THE
NATIONAL ARCHIVES
OF THE
UNITED STATES

RG 331 (Allied Operational & Occupation
Headquarters, World War II)

SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section
Central Files Branch

House of Representatives & Councillors Minutes
1951

Memos for Records to Local Finance

Box No. 2232

GHQ/SCAP Records(RG 331)
Description of contents

THE
NATIONAL ARCHIVES
OF THE
UNITED STATES

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(2) Folder title/number: (1)
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(3) Date: Sept. 1950 - Nov. 1950

(4) Subject:

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(5) Item description and comment:

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(7) Film no. Sheet no.

Dated Sept. 1951
by L, FC.

- 1 -

FB. LFC.
Return To
CJ Hazell

I. Concerning the Association for tax payment

A. In accordance with the abolishment of Tax Payment Institution Law (Law No. 64 of 1943) in 1947, the association for tax payment established under the same Law has been abolished, but the association for tax payment established at the free will of taxpayers and the saving association established in accordance with the National Saving Association Law has been continued to exist at the view point of enconragement of saving and accelation of tax payment, etc. afterwards, in 1947, the system of reserve deposit for tax has been established and on account of the enconragement of this system by local bodies and practical use by associations for tax payment and saving associations, the associations has increased gradually. We cannot exactly know the number of associations for tax payment in all local bodies; the actual status of establishment of saving associations for tax as of August, 1950 in Tokyo To is as follows:

	number	number of menbers
Regional Association	1,089	130,304
Professional Area Association	863	47,960
Other Association	91	29,471
Total	2,052	207,776

Average member of one association ----------about 100

The deposit is conducted by daily or monthly instalment taking a household as the unit and the collection of deposit money is conducted ordinally by the members of the associations by turns. The utilization of deposit money of the association has not developed on account of uneagerness of banks for the reserve deposit for tax. The main reasons why the city banks do not co-operate and why the associations do not utilize the city bank are as follows:

1. The collection of the deposit money cannot be made on account of shortage of hands of the banks;
2. The unit of computation of the interest in the case of reserve deposit for tax is one thousand yen. Accordingly, there arise great balance between the interest in the case of deposit under the name of representative and the interest in the case of deposit the name of individual which is the principle of the reserve deposit for tax payment. And also, the interest is not yielded frequently, because the deposit money is drawn so oftem for appropriation to tax payment;
3. There is a tendency to utilize the credet association etc. because the credit association, etc. yield the interest taking one hundred yen as the unit;
4. The procedure of deposit and drawing of deposit money is so complicated that many people are ulilizing the national saving which the deposit money not more than thirty thousand yen is exempt from taxation or the time deposit bearing premium instead of the system of reserve deposit for tax while they recognize the purport and necessity for preparation for tax.

B. It is desirable that the taxpayers co-operate with tax payment positinely by establishing the associations for tax payment, under demacratic system. And the intention of full payment of taxes by establishing such association has been extended gradually in accordance with the increasing of number of utilizers of system of reserve deposit for taxes. But the system which takes only seving as the measure for tax payment gives no sufficient security for promating tax payment of the members of the association. Under the present system, a few privilages are given to the interest of the saving, but enconragement money and monetary reward are not given to the association. This association aims at only saving and cannot aim at tax payment directly, accordingly it is difficult to expect the speedy progress of this association for tax payment. For the purpose of strengthening and adjusting the existing associations and of protecting honest taxpayers, it is necessary to bring up the strong association for payment of taxes and the association for payment of taxes to which the grant of encouragement money, monetary money and etc. are parmitted by law shall be revived and extended as mentioned above, the association for tax payment is composed at such economic standpoint as to avoid the pressure of the heavy tax burden at one time and shall not be considered to be a political association and also has no political influence against the local body. And the other hand, the local body can expect to save the collection expenses by utilizing these organizations and it can make the money thus saved grant which is delivered as the compensation of actual

expenses necessary for the association. Accordingly it is rather suitable for the actual cirvumstances to control the associations strictly and to compensate the actual expenses. Needless to say, the compensation of the actual expenses in this case is not partial drawback of tax but the enconragment money from local body.

II. Concerning the Compensation of the Actual Expenses to the Special Collector

A. In so many Fu or prefectures, there is, now, such system that they compensate, in accordance with the local by-law, the actual expenses of collection to a special collector with respect to the amount of tax of special collection of the electricity and gas tax etc. under the name of "the monetary reward to special collection" etc. This compensation is executed by supply with the writhing materials which contain a paper for a receipt and a carbon paper for a copy etc. or with the amount of money corresponding to those materials, and its expenses is limited to about one-hundredth of the amount of collection. And the main point of this compensation of the actual expenses is namely that the local bodies intend, if posible, to reduce the special economic obligation which the local bodies request to an enterpriser in order to causes him to collect the local taxes, in case where a special collector performs his varions obligation as provided for by the Local Tax Law; and this system has made the business of collection of local bodies exetremely smmoth. And this system has executed for seviral ten years since establishment of the

system of special collection and this monetary reward has been counted up separately on a budget and managed instead of making the descount of be amount of tax. And particularly, in latest days, the system which a local body informs the responsible amount to the union of the enterprisers with respect to these taxes of the special collection and causes the said union to collect is abolished, and it is now made that a local body causes each special collector to collect respectively under the pronciple of the Local Tax Law.

B. This system does not, as mentioned above, mean a partial drawback of tax of the special collection, but it means the compensation of expenses needed to collect and is entirely executed under the economic consideration; and the legislation of this system does not give the political power against the local body to a special collector, but rather shows a standard as to the compensation of the actual expenses, which is different in each Fu or prefectures, and makes the purport of this system clear, and prohibits strictly the deduction from the amount of tax and causes it to coincide with the actuality of the national feeling with respect to this system which is apt to be considered as a deduction from the amount of tax.

Local Finance

Transmitted
Reid by mail
24 Nov '50
file mayor's
assn

22 November, 1950

Mr. Nickolas Cottrell
Public Affairs Division,
Government Section, G.H.Q.

Petition regarding to the supplement of the equalization grant for local finance on the current year.

We have made appeals many times hitherto that the amount of the equalization grant on the current year be increased in order to be able to make improvement of the treatment for the public service officials and to pay other additional financial demand. But, having heard nothing as to the result, we, as the mayors who are actually facing the difficulty of hard-pressed financial conditions daily, are very anxious.

As a result of the revisal of the tax system, the loss of the admission tax and amusement tax which are chiefly concentrated in the cities, and contrary to the common sense, compared to the towns and villages the tax revenue of the cities have not increased and in some cases, there was a decrease in the tax revenue than that of last fiscal year, yet even at present the influence of the shortage of the estimate on the equalization grant has been concentrated chiefly on the shared amount for the cities and most of the cities instead of the stabilization of finance, have fallen in such condition as they are impossible to maintain the administrative level of last year.

As you already understand, it is under such circumstance as the salaries of city office personnels of most of the cities except few cities are lower than the salaries of national public service officials in both actuality and formality having difference with the statement of the Ministry of Finance and if the revisal of the treatment for the national public officials would be executed, the city governments will be forced to revise the treatment for their employees even if the shortage of the annual revenue are to be forseen. Thus it is considered that the financial condition will be on the edge of collapse in spite of the effort of the mayors of whole country and we earnestly desire that your special consideration will be given after you made further investigation so that the amount of the equalization grant will be increased and the degree of local borrowing will be expanded as we have requested previously.

Fujitaro Kanasashi

Fujitaro Kanasashi
President of the All Japan Mayors Association.

Nov. 15, 1950

Local Finance Commission

For: YOSHIDA Shigeru, Prime Minister

~~SHIGEHARA Kijiro, Speaker of the House of Representatives;~~

~~SATO Naotake, Speaker of the House of Councillors~~

From: NOMURA Hideo, Chairman of the Local Finance Commission

Subject: Recommendation on Additional Increase of Local Financial Source in 1950-51 Fiscal Year

In view of the present local financial situation, it is deemed necessary to make increase delivery of 13.3 billion yen of local finance equalization grant in the fiscal year 1950-51. Therefore, the national government is desirous of taking promptly the necessary budgetary steps to meet therewith.

I hereby present this recommendation on the basis of the provisions of Article 13 of the Local Finance Commission Establishment Law.

Reason

The drastic reformations on local tax and local finance system have been made recently aiming at the strengthening of local finance ability and the egnalization thereof with the result that the security of the stable local finance has just been attained. Now each local body is adjusting its financial structure towards the direction of the new system and a trend of elevation of self-govering spirit

of inhabitants is seen everywhere. The successful result of the new local finance system is greatly being expected.

Local bodies, however, need an additional appropriation of the net local finance source in the current fiscal year amounting to 17.3 billion yen for the purpose of improving the pays of local public officials following suit of the planned increase of national government personnel pay in the present fiscal year and of achieving varions new governmental services as followings:

(1) For the revision of salary base of local public officials, payment of the year-end allowances and improvement of pays for teachers.....13.9 billion yen

(2) Increase of financial need on account of the establishments and revisions, etc. of laws and ordinances after the determination of the total amount of local finance egnalization grant in the current fiscal year.....1.6 billion yen

(3) Increase of other local financial needs resulted from the supplementary budget of the national government.....1.8 billion yen

Total 17.3 billion yen

The above increase of local financial need should be met through necessary budgetary steps under the provisions of Article 13 of the Local Finance Law.

