servicing and payment of those bonds, as soon as it was in a position to do so. I am referring to his statement merely by recollection. I am/sure my memory is precisely accurate. There is nothing that I can add to Mr. Yoshida's statement.

"The next question relates to the use of $150,000,000 worth of gold and silver held by Japan.

"Of course all assets which have been determined to belong to Japan have been used and are being used and will be used to the maximum extent possible as a credit base for Japan. These assets represent about the only base for foreign credit that Japan has. As you know, we haven't gotten as much credit from that gold as we wished but that is a matter on which you had better ask the bankers rather than me because I don't know. The assets are being utilized as fully as is possible.

"The next question, 'The amount of U.S. aid to Japan for the 1949-50 fiscal year has not yet been settled by the U.S. Congress. What is your outlook for this appropriation, and in what direction do you think the U.S. policies in this connection are moving?'

"The estimated amount for Japan without the Ryukyus, is about 440 million, and I think the way we are moving is towards a substantial yearly reduction. I would estimate the reduction will total perhaps 20% next year, that is the fiscal year beginning July 1, 1950.

"The next question, 'What is the future U.S. policy re Japanese reparations?'

"I don't know about the future policy but the existing policy is that stated

by General McCoy to the Far Eastern Commission, a pronouncement which I think is of very great importance. I have nothing I could add to that.

"The next question, 'When do you think the establishment of Japanese diplomatic offices and commercial agencies in foreign countries will be permitted?'

"It is my understanding that that question is being considered by the Far Eastern Commission. Within the United States Government, however, that is a function of the Department of State.

"The next question, 'The Yen-Dollar exchange rate of 360 to one was favorable to yen from the outset, and now with the decline of the price-level in America this ratio has become disproportionately favorable to the yen. Don't the U.S. authorities consider it necessary to re-adjust the exchange rate?'

"This exchange rate was established only a few months ago by General MacArthur after consultation with the highest U.S. authorities. I know of no consideration of any change in it and I believe that experience has demonstrated its soundness.

"The next question, 'Is there any intention on your part to recognize such a law in Japan as the Webb-Pomelin Act of April 1918, which legalized formation of a joint organization by exporters under the Sherman Anti-Trust Act?'

"I haven't practiced law for over seven years and this is a little too difficult a question for my legal capacity. The subject is one involving existing Japanese anti-monopoly and anti-trust legislation. I may say I know little about U.S. anti-trust laws, and nothing about those in Japan. I don't think I could make any helpful answer to that.

"The next question, 'Do you agree with General Eichelberger in his views that the present Japanese police force should be reinforced?'

"General Eichelberger's comments were made from observations a year or more ago when conditions in the police force were quite different. Since then I have learned from General MacArthur personally that he feels that great improvement has been made in the organization, training, and equipment of the police force and that he believes still further progress can be anticipated. I learned that the size of the police force is that which was requested by the Japanese themselves. It is my belief that General MacArthur is satisfied with the progress being made, and I know that he feels confident that the Japanese police

force can control any possible internal disorders with the moral support which would be given by the Occupation Forces.

"The last question that I will attempt to answer is 'Can you please compare the rehabilitation of Japan with that of Germany?'

"That is certainly a $64 question. The basic conditions are so fundamentally different that no direct comparison can be made in the economic recovery of Germany and Japan. I think you realize in the first place that the amounts of U.S. aid to Germany have been very much greater than the amounts to Japan. The Economic Cooperation Administration's allocation to Germany in the year just finished was, as I recall it, in the neighborhood of four hundred million dollars for economic recovery - that is apart from the Army's GARIOA appropriation. You compare that to about one hundred million for economic recovery in Japan under the Army's EROA appropriation. Furthermore the program for economic recovery started earlier in Germany. But perhaps even more important than that is the fact that ECA aid to the other countries which are the natural markets for Germany's products has also been very great and that those countries not only need Germany's products but have the wherewithall to buy from ECA aid. As you all know there hasn't been a similar situation for Japan and due to political disorders large markets in the Far East have been non-existent and Japan's exports have been restricted. Furthermore, Japan has had need of essential raw materials such as cotton in large amounts from dollar areas, whereas its market for the textiles which it can make with the cotton are very largely in soft currency areas, so that there isn't at the present time an adequate way to keep that trade in balance. If you look at it as a revolving fund, it is a fine thing but it doesn't revolve. In Germany and Europe that situation is being dealt with in a very comprehensive way for the time being by ECA so that conditions there are not comparable. Again, Western Germany is much more of a food deficit area than Japan in spite of the fact that there are 80 million people in Japan and only 50 million in Western Germany. Japan is producing about 85% of its food whereas Western Germany is able to produce all the food for her 7 million farmers and perhaps a little over half of the rationed food for some 27 million, (these figures are for the bizonal, not the tri-zonal area,) people in the cities. Therefore Germany must, to survive' be much more industrialised than Japan. Considering these differences and the

difficulties which have been faced in Japan, I believe that what has been done is very remarkable.

"I am going to add one more thing, if you will pardon me. What impressed me very greatly as a contribution that the United States has made to Japan through the Occupation is longer life. I want to compare the death rate in Japan, the average death rate for the seven year period before the Occupation, with the death rate for the year 1948 after the very great public health measures had been initiated. It is startling to see that the deaths in the 7 year period prior to the Occupation were approximately 50% more per thousand than they were in the year 1948. Translated into length of life, the life expectancy for men has been increased since 1941 over three years and for women 8 years. The doctors seem to treat the women much better than the men. Can you think of anything which is a better gift that can be made to a nation than added life? This is an expression of some of the best that the United States has to offer. It is the kind of thing which makes me proud to be an American."

SCAP Lifts Restrictions on Occupation Personnel

General MacArthur announced on 23 September the publication of SCAP Circular 23: "General Personnel Regulations," to supercede SCAp Circular 24 of 1948 and FEC Circular 26 of 1947, regarding "Black Market Activities."

The purpose of the new regulation was to establish in general effect as far as practicable the same relationship between occupation personnel and the indigenous population of Japan as exists between U. S. troops stationed in the U. S. and the people of the U. S. These new regulations were intended, furthermore, to minimize the restriction on movement and activities of occupation and non-occupation personnel to the maximum practicable extent, in order to permit an attitude of friendly interest and guidance toward the Japanese people, which "is reflective of democratic ideals and to avoid unnecessary military control."

The acquiring of yen only from authorized sources was emphasized in this new circular. Specifically, the acquiring of yen by sale or barter of goods was prohibited as was the case in former directives.

The new "General Personnel Regulations" permitted occupation personnel to:

1. Use all Japanese hotels, inns and theaters not specifically posted off-limits, provided food and drink in all cases is obtained either by the establishment or individual patron from authorized sources.

2. Travel anywhere in Japan by using only their identification cards or similar identifying documents as authority for such travel if occupation force billets and rail facilities are not to be used. (This does not alter, however, the necessity of obtaining permission to be absent from duty or station or absence and travel authority.)

3. Compete with, or against, or participate jointly with, Japanese nationals in all sports on an individual or organized basis. (The participation or competition on a group or team basis is authorized only when specifically approved in each case by local commanders and will not interfere with regularly scheduled sports programs, nor deprive occupation personnel of sports equipment or facilities.

4. When authorized by local commanders, invite Japanese nationals to attend and participate in organized social activities, such as service club activities, provided that such participation will be in all instances as invited guests and upon an individual basis, will conform to club or installation regulations, and will not interfere with normal participation by other occupation personnel.

5. Give bona fide gifts to their domestic help or Japanese acquaintances, provided that existing regulations pertaining to the sale, trade and barter of goods or the use of foreign exchange and yen currency are not violated.

6. Sell, trade or barter with occupation, non-occupation or indigenous personnel items of personally owned property, except automobiles, procured from sources other than the Post Exchange, Ship's Stores or Commissaries, provided the individual does not acquire yen currency by such sale, trade or barter. Such transactions, of course, are prohibited where any semblance of black market activities is intended.

7. Sell, trade or barter items of personally owned property originally procured from Post Exchanges or Ship's Stores only to or with occupation or non-occupation personnel who have Post Exchange or Ship's Stores privileges. This does not apply to items procured from commissaries, as they are for purchaser's personal use and may not be sold, traded or bartered.

Non-occupation personnel, identified as persons of whatever nationality who have been authorized by SCAP to enter or remain in Japan on a temporary or semi-permanent basis, including but not restricted to commercial entrants, missionaries, visitors, tourists and dependents of such persons, are subject to only certain portions of Circular 23, the principal of which permits them to:

1. Travel anywhere in Japan using only their identification card when occupation force transportation or facilities are not required. If occupation force transportation is required, competent travel orders must be obtained.

2. Sell, trade or barter with occupation, non-occupation or indigenous personnel items of personally owned property, except automobiles, procured from sources other than the Post Exchange, Ship's Stores or Commissaries, provided the individual does not acquire yen currency by such sale, trade or barter. Such actions are subject to the black market prohibition set forth in paragraph 6 above.

3. Utilize indigenous facilities not on procurement demand by the occupation forces unless such facilities are specifically and visibly posted "off limits to non-occupation personnel."

At the same time SCAP announced publication of Circular 21 which relaxed restrictions on dealing in automobiles to permit wider sale, trade or barter between non-indigenous personnel. Any vehicle, however, purchased through the Post Exchange may not be resold, traded or bartered until after at least six months elapsed from the date of the original purchase from the Post Exchange. Restrictions prohibiting transfer of automotive vehicles, through any means, to indigenous personnel remain in effect.

In keeping with the general overall policy of relaxing controls and restrictions, GHQ, SCAP had recently carried on a definite program of eliminating occupation force controls over the activities of the Japanese Government.

It has long been a policy of SCAP to return to the Japanese Government those functions and responsibilities which it demonstrates capacity to handle. During the month of May all sections of GHQ, SCAP examined the directives to the Japanese Government which they had originated, and analyzed the reports, controls and other requirements by which they supervise and guide government

agencies. As a result of this examination a number of reports, controls and requirements were scaled down or eliminated completely.

SCAP Headquarters will continue to scrutinize the controls remaining in effect with a view to their relaxation or complete elimination as the Japanese Government demonstrates its ability to assume full responsibility for the conduct of its affairs. It is expected that this continuing program will result in further appreciably relaxations during the next few months.

Statement of Obligations of Civil Service Employees by Luther C. Steward

In a press conference on 27 September, Luther C. Steward, President of the National Federation of Federal Employees in the United States, emphasized that "it is essential that government administrators and government employees thoroughly understand and be in complete agreement that a sound labor-management policy is an essential part of the normal process of day-to-day administration." Steward, who had served for three months as Special Advisor on Labor-Management problems to the Chief of Government Section, also stressed the importance of the unity of the Japanese Government and its employees as both are servants of the people and hence "have a unity of interest and purpose."

Following is the complete text of Steward's statement:

"The operation of the Japanese Government under a democratic constitution is wholly dependent for its success upon the attitude of mind of its officials and employees. Good laws are essential and in the National Public Service Law the Japanese people possess an instrument which can be used to erect the structure of government in the interests of the whole people. Laws, however, are no better than their administration, and it is in the field of administration that the genius of the Japanese people can display itself in developing and strengthening the understanding of its officials and employees as to their relationship to the whole people and also to one another. By attitude of mind I mean the complete understanding and agreement by all officials and employees of the Japanese Government that they are servants of the people and have a unity of interest and purpose.

"It is essential that government administrators and government employees thoroughly understand and be in complete agreement that a sound labor-management policy is an essential part of the normal process of day-to-day adminis-

tration. Much has been said about Japanese Government employees having been denied the use of the strike and of collective bargaining and that they have had the scope of their partisan political action severely limited. It would seem to be self-evident that in a democratic country servants of the people may not strike against the whole people. As for collective bargaining, the use of such a term must carry with it the definite authority of the bargaining parties to carry out what they may agree upon, and such a course is obviously impossible in a country whose laws are made by elected representatives of the people and no group can bargain collectively with the whole people.

"In the National Public Service Law a merit system is established for the government service of Japan and for all except a limited number of positions of a policy-making character which in a democracy are held by members of the dominant political party. The National Public Service Law provides that entrance shall be as a result of open competition for the purpose of demonstrating qualification, tenure dependent upon continued satisfactory performance of duty, and advancement in the service upon demonstrated qualification for increased responsibility and authority. It, therefore, follows that under such a merit system all government employees are in a real sense independent owing, as they do, their appointment and advancement in the service to their own merits and to any political or other form of influence, Their one loyalty is to the people of Japan and any attempt on the part of any employee of government to withhold that loyalty or to attempt to divide it renders such person unfit to remain in government service.

"If government employees were permitted freely to engage in partisan politics, it would inevitably follow that obligations would be created. It is but natural to expect that an employee who had zealously and efficiently served some political party would expect some form of reward. It is also inevitable that a political party, when able to secure either an appointment or promotion as a reward for political work, would expect such employee to adopt a more favorable attitude in connection with his official work toward members of the party to which he was obligated. In every country where political favoritism has a firm hold in the public service, its efficiency as well as its integrity is seriously impaired.

"As one who has been associated with public service for more than fifty-two years and who for more than thirty-one years has been president of the largest organization of public employees on the North American Continent, let me give you the viewpoint of the group whom I have so long represented. When we formed our organization and drafted its original constitution, we were unanimously of the opinion that government employees are a select group having a double obligation to the people: first, as citizens, and, secondly, by oaths of office which they take. And so of our own volition we agreed that the participation or support of strikes by government employees was unthinkable and that the preservation and strengthening of the merit system in the public service was vitally necessary in the interests of employees themselves in order to reduce the opportunities for oppression, discrimination, and favoritism.

"It will thus be seen that many years ago, we as government employees developed our own pattern and that the limitation of political activity and the removal of strikes and collective bargaining from the public field represent a philosophy evolved by the employees themselves and not one imposed by an outside authority. In a free democracy there is no compulsion upon the citizens to enter government employment; therefore, if they do so enter, it is a voluntary action and they accept such employment under the conditions offered. It should be emphasized, however, that the existence of certain limitations upon the activities of government employees sets up an obligation on the part of the whole people, channeled through their elected representatives to the legislative body and to the policy-makers of government, to insure that employees of government are treated justly and fairly to return for their furnishing efficient service.

"It is necessary to set up clearly the respective rights and responsibilities of management. In the first place, the sole responsibility for making decisions in accomplishing functions authorized by law must rest with management. It should be equally clear that on all matters affecting conditions of work, using the term in its broadest sense, management should ascertain employee opinion and the National Public Service Law authorizes employees to organize, thus making the ascertainment of employee opinion a simple task.

"It is the responsibility of management in government to establish channels whereby employees may have ready access to management when they desire to initiate

ideas, express opinions, or appeal actions, or seek interpretations for clarification of laws, rules, or regulations affecting government employees. The orderly operation of government necessitates the setting up of such media of contact and communication in order that decisions arrived at by management affecting employees may be not only disseminated so as to reach everyone affected by them, but that full opportunity also be given to make clear their intent and purport so that their carrying out may be uniform. It is the responsibility of government management to see to it that organized employees and their activities shall not interfere with the proper conduct of the affairs of the agency.

"Government employees have very definite rights as well as responsibilities. They possess, under the Law, the absolute right to organize and to elect officers of the association without interference from management, the right to be heard by management on all matters affecting the interest of employees, the right to organize and to encourage welfare activities among employees provided they do not interfere with the operations of the agency. They have, in turn, the responsibility as members of any government employee association for the lawful and proper conduct of their officers and representatives.

"In its enactment of the National Public Service Law, the Diet clearly set forth its intention to gear the compensation, hours of work, and other working conditions to the general economy of Japan and devolved upon the National Personnel Authority the responsibility of making periodical factual surveys of factors entering into wage determination and of submitting its findings with recommendations to the Diet in order to maintain the proper relation between government employees and the general economy of the Government of Japan.

"The rights of employees to obtain redress because of any action taken in respect to them which is disadvantageous is fully protected by the National Public Service Law implemented by rules of the National Personnel Authority through a system of appeals and if an alleged injustice is not satisfactorily adjusted within the various agencies of government, it is provided that an appeal may be carried to the National Personnel Authority whose decision in the matter is final and binding.

