DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

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of our nation's economic power. Details of the policy are as follows:

(A) Revenue:

(1) The Government will give close scrutiny to the revenue in general, while taking the enlargement of financial resources into full consideration.

(2) The present tax system will be revised in accordance with the sharp increase in the national income and the drastic change in the distribution of national income.

(3) The renovation of the present revenue collection setup and the revision of the collection method will be undertaken so as to bring about the increase in tax and non-tax revenues.

(4) Government monopoly enterprises will be increased, thereby increasing the income to be accrued therefrom.

(5) The Government will take positive steps to the disposal of State properties so as to make them contribute toward industrial production. At the same time, efforts will be taken to convert State properties into funds through the issue of bonds.

(B) Expenditure:

(1) General matters:

(a) As a principle, all expenditures, whether ordinary or extraordinary in its nature, will be confined to the amount that can be met by the available financial resources.

(b) All expenditures will be estimated on a scientific basis and financial priority will be given to those enterprises badly needed for boosting industrial production.

(c) Expenditures necessary for procuring commodities of major importance will be fixed in such a way as to bring about the proper balance between demand and supply thereof.

(d) The delayed execution of the 1946 revised budget will be taken into full consideration in the budget formation for the next fiscal year.

(2) Administrative structure:

(e) Management and organization of both central and local administrative organs will be streamlined, thereby economizing administrative expenditures.

(f) The Government exploitation program in HOKKAIDO will be revised to meet the situation.

(3) Industrial policy:

(g) Practical measures will be taken to reorganize and develop laboratories and research institutes, thereby improving industrial technics and efficiency.

(h) Top priority will be given to the expenditures necessary for the increased production of coal, food and other export goods.

(i) As a principle, funds for industrial reconstruction will not be made available through Government expenditures, but through the accumulated capital funds.

(j) New devices will be made for the maintenance and reconstruction of both transportation and communications.

(4) Government subsidy:

(k) Subsidies which have been hitherto granted for price adjustment will be discontinued.

(l) Subsidies for industrial purposes will be subject to drastic readjustment.

(5) Employment and other social policies:

(m) Employment measures: (a') Resumption of general industrial activities and the opening of public enterprises; (b') fair distribution of materials and labor necessary for the public enterprises; and (c') among unemployment measures, those which are believed to increase purchasing power such as the relief payment funds for the unemployed will be avoided as much as possible.

(n) Large-scale social insurance system will not be adopted for the time being.

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ECONOMIC SERIES: 1547 (Continued)

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(o) As for the welfare of repatriates, the Government will take every possible measure to absorb them into general industries and public enterprises.

(p) Reconstruction of war-damage suffered areas will be undertaken with the available supply of materials taken into full consideration.

(6) Health and hygiene:

(q) Public medical treatment institutions will be readjusted, while utmost care will be taken to procure the production and distribution of drugs and materials badly needed for medical treatments.

(7) Education and culture:

(r) Equal opportunity for education.

(s) Drastic changes will be made in the location of war-damaged schools which are to be reconstructed.

(t) Necessary steps will be taken in regard to the encouragement of science and the development of art.

(8) Government bonds:

(u) Payment of interest on Government bonds will be continued as usual.

(9) Immediate steps will be taken in regard to deposits and savings of repatriates.

(10) Expenditures for postwar reconstruction:

(v) The Government will give every possible aid, including material supplies, for this purpose.

(C) Business account:

Special business account will be conducted on an independent basis, while practical measures will be taken to bring about proper balance in this account.

(D) Local Government Finance:

The Government will endeavor to bring about an autonomous and elastic management of local government finance.

(E) Budget system:

(1) The present budget system will be revised in accordance with the new Constitution.

(2) The special accounts will be readjusted and revised accordingly.

(F) The Government will ask SCAP for its wholehearted support in the reconstruction of our national economy.

ITEM 22 Production Projects in the Izu Islands - Miyako Shimbun - 1 Nov 46. Translator: Z. Konishi.