To this end, local bodies should, first of all, scrutinize their financial operation and economize as far as possible the fixed expenditures, thereby a part of the increased financial need be met by surplus financial source. It is deemed appropriate, therefore, approximately 4 billion yen of the increased need be met by such surplus financial source to be obtained through such economizing of expenditures and other 13.3 billion yen by the increase of local finance egualization grant.

In addition, local bodies need other new financial sources of 21.6 billion yen for the increase of rehabilitation following natural disasters and other temporary business expenses. 1/ It is proper to meet such financial needs through increase of issuance of local loans.

It is believed that the couse for local finance destitution over the past years is, in the long run, attributable to the entrusting of all matters to local bodies on the basis of their own financial ability without granting any financial source necessary for the performance of duties imposed thereon. It is certain, therefore, that the local finance will again be left in destitution and that the local tax burdens will be thrown into confusion by unreasonable increase of local taxes or establishment of many new tax items if the necessary steps on financial source be neglected against the present increase of financial need of local bodies. Such confusion will subsequently cause an inharmonious relation between the local bodies and the national government and will sever the close cooperative relations of the two and, it is feared, the situation will become detrimental to the execution of various services of the national government.

Viewed from the above circumstances, it is deemed necessary that the national government will, by all means, promptly take an appropriate steps to cope with the situation from the standpoint of general aspect.

Data on Increased Amount of Local Financial Need due to Supplementary Budget for 1950-51 Fiscal Year, Etc.

Local Finance Commission
Nov. 16, 1950

(Unit

	Expenses	Treasury disbursement	Local burden	Remarks
1. Increase on allowance connections	13.855	-	13.855	
(1) Increase due to amendment of allowance basis	4.308	-	4.308	
(2) Expenses required for year end's allowance	9.056	-	9.056	
(3) Increase due to alteration special allowance schedule of educational personnel's allowance	491	-	491	
2. Increase of financial need due to amendment of laws and ordinances etc. after determination of amounts of equalization grant and bond floatation	10.796	-	10.796	
(1) Increase of casual expenses	9.200	-	9.200	
(2) Increase of ordinary expenses	1.596	-	1.596	
3. Increase of new casual expenses on disaster connections etc.	18.989	6.039	12.950	
(1) Expenses on disaster rehabilitation public works	8.219	4.100	4.119	
(2) Expenses on unemployment countermeasure works	2.991	1.500	1.491	
(3) Expenses on independent works relating to disasters	6.770	-	6.770	
4. Other increase due to Government supplementary budget	3.392	2.068	1.324	
(1) Ministry of Education	388	.194	194	
(2) Ministry of Agriculture and Forestry	824	442	382	
(3) Ministry of Welfare	2.180	1.432	748	
Total	47.032	8.107	38.925	

(Reference)

Classification	Original	Revised	Total	Remark
Revenue				
Local Tax	190.8			
Treasury disbursement	203.6	21.5	190.8	
Ordinary subsidy	24.0	2.5	26.5	225.1
Unemployment subsidy	4.0	1.5	5.5	
Subsidy on Public Work expenses (Ordinary	27.7		27.7	
Subsidy on Public Work expenses (Disaster	42.9	4.1	47.0	
Equalization grant	105.0	13.4	118.4	
Local Toans	30.0	21.6	51.6	
Rents, fees, etc.	64.3		64.3	
Total	488.7	43.1	531.8	
Expartiture				
Expenses in nature of ordinary expenditure	333.7	19.9	353.6	
Public Works expenses	103.5	11.7	115.2	
Ordinary	56.4		56.4	
Disaster	47.1	11.7	58.8	
Unemployment work expenses	6.0	5.0	11.0	
Independent work expenses	45.5	10.5	56.0	
Total	488.7	47.1	535.8	
Saving		4.0	4.0	
Balance	488.7	43.1	531.8	

Ways and Means for the above

1.	Saving of expenses already decided upon	3.998
2.	Increase of amount of local bond floatation	21.580
3.	Increase of amount of equalization grants	13.347
	Total	38.925

Attached list I. Data on Amount of Increasement of Allowances due to Amendment of Allowance Basis and Expenses required for Payment of Year End's Allowance.

Classification	Number of Persons	Unit of Monthly amount of allowance ¥	Monthly amount of allowance ¥1,000	Increased amount due to amendment of allowance (3 months) ¥	Expenses required for payment of year end's allowance ¥1,000	Remakrs
To,Do,Fu, Prefectures						
General	205,628	6,744	1,390,868	661,579	1,390,868	
Fire defense	598	7,625	4,559	2,168	4,559	
Elementary school	336,091	6,765	2,273,656	1,081,485	2,273,656	
Middle school	183,999	7,481	1,376,496	654,743	1,376,496	
High school (Fixed time system)	14,400	8,213	118,267	56,255	118,267	
School for blind,deaf and mute	1,850	8,745	16,178	7,695	16,178	
Other schools	68,602	8,485	582,088	276,875	582,088	
Total	811,168		5,762,112	2,740,800	5,762,112	
Cities,Towns, Villages						
General	311,609	5,972	1,860,929	885,168	1,860,929	
School	26,743	6,662	178,162	84,744	178,162	
Police	110,000	8,625	838,750	398,959	838,750	
Fire defense	54,562	7,625	416,035	197,891	416,035	

Classification	Number of Persons	Unit of Monthly amount of allowance ¥	Monthly amount of allowance ¥1,000	Increased amount due to amendment of allowance (3 months) ¥	Expenses required for payment of year end's allowance ¥1,000	Remarks
Total	502,914		3,293,876	1,566,762	3,293,876	
Grand Total	1,314,082		9,055,988	4,307,562	9,055,988	

Increased rate due to amendment of allowance $\frac{1,000}{6,307} = 0.158553$

Ratio for computation of increased amount do. $0.158553 \times 3 = 0.475659$

Attached list 2

Data on Increased Amount of Financial Need due to Amendment of Laws and Ordinances after Determination of the Amounts of Equalization Grants and Bond Floatation.

(Unit ¥ million)

Items	Amount	Remarks
(1) Expenses in the nature of extra-ordinary expenditure.		
(a) Share pertaining to the portion of works in excess of those required for restoring the original state of condition subject to the Law concerning Exceptions to the Expenses of Disaster Rehabilitation Expenses under Treasury's charge.	2,500	
(b) Balance following the raising of basis for assessing the Treasury's charge	3,700	
(c) Portion of compulsory share among the expenses for disaster rehabilitation of forestry and fishing facilities	1,000	
(d) Portion of materials out of the expenses on unemployment counter-measure expenses.	2,000	
Total	9,200	
(2) Expenses in the nature of ordinary expenditure.		
(a) Enactment of Law of Welfare to Physically Defective Persons	236	
(b) Enactment of Law for Functioning Executive Secretary in Charge of Social Welfare.	246	
(c) Amendment to the Ordinance for Enforcement of Foodstuff Control Law.	860	

Items	Amount	Remarks
(d) Amendement to the National Public Service Personnel's Mutual Aid Association Law.	70	
(e) Amendment to Eating and Drinking Business Adjustment Law.	27	
(f) Amendment to the Enforcement Ordinance of Eating and Drinking Sanitation Law	130	
(g) Amendment to the Law concerning Allowance to Special Unrepatriates.	14	
(h) Amendment to the Gunpowder Control Law	13	
Total	1,596	

Attached list 3

Data on Casual Expenses such as Expenses relating to New Disasters Etc. for 1950-51 Fiscal Year.

(1) Disaster rehabilitation expenses

Item	Work expenses	Treasury subsidy	Local share	Remarks
Civil engineering	6,216	2,718	3,494	Portion of local share on excess-works: an amount equal to about 5% of the Treasury Subsidy
Agriculture, forestry etc.	2,007	1,382	625	
Total	8,219	4,100	4,119	

(2) Unemployment countermeasure works expenses

Supplementary budget of Treasury subsidy	1,500	Subsidy to labor expenses
$1,500 \times 0.93 =$	1,396	Total amount of labor expenses
$1,396 \times \frac{3}{2} =$	2,094	Total amount of works expenses (labor expense: Material expenses + service expense - 7 : 3
$2,094 \times \frac{10}{7} =$	2,991	Amount of local share
$2,991 - 1,500 =$	1,491	

(3) Amount of disaster damages reported (Data of E.S.B.)	151,689	(A)
Assuming 10% of exaggerated reports, the amount of damage sustained (A) x 0.9	136,520	(A')
Anticipated sum of the amounts examined and determined by various Ministries (Designation for public works)	109,450	(B)
Expenses required for works which local public bodies ought to carry out independently (A) - (B)	27,070	(C)
Amount prearranged for enforcement in the current fiscal year (to carry out $\frac{1}{3}$) (C) x $\frac{1}{3}$	6,770	

(4) Disaster relief expenses

Total amount of expenses	1,008,862	(Supplementary budget.....364,952
Treasury subsidy	438,862	(Reserve fund (budget appro-
Local share	570,000	(priated for (on transfer.... 73,908

Attached list 4

Data on Other Increased Amount of Local Share due to the Government Supplementary Budget.

