

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET CW/CLK/AMH/amm

(Do not remove from attached sheets)

Application to Japanese Government to

File No.:

Subject: obtain Finances for New Business Venture.

Note No.: From: GS To: Natural Resources Date: 19 July 1947

1 Submitted for such action as you may deem appropriate.

2 Incls
Original ltr fr ICHIMURA, Mineo
Translation

C.W.
C. W.

2 From: NR To: GS HGS/WCH/WCN/vs Date: 25 JUL 1947

This matter has been referred to Mr. I. Fujita, Chief of the Japanese Bureau of Fisheries, with the suggestion that he inform Mr. Ichimura of his rights and privileges as a Japanese citizen to engage in the fishing industry.

1 Incl
w/d 1 incl

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

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
MILITARY INTELLIGENCE SECTION, GENERAL STAFF
ALLIED TRANSLATOR AND INTERPRETER SECTION

13019

NOTE: Translation directed by Commander-in-Chief.

Received ATIS: 23 June 47.

DIGEST OF LETTER

TO : General MacARTHUR.

FROM: ICHIMURA, Mineo
NAGASAKI Ken, NISHISONOKI Gun, TOKITSU Mura, NISHITOKITSUGO
402.

DATE: 22 May 47.

The writer states that he was engaged in the fishing business at TRUK Island, in the SOUTH PACIFIC from 1934 until his return to JAPAN, June 46. The Japanese Navy took over his two fishing boats which were subsequently bombed and sunk. In Dec. 46, the writer received a certificate verifying the damages and decided to return into the fishing business. He submitted an application to the Japanese government to obtain finances for his new business venture.

It is the writer's contention, however, that to make a successful application, it is necessary to pull political strings with the Japan Central Agency (NIPPON CHUO KIKAN). The writer points out that he has neither the political connections nor the money to gain favor for this end; he can only stand on his past record as a successful fisherman.

It is the writer's request that his application be given favorable attention. (TN For reference, the writer encloses copies of papers authorizing previous enterprises, applications for authorization of previous enterprises, data of his fishing boats and authorizations granted by SOUTH PACIFIC governors.)

CW/GLK/CD/FEH/DHR

Collection of Coupons, Interest or Dividends
on French Securities Held in Japan

12 Feb 47

GS

DS

201

1

1. Pursuant to telephone conversation, this date, between Mr. Edwards,
DS, and Lt. Col. Hays, GS, the attached CLO No. 788, erroneously assigned to
GS for action, is transferred to DS.

1 Incl
CLO No. 788

----- CW -----

4H

Co

GS Files

15-

SECRET

CW/CLK/WHF/ae

Occupation Costs

22 January 1947

Govt Sec

G-4
Thru OGA

1. Reference is made to C/S dated 9 Jan 47 above subject.
2. The action outlined as a joint responsibility of ESS, GS and OGA in Para 6e will be of a limited nature as far as GS is concerned, and will be confined to liaison assistance with Hq USAMGIK on request of OGA.
3. OGA concurs in this view and will initiate such requests as occasion demands.

C.W.

Memorandum for Record:

1. Reference check sheet from G-4 dated 9 Jan 47, summarized conclusions and responsibilities agreed upon during conference on "Occupation Costs" held 3 Jan 47.
2. Para 6e outlined as a joint responsibility of ESS, GS and OGA the determination of "agreed responsibilities for supporting OGA in the procurement of data covering the costs of supporting the governments of the respective occupied areas".
3. In discussion 22 Jan 47 with OGA (Capt Everton) to determine specifically what action was required from GS in this regard, it was agreed that:

- a. Action by GS would be extremely limited, and
- b. Such action would be requested by OGA when desired.

W. H. FIELDING
Chief, Korean Division

SECRET

14

Govt. Sec. File

ea

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POB

PAC CBI Japan (6 Jan 47)

6 January 1947

MEMORANDUM FOR THE COMMANDER IN CHIEF, FAR EAST, TOKYO, JAPAN:

SUBJECT: Reestablishment of Remittance Facilities Between the United States and Japan Through Commercial Banking Channels

1. Reference is made to Plans and Operations Division Memorandum, subject and file as above, 27 December 1946, which forwarded SWHC 226/4 with decision amending and corrigendum for information.

2. The inclosure is forwarded for information.

LAURIE NORSTAD
Major General, GSC
Director of Plans & Operations

JAMES L. GANTRELL
Lt Colonel, GSC
Executive Officer
Plans & Policy Group

1 Incls
Memo for Holders of SWHC 226/4,
cys no. 41, 42 & 45 thru 58 incl.

COPY 13
CONFIDENTIAL

CONFIDENTIAL

COPY NO. 54

2 January 1947

STATE-WAR-NAVY COORDINATING COMMITTEE

MEMORANDUM FOR HOLDERS OF SWNCC 226/4

REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS

Note by the Secretaries

At the request of the originator, holders of SWNCC 226/4 are requested to make the following change therein:

Page 26 (revised 19 December 46), paragraph 16 a second line, substitute the word "applied" for the word "amended".

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

second line, substitute the word "applied" for the
word "amended".

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

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**GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section**

3 January 1947

MEMORANDUM FOR THE RECORD

SUBJECT: Investigating the National Relief Association

On 31 December, Major Riordan of Public Health and Welfare Section informally handcarried to Government Section the findings of a G-2 investigation of the National Relief Association (War Sufferer's Relief Society) and one of its subsidized organizations, the Tokyo Metropolitan Band. This long overdue and inconclusive report is the result of a check sheet request, initiated in May of last year by Government Section, that the National Relief Association and its equivocal use of public monies be brought under SCAP scrutiny. The immediate occasion for Government Section's request was scrimonious press criticism that the National Relief Association, ostensibly a private eleemosynary organization but in actual fact a quasi-public welfare agency, was using large sums of relief monies for the support of an orchestra composed of former Navy bandmen, and headed by Yamada, virtually the dictator of the music world during the war. In short - preferential treatment of demobilised personnel in contravention of SCAPIN 338.

A preliminary investigation of the National Relief Association by Public Health and Welfare Section confirmed the need of a thoroughgoing examination of the organization. Government Section was informed by Public Health and Welfare Section check sheet of 20 June 1946 that Public Health and Welfare had requested CIC to undertake a complete investigation of the National Relief Association, its possibly irresponsible use of public monies, its widespread control of welfare activities in Japan, and its relations with the Ministry of Welfare. Meanwhile, Mr. Walter of HSS/WI cut off the subsidization of the former Navy band by relief funds.

CIC evidenced a continued indifference to the active investigation of the National Relief Association, and in September of 1946 Government Section formally asked Public Health and Welfare Section to expedite the project. Government Section's check sheet, together with a Public Health and Welfare Section endorsement that priority be given the investigation, was referred to G-2. Subsequently, both Government Section and Public Health and Welfare Section in conversation with officers of CIC and CIS unsuccessfully urged the necessity of speed and thoroughness in the investigation.

Under check sheet of 27 December 1946, G-2 sent to Public Health and Welfare Section a summary of information collected on the National Relief Association and the Tokyo Metropolitan Band. Unfortunately, most of the information related to the latter and less important organization.

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News

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an organization which had in fact already been reorganized, cut off from national relief monies, and vetted of its fascistic leader Yamada. Seemingly little new information of significance was turned up on the National Relief Association.

These results are unsatisfactory to both Government Section and Public Health and Welfare Section. In conference with Major Riordan it was agreed that Public Health and Welfare Section will submit a new request to G-2 for detailed information on the financial transactions of the National Relief Association, the strictness with which it maintains accountability in its use of relief funds, its relations with the Imperial Foundation, the Ministry of Welfare, and the Welfare Bureau of the Tokyo-To. The question of the National Relief Association's preferential treatment of ex-military personnel needs further investigation, as well. The check sheet requesting this information will be written by Public Health and Welfare Section, but Major Riordan will keep this Section informed.

RUTH A. ELLERMAN
Governmental Powers Division

Noted: CLK

CONFIDENTIAL

1947

CAMPAIGN EXPENDITURES

Although final ordinances have not yet been issued in all cases, it is anticipated that the following limits will be set on campaign expenditures in the forthcoming April elections:

House of Councillors (National Constituency)	75,000 yen
House of Councillors (Prefectural Constituency)	50,000 yen
House of Representatives	50,000 yen
Governors of Prefectures	25,000 to 50,000 yen depending on population
Mayors of Cities	5,000 to 30,000 yen depending on population
Mayors of Tokyo Wards	5,000 to 20,000 yen depending on population
Mayors of Towns and Villages	No Provision
Prefectural Assemblies	12,000 yen
City and Tokyo Ward Assemblies	1,200 yen
Town and Village Assemblies	No Provision

Free postcards for use in election campaigns will be distributed to candidates according to the following schedule:

30,000 to candidates for House of Councillors from National Constituency

20,000 to candidates for House of Councillors from Prefectural Constituency and candidates for House of Representatives

10,000 for candidates for Governor

The following limitations have been placed on the number of posters which may be used in the campaign:

10000 for Members of the House of Councillors from the National

Constituency with not more than 1,000 used in any single Prefecture.

