DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NND6 # 773 072

GHQ/SCAP Records(RG 331)
Description of contents

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(3) Date: Apr. 1950 - Apr. 1951

(4) Subject:

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

Legislation

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

JW/CHN/rg
9 April 1951

CABINET ORDERS PROMULGATED DURING PERIOD 25 - 31 MARCH 1951
* Copy on File in GS

Cabinet Order Number	Date	Title
* 51	28 Mar.	Abolition of Cabinet Order Re. Special Remission for Persons Designated as Falling under Memorandum in accordance with Imperial Ordinance relating to Exclusion, Retirement, Resignation, etc. in respect to public offices
* 52	28 Mar.	Amendments to Enforcement Regulations of Stamp Tax Law
* 53	28 Mar.	Amendments to Enforcement Regulations of Playing-Set Tax Law
* 54	28 Mar.	Amendments to Order for Standard of Business License for Credit Cooperatives
* 55	29 Mar.	Enforcement Order of Law Re. Supply of Textbooks to Children who Enter Schools in School Year 1951
* 56	29 Mar.	Amendments to Cabinet Order Re. Prohibition, etc. of Use of Zaibatsu Trade Names
* 57	29 Mar.	Amendments to Cabinet Order Re. Prohibition, etc. of Use of Zaibatsu Marks
* 58	30 Mar.	Council for Appraisal of Debts Incurred by Japanese Consulates and Japanese Residents Associations
* 59	30 Mar.	Dissolution of Food Distribution Kodan
* 60	30 Mar.	Dissolution of Oil Stuff and Sugar Distribution Kodan
* 61	30 Mar.	Dissolution of Industrial Reconstruction Kodan

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

Cabinet Order Number	Date	Title
* 62	30 Mar.	Amendments to Enforcement Order of Law for Establishment of Agency of Industrial Science and Technology
* 63	30 Mar.	Amendments to Organization Order of Central Meteorological Observatory
64	30 Mar.	Amendment of Enforcement Order of Public Corporation Labor Relations Law
* 65	30 Mar.	Amendment to Law Re: Abolition of National General Mobilization Law and Wartime Emergency Measures Law
* 66	30 Mar.	Amendment to Enforcement Regulations of Travelling Tax Law
* 67	31 Mar.	Materials Demand and Supply Adjustment Council Order
* 68	31 Mar.	Abolition of Special Measures on Unjustly Possessed Materials, etc. Special Account Order
* 69	31 Mar.	Exceptions to Term of Receipt, etc. of Annual Revenues belonging to Fiscal Year 1950-51 in Connection with Income Tax for 1950
* 70	31 Mar.	Amendments to Enforcement Regulations for Income Tax Law
* 71	31 Mar.	Amendments to Enforcement Regulations of Corporation Tax Law
* 72	31 Mar.	Amendments to Enforcement Regulations of Commodity Tax Law
* 73	31 Mar.	Amendments to Enforcement Regulations of National Tax Collection Law
* 74	31 Mar.	Amendments to Cabinet Order fixing Allotment to Administrative Organs of Number of Personnel Handling Business Financed by Termination of War Business Expenses, etc.
* 75	31 Mar.	Amendment to Cabinet Order Re: Procedure to Deport Illegal Entrants, etc.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 775 072

Cabinet Order Number	Date	Title
* 76	31 Mar.	Amendment to Public Mariners' Employment Security Agency Order
* 77	31 Mar.	Amendments to Budget, Settlement Account and Account Regulations
* 78	31 Mar.	Enforcement Order of Agricultural Commission Law
* 79	31 Mar.	Prolongation, etc. of Term of Office of Members of City, Town or Village Agricultural Adjustment Commission, etc.
* 80	31 Mar.	Amendment to Enforcement Order of Fisheries Law
* 81	31 Mar.	Amendments to Enforcement Order of Local Tax Law
* 82	31 Mar.	Amendments to Budget, Settlement Account and Account Regulations
* 83	31 Mar.	Agriculture, Forestry and Fisheries Loans Law Enforcement Order
* 84	31 Mar.	Interest Rate of Loan under Agriculture, Forestry and Fisheries Loans Law
* 85	31 Mar.	Agriculture, Forestry and Fisheries Loans Special Account Law Enforcement Order

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDC # 75-012

Gen. Whitney

23 March 1951

CLEARANCE OF LEGISLATION

BILLS	TOTAL REC'D (TO DATE)	CLEARED	NOT CLEARED
Government	134	128	6
Member	62	40	22
Total	196	168	28

UNCLEARED BILLS
(Rec'd on or before 17 March)

Government:

	Title	Date Rec'd	Referred To	Comment	
1.	Amendments to Salt Monopoly Law	3/1	ESS	Obj	(oral)
			LS	No Obj	
2.	Bill for Highway Vehicles	3/3	CTS	Obj	(oral)
			ESS	Obj	
			LS		
			GS/PA	No Obj	
3.	Enforcement Bill for Highway Vehicles Law	3/3	CTS	Obj	(oral)
			ESS	No Obj	
			LS		
4.	Amendments to Law re: Non-Life Insurance Rating Organization	3/5	ESS	Obj	(oral)
			PHW	No Obj	
			LS	No Obj	
5.	Measurement Bill	3/13	ESS		
			LS	No Obj	
			GS/PA	No Obj	
6.	High Pressure Gas Control Bill	3/17	ESS		
			G2/PSD	No Obj	
			LS		
			GS/PA	No Obj	

Member:

1.	Bill for Disasters Rehabilitation in Districts of Ground Deformation Caused by Nankai Earthquake	1/23	ESS	Obj	(Referred
			LS	Obj	to C/S)
			GS/PA		

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

UNCLEARED BILLS CONTD.
(Rec'd on or before 17 March)

Member:

	Title	Date Rec'd	Referred To	Comment
2.	Amendment to Law for Payment of Cold District Allowances and Coal Allowances to National Public Service Personnel	2/2	ESS LS GS/CS	Obj No Obj No Obj
3.	Amendment to Japan Monopoly Corporation Law	2/2	NRS ESS LS	No Obj Obj No Obj
4.	Bill for Prevention of Disasters by Typhoons in Miyazaki Prefectural District	2/7	ESS LS GS/PA	Obj No Obj
5.	Amendments to Railway Construction Law	2/28	CTS ESS GS/PA LS	No Obj Obj (oral) No Obj
6.	Bill for Mutual Loans and Savings Bank	3/2	ESS LS	Obj
7.	Bill re: Transfer of Railway Lines Bought by National Government During Late War	3/3	ESS CTS LS	Obj (oral) Obj No Obj
8.	Amendment to Plant Quarantine Law	3/5	NRS ESS LS GS/PA PHW	No Obj Obj (oral) Obj (oral) No Obj
9.	Amendment to Housing Loan Corp.	3/12	ESS LS	
10.	Amendment to Compensation Against Agricultural Loss Law (No. 2)	3/13	NRS ESS LS	Obj No Obj
11.	Amendment to River Law	3/14	CTS LS	
12.	Pearl Culture Industry Bill	3/15	NRS ESS LS	No Obj Obj (oral)

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UNCLEARED BILLS CONTD.
(Rec'd on or before 17 March)

Member:

	Title	Date Rec'd	Referred To	Comment
13.	Credit Association Bill	3/16	ESS	Obj
			LS	
			GS/PA	No Obj
14.	Bill for Enforcement of Credit Association Law	3/16	ESS	Obj
			LS	
15.	Vocational Education Bill	3/16	CIE	No Obj
			ESS	
			LS	No Obj
			GS/PA	
16.	Bill for Harbor Transportation Business Law	3/16	CTS	
			ESS	
			LS	
			GS/PA	
17.	Bill for River Tone Development	3/17	ESS	
			NRS	
			LS	No Obj

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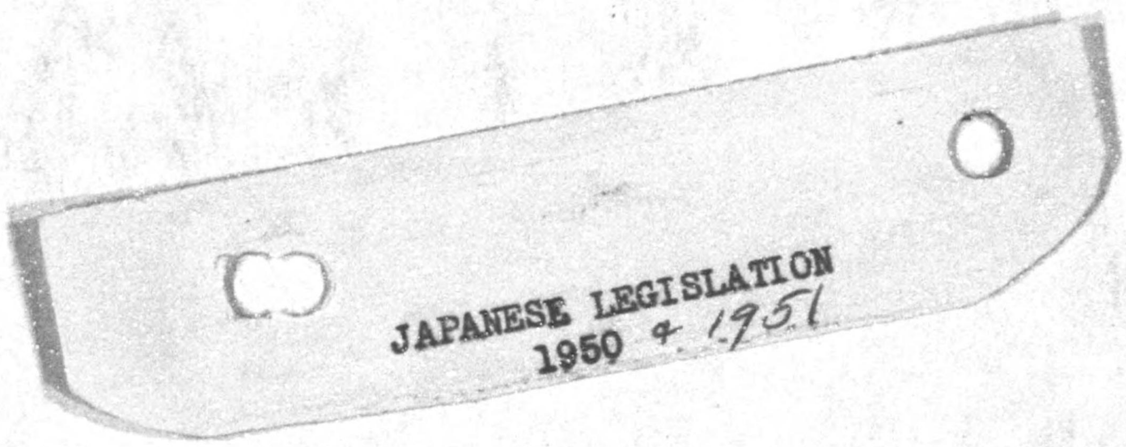

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

General Whitney

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

JW/CHN/rg
16 March 1951

CABINET ORDERS PROMULGATED DURING PERIOD 4 - 10 MARCH 1951

* Copy on File in GS

Cabinet Order Number	Date	Title
* 38	6 Mar.	Amendments to Cabinet Order Relating to Fees Re. Patents, Utility Models, Designs and Trade Marks
* 39	6 Mar.	Amendment to Patent Attorneys Law Enforcement Regulations
* 40	6 Mar.	Liquidation of Property in Japan of Mutual Aid Association of Transportation Bureau of Government General of Korea
* 41	8 Mar.	Amendments to Cabinet Order Re. Special Work Allowances for Government Employees
* 42	9 Mar.	Amendments to Cabinet Order for Fixing Allotment of Administrative Organs, of Number of Personnel Handling Business Financed by Termination of War Business, etc.
* 43	10 Mar.	Amendment to Order Re. Fees Regulations for Local Public Bodies
* 44	10 Mar.	Amendments to Cabinet Order Re. Convertible Account

DECLASSIFIED E.O. 12065 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 012

Secret of Military

Legislation

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

JW/CHN/rg
7 March 1951

CABINET ORDERS PROMULGATED DURING PERIOD 25 FEBRUARY - 3 MARCH 1951
* Copy on File in GS

Cabinet Order Number	Date	Title
* 30	26 Feb.	Amendment to German Property Control Order
* 31	27 Feb.	Amendments to Cabinet Order for Initial Salary of National Police Reserve Personnel
* 32	28 Feb.	Amendments to Enforcement Order of Public Corporation Labor Relations Law
* 33	28 Feb.	Procedure to Deport Illegal Entrants, etc.
* 34	1 Mar.	Amendment to Order for Standard Amount of National Treasury Subsidy to Marshals (Shikkori)
* 35	1 Mar.	Amendments to Order for Enforcement of Law for Inquest of Prosecution
* 36	1 Mar.	Amendments to Enforcement Order of Food Management Law
* 37	3 Mar.	Amendments to Enforcement Order for Commodity Exchange Law

DECLASSIFIED E.O. 12356 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 012

Gen. Whitney

5 January 1951

MEMORANDUM FOR THE CHIEF, GOVERNMENT SECTION

Subject: GHQ Clearance of Legislation

1. The government's entire legislative program of 42 bills was presented to the 9th National Diet only after each bill had been (1) drafted jointly by the appropriate ministry and its GHQ counterpart, (2) reviewed by the Attorney General for legality, (3) formally approved by the Cabinet, and (4) coordinated within GHQ and cleared by GS. The Attorney General certified to GS in writing that each government bill submitted for clearance conformed to SCAP directives, the Constitution of Japan, and Japanese statutes. Similarly the Legal Bureau of the House of Representatives or the House of Councillors certified the 24 member bills referred to GS during the recent National Diet session, adding to each certificate an estimate of appropriations called for, if any. Seventeen of these member bills received GHQ clearance. Four others, though not adjudged to violate any SCAP directive, were held up for further study. Of the three bills disapproved outright, one was in conflict with the SCAP letter on National Public Service principles and the other two required expenditures in excess of the supplementary budget. This procedure for clearing legislation, however deficient on the theoretical side, has been found flexible enough in practice to safeguard fundamental occupation policies without giving rise to complaints of excessive control.

2. Once a government or member bill is introduced in the legislature and referred to a standing committee, a new issue rears its ugly head, euphemistically called "the right of the Diet to deliberate." Actually this means the privilege of opposition parties to offer amendments to government-sponsored legislation. Like legislative bills, members' amendments are referred to GHQ for clearance. In keeping with the Supreme Commander's policy to transfer as much responsibility as possible to components of the Japanese government, GS clears members' amendments, except in the field of public finance, unless there are cogent reasons such as explicit SCAP directive or policy to the contrary. Precise and detailed direction by GHQ in a single area, that of Japanese public finance, led to most of the previous disturbances in the National Diet and is likely to be the main cause of trouble in the future, specifically in connection with the General Budget for 1951-1952 which will be presented to the House of Representatives later this month.

3. Recommend that, once the General Budget is submitted to the National Diet, (1) amendments proposed thereto be cleared by GHQ, provided such amendments conform to the general policy set down on that subject in the Chief of Staff checknote dated 24 April 1950; (2) the Cabinet and the Speaker and President of the respective Houses be informed of this decision.

Justin W. Williams

Justin Williams

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

Budgets

GENERAL HEADQUARTERS
FAR EAST COMMAND

Confidential CHECK SHEET

(Do not remove from attached sheets)

File No: Subject: Japanese Government Budget for FY 1951-52

Note No.	From: Chief of Staff To: See Distribution Below Date: 24 April 1950
1.	1. The following policy regarding the formulation of the Japanese Government budget for FY 1951-52 has been announced by the Supreme Commander for the Allied Powers:

a. The budget must be balanced.

b. The total budget requirements must be lower than those contained in the JFY 1950-51 budget.

c. The budget should provide for a further reduction in taxation consistent with provisions of the Shoup Tax Mission recommendations.

d. Provision should be contained in the budget for an increase in government wages based upon an appropriate restudy of the situation by the National Personnel Authority.

e. Occupation costs must be held to the lowest practicable level and should be lower than in the 1950-51 budget.

f. Appropriations for the reduction of the national debt should be held to the minimum consistent with measures for continued economic stabilization. Counterpart and general account funds for this purpose will be greatly reduced.

g. No supplementary budgets will be authorized except for the single readjustment budget to be made effective before the beginning of the final fiscal quarter.

h. Price subsidies should be further reduced and eliminated wherever possible.

i. The timing of budgetary considerations within General Headquarters and the Japanese Government should be phased to permit such consideration in the Diet as will insure the submission of the JFY 1951-52 annual budget to the House of Councilors not later than the last day of February 1951.

2. Elimination and relaxation of controls exercised directly or indirectly over the Japanese Government agencies by sections of General

Confidential

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

GENERAL HEADQUARTERS
FAR EAST COMMAND

Confidential CHECK SHEET

(Do not remove from attached sheets)

File No: Subject: Japanese Government Budget for FY 1951-52

Note No.	From: Chief of Staff To: See Distribution Below Date: 24 April 1950
1. (contd)	5. The Chief of the Economic and Scientific Section is charged with transmitting to the Japanese Government the timetable set forth in Inclosure 1 and the pertinent provisions of the budget policy announced in paragraph 1, above.