(Unit ¥1,000)

Description of expenses	Total amount	Treasury charge	Local share	Remarks
(1) Ministry of Education connectious Expenses required for training class for students for qualification	387,798	193,899	193,899	individual share 193,899
(2) Ministry of Agriculture and Forestry Connections				
Travelling expenses for inspection of agricultural cooperative association	14,196	7,098	7,098	
Grants to Agricultural Adjustment Commission	54,900	54,900	-	
Expenses for prevention of rice-plant fever	195,680	97,840	97,840	
Expenses for extermination of infectious and harmful insects of staple agricultural products	241,800	120,900	120,900	
Expenses for counter measures for increased production of wheat & barley	279,900	139,950	139,950	
Expenses for emergency countermeasures to flood damage to agricultural products	17,316	8,658	8,658	(Expenses for prevention of communicable disease of catle — Ex- 5,000, Sub- 5,000, Local share -)

Description of expenses	Total amount	Treasury charge	Local share	Remarks
				(Expenses for (facilities 15,000 7,500 7,500 (against cow (influenza)
Expenses for cattle sanitation	20,000	12,500	7,500	
Total	823,792	441,846	381,946	
(3) Ministry of Welfare connections				
Subsidy to anti-tuberclosis expenses	80,000	40,000	40,000	
Subsidy to prevention of contagious diseases	702,736	275,068	427,668	
Leprosy subsidy	6,800	3,400	3,400	
Parasite "	91,599	30,533	61,066	
Trachoma "	9,000	3,000	6,000	
Subsidy on prevention of contagious diseases — Fu & prefectures	238,136	119,068	119,068	
Subsidy on prevention of contagious diseases — Cities, towns, & Villages	357,201	119,067	238,134	
Subsidy to juvenile protection	31,250	25,000	6,250	

Description of expenses	Total amount	Treasury charge	Local share	Remarks
Expenses for Welfare and protective measures to physically injured persons	62,500	50,000	12,500	
Expenses for registration of identification pocket book to physically injured persons	3,330	1,665	1,665	
Daily life protection expenses	1,300,729	1,040,583	260,146	Subsidy 1,040,583 (Portion of (former (fiscal year 337,806 (Portion of (current (fiscal year 662,777
Total	2,180,545	1,432,316	748,229	
Grand Total	3,392,130	2,068,061	1,324,074	

Grand Total

Attached list 5

Data on Saving of Commodity Expenses

Commodity expenses which come under the category of saving objectives among the local budget for 1950-51 fiscal year

	¥ million
Wages	3,788
Travel	15,875
Supplies	18,688
Utility & contractural services	18,599
Equipment	9,758
Facilities	7,316
Social expenses	3,071
Remuneration	2,269
Compensations and awards	587
Total	79,954
Ratio of minimization	5 %
Amount saved	3,998

(L.F.C. Nov. 19, '50)

Opinion on the Supplementary Budget Plan
for 1950-51 Fiscal Year

1. With regard to the expenses required for public works in the local financial program for the current fiscal year there is an argument that inasmuch as the original budget plan has been amended there is no necessity of ~~appropriating~~ taking any step for such financial resource of ¥ 14.9 billion as is requested by the Local Finance Commission as per the attached paper (1).

Against the above argument the opinion of this Commission is as follows:

Despite the surplus finance resources accruing from the decrease of local charge following the decrease of public works expenses is accommodated for other expenses (Refer to the attached paper (2) Expenditure (E)) for the purpose of amplifying the scale and elements of local administrative services there is still further shortage of ¥ 1.91 billion of need (Refer to attached paper (3)). Moreover, it will be seen from the attached paper (4) that the expansion of the other expenses is smaller than the other expenses excepting the above mentioned other expenses.

Because the above fact is already taken into account, it transpires that an arrangement for financial need is necessary to be made for the newly occurred financial needs since then. And accordingly, it can not be argued that there is a surplus amount of 1.49 billion.

(Attached paper to appear hereunder)

Attached No. 1

	Draft of G.H.Q.		Local Finance Plan of 1950-51		Balance
Revenue					
Local Tax		190.0		190.8	0.8
National Subsidy		214.2		203.6	-10.6
Ordinary subsidy	4.0		24.0	20.0	
E.S.B. subsidy (General	36.7		27.7	-9.0	
E.S.B. subsidy (Disaster	44.8		42.9	-1.9	
Unemployment subsidy	4.0		4.0		
Equalization grant	124.7		105.0	-19.7	
Fee, rent and others		25.0		64.3	39.3
Local bond		30.0		30.0	
Total		459.2		488.7	29.5
Expenditure					
Ordinary expense		282.8		333.7	50.9
Allowances	111.7		111.7		
Others	171.1		222.0	50.9	
E.S.B. public works		123.5		103.5	-20.0
General	74.8		56.4	-18.4	
Disaster	48.7		47.1	-1.6	
Unemployment works		6.0		6.0	
Independent works		45.5		45.5	-
Total		457.8		488.7	30.9
Balance		1.4		0	-1.4

Attached No. 2 Comparation

Revenue

Item	Final		Original		Balance	
Local Tax		190.8		190.0		0.8
National Subsidy		202.7		213.3		-10.6
Ordinary subsidy	23.2		3.2		20.0	
E.S.B. subsidy (General	27.6		36.6		-9.0	
E.S.B. subsidy (Disaster	42.9		44.8		-1.9	
Unemployment subsidy	4.0		4.0		-	
Equalization grant	105.0		124.7		-19.7	
Fee, rent and others		17.5		12.8		4.7
Local bond		21.0		24.2		-3.2
Total		432.0		440.3		-8.3

Expenditure

Item	Final		Original		Balance	
Ordinary expense		289.1		274.2		14.9
Allowances	104.0		104.0			
Others	185.1		170.0		※(E) 14.9	
E.S.B. public works		103.1		123.1		20.0
General	56.0		74.4		-18.4	
Disaster	47.1		48.7		-1.6	
Unemployment works		6.0		6.0		-
Independent works		33.8		37.0		3.2
Total		435.2		440.3		8.3
Balance						

Attached paper No. 3

~~1947-48~~ その他経費に関する調

A Basic amount
基本額

1947-48　1948-49　1949-50　1950-51　Total

費目	昭和22年度 決算額	昭和22年度 補正額(1)	昭和23年度 措置額	昭和23年度 補正額(2)	昭和24年度 新規(3)	昭和25年度 新規(4)	合計 (1)+(2)+(3)+(4)
	Settled	Adjusted	Amended	Adjusted	new	new	
府県職員費役所役場費 Office expense	2.907	10.783	7.213	13.423	1.364	7155	33.225
警察及び消防費 Police & Fire Defence expense	2687	9.977	2.761	5.138	298	-	15.413
土木費 Civil engeering expense	1.573	5.841	-	-	-	△268	5.573
教育費 Education expense	5.479	20.289	4585	8.533	1.892	4.093	31.807
保健衛生費 Welfare & Sanitation expense	1.593	6.915	908	1.689	-	7	7.611
産業経済費 Industry & Economic expense	6.488	24.089	14	26	-	238	24.353
社会及び労働施設費 Social & Labor expense	7.668	28.471	2187	4070	-	6.001	38.542
その他 Other expense	8.514	31.612	-	-	-	△44	31.568
計 Subtotal	36.909	136.977	17.668	32879	-3.554	14682	188.092
公債費 Public Loan expense						-	16.161
合計 Total							204.253

B Estimation of 1950-51
昭和25年度推計額

費目 Item	基本額 Basic amount	最終 Final	当初 Original	比較 Balance	
府県職員費役所役場費 Office expense	33.225	29.8	27.2	2.6	
警察及び消防費 Police & Fire Defence Expense	15.413	14.0	12.6	1.4	
土木費 Civil engeering expense	5.573	5.0	4.6	0.4	
教育費 Education Expense	31.207	28.5	26.0	2.5	
保健衛生費 Welfare & Sanitation Expense	7.611	6.8	6.2	0.6	
産業経済費 Industry & Economic expense	24.353	21.8	19.9	1.9	
社会及び労働施設費 Social & Labor Expense	38.542	34.5	31.5	3.0	
その他 Other expense	31.568	28.5	26.0	2.5	
計 Subtotal	A 188.092	B 168.9	C 154.0	14.9	A−B 19.193
公債費 Public Loan expense	16.161	16.2	16.2	-	A−C 34.092
合計 Total	204.253	185.1	170.2	14.9	$\frac{B}{A}$ = 0.892
					$\frac{C}{A}$ = 0.818

Attached paper No.4

Variation of Elements of Expenses (Per mill)

		1947-48 fiscal year	1948-49 fiscal year	1949-50 fiscal year	1950-51 fiscal year		1951-52 fiscal year
					Before supplementary	After supplementary	
Expenses in the nature of Ordinary Expenditure	Allowance expense	329	299	295	248	255	251
	Other expense	441	363	406	421	387	358
	Total	770	662	701	669	642	609
Expenses in the nature of Extra-Ordinary Expenditure	Public works expenses	169	257	205	253	265	291
	Independent work expenses	61	81	94	78	93	100
	Total	230	338	299	331	358	391
Grand Total		1,000	1,000	1,000	1,000	1,000	1,000

2. It is not appropriate to take the revenue of ¥ 6.3 billion from the sundry receipts into the account of the prearrangement for finance resources. Most of the sundry receipts are already prearranged to be accommodated for specific purposes. Notwithstanding such sum as falling under the category of general finance resources amounts to about 15% Viewed from the conclusion as arrived at from the calcuration based an the local bodies selected for the purpose based on the settled account of 1949-50 fiscal year, it can neither be argued that (1) inasmuch as such surplus had been the case in 1949-50 fiscal yesr, the similar result must be the case with 1950-51 fiscal year, nor that (2) such surplus must be the case with any local body whatsoever.