1,000 for Members of the House of Councillors from the Prefectural

Constituency, for members of the House of Representatives, Governors
of Prefectures and Mayors of five large cities.

300 for members of Prefectural and Municipal Assemblies and Mayors of
other cities.

**GENERAL HEADQUARTERS
UNITED STATES ARMY FORCES, PACIFIC**

CHECK SHEET

(Do not remove from attached sheets)

File No.:

Subject: Additional Funds for GARIOA, Project 411
HSR:JBR:lm

Note
No.

From: Fiscal Director ^R To: Government Section Date: 5 September 1946

1

1. The War Department has made available to this Headquarters an additional \$2,000,000 under appropriation "Government and Relief in Occupied Areas," Project 411.

2. Of these funds \$75,000 has been tentatively allotted your section, making a total tentative allotment of \$310,474.43 for the Fiscal Year 1947.

3. It is requested that you furnish G-1, not later than 12 September 1946, a complete recapitulation of desired civilian positions by grade and monetary value to conform to your new fiscal year 1947 ceiling.

HSR

H. S. R.

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CW/CLK/ACO/mw

Closed Institutions and Time Limits
on Legal Action for Recourse.

Govt Sect

ESS/PI

12 April 1946

1. The Government Section concurs with the proposed memorandum for the Imperial Japanese Government provided that:

a. The protection against time limits on legal action be not confined to claims of the closed institutions, but extended to claims of their creditors;

b. That the retroactive effect of the intended measure be made clear;

c. That the period covered be changed to include all claims maturing after 1 January 1931 for an indefinite period, instead of until 1 March 1951.

d. Inasmuch as there is no alternative under the Japanese law as to whether or not a debt is barred after the expiration of various periods of time, it is recommended that the wording in line 4 of paragraph one of your proposed directive be changed to read "debt is barred under Japanese law."

2. Accordingly, it is suggested that paragraphs one and two of your proposed memorandum be changed as is set forth in a new draft attached. (Tab A)

1 Incl: New Draft.

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

P. A. Files

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 004.2 ()
(SCAPIN)

) ESS-FI

APD 500

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT
THROUGH : Central Liaison Office, Tokyo
SUBJECT : Closed Institutions and Time Limits
on Legal Action for Recourse.

1. Legal action to enforce contractual obligations, including the collection of checks, drafts, promissory notes, bills of exchange, and realizations on mortgages, pledges, endorsements, guaranties, and other evidence of debt is barred under Japanese law after the expiration of various periods of time subsequent to maturity or for other reasons. Institutions closed, or that may be closed, pursuant to Memorandum of General Headquarters, Supreme Commander for the Allied Powers, file AG 091.3 (30 Sep 45) ESS, dated 30 September 1945, subject: "Closing of Colonial and Foreign Banks and Special Wartime Institutions," hold large numbers of such instruments and there is danger that delay in the liquidation of these institutions may result in loss to the holding institutions and others.

On the other hand, the Japanese statutes and ordinances on prescription and similar time limits on legal action may also affect the claims of creditors of closed institutions. The deposit claims against banks, for instance, may be forfeited if, due to the closing of the bank, the customer is prevented from interrupting prescription by an effective demand.

2. In order to accord the closed institutions and liquidators, appointed or to be appointed, as well as the creditors of such institutions sufficient opportunity to enforce their claims in an orderly and unhurried manner, and to prevent or minimize loss to the closed institutions and to their creditors, it is directed that the Imperial Japanese Government take all necessary action to suspend the effect of all past and present laws and ordinances limiting the commencement of legal action on all claims maturing after 1 January 1931 so that the Statutes of

Limitations (prescription) cannot be pleaded as a defense or bar to any action brought by any closed institution or by any creditor of such institution on claims maturing during the above mentioned period. The further result of this will be to renew and revive any right or claim which may already have expired in consequence of such pleadings.

It is understood that the existing regulations concerning the freezing of bank accounts and the restrictions on their withdrawal are not affected by the required action, insofar as such action aims at safeguarding the rights of creditors of closed institutions.

3. The exemption from regular Statutes of Limitations, ordered in paragraph 2 above, shall not apply to or inure for the benefit of third parties involved in claims or rights of recourse resulting from such actions. In such cases the regular Statutes of Limitations affecting the various categories of action available to such third parties shall apply and begin to run as of the date of the commencement of the action by the closed institutions and liquidators, appointed or to be appointed.

4. The institutions at present falling within the purview of this order are listed on Inclosure 1 attached.

5. It is further directed that 3 copies of drafts of the laws or ordinances to be enacted, amended or promulgated in accordance herewith be submitted to General Headquarters, Supreme Commander for the Allied Powers for approval prior to enactment.

FOR THE SUPREME COMMANDER:

1 Incl:
List of Closed
Institutions.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APD 500

AG 004.2 () ESS-FI
(SCAPIN)

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT.

THROUGH : Central Liaison Office, Tokyo.

SUBJECT : Closed Institutions, Time Limits on Legal Action for
Recourse.

1. Legal action to enforce contractual obligations, including the collection of checks, drafts, promissory notes, bills of exchange, and realizations on mortgages, pledges, endorsements, guaranties, and other evidence of debt may, under Japanese law, be barred after the expiration of various periods of time subsequent to maturity or for other reasons. Institutions closed, or that may be closed, pursuant to Memorandum of General Headquarters, Supreme Commander for the Allied Powers, file AG 091.3 (30 Sep 45) ESS, dated 30 September 1945, subject: "Closing of Colonial and Foreign Banks and Special Wartime Institutions," hold large numbers of such instruments and there is danger that delay in the liquidation of these institutions may result in loss to the holding institutions and others.

2. In order to accord the closed institutions and liquidators, appointed or to be appointed, sufficient opportunity to enforce their claims in an orderly and unhurried manner, and to prevent or minimize loss to the closed institutions holding such evidence of debt, it is directed that the Imperial Japanese Government take all necessary action to suspend the effect of all past and present laws limiting the commencement of legal action on all claims maturing from 1 January 1931 to 1 March 1951, so that the Statutes of Limitations (Prescription) shall not be pleaded as a defense or bar to any action brought by any closed institution on claims maturing.

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during the above mentioned period.

3. The exemption, from regular Statutes of Limitation ordered in paragraph 2 above, shall not apply to or enure for the benefit of third parties involved in claims or rights of recourse resulting from such actions. In such cases the regular Statutes of Limitation affecting the various categories of action available to such third parties shall apply and begin to run as of the date of the commencement of the action by the closed institutions and liquidators, appointed or to be appointed.

4. The institutions at present falling within the purview of this order are listed on Inclosure 1 attached.

5. It is further directed that drafts of the laws or ordinances to be enacted, amended or promulgated in accordance herewith be submitted to General Headquarters, Supreme Commander for the Allied Powers for approval prior to enactment.

FOR THE SUPREME COMMANDER:

1 Incl:

List of Closed
Institutions.

file

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

(Do not remove from attached sheets) CW/CLK/ACO/mw

File No.:

Subject: Closed Institutions and Time Limits on
Legal Action for Recourse.

Note
No.

From: Govt Sec

To: ESS/FI

Date: 9 April 1946

1. The Government Section concurs with the proposed memorandum for the Imperial Japanese Government provided that:

a. The protection against time limits on legal action be not confined to claims of the closed institutions, but extended to claims of their creditors;

b. That the retroactive effect of the intended measure be made clear;

c. That the period ^{be changed} be changed to include all claims maturing after 1 January 1931 for an indefinite period, instead of until ~~30 June 1947~~ 1 March 1951.

d. Inasmuch as there is no alternative under the Japanese law as to whether or not a debt is barred after the expiration of various periods of time, it is recommended that the wording in line 4 of paragraph one of your proposed directive be changed to read "debt is barred under Japanese law."

2. Accordingly, it is suggested that paragraphs one and two of your proposed memorandum be changed as is set forth in a new draft attached. (Tab A)

1 Incl: New Draft.

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

Revised - file

7a

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

file

CHECK SHEET

(Do not remove from attached sheets) CW/CLK/ACO/mw

File No.:

Subject: Closed Institutions and Time Limits on
Legal Action for Recourse.

Note
No.

From: Govt Sec

To: ESS/FI

Date: 9 April 1946

1. The Government Section concurs with the proposed memorandum for the Imperial Japanese Government provided that:

a. The protection against time limits on legal action be not confined to claims of the closed institutions, but extended to claims of their creditors;

b. That the retroactive effect of the intended measure be made clear;

c. That the period covered be changed ~~to~~ to 1 January 1931 ~~to~~ 30 June 1947.