"The other objective in a government service of a democratic nation is firmly to implant the idea that the entire government personnel, from the most important official to the humblest employee, are members of one great team, that they have a commonalty of interest, that any right action taken by an individual official or employee enhances the prestige of the entire great group and by the same token, any wrong action reflects discredit on the entire group and tends to lower the esteem in which government employees are held by the people.

"Government employee organizations in Japan have a wonderful opportunity for constructive service in the interests of their members, the government, and the whole people. In the earlier stages of organization of government employees in Japan, a combination of bad leadership and political immaturity created an all too widespread misapprehension of the proper functions of government employee organizations. These misapprehensions have been recently cleared up by legislative enactment by the Diet and by rules issued by the National Personnel Authority, leaving the legitimate field for government employee operation free and clear for them to make their very substantial contribution of which they are fully capable."

NATIONAL AFFAIRS

As a result of the collapse of "direct action" undertaken during previous months by leftist-dominated labor unions and the increased democratization activities furthered by moderate union elements led political observers during the month of September to conclude that the "revolutionary" program of the Communist Party had failed. Informed observers maintained that this was eloquently evidenced (1) by the results of recent local elections; (2) by the fact that the general public readily accepted as "natural and proper" the restrictions against political activities of public service personnel enforced on 19 September; and (3) the unexpected smoothness of the enforcement of the Government's administrative retrenchment program.

In this connection, it was even rumored that a reformist movement with the support of Sanzo Nosaka and Shigeo Shida, members of the Central Political Committee of the Communist Party, had grown up within the party. The actual leader of this intra-party reformism was thought to be Shigeo Kamiyama, member of the House of Representatives from the Kanto area, who since the war has headed the labor union and publication and propaganda bureaus of the Communist Party. Although the Tokuda-Shiga "revolutionary" group retains leadership of the party's 9-man Central Political Committee by a ratio of 7 to 2, some political commentators well-informed on Communist activities have averred that they cannot forever ignore public condemnation for the recent social disturbances "which has exposed the crudity of their methods."

In the agrarian field, leaders of the Social Democratic and Labor-Farmer parties agreed on 22 September to undertake an intensive campaign to unify the "farmers' front" against Communist infiltration. The two parties agreed further to take unified action in agricultural matters whenever possible.

The Government on 13 September formally decided to convoke the special Diet session, --the Sixth extraordinary session since the surrender,--on 25 October. It was reported that the chief objective of the session would be to solve many issues left pending from the Fifth session and to express in the positive and concrete terms the Government's views and desires as the first

step in the process of developing the Administration's policy regarding the long-range national recovery program. The chief planks of this program, according to Administration spokesmen, the following were of utmost priority: to develop a sound labor movement; to enforce public peace and order measures; to implement positive measures in the direction of a long-term financial program, national economic recovery program, and general land and resources development program; and to accelerate the merger of conservative forces as a political structure in support of the foregoing programs.

Political observers have noted that the Yoshida Government was endeavoring to realize a shift from controlled economy to free economy. They further noted in this connection the Government's desire to disband various "kodans" (public corporations), reduce the structure of the Economic Stabilization Board, re-examine the Law for the Fixed Number of Personnel in Administrative Organizations, and transfer of the Tobacco Public Monopoly from official to private management.

Regarding the Shoup Mission's tax reform recommendations, it was noted that an attack was developing among opposition parties and labor groups to reduce the tax burdens on the working classes. Likewise on such issues as unemployment relief measures and natural calamity rehabilitation measures, it was noted that the opposition parties were sharpening their attack on the Government. Concerning the issue of strengthening local autonomy and the problem of financing medium and small enterprises, dissatisfaction was expressed even in Government party circles..

Prime Minister's Message to the Nation

On 2 September, on the occasion of the fourth anniversary of Japan's Surrender, Prime Minister Shigeru Yoshida reminded the nation that "a long and toilsome road of privation and self-denial" still lay ahead before "true abundance and prosperity" could be attained by Japan. The Prime Minister further declared: "A great deal has been accomplished,--largely through Allied assistance. But a great deal more remains yet to be done,--done more by our own initiative and efforts."

Following is the full text of Prime Minister Yoshida's address which was broadcast to the nation by radio:

"Today on the 4th Anniversary of Japan's surrender the Supreme Commander for the Allied Powers issued a statement giving a comprehensive statement

of the progress we have made to date toward national reconstruction. General MacArthur, drawing a sanguine picture of our achievements in the past four years, exhorts us to great efforts. By spiritual regeneration as well as physical rehabilitation we should yet achieve true greatness and be, as he says, a bulwark of human freedom.

"In the economic field, we have started well on the road of stabilization along the so-called Dodge line. Our budget is balanced. The administrative readjustment program is nearing completion.

"On the basis of the recent valuable recommendations of the Shoup mission the government is now engaged in the formulation of a plan for tax reform and tax reduction that will ensure equity and efficiency to our tax system.

"With respect to compilation of a balanced budget and rationalization of the taxation system I desire to express my special gratitude to the Dodge and the Shoup missions for their most helpful advices and suggestions.

"In pursuance of its economic stabilization policy the government will continue to strive to effect further retrenchment in expenditures. We intend to simplify and stream-line our administrative machinery still further, while taking adequate measures for the unemployment compensation and relief. We are vigorously pushing forward to promote enterprises, large and small, as a means of providing jobs to the unemployed, at the same time of enhancing the nation's economic power.

"To that end it is imperative that we expand our export trade and import raw materials and technology as well as capital from abroad. We must also establish firmly law and order, assure the world of our social and industrial stability, and give proof of the soundness of our economic policy and practices.

"Let me remind you in the first place of the fact that before we attain true abundance and prosperity we shall still have to travel a long and toilsome road of privation and self denial. Luxuries are out of the question. We must be willing to give up our hankerings for modest comforts, or even for some of the normal necessaries of life. Austerity is the order of the day. Hard work must continue to be the imperious obligation of us all for years to come.

"In the second place, I should like to warn you not to be misled by unconfirmed reports of events and developments overseas. Let us trust in our power and ability as a nation, and pursue the task of national reconstruction

with a singleminded devotion.

"In the third place, we should remember that we have relied so far on American aid for our recovery. But it is no honor to a nation to rely indefinitely upon the generosity of another country. We must make our economy self-supporting at the earliest possible moment.

"In fact, we should pay back the money have have received from the U.S. aid funds. We should be ready to undertake the liquidation of all our foreign loans outstanding since the pre-war years. It is incumbent upon us to maintain our old reputation abroad as a nation which never defaulted on its foreign obligations.

"In the fourth place, we must combat communism, which under alien instigation seeks to create confusion and destroy social order by deceit and intimidation. We should boldly confront and overcome this sinister force. Mr. Churchill in a speech he made at Wolverhampton last summer described British Communists as 'lackeys and tools of a foreign Power,' seeking to ruin Britain and being ready to commit any 'crime or cruelty if they thought it would give them absolute, despotic power.' Most of our Communists, I believe are victims of ignorance and delusion, who can be won back to good citizenship, if we give them the chance for reflection and self-awakening.

"In the fifth place, let me say that I firmly believe in the wisdom of our constitution, which renounces war and foreswears all forms of armament. With a firm trust in the justice and good faith of other countries, we will some day join the United Nations and do our part toward the maintenance of world peace. I am convinced that in this trust lies the best guarantee for our territorial integrity and independence.

"To conclude, a great deal has been accomplished - largely, however, with Allied assistance. But a great deal more remains yet to be done - done more by our own initiative and efforts.

"I recall the remark of the late Mr. Kantaro Suzuki our war and Prime Minister on the occasion when the Imperial decision was announced for unconditional acceptance of the Potsdam Declaration - 'Let us resolve,' he said, 'to carry out faithfully the surrender terms and rebuild the nation.' Did we not, one and all, feel the same way at that momentous hour, and resolve in our hearts to bear manfully the burden of defeat? Let us keep that resolution ever fresh and alive lest we falter and fail."

Political Statements
on the Reconstruction of Japan

In response to General MacArthur's statement issued on the occasion of the fourth anniversary of Japan's surrender, the Democratic Liberal Party issued a public declaration on 1 September which pledged the party "redoubled" efforts to be directed toward the reconstruction of the nation. The statement declared that "the suspension of reparations removals, increased United States financial assistance, and authorization for development of electric power resources had all been made possible by the determination of the Democratic Liberal Party and the international confidence placed in it."

The statement promised that "the party would strive to fulfill its campaign pledges to end the inflation from which the nation has suffered." According to the statement, the Government "has decided to abolish the transaction (sales) tax, to reduce income and corporation taxes...[and] will take definite measures to improve the daily livelihood of the people." The statement bitterly denounced the Communists and the middle-of-the-roaders who were obstructing the progress of national recovery. The statement continued: "[The Communists] will continuously fail in their attempts to deprive the Japanese people of their independence under the threat of violence."

Although there had been no formal peace treaty, the Democratic Liberal Party statement concluded, "freedom, prestige, and opportunity" were further being expanded, and the nation was on the firm road to restoration to international society.

Members of the Cabinet, concerned with the maintenance of public peace and order, met on 7 September to discuss administrative reforms and other related problems. While no definite decisions were reached, information and opinions were exchanged on a number of problems including rehabilitation projects in typhoon-stricken areas, control of illegal entry of Koreans, and the Communist Party's alleged "regional struggle" tactics. At this meeting, Chief Cabinet Secretary Kaneshichi Hasuda explained his previous statement, made at a press conference on 5 September in which he had pledged the Government's support to provincial administrations against Communist attacks, and urged the other heads

of ministries and agencies concerned with the problem to take effective measures against Communist and other radical activities on the local level, which, according to Masuda, were detrimental to the preservation of public peace and order.

At a press conference on 11 September, the Chief Cabinet Secretary declared that since the Government's administrative efforts henceforth would be directed to the problems of industrial rehabilitation, boosting of small and medium industries, and financing of public education "in an effort to live up to the expectations of the people."

Regarding specific issues, Masuda stated (1) that the Government was giving no thought for the present to a reorganization of the Cabinet, (Note: The issue of a possible Cabinet reshuffle had received some attention in political circles and in the press, involving the retirement of State Minister Senzo Higai in charge of police affairs, over its failure to put through a revision of the Police Law); and (2) that the tax reform recommendations of the Shoup Tax Survey Mission would be published around the middle of the month. Following publication of the Shoup Mission's recommendations, Masuda stated, the Government could complete formulation of tax bills and compilation of the budget for the 1950-51 fiscal year.

Masuda also declared that Prime Minister Shigeru Yoshida was deeply concerned over Japan's foreign credit and redemption of foreign liabilities, and that the Prime Minister had requested Finance Minister Hayato Ikeda and other ministry authorities to undertake a detailed study of the problems involved. At the same time, according to Masuda, the Prime Minister was also devoting special study to the development of electric power development for farming areas and other public works projects.

The Chief Cabinet Secretary urged the Social Democratic Party to maintain its public-announced anti-Communist stand, calling upon that party, which derives its chief support from labor, to strengthen and encourage free labor unionism in their shift from "illegal" to "legal" operation under the revised Trade Union Law, declaring that the mission of the Social Democratic Party was "to assist labor in strengthening and improving its program."

Katayama Calls for Nationwide Movement for Early Peace Treaty

Following his return from abroad, Chairman Tetsu Katayama of the Central Executive Committee of the Social Democratic Party on 1 September urged more than 200 leaders of political, cultural, education, press and business circles to sponsor a nationwide movement to request an early conclusion of a Japanese peace treaty. This appeal was made by the Social Democratic leader in a meeting held in the dining hall of the House of Councillors where these leaders had assembled to hear a report of Katayama's visit to various countries in Europe and the United States.

After reporting on various conditions in the countries visited and the general feeling towards the Japanese prevailing abroad, Katayama called for a nationwide "peace campaign" to appeal for the early conclusion of a peace treaty with Japan. Such a campaign, according to Katayama, had been"consistently supported by the Social Democratic Party in the past, but it has now reached its limit and must be made into a nationwide, popular movement sponsored by the people themselves."

Following discussion of Katayama's proposal, the group designated a committee of fifty-five members, headed by Mrs. Tamaki Uemura, a member of the National Public Safety Commission and National Chairman of the YWCA (Vice-chairman of the World Federation of YWCA), to draft a concrete program to carry out the nationwide peace campaign.

On the same day, Katayama issued a public statement declaring that the Social Democratic Party "will cooperate wholeheartedly in efforts to stabilize and reconstruct the national economy on the basis of the 9-point Economic Stabilization Program." At the same time, Katayama's statement, which was given to the press by Shikaishi Yasuhira, chief of the General Affairs Department of the Social Democratic Party, emphasized that the Social Democratic Party had undertaken to fight the Communist Party, "which is intent on creating confusion and destruction," on the one hand, and the conservative reactionaries, "who are intent on forcing the working masses to undergo unjust sacrifices," on the other.

Prime Minister Yoshida's Views on Peace and Trade Issues

In a press interview on 30 September Prime Minister Shigeru Yoshida expressed the opinion that Japan would eventually achieve a de facto peace based upon "a series of faits accomplis." "I feel," he commented, "that the general atmosphere is to bring Japan back to normal relations such as those forming trade connections." However, he added, if political considerations were brought into the issue, "the question [of peace] will become complex."

Japan, according to Yoshida, should enter into normal relations with countries which feel that normal relations with Japan are beneficial, while maintaining the present situation with countries who do not desire such. "I feel such an attitude is the commonplace procedure and if one would desire to say so, such could be called separate treaties," Yoshida stated. "In short," he continued, "it would be working toward a de facto peace based upon a series of faits accomplis."

The Prime Minister, who is also concurrently Foreign Minister admitted that he did not know how long such a condition would continue, adding that the peace treaty depended on the attitude of the Japanese people themselves. "If Japan can prove to the world that her participation in world trade and in international conferences will be an asset, the conclusion of a peace treaty would be naturally speeded up," he declared.

Regarding Japan's trade relations, Yoshida stated that he was aware that the United States was favorably disposed to the dispatch of consular agents abroad, but that the question was one to be settled by the Far Eastern Commission and that no predictions could be made as to when such would materialize.

In reply to queries regarding trade with Communist China, Yoshida turned the question in returns "Trade is not being carried on with Tientsin and Shanghai is it? If economic conditions in China become stabilized then it will be a different question."

Yoshida stated that conditions were becoming favorable for the induction of foreign capital into Japan with the establishment of a sound tax system, "thanks to the Shoup Mission's recommendations," the gradual stabilization of economy and politics, and "the turn for the better in international feeling toward

Japan." Continuing in the same vein, he declared: "Japan must clarify before the world her intention to pay back what she has borrowed. No foreign investments will come into a country that does not pay her debts and the interest on these debts. I would like in some way or another to pay back Japan's foreign debts for the sake of Japan's honor."

Commenting on Britain's devaluation of the pound sterling, Yoshida declared that if Japan could purchase raw materials cheaply from the sterling areas and produce good products, she would be able to compete with the rest of the world. "The present foreign trade restrictions would not be continued unreasonably if Japan's purchasing power increases," he averred. "The key to the whole question is to make good products and to sell them cheaply," he concluded.

Government Reports Completion of Personnel Reduction Program

Announcing that the administrative personnel retrenchment program was virtually completed, the Government on 1 September announced that, as of that date, the total number of persons dismissed in accordance with the Law for the Fixed Number of Personnel in Administrative Organizations (Law No. 126 of 1949, passed by the Fifth Diet session on 30 May) and the accompanying Cabinet Order No. 263 of 8 July 1949 had reached 129,453. The figure of dischargees during the month of August totalled 20,173, leaving a total of 24,214 remaining to be discharged during September and early October.