3. There is an argument that inasmuch as there is no financial capacity the independent public work expenses of ¥ 0.67 billion can not be approved. But the ¥ 0.67 billion is decidedly indispensable.

All these ¥ 0.67 billion are the expenses for the rehabilitation of disasters occurred in the current fiscal year which do not come under the category of object of the National subsidy. They are all to be appropriated for small works. Indeed, for instances, they are to be availed of for such works as of elementary schools, middle schools, hospitals, water works etc., as the primary matters, including rivers, bridges etc. which are all in pressing need for emergency ways and means for recovery of disaster-damages.

Pupils in the calamity suffered districts are compelled to study in buddist temples, city assembly halls etc.

without their school house. Under such circumstances it is too pitty to suspend such works on the reason that such local bodies have no financial capacity for recovery, Viewed from the point of inhabitants welfare as well as purpose of preventing them from further suffering from disasters. The necessity for the execution of such works is particularly stressed inasmuch as local bodies are considered well capable of meeting the floatation of local bonds to this extent of the sum. (Vide attached paper for the data on the amounts of local loans floated classified by fiscal years)

4. There is an argument that inasmuch as the Deposit Bureau fund corresponding the need of local bonds is short, the limit frame for the local loans can not be enlarged.

The actual situation is not quite so. The Deposit Bureau fund is in surplus. Almost all the National policy and measures are being carried out by local bodies, and so it is appropriate to have such expenses in a nature of investment financed by local loans. It is particurarly essential to see that such Deposit Bureau fund as coming from local inhabitants' trivial postal saving deposits etc., be returned to localities at a lower rate of interest. Currently loans through foodstuff securities etc. are being accepted. These are all short-term financing, and from the former precedents it is seen that they are going to decline after December as its peak, and consequently a fairly ample surplus is well possible to be estimated.

5. There came an increased local financial need of ¥ 1.5 billion which has become expanded through the legislative means after determination of the equalization grant system. A series

of these laws and orders are all those what have been enacted without any connection to this Commission. Such laws as the Law for Physically injured Persons, Law concerning the Institution of the Exclusive Executive Secretary for Social Welfare etc., for instance, are those what have been put into effect without any step for any finance resource being taken toward the local bodies concerned, because they had been the bills as had been put on the floor of the Diet by the Members of the Diet.

6. There is an argument that the distribution of equalization grant is wrong.

The equalization grant system is a pack new system and it requires a continued research and study invariably. Especially so, inasmuch as the system has been so abruptly put into practice for the current fiscal year there are many points to be improved one after another. But, inasmuch as the tentative determination for this time involved such localities where the tax receipts are increasing, including such large urban prefectures and large cities as Tokyo Osaka etc. although there may be some technical imperfection, we think there have been no error in the phase of operation of the equalization grant system.

Further, on account of the exhaustion of the funds of local public bodies due to delayed enactment of local tax law an amount of ¥ 61.8 billion is already granted on estimation. But such part of the sum already tentively granted as to exceed the sum tentatively determined is scheduled to be returned.

Amounts of Local Bond Issued in Recent Years
(Unit: Million Yen)

Fiscal Year	Total amount of local revenue A	Amount of local Bond issued B	$\frac{B}{A}$ x100	Remerks
1926-27	1,941	377	19,4	
1927-28	2,284	646	28,3	
1928-29	2,192	453	20,7	
1929-30	1,984	305	15,4	
1930-31	2,019	479	23,7	
1931-32	2,008	389	22,2	
1932-33	2,286	483	24,5	
1933-34	3,064	1,073	40,6	
1934-35	2,763	744	30,7	Settled amount
1935-36	2,748	735	26,8	
1936-37	3,393	1,238	36,5	
1937-38	2,782	491	17,7	
1938-39	2,952	400	13,5	
1939-40	3,320	404	12,2	
1940-41	3,801	409	10,8	
1941-42	4,250	397	9,3	
1942-43	4,825	495	10,3	
1943-44	6,022	582	9,7	
1944-45	4,236	514	12,1	Budgeted amount
1945-46	12,259	1,187	9,7	
1946-47	31,705	3,227	10,2	
1947-48	106,414	16,228	15,2	Settled amount
1948-49	301,904	26,579	8,3	Estimated amount to be settled
1949-50	401,952	30,947	7,7	
1950-51	488,723	30,000	6,1	Assumed amount

Amount of Local Loans required for Independent Works on Disasters occurred in 1950-51 Fiscal Year

(Unit: ¥ Million)

Items	Total amount of independent works (a)	Of the "a" left, those which Public local bodies operate during the current fiscal year	Elements of works to be carried out
Civil engineering	6,501	2,167	Removal of debris of mud; bridges; stone dumping works; stone wall works; water control works; dykes
Port and harbors	2,013	671	Breakwater; quaywall
Forestry and fishery	5,695	1,003	Wells and dams; removal of mud and stone; sluice-gate
Water works and drainage	670	536	Water forwarding pipe; water-in-tank-pipe; fountain-head; pumping plant; filter-pond; water-distribution pipe
Educational and cultural	2,323	1,161	Repairs to the roof; reinforcing the listed windows; ceiling; foundation
Public building	1,908	1,145	
Others	690	87	
Total	19,800	6,770	

~~Attached list 3~~

(2) Assumed amount as determined by various Ministries on Public Works — 110,000....(A)

Disaster Rehabilitation Works necessary to be executed independently by local bodies (assumed) — (A) X 0.18 = 19,800.....(B)

Amount prearranged to be executed during the current fiscal year — (B) X 0.34 = 6,770

Reference:

Data on Disaster Rehabilitation Expenses to be executed independently by local bodies

Fiscal years	Classification	Amount examined and determined for public works (A)	Total amount for works to be independently rehabilitated by local bodies (B)	Out of (B) such amount whereby the rehabilitation works had been completed during the relevant fiscal years when the relevant disasters occurred (C)	(C)/(B)
1947-48		30,060	4,506	1,630	0.36
1948-49		81,867	12,280	4,150	0.34
1949-50		85,387	12,808	4,300	0.34
Total		197,314	29,594	10,080	

Data on the increased Amount of Local Financial Needs due to the Supplementary Budget for 1950-51 Fiscal Year etc.

(Unit: ¥ million)

Item	Expenses	Finance resources	
		Treasury disbursement	Local share
1. Increasements connected with allowance	13,855	-	13,855
(1) Increasements due to amendment of allowance basis	4,308	-	4,308
(2) Expenses required for year end's pay	9,056	-	9,056
(3) Expenses required for improved treatment of educational personnel	491	-	491
2. Increasements in financial needs due to enactment and amendment of Laws and Ordinances after determination of the amount of equalization grants and bond issues	10,796	-	10,796
(1) Increasements in the expenses in nature of extra-ordinary expenditure	9,200	-	9,200
(2) Increasements in the expenses in nature of ordinary expenditure	1,596	-	1,596
3. Expenses on disaster damage connections and other expenses in nature of new extra-ordinary expenditure	18,989	6,039	12,950
(2) Disaster damage rehabilitation expenses	8,219	4,100	4,119

(2) Unemployment	2,991	1,500	1,491
(3) Disaster rehabilitation independent works	6,770	-	6,770
(4) Disaster relief	1,009	439	570
4. Other increasements due to Governmental supplementary budget	3,392	2,068	1,324
(1) Ministry of Education connections	388	194	194
(2) Ministry of Agriculture and Forestry connections	824	442	382
(3) Ministry of Welfare connections	2,180	1,432	748
Total	47,032	8,107	38,925

Measures for financial resources to meet the above	
1. Economization on expenditure already decided upon	3,998
2. Increasement on floatation of local bonds	21,580
3. Increasement of local finance equalization grants	13,347
Grand Total	38,925

(For reference)

Classification		Original	Supplementary	Total
Revenue				
Local tax		190.8	-	190.8
Treasury disbursement		203.6	21.5	225.1
Ordinary subsidy	24.0		2.5	2.5
Unemployment counter-measure expense subsidy	4.0		1.5	5.5
Public works subsidy				
Ordinary	27.7		-	27.7
Disaster	42.9		4.1	47.0
Local finance equalization grant	105.0		13.4	118.4
Local public loans		30.0	21.6	51.6
Rents, fees, etc.		64.3	-	64.3
Total		488.7	43.1	531.8
Expenditure				
Expenses in the nature of ordinary expenditure		333.7	19.9	353.6
Public works		103.5	11.7	115.2
General	56.4		-	56.4
Disaster	47.1		11.7	58.8
Unemployment		6.0	5.0	11.0
Independent enterprise expenses		45.5	10.5	56.0
Total		486.7	47.1	535.8
Saving			-4.0	-4.0
Balance		488.7	43.1	531.8

GOVERNMENT SECTION

18 November 1950

MEMORANDUM FOR THE RECORD

SUBJECT: Local Finance Commission -- Regular Local Government Budget for Fiscal Year '51-'52

1. Messrs. Saigo and Tatsuta, Local Finance Commission, Mr. Arimoto, Foreign Office interpreter, and Mr. Cottrell, GS, discussed the attached schedules relating to the Local Finance Commission recommendations for the '51-'52 regular budget.