2. It is suggested that articles 1 and 2 of your memorandum be changed accordingly, as is set forth in a new draft attached. (Tab A).

1 Incl: New Draft.

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

Revised

Revised - file

7d

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500

AG 004.2 () ESS-FI
(SCAPIN)

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT
THROUGH : Central Liaison Office, Tokyo
SUBJECT : Closed Institutions and Time Limits
on Legal Action for Recourse.

1. Legal action to enforce contractual obligations, including the collection of checks, drafts, promissory notes, bills of exchange, and realizations on mortgages, pledges, endorsements, guaranties, and other evidence of debt ~~may~~ ^{is barred} under Japanese law, ~~be barred~~ after the expiration of various periods of time subsequent to maturity or for other reasons. Institutions closed, or that may be closed, pursuant to Memorandum of General Headquarters, Supreme Commander for the Allied Powers, file AG 091.3 (30 Sep 45) ESS, dated 30 September 1945, subject: "Closing of Colonial and Foreign Banks and Special Wartime Institutions," hold large numbers of such instruments and there is danger that delay in the liquidation of these institutions may result in loss to the holding institutions and others.

On the other hand, the Japanese statutes and ordinances on prescription and similar time limits on legal action may also affect the claims of creditors of closed institutions. The deposit claims against banks, for instance, may be forfeited if, due to the closing of the bank, the customer is prevented from interrupting prescription by an effective demand.

2. In order to accord the closed institutions and liquidators, appointed or to be appointed, as well as the creditors of such institutions sufficient opportunity to enforce their claims in an orderly and unhurried manner, and to prevent or minimize loss to the closed institutions and to their creditors, it is directed that the Imperial Japanese Government take all necessary action to suspend the effect of all past and present laws and ordinances limiting the commencement of legal action on all claims maturing ~~from 1 January 1931 to 1 July 1947~~ so that the

after

Incl - new Draft

Revised file

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Statutes of Limitations (prescription) cannot be pleaded as a defense or bar to any action brought by any closed institution or by any creditor of such institution on claims maturing during the above mentioned period. The further result of this will be to renew and revive any right or claim which may already have expired in consequence of such pleadings.

It is understood that the existing regulations concerning the freezing of bank accounts and the restrictions on their withdrawal are not affected by the required action, insofar as such action aims at safeguarding the rights of creditors of closed institutions.

3. The exemption from regular Statutes of Limitations, ordered in paragraph 2 above, shall not apply to or inure for the benefit of third parties involved in claims or rights of recourse resulting from such actions. In such cases the regular Statutes of Limitations affecting the various categories of action available to such third parties shall apply and begin to run as of the date of the commencement of the action by the closed institutions and liquidators, appointed or to be appointed.

4. The institutions at present falling within the purview of this order are listed on Inclosure 1 attached.

5. It is further directed that 3 copies of drafts of the laws or ordinances to be enacted, amended or promulgated in accordance herewith be submitted to General Headquarters, Supreme Commander for the Allied Powers for approval prior to enactment.

FOR THE SUPREME COMMANDER:

1 Incl:
List of Closed
Institutions.

Finance

*PA
File*

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section

004.2 (25 Feb 46) ESS-FI

AFO 500
25 February 1946

MEMORANDUM FOR: The Bank of Japan.

SUBJECT : Payment of Salaries and Other Necessary Expenses of the
Banque de l'Indo-Chine.

1. This Memorandum supersedes Memorandum for the Bank of Japan, this Headquarters, file 004.2 (15 Feb 46) ESS-FI, dated 15 February 1946, subject: "Payment of Salaries and Other Necessary Expenses of the Banque de l'Indo-Chine."

2. It is directed that the Bank of Japan, heretofore placed in charge of the property and affairs of Banque de l'Indo-Chine by order of this Headquarters, disburse such funds of the Banque de l'Indo-Chine as may be available in payment of salaries and other necessary expenses on applications approved by this Headquarters.

W F Marquet
W. F. MARQUET
Maj. Gen. U. S. Army
Chief, Econ & Sc Sec

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Finance

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Feb

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section

122.2 (25 Feb 46) ESS-FI

APC 500
25 February 1946

MEMORANDUM FOR: The Bank of Japan.

SUBJECT : Delivery of Records and Other Property of Closed Institutions to the Committee of Conservators.

1. Reference is made to Memorandum for the Imperial Japanese Government, this Headquarters, file AG 091.3 (18 Jan 46) ESS-FI, dated 18 January 1946, subject: "Appointment of Committee of Conservators for Institutions Closed Pursuant to Memorandum of this Headquarters, AG 091.3 (30 Sep 45) ESS."

2. It is directed that, on request of the Committee of Conservators, the Bank of Japan permit the Committee to examine any or all books, records, checkbooks, passbooks, books of account or other documents and securities of other property belonging to institutions covered by the referenced memorandum and now in the possession of the Bank of Japan. The Bank of Japan may surrender such property other than securities, negotiable instruments or other documents of a similar nature, to the Committee on the giving of an itemized receipt. Securities, negotiable instruments or other documents of a similar nature, will be surrendered to the Committee only on the specific direction of this Headquarters.

W. F. Marquat
W. F. MARQUAT
Maj. Gen. U. S. Army
Chief, Econ & Sc Sec

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Finance

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Price and Wage Control, Collection and
Distribution of Essential Commodities.

RSS/FI

7 February 1946

2

1. Comments on the Japanese Government's proposed financial plan (para 2 a of Note No 1 above) were transmitted in Check Sheet dated 3 Feb 46 from Government Section to Economic and Scientific Section, subject: Japanese Government's Measures to Combat Inflation.

2. Government Section concurs in the suggestions regarding official prices and subsidies put forth in paragraphs 7 and 8 of Note No 1 above.

3. As to the proposed enforcement measures (paragraphs 2 d and 9 of Note No 1), it is believed the laws for the sale of foodstuffs and control of prices should be strictly enforced. However, for obvious reasons no scheme of enforcement should be authorized which would encroach upon or curtail the civil liberties of the people, such as giving police the right of search and seizure without judicial warrant.

P.A.D. FILE

C. W.

7

Finance

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Delivered to CLK by hand.
Has not been logged in.
See memo for record, attached

CW/CLK/FR/gh

Japanese Governments Measures
to Combat Inflation.

E & SS

3 Feb 46

1. The attached Staff Study prepared in Economic and Scientific Section deals with four related proposals by the Japanese Government, constituting a program for combating inflation in Japan. These proposals are: (1) upward revision of official prices, (2) strict enforcement of the food selling laws, (3) a vigorous attack on the black market and (4) reduction of purchasing power in the hands of the public.

2. The measures designed to effectuate the first three proposals are under consideration in Economic and Scientific Section, and have not been submitted to Government Section for study or comment. Two proposed Imperial Ordinances and their Enforcement Regulations, constituting the financial portion of the program (proposal four above), are inclosed as Tabs "B" and "C" and an analysis of these measures, prepared in Government Section, is inclosed as Tab "A".

P.A.D. File

3. It is understood that the drafts of these measures, all dated 25 January 1946, are being revised by the Japanese Government as a result of preliminary discussions with members of Economic and Scientific Section. Since the proposed revisions are not available at this time, the analysis at Tab "A" and these comments are based on the draft of 25 January 1946.

4. The salient features of the financial plan are: (1) withdrawal from circulation of all outstanding Bank of Japan Notes, accompanied by a limited reissuance of "new" notes, and (2) prohibition of withdrawals of deposits in financial institutions, except for certain categories of deposits, financing essential activities and, within strict limits, for living expenses and other purposes. The effect of these measures will be an immediate and drastic reduction in the amount of currency in circulation and bank deposits available for spending.

5. As pointed out in the analysis, the proposed financial measures are by no means perfect, even within the field they are designed to cover. The more serious short-comings,

b

Japanese Governments Measures
to Combat Inflation.

E & SS

3 Feb 46

(CONTINUED)

if still present in the revised drafts, should be pointed out to the Japanese Ministry of Finance with a view to their elimination.

6. With all its faults, the Japanese Government's financial plan should be viewed as an effort on the part of the Japanese to treat their own financial ills. As such, it is a step in the right direction.

7. If these proposed financial measures are accompanied by satisfactory measures to stimulate the production and effect a fair distribution of food and other essential commodities and to exercise effective rationing and price controls, this Section sees no objection to their enactment.

8. From a governmental standpoint, the proposal is timely. It is believed desirable that the present government undertake the task and assume the political risks involved. A new government, formed after the forthcoming election, might hesitate to take such a drastic step at the beginning of its incumbency, thereby necessitating the issuance of a directive from the Supreme Commander.