Those organizations still requiring personnel reduction and the progress made by them during the month of August were as follows:

Office	Remaining to be Discharged (as of 1 Aug 49)	Remaining to be Discharged (as of 1 Sep 49)
Prime Minister's Office	1,285	900
Ministry of Foreign Affairs	17	14
Attorney Generals Office	0	0
Ministry of Finance	1,079	151
Ministry of Education	140	30
Ministry of Welfare	1,350	465
Ministry of Agriculture and Forestry	4,300	2,600*
Ministry of International Trade and Industry	1,600	681
Ministry of Transportation	870	0
Ministry of Postal Services	19,700	10,962
Ministry of Telecommunications	9,000	8,200
Ministry of Labor	1,990	70

Ministry of Construction	1,620	13
Economic Stabilization Board	1,036	508
Japanese National Railways	400	0
Japan Monopoly Public Corporation	0	20*
	44,387	24,214

*Estimated

The Labor Ministry on 27 September released pertinent statistics in connection with the labor scene during previous months. According to these statistics, the nation's labor unions numbered 34,272, with a total membership of 6,724,709 at the end of June. The major labor unions were the National Federation of Labor (Sodomei), with a membership of 1,220,000 affiliated through 12 national industrial unions representing 940,000 members, one regional federation with some 10,000 members, and 37 prefectural organizations with 270,000 members; the National Congress of Industrial Organizations (Sanbetsu), which claimed a membership of 1,030,000 including 14 national industrial unions and one enterprise union; and two newly-organized federations (July), -- the National Federation of Labor Unions (Zen Nichiro), claiming a membership of some 570,000 workers (about half of which affiliated with national independent industrial unions and the remainder affiliated with prefectural federations not affiliated with any national labor organizations), and the New National Federation of Industrial Unions (Shin Sanbetsu), which was organized by "democratization elements" of various unions seceding from the NCIO (Sanbetsu) and already claiming a membership of 410,000.

In addition, there are in existence 56 independent national industrial unions claiming some 3,500,000 members. The Labor Ministry's announcement also noted that of the overall total union membership, 1,506,700 were women, representing 22.4 percent of the total union membership.

Labor disputes during July had totalled 199, involving 310,000 workers, representing a sizable decrease in the number of disputes totalled for the month of June, according to the Labor Ministry's figures.

On 2 September the National Personnel Authority decided against an extension of the 1 September deadline for union registration. This decision deprived some 150 public service employees' unions (including the Government

Communications Workers Union, the National Railway Workers Union, the Federated Council of Government and Municipal Office Workers Unions, et. al.) of their "functions and powers," provided for under the National Public Service Law.

Registration of these unions was rejected by the NPA on the ground that they had failed to meet requirements specified in the National Public Service Law governing all civil service employees' unions. Out of the 316 applications for registration submitted by the deadline date of 1 September, the NPA maintained that only 10 were approved and 156 others were under consideration.

On 10 September, President Kiyoshi Asai of the National Personnel Authority warned all the unions concerned that they were "faced with loss of their functions and powers" and failure to register according to regulations they would be considered as "existing as legal persons in the process of liquidation." He urged the unions to take the opportunity "now offered by the Government to make their new Articles of Association conform with the law and NPA rules to preserve for themselves the many benefits conferred on them by the National Public Service Law."

The NPA statement issued on 10 September was as follows:

"Practically every union of Government employees in Japan is faced with the loss of their functions and powers as provided for them under the terms of the National Public Service Law.

"This condition has been brought about by the fact that the Diet, in its wisdom, enacted into the National Public Service Law the requirement that all unions composed of government employees must register with the National Personnel Authority, and the NPA in its Rule issued on 3 June 1949, fixed 1 September as the final date for compliance.

"Instead of striving in good faith to comply with this requirement of the National Public Service Law, leaders of public service employees' unions to a large extent engaged in threats and denunciations, with the result that few of these unions had filed the required information with the NPA by the date established for such registration.

"The members of these unions now have the opportunity to make their new Articles of Association conform with the law and the NPA rules in order to preserve for themselves the many benefits conferred on them by the National

Public Service Law. Such action will enable organizations composed of government employees to safeguard the valuable rights which a reckless and irresponsible leadership has so flagrantly disregarded."

Meanwhile, attention was being turned to the pressing problem of unemployment. On 12 September, the Central Employment Security Council (created under the Employment Security Law) drafted an overall program to cope with the situation. The major points of the plan, as submitted to the Cabinet by Labor Minister Masabumi Suzuki, included:

1. Expansion of public works relief projects and the proposal that such expenditures be carried by the national treasury.

2. Expansion and reorganization of vocational training facilities.

3. Expansion of the field currently being covered by unemployment insurance and utilization of surplus funds in the Special Account for Unemployment Insurance.

4. Expansion or readjustment of public employment security offices and increase in office outlays.

This plan envisaged an appropriation of ¥100,000,000 a month for unemployment relief,--a decision reached by the Labor Ministry despite an existing quarterly appropriation limit of ¥200,000,000 under the current budget. (The current budget provides for a total of ¥808,000,000 in unemployment relief appropriations. Some observers noted, therefore, that the Labor Ministry's action might result in a complete drain of unemployment relief funds by the end of November).

The Cabinet decided on 16 September to submit a bill to the special Diet session in October calling for further reduction in government personnel. The prevailing view was these reductions could be accomplished in conjunction with the increasing decontrol of goods and commodities by the Government. Furthermore, the Cabinet agreed that administrative employees affected by this cut should not be transferred to other administrative organs.

It was State Minister Ichiro Honda (Director-General of the Administrative Management Agency) who publicly announced on 24 September that the Government intended to discharge an additional 200,000 public service workers under "a second retrenchment program," thereby, according to Honda, effecting a saving

of ¥22,000,000,000. Referring to an "administrative rationalization plan" (as quoted in the press), Honda also revealed that the Government would eventually discharge about 400,000 of the existing force of 850,000 public service employees. (Both these statements were denied by Honda on 29 September, declaring that what he had meant by "rationalization" was a "simplification of public service organizations and economy in administrative expenditures").

Organization Chart
of the National Japanese Government

All the pertinent laws concerning the national government administrative readjustment plan went into effect on 1 June. (See Review of Government and Politics in Japan, May, June, 1949). The internal readjustment of the various administrative agencies in compliance with the appropriate legislation was completed by 1 September. The attached chart shows the internal organization of major national government agencies. (The figures included represent the number of personnel fixed for these offices according to the Law for the Fixed Number of Personnel in Administrative Organizations).

昭和24年8月
人事院広報局

日本政府の
ORGANIZATION OF GOVE

憲法
CONSTITUTION

司法部
JUDICIAL

最高裁判所
SUPREME COURT

高等裁判所
HIGHER COURTS

家庭裁判所
FAMILY COURTS

地方裁判所
DISTRICT COURTS

簡易裁判所
SUMMARY COURTS

行政部
EXECUTIVE

内閣
CABINET

内閣官房
SECRETARIAT OF CABINET

人事
NATIONAL PE... AUTHO...

5,825人
経済安定本部
ECONOMIC STABILIZATION BOARD

総裁官房
PRESIDENT'S SECRETARIAT

生産局
PRODUCTION BUREAU

動力局
POWER BUREAU

生活物資局
CIVILIAN RATIONING BUREAU

財政金融局
FINANCE BUREAU

貿易局
FOREIGN TRADE BUREAU

建設交通局
CONSTRUCTION & TRANSPORTATION BUREAU

物価庁
PRICE AGENCY

3,719人
経済調査庁
ECONOMIC INVESTIGATION AGENCY

外資委員会
FOREIGN INVESTMENT COMMISSION

10,907人
建設省
MINISTRY OF CONSTRUCTION

大臣官房
MINISTER'S SECRETARIAT

管理局
MANAGEMENT & SUPERVISION BUREAU

河川局
RIVERS BUREAU

道路局
ROADS BUREAU

都市局
CITY BUREAU

住宅局
HOUSING BUREAU

20,133人
労働省
MINISTRY OF LABOR

大臣官房
MINISTER'S SECRETARIAT

労政局
LABOR POLICY BUREAU

労働基準局
LABOR STANDARDS BUREAU

婦人少年局
WOMEN'S & MINOR'S BUREAU

職業安定局
EMPLOYMENT SECURITY BUREAU

99人
中央労働委員会
CENTRAL LABOR RELATIONS COMMISSION

19人
公共企業体仲裁委員会
PUBLIC CORPORATION ARBITRATION COMMISSION

12人
国有鉄道中央調停委員会
NATIONAL RAILWAYS CENTRAL MEDIATION COMMISSION

11人
特定地方公共調停委員会
SPECIFIED PUBLIC CORPORATION CENTRAL MEDIATION COMMISSION

63人
国有鉄道地方調停委員会
NATIONAL RAILWAYS LOCAL MEDIATION COMMISSION

45人
特定地方公共調停委員会
SPECIFIED PUBLIC CORPORATION LOCAL MEDIATION COMMISSION

143,733人
電気通信省
MINISTRY OF TELECOMMUNICATIONS

大臣官房
MINISTER'S SECRETARIAT

電気通信監室
TELECOMMUNICATIONS DIRECTOR-GENERAL'S CHAMBER

業務局
BUSINESS OPERATION BUREAU

施設局
PLANT BUREAU

経理局
ACCOUNTS & FINANCE BUREAU

電気通信研究所
TELECOMMUNICATION LABORATORY

3,192人
電波庁
RADIO REGULATORY AGENCY

1,691人
航空保安庁
AERONAUTICAL AIDS AGENCY

260,655人
郵政省
MINISTRY OF POSTAL SERVICES

大臣官房
MINISTER'S SECRETARIAT

監察局
POSTAL INSPECTION BUREAU

郵務局
POSTAL BUREAU

貯金局
POSTAL SAVINGS BUREAU

簡易保険局
POST OFFICE LIFE INSURANCE BUREAU

経理局
ACCOUNTS & FINANCE BUREAU

26,764人
運輸省
MINISTRY OF TRANSPORTATION

大臣官房
MINISTER'S SECRETARIAT

海運局
MARITIME TRANSPORTATION BUREAU

船舶局
SHIP BUREAU

船員局
SEAMEN BUREAU

港湾局
PORT & HARBOR BUREAU

鉄道監督局
RAILWAY SUPERVISION BUREAU

自動車局
HIGHWAY TRANSPORTATION BUREAU

39人
船員労働委員会
SEAMEN'S LABOR RELATIONS COMMISSION

3,137人
海上保安庁
MARITIME SAFETY AGENCY

73人
海難審判庁
MARINE ACCIDENT INQUIRY AGENCY

21,259人
通商産業省
MINISTRY OF INTERNATIONAL TRADE & INDUSTRY

大臣官房
MINISTER'S SECRETARIAT

通商局
INTERNATIONAL TRADE BUREAU

通商振興局
INTERNATIONAL TRADE PROMOTION BUREAU

通商企業局
INTERNATIONAL TRADE ENTERPRISES BUREAU

通商繊維局
INTERNATIONAL TRADE & TEXTILES BUREAU

通商雑貨局
INTERNATIONAL TRADE & SUNDRY GOODS BUREAU

通商機械局
INTERNATIONAL TRADE & MACHINERY BUREAU

通商立地局
INTERNATIONAL TRADE & INDUSTRY LOCATION BUREAU

3,132人
資源庁
RESOURCES AGENCY

4,332人
工業技術庁
AGENCY OF INDUSTRIAL SCIENCE & TECHNOLOGY

344人
特許庁
PATENT AGENCY

94人
中小企業庁
AGENCY OF SMALL & MEDIUM ENTERPRISES

農林
MINIST... AGRICULT... & FORES...

(註) 本表に記入の人員数は一般職国家公務員の定員を示し、
各庁の外は「行政機関職員定員法」によった。
なお各庁の定員中にはそれぞれ附属の定員を含む。

政府の機構
OF GOVERNMENT OF JAPAN

凡例
地位系統 LINE OF AUTHORITY
報告系統 LINE OF REPORT

憲法 CONSTITUTION

行政部 EXECUTIVE
内閣 CABINET

立法部 LEGISLATIVE
国会 DIET

閣官房 SECRETARIAT CABINET

人事院 NATIONAL PERSONNEL AUTHORITY

会計検査院 BOARD OF AUDIT

国立国会図書館 NATIONAL DIET LIBRARY

参議院事務局 SECRETARIAT OF THE HOUSE OF COUNCILLORS

衆議院事務局 SECRETARIAT OF THE HOUSE OF REPRESENTATIVES

参議院法制局 LEGISLATIVE BUREAU OF THE HOUSE OF COUNCILLORS

衆議院法制局 LEGISLATIVE BUREAU OF THE HOUSE OF REPRESENTATIVES

21,259人 通商産業省 MINISTRY OF INTERNATIONAL TRADE & INDUSTRY
- 大臣官房 MINISTER'S SECRETARIAT
- 通商局 INTERNATIONAL TRADE BUREAU
- 通商振興局 INTERNATIONAL TRADE PROMOTION BUREAU
- 通商企業局 INTERNATIONAL TRADE ENTERPRISES BUREAU
- 通商繊維局 INTERNATIONAL TRADE TEXTILES BUREAU
- 通商雑貨局 INTERNATIONAL TRADE SUNDRIES BUREAU
- 通商機械局 INTERNATIONAL TRADE MACHINERY BUREAU
- 通商化学局 INTERNATIONAL TRADE CHEMISTRY BUREAU
- 通商鉄鋼局 INTERNATIONAL TRADE IRON BUREAU
- 2,373人 資源庁 RESOURCES AGENCY
- 4,365人 工業技術庁 AGENCY OF INDUSTRIAL SCIENCE & TECHNOLOGY
- 543人 特許庁 PATENT AGENCY
- 94人 中小企業庁 AGENCY OF SMALLER ENTERPRISES

78,960人 農林省 MINISTRY OF AGRICULTURE & FORESTRY
- 大臣官房 MINISTER'S SECRETARIAT
- 農政局 AGRICULTURAL ADMINISTRATION BUREAU
- 農地局 AGRICULTURAL LAND BUREAU
- 農業改良局 AGRICULTURAL IMPROVEMENT BUREAU
- 畜産局 LIVE STOCK BUREAU
- 蚕糸局 RAW SILK BUREAU
- 23,262人 食糧庁 FOOD AGENCY
- 23,272人 林野庁 FORESTRY AGENCY
- 4,832人 水産庁 FISHERY AGENCY

45,363人 厚生省 MINISTRY OF WELFARE
- 大臣官房 MINISTER'S SECRETARIAT
- 公衆衛生局 PUBLIC SANITATION BUREAU
- 医務局 MEDICAL AFFAIRS BUREAU
- 薬務局 PHARMACEUTICAL & SUPPLY BUREAU
- 社会局 SOCIAL AFFAIRS BUREAU
- 児童局 CHILDREN'S BUREAU
- 保険局 INSURANCE BUREAU
- 3,038人 引揚援護庁 REPATRIATION RELIEF BOARD

63,090人 文部省 MINISTRY OF EDUCATION
- 大臣官房 MINISTER'S SECRETARIAT
- 初等中等教育局 ELEMENTARY & SECONDARY EDUCATION BUREAU
- 大学学術局 HIGHER EDUCATION & SCIENCE BUREAU
- 社会教育局 SOCIAL EDUCATION BUREAU
- 調査普及局 RESEARCH & PUBLICATION BUREAU
- 管理局 ADMINISTRATIVE BUREAU

95,014人 大蔵省 MINISTRY OF FINANCE
- 大臣官房 MINISTER'S SECRETARIAT
- 主計局 BUDGET BUREAU
- 主税局 TAXATION BUREAU
- 理財局 FINANCIAL BUREAU
- 管財局 PROPERTY CUSTODIAN BUREAU
- 銀行局 BANKING BUREAU
- 証券取引委員会 SECURITIES & EXCHANGE COMMISSION
- 国税庁 TAX ADMINISTRATION AGENCY
- 2,022人 造幣庁 MINT AGENCY
- 2,212人 印刷庁 PRINTING AGENCY

1,356人 外務省 MINISTRY OF FOREIGN AFFAIRS
- 大臣官房 MINISTER'S SECRETARIAT
- 政務局 POLITICAL AFFAIRS BUREAU
- 条約局 TREATIES BUREAU
- 事務局 RECORDS & PROTOCOL BUREAU
- 管理局 HOUSEKEEPING BUREAU
- 連絡局 LIAISON BUREAU

41,765人 法務府 ATTORNEY GENERAL'S OFFICE
- 次長室 SECRETARY-GENERAL
- 法制意見第一局 CENTRAL LEGISLATIVE BUREAU FOR THE ATTORNEY GENERAL
- 刑政長官官房 CENTRAL CORRECTIVE ADMINISTRATION BUREAU FOR THE ATTORNEY GENERAL
- 検察庁 PUBLIC PROSECUTORS OFFICE
- 公安調査庁 PUBLIC SECURITY INVESTIGATION AGENCY
- 人事院事務総局 SECRETARIAT OF THE NATIONAL PERSONNEL AUTHORITY
- 公正取引委員会 FAIR TRADE COMMISSION
- 中央労働委員会 CENTRAL LABOR RELATIONS COMMISSION
- 海上保安庁 MARITIME SAFETY AGENCY

3,539人 総理府 PRIME MINISTER'S OFFICE
- 大臣官房 MINISTER'S SECRETARIAT
- 統計局 STATISTICS BUREAU
- 統計委員会 STATISTICS COMMISSION
- 恩給局 PENSION BUREAU
- 地方自治庁 LOCAL AUTONOMY AGENCY
- 行政管理庁 ADMINISTRATIVE MANAGEMENT AGENCY
- 賠償庁 REPARATIONS AGENCY
- 特別調達庁 SPECIAL PROCUREMENT AGENCY
- 宮内庁 IMPERIAL HOUSEHOLD AGENCY

昭和24年6月1日現在

NPA Promulgates Rule Concerning
- Political Activities of Government Workers

Article 103 of the National Public Service Law restrained public service employees from engaging in political activities and required the National Personnel Authority to define "political activities" by rule. Consequently, in clarification of this provision in the law, the NPA on 19 September promulgated Rule No. 14-7 defining "political activities" by government personnel. The following activities were prohibited:

1. The use of government position for political purpose.

2. Rewarding or penalizing employees in return for doing or not doing acts for a political purpose.

3. Soliciting funds for political purposes.

4. Paying money to a national employee for political purposes.

5. Organizing a political party or becoming an officer or political adviser of such an organization.

6. Soliciting members for a political party.

7. Publishing party organs.

8. Soliciting votes.

9. Organizing political demonstrations.

10. Making public expressions for political purposes.

11. Distributing materials having a political purpose.

In promulgating the rule, it was claimed that one of the important objectives of the National Public Service Law was accomplished. Government officials maintained that for the protection of the general public, assurance was given that employees of the national government owed their allegiance to the people as a whole rather than to a political party or other political groups. Moreover, employees were protected from demands, threats and reprisals by persons or groups endeavoring to accomplish political objectives. It was claimed, furthermore, that penal provisions in the law assured reasonable observance of the restrictions.