2. Schedule 1 lists increased amount of financial needs of local public bodies as of a study dated 27 October 1950 in the amount of ¥ 108 bil which will be met in part by subsidies of ¥23 bil and other special financial resources of ¥17 bil, leaving approximately ¥68 bil additional over the present budget to be met through borrowing and equalization fund grants.

Schedule 2 indicates an overall budget for 51-52 of ¥594 bil. This will be an increase of approximately ¥50 bil over the ordinary and supplementary budget for 50-51. It is to be noted that the figure of ¥190 bil in tax revenues is not increased over the previous year.

Schedule 3 gives additional details to supplement Schedule 1.

Schedule 4 is a comparative table of Local Finance Commission, Ministry of Finance and ESS estimates of the 50-51 budget.

3. Mr. Saigo was requested to obtain references to the specific legislation imposing additional burdens upon local governments as the result of national government programs. The closer liaison with ESS Public Finance in the matter of furnishing that group with complete supporting figures as early as possible in the consideration of 51-52 budget was strongly recommended.

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NC:gb

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Schedule 4

Comparative Table of Local Financial Program for 1950-51 Fiscal Year.

昭和26年度地方財政計画比較表 (LFC. NOV. 14, '50)

(単位 億円) (Unit ¥100 Million) 25. 11. 14

		LFC Plan 地財委案		NF Plan 大蔵省案 (Ministry of Finance Plan)		昭和25年11月13日 総司令部試案 Tentative plan of GHQ. Nov. 13 1950	
REVENUE	才入						
(1) Local tax	地方税	1900		2000		2100	
Treasury disbursement	国庫支出金	2651		2271		2147	
Ordinary subsidy	普通補助金		354		334		334
Subsidy to public works expenses	公共事業費補助						
General	一般		429		379		300
Disasters	災害		365 120		395		360
Subsidy to unemployment countermeasures expenses	失業対策費補助		78		78		69
Equalization grant	平衡交付金		1305		1085		1085
(3) Local loans	地方債	553		100 400		350	
(2) Rents, fees etc.	使用料手数料その他	843		484 600		843	
Total (a)	計 (a)	5947		5855 5271		5440	

EXPENDITURE

才出						
経常的経費 Expenses in the nature of ordinary expenditure	3.681		3.597 3.013		3.674	
給与費 Allowance expense		1.280		1.280		1.280
その他 Others		584 1.733		584 1.733		2.394
公共事業費 Public works expenses	1.427		1.410		1.200	
一般 General						
災害 Disasters						
失業対策事業 Unemployment countermeasures works	144		127		111	
單独事業 (2) Independent works	695		455		455	
計 (b) Total (b)	5.947 x		5.587 5.005		5.440	
過不足 (a) − (b)			266 266			

Balance:
Surplus or deficit
(a) − (b)

x (not inc. yr end allow)

Points of Difference

(1) Est tax revenue 190 (LFC) → 210 (ESS), latter based on questionable use of nat inc as predicative.

(2) "Rents + fees" same as ESS, but ESS has cut "Indep Pub Wks" from 695 to 455, on which such rents and fees are based. ie in portion of ¥17,016B "spec inc" (see pp 4)
ex contrib to a specific project will not come in unless project goes ahead,

(3) Ceiling on local borrowing — dir ref. to vol of indep public works; el-gas-water services now inadequate

Schedule 1

Data on the Increased Amount of New Financial Needs

1. x amplified p 6 et seq.

Local Finance Commission
October 27, 1950

Items	Increased amount of expenses	Special finance resource: Treasury subsidy	Special finance resource: Other special finance resources	Special finance resource: Total	Balance: Local financial needs
1. Increase due to amendment of allowance basis	17,701				17,701 x
2. Increase due to change of educational personnel's allowances into the special salary schedule	2,267				2,267 x
3. Increase of local expenses following the Governmental policies and measures	21,566	10,781	233 fees + rentals	11,014	10,552 x
(1) Administrative expenses on A line of services	3,693		233	—233	3,460
(2) Administrative expenses on B line of services	17,873	10,781		- 10,781	7,092
4. Increase of local expenditure following the increase of school pupils, population etc.	2,517	-	-	-	2,517

2

5. Decrease in the public loan expenses	-3,268	-3,268	-	-	-	-3,268
6. Increase of expenses on casual works		67,556	12,569	17,016	29,585	37,971
(1) Increase of public works expenses						
Ordinary (including educational and culture)	30,229	15,034		15,034	15,195	
Disaster	8,933	-6,215		-6,215	15,148	
Sub-total	39,162	8,819		8,819	30,343	
(2) Increase of expenses on unemployment countermeasure works	8,378	3,750	-	3,750	4,628	
(3) Increase of expenses on independent public works	3,000	-	-	-	3,000	
(4) Expenses on special casual works	17,016	-	17,016	17,016	-	
Total	108,339	23,350	17,249	40,599	67,740	

(due to drop in % aid from N.G. but 50-51, 50-52 change 100% → 66%)

mere inc from pub enterprises, racing, etc.

108 23 17 40

Besides the above such expenses as required for payment of year end's allowances	10,780	-	-	-	10,780
Grand Total	119,119	23,350	17,249	40,599	78,520

Schedule 21

Estimation in Rough of Local Budgets in the fiscal year 1951-52

(Unit: Million yen)

Item	Total Amount		Breakdown: Ordinary	Public Enterprise		National Health Insurance	
Revenue							
Local tax		190,020		190,020			
National subsidies		265,060		263,495	117		1,448
Ordinary subsidies	35,376		33,928			1,448	
E. S. B.							
General	42,978		42,861		117		
Disaster	alternate {36,465 M/F basis; 12,000 L F C basis}		36,465; 12,000				
Unemployment	7,750		7,750				
Equalization grant	130,491		130,491				
Local loan		55,300		42,300	13,000		
Rents, fees, others		84,270		36,470	27,425		20,375
Ordinary revenue	67,254		19,454		27,425	20,375	
Special revenue	17,016		17,016		-	-	
Total		594,650		532,285	40,542		21,823

Item	Total Amount		Breakdown: Ordinary	Public Enterprise	National Health Insurance
Expenditure					
Ordinary expense		368,052	321,832	24,397	21,823
Allowances	138,364		129,375	7,541	1,448
Others	229,688		192,457	16,856	20,375
E. S. B. works		157,082	156,637	445	
General (including education etc.)	87,114	1,427	86,669	445	
Disaster	55,590		55,590		
Unemployment	14,378		14,378		
Independent		69,516	53,816	15,700	
Ordinary revenue	52,500	(excludes carried over)	36,800	15,700	
Special revenue	17,016		17,016	-	
Total		594,650	532,285	40,542	21,823
Remarks					
Expenses for payment of year end allowance		11,529	10,780	680	121
Measurement — Equalization grant		10,780	10,780	-	-
Measurement — Rent, fee, other revenue		749	-	628	121

Schedule 3

6

1

Draft Plan of Measures for Finance Resources following the Increase of Local Financial Needs for 1951-52 Fiscal Year

Classification	Amount (Unit: ¥ million)		Remarks
I. Increments in Needs of Local Finance Resources			
(1) Increase due to amendment of Allowance basis	17,701		
(a) School personnel		9,054 inc pay	
(b) Police and fire defense personnel		2,396 inc pay	
(c) General personnel		6,251 inc. in # per. + inc. in pay.	art 55 Cab Ord 19, 1947 Regl. L.G. Law
(2) Increase due to amendment of treatment for school teachers	2,267		
(3) Increase due to the increase of subsidies to welfare facilities and other increase of the local burden following the government policy	10,552	In the administrative line entailing the Treasury Share 3,460 In the administrative line entailing subsidy in non-encouragement nature 7,092	
(4) Natural increase of local expenditure following the increase of pupils of primary schools, population etc.	2,517	Excluding those entailing the Treasury Share and those for which the Treasury Share has accompanied hetherto	
(5) Decrease of public loan expense	-3,268		