1 Incl: Timetable

DISTRIBUTION

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E. M. A.

DECLASSIFIED E.O. 11652 SEC. 5(E) AND 5(D) OR (E) NNDG # 773 012

GENERAL HEADQUARTERS
FAR EAST COMMAND

Confidential CHECK SHEET

(Do not remove from attached sheets)

File No: Subject: Japanese Government Budget for FY 1951-52

Note No.	From: Chief of Staff To: See Distribution Below Date: 24 April 1950

1. (contd) Headquarters will be effected to the extent feasible in keeping with the Supreme Commander's policy that responsibility for the conduct of their own affairs be transferred to the Japanese Government as rapidly as the capacity to assume such responsibility is demonstrated. It is desired that, consistent with directives from higher authority, appropriate sections of General Headquarters assume the role of offering advice and guidance to agencies of the Japanese Government, as distinguished from precise and detailed direction.

3. As a concomitant of the policy of relaxation of controls, significant reductions in the personnel strength of General Headquarters will be effected. This action will be reflected in a diminished necessity for both U.S. appropriated funds and Japanese appropriated funds. The objective will be to establish within General Headquarters sections the minimum number of competent personnel adequate to discharge the function of furnishing advice and guidance and, correspondingly, to reduce personnel not essential thereto. Further and more detailed instructions regarding the reductions in personnel within General Headquarters will be issued separately.

4. A timetable which will govern the formulation, review and submission of the Japanese Government budget has been established and is attached hereto as Inclosure 1. Technical contact with Japanese Government agencies will be maintained by General Headquarters sections concerned within the scope of their activities. General technical and policy contact with the Japanese Government will be the responsibility of the Economic and Scientific Section. The SCAP Planning Board, consisting of the Chiefs of the Economic and Scientific Section, Civil Information and Education Section, Public Health and Welfare Section, Natural Resources Section, Civil Transportation Section and Civil Communications Section, with Major General W. F. Marquat as ex-officio chairman, is the General Headquarters agency established for the purpose of inter-section coordination. In the event of failure to arrive at satisfactory agreement with respect to any matter of substance, the case will be submitted to the Chief of Staff for final decision, through the Deputy Chief of Staff, SCAP.

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NND# 773 012

GOVERNMENT SECTION

CLEARANCE OF BILLS

Legislation

22 November 50

No.	Date Rec'd	Title	Ministry	Check Sheet	Comment	
1.	10/18	Enforcement of Mining Law (Corrected copy 11/8)	MITI	NRS ESS LS	No obj No obj No obj	Cleared 11/21
2.	11/15	Special Mine Damage Rehabilitation Special Accounts Bill	Finance	NRS ESS LS	No obj No obj No obj	Cleared 11/21
3.	11/16	Amendment to Law for Exemption of Import Duties on Foodstuffs	Finance	ESS NRS LS	 No obj No obj	
4.	11/16	Amendment to Health Insurance Law	Welfare	PHW ESS LS	No obj No obj No obj	Cleared 11/21
5.	11/18	Amendment to Japanese National Railways Law	Trans	CTS LS GS/CS	 No obj	
6.	11/18	Amendments to Special Coal Mine Damage Rehabilitation Temporary Measures Law	MITI	NRS ESS LS		
7.	11/20	Amendment to the "Ryokan" (Hotel) Business Law	H. C.	PHW G2/PSD LS/LJ GS/PA		
8.	11/20	Amendment to Japanese Government Overseas Agencies Establishment Law	For AFF	GS/DC DS	No obj No obj	Cleared 11/22
9.	11/20	Local Public Service Bill	PM	GS/CS GS/DC	No obj No obj	Cleared 11/20
10.	11/21	Bill for Subsidy for Disaster Rehabilitation Works Expenses for Salt Fields, etc	Finance	ESS NRS LS		
11.	11/21	Amendment to People's Finance Corporation Law	Finance	ESS PHW LS		

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12.	11/21	Bill for Temporary Exceptions to the Date of Elections, etc of Assemblymen and Chiefs of Local Public Bodies	PM	GS/PA
13.	11/21	Amendments to Ministry of Transportation Establishment Law	TRANS	CTS ESS CCS LS
14.	11/22	Amendment to the Law for Undemobilized Persons' Compensation	H. C.	ESS PHW LS
15.	11/22	Amendment to Undemobolized Person Compensation Law	H. R.	ESS PHW LS
16.	11/22	Amendment to Law for the Fixed Number of Personnel in the Administrative Organs, etc	PM	GS/DC LS

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775 072

Legislation

CLEARANCE OF LEGISLATION
8th Diet Session

29 July 1950

Title	Proposer; Date Rec'd	Date Cleared
1. Amendment to Owner-Farmer Establishment Special Measures Law, etc.	Agri & For 7/15	7/15
2. Bill for Compensation Against Loss Incidental to Distribution of Incentive Good for Delivery of Staple Food	Agri & For 7/21	7/22
3. Disasters Mentioned in Art. 25 of Law re: Leasehold Land and Leased Buildings Damaged by War	Att'y Gen'l 7/5	7/11
4. Amendment to Land Ledger Law, etc.	Att'y Gen'l 7/6	7/11
5. Amendments to Housing Loan Corporation Law	Constr. 7/15	7/18
6. Amendment to Law re: Enforcement of the Educational Personnel Certification Law	Education 7/20	7/26
7. Amendments to the Customs Law	Finance 7/13	7/19
8. Bill re: Disposal etc. of Joint Ownership Shares of Sempaku (Vessels) Kodan	Finance 7/14	7/14
9. Amendments to Securities and Exchanges Law	Finance 7/17	7/18
10. Solatium for Awa Maru Case	For. Affairs 7/10	7/11
11. Amendments to Japanese Overseas Agencies Establishment Law	For. Affairs 7/12	7/13
12. Commodity Exchange	Int'l Tr & Ind 6/27	7/11
13. Abolition of Japan Iron and Steel Manufacturing Company Law	Int'l Tr & Ind 7/10	7/11
14. Mining Bill	Int'l Tr & Ind 7/26	7/27
15. Bill for Stone Quarrying	Int'l Tr & Ind 7/27	7/27

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NND # 773 072

	Title	Proposer; Date Rec'd	Date Cleared
16.	Amendments to Unemployment Insurance Law	Labor 7/13	7/13
17.	Local Tax Bill	Prime Minister 7/1	7/11
18.	Exceptions to Date of the Usual Election of Members of the Board of Education, 1950	Prime Minister 7/5	7/11
19.	Government Purchase of Low Efficiency Vessels	Transp.- 7/22	7/25
20.	Amendments to Disaster Relief Law	Welfare 7/15	7/18
21.	Amendments to Fisheries Law and Establishment Law of Fisheries Agency	H. C. 7/21	7/22
22.	Amendment to Diet Law, etc.	H. C. 7/27	7/27
23.	Amendment to Temporary Restaurant Business Control Law	H. R. 7/15	7/18
24.	Bill for Construction of Kyoto, International Sightseeing and Cultural City	H. R. 7/18	7/21
25.	Bill for Construction of Nara, International Sightseeing and Cultural City	H. R. 7/18	7/21
26.	Bill for Land and House Investigator	H. R. 7/19	7/20
27.	Bill re: Authority of Railway Security Agent	H. R. 7/20	7/20
28.	Administrative Scrivner Bill	H. R. 7/20	7/21
29.	Amendment to Fisheries Law	H. R. 7/24	7/25
30.	Construction of Yokohama, International Port City	H. R. 7/24	7/24
31.	Construction of Kobe, International Port City	H. R. 7/24	7/24
32.	Rabies Prevention	H. R. 7/26	7/28
33.	Amendment to the Horse Race Law	H. R. 7/26	7/26

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 072

	Title	Proposer; Date Rec'd	Date Cleared
34.	Exceptions of the Qualification for the Preliminary Examination of the National Dentists Examination	H. R. 7/27	7/29
35.	Amendment to Law for Exemptions of Qualification for Preliminary National Examination for Medical Practitioners	H. R. 7/27	7/29
36.	Amendment to Law re: Financial Business by Cooperative Associations	H. R. 7/27	7/29
37.	Special Measures re: The Abolition of Textile Excise Law	H. C. 7/4	Disapproved by ESS/IR; would require approx. 3 bil. yen
38.	Temporary Measures Law for Salary of Court Clerks, etc.	H. C. 7/17	Jud. Aff. Chrm. negotiating with NPA on advice GS/CS
39.	Amendment to Japanese National Railways Law	H. C. 7/22	Under study by GS/CS
40.	Exceptions to Taxation upon Those Japanese who Engage in Services for Allied Forces Relating to Korean Conflict	H. C. 7/25	Hold
41.	Bill for Sales of Betting Tickets on Sumo Wrestling	H. R. 7/15	Under study by GS, PH&W, LS, ESS, CI&E
42.	Port Construction for Development of Hokkaido	H. R. 7/25	Under study by GS
43.	Dog Race Bill	H. R. 7/26	Under study by NRS, PH&W, LS, ESS
44.	Japanese Cock Games	H. R. 7/26	Under study by NRS, PH&W, LS, ESS
45.	Amendment to Public Offices Election Law	H. R. 7/27	Under study by GS/CS & GS/PPD. GS opinion this legislation should be studied carefully here first and if approved, should be introduced in Diet when there is sufficient time for thorough Diet deliberation. JW

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

Sapp. Copy
for Whitney
8th Session
(Legislation)

CLEARANCE OF LEGISLATION
8th Diet Session

24 July 1950

	Title	Proposer; Date Rec'd	Date Cleared
1.	Amendments to Owner- Farmer Establishment Special Measures Law, Etc.	Agri & For 7/15	7/15
2.	Bill for Compensation Against Loss Incidental to Distribution of Incentive Good for Delivery of Staple Food	Agri & For 7/21	7/22
3.	Disasters Mentioned in Art. 25 of Law Re: Leasehold Land and Leased Buildings Damaged by War	Att'y Gen'l 7/5	7/11
4.	Amendment to Land Ledger Law, Etc.	Att'y Gen'l 7/6	7/11
5.	Amendments to Housing Loan Corporation Law	Constr. 7/15	7/18
6.	Amendments to the Customs Law	Finance 7/13	7/19
7.	Bill Re: Disposal Etc. of Joint Ownership Shares of Sempaku (Vessels) Kodan	Finance 7/14	7/14
8.	Amendments to Securities and Exchanges Law	Finance 7/17	7/18
9.	Solatium for Awa Maru Case	For. Affairs 7/10	7/11
10.	Amendments to Japanese Overseas Agencies Establishment Law	For. Affairs 7/12	7/13
11.	Commodity Exchange	Int'l Tr & Indus 6/27	7/11
12.	Abolition of Japan Iron and Steel Manufacturing Company Law	Int'l Tr & Indus 7/10	7/11
13.	Amendments to Unemployment Insurance Law	Labor 7/13	7/13
14.	Local Tax	Prime Minister 7/1	7/11
15.	Exceptions to Date of the Usual Election of Members of the Board of Education, 1950	Prime Minister 7/5	7/11

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

	Title	Proposer; Date Rec'd	Date Cleared
16.	Amendments to Disaster Relief Law	Welfare 7/15	7/18
17.	Amendments to Fisheries Law and Establishment Law of Fisheries Agency	H. C. 7/21	7/22
18.	Amendment to Temporary Restaurant Business Control Law	H. R. 7/15	7/18
19.	Bill for Construction of Kyoto, International Sightseeing and Cultural City	H. R. 7/18	7/21
20.	Bill for Construction of Nara, International Sightseeing and Cultural City	H. R. 7/18	7/21
21.	Bill for Land And House Investigator	H. R. 7/19	7/20
22.	Bill Re: Authority of Railway Security Agent	H. R. 7/20	7/20
23.	Administrative Scrivener Bill	H. R. 7/20	7/21
24.	Construction of Yokohama International Port City	H.R. 7/24	7/24
25.	Construction of Kobe International Port City	H. R. 7/24	7/24
26.	Amendment to Law Re: Enforcement of the Educational Personnel Certification Law	Education 7/20	Under study by CI&E. To report 7/24.
27.	Government Purchase of Low Efficiency Vessels	Trans 7/22	Conference with JG officials by ESS/Finance, 7/24.
28.	Special Measures Re: The Abolition of Textile Excise Law	H. C. 7/4	Disapproved by ESS/IR; would require approx. 3 bil. yen.
29.	Temporary Measures Law for Salary of Court Clerks, Etc.	H. C. 7/17	Jud. Aff. Chrm. negotiating with NPA on advice GS/CS.
30.	Amendment to Japanese National Railways Law	H. C. 7/22	Under study by GS/CS.
31.	Sales of Betting Tickets on Sumo Wrestling	H. R. 7/15	Under study by GS, PH&W, LS, ESS, CI&E

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(J) OR (E) NNDG # 773 072

Title	Proposer; Date Rec'd	Date Cleared
32. Amendments to Fisheries Law	H. R. 7/24	Under study by NRS. Report to be rendered 7/24

PARLIAMENTARY & POLITICAL DIVISION
(CG)

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 012

21 April 1950

MEMORANDUM FOR GENERAL WHITNEY

SUBJECT: Rights of the Legislature

1. At a protest meeting held last night in the House of Representatives by 120 members of the opposition parties, excepting the Communists, a committee was appointed with instructions to draft a letter to General MacArthur explaining the serious threat to the right of the Japanese Diet to deliberate as a legislative body, and asking for a clarification of this point by the Supreme Commander. The draft letter was examined, debated, and put into final form by TOMABECHI and three other Democrats, ASANUMA and another Social Democrat, SATAKE (Social Renovation), KAWAGUCHI (Farmers' Cooperative), KURODA (Labor-Farmer), MIKI and two other People's Cooperatives, and KOBAYASHI (Independent), and is now being translated into English.

2. As spokesmen for these opposition parties, TOMABECHI, ASANUMA, MIKI, KAWAGUCHI, KURODA, SATAKE, and MATSUMOTO (also to act as interpreter) desire a conference with General Whitney to discuss the following points: (1) appropriateness of submitting their draft letter to General MacArthur through the Chief, Government Section; (2) the right of the opposition in the future to exercise its legislative rights including that of presenting amendments to bills; and (3) the tactics of the government party which threaten the very existence of the legislative branch of government. These spokesmen will not discuss the Local Tax Bill, which has already passed the House of Representatives. They are concerned with the future.

3. The opposition party members are seriously disturbed by three developments which are attracting widespread attention, namely, (1) Liberal Party assertions that every unpopular piece of legislation it sponsors is "on order of GHQ"; (2) Liberal Party charges that criticism offered to government bills by opposition members is "anti-American"; and (3) increasing number of letters and comments from well-meaning citizens to Diet members questioning the waste of money and effort on a puppet legislature. There is strong feeling that, unless these trends are definitely counteracted, the once buoyant spirits of the legislators will succumb to a paralyzing cynicism.

4. The situation which has developed will not be easy to remedy. The opposition parties are far from blameless, because their ruinous filibustering tactics in the past against measures sponsored and required by GHQ have at times been employed under the guise of the legislative right to deliberate. However it is and will be impossible in this or any other legislature to draw a fine line between good and bad motives of political parties

in actions they take. A legislative minority must have the right to oppose the majority by every available procedural means; otherwise the body cannot be called a deliberative assembly. The real question is, will GHQ extend again to the Diet, regardless of the consequences to GHQ-sponsored legislation, the broad rights of deliberation which the Diet possessed and exercised until this, its seventh session, when these rights were drastically curtailed in the case of the budget and again in the case of the current Local Tax Bill.