Summary:

In an attempt to alleviate the recent critical shortage of animal proteins, milk, and fuel in the TOKYO Area, the TOKYO authorities have recently worked out a three-year emergency plan for the encouragement of production in the islands of O-SHIMA, TO-JIMA, NII-JIMA, KAMZU-JIMA, SHIKINE-JIMA, MIYAKE-JIMA and HACHIJO-JIMA, which are under the jurisdiction of the TOKYO Metropolis.

Under this plan, the authorities are going to utilize the natural resources of these islands, aiming at producing 20,000,000 KAN (175,400,000 lb) of marine products a year, or 80 per cent of the entire consumption of TOKYO, 150 KOKU (7,155 gal) of milk a day, or 80 per cent of the consumption, and 1,000,000 sacks of charcoal a year. As for marine products, the repair of harbors and fishing facilities has been planned so that Tokyoites would be able to receive their fish supply directly from these islands. The production of 1,000,000 bales of gelidium amansii of seaweed, the raw material necessary in the manufacture of agar-agar, has also been planned. Meanwhile, priority will be given to the production of milk, as well as of other dairy products, to supply babies in TOKYO with sufficient milk. The plan also provides for an increased charcoal production.

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Industrial Funds Priority

The Government on March 1 enforced new financial regulations calling for the rationalization of industrial funds by way of expediting the national rehabilitation.

According to the Government announcement in this connection financial organs are requested to abstain hereafter from depending on the Bank of Japan for loans and to concentrate advances to important industries, such as coal mining, iron and steel manufacturing and fertilizer production, restricting financial aid to other non-important industries to the minimum.

MAINICHI FEB 28 1947

Ishibashi Explains

Finance Minister Tanzan Ishibashi explained the Government budget estimates of the general account in the 1947-48 fiscal year before the plenary session of the House of Representatives on March 3.

The Finance Minister also clarified the Government financial policy in the course of the same speech.

MAR 4 1947 MAINICHI

¥114-Billion Budget For 1947-48 Sent To House Of Representatives

Compilation Cuts Need Of Supplementary Budgets; Emphasis Placed On Sound Financial Policies

The general budget for the 1947-48 fiscal year has been set at ¥114,500-million, nearly twice the earlier estimated amount of ¥61,500-million.

The budget was sent to the House of Representatives after the total amount was decided at the Cabinet sitting on February 28.

Revenue To Cover 95 Per Cent Of Expenditures

The budget is characterized by the fact that it has been so compiled as not to necessitate supplementary budgets.

According to the budget, the tax revenues will be boosted three and a half times greater than the last fiscal year, while the revenue from the Government monopoly enterprises will be increased by fourfold.

Ninety-five per cent of the expenditures will be covered by the revenue in the ordinary account and the amount of bonds will be limited to approximately ¥4,800-million.

In short, in the compilation of the budget, stress has been laid on the materialization of sound financial policies, indicative of a radical change in the financial administration by Finance Minister Tanzan Ishibashi.

MAR 2 1947 MAINICHI

ISHIBASHI EXHORTS NATION IN SPEECH DEFENDING BUDGET

Finance Minister Urges Boost In Production; Progress In Recovery Noted

Finance Minister Tanzan Ishibashi, in a financial policy speech opening the House of Representatives' debates on the 1947-48 budget bill at the House plenary session yesterday, exhorted the nation's farmers, captains of industry and labor to do their utmost to increase agricultural and industrial production thereby to meet the expectations of the Allied authorities and repay their generous aid.

Pointing out that increased production and smoother flow of goods were the two vital factors to restore the distressed economic conditions, Mr. Ishibashi elaborated on the Government program to dig 30,000,000 tons of coal during this year as the source of power to get the nation's economic machinery moving.

After explaining in detail the 1947-48 budget plans which were introduced to the House Monday, the Finance Minister referred to the slow grain collecton and delayed rationing in urban areas and called upon rice-producing districts to deliver 110 per cent of the national quota. "We must show our sincerity to the Allied authorities" who have been generous enough to supply this country with foodstuffs, Mr. Ishibashi said, adding that only when the rice quota is fulfilled will the cause of high prices be eliminated.

composed of 15 leading citizens, had been appointed in August, 1945, on the recommendation of a nominating body formed of more than 100 outstanding Okinawans. A central administration gradually evolved out of the Advisory Council.