(6) Increase of local burden following public works	37,971		
(a) Ordinary (including education, culture etc.)		15,195	
(b) Calamity damage		15,148	Increase due to repeal of system for the Treasury Charge in full amount ¥ 12 billion Other increase due to variation of contents of projects ¥ 3 billion
(c) Increase of local burden following the unemployment emergency works expenses		4,628	Labor expense 1,554 Materials expense 3,074
(d) Independent public works expense		3,000	
Total	67,740		
II. Ways and Means for finance resources to meet the above			
(1) Continuation of the system of disaster rehabilitation expenses under Treasury Charge in full amount		12,000	
(2) Increased amount of local bonds		21,300	Among the increased amount in public works expenses, unemployment countermeasures expenses and a part of independent public work expense are to be appropriated by the increased floatation of local bonds

(3) Increment of local finance equalization grants		25,491	Among the increments due to amendments of allowance basis, such items as those pertaining to middle schools, police and fire defense personnel, expenses for amendment of school teacher's treatment, subsidies to welfare facilities expenses and other expenses following the National policy, as well as, and a part of the unemployment counter-measure works expenses are to be appropriated by the increase of local finance equalization grants.
Total		58,791	
Balance (Deficit)		8,949	
Economization of the already determined expense		8,014	
Increase of revenue except tax etc.		935	

The above mentioned draft plan excludes the increase due to expenses required for payment of year end allowances

Expenses required for payment of year end allowance	10,780	
(a) School personnel		5,515
(b) Police and fire defense personnel		1,458
(c) General personnel		3,807

If this increasement is to be appropriated by the increase of local finance equalization grant, the increase of local finance equalization grant becomes 36,271

全國町村會
全國町村議會議長會
事務局長　今吉敏雄
東京都港區芝西久保巴町三十五番地
全國町村會館
電話芝(43)一二三〇番
三一六〇番
四三八〇二番

鹿兒島縣町村會會長
吉利村長　入鹿山嵩

日置郡吉利村
電話吉利一番
事務局鹿兒島縣廳
電話一四四七番

滋賀縣市町村會長
稻枝村長 向坂政平（サキ）

滋賀縣愛知郡稻枝村
電話稻枝九番

全國町村會常務理事
長野縣町村會長
更級郡町村會長

中津村長

小出一男

事務局 長野市南縣町産業会館内
電話長野三三四六番
自宅 釀造場 長野縣更級郡中津村
電話綿ノ井三三三番
營業所 長野市岡田町国道通
電話長野三九三九番

Read T+U.
13 Nov 50
Me

PETITION

It is to be greatly regreted that the government seems to be adopting a cool attitude towards an actual situation of local finance in spite of the fact that an earnest and repeated appeals have been made by us local bodies to the govermment regarding an arrangement for financial resources in compilling the supplementally budget for the year 1950 and 1951 budget.

The present situation of local finance is such that since the decision on the Equilibration Fund and the amount of local bonds were made, an expansion of local burden has became very serious indeed due to various reasons such as for instance, an increase of financial needs due to new or revision of laws, revised salary base of local public employees, the grant of year-end allowance, affairs connected with frequent disasters as well as the increase of various other new and emergency expenses.

It is quite clear that there are no more strength left in the local bodies to bear those unexpected and colossal emergency demands.

Under the circumstances, in accordance with the unanimous wishes of the meeting of presidents of Prefectural Association of Towns and Villages of the country convened in Tokyo on Sunday the 12th inst, we, the town and village mayors, appeal to the government most strongly to reconsider its present attitude towards local finance and see its way to adopt following appropriate measures by the grant of Y21.500.000.000 for the local bonds and Y13.400.000.000 of equilibration fund in order to cover Y38.900.000.000 of emergency local need in the supplementally budget 1950.

As for the demand of Y67.700.000.000 in the 1951 budget, it is hoped that this amount should be covered by the national subsidy of Y120.000.000.000 recovery expense from disasters, Y21.300.000.000 for local bonds, and Y25.500.000.000 for the equilibration fund.

In conclusion, we have to add that so far as towns and villages are concerned, not only are there to be found no superfluous expenses to economize, but actually we are encountering a great difficulty in collecting taxes now on account of the delay experienced in establishing tax law.

National Association of Towns and Villages

12th November 1950

Tokyo

Objections to
paying year-
end bonus
to Local Pub
Ser Employees.

Nov. 2, 1950

To Yonorable Whitney, minister of the leivil Department.

The Petition

Sir

We decided as an annexed paper in the conference of the mayors of shikoku Island to-day.

Please give your kind and deep care for the real manner and condition of the local self-government and we hope will give kind guidance for the realization of the resolutionand desire.

Youre sincerely

Fukuroku Kunimatsu.

The president of the conference of
the mayors of shikokuI Island and
mayor of Uwajima

To yo orable Major General [illegible] Minister of
the Economic and Science Department

Nov. 2, 1950

The Resolation

Our Goverm en t is planning for its officials as follows-
Toeach of them, the average of the salary of one month
shall be given, and in addition to it, one thousant yen
shall be increased to each of them. But about this action
of the ways and means of allowance, nothing considered
to be done, and they are insisting on thelocal self-
government, but this attitude means to ignore the real
condition of the local resources and in fact, itis
impossiple to the payment of this allowance, and so we
are anxious to have the managemon t for the resouces
to this matter.

The 8th leonberrence of the
Mayors in Shikokul Island.

Doc No 62917 KS/SH

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

NOTE: Translation directed by Commander-in-Chief

Received ATIS: 16 Oct 50

DIGEST OF LETTER

TO: General Headquarters

FROM: AOKI Hisayuki (青木久之)
OKAYAMA Ken, SHITSUKI Gun,
YAMANOUE Mura

DATE: 10 Oct 50

The writer, a village headman, states that, although the government is planning to have each local government body pay year end bonuses to its employees out of its own surplus fund, it is impossible for a financially pressed local government body to squeeze out bonus funds from its curtailed budget and requests that General Headquarters take appropriate steps to obtain bonus funds from other sources.

GS

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Tokyo, Oct. 3rd 1950

Dear Mr. Osborne I. Hauge:

We have the great pleasure to submit to you copies of resolutions passed at National Governors Conference, concerning the Budgets and Finances of prefectures in this and next fiscal year.

You will learn how Prefectural Finance is now in an acute stage and we hope you will take kind and special consideration that Local Autonomy is far from being fully achieved at the present moment and has little chance of being achieved, unless the fiscal powers of the Local Government are strengthened.

Yours very faithfully

Iwataro Uchiyama
Chairman of National Governors
Conference

COPY

LFC
all copies

Tokyo, Japan

11 April 1950

Dear Mr. Prime Minister:

I have considered the legislative proposals of your government as contained in the attached proposed Local Finance Equalization Grant Law and the Local Finance Commission Establishment Law which would establish and order the administration of a general equalization grant fund for local governments and the performance of certain other functions of a regulatory nature, in connection with national-local government fiscal relations.

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As stated in the proposals, the purpose of the general equalization grant is to insure the maintenance of the essential services of government by local communities despite the inequalities in their relative resources by helping them to finance the aggregate cost of such services to the extent that it cannot be met from independent local revenues available to them. To accomplish this purpose without impairing local autonomy, the Shoup Mission recommended this form of grant as one which would involve "less detailed control than specific subsidies for particular services" and thus minimize "detailed national control of local bodies." It pointed out that the local authorities should, of course, "spend with reasonable efficiency an amount (including the grant) at least equal to the standard need" and to raise "at least the amount of revenue that could be obtained by levying the standard taxes at standard rates," but otherwise they should be "completely free to decide on the kinds and amounts of local services to provide and on the kinds and rates of taxes to levy," and in conclusion recommended that, "in Japan today, where one of the major problems is to develop a vigorous independent local government, national controls in connection with the equalization grant be reduced to a minimum." I am in full accord with the aims and principles embodies in these recommendations.

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(4) The procedures for the determination of the equalization grant should, in accord with the Constitution, be fully prescribed in the law and not left for later determination by Cabinet orders.

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It appears to me that cumulative effect of these deviations from basic principles renders the legislative proposals in their present form unsuitable as a vehicle for attaining the goal of local autonomy toward which they are aimed. They would unduly circumscribe the self-governing powers of local public entities, empower the executive branch of the national government to regulate and control the details of local government administration and thus fashion an instrument for reconstituting the excessive concentration of governmental powers formerly exercised through the Ministry of Home Affairs. The normal tendency of the executive agencies of the national government to extend their authority into the areas of local responsibility, finding no effective curb, would inexorably cancel the advance so far achieved toward that high degree of local self-government which is necessary to the exercise of individual and community responsibility in the conduct of public affairs.

The appropriate agencies of this headquarters will be glad at any time to give you such technical assistance as your government may desire in the revision of these bills to bring them in consonance with the principles I have above outlined.