In labor union quarters the NPA rule met with vigorous criticism. On the same day that the rule was promulgated, the Social Democratic Party demanded that the NPA retract the new ruling on the ground that it ran counter to the Constitution, the Potsdam Declaration, and the basic policy of the Far Eastern

Commission. The party's resolution was submitted by three Social Democratic members of the House of Representatives to NPA President Asai who replied that any retraction of the rule was "difficult to accomplish." According to the press on 20 September, the Social Democratic Party announced that it would undertake a joint struggle with the National Railway Workers Union in protest of the ruling.

Similar action was undertaken by the Communist Party, when two Communist Diet members called on Chief Cabinet Secretary Kanemichi Kazuda on 19 September also demanding nullification of the NPA rule.

Progress of Democratization in the Process of Reconstructing Japan's Labor Movement

By far the chief significant features of labor activities during the month of September was the increased tempo of the democratization movement among the rank and file of the nation's trade unions. Directional focus and organization, often lacking hitherto in individual union efforts to rebuild their groups, were important attributes noted by the labor observers during the month's activities.

Noteworthy strides toward democratization were made particularly by the members of the Government Communications Workers Union. The struggle began with the right-left clash on 3 September when left-wingers within the union issued an order calling upon all chapters to refrain from registering their membership on local levels, as required by the National Personnel Authority, declaring that the union's central headquarters would register the entire union personnel. This action was interpreted by Reconstruction League members,--the union's moderate faction,--as an effort to preserve the status of "outside" control over the union and would certainly lead to rejection by the National Personnel Authority.

On 12 September, when the union's Ninth Central Committee meeting opened at Suwa, the Reconstruction Leaguers met their first set-back in failing to push through their first candidate in the election of temporary chairman. Friction was intensified between the leftists and the moderates when the qualifications of nine dismissed Central Struggle Committee members came up for discussion. With the meeting in full swing, the leftist strategy which held that the Suwa meeting was convened merely as a stepping stone to the national

convention scheduled for October and hence not called to decide important issues, was bitterly denounced by the Reconstruction League faction. On the following day, all the moderates walked out of the meeting after failing to get the faction's nine Central Struggle Committee members recognized and after listening to charges against them of collaboration with the Yoshida Cabinet's personnel retrenchment program. Adding impetus to the breach had been the sudden leftist refusal to admit to the meetings all members of the press,--with the exception of Akahata, Rodo Sensen (Labor Front, organ of the National Congress of Industrial Organizations), and other leftist organs,--on the alleged ground that the general press represented bourgeois and reactionary opinion. (This action was widely censured in press quarters throughout the country).

On 14 September, the Reconstruction League faction launched at the meeting the significant challenge that it was prepared to organize a separate union--the "Orthodox" Communications Workers Union. The group further decided that:

1. The election of representatives to the union's national convention scheduled for 10 October would be held in accordance with rules specified in the new constitution of the "orthodox" union.

2. The new constitution would meet the requirements of various provisions of the revised labor legislation.

3. The union would embody in its future "struggle policy" the following three objectives:

a) Reinstatement of government communications workers discharged under the administrative retrenchment program;

b) Revision of the Law for the Fixed Number of Employees in Administrative Organizations and the National Public Service Law; and

c) Wage increases.

This decisive action on the part of the Reconstruction League prompted alarmed leftists to propose a number of counter-measures, including the scrapping of the non-recognition issue and the adoption of majority rule,--overtures which were, however, rejected by the promoters of the new union. A statement issued by the Reconstruction League rejecting the leftists' counter-measures stated:

"Extreme leftist elements centered around Communist Party members have,

out of their keen desire to bring about a radical revolution in the existing social order, have repeatedly striven to lead the national economy to the brink of destruction and chaos."

As a result, the statement continued, "these elements have forgotten the true purpose and scope of the labor union movement and have failed to take up the earnest demands of union members,--a situation climaxing in the extreme dissatisfaction and irreconcilability of factions within the unions.

"It has now become apparent that in order to preserve the unity of our union we can no longer collaborate in the promotion of a so-called 'democratic front' because of its sponsorship by Communist elements....For this reason, we have no other alternative but to make a clean break with the extreme leftist elements. The interests of 400,000 of our members and the interests of a truly unified, free, and genuinely labor movement in Japan are at stake."

Acting upon this rejection, the defiant leftist group of Central Committee members (consisting of 81 members), met immediately and decided: (1) that the union's struggle policy decided at the Akita national convention,--the "resort to force, including strikes" decision (8 June),--would be maintained; (2) that orders issued thereafter by the Central Struggle Committee should be carried out by the locals; and (3) that the next national convention of the union would be convened around the middle of October.

Initial observations by labor commentators that the inchoate "orthodox" communications union would receive official recognition by the Government were borne out by a statement by Telecommunications Minister Saeki Ozawa on 16 September that he was "ready to talk with the leaders of the new union provided the group did not include discharged officials." Of course, he added, these discussions would be undertaken contingent on the union's formal registration with the National Personnel Authority.

Meanwhile, reports poured in from the various local councils of the union indicating that the rank-and-file membership were increasingly turning from their leftist leaders and veering toward the new reconstructionist movement. In Hokkaido, the Reconstruction Leaguers were reported to be overwhelmingly strong; in the Tohoku district, since discharged workers had totalled a bare one percent and these had already found new jobs, no serious struggle

tactics confronted the local council whose 4,000 members were reported to have seceded from the old union and were joining the new "orthodox" group; in Nagano Prefecture, the local council was reported to be completely split and that the Reconstruction League was preparing to launch the first general meeting of the "orthodox" union; in Chiba Prefecture, the local council was split three ways between the Reconstruction League, neutrals, and the leftists; in Kanagawa Prefecture, 70 percent of the members of the local chapter had thrown their support to the Reconstruction League; and in Shizuoka Prefecture, three-fourths of the total number of 28 locals supported the activities of the Reconstruction League.

Encouraged by this unexpected strength of support, the new Orthodox Communications Workers Union on 18 September issued Order No. 1 to the various local chapters throughout the country. The order called upon the local chapters to take immediate steps to register with the National Personnel Authority as "inside unions." Further the order strongly urged union members to reject any "illegal elements" who advocated "outside union" status. This in effect was an open rejection of a previous order,--Order No. 5,--issued by the former Communist-dominated communications union headquarters.

On 21 September, the new union made a notable membership stride when the Council of Clerical Workers comprising of some 20,000 members, issued a statement announcing its affiliation with the Orthodox Communications Workers Union. The statement excoriated the former communications union as dominated by extreme left-wingers and affirming that such a union was "impotent to function as a bona fide trade union under the present circumstances.....Our demands can be attained only through a new union equipped with all qualifications called for by NPA rules. Therefore, the Council of Clerical Workers identifies the Orthodox Communications Workers Union as the true trade union representing the 400,000 government communications workers and affiliates itself therewith."

By the end of the month, the orthodox union had established its headquarters at Nihonbashi in Tokyo. The press on 30 September set an estimate of the new union's membership for Tokyo alone at 40,000 members.

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Taking note of the striking changes in the labor field which were emphasized by a comparative analysis of the struggle for hegemony within the Japan National Express Workers Union during its April national convention and the convention's extension into the month of September, labor observers watched with some interest the opening of the union's convention on 24 September. It was noted that a conspicuous quiet reigned in the union's leftist camp following the various steps of the personnel retrenchment program, the split in the communications workers union and the victory of the Reconstruction Leaguers, the progress of the Democratization Leaguers of the railway workers union. On the basis of these developments, labor observers had predicted a triumph for the moderate elements within the express workers union as well.

The main issue, which had been left unresolved at the April convention, was the question of the union's secession from the leftist-dominated National Congress of Industrial Organizations and from the National Liaison Council of Labor Unions. While the left-wingers within the union claimed that the issue should be redeliberated on the basis of continuation from the last convention, the right-wingers maintained that the September meeting was independent from the April meeting. The final decision was reached on 27 September following three days of heated debate, when by a vote of 254 to 93 the union severed its affiliation with the National Congress of Industrial Organizations. Commenting on the decision, Kyodo declared: "A decisive blow to the leftist-dominated labor movement has been struck and a smashing victory resulted for the moderates fighting to oust Communist influence from the ranks of the labor union movement in post-war Japan."

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With leftist bulwark in the National Railway Workers Union demolished by the loss of its leaders as a result of the personnel retrenchment, a solidly-girded moderate majority moved on 6 September to end the union's participation in the leftist-dominated National Liaison Council of Labor Unions. Formal confirmation of this move was the issue facing the union's national convention scheduled for 7-9 October.

Meanwhile, the State Railway Corporation assured union members that no further large-scale personnel cuts would be made. This pledge was made in a

conference on 7 September in a conference of top officials including Director Kayano of the Personnel Bureau of the State Railway Corporation with a delegation of seven union representatives headed by Chairman Etsuo Kato of the National Railway Workers Union. At this conference authorities of the State Railway Corporation made the following pledges to the union:

1. No further large-scale personnel reductions would be made.

2. Reductions, if made, would come about through "natural decrease" in the number of employees.

3. Reforms per se, although possibly resulting in surplus personnel, would not engender further reductions.

At the same time, an agreement was also reached whereby union officials connected with grievance machinery would be authorized to conduct their activities during working hours, and a new labor contract governing union activities in general was signed on 7 September.

The issue of "union leave", which theretofore had been established on the basis that any employee engaged in union activities was regarded as having taken a "union leave" with a subsequent wage loss for the time, was amended to grant such leave without deduction when the activities involved attendance at conferences concerning collective bargaining or workers' grievances.

The new contract, however, did not touch upon the wage problem, and on 13 September the State Railway Corporation rejected the union's request for wage increases and year-end bonuses. A statement handed to the union declared that the corporation was in no position to comply with the demands in view of current conditions "brought about by enforcement of a balanced budget and implementation of the 9-point Economic Stabilization Program." The union's request that the issue be referred to the National Railway Dispute Mediation Committee was likewise rejected by the corporation, which claimed that the issue as a problem of revenue sources could not be mediated.

The railway union's Democratization League, at a meeting of national delegates on 17 September, decided that the majority of local union chapters would send representatives to the general meeting to be held at Shiobara on 7 to 10 October, at which time "a democratic reconstruction" of the union would be effected. At the same meeting, the League also decided to throw

its unified support to the Reconstruction League faction of the Government Communications Workers Union, as well as to strive to expedite the participation of "united" Japanese labor in the Free World Labor Federation.

Calling for a "national labor congress for struggle in the Diet," the Democratization League of the National Railway Workers Union on 27 September decided to request all Democratization League-led unions to extend their support to Diet members "who are sympathetic to labor problems in general" at the special Diet session. The campaign would enlist the support of Democratization League factions of the Federated Council of Government and Municipal Employees Unions, the Japan Teachers Union, the Printers Union, the Reconstruction League of the Government Communications Workers Union, and progressive groups from all other labor organizations including the National Congress of Industrial Organizations and the National Federation of Labor. The chief target of the proposed "congress" would be the Law for the Fixed Number of Personnel in Administrative Organizations,--the so-called "Table of Personnel Strength."

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Although the four-day sessions of the national convention of the National Federation of Coal Workers Union, held from 20-24 September, failed to resolve the issue of the Federation's participation in the anti-Communist World Free Labor Federation, the proposal, as presented to the convention by Chairman Takeo Muto, was nevertheless interpreted as another significant move in the direction of crystallization of Japanese labor's democratization forces.

Dissenters to Chairman Muto's proposal, consisting mainly of leftist representatives of the former All-Japan Coal Miners Labor Union, defended their stand by declaring that the immediate policy of the Federation should be to "defend" the coal industry before attempting to decide the union unification issue.

Put to a vote, the resolution failed to muster the necessary two-thirds majority, with 140 affirmative votes and 124 negative.

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It was generally conceded that the month of September had witnessed a decisive defeat for the leftists in the labor movement. Thus, on the basis of a renewal of focus in the direction of democratization, labor observers predicted a further strengthening of moderate elements in the months ahead.

The success of the Democratization Leaguers in the National Railway Workers Union, the Reconstruction Leaguers' final action in establishing the Orthodox Communications Workers Union, and the severance of the National Express Workers Union's alliance with the Communist-dominated National Liaison Council of Labor Unions had all been significant developments in the direction of democratization of labor activities.

These developments received complete coverage and evoked editorial comments in the metropolitan press. Following is an analysis of the significance of the democratization trend in the labor movement by a staff writer of Kyodo (14 September):

"The complete split of the powerful Government Communication Workers Union (400,000 strong), resulting from the parting of ways between the Reconstruction Leaguers and the Communists in the Ninth Central Committee meeting at Suwa yesterday, marks a crucial turning point in the fight of moderate labor to overthrow Communist domination in the post-war labor movement.

"The split, in a sense, may also be regarded as a climactic point in the awakening of moderate labor to the red menace, first noticed following the abortive Communist-inspired February 1 strike of 1947 and spurred by General MacArthur's memorandum last year on the revision of the National Public Service Law.

"The rise of moderate labor against Communist domination of the labor movement, established in the hectic and immediate post-surrender days has already born fruit in the powerful National Congress of Industrial Organizations and in the National Railway Workers Union.

"In the case of the NCIO, the moderate Democratization Leaguers have already formed a new National Federation of Industrial Unions, while in the case of the NRWU, the Democratization Leaguers, with a stronger foothold than in the Government Communication Workers Union, succeeded in gaining domination of the union.

"The complete split of the Government Communication Workers Union will gravely affect the forthcoming national convention of the railway union to be held in Shibuya on October 7-9, the first to be held since the rise to power of the moderates and regarded as a test of the strength of the Democratization Leaguers.

"The split of the Government Communications Workers Union may be regarded further as rallying moderate labor in a joint anti-Communist front.

"The first indication of this was seen last night in Suva when local representatives of the National Railway Workers Union, the New NFIU, the (National Federation of Labor), and the Social Democratic Party issued a joint declaration calling for 'cooperation with the Reconstruction League and a switch-over to a counter-attack against the red front'.

"However, the future of the Reconstruction League is not expected to be a bed of roses.

"Out of the 400,000 members of the Government Communication Workers Union, 200,000 are regarded as leftists, 150,000 as supporters of the Reconstruction League and 50,000 as neutrals.