A governor was selected in April from a three-man panel named by village head, the Advisory Council and a cross-section of Okinawan leaders.

The Okinawan Assembly was formally convened by the Governor May 23, and authorization was given for monthly meetings.

A thorough screening of the old Japanese laws, many of which need modification or abrogation, is progressing slowly because of a shortage of legal personnel, the report states. Local lawyers in Okinawa are undertaking research leading to statutory reforms, the summary adds, but "they require considerable guidance as their ideas are often confused and there is doubt as to which of the Japanese laws are to be considered as still in effect."

Civil police were found capable of dealing with most problems of civilian control, and a police training school was established Dec. 10, 1945. An Okinawan police department with a civilian commissioner was organized in January, 1946.

Rapid restoration of Okinawa's prewar agriculture, according to the summary, has been hampered chiefly by an arable land shortage.

Okinawa's silk industry, shattered by the war, is being revived it was added.

Sugar refining, the major industry before the occupation, has not been revived on any large scale, as the present policy is to produce only that amount necessary for local needs.

In the economic field, the report says, a two-year plan has been announced, giving high priority to restoration of the pongee weaving, coal mining, hat weaving, iron working, salt-making, lacquerware, mining, cement, sandstone, furniture and wooden machine, and tile and brick industries.

The shipment of phosphate rock to Japan was expected to reach 7,500 metric tons a month.

The money economy was reestablished May 1, 1946, and the first official price list was published July 31, with wholesale prices ranging from 80 to 90 per cent of retail prices, depending upon the specific commodity. A price rollback on October 1, 1946, reduced the cost of living.

There is as yet no taxation in Okinawa, the summary says, and the one source of revenue is from industries run by various departments. It has been the opinion of Military Government that the best types and rates of taxation should be determined after the experience of an initial period of operation without taxation. Some taxes have continued to be collected in

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A Good Budget, But—!

The budget bill now being deliberated upon in the Diet will in all probability be passed with little or no change. This is as it should be, for this budget is, all things considered, about the best that can be devised at the moment.

Of course it will not please everybody—no budget ever can—and particularly in these times of post-war economic abnormalities it is hardly possible to reconcile satisfactorily the urgent need for various expensive government undertakings with the equally urgent need to relieve the financial burden of a war-ravaged populace. These two needs are mutually incompatible, and any budget must necessarily be more or less an arbitrary compromise between the two. The present draft budget is such a compromise, arrived at rather forcibly, and therefore many people will be dissatisfied. But the very people who demand most insistently that the Government do this or do that bellow most loudly when it comes to footing the bill. So, despite any howls, the present budget must be considered a pretty fair one.

In fact this budget is in many ways an exceedingly good one. It is the most honest budget in the history of the country. Past budgets have misleadingly been deliberately framed to cover only a part of the Government's expected expenditures, the rest being covered by special supplementary appropriations sneaked through later under the pretext of emergency needs. This time the budget honestly includes every foreseeable government obligation, with the result that no supplementary appropriation should be necessary unless a really bona-fide unexpected emergency should arise.

The size of the budget has, moreover, been kept within fairly moderate bounds. Although the total appears unprecedentedly large, it is actually smaller than that of last year when all the supplementary appropriations are counted in. It amounts to between a fifth and a fourth of the total expected income of the nation's population, which is a reasonable ratio under present circumstances.

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Most important of all, the budget is theoretically balanced, with the estimated revenues practically equalling the estimated expenditures so that virtually no deficit spending is entailed. The value of such a pay-as-you-go policy in helping to check inflation can hardly be exaggerated.

The one questionable feature of this budget, however, is the manner in which it has been brought into balance. The means taken to achieve this balance may be so crude as to defeat its purpose.