5. The whole matter boils down to a conflict between the economic and political objectives of the Occupation. To be certain, or reasonably so, of effectuating the economic stabilization program through legislation, the powers of the national legislature have been disregarded, if not nullified. On the other hand, if the rights and powers of the legislature should be restored, including that of insincere filibustering, then there is no assurance that some laws implementing the economic stabilization program will not be amended or defeated.

6. Nothing can be gained by placing blame for this situation on the protracted negotiations of the economic ministers of the Japanese government and their counterpart sections of GHQ, which prevent government bills from reaching the Diet until late in a session. This is probably inevitable. One step toward a solution would be for appropriate GHQ officials to brief representatives of the opposition parties, at least, and to hear their comments before authorizing the ministry concerned to refer a bill to the Cabinet for final approval. This would absorb a few additional hours of time on the part of GHQ officials, but so long as these officials pass final judgment on the contents of bills, it would eliminate the claim of opposition Diet parties that the government rams legislation down their throats on the order of GHQ, without giving them time to study such legislation.

7. It is believed that the conference with General Whitney desired by opposition representatives listed in paragraph 2 above might be a constructive step in resolving fundamental issues that have arisen over methods of handling legislation.

Justin Williams
PARLIAMENTARY & POLITICAL DIVISION

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Civil Information and Education Section

PRESS RELEASE: 2 May 1950

TOKYO---Brigadier-General Courtney Whitney, Chief, Government Section, General Headquarters, Supreme Commander for the Allied Powers, today sent the following letter to Mr. Kijuro Shidehara, Speaker of the House of Representatives:

Dear Mr. Speaker:

Yesterday I referred to the President, House of Councillors sixty-one (61) telegrams I received from various local entities throughout Japan requesting the assistance of this headquarters in securing passage by the National Diet of the Local Tax Law Revision Bill. This morning I am in receipt of twenty-four (24) additional telegrams which I am forwarding to you herewith for appropriate legislative consideration. I have informed the senders of these telegrams, through the National Town and Village Association, of this reference, pointing out that the matter of providing revenue sources to finance local governments is, within the limitations imposed by the economic stabilization directive, the responsibility of the National Diet.

These telegrams are from the following:

1. Head of Ohno Village, Soma-Gun, Fukushima Prefecture.
2. Head of Iitoyo Village, Fukushima Prefecture.
3. Yasawa Village, Fukushima Prefecture.
4. Kamimano Village, Soma-Gun, Fukushima Prefecture.
5. Head of Kanabusa Village, Fukushima Prefecture.
6. Takiguchi, Makoto, President of Town & Village Association, Yamaguchi Prefecture.
7. Head of Odaka-Cho, Fukushima Prefecture.
8. Head of Onahama-Cho, Fukushima Prefecture.
9. Head of Fukuta Village, Soma-Gun, Fukushima Prefecture.
10. Iwaki Ohno-Mura, Fukushima Prefecture.
11. Head of Shinchi Village, Soma-Gun, Fukushima Prefecture.
12. Mano-Mura, Fukushima Prefecture.
13. Head of Yawate Village, Soma-Gun, Fukushima Prefecture.
14. Head of Fukuura Village, Fukushima Prefecture.
15. Head of Takahira Village, Fukushima Prefecture.
16. Head of Oomika Village, Fukushima Prefecture.
17. Head of Ishikinatsui Village, Fukushima Prefecture.
18. Head of Ishikami Village, Fukushima Prefecture.
19. Head of Hara-Cho, Fukushima Prefecture.
20. Head of Ota Village, Fukushima Prefecture.

MORE

Tokyo, Japan

27 April 1950

Dear Mr. President:

I am transmitting herewith a copy of a petition which I have just received from the National Association of Towns and Villages and National Association of Chairman of Town and Village Assemblies, as a matter for the consideration of the House of Counsillors.

Sincerely yours,

COURTNEY WHITNEY,
Brigadier General, U.S. Army,
Chief, Government Section.

1 Incl:

Mr. Naotake Sato,
President of House of Councillors
Tokyo, Japan.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Civil Information and Education Section

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18. Head of Ishikami Village, Fukushima Prefecture.
19. Head of Hara-Cho, Fukushima Prefecture.
20. Head of Ota Village, Fukushima Prefecture.

MORE

21. Head of Tashima Village, Fukushima Prefecture.
22. Head of Toyoma-Cho, Fukushima Prefecture.
23. Mishiki-Cho, Fukushima Prefecture.
24. Head of Iwaki Watanabe Village, Fukushima Prefecture.

Sincerely yours,

COURTNEY WHITNEY,
Brigadier General, U.S. Army,
Chief, Government Section.

24 Incls.

Mr. Kijuro Shidehara,
Speaker of the House of Representatives
Tokyo, Japan.

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TO .... General C. Whitney,
Chief of Government Section, G.H.Q., SCAP.

SUBJECT ... Petition for the passage of Local Tax Bill through the House of Councillors.

Dear General,

We greatly regret to have to state that Local Tax Bill, though passed through the House of Representatives on 21st inst, due entirely to a kind consideration and understanding of G.H.Q., is meeting with a very strong opposition in the House of Councillors at present and its passage is very doubtful indeed before the end of the session.

We see no need to stress here that a failer to pass the bill will be a matter of very grave concern in the operation of local public bodies all of which are depending on the said law for a long-cherished stabilization of local finances.

Under the circumstances, we, representing unanimous wishes of National Associations of Towns and Villages and of Chairmen of Town and Village Assemblies, have to place our humble petition to you to be so good as to use your good offices to enable the passage of the bill for the sake of a betterment of towns and villages of the country.

We are, Dear General,

Yours faithful servants,

(sgd) N. ITO
(tpd) N. Ito
Nobori, Ito (president)
National Association of Towns and Villages.

(sgd) KUNIO SAITO.
(tpd) Kunio, Saito (president)
National Association of Chairmen of Town and Village Assemblies.

April 27th, 1950.

Tokyo, Japan

27 April 1950

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Sincerely yours,

COURTNEY WHITNEY,
Brigadier General, U.S. Army,
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1 Incl:

Mr. Kijuro Shidehara
Speaker of the House of Representatives,
Tokyo, Japan.

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TO .... General C. Whitney,
Chief of Government Section, G.H.Q., SCAP.

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(tpd) N. Ito
Nobori, Ito (president)
National Association of Towns and Villages.

(sgd) KUNIO SAITO.
(tpd) Kunio, Saito (president)
National Association of Chairmen of Town and Village Assemblies.

April 27th, 1950.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

10 April 1950

MEMORANDUM FOR GENERAL WHITNEY

SUBJECT: Proposed SCAP Letter Regarding Equalization Grant Bill and Local Finance Commission Establishment Bill

At 1600 hours today I checked with Col. Macomber regarding the status of the above staff action. He informed me that the papers had come back to his office this morning from General Fox with a comment reading substantially as follows:

"My reaction to this is that the Government Section is established in this Headquarters as the advisor to SCAP on the structure of the Japanese government, including local autonomy, and if they say this is the way it should be, then that's it."

Col. Macomber reported this to the Chief of Staff who said something to the effect that, "That's fine, let me have the papers." Col. Macomber believes that the action will probably be referred to the Supreme Commander this evening.

F. R.

1. Chronology of Events. I have investigated the circumstances surrounding the House of Councillors' action on the bill amending the law for administering the pay schedules and allowances for government employees and have found as follows:

a. The amendment originated in the House of Councillors Standing Committee for Personnel (consisting of ten members) and was submitted to Government Section for GHQ clearance on 30 March 1950 bearing the names of seven members of the Committee (one Democrat, one Liberal, three Ryokufukai, one Socialist and one Labor Farmer). It proposed to extend application of the existing pay schedules and allowances for employees in the government service, which under the then existing law would expire on 31 March 1950, to 31 July 1950. (Tab A.)

b. Capt. Guida, of the Political and Parliamentary Division, who received the proposed amendment, saw that it dealt with a civil service matter and referred it to Civil Service Division for comment. He was informed by Mr. MacCoy, Acting Chief, Civil Service Division, that he had no objection to the amendment. (Tab B)

c. Capt. Guida then notified the House of Councillors by telephone that the House was free to consider the amendment. The committee approved the bill on the same day and it was placed on the agenda for the plenary session to be held at 1000 hours the next day.

d. On the morning of 31 March Mr. Hutchinson, of ESS/Public Finance Division, informed Capt. Guida by telephone that ESS objected to the amendment on the ground that it left the door open "for submission of future legislation which would call for a supplemental budget."

e. Thereupon, Capt. Guida promptly advised the House of Councillors, through its Liaison Office, to withhold final action on the measure. He was informed, however, that the bill had just been passed in plenary session by unanimous vote of the members present and referred back to the House of Representatives for concurrence in the amendment. He informed Mr. Hutchinson that appropriate steps would be taken in an effort to rectify the situation - on the assumption that GS had cleared the bill without obtaining sufficient concurrences.

f. Capt. Guida was then authorized by Mr. Rizzo, Deputy Chief, Government Section, to negotiate with Diet leaders with the object of securing nullification of the House of Councillors' amendment.

g. At about 1300 hours President Sato of the House of Councillors called on me to report on the status of the budget and related legislation and I, having already been informed of the events related above, took the opportunity to convey to him the urgent necessity of preventing the four-month stipulation in the House of Councillors' amendment from being enacted into law.. Mr. Sato expressed confidence in the ability of the two Houses to make the necessary adjustment through a joint conference of the Houses.

h. Considering it inappropriate to resolve the question through a joint conference, leaders of the House of Representatives proposed instead to resort to the simpler legislative device of over-riding the House of Councillors' amendment by a two-thirds vote of the House of Representatives. Although the House of Representatives succeeded in setting aside the House of Councillors' amendment by a vote of 160 to 74, it failed by six votes to muster the two-thirds majority necessary to enact the government-sponsored bill into law, the final vote being 194 to 100.

i. At this point the legal situation was that although funds were provided for in the pending budget to cover the pay of public servants

at the existing rates for the full fiscal year ending 31 March 1951, the enabling legislation for the disbursal of these funds expired at midnight 31 March 1950. (This was not understood by General Marquat until it was carefully explained to him on the morning of 1 April by Mr. Rizzo.)

j. In this situation, the simple remedy, which was indeed impelling upon both the Cabinet and the Diet, was obviously to introduce new enabling legislation authorizing the disbursement of the funds at the rates used in the computation of that item of the budget covering the entire fiscal year. To avoid the embarrassment that would have attended the introduction of another Government bill, it was decided among the political leaders to obtain the needed enabling legislation through a member-sponsored bill which was introduced and passed by both Houses on 1 April 1950.

2. Legal implications. When this matter was first brought to my attention on 31st March I felt, and still do, that there was involved a political maneuver on the part of the House of councillors which had no direct effect upon the pending budget as it had been approved by ESS and provided no legal basis for the alteration of that budget or appropriation of funds in addition to those provided therein. For this reason I did not feel, nor do I now, that there was involved any infraction of the stabilization program nor of SCAP policy. At most the effect of the bill passed by the House of Councillors would have been to impose upon the Government and the Diet the obligation to secure passage of further enabling legislation to authorize the payment of public servants beyond July 31, 1950, as specifically provided for in the budget. This would have been, of course, a responsibility which both the Government and the Diet would have had to meet. By no stretch of the imagination would it have entailed the adoption of a new budget, a revision of the pay scale for government workers, or the

appropriation of funds in addition to those already approved for that purpose by ESS. I felt that remedial action should be taken in view of ESS's representations to this Section, and so acted.

3. Throughout this entire incident there were manifestations both within SCAP circles and Government circles of an effort to misrepresent the situation and to magnify it out of all proportion to its true significance in a seeming effort to embarrass Government Section by attributing to it a serious error in the performance of its duties.

4. It is my understanding that the course of communication which initially aroused GHQ in the matter flowed from Mr. Hishikari, (Secretary to the Prime Minister) to Colonel Bunker, to the Chief of Staff, to General Marquat, back to the Chief of Staff, and only then to the Government Section. (See Tabs C, C1, and C2).

5. Mr. MacCoy's intervention in the matter was limited to the advice his division gave to both the National Personnel Authority and the Chairman of the Personnel Affairs Committee of the House of Councillors to the effect that the proposal to limit the extension of the enabling legislation to three months was poor administrative practice and failed, in his opinion, to properly protect the rights of the Civil Service employees, but that it was in final analysis a political matter for determination by the Diet and its ultimate responsibility, and that he would interpose no formal objection to such a course if it was determined upon (see Mr. MacCoy's Memorandum for the Record, Tab B).

6. While, as aforesaid, it would have been better for the Legislative Division (Capt. Guida) to have referred the proposed bill for the comment of ESS, examination of the bill itself makes understandable his failure to do so disclosing neither budgetary considerations nor new appropriations involved which would have given that section a primacy of interest under existing policy.

HOUSE OF COUNCILLORS

Thur. Mar. 30, 1950.

Proposed Amendments to the Bill for Partial Amendment to the Law Administering the New Pay of Government Employees

Proposer: NAKAI Mitsuji (Dem.)
OGUSHI Seiichi (L.)
UTSUNOMIYA Noboru (Ryo.)
KINOSHITA Gengo (Soc.)
TERAO Hiroshi (Ryo.)
CHIBA Makoto (L.F.)
ICHIKI Otohiko (Ryo.)

The Bill for Partial Amendment to the Law Administering the New Pay of Government Employees shall be amended as follows:

In the amended provision of Art. 1, Para. 2, "March 31, 1950" shall be amended as "July 31, 1950".

Reason of Amendment

The Law Administering the New Pay of Government Employees shall be ineffective on March 31, 1950, and it is necessary to extend the time limit thereof, however, the question of the continuance of the 6,307 yen base of the allowance for the Government Personnel in accordance with the same Law should be examined further, considering the advice of its revision issued by the National Personnel Authority. Therefore, it is necessary that the extension of effective time limit shall be limited to the necessary minimum. This is the reason why we submit this amendment.

Rec'd CS 3/31
Previously cleared 3/30
CS/cs (Mac Coy) dd

CIVIL SERVICE DIVISION
Government Section

11 April 1950

MEMORANDUM FOR THE RECORD

SUBJECT: Amendment of the Law Administering the New Pay of Government Employees (Law No. 46 of 1948)

1. On 27 March Mr. Salter of Civil Service Division was told by the NPA that there might be an effort to have Law No. 46 of 1948 extended only three months (June 30, 1950) instead of one full year (March 31, 1951). Mr. Salter suggested that NPA oppose such an effort because it was not absolutely certain that the Diet would meet in time to give proper consideration to further legislation to establish pay for government employees. He suggested December 31, 1950, as the shortest period for which Law No. 46 should be extended.

2. On 28 March Mr. Nakai, Chairman of the Personnel Committee of the House of Councillors, met with Messrs. MacCoy, Rankin and Peterson of Civil Service Division, ostensibly to discuss the Classification Bill at the suggestion of Civil Service Division. Instead of taking up that subject, Mr. Nakai requested Civil Service Division's opinion regarding the Personnel Committee's desire to extend Law No. 46 for only three months. Mr. MacCoy strongly urged a longer period of extension, at least to 31 December 1950, in order that maximum protection be given to employees.