"The main fight of the Reconstructionists will be to win over the rank and file of the union to their side. Upon the success of the Reconstruction Leaguers to form a new moderate union, depends the future of the labor movement among government employees, in which the Government Communication Workers Union together with the National Railway Workers Union were long the main bastions of unionism.

"The main strength of the Reconstruction Leaguers lies in the fact that the union, which it will form, will gain the official recognition of the Government.

"With only one Reconstructionist leader of the Central Strike Policy Committee, Vice-chairman Yasuo Katsumata, dismissed under the personnel slash program, the Reconstructionists have all their leadership intact.

"Thus, unlike the United Leftists, whose leader had been virtually wiped out by the personnel cut, the Reconstructionists would be able to form a union, qualified to be registered with the Government and coming under the protection of the National Public Service and labor laws.

"But at the same time, once this legal union is formed, the Reconstructionists will have to prove to the rank and file of the union, the efficacy of democratic labor tactics, that is, collective bargaining and legal struggle measures.

"The spearhead of the new union is thus expected to be centered upon the immediate opening of collective negotiations on such crucial questions as the relaxation of the personnel cut program and wage demands.

"In addition, as part of its legal struggle, the projected union is expected to put up a big campaign in the forthcoming extraordinary Diet session to revise the Table of Personnel Organization Law and the National Public Service Law and to have tax on earned income reduced as much as possible.

"On these points, the new union will find support from the Democratization Leaguers of the National Railway Workers Union and the National Federation of Industrial Unions (new Sanbetsu).

"Lastly, the clear cut policy made by moderate labor against the Communists will have important political repercussions upon the Social Democratic Party itself.

"The re-emergence of the Social Democratic Party, the strengthening of its ranks, and its winning back of popular support depends greatly upon the party's ability to lead moderate labor in its two-flank attack,--against the Communists on the one hand and against capital and the Yoshida Government on the other.

"In short, future actions of the Reconstruction Leaguers will bear close watching as influencing not only the labor movement in Japan but political trends, specifically the forthcoming Upper House elections next spring."

Personnel Retrenchment
in Tokyo Metropolitan Government

The Tokyo Metropolitan Government discharged 3,484 of its employees, --the majority of whom were reported to have retired voluntarily,--between 15 and 30 September in accordance with the Ordinance Concerning the Fixed Number of Personnel in the Tokyo Municipal Government (passed by the Tokyo Metropolitan Assembly on 11 August). At the time, the Tokyo municipal government employed 47,875 workers. Accordingly, the number of municipal employees was reduced to 44,391.

In this connection, it is to be noted that prior to the passage of the above-cited ordinance the number of personnel for the Tokyo municipal govern-

ment was fixed at 52,629 by appropriate legislation, but 47,875 were actually employed as of 15 September. The new ordinance, however, fixed the total number of Tokyo municipal employees at 49,850.

Nagayama Designated to Head Railway Corporation

The Government on 24 September announced the appointment of Vice-President Yukio Nagayama of the State Railway Corporation to the post of President which had been vacant since the death of Sadanori Shimoyama in June. Nagayama had been serving as acting head of the agency.

Ministry Official Resigns

Tomitaro Hosoi resigned on 10 September from his post as Director of the International Trade and Sundries Bureau of the Ministry of International Trade and Industry. According to press statements, Hosoi announced his intention of running as a candidate in the House of Councillors elections next Spring.

Sidewalk Stalls Ordered Abolished

The Tokyo Metropolitan Government and the Metropolitan Police Board at a conference on 14 September decided that all sidewalk stalls in Tokyo would be cleared away by the end of May 1950. At the present time, there are reported to be 9,983 stalls carrying on business in the various districts of the capital, of which 5,934 are of the sidewalk variety.

A meeting of 300 representatives of Tokyo street stall operators on 21 September adopted a resolution protesting the order of the metropolitan government. The resolution declared that the "unilateral order of the metropolitan authorities to close the stalls by the end of May 1950 would deprive at least 10,000 operators in the capital of a livelihood."

Public Opinion Research Institute
Completes Surveys On Japanese Attitudes

The National Public Opinion Research Institute, which somewhat corresponds to the Division of Program Surveys of the United States Department of Agriculture, the British Social Survey, and other similar public opinion survey agencies abroad, was established by the National Public Opinion Research

Institute Establishment Law enacted by the Fifth Diet session. The law, which went into effect on 1 June, was designed to bring public opinion testing and attitude sampling techniques to the service of the Japanese Government. (See Review of Government and Politics in Japan, June 1949).

The National Public Opinion Research Institute, which was established on 1 June, took over some of the activities of the former Cabinet Deliberation Room Public Opinion Unit and by the end of September completed some research projects initiated by that unit.

To help assure the new Institute's independence from political pressures, it was established by law as an autonomous agency under the administrative jurisdiction of the office of the Prime Minister. To strengthen further the organization's autonomy, operational control was transferred from the Prime Minister to a Board of Governors appointed from among representatives of organizations designated by law in the field of public affairs and the social sciences.

Professor Hiso Koyama of Tokyo University and Chief of the former Cabinet Deliberation Room Public Opinion Unit (which was absorbed into the new Institute), was appointed Director of the Institute. Most of the Institute's staff members are professional social scientists in the fields of psychology, statistics, political science, ethnology, and sociology.

Under the establishment law, the Institute is specifically prohibited from making partisan political surveys and engaging in activities which might be interpreted as attempts to control public thinking and opinion. Its research program was specifically planned to survey public attitudes on government programs currently being administered or projected for the future.

A survey of "Attitudes of Small Enterprises Toward Income Tax Problems Under the Personal Declaration System" was completed in September. In addition, the following three research projects, which were begun by the Cabinet Deliberation Room Public Opinion Unit, were also completed by the Institutes:

"A Survey of Attitudes Toward Prostitution" -- to determine, for consideration of the National Diet and the Office of the Attorney General, public opinion on problems involved in establishing legislation on prostitution.

"Survey of Farmer Attitudes Toward Current Farm Problems" -- to assess

reaction of farmers to current programs such as crop insurance, pre-planting quotas, and increase in food production.

"Survey of Urban Attitudes Toward Health and Social Insurance" -- to determine understanding and interest concerning health and social insurance programs.

Members of International Trade Advisory Council Designated

The Government on 1 September announced the designation of a panel of 23 members of the International Trade and Industry Advisory Council. The Council will serve as a deliberative organ to the Ministry of International Trade and Industry on matters pertaining to commerce, trade, and industry. The following members were designated:

Ichiro Ishikawa, Chairman of the Japan Industrial Committee (Nippon Sango Kyogikai).

Zenichi Itani, Managing Director of the Japan Trade Association (Nippon Kyogikai).

Hirato Ichimada, Governor of the Bank of Japan.

Takehiko Hamaguchi, President of the Bank of Tokyo.

Bunbei Hori, President of the Fuji Cotton Spinning Company, Ltd.

Masataka Toyoda, Chairman of the Japanese Federation of Smaller Enterprises (Nippon Chusho Kigyo Renmeikai).

Yasujiro Okano, President of the Mitsubishi Heavy Industries, Ltd.

Naoto Kameyama, Chairman of the Japan Learning and Study Council, (Nippon Gakujutsu Kaigi).

Eizo Nagasaki, President of the Industrial Reconstruction Public Corporation.

Keiji Nakajima, President of the Oji Manufacturing Co., Ltd.

Kiyoshi Nagata, Professor at Keio University.

Shigeto Tsuru, Professor at Hitotsubashi University.

Ichiro Nakayama, President of the Hitotsubashi University.

Taro Natsuda, Ex-Vice-Minister of Commerce and Industry.

Suketada Komamura, President of the Gosho Trading Co., Ltd. (Gosho K.K.).

Matsuichi Enjoji, Chairman of the Japan Coal Association (Nippon Sekitan Kyokai).

Shinsuke Asao, President of the Nippon Yusen Kaisha, Ltd.

Hiromasa Arisawa, Professor in the Economic College, Tokyo University.

Takeshi Sanki, President of the Japan Iron Manufacturing Co., Ltd., (Nippon Seitetsu K.K.).

Hikoichiro Miyazaki, President of the Kobe Chamber of Commerce and Industry.

Seijiro Miyajima, Chief Director of the Japan Industrial (Nippon Kogyo Kurabu)

Teiichi Kawakita, Vice-President of the Industrial Bank of Japan

Setsuzo Sawada, Chief Director of the Foundational Juridical Person World Economy Investigation Society (Zaidan Hojin Sekai Keizai Chosakai).

Prime Minister Thanks U. S. For Relief

In a message addressed to a group of American press correspondence on 26 September, Prime Minister Shigeru Yoshida expressed the gratitude of the Japanese people for American aid given Japan in relieving distress during the past four years. The Prime Minister's message, given at a formal reception of the group which arrived in Japan aboard the Pan American Clipper Southern Cross on 25 September, was as follows:

"Four years ago, just after the end of war, we were very disheartened and did not know what to do. There was a shortage of food,--in fact, a shortage of everything. But through the kindness of the Government of the United States and the thoughtful leadership of General MacArthur, we have been able to carry on.

"And I am confident we can go on. I hope that you will take this expression of our gratitude to your country through your newspapers."

Collapse of the "Opposition League;" Renewal of Efforts to Unseat the Yoshida Cabinet

The month of September witnessed the collapse of the "Opposition League." The raison d'etre of the League—whose activities were promoted chiefly by the Social Democratic Party, the opposition faction of the Democratic Party, the New Political Council, and which at times received some cooperation from the Labor-Farmer Party—ceased to exist on 13 September when the Government announced that the Sixth Special Diet session would be convened on 25 October. The League, which had focused all its activities on "an early convocation of the Diet," was thus disbanded on 19 September. (The "Opposition League" was formally organized on 26 August. See Review of Government and Politics in Japan, August 1949.)

The month of September also witnessed renewed efforts on the part of the Labor-Farmer Party to spearhead a combined opposition movement to unseat the Yoshida Cabinet. The Social Democrats, although sympathetic toward the movement, were openly reluctant to participate on two counts: first, because they preferred to bide their time and await the opening of the Diet where they could voice their opposition to the Administration; and secondly, because of the participation of the Communist Party in the movement.

The Government's announcement convening the special Diet session, although the prime reason causing the disbandment of the "Opposition League," was not, however, the only reason. Certain inter-party difficulties which had arisen indicated to the public the lukewarm attitude of the chief promoters. Hence, the Social Democratic Party, as the chief opposition group, decided on 13 September—the same day that the Government announced the convocation of the special Diet session—that in view of the lack of public support for the League, the party would pursue a policy of collaboration with anti-Communists labor groups to bring about the fall of the Yoshida Administration.

On 19 September, at the final meeting of the "Opposition League," the Social Democrats invited the opposition faction of the Democratic Party and the New Political Council to enter in a joint campaign to force the ousting of the Yoshida Cabinet in conjunction with various extra-parliamentary groups. The

Democrats rejected the invitation on the ground that the time for such a movement was unripe. Therefore, it was mutually agreed to disband the League; it was decided, however, that the member parties should continue to cooperate closely on all legislative matters of mutual interest, and that liaison meetings between them should continue to be held as a means of maintaining active cooperation.

At the same time, the Social Democratic Party formally rejected the Farmer-Labor Party's bid to participate in an anti-Administration movement in collaboration with the Social Renovation and Communist parties. The Farmer-Labor Party, after a series of Central Executive Committee meetings and inter-party negotiations extending back into August, had formally proposed that the four parties should form an active united front against the Administration. The Labor-Farmer Party's proposal listed the following five points:

"1. The five opposition parties [Social Democratic, Labor-Farmer, Social Renovation, Communist parties, and the opposition group of the Democratic Party] will force the Yoshida Cabinet to accept the responsibility for the current social and political confusion, and at the same time they will launch a vigorous movement calling for a speedy convocation of the special Diet session. This movement will be conducted both on a parliamentary and extra-parliamentary basis.

"2. The objectives of the anti-Yoshida Cabinet drive should be to force the Cabinet to accept the responsibility for the unemployment resulting from the Government-engineered personnel reduction programs; make it responsible for the undue oppression brought to bear upon the working classes by the imposition of heavy taxes; and hold it responsible for attempting to destroy the labor movement through 'political' dismissals of union officers.

"3. The Yoshida Cabinet contributed to the destruction of economic independence, adversely influenced industry, and disrupted agricultural administration.

"4. The opposition parties in this fight against the 'mal-administration' of the Yoshida Cabinet will cooperate with sympathetic labor and agricultural unions.

"5. The integrity of the parties participating in this joint struggle movement will be respected."

Prior to dispatching this proposal to the parties concerned, Labor Farmerite Haruo Ozeki told press reporters that this movement proposed by his party would replace the Labor Farmer Party-sponsored "Council to Protest the Constitution and Overthrow the Cabinet" which had been organized on 7 July 1949.

The Communist Party accepted the program enthusiastically and promised its full support to the Labor Farmerites in "organizing the masses for the joint struggle."

The Social Democratic Party on 28 September notified the Labor Farmer Party that it would not participate in the joint "Down with the Yoshida Cabinet" movement, but would gladly cooperate with the Labor Farmer Party in the Diet and in "certain activities" outside of the Diet. The Social Democratic refusal was largely based upon their opposition to Communist Party participation in the movement. Labor Farmerite Seiichi Suzuki in replying to the Social Democratic demand to exclude the Communists stated that the original common front policy agreed upon by his party had included the Communist Party and, in view of the fact that the Communists had already announced their intention to cooperate, it would be impossible to exclude them. The Social Renovation and New Farmers parties followed the Social Democratic lead and also declined to lend their strength to the movement.

In view of the stand taken by the Social Democratic Party, the statement made by the party's Secretary-General, Mosaburo Suzuki, on 16 September that the time had come for the opposition parties to seek an early collapse of the Yoshida Cabinet seemed somewhat empty-sounding.

There were, however, four members of the Social Democratic Party who were anxious to cooperate in a joint opposition front. Umeichi Adachi and Tomomi Narita, members of the House of Representatives, and Taji Suzuki and Eiichi Horooka addressed a memorandum to the party's Central Executive Committee on 9 September urging the committee to accept the Labor-Farmer party's proposal. These four members, however, announced that they would cooperate

with the Labor-Farmer Party in the formation of a joint front regardless of any decision reached by their party's Central Executive Committee. As a result some party leaders indicated that those members would be disciplined should the four persist in acting independently in disregard of the Central Executive Committee decisions.

The Conservative Merger Issue

Prime Minister Shigeru Yoshida and President Ken Imaizi of the coalition faction of the Democratic Party, held a two-hour conference on 26 September without arriving at any definite solution of the conservative merger issue. It was reported, however, that the two leaders had discussed at length mutual cooperation with respect to the Sixth (special) Diet session scheduled for October, the subsequent regular Diet, and the House of Councillors election in 1950. As a result, political observers generally felt that the much-heralded merger issue would be postponed until after the special Diet at least, and perhaps longer. This viewpoint was borne out to some extent in a statement by Secretary-General Kosen Hirokawa of the Democratic Liberal Party when he declared on 15 September that the Democratic Liberal Party was not contemplating any merger until after November. "Neither is it likely," he added, "for President Ken Imaizi of the coalition Democrats to enter the Yoshida Cabinet in the immediate future." "Of course," Hirokawa continued, "the Democratic Liberal Party is irrevocably determined to move in the direction of a conservative coalition, and this policy will never be altered." Prime Minister Yoshida on 29 September stated that the conservative merger would materialize "in time." He would not state definitely when this would be, but merely said, "We must wait until the right time comes along." "Political developments cannot be hurried," he added. Yoshida once again stated his belief that Japanese politics would not become stabilized until a parliamentary system based upon one conservative and one progressive party had been established. "If we hold conservative views, there should be some others holding progressive ideas," Yoshida maintained. "When any one party is in power for too long a period," he continued, "it will make mistakes....I do not favor an opposition party with radical and extreme views, therefore I

believe the coexistence of the Democratic Liberal and the Social Democratic parties as the two principal political parties alternating in the role of the Government party as most desirable." Yoshida concluded by labeling as "absurd" the theory advanced by some that two major parties should exist within the conservative camp.