For instance, the estimated revenues are to be secured by markedly raising the prices of government monopoly goods like salt and tobacco, by steeply increasing the taxes on such things as alcoholic beverages, and by increasing the telegraph and postal rates and the rates on the government railways. These increases are so stiff as to affect seriously the cost of living for most people, with the consequence that there is bound to be terrific clamor for a new round of wage increases, which in turn may so add to government costs as to make the present budget appropriations insufficient.

Furthermore the raising of the rates of such a basic item as railway freight charges may so increase the cost of production and distribution of all types of goods as to raise the general price level all along the line. In such a case the Government may find itself unable to complete its necessary tasks with the amount now earmarked for expenditure, with the result that supplementary deficit appropriations may eventually have to be called for after all.

Finally, these increases are essentially in the nature of hidden indirect taxes, and such taxes invariably hit the poor man relatively harder than the rich man than is the case with graduated direct taxes. The weakest class in society is further weakened thereby, increasing the unsoundness of the already precarious economic structure of Japan today.

It is true that the direct income tax is to be drastically revised so as to provide for compensatory raising of the exemption level to relieve those in the lowest income brackets. But the income tax, collected at the source, hits primarily those with regular jobs or with fixed returns from listed assets which have already been frozen and subjected to the capital levy. In contrast, the newly rich "new yen" classes who are making a killing in black-market dealings find it no difficulty at all to cover up their earnings and thus evade the tax assessments. Hence the income tax, if revision goes no further than at present contemplated, will merely continue to penalize the honest workers and investors who are less able to pay and award an unfair premium to the bold chiselers who are most able to pay, and thus the actual revenue collectable may prove to be less than expected.

In spite of these faults, the present budget bill deserves to be passed, for these faults are not such as can be corrected by any juggling of the present budget bill during the current session of the Diet. The practical necessity of speedily passing the budget to enable the Government to get on with its essential functions outweighs any other consideration.

But the faults of this budget demand very emphatically that, in order that these faults may not be perpetuated in future years, the Diet should proceed to force the Finance Ministry to undertake a thorough overhauling of the entire taxation system. The taxation reform proposals now scheduled to be presented to the current Diet are far from sufficient, for they call for mere modifications of the existing system and are moreover inseparably linked with the present budget bill. What is needed is a more fundamental change in the basis of taxation so that the burden of supporting the government will be much more equitably shared by all classes.

The principle of pay-as-you-go established in the present budget is excellent, but the problem still remains to be tackled as to who is going to do the paying. If too many people continue to manage to ride free, the paying passengers will soon find the fare too steep for them to bear alone.

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Details Of Budget

With reference to the estimated expenditures in the 1947-48 fiscal year budget, a total of ¥10,628-million will be disbursed as fund for the readjustment of commodity prices.

The expenditures for compensations for losses suffered in the financial reconstruction are set at ¥10-billion.

Expenditures aggregating ¥9,500-million are estimated for public enterprises to be started for the reconstruction in farming and fishing enterprises for the relief of some 1,800,000 unemployed.

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ITEM 5 Ishibashi "Balanced" Budget Unsounced - Provincial Newspaper: Chiba Shimbun (Chiba) - 26 Apr 47. Translator: T. Naruse. (WM)

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Summary:

According to Finance Minister ISHIBASHI, inflation has its roots in finance and it will not occur unless deficit bonds are issued. With this belief, he compiled the 1947-1948 budget. The budget is a colossal one amounting to 114,500,000,000 yen, but it is based on the principle of a balanced budget, and revenue from the issue of national bonds is limited to 4,800,000,000 yen. This so-called "sound budget", however, is to be raised through a radical increase in taxes, the price of state monopoly goods, postal

[illegible] of this cost. If it surpasses the budget allotment, a supplementary appropriation will be necessary, thus undermining the so-called balanced budget. At any rate, this year's budget is balanced in form, but its realization depends entirely upon the success or failure of the Government's price policy and its economic stabilization measures.