3. On 30 March Mr. Nakai again met with Messrs. MacCoy and Peterson, reporting that the Personnel Committee had considered carefully the suggestions made by Mr. MacCoy, but that it could not agree to such a long extension of the Bill. The Committee planned to introduce an amendment extending the Bill for four months. Mr. MacCoy reiterated his original recommendation but indicated that if the House of Councillors, after careful deliberation of all factors involved, believed that a four months' extension was sufficient to give adequate protection to government employees, Civil Service Division would interpose no objection. Mr. MacCoy pointed out to Mr. Nakai, however, that his (MacCoy) comments were merely advisory from the standpoint of protection of the employees, and that if there were any budgetary questions involved in or surrounding the proposed amendment, these aspects should be discussed directly with the interested divisions in ESS, since the Civil Service Division had no responsibility for nor the authority to advise or speak on financial matters.

4. On 30 March Captain Norris of Parliamentary and Political Division personally handed the amendment proposed by the House of Councillors limiting the extension to four months to Mr. MacCoy in the Civil Service Division office. Mr. MacCoy immediately handed it back, stating that the

Civil Service Division offered no objection to the Bill. Later Mr. MacCoy was in the office of the Parliamentary and Political Division and explained the situation surrounding the proposed amendment and stated that, while the Civil Service Division felt it was poor administration, the Division offered no objection to the Bill, believing it was the responsibility of the Japanese to make the decision.

W. Pierce MacCoy

W. PIERCE MACCOY
Acting Chief

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
APO 500

31 March 1950

MEMORANDUM:

FOR : The Chief of Staff.

1. Word has been received that the House of Councillors of the Japanese Diet has passed the government workers' wage bill establishing the wage base at the present ¥6307 level for ~~three~~ four months only. The House of Representatives passed the wage bill for the entire 1950-51 fiscal year in accordance with the normal annual budgeting procedure.

2. The action of the Upper House is in fact a cracking of the Occupation approved budget policy. Technically there will exist no basis for payment of government workers upon expiration of the three months period and another bill will have to be passed to set the basic wage level for the remainder of the year. Since the Diet will not be in regular session upon the expiration of the period a special session may be called for.

3. The Japanese finance minister has been informed that this action is tantamount to operating on partial budgets during the coming fiscal year which procedure was twice turned down by me on behalf of the Occupation. The House of Representatives, to which the bill now should be again referred should turn down the partial budget and insist upon the passage of the annual budget provisions for pay of government employeed. This is the first time this situation has arisen.

4. The Government Section has been notified of the above position and has stated that it will exert its full efforts to have the necessary corrective action taken.

W.F. Marquat
W.F. Marquat

C-1

CHIEF OF STAFF

SCAP and FEC

Date 7/31 1950

MEMORANDUM FOR: Gen Whitney G-5.

Deputy CofS, FEC	G-1	G-4
Deputy CofS, SCAP	G-2	ADC
Sec. Gen. Staff	G-3	AG

Information & your file
Note & return to
Appropriate circulation
Necessary action
Process action to C/S
by draft letter
by draft radio
Comment to C/S ✓
by memo
orally

This refers to
CofS file
Noted
Suspend to
Return with reference dispatches
This slip is part of permanent file
Destroy this slip

EDWARD M. ALMOND
Major General, GSC
Chief of Staff.

98

31 March 1950

MEMORANDUM TO CHIEF OF STAFF

Assurance has been received from the President of the House of Councillors that this matter would be adjusted at a joint meeting of committees (Management) of both Houses on the basis that the bill as cleared by GHQ was the version which had passed the House of Representatives fixing the terminal date to coincide with the end of the 1950-51 fiscal year.

NOTED BY C/S

C.W.

C-2

27 December 1949

Major Napier:

Several weeks ago, when the Chairman of the H. R. Local Affairs Committee spoke to me about the problem of the street vendors in Tokyo, I not only reminded him of the fact that this was a case of local administration but also that GS should have the statement of his case in writing. The attached statement just came in.

The matter is complicated by an alleged GHQ directive (which section and which directive I don't know) ordering the vendors to clear out of Ginza in March 1950. The H. R. committee takes no exception to the merits of the directive but asks that its enforcement be postponed for one year.

Whether or not GS should look into the questions raised is not for me to decide, but I recommend that some kind of reply be made to the Chairman of the Local Affairs Committee in the near future.

JW

Legislation

NAKAJIMA, Moritoshi

The chairman of the
Standing Committee for
Local Administration,
House of Representatives.

December 27, 1949.

Dr. J. Williams,

The Chief,
Parliamentary and Political Division,
SCAP, GHQ.

Concerning presentation of our view on the street vendors:

Dear sir;

I thank for your interview at the time when I called upon you in the capacity of the chairman of the Standing Committee for Local Administration in the House of Representatives, accompanying those Democratic-Liberals, Social Democrats, Democrats, and Communists members of the Committee. At that time we made an appeal to you orally concerning the problems of street vendors to the effect that extending the time limit of the end of March next to the end of March of the year after next, let them smoothly evacuate gradually.. Sending herewith, our view in writing as suggested at that time I earnestly beseach you to deal with them properly.

Written Opinion on the Open Air Stall-Keepers:

The stalls in which the keepers are carrying on their business on the highways in the 23 special wards in the Tokyo Metropolis number as many as 10,000 or so, and the inhabitants who are living thereby are so numerous as 50,000 to 60,000. We hear that all these stalls should be cleared away by the end of March next year from the stand-point of highway traffic safety, street cleanliness and sanitation, scenic beauty of the city and fire-prevention security.

We are fully convinced thereof in principle, but moved by the continual cries of distress raised by those concerned and stirred up by the opinions made public by men of intelligence on the matter, we once asked the Governor of the Tokyo Metropolis to come to us for a talk on this question. He gave us detailed explanations on the development and particulars of this question. The Governor told us that he had received a kind directive from GHQ on the matter, the purport of which he found quite convincing, and so he was determined to obey the directive earnestly and sincerely. For that purpose, he said various measures were under consideration. To be more particular, the Metropolitan Governor was thinking about providing the stall-keepers with some other places for their operation of business and was looking for such places. He was also earnestly considering about financing them for living fund to some extent. He revealed his view, however, that it was an extremely difficult task to give relief satisfactorily to the stall-keepers in a short term who numbered as many as 10,000 or so. In order to give this matter a satisfactory solution, the Metropolitan Governor

said, an aree committee, a good offices organ, was established. In his opinion, however, the development of the matter does not allow of optimism.

The above is an outline of the Metropolitan Governor's concepts of and measures for the matter. In our opinion, if all these stalls are to be cleared away in the short term, a violent social uneasiness is speculated to crop up because of uneasiness about and a menace to the livelihood of those concerned and their families.

When we consider that there are many war-sufferers, repatriates, widows and orphans among the street-sellers, we can not stand to see them falling into misery. Although we know it inadequate that the Diet medles in this case because it is the affair inside of the public autonomous entity of Tokyo To, we, fearing that this case might be the problem in all cities, have to find if there is any law bill to solve the problem like this.

In short, although we share your opinion at the object, we earnestly hope that the policy to give the time be taken, instead of carrying out their evacuation at once, to solve this problem gradually by the end of March of the year after next.

LOCAL TAX LAW REVISION BILL

Local Tax Law

File

97

Brig. General Courtney Whitney
Chief of Government Section,
G.H.Q.

July 5th, 1950

Dear Sir,

We are greatly obliged to you for your good wishes which was given from the begining about the revision of local tax law in order to establish local autonomy,

By your favour, the revised bill was passed the 8th diet on the last July 31st, and the financial foundation of local autonomy was reestablished on the firm foundation. Being given great and firm financial resources the responsibilities of local public units have became far greater than ever, and we want to make further effort for the democratization of our country and improvement of welfare of citizen.

On this chance the revised local tax law passed, we want to express our hearty gratitude to you for your special considerations which were showed through for nearly one year.

Now it is under the hot season and especially in such case as international relations are serious, we hope that you would take care of yourself and would contribute to maintain the peace of the world.

I remain,
Yours very sincerely

Fujitaro Kanasashi

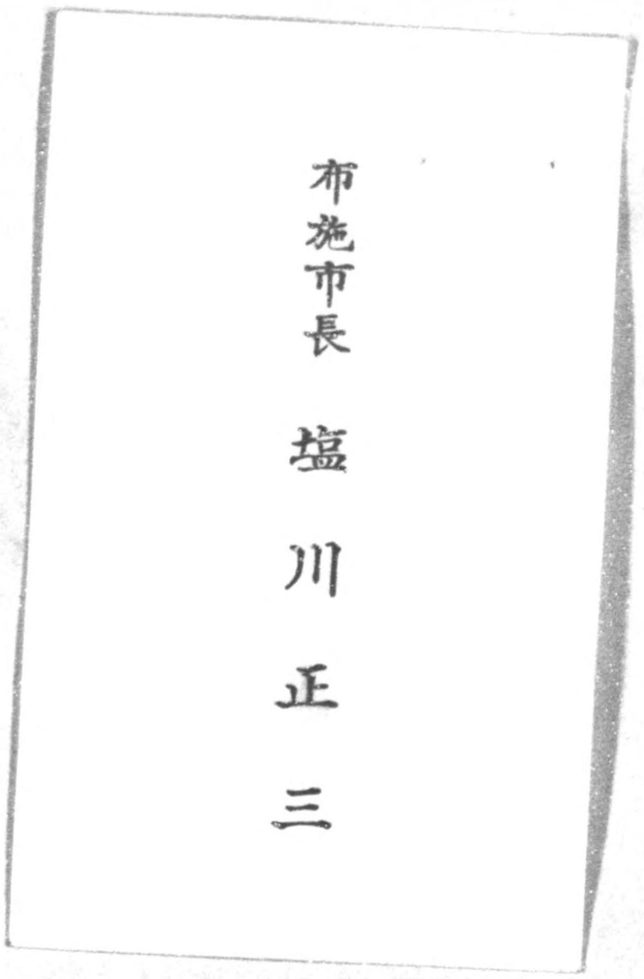
Fujitaro Kanasashi
President of the All Japan Mayors Association

Masazo Shiokawa

MAYOR

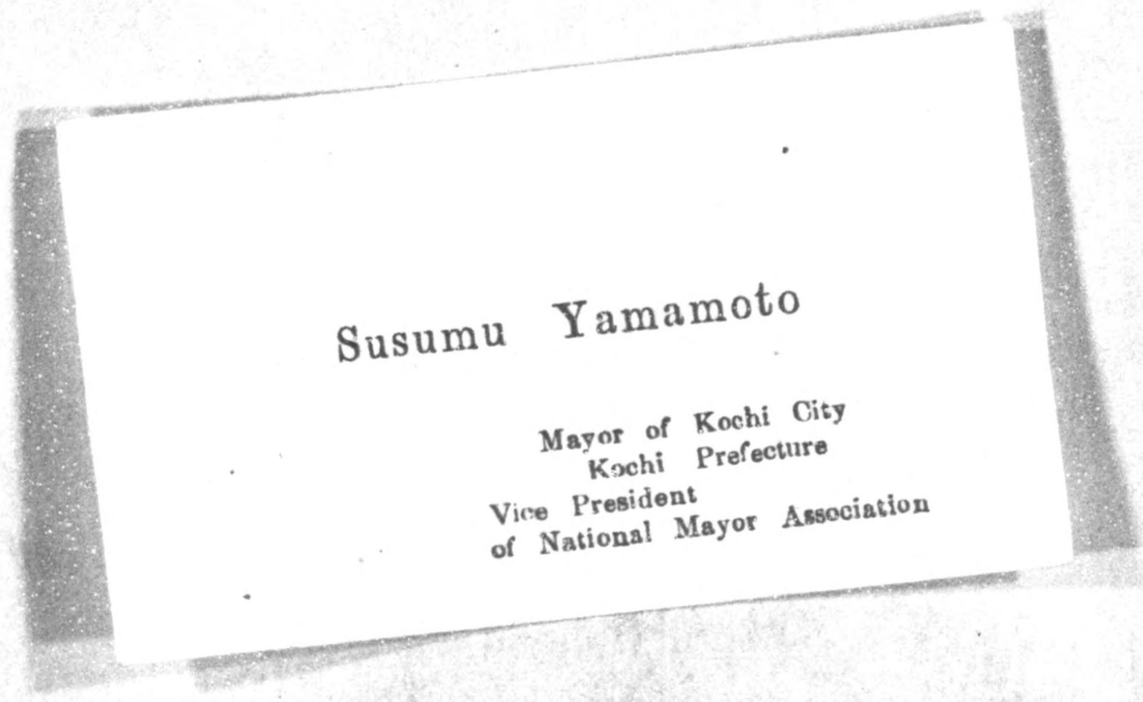
CITY OF FUSE

全國市長會副會長
高知市長　山本瞳



布施市長

塩川正三



Susumu Yamamoto

Mayor of Kochi City
Kochi Prefecture
Vice President
of National Mayor Association

775 012

The All Japan Mayors Association
No. 6, 2-chome, Hirakawa-cho, Chiyoda-ku,
Tokyo, Japan.

Brig. General Courtney Whitney
Chief of Government Section, G. H. Q.

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDB # 775 072

Local Tax Bill

22 July 1950

MEMORANDUM FOR THE CHIEF, GOVERNMENT SECTION

SUBJECT: Proposed Amendments to Local Tax Bill

1. At 0830 hours on 21 July, the People's Democrat Party submitted to GHQ for clearance amendments to the Local Tax Bill, which, according to calculations made by ESS/IR, would cut approximately 45 billion yen from the estimated revenue to be raised by the government bill.

2. From 1100 to 1300 hours, same date, ESS/Moss and GS/Williams conferred with the Secretaries General of the Liberal, People's Democrat, and Social Democrat parties and with the bill's proposers in the H. R. and H. C., for the purpose of separating the political maneuvering from the legitimate demands of the various political parties. With knowledge that leaders of these parties had already virtually agreed on amendments that they might jointly sponsor, the GHQ representatives asked each Secretary General what he considered the crux of the matter. SATO (L), CHIBA (PD), and ASANUMA (SD) each stated frankly that the value added tax was the main bone of contention and that next in importance was the real property tax rate. They also agreed that the petty politicking of the past several days had grown out of the general assumption that GHQ would permit no amendments. Asked if the government or any of the opposition parties would be embarrassed should GHQ make certain concessions, each of the Secretaries General gave assurance that such action on the part of GHQ would greatly please the members of all parties in both Houses, inasmuch as the people of Japan were groaning under excessive tax burdens. These political party representatives were invited to assemble again at 1430 hours to hear Mr. Moss' verdict, which would be subject to review by Generals Whitney and Marquat and after that by the Supreme Commander.