Following his talk with the Prime Minister on 26 September, Inukai told the press that the two parties, in addition to devoting themselves to closer cooperation in the Diet and in election campaigns, would jointly study such problems as the "rice coupon" system and the decontrol of sweet potatoes. Inukai was also reported to have stated that he would in the future consult with Yoshida "as often as possible."

The coalition Democratic members of both Houses of the Diet after hearing a report by Inukai on his talk with Yoshida upheld the decision to work jointly with the Democratic Liberal Party in formulating Diet policy.

In line with this announcement, leading members of both parties on 29 September reaffirmed an earlier decision to work for the adoption of the rice coupon system. (Note: For a discussion of the rice coupon system, see this report "Financial and Economic Problems" Section.) Representing the Democratic Liberal Party at this conference were Secretary-General Kozan Hirokawa and Chairman Hisaka Sato of the party's Political Affairs Research Committee; Secretary-General Shigeru Hori and Chairman Zentaro Kosaka of the Political Affairs Research Committee represented the coalitionist Democrats. The 1950-51 fiscal budget was also discussed and agreement was reached that the budget should be formulated with special consideration given to natural disaster rehabilitation, unemployment relief, and a reduction in the tax burden.

Democratic Liberal Party

The party's Special Budget Deliberation Committee, after a series of meetings during the latter part of September, adopted several recommendations for submission to the Government. For the revised 1949-50 fiscal budget, the committee urged that the principal emphasis be placed on natural disaster rehabilitation and unemployment relief appropriations. With respect

to the 1960-61 fiscal budget, the committee recommended that the budget be compiled along lines designed to relieve public and business enterprises of their tax burdens "to as great an extent as possible." It was urged that both budgets be compiled in accordance with the "Dodge line" and the tax reform recommendations of the Shoup Taxation Mission. The party's executive officers on 25 September approved these recommendations.

Secretary-General Kosen Hiroizumi declared on 16 September that the Democratic Liberal Party, despite strong opposition from several quarters, would work for the removal of government controls over sweet and Irish potatoes. The executive officers of the party had previously urged Agriculture and Forestry Minister Kotaro Mori to decontrol sweet potatoes by the end of September. "The proposed decontrol of potatoes," Hiroizumi was reported to have stated, "is one of the basic points in our party's domestic policy." (Note: for a further discussion of the potato issue, see this report under "Economic and Financial Problems.")

The Democratic Liberal members of the House of Councillors announced on 26 September their decision to give formal party recognition to all of their incumbent candidates in the House of Councillors' election in 1960. This announcement stated that all new candidates would also be given party recognition after they had been approved by party headquarters and the House of Councillors Election Committee of the party. It was revealed that the Democratic Liberal Party had 32 Councillors with terms of office expiring in 1960. Eight of these were in the national constituency, with the remaining from prefectural constituencies.

Representative Torao Nakamatsu from Nagasaki Prefecture succumbed from a brain hemorrhage on 24 September. His death reduced the Democratic Liberal strength in the House of Representatives to 286.

The reported rift which had developed in August between Secretary-General Kosen Hiroizumi and party adviser Ichiro Ono on the merger issue, but which had apparently been smoothed over again, erupted again in September. Ono told the press on 24 September that he would demand the resignation of Hiroizumi in case the issue should be brought up for discussion by the party's executive officers.

On 28 September, Ono urged that the status of Hirokawa should be decided prior to the convocation of the special Diet by calling a national party convention. Ono also stressed that it was unlikely that such a convention would return Hirokawa to his post. In the event it should be deemed inadvisable to convene such a convention, he suggested that the Secretary-General's post should be filled by the party's executive officers from a list of candidates recommended by the party president (Prime Minister Yoshida). Ono denied prevailing rumors that the matter was a "personal feud" between himself and Hirokawa. He said, "I am merely acting in accordance with the wishes of the majority of our party members."

At the end of the month, however, it appeared doubtful that Hirokawa would be replaced. Prime Minister Shigeru Yoshida was reported to have told Jiro Hoshijima, a mediator in the dispute, on 30 September, that he did not believe it necessary to stage an immediate election of party officers. This was interpreted by some quarters to mean that Yoshida, as the party's president, was anxious to keep intact the existing slate of party officials rather than risk any upheaval within the party prior to convening the Diet. It was also generally felt that the Prime Minister was anxious of personally reserving the right of setting the date for any change in the secretary-general's post. An indication of this was the announcement by Jiro Hoshijima on 30 September that the Prime Minister was more or less indifferent to the reported discord between Hirokawa and Ono. Hirokawa stated on the same date that the party would leave intra-party problems up to Yoshida for peaceful settlement.

In preparation for the Sixth Extraordinary Diet, the executive officers of the Democratic Liberal Party created five special committees to conduct studies of the budget, proposed legislation, the government administrative system, the tobacco industry, and natural disaster rehabilitation programs. The members of these committees as announced by Secretary-General Kosaka Hirokawa were as follows:

Budget Deliberation Committee Members:

Etsujiro UEHARA	Takeo SAITO	Jiro HOSHIJIMA
Moritoshi HAYAJIMA	Chubei ONOSE	Shiro HAMAMURA
Katsuo OKAZAKI	Yoshimitsu NAKANO	Buzaburo ONO
Kitsuo TSUBURAYA	Daichi OISHI	Shoichi IWABA
Yasumi OKAMAHARA	Koichi ISHIHARA	Shunichi HORIE
Kenichi TSUJI	Tadao KURAISHI	Juichiro TSUKADA
Hideo SUDO	Eisaku SATO	Hiroshi KANDA
Ryutaro HIRATO	Gishin JYO	Senzaburo FUJIWARA
Ryuta HOSHINO	Yoshio MISAKI	

Legislative Affairs Committee

Chairman: Koichi NAKADA

Members:

Shiro HAMAMURA	Yoshiteru KOGANEI	Shozo SASE
Kobun TAJIMA	Matsuichi TAKAGI	Tomizo OSHITANI
Noriyoshi MIYAKE	Hajime FUKUDA	Katsutoshi SEKIYA

Investigating Committee on the Return of the Tobacco Industry to Private Management

Chairman: Shunichi HORIE

Members:

Ichiro SHIMAMURA	Shigesaburo MABO	Koji ASAKI
Iwataro YAKUSHIJIN	Michiyoshi FUSHI	Minoru TAMAKI
Tatsui GUNJAN	Shozo YOSHIDA	Tetsuzo TAMURA

Investigating Committee on the Government Administrative System

Chairman: Masanobu OGAWARA

Members:

Shizuka HIRANA	Tadashi AOKI	Senzaburo FUJIWARA
Koji IDE	Takuyasu FUKUDA	Makoto TANAKA
Koji SENDA	Kazuo KONO	Koichi TANAKA

Natural Disaster Relief Planning Committee

Chairman: Tsuneko MATSUURA

Members: All Diet members from disaster-stricken areas.

Democratic Party

The Federation of Democratic Party Prefectural Assemblymen at a meeting in Tokyo on 15 September adopted a resolution calling for the unification of their party through the reunion of the coalition and opposition factions. The sponsors of this inaugural meeting, which was attended by some 170 assemblymen, were Umejiro Omura, Tokyo Metropolitan assemblyman; Manichi Horiuchi, Kanagawa Prefecture; and Zenji Ishizaka from Niigata Prefecture. Following the meeting, Omura delivered the group's resolution to Chairman Ciso Tsushochi of the opposition faction and to Secretary-General Shigeru Hori of the coalition faction. Omura impressed upon the leaders of the party the unanimous desire voiced by the assemblymen to have the two factions "forget their differences" and "reunite into one strong party." Behind this move to reunite the party was a growing anxiety among local party leaders over the approach of the Sixth Extraordinary Diet and the House of Councillors' election in 1950. The local leaders maintained that an abnormal situation existed in the party which, while divided in the Diet had remained united for the most part in the districts.

Chairman Ciso Tsushochi in replying to Omura stated that his faction definitely favored a unified Democratic Party, and therefore were in complete accord with the resolution as adopted by the assemblymen. However, Secretary-General Shigeru Hori on 16 September stated that he was extremely doubtful of the possibility of the two feuding factions reaching any sort of agreement on the issue of reunion. He averred that unification would be impossible to achieve as long as the two factions adhered to their separate policies. "Even in the event that the opposition faction should extend a carte blanche, we shall remain unchanged in our stand on the conservative merger," Hori continued. He concluded by explaining that any "nominal unification" would only be followed by another split.

Signs of growing optimism, however, were manifest among leaders of the opposition group. Anti-coalitionist leaders on 17 September urged that Ken Inukai, coalition leader, and opposition chairman Ciso Tsushochi should meet and discuss the possibilities of reconstructing the party on an "unconditional basis." Political observers, however, were skeptical of the ultimate success of these efforts to "bury the hatchet" since it was generally felt that the anti-coalitionist leaders would not abandon their policy of refusing to cooperate with the

Cabinet. Some believed that the true intent of the opposition faction was to realize a unified party, and then through its numerical superiority dominate the policies of the party. This feeling was generally shared by the coalition leaders. Commenting on the opposition proposal, Inukai stated: "The opposition seeks to unify the two groups unconditionally and then decide everything by their votes at the next convention of the party."

The coalition faction, nevertheless, did accept on 20 September the opposition's proposal that Inukai and Yamaoochi meet in conference. Two conditions, however, were specified: (1) that the meeting be strictly confined to Inukai and Yamaoochi, and (2) that the two leaders should clarify at the meeting whether or not the party should adopt a policy of active cooperation or direct opposition to the Government. "We are ready to cooperate with them," coalitionist Secretary-General Hori declared, "if they express their intention of cooperating with the Yoshida Cabinet." Originally the opposition group had planned that ranking members Matsuno Raroshshi and Sadaichi Kitatsumen should accompany Yamaoochi at his meeting with Inukai, but they readily altered this plan and accepted the coalitionists' first condition. However, they balked on the second stipulation, but this was shortly ironed out at a joint meeting held between representatives of both factions.

Finally, after considerable bickering, Yamaoochi and Inukai met on 22 September at the latter's private residence. The meeting, as most political observers had forecast, came to no conclusion. Yamaoochi was reported to have told Inukai that it would be impossible for the opposition group to participate in any unification move intended to serve as a prelude to an overall conservative merger. In short, Yamaoochi appeared willing to unite with Inukai and his followers providing the coalition group would abandon its policy of working for a merger with the Democratic Liberal Party. Yamaoochi also proposed that the party convene a national convention and allow the party delegates to decide the issue of reunification. Inukai replied that the issue of reunification and the issue of the conservative merger were inseparable. The coalition leader further maintained that as a prerequisite to placing the two issues before a national convention of the party, the two factions should first announce to what extent they would respectively be willing to cooperate with the Democratic Liberal-led Government. Failing to reach a decision, Yamaoochi and Inukai both agreed to

"leave the door open" for further negotiations at a later date.

Following the Inukai-Tomabechi meeting, the coalition faction issued a statement which definitely and explicitly denied that any reunification of the Democratic Party was possible except on the premise that both factions adopt a policy of active cooperation with, and participation in, the Yoshida Cabinet. "Should Chairman Giso Tomabechi again call on President Inukai," the coalitionist statement said, "the coalition Democrats will understand that Tomabechi has approved this stand taken by our faction." Wataru Narahashi, a member of the anti-coalitionist Executive Committee, was reported to have told the press subsequently that he believed the Inukai-Tomabechi conference had contributed to clarifying the political situation "even if the talk ended in failure."

The anti-coalitionist Executive Committee, however, made it clear on 27 September that it had agreed "not to deal with" President Ken Inukai in its efforts to reunite the party. The statement denounced Inukai's "lack of sincerity" with respect to the reunification issue and affirmed confidence in winning over a majority of coalitionists to the policy of party reunification.

Opposition Faction

Chairman Saburo Chiba of the group's Political Affairs Research Committee was selected on 6 September to act as secretary-general until the return of Secretary-General Tokutaro Kitamura who had departed from Japan on 1 September to attend an international convention in Switzerland.

On 8 September, the opposition faction established a Rice Price Committee and elected the following to serve as members of this committee:

Shigetaro Sasayama	Junichi Ishikawa
Yoshichika Haruna	Ushi Kobayashi
Shingi Tanaka	Hei Tomabechi
Tomiki Omori	

Representative Shigeyoshi Fukuda, opposition Democrat representing Nagano Prefecture, was indicted on 6 September by the Tokyo District Prosecutor's Office on charges of blackmarketing rubber tires. It was alleged that Fukuda had

secured 300 truck tires from the Rubber Tire Union during the period from March 1948 to May 1949, and had disposed of them at a reported profit of ¥5 million.

Representative Takashi Hamada, Ibaragi Prefecture, was indicted on 16 September by the Mashikura Taxation Office (Ibaragi Prefecture) on the suspicion of tax evasions totaling ¥50 million. Hamada, in addition to being a member of the House of Representatives, was also president of the Hitachi Brewery Company.

Social Democratic Party

Following a conference with General MacArthur on 2 September, Chairman Tetsu Katayama promised the party's cooperation in implementing the nine point Economic Stabilization Program, and to strive for the reconstruction and stabilization of the nation's economy. At the same time, Katayama reaffirmed the party's pledge to continue its fight against Communism on the one hand and the extreme reactionaries on the other. On 10 September, Katayama again reiterated that the Social Democratic Party would never cooperate with the Communist Party. Katayama asserted that he would maintain "a distinct line" between his party and the Communists. In the elaboration of concrete reconstruction measures, Katayama stressed that the party would collaborate closely with the working masses, the farmers, the intelligentsia, and small businessmen.

Chief Cabinet Secretary Hayashida Hayato in a press statement on 11 September urged the Social Democratic Party to maintain its anti-Communist stand. He urged that the Social Democratic Party, as a party which derived its chief support from labor, should strive to strengthen and encourage labor unions in their shift from "illegal" to "legal" operation under the revised Trade Union Law, declaring that the party's mission was to render effective assistance to labor in its current efforts to reorganize and improve its program on a democratic basis.

On 21 September, Katayama was reported to have predicted at a press conference that the Government would be forced to hold a general election in the spring or summer of 1950. Katayama expressed confidence that in the event

this should come to pass, the Social Democratic Party would emerge victorious. He declared that the Democratic Liberal majority in the Diet was the result of an "unnatural expansion," and that the people would eventually come to realize that party's inefficiency and incompetency during the forthcoming sessions of the Diet." Katayama believed that the 1960 House of Councillors' election would verify his prediction. Although Katayama also welcomed the idea of a two-party political system as advocated repeatedly by Prime Minister Yoshida, he explained that such a system could never be created "artificially." He characterized Yoshida's desire to see a two-party system established as being of this "artificial" nature in view of what he considered Yoshida's "fostering" of the Social Democratic Party. Citing British and American experiments, Katayama concluded that regardless of how advantageous a two-party system might be for Japan, the realization and ultimate success of a two-party form of government could only be guaranteed by grounding the foundations of such a system upon the "spontaneous desires of the people."

Secretary-General Mosaburo Suzuki and Chairman Iwajiro Asanuma of the General Affairs Committee of the party in a joint press interview on 30 August attacked Democratic Liberal Party adviser Bamboku Ono for his statement that the Social Democratic Party was fated to crumble and disappear. (Ono on 15 August had expressed his belief that the Communist Party would eventually absorb the Social Democratic Party in the event a two-party political system should be established in Japan. Ono had also stated that "a second strong conservative party should be created in order to relegate the Communists to a minor party status.") Suzuki charged that Ono's remark was "extremely rude" and that his advocacy of a second conservative party was based upon a desire to restrain progressive parties by "handing the baton of Government power" from one conservative party to another. Such a plan, if it should materialize, would obstruct the democratization of Japan, Suzuki continued, and would have inestimable international repercussions. Suzuki consequently believed that the need for increased activity by the Social Democratic Party, situated as it was between the extreme rightist Democratic Liberals and the extreme leftist Communist Party, was currently greater than ever. In conclusion, he added that a healthy com-

servative party could be realized providing the Democratic Liberals would reform their party and absorb the opposition faction of the Democratic Party.

Secretary-General Seiichi Suzuki of the Labor-Farmer Party categorically denied on 30 August that his party had any intention of merging with or being eventually absorbed by the Social Democratic Party. Suzuki was reported to have said that the Labor-Farmer Party had formally protested and demanded a retraction of a statement made to that effect by Secretary-General Nomburo Suzuki of the Social Democrats. (See Review of Government and Politics in Japan, August 1952).