Finance Minister ISHIBASHI says that "Even if commodity prices rise, revenues will increase correspondingly, so that there would be no serious upset." To justify this statement however, he must secure a definite source of revenue, especially in taxation. In other words, the problem is whether or not he can uncover the hidden income of the so-called "New-Yen Class" in order to impose a tax on them.

On the other hand, this balanced budget imposes considerable hardship upon the people. At present, urban people are not secure even in their minimum food requirements. We doubt that they can bear the greater hardships which the Government anticipates. The Price Board authorities warn that if the people are driven into bankruptcy, a serious problem will arise. The fact that ISHIBASHI's balanced budget has weak points must not be overlooked.

ITEM 6 Budget Recompilation and Maintenance of Revenue Sources - Asahi Shimbun - 15 Jun 47. Translator: K. Onishi. (TK)

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Summary:

In its Emergency Economic Measures the Government has already disclosed its intention to set up a working budget for the purpose of economizing or postponing the national expenditures. But Finance Minister YANO in OSAKA stated on 13 June that there would be a supplementary budget amounting approximately to 40,000,000,000 yen due to the advance in prices since the budget's compilation. This means that the aggregate amount of the budget for the current year will be as high as 150,000,000,000 yen.

In order to postpone and curtail expenditures the Government is going to compile a budget on a clean slate, and yet it requires such a huge supplementary budget. Since we have no knowledge of the contents yet, we cannot criticize the new budget now. However, we are seriously concerned about the present Cabinet's policy of sound finance.

The budget inherited by the present Cabinet was sane in appearance. But it is no longer workable in view of the large-scale increase in government workers' salaries and the advance in prices. Thus re-compilation of the budget may be unavoidable. However, we desire to question why such a huge supplementary budget is needed in spite of the recompiled budget. It is true that, to some extent, national finance will have to take the place of private finance which has been extremely impoverished by the general depreciation of credit. But at a time when the people are very sensitive to inflation, we cannot but doubt the prudence of the Government when it announced such an immense supplementary budget without showing the sources of revenue to rely upon.

Apart from the foregoing problem, we desire that the Government take bold measures to insure sources of revenue. This is absolutely necessary even if there is no need of such a supplementary budget. It is required for maintaining faith in currency. For this end, a thoroughgoing collection of the existing taxes should be enforced in parallel with new taxes, if new taxes must be levied at all, in order to attain a national finance that is substantial and sound.

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ITEM 2 Supplementary Budget of 50,000,000,000 Yen Inevitable - Yomiuri - 29 Jun 47. Translator: N. Tachibana. (TK).

Full Translation:

Observers believe that compilation of a supplementary budget of approximately 50,000,000,000 yen will be inevitable because of the advancing inflation and an increase in expenses for social policy. To meet this financial expansion the Finance Ministry seems not only to be speeding the compilation of a revised budget, but also to have inaugurated inquiries on an increased taxation plan aimed at a boost [illegible] the government intended to introduce a supplementary budget of several hundred million yen for the establishment of the Labor Ministry to the current Diet session and a revised budget and a second supplementary budget of an enormous amount to the next Diet session, it has decided to deliberate on a revised budget and a supplementary one at the earliest possible date. These will then be submitted to the Diet by the middle of August at the latest now that a decision has been reached that the revision of the price and wage systems and expansion of public works for relieving the unemployed are urgently needed.

Supplementary budget items, which can be computed fairly accurately, are as follows:

Urgent Public Works Outlay

New items:

1. Communication facilities - 1,800,000,000 yen
2. Roads - 1,000,000,000 yen

Constructional works brought over from the previous fiscal year 3,700,000,000 yen

Increase in expenses:

1. Wages for regular employees - 4,500,000,000 yen
2. Railways and communications - 3,000,000,000 yen
3. Property and building rent - 1,000,000,000 yen
4. Boost in prices and raising of wages for regular employees (by 50 per cent) - 9,500,000,000 yen

Betterment of treatment (raising wages to 1,600 yen) - 5,000,000,000 yen

Additional subsidies - 13,100,000,000 yen

Facilities for foreign traders - 600,000,000 yen

Additional public utilities - 5,000,000,000 yen

Stabilization of livelihood - 1,500,000,000 yen

Total 49,700,000,000 yen

Indefinite items follow:

Local public bodies

1. Distributed taxes - 5,500,000,000 yen
2. Subsidies - 500,000,000 yen
3. Supplementary funds for the Reconstruction Finance Bank - 10,000,000,000 yen
4. Subsidies for the Shipping Management Commission - 2,000,000,000 yen
5. Foreign trade funds - 5,000,000,000 yen

Subsidies for special accounts

1. Communications - 7,800,000,000 yen
2. State-owned forests and fields - 2,500,000,000 yen
3. Deposit department - 2,000,000,000 yen
4. Railways - 10,000,000,000 yen

Boost in prices and raising of wages 4,500,000,000 yen

Total 49,800,000,000 yen

Including these indefinite items, the supplementary budget will amount to 99,500,000,000 yen. Moreover there are additional subjects of discussion such as unemployment insurance, special account subsidies, and funds for consolidating the national debt. The center of attention is how Finance Minister KURUSU will be able to curtail established expenses by revising the budget and increase tax revenues to meet such a big supplementary budget.

Reserve Funds of 520,000,000 Yen Expended

The cabinet meeting held on 27 June approved expending reserve funds of 523,382,000 yen: 118,398,000 yen for general account and 404,984,000 yen for communications special account. Consequently,

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in tax revenues.

Although the Government intended to introduce a supplementary budget of several hundred million yen for the establishment of the Labor Ministry to the current Diet session and a revised budget and a second supplementary budget of an enormous amount to the next Diet session, it has decided to deliberate on a revised budget and a supplementary one at the earliest possible date. These will then be submitted to the Diet by the middle of August at the latest now that a decision has been reached that the revision of the price and wage systems and expansion of public works for relieving the unemployed are urgently needed.

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Boost in prices and raising of wages 4,500,000,000 yen
Total 49,800,000,000 yen

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general account expenditures total 696,988,000 yen and the balance is 2,303,012,000 yen. The communications special account has a balance of 424,715,000 yen.

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Budget Revision Bill Is Criticized in Diet

Finance Minister Denies Claim It Is Unconstitutional In Nature

The constitutionality of the revised budget now before the House of Peers was questioned by Dr. Soichi Sasaki, non-partisan, and affirmed by Finance Minister Tanzan Ishibashi in the plenary session of the House yesterday morning.

As soon as the House opened its plenary session Monday at 10 a.m. a "Bill pertaining to the 1946-47 Budget Amendment Bill" was put before the members and, after the Finance Minister had explained its purport, interpellations began.

Dr. Sasaki charged that the budget amendment bill was unconstitutional and wanted to know what special circumstances warranted its being framed as such. "On what legal grounds has the Government made it an amendment bill?" he asked. "An amended budgetary bill should be introduced only after the passage of the budget proper and in the spirit of the latter. What were the objectives of the amendment? What is the Government's conception in regard to the ethics of budget compilation?"

The same member demanded that the present budget should be rendered more intelligible to the people at large and that any amendments made should be effected with that aim in view so that they may contribute to the reconstruction of the country. "Compilation of budgetary estimates should not be made merely with the needs of a particular fiscal year in sight but under full consideration of long-range financial circumstances," Dr. Sasaki said.

Replies to these interpellations were given both by Prime Minister Yoshida and Finance Minister Ishibashi. The Prime Minister declared that the Government did not consider the amendment bill unconstitutional and that it would fully take into consideration the general financial and economic conditions attendant on budgetary execution. In compiling the present budget all the ministers had held careful consultation, he stated.

The Finance Minister also denied that the amendment bill was unconditional and suggested that it might be considered a revision of the running expenses. He pointed out that the amendment bill was presented simultaneously with the bill proper because the latter could not be prepared earlier and there was precedent for such a step. As to the unintelligibility of the budget to the general public, the Government was making a study with a view to remedying such a defect.