9. It is also believed desirable that such measures be taken by the Japanese Government on its own initiative and not as a result of directives from the Supreme Commander. Disapproval by this headquarters of the proposed program would tend to shift to the Supreme Commander the responsibility for taking measures to curb the inflation.

3 Incl: As indicated above.

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

MEMO TO THE CHIEF OF STAFF:

PROBLEM PRESENTED

Blocking of Deposits in Financial Institutions, Currency Conversion, Price Control, Rationing, and Collection and Distribution of Essential Commodities, particularly primary foodstuffs through legitimate Channels.

FACTS BEARING ON THE PROBLEM

1. a. The program was prepared by officials of the Ministry of Finance in consultation with officials of the other Ministries concerned.

b. It was presented by the Ministry of Finance to the Chief of Economic & Scientific Section a week ago and discussions have continued between the officials of the Ministries involved and officers of the interested sections of this Headquarters.

c. The Ministry of Finance has stated that the program has been approved by the cabinet and it is desired to present it to the Privy Council on Wednesday, 30 January, and if approved there to the Emperor on Friday, 1 February.

2. The proposals contemplated are:

a. A re-adjustment of official prices to higher realistic levels. This will involve increases to both producer and consumer.

b. The use of the police to enforce the sale of rice to the government by search and seizure.

c. An energetic attack on the black market.

d. A financial program which would drastically reduce the purchasing power in the hands of the people and more equitably distributed among them. The financial measures proposed are:

- (1) A blocking of all present deposits in financial institutions.
- (2) The deposit and blocking of all presently outstanding currency.
- (3) Issue of a new currency which would be free of restrictions.

3. a. Total food supplies, particularly rice, are considerably short of estimated requirements.

b. The government has not been able to insure an equitable distribution of existing supplies to all ration card holders.

c. Prices have continued to rise sharply until rice is presently quoted at five thousand yen per koku against an official price of one hundred and fifty yen per koku.

d. To pay the exorbitant prices the people are exhausting their savings and the banks have been making loans to employers in order that they may pay black market prices for foods necessary to induce workers to stay on the job.

e. The savings, accumulated food stocks, and bargainable goods of increasing numbers of people are being exhausted.

f. It is estimated that food stocks are being exhausted faster than was earlier estimated and that the situation may reach a serious stage within six weeks instead of May or June as was first anticipated.

4. Strong opposition to the use of the police powers is evident from newspaper reports in statements of leaders in the rural areas.

5. The blocking and currency conversion program is probably the only effective enforcement measure which could be taken without the use of the police.

6. The blocking of deposits and conversion of currency is necessary for the successful imposition of the war profits tax, property tax, and increase in property value tax which are required to be imposed by Memorandum to the Imperial Japanese Government, file AG 121.7 (24 Nov. 45) ESS/FI.

7. By directive No. 3, dated 22 September 1945, this Headquarters the Japanese Government was required to continue price control and rationing, paragraph 2.

"2. Economic Controls.

a. You are responsible for initiating and maintaining a firm control over wages and prices of essential commodities.

- b. You are responsible for initiating and maintaining a strict rationing program for essential commodities in short supply, to insure that such commodities are equitably distributed."

8. This Headquarters is directed to permit and encourage the Japanese Government on their own responsibility to take such measures as may be necessary to attain the objectives expected to be reached by the program presently proposed. Pertinent sections of the JCS directive, radio WX 68524, dated 24 September 1945, are Part 2:

"Paragraph 19. The Japanese authorities will be expected to develop and effectively carry out programs of working activity that will enable them out of their own resources and labor to accomplish the following:

- A. To avoid acute and economic distress.
- B. To assure just and impartial distribution of available supplies.

Paragraph 21. The Japanese authorities shall be permitted on their own responsibility to establish and administer any control over economic activities that are appropriate or necessary in order to achieve the economic ends specified in paragraph 19. - - - - - subject to your approval - - - - -.

Paragraph 22. Serious inflation will substantially retard the accomplishment of the ultimate objectives of the occupation. You will, therefore, direct the Japanese authorities to make every feasible effort to avoid such inflation.

Paragraph 29. You will assure that all practicable economic and police measures are taken to achieve the maximum utilization of essential Japanese resources in order that imports into Japan may be strictly limited. Such measures will include production and price controls, rationing, control of black markets, fiscal and financial control - - - -.

Paragraph 30. You will require that all practicable steps be taken to assure a fair and equitable distribution of supplies under uniform rations scales."

9. Similar blocking and conversion measures have been imposed since the end of this war with Austria, Belgium, and the Netherlands.

10. The measures discussed have been volunteered by the Japanese Government.

11. a. The proposed blocking and conversion have been widely discussed by the people and in the press and semi-official hints have been given that the measures would be adopted, therefore, the public is more or less prepared for them

b. The program has been advocated by bankers, who are losing deposits, by the principal liberal groups and by many others even many of those who have considerable to lose by it. All fear that otherwise run-away inflation will be inevitable.

DISCUSSION

1. While the necessities of the program is evident, it is felt that the restoration of price control and equitable distribution can not be accomplished without some drastic measures which will insure enforcement. The use of the police power would appear inadvisable because:

a. It would arouse the people to resist a long hated instrument of oppression which they have been encouraged to believe was not gone forever.

b. It would require the reactivation of an organization which this Headquarters has required to be considerably reduced in numbers and powers.

2. The blocking and currency conversion would then by the only means by which the situation could be brought under control.

a. It is expected that these will bring about the release of the stocks of grain held by the farmers but in any case the more reasonable and equitable distribution of necessities should result because no one will have more purchasing power than another.

b. Upon completion of the program it is estimated that the new currency in circulation will be about six times that of 1937, the price of rice about ten times, of coal about fifteen times. The government has just announced an increase in wages to two and a half times and other wage and salary increases have been recommended to other employers.

3. Present rations provide only about one thousand calories of an estimated necessary eighteen hundred and the cost of the balance is fantastic and more and more people are unable to provide the needed extras for themselves. Returning repatriates without resources and goods or foods are arriving in increasing numbers to worsen the situation.

4. In emphasizing that this program has been volunteered by the Japanese government it should be considered that if its imposition is not permitted now;
- a. It would probably not again be volunteered by the present government.
 - b. That the new Diet to be convened after the election might be unwilling to adopt it.
 - c. That it would be welcomed by the enemies of the present regime and greatly disliked by its friends.
 - d. That postponed until after the election could mean that the program could not be imposed until perhaps June or July, by which time the situation could have gotten out of hand.

5. It is believed that the prompt imposition of the financial program will greatly advance the date on which a general exchange rate can be established at private commerce between Japan and the outside world resumed.

RECOMMENDATIONS

1. The Japanese government be informed that there is no objection on the part of this Headquarters to the proposed blocking of deposits and conversion of currency.
2. That consideration for the proposed use of the police powers be deferred or its use denied.
3. That all possible assistance be given by this Headquarters in the establishment of a new and more equitable official pricing scheme.
4. That support be given to any other acceptable enforcement measure which will insure and equitable distribution of the necessities of life.

CONCURRENCES

1. The Government Section ().
2. The Natural Resources Section ().
3. The Public Health and Welfare Section ().

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TAB A

ANALYSIS OF JAPANESE GOVERNMENT'S FINANCIAL PLAN

1. The Japanese Government's financial plan is contained in two proposed Imperial Ordinances, each with a set of Enforcement Regulations to be promulgated by the Minister of Finance: the Emergency Finance Measures Ordinance (Tab "B") and the Exchange of Bank of Japan Notes Ordinance (Tab "C").

2. Emergency Finance Measures Ordinance (and Related Enforcement Regulations).

a. Content.

By these measures, all withdrawals of deposits from financial institutions, except as noted below, are prohibited from the date of issuance of the Ordinance to 31 August 1946. Deposits of the national, prefectural and local governments and deposits of financial institutions in other financial institutions are exempted. Withdrawals for the purpose of paying taxes or to carry on essential business operations or to pay wages, salaries and other allowances, or to make deposits in the same of other banks, are authorized. Each family may withdraw, for any purpose, up to ¥ 300 per month for the head of the family and ¥ 100 per month for each member. Repatriated nationals may withdraw ¥ 1,000.

b. Comments.

(1) The statement of a definite termination date (Articles 1 and 7 of the Ordinance and Article 2 of the Regulations) is unnecessary and from the point of view of governmental stability is considered dangerous.

(2) The general license to withdraw deposits for business expenses etc., contained in sub-section 3 and 4, Section 1, Article 2 of the Ordinance, is too broad and is subject to abuse. Special licenses would permit closer control.

(3) The provisions limiting the amounts that families may draw (sub-section 5 of Section 1, Article 2 of the Ordinance and Article 7 of the Regulations) make no distinction between persons who have incomes from wages, salaries or other sources and persons who depend entirely on their savings for current living expenses, nor do they differentiate between high-income and low-income persons. Some differentiation along these lines would appear desirable.