3. Preliminary to the 1430 meeting, State Minister OKANO, whom the Prime Minister charged with responsibility for guiding the Local Tax Bill through the Diet, was informed as a gesture of courtesy that GHQ would probably consent to two amendments to the bill: (1) postponement of the value added tax until 1 January 1952, and (2) reduction of the real property tax rate from 1.7 to 1.6. For more than an hour, Mr. OKANO tried desperately to persuade the GHQ representatives to withhold these proposals from the party representatives who had already reassembled in the outer office, advancing the proposition that the government should have priority in proposing such radical amendments to its own measure, which after all had been dictated by GHQ; otherwise, he contended, the People's Democrat Party would gain political advantage at the expense of the government party, not to mention the fact that he personally would suffer much embarrassment. Mr. OKANO was placed in a better frame of mind when told that it was essential above all for GHQ to act in good faith vis-a-vis the members of the House of Representatives who had officially submitted amendments to GHQ through proper channels and that an effort would be made to persuade all parties, government and opposition, jointly to sponsor the amendments which GHQ might approve.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 775 072

4. From 1445 to 1630 hours, the specific amendments were discussed with the following Diet members and government officials:

Secretary General SATO (L)
State Minister OKANO (L)
Secretary SUZUKI, Local Autonomy Agency
Secretary General CHIBA (PD)
Supreme Adviser TOMABECHI (PD)
Representative MATSUMOTO (PD)
Councillor KIUCHI (PD)
Councillor MURAKAMI (GB)
Secretary General ASANUMA (SD)
Representative KATSUMATA (SD)

Excepting State Minister OKANO and Secretary SUZUKI, this group expressed real surprise when Mr. Moss announced that he would recommend to his superiors approval of the two amendments mentioned in paragraph 3, above. Following a discussion and settlement of a number of political and technical issues, the Diet members returned to the Diet building to ascertain the attitude of their respective parties toward Mr. Moss' proposal.

5. Between 1900 and 2000 hours, the Social Democrat Party voted no and the Liberal Party voted yes on the Moss proposal. At 2200 hours, after considerable discussion, the People's Democrats voted yes, with only eight members dissenting. Mr. MURAKAMI consulted about one-third of the Green Breeze Society members and said that this group could be counted upon to support the amended bill when it came from the House of Representatives. The Social Democrats are not sincerely against the amendments; their principal aim is to keep their record as an opposition party unblemished.

6. At 0830 hours on 22 July, the amended bill incorporating the Moss proposals was delivered to GS and immediately referred to ESS/IR. Throughout the morning and early afternoon, members of that Division, in cooperation with officials of the Local Finance Commission and technicians from the H. R. Legal Bureau, carefully checked all pertinent details in the amended bill, after which, with the approval of the Chief, ESS, it was returned to GS for final clearance. Mr. Moss stated that the real property tax, the only one affected by the amendments, will still yield the necessary 52 billions in revenue notwithstanding the reduction of the rate from 1.7 to 1.6. Meantime, it was agreed by the H. R. Local Affairs Committee that the People's Democrats would introduce the amendments to the Local Tax Bill, with the consent of the Liberals, and that the Liberals would support the action taken by the People's Democrats. Under these circumstances, it is fair to assume that the amended measure, if approved by GS for clearance, will be passed without difficulty by the H. R., perhaps today, if not, surely on Sunday or Monday. Little difficulty is to be expected in the House of Councillors, but should that House by some chance reject the bill, the H. R. will have the necessary two-thirds vote to override it.

7. Recommend that GS clearance be given to the H. R. proposal to amend the Local Tax Bill.

Justin Williams
PARLIAMENTARY & POLITICAL DIVISION

DECLASSIFIED E.O. 14032 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

Gen. Whitney

GOVERNMENT SECTION

No. 30 (8)

THE NATIONAL DIET

29 July 1950

PEOPLE'S DEMOCRATS AND GREEN BREEZE SOCIETY REFUSE TO SUPPORT SOCIAL DEMOCRAT AMENDMENT PROPOSAL TO LOCAL TAX BILL

Both the People's Democrat Party and the Green Breeze Society late this afternoon spurned the Social Democrat invitation that they join as co-sponsors of amendments to the Local Tax Bill. Since approval of the bill in the H. R. last Saturday, rumors have been prevalent that the Social Democrats would attempt to amend the measure in the H. C. For the past three days, leading Social Democrats have been urging the People's Democrats and Green Breeze Society to join with them in a united opposition party amendment proposal. Failing at this late date to get the support they had hoped for, WADA and YOSHIKAWA, leading H. C. Social Democrat negotiators on the amendment proposal, now say that it is questionable whether the Social Democrats alone will formally submit their amendments to the H. C. Similarly, it is thought unlikely that the much-discussed INAKI (PD) amendment proposal will materialize.

Having failed in the amendment attack, Social Democrats are now concentrating on delaying tactics to prevent final H. C. vote on the Local Tax Bill tomorrow. The Local Administration Committee last Monday decided that it would complete its study of the bill by today, hold final debate and voting on Sunday morning, and refer the bill to the plenary session on Sunday afternoon. In the Committee Director's Conference late this afternoon, the Social Democrats proposed that general interpellations be continued tomorrow, with Committee debate and voting postponed until Monday, the final day of the 8th Diet session; the Liberals objected, holding that the Committee should adhere to its originally planned schedule. Failing to agree, the Director's Conference recessed so that each Director may consult his party. Meanwhile, the H. C. Steering Committee met to decide whether the H. C. will hold a plenary session tomorrow and, if so, to fix the agenda. The Liberals proposed that the plenary session tomorrow open at 1300 hours and that the Local Tax Bill be placed on the plenary session agenda as soon as the Committee vote is completed. The Social Democrats insisted that no plenary session be held tomorrow. After considerable heated discussion the following compromise proposed by the People's Democrats was accepted: If the Committee vote on the Local Tax Bill is completed by 1300 hours tomorrow, the time set for the opening of the plenary session, the bill will be placed on the agenda; if the Committee Chairman is not ready to report the bill by that hour, it will be placed on Monday's plenary session agenda.

At 1745 hours today, the Committee Directors met again. YOSHIKAWA (SD) proposed again that interpellations in Committee be continued tomorrow, with final debate and committee vote on Monday. Chairman OKAMOTO (GB) proposed that interpellations continue until midnight tonight, with debate and vote to be completed by 1300 hours tomorrow. With no agreement in sight, TAKEMAKA (PD) asked YOSHIKAWA whether the Social Democrat Party would be willing to assume the responsibility if the Local Tax Bill is shelved again because of his party's insistence on employing delaying tactics. YOSHIKAWA said that he could not reply without again consulting his party. The Directors' Conference recessed again.

PARLIAMENTARY & POLITICAL DIVISION
(HL)

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 072

H. C. WILL VOTE ON LOCAL TAX BILL MONDAY

The H. C. Local Administration Committee directors agreed late this evening that the Committee will complete interpellations, debate, and vote on the Local Tax Bill on Sunday, and that it would be referred to the plenary session for final action on Monday, 31 July, the final day of the 8th Diet session. Liberals, People's Democrats, and Green Breeze members agreed to this agenda, upon which the Social Democrats had insisted, when it became apparent that the Social Democrats had given up the idea of submitting amendments. During the course of the meeting, Director YOSHIKAWA (SD) stated that if plenary action on the bill were delayed until Monday, his party "would act in good faith."

PARLIAMENTARY & POLITICAL DIVISION
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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

GOVERNMENT SECTION

No. 34 (8) THE NATIONAL DIET 30 July 1950

LOCAL TAX BILL APPROVED IN H. C. COMMITTEE, 9 TO 5

The H. C. Local Administration Committee at 1645 hours today approved the Local Tax Bill by a vote of 9 to 5. Liberals, People's Democrats, and Green Breeze Society members supported the measure; Social Democrats and the First Club opposed it.

The Local Tax Bill will be placed on the agenda of tomorrow's plenary session for final vote.

PARLIAMENTARY & POLITICAL DIVISION
(HL)

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

GOVERNMENT SECTION

No. 33 (8) THE NATIONAL DIET 30 July 1950

9 TO 5 VOTE FAVORING LOCAL TAX BILL PREDICTED IN H. C. COMMITTEE

On the basis of the line-up for final debate on the Local Tax Bill in the H. C. Local Administration Committee, a vote of 9 in favor and 5 against the bill is predicted by members in general, provided all committeemen are present at the time of voting. Debating in favor of the bill will be HORI (L), SAIGO (GB), SUZUKI (GB), and INAKI (PD); in opposition will be SOMA (SD) and ISHIKAWA (1st Club). Until the People's Democrats and Green Breeze Society decided yesterday to refrain from joining with the Social Democrats in amendment proposals, it had been anticipated that INAKI (PD) and SAIGO (GB) would vote against the bill, as they did during the 7th Diet session.

Political party affiliations of members of the Local Administration Committee are as follows:

Liberal	5	
People's Democrat	2	
Green Breeze	2	(exclusive of the Chairman)
Social Democrat	4	
First Club	1	

PARLIAMENTARY & POLITICAL DIVISION
(HL)

DECLASSIFIED E.O. 11652 SEC. 5(E) AND 5(D) OR (E) NNDG # 773 072

GOVERNMENT SECTION

No. 32 (8) THE NATIONAL DIET 30 July 1950

H. C. COMMITTEE SCHEDULED TO VOTE ON LOCAL TAX BILL APPROXIMATELY 1800 HOURS TODAY

Chairman OKAMOTO (GS) of the H. C. Local Administration Committee estimated at noon that voting on the Local Tax Bill will take place in his committee at approximately 1800 hours today. A Social Democrat, who is not a member of the committee, has been granted permission to make a 20-minute urgent interpellation at 1430, after which final debate will begin.

H. R. AND H. C. WILL MEET IN PLENARY SESSIONS THIS AFTERNOON

Plenary sessions in both Houses of the Diet are to be held this afternoon. On the H. C. agenda for today are twelve bills, nine of which will become law if approved by the Counsillors. The remaining three, already approved in the H. R., will be returned to that House for repassage with H. C. amendments. Only five out of thirty-six bills have not yet been acted upon by the H. R. Of these, two government measures, the Mining Bill and the Stone Quarrying Bill, will be studied further by the H. R. International Trade and Industry Committee during adjournment of the Diet session. In addition to these bills slated for H. C. approval today, fifteen measures are still pending in that House.

PARLIAMENTARY & POLITICAL DIVISION
(HL)

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

Local Tax Bill

17 July 1950

MEMO FOR GENERAL WHITNEY:

SUBJECT: LOCAL TAX BILL

1. So far as I know, the only two developments within GHQ regarding the Local Tax Bill are as follows:

a. To inquiries from whatever source, I have repeated Mr. Rizzo's instructions, namely, "Amendments proposed thereto will be treated similarly to amendments proposed to any other bill."

b. Mr. Moss, ESS/IR, told me that State Minister OKANO suggested that GHQ would best refrain from announcing publicly that no proposed amendments to the Local Tax Bill would be entertained by GHQ.

2. The most important straws in the wind observed by me to date concerning the Local Tax Bill are as follows:

a. On 15 July, in the H. R. Local Affairs Committee, Mr. OYA (SD) asked State Minister OKANO, "Is there any more room to amend the Local Tax Bill?" OKANO replied, "The right to amend the bill belongs to the Diet, and the government would comply with it if there were any desire to do so."

b. On 15 July, Jiji Shimpo attributed the following comment to Mr. MURAKAMI (GB), a very influential Councillor: "I am not satisfied with the contents of the Local Tax Bill. In case this bill is not materialized again, local autonomy will be ruined. Therefore, we will take proper steps so that further amendment may be made."

c. On 16 July, in the H. R. Local Affairs Committee, Mr. MOJI (SD) said to Vice Director SUZUKI of the Local Autonomy Agency, "Comparing the new bill to the old one, there cannot be found any satisfactory correction."

d. Numerous newspaper articles have made it clear that the People's Democrats and the Social Democrats will try desperately to force the government to accept some amendments to the bill.

e. The defeat of the Liberal Party candidate for H. C. Vice President shows that the government will not be able to steam-roll the bill through the H. C.

G. W.

Noted FR

DECLASSIFIED E.O. 11,652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

Local Tax Bill

18 July 1950

MEMORANDUM FOR THE RECORD

SUBJECT: Two Conferences on the Local Tax Bill

At 1500 hours this date, Transportation Minister YAMAZAKI, who has been entrusted by the Prime Minister to handle top level negotiations on the Local Tax Bill, called at Government Section unannounced to state his views on currents and undercurrents in Japanese political circles, and more particularly on those having to do with the Local Tax Bill. At 1600 hours, at their own urgent request, People's Democrats Takizo MATSUMOTO and Yoshimitsu FUJITA of the House of Representatives and Shiro KIUCHI of the House of Councillors called to explain "the momentous development which had just taken place among the political parties," an overall agreement on amendments to the Local Tax Bill. The following accounts given indicate that there is some divergence of opinion between Mr. YAMAZAKI, as spokesman for the Liberal Party, and MATSUMOTO-FUJITA-KIUCHI, who claim to have the support of Liberals, Social Democrats, and People's Democrats for their amendment plan.

1. Summary of Mr. YAMAZAKI's comments, 1500 - 1555 hours:

a. The People's Democrat Party has submitted to GHQ amendments to the Local Tax Bill. (NOTE: GHQ has not received any proposed amendments to this bill.) It is presupposed, of course, that GHQ will reject the amendments. There exists a strong feeling that the People's Democrats in the H. R. at the last moment will vote for the Local Tax Bill as submitted to the Diet by the government. Yesterday, Secretary General Eisaku SATO (L) and Hideji MASUTANI (L) officially asked People's Democrats TOMABECHI and SHIIKUMA to cooperate with the government party in passing the Local Tax Bill in the H. R. at the earliest possible date. The answer of the latter was hopeful, but they requested time for further study. (NOTE: YAMAZAKI made no mention of the important conference held by the People's Democrats around noon today.) Inasmuch as the substance of the amendments demanded by the People's Democrats at the 7th Diet session have been incorporated into the current revised bill, and in view of the atmosphere of cooperation prevailing between that party and the Liberals, it is all but a foregone conclusion that the H. R. People's Democrats will support the government party; and if this transpires, there is no likelihood whatever of the bill being defeated in the H. C. Should minor amendments be required to pacify the H. R. People's Democrats, the government party would not feel embarrassed if GHQ permitted them.

b. When this Diet session adjourns, if all goes well, a coalition government will be formed consisting of Liberals and People's Democrats, the three vacant Cabinet seats to go probably to Councillor SAKURAUCHI and Representatives TOMABECHI and CHIBA, with Takizo MATSUMOTO and Takeo MIKI as possible alternates for CHIBA. This scheme stands a good chance of consummation despite the personal unpopularity of the Prime Minister.

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2. Summary of MATSUMOTO-FUJITA-KIUCHI comments, 1600 - 1630 hours:

a. What amounts to a virtual miracle has happened: through the skillful diplomacy of the People's Democrats, a compromise has been reached on amendments to the Local Tax Bill by the leaders of the Social Democrat, Liberal, and People's Democrat parties. At no time during the occupation has there been more of a spirit of unison and less cheap politicking than at this moment. If this unified amendment plan could be approved by GHQ, it would be entirely possible for the leading parties to cooperate closely in settling all other major issues confronting the country.

b. The rough draft of the compromise amendment plan which we have before us, and which will be formally submitted in English to GHQ tomorrow or the next day, will still permit the raising of 190 billion yen in revenue. Of course, there are those in GHQ who will question our estimates but there are also those in GHQ who question the estimates on which the government's Local Tax Bill is based. The goal of 190 billion yen will be reached if 60% of the revenue at the projected rates is collected; and knowing this, the tax collectors will be lenient with the taxpayers. Our compromise plan proposes to postpone the value added tax "for the time being" instead of until "January 1, 1951." Over and above that, the main changes are a reduction of the land and house tax multiplier from 900 to 700, the farm land tax from 22.5 to 15, and the tax rate from 1.7 to 1.5.

JW

NOTE: Shortly after noon today in the H. C., State Minister OKANO said, "The amendment proposed in the H. R. last session has been considered fully this time and also further consideration will be given to the amendment opinion of the People's Democrat Party."