This ended the interpellations and the amendment bill was referred to a committee of 19. The action was followed by the introduction of an "Electric Industrial Act Amendment Bill" which was explained by Ki Kobayashi, Parliamentary Vice-Minister of Commerce and Industry, and turned over to a committee of 19. The House adjourned at 11:37.

Meanwhile, Mr. Hitoshi Ashida, chairman of the Lower House's Constitution committee, is now understood to be formulating the committee's final draft of the charter which has undergone partial revisions on the basis of recommendations submitted by the respective parties.

According to the present schedule, the final draft will be presented to Saturday's Constitution committee hearing and then submitted to the House plenary session next week—probably on Wednesday. This means a 10-day delay from the original schedule.

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Reform Of Taxation Is Slated Relative To Budget Compilation

Strict Assessment On Income, Rate Revision Are Decided By Govt.

An overall reform of Japan's taxation system is included in a new Government budget compilation policy in the next fiscal year which was decided by the Cabinet on Thursday, October 31.

The new plan specifies the tax will be levied on the people depending strictly on their income and that tax rates shall be subject to a basic revision to boost Government revenues.

The Government's new budget compilation policy aims at the sound development of State finance, the realization of the people's trust, and the recovery of Japan's economic power.

Substantial Measures

As substantial measures to check expenditures and boost revenues, the Government contemplates the following three points:

1. To raise the total amount of Government revenues, the existing taxation system shall be subject to a basic reform. Not only on change of tax rates, the Government will also work out a new taxation system in which the people can pay their dues depending on their ever fluctuating incomes.

New Sugar Monopoly

2. Improvement and expansion of the Government monopoly enterprises, including the creation of a new sugar monopoly enterprise.

3. Disposal of State properties through debentures to be issued by trust companies at the request of the Government, and the collection of ¥7-billion worth of taxes by the property tax and tax on company's claims on the wartime Government indemnification.

¥90-Billion Budget?

Indications are that the general budget for the coming 1947-48 fiscal year may be fixed at from ¥80-billion to ¥90-billion, according to the Government's policy for the complication of the new budget.

The people's income in the next fiscal year is estimated at ¥300-billion, of which about 60 per cent or ¥180-billion are to be accounted for by the people's living expenses, ¥30-billion to ¥40-billion by the industrial funds, and the remaining ¥80-billion to ¥90-billion by financial funds.

MAINICHI NOV 2 1946

Policy Is Revealed In Forming Budget For Fiscal 1947-48

Recovery of Nation's Industry, Increased National Income To Be Stressed

The Government Thursday formally announced its definite policy regarding formation of the next fiscal year's budget. The policy was approved at the Cabinet meeting held October 24.

The announcement said that it is an imperative need at present to have national livelihood stabilized as soon as possible upon the basis of a democratized economic structure.

To meet the need, the fiscal budget next year should be formed to enable the nation's industrial power to work as actively as possible and make national income increase as much as possible without regard to some unavoidable deficit in the budget.

However, it is only natural that there should be a limit to issuance of public bonds to make up for the budgetary deficit, the announcement continued, particularly taking into consideration the current inflationary tendency. The people's anxiety over the future of national finance should be given due consideration, and issuance of deficit bonds must be restricted to as small a figure as possible, it added.

On the contrary, the tax system should be revised to make the revenue directly reflect the possible increase of national income, government monopolized industries should be expanded, and disposal of government-owned properties should be made with the object of increasing revenue, the announcement stated.

As to expenditures, the announced policy gave promise of preferential treatment of disbursement for increased industrial production. It also revealed that government subsidies, hitherto distributed for price differences and other purposes, would in principle be abolished from next year.

Payment of interest on public bonds would suffer no change, it was disclosed. And the savings and deposits held by repatriates would be given exceptional treatment from another kind of blocked bank account with payment of a part of them expected to be realized soon.

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NOV 2 1946

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 3 Faults of This Year's Budget - Jimmin Shimbun - 9 Mar 47.
Translators: Arai and Naruse.