Tab "D"

S E C R E T

(4) Articles 3, 4 and 5 of the Ordinance authorize the Minister of Finance, at his discretion, to restrict or prohibit advances of funds by financial institutions or the transfer or pledge of deposits, and to prescribe the methods whereby juridical persons may pay monetary obligations. Such restrictions and regulations should not be left to the discretion of the Minister of Finance, but should be set forth in the law itself.

(5) Under Section 2 of Article 7 of the Ordinance and Article 20 of the Regulations, deposits in financial institutions are permitted to earn interest. It should be stated that such interest will be subject to the same restrictions as the principal.

(6) If savings in financial institutions and the interest earned thereon are to be blocked, then any interest, dividends and other income received from government and other securities should be deposited and similarly restricted. In addition, restrictions should be placed on the use of funds derived from the maturity or sale of such securities.

3. Exchange of Bank of Japan Notes Ordinance (and related Enforcement Regulations).

a. Content.

Under this Ordinance a "new" note issue will be created by affixing (presumably by stamping) to the present Bank of Japan notes a form of certificate to be prescribed by the Minister of Finance. After 4 March 1946, all notes not bearing this certificate will cease to be legal tender. Holders of old notes will have between 26 February and 16 March 1946 to present their notes to the Bank of Japan through normal banking channels. Within prescribed limits, new notes will be issued in exchange for the old ones. The balance will be treated as deposits and blocked under the Emergency Financial Measures Ordinance discussed in paragraph 2 above. Each family may exchange an amount equal to ¥ 200 for the head of the family and ¥ 100 for each member thereof. Repatriated nationals may exchange ¥ 1,000. Enterprisers may exchange enough for one day's needs. Juridical persons may exchange amounts as specified by the Finance Minister. The national, prefectural and local governments and financial institutions may exchange all notes held by them.

b. Comments.

(1) The technique of converting currency notes by stamping a legend or certificate on existing notes makes counterfeiting an easy matter.

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It should be resorted to only if unavoidable because of scarcity of materials or facilities or absolute lack of time for printing new notes.

4. The effect of these measures will be an immediate and drastic reduction in the amount of currency in circulation and the immobilization of a large percentage of the deposits now owed to the public by financial institutions. Currency will be forced out of hoarding. The pressure of excess purchasing power on prices will be reduced. Essentially, however, the plan constitutes a device for reducing the inflationary potential rather than deflating the existing price structure. In order for these effects to be lasting, there must also be a halt to the creation of new bank deposits based on government borrowing. Otherwise the pressure will soon build up again. In addition, there is need of a government fiscal policy which will inspire confidence in the currency and the banks.

Tab B
(1)

JAPANESE IMPERIAL GOVERNMENT

Emergency Financial Measures Ordinance

(draft) - 25 Jan. 46.

Art. 1. The (capital of) deposits and other similar obligations stipulated by ordinance (hereafter called "deposits") may not be withdrawn from the financial institutions until the date stipulated by ordinance.

Art. 2. The restrictions in the preceding article shall not apply to withdrawals

- (1) by the state, prefectures and other local governments;
- (2) for the payment of taxes and other public charges, stipulated by ordinance;
- (3) for payments necessary to continue business operations as prescribed by ordinance;
- (4) for payments of salaries, wages and other allowances;
- (5) for an amount stipulated by ordinance, for one family;
- (6) for an amount stipulated by ordinance, for repatriated nationals;
- (7) from special deposits or special trusts of money created under the Industrial Reorganization Funds Law and the Emergency Funds Adjustment Law;
- (8) by financial institutions
- (9) for the purpose of depositing in deposit or savings accounts or trusts of money with financial institutions as provided by ordinance.
- (10)

2. The deposit or savings accounts or trusts of money stated in Sub. section (9) of the preceding section shall be considered as deposits as defined in Art. 1.

3. "Family" and "repatriated national" stated in Section 1 shall be defined by ordinance.

Art. 3. The Minister of Finance may, if necessary, restrict or prohibit by ordinance the transfer or pledge of deposits.

Art. 4. The Minister of Finance may, if necessary, restrict or prohibit by ordinance the advance of funds by financial institutions and other persons designated by the Minister of Finance.

Art. 5. The Minister of Finance may, if necessary, give necessary orders, as provided by ordinance, prescribing the methods of paying monetary obligations of juridical persons and other persons designated by the Minister of Finance and the methods by which the same persons hold monetary funds.

Art. 6. "Financial institutions" in this ordinance shall mean post offices, banks, trust companies, insurance companies, "mujin" (mutual loan) companies, the Central Bank of Agriculture and Forestry, the Central Bank of Commerce and Industry, the pensions Bank, the peoples Bank, the National Reconstruction Bank, Local Agricultural Associations, Fishing Associations, Urban District Credit Associations and other associations which receive deposits.

Art. 7. 1. The depositor of deposits shall lose his right to withdraw (the capital of) his deposits until after the date referred to in Art. 1.

2. Deposits shall bear interest as provided by ordinance during the period withdrawal is prohibited.

3. Deposits whose period of prescription ends between the time when this ordinance is put in force and the date stipulated in Art. 1, shall not expire by prescription until one month after that date.

Art. 8. Any person who violates the provisions of Art. 1, the restrictions or prohibitions stipulated in Art. 3 or Art. 4 or the orders given under the provisions of Art. 5 shall be subject to penal servitude for not more than three years or to a fine not more than ten thousand yen.

Art. 9. If any representative of a juridical person or any agent, employee or other worker of a juridical or any natural person commits a violation stated in the preceding Art. in connection with the business of that person, that person shall also be subject to a fine stated in the same Art. in addition to the punishment for the actual violator.

SUPPLEMENTARY RULES

This ordinance shall be enforced on and after the date of promulgation.

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ENFORCEMENT REGULATIONS OF THE EMERGENCY
FINANCIAL MEASURES ORDINANCE (Draft)

24 January, 1946

- ART. 1. Deposits and other similar obligations stated in Art. 1 of the Emergency Financial Measures Ordinance (hereafter called the Ordinance) shall be deposit and savings accounts, trusts of money and money deposited with the Pension Bank.
- ART. 2. The date stated in Art. 1 of the Ordinance shall be August 31, 1946.
- ART. 3. Taxes and other public charges stated in Sub-section 2, Section 1, Art. 2 of the Ordinance shall be national taxes (excluding indirect taxes, classified income taxes, summary income taxes stated in Art. 106 of the Income Tax Law) and local taxes.
- ART. 4. Withdrawal of deposits (as defined in Art. 1 of the ordinance) by juridical persons and other persons designated by the Minister of Finance under Art. 5 of the Ordinance for payments necessary to continue business operations shall not be restricted by Art. 1 of the Ordinance excepted as designated by the Minister of Finance when deemed necessary.
- ART. 5. Enterprises other than those stated in the preceding Art. may withdraw deposits from financial institutions for payments necessary to continue business operations within the limitations prescribed by the Minister of Finance.
- ART. 6. Family stated in Art. 2 of the Ordinance shall include the head of the family and other members of his family employees and others who live in the same house and are personally supported by him.
- Other members of his family who do not live in the same house and who are not supported by him shall be considered as heads of a separate family.
- ART. 7. The amount of money stated in Sub-section 5, Section 1, Art. 2 of the Ordinance shall be the total of 300 yen per month for the head of the family and 100 yen per month for each of the other members of the family.
- ART. 8. Repatriated nationals stated in Art. 2 of the Ordinance shall mean a Japanese national who has returned to Japan proper from the colonies or foreign countries on or after August 15, 1945.
- ART. 9. The amount of money stated in Sub-section 6, Section 1, Art. 2 of the Ordinance shall be 1,000 yen for each person.

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(Contd.)

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ART. 10, Withdrawals of deposits stated in Sub-section 9, Section 1, Art. 2 of the Ordinance shall be withdrawals of deposits by book-transfers.

- (1) to make any kind of deposit with the same bank;
- (2) to make a deposit with another bank; and
- (3) to make a deposit with a bank to make payments on obligations other than deposits existing at the time this regulation is enforced.

If a check is to be issued to make a deposit in Sub-sections 2 and 3 of the preceding section, the issuer shall write in the blank space of the front of the check "deposits restricted by Art. 1 of the Emergency Financial Measures Ordinance," sign his name and affix his seal.