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

Local Tax Bill

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

30 June 1950

MEMORANDUM FOR: Deputy Chief

SUBJECT: Minister Honda

1. Minister Honda called on the undersigned on 29 June and discussed his resignation. He referred to the numerous times he had been opposed in Cabinet meetings for his strong stand on local autonomy. He recalled that at the time the Local Tax Bill was being presented to the Cabinet he had openly stated that in his estimation this was one of the basic reforms necessary for Japan and that the bill was a good bill. Mr. Masuda, at that time the Chief Cabinet Secretary, told him it was not a good bill and that it was undesirable legislation, but under the circumstances it would have to be presented to the Diet. When any requests for radio broadcasts were made to the Liberal Party on the subject of local autonomy, Mr. Masuda ruled out Mr. Honda's participation. At the Cabinet meeting on 28 June, Mr. Honda stated that the Local Finance Commission had the right to establish by rule, on completion of computation, the Property tax rate (Article 350 in draft Local Tax law). To this, Minister Ikeda stated that it was impossible for the Local Finance Commission to establish a tax rate by a Local Finance Commission ruling. He stated that the tax rates must be established by cabinet order. The Prime Minister favoring the opinion of Mr. Ikeda and Mr. Oya, solidly backed by Mr. Okazaki and Mr. Masuda, instructed Mr. Honda to see Mr. Moss of ESS at once and receive approval for issuing the tax rate by cabinet order. Minister Honda stated that this was completely against the principle of local autonomy and that he could answer in advance that Mr. Moss would not approve such a step. At this he was severely reprimanded and ordered to report to Mr. Moss. Mr. Honda did interview Mr. Moss. At this time, Mr. Moss showed him a record of the Shoup-Moss-Ikeda talks held in New York in which the record showed that such responsibilities would be assigned to the Local Finance Commission. Mr. Honda reported to Mr. Okazaki and told him that ESS would not approve of establishing the tax rate by cabinet orders. At the Liberal Party meeting held on the afternoon of the 28th, Mr. Ikeda without once talking to Mr. Honda stated that in his opinion the tax rate should be established by cabinet order but that Mr. Moss had stated that in the record of his conversation with Mr. Shoup, there was a provision made that such rates would be established by the Local Finance Commission. He further stated that he had never committed himself to such a statement and that it was false and for that reason he had talked to Mr. Moss on the 28th and Mr. Moss had agreed that no discussions had taken place on this subject in New York, but as it was already in the record it would be impossible to change the record.

2. Mr. Moss states that on June 28th Mr. Ikeda talked to him by telephone and claimed that he did not understand that in the New York conversations he had agreed that the final real property tax rate should be determined by the Local Finance Commission. Mr. Moss reminded Mr. Ikeda

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

that although this question was not specifically discussed in New York it was covered by inference because it had been a fundamental point at issue in previous conversations in Tokyo and had finally been decided by the SCAP's letter of 11 April 1950 on the Equalization Grant Law and the Local Finance Commission Law. Further, in the New York meetings it was agreed to use the same procedures for the real estate as for the added value tax in determining the final rate. Mr. Moss then referred to Dr. Shoup's memo of those conversations which, in reference to the added value tax, specifically states that "The Local Finance Commission shall announce the final rate for the year before July 1, 1951." On June 29, Mr. Ikeda personally visited Mr. Moss and when shown the memo which Dr. Shoup (at Mr. Moss's suggestion) had agreed to prepare in order to forestall any future misunderstandings of exactly this nature, Ikeda ceased to argue and agreed to follow the ESS interpretation.

3. According to Mr. Honda, Mr. Ikeda at the last Cabinet meeting further proposed that the powers of the Board of Audit be enlarged so that the national government could audit all the books of the local government and if the equalization grant is not being spent in accordance with the policy of the national government, the national government will have the power to alter the decision of the Local Finance Commission. Minister Honda strongly opposed such a move and stated to Minister Ikeda that this also contradicted the spirit of local autonomy. Minister Honda made no outright accusations as to why he was not included in the Cabinet but stated that he had been caught in an Ikeda-Okazaki move to oust local autonomy. Many Democrats and Social Democrats including some Liberals have called on Minister Honda wondering what the idea was in not including him in the Cabinet at such an important time when the emergency Diet session is being called for the sole purpose of passing the Local Tax law. When asked if the Local Finance Commission was strong enough to stand on its own feet, Minister Honda stated that he expected there would be a complete split between the government and the Local Finance Commission in the near future as the present Cabinet did not have one member in favor of local autonomy.

M. MATSUKATA

1 Incl
Memo on Suggestions for
Revision of Local Tax Bill

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

COPY

Memorandum on Suggestions for Revision of Local Tax Bill

At a meeting Monday, May 15, 1950, at Columbia University, recommendations for changes in the pending Local Tax Bill were made to Ikeda by Shoup, with Moss, Vickrey and Warren in agreement; Reid and Miazawa also present. The recommendations are:

Real Estate Tax:

1. Non-farm land and buildings

   A. Fiscal Year 1950-51. Use a multiplier of 900. Apply the tax rate reached under No. 4 below. However, make tentative installment payments, at a tentative rate of 1.70 per cent, on June 30, 1950, and October 31, 1950 (July 31, instead of June 30, if the Local Tax Bill is not passed before June 30). Each of these payments to be one-third of the annual tax computed by applying 1.70 per cent to the value obtained by the 900 multiplier. When the final tax rate for 1950-51 is computed (see 4 below), a final installment payment to be made on February 28, 1951; this installment to be computed by applying the final rate to the value obtained by using the 900 multiplier, and subtracting the sum of the two installment payments already made.

   B. Fiscal Year 1951-52. Local assessors to make a direct valuation of all properties as of, say, April 1, 1951, this valuation to be completed by September 30, 1951. The value aimed for by the assessors should be a long-term market value, not a value that reflects merely temporary influences depressing or raising market values. But in no case shall the value be less than that given by the taxpayer in his return for the national tax on revaluation. Each municipality shall be free to set its own tax rate. If the rate is not set before October 1, 1951, the first installment of the tax (one-third) should be at the final rate set for 1950-51, with adjustment to the actual rate for 1951-52 to be made in later installments. The second and third installments would be due on October 31, 1951, and February 29, 1952.

2. Farm land and buildings

   A. Fiscal Year 1950-51. Assessed value to be the official price of farm property multiplied by an adjustment factor of 25. Other provisions same as under Non-farm land and buildings.

   B. Fiscal Year 1951-52. Assessed value to be the official price of farm property multiplied by adjustment factor

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

or factors to be set by Local Finance Commission. Other provisions same as under Non-farm land and buildings.

3. Depreciable assets other than buildings

A. Fiscal Year 1950-51. Municipal tax assessors to place tentative values of these assets, using the revaluations submitted by taxpayers for the revaluation tax. These tentative values shall be set during January, 1951. On these values a tentative tax for 1950-51 shall be paid in full in one payment before February 28, 1951 (or, perhaps, instead, the date might be set at March 31, 1951). The rate of tax to be computed as in No. 4 below. By October 1, 1951, municipal assessors are to have made direct valuations of all such assets, values as of, say, April 1, 1951. During October, 1951, municipalities to send a revised bill for 1950-51 tax on depreciable assets other than buildings to each taxpayer, using the same tax rate as before, but applied to the new values, in place of the revaluation values (in no case, however, may the new values be below the revaluation values). If the revised bill shows some payment still due, it shall be paid in two equal installments on October 31, 1951, and February 29, 1952. The tax bills sent out in January-February, 1951, should carry a specific warning to the taxpayer that the values are tentative, and liable to revision upward.

B. Fiscal Year 1951-52. Same as for Non-farm land and buildings.

4. Tax Rates

A. Fiscal Year 1950-51. The rate shall be determined only after the values submitted under the revaluation tax are aggregated, during January, 1951, as explained above. The rate shall be such as to yield 52 billion yen, after allowing for (a) delay in collection of 10 per cent under the land and buildings part of the tax and 20 per cent under the other depreciable assets part of the tax, and (b) the probable collection, during 1950-51, of back taxes under the old land and house tax. The formula shall be as follows, except that it shall be adjusted, by agreement between SCAP and the Japanese Government, to incorporate item (b) just mentioned. In this formula, r is the tax rate for 1950-51, and x is the aggregate value of depreciable assets other than buildings, in billions of yen.

$$r = \frac{52}{.90(2,755) + .80x}$$

The rate so determined will be the final rate for 1950-51; it will not be affected by the final determination of the value of depreciable assets other than buildings, to be made later in 1951.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

B. Fiscal Year 1951-52. Each municipality shall set its own tax rate, subject to a maximum of not less than 3 per cent (the maximum may be set higher by the Local Finance Commission). The standard rate, for equalization purposes, shall be set by the Local Finance Commission, both for fiscal 1950-51 and 1951-52.

Enterprise Tax

1. Fiscal Year 1950-51. Taxpayer shall pay during this year, a tax of 12 per cent on profits earned during the calendar year 1949. In other words, the old enterprise tax is retained, at a reduced rate, for this one year. Farmers, however, shall be entirely exempt from the tax, since the new high property tax will come into force this year.

2. Fiscal Year 1951-52. Taxpayers shall pay, during this year, on value-added during the calendar year 1950. Payment to be made in three installments during this fiscal year.

   The rate shall be set at a level that will yield 44 billion yen. It shall be computed by the Local Finance Commission, on the basis of the values-added shown in the returns of taxpayers filed with payment of the first installment by April 30, 1951, this payment to be: 1.5 per cent of the value added during 1950. The Local Finance Commission shall announce the final rate for the year before July 1, 1951. It shall compute the rate by a formula that allows for (a) a delay in collection of 20 per cent, and (b) probable collection of back taxes from the old enterprise tax, during this fiscal year. The formula is as follows, except that it shall be adjusted, through agreement between SCAP and the Japanese Government, to allow for item (b) above:

   Rate of value-added tax for fiscal year 1950-51: $\frac{44\ (1.25)}{\text{nation-wide aggregate of value added during 1950 shown on returns, in billions of yen}}$

   The tax remaining to be paid, after the first installment, shall be computed as follows, for each taxpayer. Multiply the value added during 1950 by the tax rate announced by the Local Finance Commission. Subtract the amount of tax paid in the return already filed this year. Divide the balance into two equal installments; pay one on, say, October 31, 1951, and the second on, say, February 29, 1952.

   Eliminate all preferential rates; each taxpayer to pay at the rate announced by the Local Finance Commission, without exception.

DECLASSIFIED E.O. 12065 SEC. 3(E) AND 3(D) OR (E) NNDC # 775 672

Eliminate all fractional-base or other differentiation in favor of any class of taxpayers; all taxpayers to pay on 100 per cent of value added during 1950.

3. Fiscal Year 1952-53. Each prefecture to set its own value-added tax rate, not to exceed, say, 7 per cent. The standard rate for equalization purposes to be set by the Local Finance Commission.

Inhabitant's Tax

1. Fiscal Year 1950-51. The standard rate shall be set at 18 per cent. Municipalities may levy a higher or lower rate.

2. Fiscal Year 1951-52. The Local Finance Commission shall set the standard rate.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDC # 773 072

Local Tax Bill

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

12 June 1950

MEMORANDUM FOR: Mr. Rizzo

SUBJECT: Local Tax Bill

1. On 12 June, Minister Honda requested the undersigned to transmit the following to Mr. Rizzo. On Saturday, 10 June, Minister Honda called on Mr. Shavell, ESS, Internal Revenue. At the outset, Mr. Shavell asked Minister Honda why he had stated to the press that the Local Tax Bill would be revised during the election campaign. Minister Honda told Mr. Shavell that on 17 May he returned from the Chugoku area and on the 18th of May, Mr. Sato, Secretary-General of the Liberal party, had asked him to say that the Local Tax bill would be revised. No explanation was given by Mr. Sato. On 19th May, Minister Honda went to Osaka to campaign for the Liberal party candidates. During his stay he was assigned the same room as Mr. Iwamoto, Vice-speaker of the House. Mr. Iwamoto asked him if he planned to make statements to the effect that the Local Tax bill would be revised. Minister Honda told Mr. Iwamoto that Mr. Sato had requested him to make such statements but that he was at the present time considering whether such a statement was justified. At this, Mr. Iwamoto stated that on 3 May, Mr. Shidehara, Speaker of the House of Representatives and Mr. Sato, President of the House of Councillors, had called on General MacArthur and during the course of their conversation, they were told that General MacArthur had not stated that the Local Tax bill could not be revised but he had already agreed to the revision of lowering the Added Value Tax from 4% to 3.5% and the lowering of 900 multiple to 800 for the Property Tax. He was warned that this interview was to be a complete secret but that he would be perfectly safe in stating to the press that the Local Tax bill would be revised. On the following day, Minister Honda left for Saga and in his interview with the press he stated that he thought the Local Tax bill could be revised but it would depend on the negotiations with GHQ. He reiterated to Mr. Shavell that the above reasons were the circumstances that led to his statement that the Local Tax bill would be revised. At the present time he plans to submit a complete revision of the Local Tax bill to ESS by the 18th, planning on a week's negotiations with ESS and three days for printing the revised bill. The Diet will be called into an emergency session on or about the 28th. It is expected that the Local Tax bill will be passed by the 15th of July.

M. MATSUKATA

DECLASSIFIED E.O. 11,652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 012

12 June 1950

MEMO FOR GENERAL WHITNEY:

1. Just before noon today, President SATO made the following comment in the course of an informal twenty minute chat in his salon in the House of Councillors:

> There should be no difficulty in enacting the Local Tax Law at the forthcoming special Diet session, especially if the government is successful in negotiating a reasonable compromise on the terms of the bill with GHQ. Feeling existe in some government circles that a satisfactory compromise will be reached. Had the terms mentioned by General MacArthur to Speaker SHIDEHARA and the President of the House of Councillors on the evening of 3 May been made known to these Diet leaders previously, the Local Tax Bill would have been passed by the 7th Diet. In two conferences with General Whitney during the last ten days of the session, no indication was given that any such compromise would be permitted.

2. Sensing that President SATO had the impression of a possible difference between the position of GHQ as expressed by General Whitney and as held by General MacArthur, I made it plain to him that General Whitney's role in the matter had at all times been to transmit the Supreme Commander's policy and decisions.

JW

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(B) OR (E) NNDG # 773 072

Tokyo May 10th 1950.

Subject : Request for the relief of Local Government Finance

To : Brig.General Courtney Whitney, Chief of Government Sectin, G.H.Q.,SCAP.

Dear Sirs :

We have the honour to submit to you a request on the above-mentioned subject for your special consideration.

In connection with Local Tax Law Revision Bill, we, Local Public Bodies, have been looking forward with great expectation that the Bill shall be passed by the Diet and we could start new fiscal year based upon New Law.

As a result of the Bill voted down by the Upper House, there exists practically no Local Tax Law at present to bridge the gap between new and old Law.

Whereas the resulting lack of essential revenue sources to finance Local Government, we cannot fail to hamper the efficient operation of Local Public Services.

Even if the said Bill would pass at the next session of the Diet, the day of collection of taxes may be delayed and all taxes may be concentrated at the same time.

Thus the collection of taxes, coupled with the economical serious depression, much cannot be expected to finance Local Government.

We sincerely hope the Government would pay special attention to the approximate payment of the Equalization Grant, the loans of the Finance Ministry's Deposit Bureau Fund and Government's Subsidies. If possible the amount of the Equalization Grant to be increased and the limit of the amount for Local Public Bond should be also extended to meet the necessary finance of Local Self-Government.