Very sincerely,

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The government's proposals are commendable in that they aim to strengthen the financial foundations of local public entities. Moreover, by including representatives of the various levels of government, the representative character of the Commission is guaranteed, with expression provided for both national and local viewpoints. But the very purpose of giving voice to the local government view is negated by superimposing

upon the Commission direct Cabinet control through arbitrarily placing it under the chairmanship of a Cabinet Minister, through denying it independent access to the Diet, through stipulating that all matters affecting the determination of the local government's financial needs be determined by Cabinet Order, and through withholding from the Commission the power to make final decisions in the performance of its regulatory functions in local fiscal matters. These provisions and the assignment to the Commission of a number of administrative functions in national-local government relations not connected with fiscal matters would, contrary to the purpose of the Shoup Mission's recommendation, transfers the Commission into an advisory and administrative agency of the Cabinet. Further, the proposals fail adequately to safeguard the vital interests of local communities by requiring that all or certain services be performed by the local bodies in accordance with specific individual standards prescribed by the national government, and by denying local governments the right to be heard in the course of the Commission's deliberations on matters in which they are immediately concerned. If each individual service rather than the total standard need and total revenue were to be made a criterion of eligibility, the equalization grant inevitably would degenerate into the very system of individual subsidies for specific purposes which it is intended to supplant.

It appears to me that cumulative effect of these deviations from basic principles renders the legislative proposals in their present form unsuitable as a vehicle for attaining the goal of local autonomy toward which they are aimed. They would unduly circumscribe the self-governing powers of local public entities, empower the executive branch of the national government to regulate and control the details of local government administration and thus fashion an instrument for reconstituting the excessive concentration of governmental powers formerly exercised through the Ministry of Home Affairs. The normal tendency of the executive agencies of the national government to extend their authority into the areas of local responsibility, finding no effective curb, would inexorably cancel the advance so far achieved toward that high degree of local self-government which is necessary to the exercise of individual and community responsibility in the conduct of public affairs.

The appropriate agencies of this headquarters will be glad at any time to give you such technical assistance as your government may desire in the revision of these bills to bring them in consonance with the principles I have above outlined.

Very sincerely,

DOUGLAS MacARTHUR

The Prime Minister,

Tokyo, Japan.

COPY

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all copies

April 10, 1950

My dear General,

In the course of our recent conversation I explained to you my government's position vis-a-vis the chairmanship of the Local Finance Committee to be newly set up.

We are convinced that this position should be filled by a minister of state for the first one year in order to prevent blunders and abuses on the part of local authorities, who, left to themselves, are likely to become extravagant and wasteful either from inexperience or under external pressure. With a minister of state at the head of the Local Finance Committee for the initial period we believe this danger can be avoided and the local fiscal policy will fall in line with the national policy to reduce the burden on the state treasury through retrenchment of administrative expenditures, local as well as control.

As we have to submit very soon to the Diet a bill relating to the establishment of the Local Finance Committee, I should like very much to be informed of your view on this question at your earliest convenience.

Very sincerely,

Shigeru Yoshida

General of the Army Douglas MacArthur,

Supreme Commander for the Allied Powers,

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The Draft of Law for the Temporal Disposition of the Partial Allocation of the Local Finance Equalization Grant in a Rough Estimate

(The Partial Allocation of the Local Finance Equalization Grant in a Rough Estimate)

Article 1. The National Government may allocate a part of the local finance equalization grant which is counted up in the national budget (hereafter to be referred to as the "grant") in April, 1950 to the Do, Fu and prefectures and cities, towns and villages (hereafter to be referred to as the "local bodies"), in accordance with the provisions of this Law, as the temporal disposition until the day when the law concerning the System of the Local Finance Equalization Grant will be enacted and come into force.

2. The whole area of To shall be considered as Do, Fu or prefecture in regard to the allocation of the grant to Do, Fu and prefectures, and its area comprising the special wards shall be considered as a city, town or village in regard to the allocation of the grant to cities, towns and villages.

3. In applying this law, the all-affairs associations of towns and villages shall be considered as towns and villages.

(Allocation Amount in a Rough Estimate)

Article 2. The Amount which may be allocated in a rough estimate to Do, Fu, prefectures, cities, towns and villages in accordance with the provisions of paragraph 1 of the preceding Article shall be the amount listed under each items below respectively:

(1) Do, Fu and prefectures 11,900 million yen

(2) Cities, towns and villages 8,100 million yen

(Date for the Computation of the Amount of the Grant)

Article 3. The amount of the grant to be allocated to each local body shall be computed as of the first day of April, 1950.

(Measurement of the Amount of the Grant in case of Abolition, Establishment, Division, Amalgamation or Alteration of Boundaries)

Article 4. In cases where the abolition, establishment, division, amalgamation, or an alteration of the boundaries of a local body has been effected after the date mentioned in the preceding Article, the grant to that local body shall be disposed as provided for under the following items:

(1) In cases where the whole area of a local body has become an area of another local body on account of abolition, establishment, division or amalgamation, the amount of the grant which ought to have been allocated to that local body before the abolition, establishment, division or amalgamation, be allocated to another local body to which the area of that local body has newly come to belong.

shall, after the date of the abolition, establishment, division or amalgamation,

(2) In cases where the area of a local body has been divided on account of abolition, establishment, division or amalgamation, and in cases where its boundaries have been altered, the amount of the grant which ought to have been allocated to that local body before the abolition, establishment, division, amalgamation, or the alteration of boundaries

shall, after the date of the abolition, establishment, division, amalgamation, or the alteration of boundaries, be divided in proportion to those amounts of grants which would have been allocated to such independent local bodies as could have hypothetically existed as of April 1, 1950 over the areas affected by the abolition, establishment, division, or the alteration of boundaries or over the area of that local body excluding the area lost by the alteration of its boundaries, and the amount so provated shall be allocated as provided for by Cabinet Order to the local body or bodies to which the areas affected by the abolition, establishment, division, or the alteration of boundaries have come to belong, or to the local body to which the area lost by the alteration of its boundaries originally belonged.

(Computation of the Amount of Grant)

Article 5. The amount of grant to be allocated to each local body shall be computed on the basis of the total amount of the local distribution tax (excluding the fifth category distribution amount) and the national burdens and national subsidies (limitted to the national disbursement corresponding to those burdens and subsidies which have made a part of the local finance equalization grant in the national budget for the fiscal year 1950-51 and which are specified by the Prime Minister) which Do, Fu or prefecture concerned was received in the fiscal year 1949-50 in regard to Do, Fu and prefectures and on the basis of the amount of the local distribution tax (excluding the special distribution tax) which the city, town or village

concerned was received in the fiscal year 1949-50 respectively. However, with respect to the local bodies specially considered necessary owing to the estimated amount of local tax revenue in the fiscal year 1950-51, the amount of grant to be allocated to those local bodies may be increased or decreased.

(Relation to the Law concerning the System of the Local Finance Equalization Grant)

Article 6. The grant already allocated in accordance with the provisions of the Law shall after the time when the law concerning the system of the local finance equalization grant will be enacted and come into force, become a part of the local finance equalization grant to be allocated in accordance with the provisions of that law.

(Return of the Grant)

Article 7. In cases where the amount of the grant to be allocated to each local body for the fiscal year 1950-51 will be determined after the time when a law concerning the system of the local finance equalization grant will be enacted and come into force, if there exist the local bodies whose amount of grant already allocated exceeds the amount so determined, the local bodies concerned shall return such excess amount to the national government without delay.

Supplementary Provision

1. This Law shall come into force as from the day of its promulgation.

2. The provisions of the Local Distribution Tax Law (Law No. 111 of 1948) shall not apply until the time when a law concerning the system of the local finance equalization grant will be enacted and come into force.

Reason

For the purpose of allocating the necessary financial fund to the local bodies as the temporal disposition until the time when a law concerning the system of the local finance equalization grant will be enacted and come into force, it is necessary to allocate the part of the local finance equalization grant counted up in the National Budget in April, 1950. This is a reason to submit this draft.

DRAFT OF THE LOCAL FINANCE EQUALIZATION GRANT LAW

(Aim of this Law)

Article 1. The aim of this law shall be to strengthen the independence of local public bodies by providing them with adequate financial funds so that they may raise the level of local administration by equalizing their funds and by guaranteeing them the possibility of planning through standardization of the basis of the grants without impairing their right to manage their property, affairs and administration independently.

(Definition of terms)

Article 2. In this Law, the terms listed under the following items shall have the meanings assigned to them under the respective items:

1.	Equalization Grant:	A grant in aid from the National Government to the local public bodies designed to equalize the ability of such local bodies to provide all necessary services at reasonably good levels of performance
2.	Local bodies:	To, Do, Fu and prefectures, special cities, and cities, towns and villages
3.	Local services:	Administrative services rendered by the local bodies (including administrative services rendered by those organs of local bodies whose expenditures are borne by

the respective local bodies)

4. Basic financial need: The amount computed in accordance with the provisions of Article 11 in regard to each local body for the rational measurement of its financial need

5. Basic financial revenue: The amount computed in accordance with the provisions of Article 15 in regard to each local body for the rational measurement of its financial ability.

(Basic principles of Operation)

Article 3. The National Government shall each fiscal year measure the financial need and the financial revenue in regard to all of the local bodies as provided for by this Law, on the basis of the data submitted by each local body, and shall disburse a sum to the local bodies, by way of a local finance equalization grant (hereafter to be referred to as the "grant"), necessary and sufficient to cover the excess, if any, of the financial need over the financial revenue.