Leaders of the Social Democratic Party and the New Farmers Party were reported to have reached an agreement on 22 September to launch an extensive campaign for the unification of the "farmers' front." As a means of establishing this unified front, it was decided that the two parties sponsor a series of meetings with the representatives of the Japan Farmers Union, the National Farmers Union, and other agricultural organizations. The parties further agreed to take unified action in agricultural matters wherever possible. Earlier in the month, Secretary-General Nomburo Suzuki had announced to the press that the Hokkaido New Farmers Party had agreed to cooperate fully with the Social Democrats.

Isuke Hirai, Nyukuhiai member of the House of Councillors from Yamaguchi Prefecture, and Eki Sone, former deputy chief cabinet secretary in the Katayama Cabinet, joined the Social Democratic Party, according to press reports on 21 September. Hirai's change of political affiliation raised the Social Democratic representation in the Upper House to 42 members.

Communist Party

The Communist Party in a public statement on 19 September put in a representation to Chief Cabinet Secretary Kazuda demanding the modification of the regulation restricting the political activities of public service employees issued by the National Personnel Authority on the same day. (See above this report, under National Affairs). An editorial in the party organ, Akahata, on the following day, attacked the Yoshida Government and the Democratic Liberal Party for invoking these regulations in violation of the Potsdam Declaration,

the Constitution of Japan, and the labor policy of the Far Eastern Commission." The NPA ruling coupled with the outlawing of the League of Koreans Residing in Japan and the campaign to eliminate "progressive" school teachers, were characterized by Akahata as examples of Government's efforts "to make the people slaves of monopolistic capital....."

At a regular meeting of the party's Political Affairs Committee on 17 September the Communist Party adopted a four-point resolution designed "to strengthen the Japanese labor movement." This resolution called for the abolition of all "superfluous labor union organs," the elevation of active unionists to posts calling for full-time union officers, and the reduction by half of all union dues. It was also resolved at this meeting that all Communist Party Diet members should, when not attending sessions of the Diet, concentrate their efforts towards directing and organizing local struggles in those areas from which they were elected.

According to a statement by Yoshio Idei of the Supreme Public Procurator's Office on 15 September, the Central Executive Committee of the Communist Party, as a result of the failure of the "summer labor offensive", had in August revised the party's basic struggle policy by strengthening party "cells" through the elimination of "weak" party members, and by shifting the emphasis of activities from the labor scene to attacks against provincial administrative bodies. Procurator Idei stated that this change in policy had been made despite the fact that the Central Executive Committee had ostensibly reconfirmed the party's original struggle tactics. In any event, Idei predicted that such struggles would end in failure.

The Kinugawa District Committee Headquarters of the Communist Party and the homes of ten committee members were raided on 6 September by the Osaka Metropolitan Police. The police were reported to have seized such documents as would aid them in their investigation of suspected tax evasions by the committee headquarters. Governor Bunzo Akama of Osaka Prefecture had previously charged that the committee headquarters was guilty of a ¥100,000 tax evasion for its failure to charge an admission tax on tickets sold for performances of the play "Mid-Summer Night's Dream," which had been presented by the Zenshinza troupe (a theatrical group of the Communist Party) under the

auspices of the Kizugawa District Committee Headquarters.

The Attorney-General's Office announced on 8 September that Kin Ten Kai, advisor to the League of Koreans Residing in Japan and a member of the Central Executive Committee of the Communist Party, had been disqualified from holding public office. In addition he was prohibited from participating in political activities, and was notified that he would be required to resign his party post within a period of twenty days.

On 9 September, -- the day following the dissolution of the Miyazaki Prefectural Headquarters of the League of Koreans Residing in Japan (one of the four Korean organizations ordered dissolved by the Office of the Attorney General, see this report on The Purge), --50 members of the organization joined the Communist Party, according to press reports.

Voorhees Confers with Japanese Officials

Undersecretary of the Army Tracy S. Voorhees held a conference on 10 September with various officials of the Japanese Government to discuss economic, financial and trade issues. Those who attended the conference included Finance Minister Hayato Ikeda, Minister of International Trade and Industry Heitaro Dogaki, Director-General Takayoshi Aoki of the Economic Stabilization Board, and Governor Hisato Ichimada of the Bank of Japan. Major General William F. Marquat, Chief of the Economic and Scientific Section, GHQ, also attended the conference.

On 13 September, Undersecretary Voorhees conferred with various Japanese financial leaders who requested his assistance in the easing of reparations renewals, the streamlining of operation of the Counterpart Fund of United States Aid to Japan, and revision of such measures as the Enterprisers' Organization Law and the Anti-Monopoly Law. Representatives of financial circles who attended this conference included: Ichiro Ishikawa, president of the Federation of Economic Organizations, and Kiichiro Sato, vice-president of the same organization; Kamekichi Nakajima, president of the Japan Trade Association; Katsuhiko Hasegawa, president of the National Federation of Banking Corporations; and Kenichi Horoi, managing-director of the Japan Enterprisers' Association.

Portion of Counterpart Fund Released

The press on 2 September reported that a total of 20 applications for loans from the Counterpart Fund of United States Aid to Japan had been received by the Bank of Japan as of the end of August. The requests came from six coal mining concerns (¥900,000,000), four pyrite mining companies (¥300,000,000), one chemical concern and two pharmaceutical enterprises (¥200,000,000), three fertilizer industries (¥100,000,000), two electrical companies (¥400,000,000), one shipping firm (¥200,000,000), and one marine products company (¥20,000,000).

The Government on 5 September announced that it had advanced a total of ¥5,610,000,000 from the Counterpart Fund to the national railways and communications corporations. Of the total, a loan of ¥1,298,000,000 was earmarked

for the State Railway Corporation and ¥4,512,000,000 for the telecommunications enterprise.

Four private and one prefectural business concerns were authorized to receive loans from the Counterpart Fund in the near future, according to a statement by Finance Minister Hayato Ikeda on 27 September. These concerns were: Mika Gosei (chemical), ¥35,000,000; Iino Kaiun (shipping), ¥219,000,000; Hayasaki Kogyo (mining), ¥21,000,000; Yutani Kogyo (mining), ¥42,000,000; and the Miyazaki Power Plant, operated by the Miyazaki prefectural government, ¥155,000,000.

Finance Ministry officials disclosed on 29 September that 42 additional applications had been received from private industry for loans from the Counterpart Fund. These applications totalled ¥10,700,000,000, according to the report.

First Release of Counterpart Funds to Japanese Private Industry Approved

General MacArthur announced on 28 September the first release of Counterpart Funds to a private Japanese industry, a loan of ¥170,000,000 to the Nippon Chisso Hiryo K.K., repayable 31 December 1951. The proceeds were to be used for construction of the Uchitani hydro-electric plant on the upper Kuma River in Kyushu. The power will be supplied to the company's kinsanto factory, whose operations are presently limited to 60 percent of the capacity because of the shortage of power in Kyushu. The additional electric energy will enable the company to raise its operating rate to 90 percent, thereby increasing its output of urgently needed chemical products and lowering unit costs.

The project when completed will allow the company to raise production of essential ammonium sulphate by 25,000 tons a year and of other organic chemicals by 20,000 tons of carbide equivalent. The increase in ammonium sulphate alone will decrease dependence upon dollar imports of this commodity by $1,500,000 per year, according to the announcement.

The project is also expected to enhance materially the company's earning power, and thereby facilitate the raising of capital by sale of its securities

to the public. Because of the acute shortage of Counterpart Funds relative to the demand, individual loans thereof must be held to a minimum and applicants are required to raise the maximum amount of capital possible from private sources. Under the terms of the present loan, Nippon Chisso Hiryo K.K. must, by 31 December 1951, refund from earnings and public sale of debentures and capital stock all commercial bank, Reconstruction Finance Bank, and Counterpart Fund borrowings obtained for financing this project. The company originally had applied for a loan of ¥570,000,000, of which ¥200,000,000 were to be used for repayment of short term bank loans. For reasons cited above, this part of the application was denied.

In approving this application, SCAP established two principles for extending Counterpart Funds to private industry: (1) that the project, by increasing the output of basic goods or services or by reducing imports, makes an essential contribution to the Japanese economy; and (2) that the applicant meet his financial requirements from private sources to the greatest extent possible.

SCAP Authorizes Japanese Government to Remove Controls over Potatoes

A SCAP memorandum dated 9 September authorized the Japanese Government to remove both sweet and Irish potatoes from the rationed food list and to abolish existing official prices over these vegetables, effective April 1950. The SCAP memorandum also stated that removal of controls over potatoes would be accompanied by a strengthening of grain collection and distribution controls. In this connection, press reports on 15 September stated that the Government was preparing to submit to the special Diet session in October bills to revise the Foodstuff Control Law and the Foodstuff Supply Guarantee Temporary Law.

The text of SCAP's memorandum to the Japanese Government on 9 September follows:

"1. The supply of grains in Japan is considered to be sufficiently adequate to make unnecessary the continuation of price and distribution controls over sweet and white potatoes in 1950. The Japanese Government may, therefore, eliminate price and distribution controls over these commodities

in 1950. For purposes of implementing SCAPIN 1978, 8 March 1949, subject, 'Measures to Strengthen the Staple Food Rationing System,' staple food may be defined as excluding potatoes subsequent to their decontrol.

"2. This action is not to be construed as lessening the need for controls over grains. The supply of grain now or in the foreseeable future is insufficient to permit the relaxation of price and distribution control measures. It is expected, therefore, that the removal of controls over potatoes will be accompanied by a strengthening of grain collection and distribution controls.

"3. The elimination of potatoes from the staple food ration will require an adjustment of the staple food ration level. For this purpose, direct communication between the Economic Stabilization Board and Ministry of Agriculture and Forestry, Japanese Government and Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, is authorized."

Shinichiro Kuroda, director-general of the National Agricultural Readjustment Council, on 15 September urged Vice Minister of Agriculture and Forestry Chinichi Matayanagi to make every effort to prevent the lifting of Government controls over next year's potato crop. This request was made following Kuroda's visit to SCAP officials to ascertain the true purport of the SCAP memorandum. SCAP officials concerned reportedly told Kuroda that the lifting of controls over these vegetables was a decision which rested solely with the Japanese Government. The press noted on the following day that the Agriculture and Forestry Ministry had advised a meeting of the Central Agricultural Readjustment Council last August that the controls would be continued, and that a similar statement had been made by Agriculture and Forestry Minister Kotaro Hori to a meeting of prefectural governors at Tokyo on 1 September. Hori maintained that even if there was a surplus of potatoes at the moment "this should not influence the Government into abolishing controls at a time when Japan relies on imports in order to subsist." The Minister also stated that the Government policy of purchasing over-quota shipments of sweet potatoes, after delivery of quota shipments amounting to about 700,000,000 kan, was unchanged.

The Rice Coupon Issue

Leading policy makers of the Government and the Democratic Liberal Party announced on 6 September that they would soon begin consultation with appropriate SCAP officials regarding a so-called "rice coupon" plan. This announcement did not come as a surprise to the general public. Secretary-General Kozen Hirokawa of the Democratic Liberal Party had announced on 3 August a plan whereby farmers would be permitted the free sale of their surplus rice following the completion of their quota deliveries. Government officials readily denied that the Administration was considering such action; and at the same time Hirokawa became the object of severe criticisms by other party members for his premature announcement.

This so-called "rice coupon" plan called for the voluntary relinquishment by farmers of their surplus rice holdings. Under this plan, the farmers would, upon completing delivery of their established rice quotas, turn over to the Government whatever surplus rice they still had on hand. In return they were to receive rice coupons. These coupons were then to be applied to reducing the farmers' tax balance. The plan met with opposition from agrarian organizations. A meeting of the National Farmers Conference, attended by 500 representatives, vigorously opposed the Democratic Liberal Party's proposed plan on 16 September.

Chief Cabinet Secretary Kanemichi Masuda promised the press on 24 September that the Government would be "prudent" in instituting the proposed "rice coupon" system in view of the great dependence Japan placed on the importation of foodstuffs from the United States which were being paid for by the American taxpayer. Masuda further promised that the Government would take steps to prevent an increase in the producers' rice price from seriously affecting the consumers' price. It is to be noted in this connection that the Rice Price Council on 21 September had agreed to recommend to the Government that the price of rice be set at ¥4,700 per koku (a koku is the equivalent to approximately five bushels).

At a joint policy conference on 29 September, the Democratic Liberal Party was promised the support of the coalition faction of the Democratic Party in introducing and promoting its "rice coupon" plan in the Diet.

The plan, however, evoked widespread criticism in the press, as well as in political quarters. Reflecting this reaction, the Nippon Times, on 16 September, wrote editorially as follows:

"The Democratic Liberal Party came out last month with a rice coupon system play which can only bring joy to the large-scale farmers and rice brokers. The general consumer and the small-scale farmers will become the losers.

"Under the plan, farmers will deliver voluntarily their rice holdings to the Government after completing their delivery quota. In exchange, they will receive coupons from the prefectural governments. The value of the coupons will be deducted from the farmers' tax balance.

"This proposal, which may go before the coming extraordinary session of the Diet, is the Democratic Liberal Party's way of fulfilling its election promise of permitting the free sale of over-the-quota rice. The free sale of rice under present circumstances, of course, is preposterous. But this plan is just as bad.

"What will happen is that a tremendous cost will be added in the way of printing, issuing, and handling the coupons, not to mention the costs of storing, transporting, and polishing the rice. What is even worse is that brokers will open offices in every agricultural village to act as middlemen. Farmers will, of course, be in a hurry to transfer their coupons into cash. They cannot waste the time to seek prospective buyers. They will have to sell to the brokers at the latter's price, and the brokers in turn will sell it to the consumers after adding on their commission, or they will hold on to the coupons until the rice-short period.

"The Democratic Liberal plan, to be sure, provides for a rice coupon exchange in each prefecture. But this will result in the setting of a definite quotation on the coupons, and unlike the blackmarket prices now in illegal operation, the coupons will flow to the districts quoting the highest prices. What will result is that the coupons will concentrate in the urban centers to the disadvantage of people in the rural districts who will either face a serious rice shortage or will be forced to pay the high prices set in the cities.

"Farmers with large holdings will, of course, benefit for they will be in a position to hold on to their coupons and to sell during the rice-scarce season.

"Not only will the small farmers find themselves at a disadvantage but the general consumer also will secure no benefit from the rice coupon system. His rations from the excess quota delivery system now in force will be halted. More-

over, the costs of maintaining the coupon system and the profits of the brokers will put the price of rice over and above his ability to buy. Only the moneyed-rich consumers will benefit.

"For proposing such a plan, the sincerity of the Democratic Liberals must be questioned."

Coal Distribution Corporation Dissolution Approved by Government

The Cabinet on 15 September approved the Ordinance dissolving the Coal Distribution Corporation. Cabinet Order No. 338, "Order for Dissolution of the Solid Fuel Distribution Kodan," promulgated on the same day, provided that the Finance Ministry would supervise the liquidation of the corporation. According to Government officials, it is expected that this will be completed by March 1950.

Japan's Industrial Production for July

The Economic Stabilization Board reported on 14 September that the nation's industrial production index figure for July was 95.4 This index figure was based on the average monthly production figure of 100 for the 5-year period from 1932-1936. Although the July index figure did not show any substantial increase over June's production output, it was noted that there had been a 24 percent increase over the July 1948 index figure.

Tax Administration Deliberative Council Organized

The Government on 14 September organized a special council to implement the tax recommendations of the Shoup Tax Survey Mission. (See Review of Government and Politics in Japan, August 1949). This body, called "The Taxation Administration Deliberative Council," would serve as an advisory organ to the Finance Minister in all affairs pertaining to taxation matters. The Government announced at the same time that members of the council would be designated to represent various circles of public affairs.

The Social Democratic Party, on the same date, filed a representation with Chief Cabinet Secretary Kanemichi Hasuda requesting the Government to effect a tax reduction on earned incomes. The party believed that the measure was possible if the Government would take advantage of the revenue surplus carried over from the 1948-49 fiscal year budget, a rational reduction of price differential subsidies and the deferment of public bond redemptions and Reconstruction Finance Bank debentures.