Yours very truly,

Seiichiro Yasui

Seiichiro Yasui, President of

National Federation of Prefectural Self-Government Councils.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

COPY

Local Tax Bill

GENERAL HEADQUARTERS
CAR FAST COMMAND
Office of the Signal Officer

20 May, 1950

MEMORANDUM:

TO : Major General W. F. Marquat

The following Staff Service Message for you was received this date from the Signal Officer, Washington, D.C.:

"Local tax bill extensively discussed at conferences with Shoup and Ikeda and tentative understanding reached as follows:

Inhabitants tax no change in proposed bill or rates.

Value added to be deferred one year because administrative and other difficulties arising from non-passage of bill and delays. Enterprise tax to be continued this year at rates sufficient to produce estimated value added revenue and not to apply farmers due substantial increase this year in their real property tax burden. First installment of value added tax to be based upon conservative fixed rate but final installment and consequently annual rate to be determined by local Finance Commission based upon actual results first installment returns.

Real property tax Shoup strongly recommends that multiplier not be reduced below 900. First installment to be based upon fixed rate 1.7%. Final installment and consequently annual rate not to exceed 1.8% to be determined by local Finance Commission based upon first installment actual results land house and depreciable assets returns.

Details of understanding being airmailed to Shavell.

Expect to depart Washington not later than 25th. Signed Moss."

/s/ (for) T.E. JOHNSON, Lt. Col.

/t/ GEORGE I. BACK
Brigadier General, USA
Signal Officer

"THIS IS NOT A COMMAND CHANNEL MESSAGE.
NO REFERENCE SHOULD BE MADE TO THIS MESSAGE IN OFFICIAL COMMUNICATIONS."

COPY

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

Local Tax Bill

Tokyo, May 4th 1950.

Subject : Request for emergency measures to be taken as Local Tax Law Revision Bill voted down by the Upper House.

To ; Brig. General Courtney Whitney
Chief of Government Section, G.H.Q. SCAP.

Dear Sir;

We have the honour to submit to you a request on the above-mentioned subject for your special consideration.

In connection with Local Tax Law Revision Bill, we have been looking forward with great expectation that the Bill shall be passed by the Diet. As a result of the Bill voted down by the Upper House, practically there exists no Local Tax Law at present to bridge the gap between new and old Law. Whereas the resulting lack of essentisl revenue sources to finance Local Government, we cannot fail to hamper the efficient operation of Local Public Services.

The only solution now left for us is to request that the following emergency measures to be tentatively taken by the Cabinet to cover the deficit in Local Government finance already have been decided by the Committee of Local Autonomy.

1. Advance payments of at least 3/4 approximately, within the limits of the budget, shall be made from Local Finance Equalization Grants.
2. In case there is still any deficits, special loans shall be made from the Finance Ministry's Deposit Bureau funds for a short period with no interests or in case the interests should be paid by us, the Cabinet shall pay them back to us.

Yours very truly

Seiichiro Yasui

Seiichiro Yasui, President of

National Federation of Prefectural
Self-Government Councils.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

ASAHI, Saturday, 13 May

11th Washington
Special Correspondent Nakamura

FINANCE MINISTER IKEDA SPEAKS ON REVISION OF LOCAL TAX BILL

With the return of Mr. Dodge to Washington on the 11th, Minister Ikeda resumed his conferences with Mr. Dodge. After the final conference on the morning of the 12th with Mr. Dodge, Mr. Reid and other DA officials in charge of Japanese affairs, he will proceed to New York on the night of the 12th. To questions asked by this reporter he said: "The Dodge line would be followed in such manner as to fit the actual Japanese economic condition." He further stated:

"Mr. Dodge and the Department of the Army certainly know the situation in Japan, but I explained some of the actual operations to them. Regarding the counterpart fund, deposit bureau finances, long term loans, small and medium industries, the farmers' tight money situation and unemployment policy, I said they should be brought in line with the actual situation by allowing the Japanese to carry it out on their own responsibility. The National bonds are 130 billion for this year. This cannot be cut down this year and I think it is about right. Depending on the circumstances it could be changed next year. Ideas were exchanged on Southeast Asia trade. There seem to be a lot of plans but whether they will be carried out I cannot say. After coming to the states and seeing the prices are higher than Japan, the exchange rate should be held at ¥360 to the dollar.

"As to the independence of the Japanese economy, Japan has just started on the Stabilization Program which has to be thought of in long terms. This policy should be continued as it has direct bearing on the economic aid to Japan. As it is said that it may be cut off in two or three years the government should plan on this basis. Independence cannot be attained without foreign investments. At the present I do not think there will be large private investments. While we accept American aid, taxes cannot be drastically reduced. The tax reduction must be proportioned to the independence. At any rate there is little that can be done until the economy is stabilized.

"The currency circulation of 320 billion yen is not regarded well on the American side. By the end of the month it may rise to 360 billion yen. When I return I hope to hold this down.

"From the very beginning I was opposed to the Local Tax Bill which was stalemated in the Diet. The idea behind it to strengthen Local Autonomy by increasing the financial responsibility and income. This has to be reconsidered and the tax rate lowered. I plan to go to New York and talk with Mr. Shoup again. Mr. Shoup is going to Japan in August but the law will have to be amended before then."

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 072

Further, this reporter asked him the following:

Q. Were you able to figure next years budget?

A. Not exactly.

Q. Will there be a Supplementary Budget:

A. I do not know whether or not there will be one. Economics is living, therefore, it depends on the circumstances.

Q. What about the wage base?

A. The base will not be changed as the price index of consumer goods have a downward trend. Depending on necessity measures will be taken.

While Mr. Dodge was away from Washington Mr. Ikeda met with the Treasury Department officials and Mr. Moss of SCAP, who is in Washington. He also met with Mr. Gusten, president of International Exchange Bank and Mr. Good of the International Monetary Fund. His conferences with the Treasury Department were the first routine business conference, following the talks with Mr. Dodge. With the latter he discussed the intention of the United States in regard to foreign investment on the termination of aid.

DECLASSIFIED E.O. 11,652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 012

Local Tax Bill

ASAHI SATURDAY 13 MAY

FINANCE MINISTER IKEDA, SPEAKS

REVISION OF LOCAL TAX BILL

Mr. Dodge and the Department of the Army certainly know the situation in Japan but I explained some of the actual operations to them. Regarding the counterpart fund, deposit bureau finances, long term loans, small and medium industries, the farmers tight money situation and unemployment policy, I said they should be brought in line with the actual situation by allowing the Japanese to carry it out on their own responsibility. The National Bonds are 130 Billion for this year. This cannot be cut down this year and I think it is about right. Depending on the circumstances it could be changed next year. Ideas were exchanged on South East Asia trade. There seems to be a lot of plans but whether they will be carried out I cannot say after coming to the states and seeing the prices are higher than Japan, the exchange rate should be held at ¥360 to the dollar.

As the independence of the Japanese economy, Japan has just started on the Stabilization Program which has to be thought of in long terms. This policy should be continued as it has direct bearing on the economic aid to Japan. As it is said that it may be cut off in two or three years the government should plan on this basis. Independence cannot be attained without foreign investments. At the present I do not think there will be large private investments. While we accept American aid, taxes cannot be drastiely reduced. The tax reduction must be proportioned to the independence. At any rate there is little that can be done until the economy is stabilized.

The currency circulation of 320 billion yen is not regarded well on the American side. By the end of the month it may rise to 360 billion yen. When I return I hope to hold this down.

From the very beginning I was opposed to the local tax ~~law~~ bill which was stalemated in the Diet. The idea behind it is to strengthen Local Autonomy by increasing the financial responsibility and income. This has to be reconsidered and the tax rate lowered. I plan to go to New York and talk with Mr. Shoup again. Mr. Shoup is going to Japan in August but the Law will have to be amended before then.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

Local Dep Bureau
(Dep Govt)

TO.....General C.Whitney.
Chief of Government Sect, G.H.Q., SCAP.
Subject.....Petition for the adoption of emergency measures against the rejection of Local Tax Bill.

Dear General,

Despite of fervent wishes of towns and villages of the country the Local Tax Bill has ended in the rejection by the Diet. The towns and villages are now finding themselves in a blank period of local tax system due to a recent passage of Bill to Revise a part of Local Tax for unlike prefecture the towns and villages cannot look forwards to the revenues from Admission or Entertainment Taxes.

We are worried, worried beyond imagination, about the situation for we know fully well that the deficiency of revenue will jeopardize town and village finances, bringing local autonomy to a state of terrible danger.

Under the circumstances, we have just made a very strong request to the government to adopt immediately the following measures to counter the grave situation.

(A) An immediate allocation of at least 3/4 of Local Finance Equilibration Grants within the appropriation of national budget.

(B) The deficit to be covered by the short term loan from the Deposit Bureau Fund. In the event of it the non interest or grant of interest systems should be set up so to save local body from bearing the payment of interest.

We should be more than grateful to you if you will be so good as to give it a kind consideration and use your good offices to save this grave situation for towns and villages of the country.

We remain, Dear General,

Yours faithful servants.

G. Shiratori.
G.Shiratori (president)
National Association of Towns and Villages.

K. Saito.
K.Saito (president)
National Association of Chairmen of Town and Village Assemblies.

May 8th, 1950.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

GENERAL HEADQUARTERS
FAR EAST COMMAND
Public Information Office

1540
3 May 1950

Immediate Release:

GENERAL MacARTHUR'S COMMENT ON LOCAL TAX LAW REVISION BILL

Asked to comment upon the action of the National Diet in not enacting at this session the Local Tax Law Revision Bill, General MacArthur today observed that whereas the resulting lack of essential revenue sources to finance local government "cannot fail to hamper the efficient operation of local public services", both sides on the issue acted in full accord with the Constitution and pertinent laws, and the "legislative stalemate which resulted was not unusual under the democratic process in comparable situations".

He expressed full confidence that once the coming election is out of the way, the Diet will proceed "with resolution, statesmanship and unity of purpose" to discharge its attendant responsibility in implementation of this phase of the Economic Stabilization Program designed to insure "stability in public finance as reciprocal warrant for American economic aid."

He added that, contrary to a widespread impression, the effect of the bill, taken in conjunction with reductions recently effected in the national taxes in anticipation of the bill's enactment, would be to lighten the overall tax burden heretofore existing by approximately fifty billion yen. Japan's taxes, heavy as they are, due to the cost of war and defeat, are lighter in relation to national income than those currently levied by such nations as the United States, England or Germany.

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~~180~~

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

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

3 May 1950

MEMORANDUM

SUBJECT: Impact of Non-passage of Local Tax Bill

1. The assumptions are made that the tax bill will not be enacted by a Potsdam Ordinance and that the Diet can be called into special session on 1 July 1950 and can enact a new tax bill by the end of July retroactively insofar as annual taxes are concerned to April 1, 1950.

2. The attached chart roughly discloses the estimated composite expenditures and revenues of some 12,000 local government units, for the period April 1 1950 to July 31, 1950. The total deficiencies in revenues is 38 billion yen as of 31 July 1950. The seriousness of this deficiency may vary from one local unit to another.

3. Recommendations:

a. This deficiency in part can be met by advance payments of the equalization grant and from temporary borrowing from the Deposit Bureau of the Ministry of Finance. The Deposit Bureau of the Ministry of Finance currently accumulates funds in the form of new deposits and collections of loans of approximately 6 billion yen per month. It is not anticipated that the entire deficiency should be made up by these two devices.

b. It is believed that the scope of activity of local governments should be reduced and certain activities postponed during this particular period.

4. The figures in the attached chart are necessarily inexact. Studies are currently being made to refine these figures. It is not felt that unusual financial measures should be taken to eliminate the total repercussions of the failure of the Diet to pass the local tax bill and thereby relieve the Diet of its responsibilities to the local government. The unusual financial device described, that is, the advance payment of the equalization grant and the authorization of temporary borrowings from the Deposit Bureau, are provided for in current law. The extent to which the deficiency will be reduced must necessarily be decided at a later date.

W. F. MARQUAT
Major General, U. S. Army
Chief, Economic and Scientific Section

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773 072

LOCAL GOVERNMENT REVENUES FOR FISCAL 1950-51 THROUGH 31 JULY 1950

Revenues	Billions of Yen
Local Taxes Misc.	11.3
Local Taxes Arrears	14.0
National Govt Disbursements:	
Ordinary Subsidy	8.0
NSB General	9.3
NSB Disaster	14.3
Unemployment	1.3
Equalization Grant	35.0
Borrowing	10.0
Rents Fees	12.6
Total	122.8

EXPENDITURES OF LOCAL GOVERNMENTS FOR FISCAL 1950-51 THROUGH 31 JULY 1950

Expenditures	Billions of Yen
Ordinary	112.7
NSB Public Works:	
General	18.8
Disaster	15.7
Unemployment	2.0
Independent Public Works	11.8
	161.0

SUMMARY (AS OF 31 JULY 1950)

Expenditures	161.0
Revenues	122.8
Deficiency	38.2

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 072

TO : CHIEF OF GOVERNMENT SECTION
GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

Petition refering to the local tax law

Regarding to the local tax law which is under deliveration at present in the current diet, we expect its rapid decision believing that local units could be able to get rid of the financial difficulties they are suffering for long years and also be able to establish local autonomy in reality as well as in name. However, it is very regretful for us that the law is not still decided untill now.

If it were not decided in the present diet, the result would be that the local units not only be unable to attain the desire for long years, but also the finance of municipalities will be fallen in decisive crisis as the cities, towns and villages have already transfered the revenue of admission tax and additional amusement tax to the prefectures, owing to the partly change of local tax law, expecting the enforcement of new local tax law.

Under above circumstances, we want to beg you to give special consideration as to not lead the local units into such difficulty as mentioned above.

Fujitaro Kanasashi

Fujitaro Kanasashi
Deputy president of the
All Japan Mayors Association
Mayor of the city of Kawasaki

Declassified and Released by the National Security Council
Pursuant to E.O. 12958, Sec. 3.5
NSC Memo, 11/24/98, State Dept. Guidelines
By NARA, Date 12/22/99

Economic and Scientific Section

2 May 1950

MEMORANDUM:

FOR : General MacArthur

1. Herewith is information to indicate the probable impact of the tax reductions expected to be proposed by the Joint Committee of the Japanese Diet in session today. It would appear that the revenue income losses actually would not be of sufficient importance to cause any collapse of the financial budget unless the self-assessed tax collections drop seriously below the estimates for 1950-51.

a. The local tax bill is calculated at ¥190 billion broken down as follows:

Property tax	¥92 billion
Value added tax	44 billion
Inhabitants' tax	60 billion
Miscellaneous taxes	34 billion
Total	¥ 190 billion

2. Thus the maximum loss from a reduction of the multiplier factor in the land and property tax would be ¥5.7 billion and the maximum loss from the value added tax would be around ¥5.5 billion. The total loss would be less than ¥11.2 billion.

3. In the case of the value added tax, the rate prescribed in the law is the "standard" rate but the local authorities may assess at a rate that meets their requirements, reducing as much as desired and increasing not to exceed double the standard rate.

4. Thus it would appear that the actual yen income involved is not the controlling issue. In the headquarters it is the policy of adherence to the Shoup program and the Dodge Stabilization Program. The precedent of breaking the programs is more serious than the amounts involved. Mr. Moss' view was definitely that Dr. Shoup would be extremely embarrassed if he returned to Japan to find his program modified. Dodge's stabilization program was based upon full acceptance of the Shoup Tax schedule.