ART. 11, Withdrawals of deposits stated in Sub-section 10, Section 1, Art. 2 of the Ordinance shall be withdrawals of deposits

- (1) up to 1,000 yen for each person leaving Japan for foreign countries;
- (2) up to 1,000 yen for each person who was a war victim to purchase clothing, household goods and other necessities (the amount of money withdrawn from blocked accounts will be deducted from the above amount);
- (3) by candidates of the Lower House of the Diet for electioneering funds prescribed under the law;
- (4) to pay medical expenses which have to be paid to the doctor;
- (5) for wedding expenses and funeral expenses up to 1,000 yen;
- (6) which are designated by the Minister of Finance; and
- (7) which have been approved by the Minister of Finance

ART. 12, If any person wants to withdraw deposits under Sub-sections 5 and 6, Section 1, Art. 2 of the Ordinance he shall show to the financial institutions a certificate of the head and other members of the same family or a document certifying he is a repatriated national.

ART. 13, The prior approval of the Minister of Finance shall be required to transfer or pledge deposits except in the following cases

- (1) transfer or pledge of deposits which may be withdrawn

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under sub-sections 1, 3 and 8 of Section 1, Art. 2 of the Ordinance.

- (2) pledge of deposits which may be withdrawn under Sub-section 3, 4, 5, and 6, Art. 2 of the Ordinance or sub-sections 1 to 6, Art. 11 of the Regulations
- (3) in cases when the Minister of Finance has designated

ART. 14. Financial institutions, securities underwriters and bill brokers shall advance funds (including loans, discounts, new overdrafts) according to the standard set by the Minister of Finance.

If the financial institutions, securities underwriters and bill brokers do not follow the above standard, the Minister of Finance may restrict or prohibit their advance of funds.

The Minister of Finance may limit the maximum limit of overdrafts.

ART. 15. Companies capitalized over 150,000 yen shall obtain the prior approval of the Minister of Finance to advance funds

- (1) to the officers of the Companies
- (2) to other Companies for an amount more than 30,000 yen

ART. 16. If a Financial institutions, securities underwriters or bill broker wants make payments on financial obligations to advance funds to Companies capitalized over 15,000 yen or other persons designated by the Minister of Finance, it shall make the payment by deposits with the financial institutions, excepting in cases designated by the Minister of Finance or when the prior approval of the Minister of Finance has been obtained.

ART. 17. The financial institutions shall not make the payments on withdrawal of deposits by juridical persons capitalized over 150,000 yen (excepting financial institutions) and other persons designated by the Minister of Finance in cash (including drafts and checks) excepting when the withdrawals are for cash payments stated in Section 1 Art. 18 and are made at the financial institutions designated for each factory or working unit, or in cases designated or approved by the Minister of Finance.

ART. 18. Juridical persons capitalized over 150,000 yen and other persons designated by the Minister of Finance shall make payments by depositing money in deposits or by non-negotiable bills or crossed checks excepting when cash payments are made.

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- (1) to the State, prefectures and other local governments;
- (2) for payments of salaries and wages;
- (3) for payments of communications and travelling expenses and sundry office supplies which are needed to carry on business;
- (4) for payments needed to be made in the course of the financial business of the financial institutions and for deposits repayments of obligations and other payments or financial obligations to the financial institutions.
- (5) up to 500 yen per one item not included in the above, and
- (6) in cases designated or approved by the Minister of Finance.

ART. 19, Juridical persons capitalized over 150,000 yen excepting financial institutions or other persons designated by the Minister of Finance may not hold cash in excess of the amount designated by the Minister of Finance and the excess amount shall not be used but shall be immediately deposited with financial institutions.

ART. 20, The financial institutions will credit interest at the following rate on deposits section 2, Art. 7 of the Ordinance. Provided that the interest on deposits designated by the Minister of Finance shall be at the rate designated by the Minister of Finance.

- (1) the rate of interest stipulated by contract where there is a contract; and
- (2) the rate of interest by which interest had credited on deposits in case the time of deposit has passed.

ART. 21, Any person who wants to obtain the approval of the Minister of Finance shall send his application to the Minister of Finance through the financial institutions concerned and the Bank of Japan or the respective branch thereof.

ART. 22, In this ordinance

- (1) financial institutions shall mean financial institutions as defined in Art. 6 of the Ordinance;
- (2) securities underwriters shall mean securities underwriters as defined in the Underwriting of Securities Law; and
- (3) bill brokers shall mean persons other than financial

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institutions and securities underwriters whose business is to advance or receive loans, to buy or sell drafts or to act as agents in such transactions, and who have been designated by the Minister of Finance.

ART. 23. Any person who comes under the jurisdiction of this ordinance may not do any kind of act by any name whatever in order to evade the restrictions or prohibitions of this ordinance.

SUPPLEMENTARY RULES

The ordinance shall be enforced on and after the date of promulgation.

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institutions and securities underwriters whose business is to advance or receive loans, to buy or sell drafts or to act as agents in such transactions, and who have been designated by the Minister of Finance.

ART. 23. Any person who comes under the jurisdiction of this ordinance may not do any kind of act by any name whatever in order to evade the restrictions or prohibitions of this ordinance.

SUPPLEMENTARY RULES

The ordinance shall be enforced on and after the date of promulgation.

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TAB G

JAPANESE IMPERIAL GOVERNMENT

Imperial Ordinance (Draft) - 25 Jan 46

"Exchange of Bank of Japan Notes"

Art. 1. 1. The Bank of Japan notes of the types stipulated by ordinance which do not have the prescribed certificates put on them (hereafter called the "old notes") shall cease to be legal tender after "X" day. Provided that they will be legal tender when they are to be exchanged as provided in Art. 2 and Art. 3; and when any person who holds old notes deposits them before "y" day in deposit or savings accounts or trusts of money with post offices, banks, trust companies, "Mudjin" (mutual loan) companies, the Central Bank of Agriculture and Forestry, the Central Bank of Commerce and Industry, the Peoples Bank, Local Agricultural Association, Fishing Association, Urban Districts Credit Associations and other associations which receive savings deposits.

2. The certificates stated in the preceding section shall be issued by the Bank of Japan and its type and form shall be determined by the Minister of Finance.

Art. 2. 1. Any person who holds old notes may demand the Bank of Japan exchange them for Bank of Japan notes which have the prescribed certificates put on them (hereafter called the "new notes") or for Bank of Japan notes designated by the Minister of Finance, up to an amount prescribed by ordinance within the period prescribed by ordinance.

2. The Bank of Japan shall make the exchange of notes stated in the preceding section without charge immediately on demand.

Art. 3. 1. Post offices, banks, Agricultural Associations in cities, towns or villages and Urban District Credit Associations shall do the actual work of exchanging notes stated in the preceding Art. for the Bank of Japan.

2. The Minister of Finance shall enact the necessary regulations regarding the actual exchange of notes.

Art. 4. 1. The following shall be considered as deposits as defined in the Emergency Financial Measures Ordinance so far as the same Ordinance applies.

(1) deposit and savings accounts and trusts of money in old notes with financial institutions as defined in the Emergency Financial Measures Ordinance (hereafter called financial institutions).

(2) drafts, checks and postal money orders existing on the next day after "x" day which have not the mark prescribed in Sec. 3; Provided that such drafts and checks shall be limited to those which were drawn or issued by or on financial institutions.

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(3) deposits and savings accounts and trusts of money with financial institutions created by drafts and checks without the mark prescribed in sec. 3 which were drawn or issued by or on financial institutions and by postal money orders without the mark prescribed in Sec. 3.

2. Drafts, checks, and postal money orders without the mark prescribed in Sec. 3 shall not be paid for by financial institutions before "x" day in new notes or in Bank of Japan notes designated by the Minister of Finance.

3. Financial institutions shall put the mark prescribed by ordinance on drafts, checks and postal money order drawn or issued within the period of time stipulated by ordinance, excepting on those that were drawn or issued against on receipt of old notes.

4. Financial institutions shall not put the mark stated in the preceding section on drafts, checks and postal money orders other than those prescribed in the preceding section.

5. The period of time between "x" day and the date stated in Art. 1 of the Emergency Financial Measures Ordinance shall be left out in calculating the period of validity for postal money orders stated in sub-section 2 of section 1.

Art. 5. 1. The Bank of Japan shall remove the circulation of old notes on the date stipulated by ordinance from the circulation of Bank of Japan notes on the next day.

2. The Bank of Japan shall pay into the Treasury, as provided by ordinance, the circulation which was removed as stipulated in the preceding section, after deducting a certain amount prescribed by ordinance.

Art. 6. Old notes shall not be delivered or received after "x" day except as provided in the proviso of the same section.

Art. 7. 1. Any person who has exchanged notes in excess of the amount stipulated in Section 1 of Art. 2 or who has exchanged notes on demand after the date stipulated in Section 2 of the same Art. shall be subject to penal servitude for not more than three years or to a fine of not more than 10,000 yen. Any person who has violated sections 2 to 4 of Art. 4 shall be subject to the same punishment.

2. Any person who has violated the preceding Art. shall be subject to the same punishment as in the preceding section.

Art. 8. 1. Any person who has counterfeited or illegally changed the certificate prescribed in Ar. 1. with the object of putting them on old notes shall be subject to penal servitude for a period of time not less than one year.