On the same day, however, Masuda told the press that the Government did not contemplate introducing any bills designed to revise the existing Local Tax and Local Tax Finance Laws to the special Diet session scheduled to open on 25 October. The Chief Cabinet Secretary declared that the Shoup recommendations did not call for any local tax reforms before the start of the next fiscal year, or before 1 April 1950.

Finance Minister Hayato Ikeda told a press conference on 15 September that he considered the report of the Shoup Tax Survey Mission (formally published on the same day) as "excellent," and declared that the Government would carry out its recommendations in conformity "with the spirit of the report and in order to meet actual conditions in the country." Ikeda further stated that bills to abolish the textile tax and to revise income and commodity taxes would be submitted to the special Diet session. Regarding revision of the liquor tax, the Finance Minister said he had not yet decided whether to request the Government to present a bill calling for such revision.

According to the national budget plan drafted by the Finance Ministry, tax revenues in the 1950-51 fiscal year would total 400,800,000,000 yen— or 105,800,-000,000 yen less than estimated tax revenues for the current fiscal year, and 45,200,000,000 less than the estimated total contained in the recommendations of the Shoup Tax Survey Mission—officials of the Finance Ministry disclosed on 29 September. The difference, according to these officials, resulted from a lower estimate of the national income in the 1950-51 period than was estimated by the Shoup Mission, as well as from changes made by the Finance Ministry in tax exemption rates recommended by Shoup. The differences, as revealed by the Finance Ministry, were as follows:

1. The national income for the 1950-51 fiscal year, estimated by the Finance Ministry at 5,100 billion yen, was somewhat lower than the estimate of the Shoup Mission and, therefore, even though taxes would be applied in conformity with the Shoup recommendations, tax revenues for the period would be less than the 456 billion yen goal in the Shoup Report.

2. The basic exemption for income taxes would be raised to ¥26,400 from the Shoup recommended ¥24,000.

3. The higher income rate of 55 percent for incomes of more than ¥300,000 recommended by Shoup would be changed to 55 percent on annual incomes of more than ¥1,000,000.

4. The exemption rate for earned incomes would be raised to 15 percent from the Shoup recommended rate of 10 percent.

Highlights of the Shoup Mission's Tax Report

The Report on Japanese Taxation by the Shoup Mission was formally published on 15 September. Highlights of the 60,000-word report, printed in English and Japanese text in four volumes (two volumes of text, two volumes of appendices), were as follows:

FOREWORD

The present report on the Japanese tax system is submitted to the Supreme Commander for the Allied Powers, at whose request the Tax Mission was formed.

The chief aim of our mission has been to draw up a plan of a permanent tax system for Japan. Emphasis has therefore been placed on considerations that go beyond the financing problems of the present and the coming fiscal year. Nevertheless, we have found it necessary to specify in some detail how our recommendations affect the 1949-50 and 1950-51 budgets. The long-term program must be of a kind that can be put into force without endangering the stabilization recently achieved with the aid of the recommendations made in the Spring of 1949 by the Dodge Mission.

The long-term program itself could have been either of two kinds. We could have recommended a rather primitive type of tax system, one which would depend on external signs of income and wealth and business activity, not on carefully kept records and intelligent analysis of difficult problems. Such a system could raise the required revenue, but it would perpetuate gross inequities among taxpayers, dull the sense of civic responsibility, keep the local governmental units in uneasy financial dependence on the national government, and give rise to undesired economic effects on production and distribution. Moreover, we soon became convinced that the current difficulties in obtaining fair and efficient administration of the tax laws, and a high degree of compliance by the taxpayer in Japan need not be taken as inevitable. Our aim, therefore,

has been to recommend a modern system, which depends upon the willingness of businessmen and all tax payers of substantial means to keep books and to reason carefully about some fairly complicated issues of equity. For the small taxpayer, at the same time, the task of filing returns and paying the tax should be kept as simple one. Under this approach, we see no reason why Japan may not within a few years, if she so desires, have what would be the best tax system in the world. In any event, the consistent aim of this report has been to keep open the road that may lead to that goal.

What we are recommending here is a tax system, not a number of isolated measures having no connection with one another. All of the major recommendations, and many of the minor ones, are interconnected. If any of the major recommendations are eliminated, some of the others will thereby become of less value or even harmful. Consequently, we disclaim responsibility for the results that may follow the adoption of only part of our recommendations. For example, we have devised a tax system that avoids the double taxation of corporate income under the national income taxes, and at the same time blocks permanent tax avoidance. Among the essential parts of this system are the full inclusion of capital gains and the full deduction of capital losses, with permission to spread the gain over a series of years, and with exemption of large capital gains that are due merely to a change in the value of money. If capital gains and losses are to be included not in full but under some percentage plan like now in effect, our set of recommendations for corporation and individual income taxes would have to be revised extensively.

THE JAPANESE TAX SYSTEM

The Japanese tax system, national, perfectural and municipal, will produce about 70 billion yen in the twelve months ending March 21, 1950. This is approximately 9,500 yen per person, man, woman and child. A household of five, which is not far from the average size, pays on the average, 47,500 yen in taxes, directly and indirectly. The average monthly wages of male employees in manufacturing is slightly more than 9,000 yen. Hence it would require about five and a half month's pay of one such average worker to meet the average household's tax bill, but this comparison exaggerates the tax. Families commonly have more than one income earner. Moreover, hardly anyone pays the "average

tax"; the tax system as a whole is probably progressive enough so that the average family pays something less than the average tax.

Compared with government expenditures for the current year, this tax total is in one sense large, in another sense, not so large. The expenditures in the national government's general account will be slightly more than 500 billion yen this year, not counting in "expenditures" either the grants given to the local units for them to spend, or debt retirement. Local expenditures will be about 380 billion yen, including local expenditures financed by borrowing and grants from the national government. Hence total government expenditures excluding expenditures in the national government's special accounts, and national debt retirement, will be about 880 billion yen. This is 100 billion yen more than the total tax revenue, but the difference is more than made up by current revenues other than taxes; fees, rents, and other miscellaneous current revenues, both national and local, and, among the localities, some 40 billion yen, it seems in the so-called voluntary contributions which the hard-pressed localities have exacted from their citizens. When these revenues are taken into account, there is a surplus of about 60 billion yen in the national general account, which will be used for debt retirement, and a deficit of 18 billion yen in the local accounts, to be met by borrowing. Altogether, then, current revenues will be exceeding current expenditures, under the budgets as planned last spring, by some 40 billion yen.

But this is not the whole story. The Counterpart Fund is one of the national government's special accounts. Its revenue is obtained from the sale, to Japanese consumers and businessmen, of goods imported under the program of United States aid to Japan. This Fund will contribute at least 60 billion yen toward retirement of the national debt, and perhaps as much as 80 billion yen to outlays for equipping railways, the telephone system, and other sectors of the economy that are renovating and expanding their capital equipment.

In terms merely of the current year, then, the total tax yield is adequate, but not strikingly large, compared with current outlays. But in terms of change from the policy of past years, the tax yield is very large.

These remarks, however, must not be considered as countenancing any immediate relaxation of the efforts being made to keep inflation in check. The immediate task is still that of holding the barrier against further inflation.

The Japanese tax system as it now stands satisfies the demands of equity fairly well--on paper, and in broad outline. In practice, and in details of the various tax laws, the story is different. The present personal income tax, for example, is equitable in practice because the law is fully enforced on some taxpayers (wage earners whose tax is withheld from their pay) and not on others (many unincorporated business enterprises), while on still others more is taken than the law permits (some business concerns, under arbitrary re-assessment). The personal income tax law itself is inequitable in many of the details--for example, the extent to which the co-living household principle is invoked for joint returns, and the unduly large differential in favor of the wage earner against the small businessman and farmer that is caused by the 25 per cent earned income credit.

The table indicates our general impression that it would be advisable to reduce the total tax revenue by some 20 billion yen next year, by reducing the national tax revenue about 60 billion yen while increasing local tax revenue 40 billion yen. If the voluntary contributions are counted as taxes, we are recommending a reduction in total tax revenues by 30 billion yen.

In terms of decreases in tax rates, the relief contemplated for 1950-51 is considerably more than these figures reveal. For several reasons, given in detail in Chapter 4, the personal income tax rates can be decreased substantially, with the expectation that the actual loss in revenue will be considerably less than proportional to the cut in rates.

THE PERSONAL INCOME TAX: RATES AND EXEMPTIONS

Introduction

The personal income tax is by far the most important tax in the Japanese system. In the last fiscal year (1948-49) it produced 191 billion yen. This is more than 40 per cent of the total national collections for that year (450 billion yen). In the budget for 1949-50 the income tax is estimated to yield 310 billion yen out of a total of 625 billion yen in national taxes. This is nearly 50 per cent of the total.

The income tax is a mass of tax, applying to practically every family in the country. Even though the personal exemption and the credit for dependents have recently been increased substantially, in terms of yen, inflation has concurrently increased the money incomes of the taxpayers.

PRESENT AND PROPOSED INCOME TAX BURDENS
Income from Farm or Business

Net Income (yen)	Amount of Tax: Present (yen)	Amount of Tax: Proposed (yen)	Percent of Income: Present (percent)	Percent of Income: Proposed (percent)
Single Person				
30,000	3,000	1,200	10.00%	4.00%
40,000	5.250	3,200	13.12	8.00
50,000	7,750	5,200	15.50	10.40
70,000	13,500	9,200	19.25	13.14
80,000	16,500	11,800	20.62	14.75
100,000	25,250	16,500	23.25	16.50
120,000	30,500	22,300	25.41	18.58
150,000	42,500	32,900	28.33	21,93
200,000	64,250	54,200	32.12	27.10
300,000	115,250	103,000	38.41	34.33
500,000	234,500	211,800	46.90	42.36
1,000,000	573,000	486,800	57.30	48.63
2,000,000	1,322,250	1,036,800	66.11	51.84
5,000,000	3,221,500	2,686,800	74.43	53.74
Married Couple with two children				
50,000	2,350	- - -	4.70	- - -
70,000	8,150	2,000	11,57	2.86
80.000	11,100	4,000	13.87	5.00
100,000	17,850	8,000	17.85	8.00
120,000	25,100	12,500	20.91	10.43
150,000	37,100	20,500	24.03	13.67
200,000	58,850	38,500	29.42	19.25
300,000	109,850	85,000	36.61	28.33
500,000	229,100	192,000	45.82	38.40
1,000,000	567,600	467,000	56.76	46.70
2,000,000	1,316,852	1,017,000	65.84	50.85
5,000,000	3,716,100	2,667,000	74.32	53,34

PRESENT AND PROPOSED INCOME TAX BURDENS
Income from Wages or Salary

Net Income (yen)	Amount of Tax: Present (yen)	Amount of Tax: Proposed (yen)	Percent of Income: Present (percent)	Percent of Income: Proposed (percent)
Single Person				
30,000	1,500	600	5.00%	2.00%
40,000	3,000	2,400	7.50	6.00
50,000	4,625	4,200	9.25	8.40
70,000	8,375	7,000	11.95	11.14
80,000	10,500	9,600	13.12	12.00
100,000	15,000	14,000	15.00	14.00
120,000	19,750	18,700	16.45	15.58
150,000	27,650	27,075	18.43	18.23
200,000	47,500	45,200	23.75	22.60
300,000	94,780	93,000	31.58	31.00
500,000	212,000	200,800	42.40	40.16
1,000,000	546,750	475,800	54.07	47.58
2,000,000	1,294,125	1,025,800	64.70	51.29
5,000,000	3,691,500	2,675,800	73.83	53.52
Married Couple with two children				
50,000	---	---	---	---
70,000	2,975	600	4.25	0.86
80,000	5,100	2,400	6.37	3.00
100,000	9,600	6,000	9.60	6.00
120,000	14,350	9,600	11.95	8.00
150,000	22,225	16,250	14.81	10.83
200,000	42,100	30,500	21.05	15.25
300,000	89,350	75,000	29.78	25.00
500,000	206,600	181.000	41.32	36.20
1,000,000	541,350	456,000	54.13	45.60
2,000,000	1,288,725	1,006,000	64.43	50.30
5,000,000	3,586,100	2,656,000	73.27	53.12

The objective is to keep the rates on the top incomes down to levels where a reasonable degree of enforcement can be obtained. Here we have limited the top rate to a maximum of 55 per cent. It is worthwhile to note that even if the progression of the rates had been kept up to 85 per cent as in the present law, the additional revenue received would have been less than 9 billion yen, even assuming that such drastic rates did not increase the amount of evasion. The reduction in top rate from 85 per cent to 55 per cent is quite likely to increase the level of compliance, assessment, and collection, so that the reduction in revenue will certainly be much smaller than the 9 billion indicated by the distribution of bracket income.

Taxable Income Bracket (Thousands-of-yen)			Proposed Rate V	Estimated Amount of Income Taxable in given bracket (billions of yen)	Cumulative amounts in brackets above income level (billions of yen)
	over	5,000	55%	2.5	2.5
2,000	to	5,000	55%	7.0	2.5
1,000	to	2,000	55%	10.8	20.3
500	to	1,000	55%	30.1	50.4
300	to	500	55%	41.3	91.7
250	to	300	50%	24.3	116.0
200	to	250	50%	38.0	154.0
150	to	200	45%	64.0	218.0
120	to	150	40%	42.0	260.0
100	to	120	35%	63.0	323.0
80	to	100	30%	67.0	390.0
50	to	80	25%	174.0	564.0
20	to	50	20%	295.0	859.0
0	to	20	20%	303.0	1162.0
Personal exemption and deduction for dependents			0%	938	2100.0
Earned income credit			0%	100.0	2200.0
				2200.0	

Foreign Nationals

An important feature of any program for the rehabilitation of Japan is the establishment of an economy that will attract foreign capital. Along with foreign capital must come some foreign personnel for the management and operation of the business or industry provided by the foreign capital. One prerequisite for attracting prospective investors is a system of taxation which gives those investors an opportunity to obtain a reasonable rate of return on their investment after deduction of all taxes collected both at the source by the government in which jurisdiction the investment is actually made and to a certain extent the taxes collected on such income in the country in which the investors are domiciled.

The foreign national's greatest objection to Japanese tax system today appears to be to the level of personal income tax rates.

It is recommended that the top rate of the personal income tax be 55 per cent and that this rate be applicable to net incomes in excess of 300 thousand yen; and that a new net worth tax be enacted to supplement the personal income tax with the object of preventing further concentration of wealth by Japanese nationals. No reason exists for applying the net worth

tax to foreign nationals except to the extent that they accumulate personal holdings in Japan. It is also recommended that the top rate of the personal income tax be reduced to 50 per cent or 45 per cent when the net worth tax had proved to be a dependable source of revenue. If foreign nationals were assured that the top rate to which their net incomes earned in Japan was going to be subjected was 50 per cent, including the local inhabitant's tax, it is believed that such rates would attract the necessary foreign national personnel to manage the essential new foreign capital, or at least the tax rates would not be a deterrent force. For example, an American executive subject to an American income tax that averages, say, 33-1/3 per cent of his income, and who moves to Japan where he would be taxed at an average rate of, say, 50 per cent, would need only a 35 per cent increase in his salary to make up for the difference in tax. Similarly, the unincorporated foreign trader would not have to increase his profits greatly.

At the present time, income in non-yen currency now earned in Japan by foreign nationals is in practice exempt from Japanese taxes. This exemption was intended to be only temporary. In light of the above discussion, it is recommended that this exemption cease in its entirety as of January 1, 1950, and that the rates of the personal income tax as indicated above be applicable to foreign nationals. It is hoped that revenue needs will soon decline enough to allow the top income tax rate to be set at 50 or possibly, 45 per cent.

In order to attract foreign capital for reinvestment in the Japanese economy, it may be desirable to make some special provision for somewhat lighter taxation on such investment and on its earnings than on the investments made by the Japanese themselves. In part such discrimination may be justified as to some extent offsetting the obstacles placed in the way of international investment by the difficulties of foreign exchange and especially the burdens that are placed on such investment directly or indirectly by customs duties. But primarily the reason for such discrimination is the fact that the Japanese economy is in great need of additional capital, and that it may be be difficult to secure all of the needed capital from domestic sources. Voluntary savings appear to be far too small to supply the need, and even if adequate capital could be secured by imposing severe restraints on consumption, the resulting level of consumption would probably be considered undesirably low and the controls or