5. On the Japanese side these facts would indicate that the actual tax relief to be gained from the modification of the measures would not be of any great significance, since the law as written permits the local authorities to modify the value added tax rates to prevent the accumulation of revenues beyond the actual need of the localities. In consequence

the issue appears to be purely a political one and it becomes highly speculative whether approval of the Upper House would be obtained even if the headquarters made the full concessions proposed by the joint committee thereby further embarrassing the Occupation.

6. These facts are presented as further guidance to you in making your final decision in the matter.

W. F. MARQUAT
Major General, U. S. Army
Chief, Economic and Scientific Section

Tokyo, Japan

2 May 1950

Dear Mr. Speaker:

Yesterday I referred to the President, House of Councillors sixty-one (61) telegrams I received from various local entities throughout Japan requesting the assistance of this headquarters in securing passage by the National Diet of the Local Tax Law Revision Bill. This morning I am in receipt of twenty-four (24) additional telegrams which I am forwarding to you herewith for appropriate legislative consideration. I have informed the senders of these telegrams, through the National Town and Village Association, of this reference, pointing out that the matter of providing revenue sources to finance local governments is, within the limitations imposed by the economic stabilization directive, the responsibility of the National Diet.

These telegrams are from the following:

1. Head of Ohno Village, Soma-Gun, Fukushima Prefecture.
2. Head of Iitoyo Village, Fukushima Prefecture.
3. Yasawa Village, Fukushima Prefecture.
4. Kamimmo Village, Soma-Gun, Fukushima Prefecture.
5. Head of Kamabuna Village, Fukushima Prefecture.
6. Takiguchi, Makoto, President of Town & Village Association, Yamaguchi Prefecture.
7. Head of Odaka-Cho, Fukushima Prefecture.
8. Head of Onahama-Cho, Fukushima Prefecture.
9. Head of Fukuta Village, Soma-Gun, Fukushima Prefecture.
10. Iwaki Ohno-Mura, Fukushima Prefecture.
11. Head of Shinchi Village, Soma-Gun, Fukushima Prefecture.
12. Hano-Mura, Fukushima Prefecture.
13. Head of Iwaate Village, Soma-Gun, Fukushima Prefecture.

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14. Head of Fukuura Village, Fukushima Prefecture.

15. Head of Takahira Village, Fukushima Prefecture.

16. Head of Comiha Village, Fukushima Prefecture.

17. Head of Ishikinatsui Village, Fukushima Prefecture.

18. Head of Ishikusi Village, Fukushima Prefecture.

19. Head of Hara-Cho, Fukushima Prefecture.

20. Head of Ota Village, Fukushima Prefecture.

21. Head of Yashima Village, Fukushima Prefecture.

22. Head of Toyoma-Cho, Fukushima Prefecture.

23. Nishiki-Cho, Fukushima Prefecture.

24. Head of Iwaki Watanabe Village, Fukushima Prefecture.

Sincerely yours,

COURTNEY WHITNEY,
Brigadier General, U.S. Army,
Chief, Government Section.

24 Incls.

Mr. Kijuro Shidehara,
Speaker of the House of Representatives
Tokyo, Japan.

Tokyo, Japan
2 May 1950

Dear Mr. Speaker:

Yesterday I referred to the President, House of Councillors sixty-one (61) telegrams I received from various local entities throughout Japan requesting the assistance of this Headquarters in securing passage by the National Diet of the Local Tax Law Revision Bill. This morning I am in receipt of twenty-four (24) additional telegrams which I am forwarding to you herewith for appropriate legislative consideration. I have informed the senders of these telegrams, through the National Town and Village Association, of this reference, pointing out that the matter of providing revenue sources to finance local governments is, within the limitations imposed by the economic stabilization directive, the responsibility of the National Diet.

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1. Head of Ohno Village, Soma-Gun, FUKUSHIMA Prefecture.
2. Head of Iitoyo Village, FUKUSHIMA Prefecture.
3. Yanawa Village, FUKUSHIMA Prefecture.
4. Kamimano Village, Soma-Gun, FUKUSHIMA Prefecture.
5. Head of Kamabuna Village, FUKUSHIMA Prefecture.
6. Takiguchi, Makoto, President of Town and Village Association, YAMAGUCHI Prefecture.
7. Head of Cloiza-Cho, FUKUSHIMA Prefecture.
8. Head of Ozahama-Cho, FUKUSHIMA Prefecture.
9. Head of Fukuta Village, Soma-Gun, FUKUSHIMA Prefecture.
10. Ieiki Ohno-Mura, FUKUSHIMA Prefecture.
11. Head of Shinchi Village, Soma-Gun, FUKUSHIMA Prefecture.
12. Hono-Mura, FUKUSHIMA Prefecture.
13. Head of Yamato Village, Soma-Gun, FUKUSHIMA Prefecture.
14. Head of Fukuura Village, FUKUSHIMA Prefecture.
15. Head of Takashiba Village, FUKUSHIMA Prefecture.
16. Head of Ishikiamatsui Village, FUKUSHIMA Prefecture.
17. Head of Omiya Village, FUKUSHIMA Prefecture.
18. Head of Ishikami Village, FUKUSHIMA Prefecture.
19. Head of Hara-Cho, FUKUSHIMA Prefecture.
20. Head of Ota Village, FUKUSHIMA Prefecture.
21. Head of Tashima Village, FUKUSHIMA Prefecture.
22. Head of Tashima Village, FUKUSHIMA Prefecture.

23. Hachiki-Cho, FUKUSHIMA Prefecture.

24. Head of Ikeki Watanabe Village, FUKUSHIMA Prefecture.

Sincerely yours,

(signed)
COURTNEY WHITNEY
Brigadier General, U. S. Army
Chief, Government Section

24 Inclosures

Mr. Kijuro Shidehara
Speaker, House of Representatives
Tokyo, Japan

AMENDMENT PLAN #2

To be submitted to GS by Joint Committee of the Houses

Article 32, par. 1

"4%" shall be amended as "3.5%" and "3%" shall be amended as "2.5%"

Article 412

"900 times" shall be amended as "800 times"

Article 413

"22.5" shall be amended as "20"

Message telephoned by:
Shimanouchi
Time: 1925
5/2/50

Plenary session opened at 2105.

Yamamoto (L) moved that the H. R. request a Joint Committee, in accordance with Article 59, paragraph 3, of the Constitution. Motion carried by rising vote.

Yamamoto (L) moved that the Speaker be entrusted with designating the 10 Representatives for the Joint Committee. Carried, by rising vote.

Speaker Shidehara designated the 10, whose names were previously reported.

Plenary session adjourned at 2115.

HL

2030 hours

General Whitney:

Mr. SHIMANOUCHI telephoned the following message:

1. The second amendment proposal (to Articles 31, 412, and 413) has been defeated in the Joint Committee.

2. The delegation which was to come to GS will probably not come, since they have nothing to present for clearance.

3. There is very little possibility that the Joint Committee will reach any decision.

HL

H. R. Steering Committee reopened at 1943.

Opposition parties argued that since the H. C. had already adjourned for the day, it was impossible for a Joint Committee to meet tonight; hence, the Local Tax Bill should be placed before the H. R. plenary session for vote tonight.

Liberal Party moved that a request be made for a Joint Committee tonight of the Houses, which could meet tomorrow to settle the issue. This motion was carried, 14 to 12.

Liberal Party moved that the H. R. members (16) to the Joint Committee be designated tonight. Carried, 14 to 12.

Steering Committee adjourned at 2040.

Plenary session will open shortly. Liberal Party will move that the H. R. request a Joint Committee. It is not yet decided whether an open ballot or a rising vote will be taken. Communists insisted on an open ballot. (This question will be decided by party negotiators in the chamber prior to the vote.) Then, the Liberal Party will move that the Speaker designate the 10 Representatives for the Joint Committee. (Rising vote).

If these motions carry, the 10 H. R. members on the Joint Committee will be:

Hoshijima
Sato, Eisaku (Secy-Gen)
Nemoto (Pol. Research Chief)
Omura (Steering Comm. Chairman)
Sudo
Kanke
Tsukada
Ishida
Kanda (Acting Chairman, International Trade & Industry Comm.)
Kuraishi (Chairman, Labor Comm.)

1900 hours
1 May 1950

MEMO FOR GENERAL WHITNEY

The H. R. Steering Committee opened at 1810 hours to discuss the procedure for handling the Local Tax Bill. Liberal members in the Committee insisted on the H. R. requesting a Joint Committee of the Houses. Opposition members insisted that the Local Tax Bill be placed on the plenary session agenda tonight for immediate vote. The opposition is confident that the government party cannot muster the necessary two-thirds vote tonight to repass the bill. They base their confidence on the following:

1. The 256 to 143 vote early this evening on the no confidence resolution can be considered a test of the government party's strength; this vote was 10 short of two-thirds of the 399 votes cast.

2. A tally of members present in the H. R. at present (423) shows that the Liberals lack 12 members for the necessary two-thirds vote if all go into the chamber to vote:

Liberal	270 256	
People's Democrat		62
Social Democrat		40
Communist		31
Farmers' Coop.		8
Labor-Farmer		5
Social Renov.		3
Kosei Club		2
Independent		2
	270	153

The Steering Committee recessed at 1840 hours to allow all parties to hold caucuses to decide whether they will agree to the holding of a Joint Committee of the Houses. The Steering Committee will reconvene at 1930 hours tonight.

H.L.

More balanced thinking is in evidence on the House of Councillors side of the Diet Building since early yesterday afternoon, when President SATO returned from a conference with the Chief of Government Section. That H. C. party leaders did not take advantage of President SATO's assurance to them that they were privileged personally to call on General Whitney and be certain of a friendly reception, shows that the members have at last begun concentrating on the merits of the Local Tax Bill itself instead of the cheap and ridiculous political tactics which have been so much in evidence of late.

Unlike the last few days, rumor in informed political circles is now that the final vote will be extremely close and that the wise money may be placed on the government by the time balloting begins in the H. C. tomorrow afternoon.

Justin Williams

Jap Govt

Tokyo, Japan
1 May 1950

Dear Mr. President:

I am sending you herewith for the consideration of the House of Councillors telegrams I have received this morning appealing to this Headquarters for assistance in securing passage by the National Diet of the Local Tax Bill now awaiting action by the House of Councillors.

These telegrams are from the following:

1. Chairman of the Town and Village Assembly Speakers' Association and President of the Town and Village Association of MIYAZAKI Prefecture.

2. Town and Village Association of TOCHIGI Prefecture.

3. Chairman of Town and Village Assembly Speakers' Association of NAGANO Prefecture.

4. Chairman of Town and Village Assembly Speakers' Association of CHIBA Prefecture.

5. Town and Village Association and Town and Village Assembly Speakers' Association of OITA Prefecture.

6. Town and Village Association of AKITA Prefecture.

7. President of Aomori Prefecture Town and Village Association.

8. Komatsu, Minoru, Head of Nakoso-Cho, FUKUSHIMA Prefecture.

9. Matsumoto, Head of Umoto-Cho, FUKUSHIMA Prefecture.

112.

10. Shibasaki, Head of Nagatominowa Village, FUKUSHIMA Prefecture.

11. Ohatara, Head of Iwasaki Village, FUKUSHIMA Prefecture.

12. Suzuki, Eiichi, Head of Yoshima Village, FUKUSHIMA Prefecture.

13. Sawada, Head of Taiwa Village, FUKUSHIMA Prefecture.

14. Chairman of Towns and Villages Assembly Speakers' Association, and President of Towns and Villages Association, KUMAMOTO Prefecture.

15. Chairman of Town and Village Assembly Speakers' Association, IWATE Prefecture, and President of Town and Village Association, IWATE Prefecture.

16. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, FUKUSHIMA Prefecture.

17. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, NAGASAKI Prefecture.

18. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, GIFU Prefecture.

19. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, YAMANASHI Prefecture.

20. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, Miyazaki Prefecture.

21. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, TOTTORI Prefecture.

22. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, FUKUI Prefecture.

23. Town and Village Assembly Speakers' Association, and Town and Village Association, SHIZUOKA Prefecture.

24. Town and Village Assembly Speakers' Association, and Town and Village Association, KOCHI Prefecture.

25. President of Town and Village Association, FUKUOKA Prefecture.

26. Town and Village Assembly Speakers' Association, HIROSHIMA Prefecture.

27. Yoshida, Mankichi, Head of Akai Village, FUKUSHIMA Prefecture.

28. Town and Village Association, SAITAMA Prefecture.

29. Speakers of Town and Village Assemblies, and Heads of Towns and Villages of IBARAGI Prefecture.

30. Chairman of Town and Village Assembly Speakers' Association, EHIME Prefecture.

31. Chairman of Town and Village Assembly Speakers' Association and President, of YAMAGATA Prefecture.

32. Assembly Speakers' Association and President of City, Town and Village Association, NARA Prefecture.

33. President of Town and Village Association, EHIME Prefecture.

34. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, Osaka.

35. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, OKAYAMA Prefecture.

36. Chairman of Town and Village Assembly Speakers' Association, AKITA Prefecture.

37. Head of Shinzan Village, FUKUSHIMA Prefecture.

38. Head of Tomioka Village, FUKUSHIMA Prefecture.
39. Head of Hisanohama Village, FUKUSHIMA Prefecture.
40. Head of Karino Village, FUKUSHIMA Prefecture.
41. Head of Tsushima Village, FUKUSHIMA Prefecture.
42. Head of Kiyohashi Village, FUKUSHIMA Prefecture.
43. Head of Obori Village, FUKUSHIMA Prefecture.
44. Head of Tatsuta Village, FUKUSHIMA Prefecture.
45. Head of Katsurao Village, FUKUSHIMA Prefecture.
46. Head of Ohisa Village, FUKUSHIMA Prefecture.
47. Head of Ukedo Village, FUKUSHIMA Prefecture.
48. Head of Kido Village, FUKUSHIMA Prefecture.
49. Head of Kumamachi Village, FUKUSHIMA Prefecture.
50. Head of Nagatsuka Village, FUKUSHIMA Prefecture.
51. Head of Kamioka Village, FUKUSHIMA Prefecture.
52. Head of Hirono-Cho, FUKUSHIMA Prefecture.
53. Head of Kawauchi Village, FUKUSHIMA Prefecture.
54. Head of Ohno Village, FUKUSHIMA Prefecture.
55. Head of Namie-Cho, FUKUSHIMA Prefecture.
56. Speaker of Town and Village Assembly Association, Iwaki-Gun, FUKUSHIMA Prefecture.
57. Speaker of Town and Village Assembly Association, and President of Town and Village Assembly Association, SAGA Prefecture.
58. Town and Village Association, Kyoto.
59. Chairman of Town and Village Assembly Association, FUKUOKA Prefecture.

60. President, Town and Village Association, HOKKAIDO.

61. Oku, Tauemon, Chairman of Town and Village Assembly Speakers' Association, HYOGO Prefecture.

Sincerely yours,

COURTNEY WHITNEY
Brigadier General, U.S.Army
Chief, Government Section

61 Encl.

Mr. Naotake Sato
President of House of Councillors
Tokyo, Japan

Tokyo, Japan
1 May 1950

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13. Sasada, Head of Taira Village, FUKUSHIMA Prefecture.

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18. Chairman of Town and Village Assembly, Speakers' Association, and President of Town and Village Association, GIFU Prefecture.

19. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, YAMANASHI Prefecture.

20. Chairman of Town and Village Assembly Speakers' Association, and President of Town and Village Association, MIYAZAKI Prefecture.