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2. Any person who has delivered to any one else or imported counterfeited or illegally changed certificates with the object of putting them on old notes shall also be subject to the same punishment as provided in the preceding Section.

3. Any person who has received counterfeited or illegally changed certificates with the object of putting them on old notes shall be subject to penal servitude for not less than three months but not more than five years.

4. Criminal attempt of violations stated in the preceding three sections shall also be subject to punishment.

Art. 9. If any representative of a juridical person or any agent, employee or other worker of a juridical or natural person commits a violation stated in Art. 7 in connection with the business of that person, that person shall also be subject to a fine stated in the same Art. in addition to the punishment for the actual violator.

SUPPLEMENTARY RULES

This ordinance shall be enforced on and after the date of promulgation.

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Table (cont'd)

JAPANESE IMPERIAL GOVERNMENT

ENFORCEMENT REGULATIONS OF THE IMPERIAL ORDINANCE
REGARDING THE EXCHANGE OF BANK OF JAPAN NOTES (DRAFT)

25 January 1946

ART. 1. The types of the Bank of Japan notes stated in section 1 of Art. 1 of the Imperial Ordinance No. of 1946 (hereafter called the Ordinance) shall be the 5, 10, 20, 100, 200 and 1000 yen notes which are not legal tender.

ART. 2. The date stated in Section 1 of Art. 1 of the Ordinance shall be March 4, 1946. ("X" Day)

ART. 3. The date stated in the proviso of Section 1 of Art. 1 of the Ordinance shall be March 16, 1946. Provided that the Ministry of Finance may, if necessary, set a separate date for different regions. ("Y" Day)

The Ministry of Finance shall publish the fact in the Official Gazette if he has set a separate date under the proviso of the preceding section.

ART. 4. The period of time stated in Section 1 of Art. 2 of the Ordinance shall be from Feb. 25, 1946 to March 16 1946.

ART. 5. Post Offices, Banks, trust companies, "mujin" (mutual loan) companies, the Central Bank of Agriculture and Forestry, Peoples Bank, local Agricultural Associations, Urban District Credit Associations and other associations which receive savings deposits may demand the exchange of notes stated in Section 1 of Art. 2 of the Ordinance (hereafter called the exchange of notes) until March 23, 1946, notwithstanding the provisions of Art. 4.

Nationals who were repatriated from colonies or from foreign countries on or after Jan. 8, 1946 may demand the exchange of notes within two months of the day on which the nationals concerned reached Japan Proper, not withstanding the provisions of Art. 4.

Persons designated by the Ministers of Finance may demand the exchange of notes until the date designated by the Minister of Finance, notwithstanding the provisions of Art. 4.

The Minister of Finance shall publish the fact in the Official Gazette if he has made the designation under the preceding section.

ART. 6. The amount of money stated in Section 1 of Art. 2 of the Ordinance shall be 200 yen per head of family and 100 yen per each of the other members of the family

"Head of family" and "other members of the family" stated in the preceding section are the same as the head of family and other members of the family as defined in the Enforcement Regulations of the Emergency Financial Measures Ordinance.

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ART. 7. Juridical persons stated in the Enforcement Regulations of the Emergency Financial Measures Ordinance and other persons designated by the Minister of Finance may demand the exchange of notes within the limits designated by the Minister of Finance as provided in Art. 6 of the same Ordinance, notwithstanding Art. 6.

Enterprisers (including those engaged in agriculture, forestry and fishing) not included in the preceding Section may demand the exchange of notes for an amount of money which is the amount needed for one day's payment and which has been certified by the head of the respective guild or similar association notwithstanding Art. 6 Provided that this amount may not exceed 1,000 yen.

Nationals who have been repatriated from colonies or foreign countries on or after Jan. 1, 1946 may demand the exchange of notes for an amount not exceeding 1,000 yen, notwithstanding Art. 6.

The State, prefectures and other local governments and financial institutions stated in the Emergency Financial Measures Ordinance may demand the exchange of notes for the total amount held by them, notwithstanding Art. 6.

Persons designated by the Minister of Finance may demand the exchange of notes within the limits designated by the Minister of Finance, notwithstanding Art. 6.

The Minister of Finance shall publish the fact in the Official Gazette if he has made the designation under the preceding Section.

ART. 8. The Minister of Finance shall publish the fact in the Official Gazette if he has made the designation of Bank of Japan notes under Section 1 of Art. 2 of the Ordinance and under Section 2 of Art. 4 of the Ordinance.

ART. 9. The head of family and the other members of the family stated in Section 1 of Art. 6 and repatriated nationals stated in Section 3 of Art. 7 shall be required to present a certificate showing their qualifications when they demand the exchange of notes.

ART. 10. The period of time stated in Section 3 of Art. 4 of the Ordinance shall be from Feb. 25, 1946 to March 4, 1946.

ART. 11. The mark stated in Section 1 of Art. 4 of the Ordinance shall be done by writing "not paid in by old notes" in the blank space on drafts, checks, or postal money orders, with the representative or agent of the financial institutions signing his name and affixing his seal thereto.

ART. 12. The date stated in Section 1 of Art. 5 of the Ordinance shall be March 23, 1946.

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(note)

The amount of money to be determined by ordinance under Art. 5 of the Ordinance and necessary provisions regarding the payment into the Treasury under the same Section shall be determined at a later date as the circumstances require.

SUPPLEMENTARY RULES

This ordinance shall be enforced on and after the date of promulgation.

TOP SECRET

Not used
file memo for
Record
JK
Feb 46

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Japanese Government's Measure to Combat Inflation.

R & S S

30 January 1946

GOVERNMENT SECTION FILE

1. With reference to the attached Staff Study on the above subject, Government Section has not considered the adequacy of the Japanese Government's program for the purpose of arresting or controlling the inflation now prevalent in Japan, but considers the program a step in the right direction and timely from a governmental standpoint.

2. It is believed desirable that such measures be taken by the Japanese Government on its own initiative and not as a result of directives from the Supreme Commander. Disapproval by this Headquarters of the proposed program would tend to shift to the Supreme Commander the responsibility for taking measures to curb the inflation.

3. It is also believed desirable that the present government undertake the task and assume the political risks involved. A new government formed after the forthcoming election might hesitate to take such a drastic step at the beginning of its incumbency, thereby necessitating the issuance of a directive from the Supreme Commander.

1 Incl: As Indicated Above.

C. W.

MEMORANDUM FOR THE RECORD:

Subject Staff Study was informally submitted to Government Section at 1600 hours 29 January 1946 with request for comment within the shortest possible time. Copies of the proposed measures constituting the Japanese Government's program for combatting inflation were not attached, but the general purposes of the measure are stated in paragraph 2 of the Staff Study.

The Staff Study concludes that, of the measures proposed by the Japanese Government, the deposit blocking and currency conversion scheme is the only one which can be imposed at an early date without necessitating undesirable uses of the police power.

As a program for arresting or controlling the inflation now prevalent in Japan, the proposed measures are pitifully inadequate. It is highly doubtful, however, whether the present government is capable of

MEMORANDUM FOR THE RECORD (Continued)

30 January 1946

producing or enforcing anything more fundamental or comprehensive. In principle, the financial measures outlined in paragraph 2 d of the Staff Study are deflationary and, as such, must be considered a step in the right direction.

From the point of view of this Headquarters, it is desirable that such measures be undertaken by the Japanese Government on its own initiative, and not as a result of directives by SCAP.

Further, it is preferable that the present government, rather than the one which will result from the forthcoming general election, undertake the task and assume the political risks involved.

In view of the foregoing, it is recommended that Government Section concur in the recommendations embodied in subject Staff Study.

FR
F. RIZZO
Capt. CMP.

GOVERNMENT SECTION FILE

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

(Do not remove from attached sheets)

File No: 383.6 (2 Feb 46) Subject: Price and Wage Control, Collection
ESS/FI and Distribution of Essential
Commodities.

Note
No. 1

From: ESS/FI

To: G-4

Date: 2 February 1946

Government Section ✓
Natural Resources/Agriculture Div.
Natural Resources/Mining Div.
ESS/Price Control and Rationing
ESS/Labor
ESS/Industrial

1. The Japanese Government has made tentative proposals for the more adequate control of prices and wages, a more equitable distribution of essential commodities, especially primary foodstuffs, and a checking of the present inflationary trend.
2. The measures proposed include:
 - a. Certain action in the financial field which would control and more nearly equalize the amount of purchasing power in the hands of the consumers.
 - b. A setting of new official prices and wages more nearly adjusted to the depreciated value of the yen.
 - c. More adequate controls of distribution channels.
 - d. A strict enforcement of price controls and police action against black marketers and hoarders.
3. The particular interest of this Division is in the financial measures to be adopted and the prices to be set, the latter because of their effect upon public finances, particularly where the payment of subsidies is involved.
4. The mechanics of the financial measures are believed practicable.
5. It is necessary that a principle be established as to the method of payment of subsidies. These would appear to be possible of division into two classifications:
 - a. Subsidies to consumers where producers are considered to have approximately the same cost of production, as for example in the case of rice and charcoal.
 - b. Subsidies to producers where there is considerable variance in producers costs as in the case of coal.