2. In allocating the grant, the National Government shall respect the principle of local autonomy and shall not attach any conditions nor shall it specify how any portion of the grant is to be used.

(Powers and Responsibilities of the Local Finance Commission)

Article 4. In order to implement this Law, the Local Finance Commission shallnhave the following powers and responsibilities:

(1) To estimate the total amount of the grant to be allocated for each fiscal year;

(2) To determine the amount of the grant to be allocated to each local body and disburse it;

(3) To alter or reduce the amount of the grant to a local body or to have it returned in accordance with the provision of Article 10 or Article 19

(4) To receive request from local bodies for examination as provided for in Article 18 and to dicide the determination for it;

(5) To receive objections filed as provided for in Article 19 paragraph 3 and make decision thereon;

(6) To make hearings as provided for in Article 20;

(7) To collect and organize such data as may be necessary for the estimate of the total amount of the grant and for the computation of the amount of the grant to be allocated to each local body;

(8) To be constantly informed of the status of local finance on the basis of the data collected for the improvement of the operation of the grant system;

(9) To establish regulations of the Local Finance Commission (hereafter to be rendered to as the "regulations") necessary for the implementation of this Law;

(10) Other matters provided for in this Law.

(Data for the computation of the Grant)

Article 5. The governors of To, Do, Fu and prefectures and the mayors of the special cities must submit to the Local Finance Commission, as provided for by the regulations, data

relating to the basic financial need and the basic financial revenue of the respective To, Do, Fu, prefecture, or special city and other data.

2. The mayors of municipalities must submit to the governors of To, Do, Fu and prefectures, as provided for by the regulations, data relating to the basic financial need and the basic financial revenue of the respective municipality and other data.

3. The governors of To, Do, Fu and prefectures shall examine the data submitted in accordance with provisions of the preceding paragraph and forward them to the Local Finance Commission accompanying their opinions.

4. The governors of To, Do, Fu and prefectures shall, when they have accompany their amending opinions to the data which the mayors of municipalities submitted, communicate the fact to the mayors of municipalities. In this case, the mayors of municipalities who are dissatisfied with that opinion may offer the opinion to the Local Finance Commission.

5. Those national administrative organs (meaning the national administrative organs as mentioned in Article 3 paragraph 2 and Article 24 of the National Government Organization Law (Law No. 120 of 1948)) which are concerned with local services relating to such expenditures as are included in the basic financial need must, upon request of the Local Finance Commission forward to the Local Finance Commission, in regard to administrative functions under their respective jurisdiction, data concerning the necessary amounts of expenditures of the local bodies, the adjustment coefficients under

Article 13 for the relevant expenditures, the standard costs under Article 14, etc.

(Computation of the Total Amount of the Grant)

Article 6. The total amount of the grant to be allocated for each fiscal year shall be determined on the basis of the total of the estimated excesses of the basic financial needs over the basic financial revenues in those local bodies where the former is deemed to exceed the latter in that fiscal year.

2. The Local Finance Commission must prepare documents concerning the estimate of the total of the grant for the following fiscal year on the basis of the data submitted or forwarded in accordance with the provisions of Article 5 and submit them to the Prime Minister.

3. When the Cabinet intends to examine the estimated aggregate of the grant sent by Local Finance Commission and determine the approximate amount of the appropriation budget for each fiscal year, it shall obtain in advance the opinion of the Local Finance Commission.

4. In case the Cabinet has decided to reduce the estimated aggregate of the grant, it shall attach the details of the estimated aggregate of the grant sent by the Local Finance Commission to the Budget of Revenues and Expenditures, and shall specifically prescribe necessary sources of revenue in anticipation of the revision by the Diet of the amount of expenditure concerning the grant.

(Obligation to submit and make public the estimation of total amount of revenue and expenditure)

Article 7. The Local Finance Commission shall prepare in the each fiscal year estimation of the total amount of revenue and expenditure of local bodies for the forthcoming year including the following matters and submit it to the Cabinet and to the Diet through the Cabinet and at the same time shall make public generally.

(1) The estimation of total amount of revenue of local bodies

(a) Amount of revenue for each tax item

(b) Rents and fees

(c) Amount of loans to be incurred

(d) National subsidies

(e) Others

(2) The estimation of total amount of expenditure of local bodies

(a) Cost which are object of the national subsidies

(b) Amount of redemption of principal and interest

(c) Cost to be taken as the basis of computation of the grant

(d) Total amount of expenditure to be taken as the basis of computation of the grant

(Date for the Computation of the Amount of the Grant)

Article 8. The amount of the grant to be allocated to each local body shall be computed each fiscal year as of the first day of April.

(Measurement of the amount of the Grant in case of Abolition, Establishment, Division, Amalgamation, or Alteration of Boundaries)

Article 9. In cases where the abolition, establishment, division, amalgamation, or an alteration of the boundaries of a local body has been effected after the date mentioned in the preceding Article, the grant to that local body shall be disposed as provided for under the following items:

(1) In cases where the whole area of a local body has become an area of another local body on account of abolition, establishment, division or amalgamation, the amount of the grant which ought to have been allocated to that loca body before the abolition, establishment, division or amalgamation shall, after the date of the abolition, establishment, division or amalgamation, be allocated to another local body to which the area of that local body has newly come to belong.

(2) In cases where the area of a local body has been divided on account of abolition, establishment, division or amalgamation, and in cases where its boundaries have been altered, the amount of the grant which ought to have been allocated to that local body before the abolition, establishment, division, amalgamation, or the alteration of boundaries shall, after the date of the abolition, establishment, division, amalgamation, or the alteration of boundaries,

be divided in proportion to those amounts of grants which would have been allocated to such independent local bodies as could have hypothetically existed as of April 1 of the relevant fiscal year over the areas affected by the abolition, establishment, division, or the alteration of boundaries, or over the area of that local body excluding the area lost by the alteration of its boundaries, and the amount so provated shall be allocated as provided for by the regulations to the local body or bodies to which the areas affected by the abolition, establishment, division, or the alteration of boundaries have come to belong, or to the local body to which the area lost by the alteration of its boundaries originally belonged.

(Computation of the Amount of the Ordinary Grant)

Article 10. The grant shall be allocated each fiscal year to the local bodies whose basic financial need exceeds basic financial revenue.

2. The amount of the grant to be allocated to those local bodies mentioned in the preceding paragraph shall be computed by dividing the total amount of the grant in proportion to the figure by which the basic financial need exceeds the basic financial revenue.

3. The Local Finance Commission must determine the amount of the grant to be allocated to each local body in accordance with the provisions of the preceding two paragraphs not later than August 31 every year; provided that the amount of the grant may be determined or its amount already determined may be altered on and after August 31 if there are inevitable causes, such as the alteration of the total amount of the grant.

4. When the Local Finance Commission has determined or altered the amount of the grant in accordance with the provisions of preceding two paragraphs, it must so communicate to the local body concerned.

(Method of computation of the basic financial need)

Article 11. The basic financial need shall be computed in regard to the local body concerned by taking the figure of the measurement standard fixed for each kind of local service in order to measure expenses required for services of local bodies, adjusting that figure according to the provisions of Article 13, multiplying the figure so adjusted by the standard

cost per unit of the respective measurement standard, and totalling the sums so multiplied.

(Measurement standards)

Article 12. The measurement standards for expenses required for services of local bodies shall be as prescribed in the right column below for the respective expenses listed in the middle column according to the kinds of local bodies.

Kind of local body	Kind of expense	Measurement standard
Do, Fu and Prefectures :		
	1. Civil Engineering Expense:	
	(1) Road expense	Area of roads
	(2) Bridge expense	Area of bridges
	(3) River expense	Length of rivers
	(4) Harbor expense	Total tonnage of vessels calling at port and harbors
	(5) Other civil engineering expense	Population, area
	2. Education Expense:	
	(1) Primary school expense	number of pupils and classes of primary schools, number of primary schools

(2)	Middle school expense	Number of pupils and classes of middle schools, number of middle schools
(3)	High school expense	Number of students of high schools.
(4)	Other education expense	Population

3. Welfare & Labor Expense:

(1)	Social welfare expense	Population, numbers of persons to be admitted in childrens welfare facilities
(2)	Sanitation expense	Population, numbers of proprietaries related to the provisions
(3)	Labor expense	Number of factories and working places, number of workers at factories and working places.

4. Industry and Economic Expense

(1)	Agricultural administration Expense	Area of cultivated lands, number of people engaged

(Including the expenses relating to stock-breeding; the same hereafter)	in agriculture (including stock-breeding; the same hereafter)
(2) Forestry administration expense	Area of privately-owned forests and fields, number of people engaged in forestry.
(3) Fishery administration expense	Number of People engaged in fishery
(4) Commerce and industry administration expense	Number of people engaged in commerce and industry.
5. Expense for Rehabilitation of War-Damage:	Area of districts damaged by the war.
6. Expenses for Other Services:	
(1) Tax-collection expense	Amount of the Do, Fu and prefectural taxes, number of taxpayer.
(2) Other sundry expenses	Population
7. Public Loan Expense:	Amount of retirement of the principal and