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383.6 (2 Feb 46) ESS/FI

6. The Japanese have proposed a price of 300 yen per koku to producers of rice and a price of yen 250 per koku to consumer. This would mean a reduction in the present subsidy from 75 yen per koku to 50 yen per koku. While it is agreed that there should be no reduction in the present rice subsidy, this division would oppose an increase because of the additional burden on the government.

7. The proposed price for coal is 300 yen per ton, as against an estimated average cost of production of 250 yen per ton. The cost to the consumer would be yen 180 per ton which would of course result in a very large subsidy to a limited number of producers. Economical producers would profit excessively. It is suggested that a more realistic approach would be:

a. To set a price which would permit a sufficient profit to the most economical producers to give an incentive for increased production

b. Pay individual subsidies based upon cost of production to those producers who could not produce at the control prices.

8. As production increases in the lower cost mines the subsidies to the higher cost mines should be reduced starting with the highest cost producer. It is suggested that say yen 225 per ton would be a proper official price. It should be the same for producer and consumer.

9. This Division does not have a direct interest in the means of enforcement but would welcome an indication of policy from the Sections which do as the effectiveness of the finances will depend to a considerable degree upon that of other enforcement.

10. A statement of opinion on these questions would be appreciated from the Staff Sections and Section Divisions indicated at the top of this Memorandum as it is felt the whole problem should be handled as one.

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

Mail Govt
Finance

OFFICE OF THE SUPREME COMMANDER
FOR THE ALLIED POWERS

AG 091.3 (30 Sep 45)ESS

30 September 1945

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT.

THROUGH : Central Liaison Office, Tokyo.

SUBJECT : Closing of Colonial and Foreign Banks and Special Wartime Institutions.

On the Japanese Gov directed Gov

1. You will immediately close and not allow to reopen, except at the direction of this headquarters, the head offices, branches and agencies in Japan of the banks and other financial institutions enumerated in Inclosure 1, attached hereto.

2. You will immediately post signs on the premises declaring that the institutions are closed.

3. Guards will be posted at all premises occupied by such institutions, and access to the premises will not be permitted except as directed by this headquarters.

4. Any books, records and papers of the institution which are not on the premises occupied by them will be taken into custody and delivered into the special custody of this headquarters.

5. You will impound all gold, silver, currency, securities, notes, mortgages, pledges and other assets of the institutions which are not located on the premises occupied by them.

6. You will take such action as is required to prevent and prohibit, without the prior permission of the Ministry of Finance, any purchase, sale, transfer, withdrawal, or disposition of, or other transaction involving any assets of such institutions. No such transaction will be permitted by the Ministry of Finance without authorization of this headquarters.

also to

7. You will discharge and summarily remove from office the chairman of the board of directors, the president, the managing directors and the advisors of all institutions listed in Inclosure 1, and all other persons holding comparable posts in such institutions; and you will forbid them to enter into or to act for institutions with which they were associated. You will cancel the authority of all persons holding powers of attorney or signing authority and will not permit any authority or power to act on behalf of such institutions to be given to any other persons without the authorization of this headquarters. All the officers, directors and other officials of such institutions will remain available and will not change their address without the authorization of this headquarters.

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MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT (CONT'D).

8. a. You will safeguard and preserve, not remove or permit to be moved from their present location, any of the following:

- (1) Any plates used for printing currency and stamps other than notes of the Bank of Japan, Japanese State notes, and stamps used solely within Japan.
- (2) All stocks of manufactured currency and stamps other than notes of the Bank of Japan, Japanese State notes, and stamps used solely within Japan.
- (3) All watermarked paper intended for the manufacture of currency and stamps, other than notes of the Bank of Japan, Japanese State notes, and stamps solely for use within Japan.

b. You will report to this headquarters by 0900 hours, 2 October 1945, the location of all of the items listed in "a" above.

9. You will report immediately to this headquarters the action taken to comply with these requirements.

10. An acknowledgment of the receipt of this memorandum is desired.

FOR THE SUPREME COMMANDER:

Harold Fair
HAROLD FAIR,
Lt Colonel, A.G.D.,
Asst. Adjutant General.

1 Incl: As indicated in
Paragraph 1.

INCLOSURE 1

LIST OF FINANCIAL INSTITUTIONS TO BE CLOSED BY
JAPANESE GOVERNMENT

1. Wartime Finance Bank,
2. United Funds Bank,
3. All branches and agencies in Japan of Bank of Chosen,
4. All branches and agencies in Japan of Bank of Taiwan,
5. Southern Development Bank,
6. Overseas Funds Bank,
7. Deutsche Bank fuer Ostasien,
8. Offices in Japan of Central Bank of Manchu,
9. Offices in Japan of Bank of China,
10. Banque Franco - Japonaise
11. Oriental Development Company
12. Nanyo Development Company
13. North China Development Company
14. Central China Development Company
15. South Manchuria Railway Company
16. Southern Development Company
17. Taiwan Development Company
18. Manchuria Development Co., Ltd.
19. Manchuria Heavy Industry Development Co., Ltd.
20. Chosen Colonization Bank
21. National Financial Control Association
22. All other banks, development companies, and institutions whose foremost purpose has been the financing of colonization and development activities in areas outside Japan or the financing of war production by the mobilization or control of financial resources in colonial or Japanese occupied territory;

Finance

16 Sep 45

**STATEMENT BY THE IMPERIAL JAPANESE
MINISTRY OF FINANCE**

1. The Allied Occupation Forces will use supplemental yen currency, mark-"B" and regular yen currency issued by the Bank of Japan, state notes and coin.
2. The people of Japan will willingly accept this supplemental yen currency as of equal value to regular yen currency and interchangeable with it and without limitation.
3. All banks and other financial institutions, post offices and all other government agencies will exchange one currency for the other upon demand.
4. All military and occupational currencies which have been issued by the Japanese Government, Army or Navy are void and valueless and it is forbidden to give or accept any of them in any transaction.

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YOKOHAMA LIAISON OFFICE

September 16, 1945.

Finance

YLO NO: 60

MEMORANDUM: To the Supreme Commander for Allied Forces
SUBJECT: Use of Supplemental Yen (Type "B"), United States Dollars, and other Foreign Currency.

AGC RECORDS
16 SEP 1945
123

1. The memorandum from the office of the Supreme Commander to the Japanese Government dated 12 September 1945, on the above subject (AG 123, 12 September 1945 - MG) has been received on the 15 September 1945.

2. The Japanese Government through the Ministry of Finance has taken steps to issue the attached statement formally to the press and over radio, and publish it prominently in post offices, railway stations etc., (for radio: from noon 16 September 1945, for press: in the evening edition of 16 Sept. and the morning edition of 17 September).

2. As to the legal procedure to decree supplemental Yen (Type "B") as legal tender in Japan, the Japanese Government has taken the necessary steps. It should be understood, however, that the procedure for the enactment and promulgation of such law will take several days more.



For the Japanese Government

T. Suzuki Chief,
Tadakatsu Suzuki

Yokohama Liaison Office

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Finance
Y.E.O.
NO: 10

9 September 1945

MEMORANDUM FOR THE SUPREME COMMANDER

SUBJECT: Supplementary military yen currency.

It was desired by the memorandum from the Supreme Commander under the date of September 6th that the Imperial Japanese Government place in effect immediately, as a law, decree or other appropriate measure certain matters concerning the supplementary military yen currency.

It is necessary, under the Japanese Constitutional Law, to go through legislative or other prescribed formalities to declare a currency other than Japanese yen as legal tender and to impose necessary penalties to secure its circulation, and this involves some necessary delay. While on the other hand the necessity of preparing the Japanese people for the new situation created by the issuance of military yen currency marked "B" is pressing, as this currency is already appearing in circulation. Under the circumstance the Imperial Japanese Government deem it appropriate, instead of enacting law or decree, to announce immediately to the Japanese people in the form of a statement of the Japanese Ministry of Finance, the content of which I attach herewith. This will achieve the objective of the above referred memorandum from the Supreme Commander, which is, it is understood, to secure the smooth and effective circulation of the military yen currency marked "B" already issued by the Occupying Military Forces.

Under instruction from the Imperial Japanese Government I convey the above to the Supreme Commander whose early approval is earnestly desired.

For the Imperial Japanese Government

T. Suzuki

Tadakatsu S U Z U K I

Chief of the Yokohama
Liaison Office

Incl 2