Summary:

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Finance Minister ISHIBASHI says that so far as public finances and currency are concerned, a policy to prevent inflation has been perfected. Although the new budget totals 114,500,000,000 yen, the bonds are to be kept down to 4,900,000,000 yen according to his so-called "pay-as-you-go" policy. Accordingly, it is sound public finance in form at least.

It is undeniable that the increase of the Government's expenditures in the form of deficit bonds is chiefly responsible for inflation. In this respect, judging from the mere face of the budget, it seems that the main source of inflation is cut off. However, only in appearance can it be considered so. In its import it still contains many inflationary factors.

The first important point is that in order to forcibly balance the budget the revenues have been fixed on the basis of the expenditures. This year's tax income is estimated at 66,500,000,000 yen, about three times that of last year, and other revenues are to be secured by increasing the prices of government monopoly goods like sake and tobacco, and by increasing the telegraph and postal rates and the Government railway fares.

A second characteristic of ISHIBASHI's financial policy to lay all burdens on the laboring masses and thereby protect capitalists is evidently reflected in this budget. Twenty-eight percent of the total estimates, including 8,100,000,000 yen as amortization fund, 10,000,000,000 yen as financial reconstruction fund, and 10,000,000,000 yen as price regulating fund is appropriated to the protection of capitalists. On the contrary, only about 3,000,000,000 yen involving 3,600,000,000 yen as a fund for the stabilization of the people's livelihood, 64,000,000 yen as an agricultural insurance fund, 170,000,000 yen as national insurance fund, 760,000,000 yen as medical equipment fund, and 3,600,000,000 yen as a fund for the improvement of their treatment are provided for the laboring masses.

On the other hand, 68,700,000,000 yen, 60 percent of the estimated revenues are taxes including income taxes of 44,300,000,000 yen, of which the greater part is imposed on laborers. Furthermore, as mentioned above, the prices of sake, tobacco and other necessities, and the postal and railway rates are to be increased. This shift of the burden from capital to labor is the most serious reason for the aggravation of inflation.

We could hardly expect such an unreasonable thing to succeed. The increase in prices will bring about a vital increase in national expenditures, then call for additional estimates and increased issue of public bonds, and inflation will be further accelerated.

In conclusion, as long as the Government attempts to protect capitalists by oppressing the laboring masses, inflation can never be checked.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 5 General Budget for Next Fiscal Year Contains Increases - Tokyo Shimbun - 2 Mar 47. Translator: K. Higashikawa.

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Summary:

The general budget for the fiscal year 1947-48 presented to the present session of the Diet contains many further increases in the budget and is hardly conducive to enthusiasm for industrial reconstruction.

The general budget compiled under the prevailing spiralling inflation reaches 114,503,000,000 yen both for revenue and expenditure, which is the largest budget in the history of JAPAN. Among the chief factors which have made the budget run into such a colossal sum are the large increases made in the special expenses essential to the settlement of postwar conditions (TN: Cost of Occupation forces) and in expenses for social policy as compared with the identical amounts appropriated in the general budget for the preceeding fiscal year. The fact that the unit costs of materials and personnel in the present budget have been more than doubled as compared with the unit costs in the budget for the preceeding fiscal year, as shown in the following explanations, attests to the above mentioned cause of the great increase in the budget for the fiscal year 1947-48.

(1) The material expenses in the general budget for the fiscal year 1947-48 are calculated on the basis of double the unit cost of [illegible] has appropriated 10,000,000,000 yen for payment of indemnity for bank deposits. The bank deposit guarantee funds were underestimated at the rate of 15,000 yen deposit per household at the time of the announcement of the cancellation of war indemnities, for the apparent purpose of protecting bank depositors. This item will undoubtedly be a heavy burden on the general public. The total amount of Government bonds now outstanding has increased to 206,000,000,000 yen due to the fact that some of the bonds cannot be redeemed because the Government has already used a large portion of the money estimated to accrue from the property tax for other expenses. In these circumstances, although a speedy redemption of overdue Government bonds is urged by all quarters, the Government is invariably avoiding this problem. Presumably the Government plans to pay interest on Government bonds from the income accruing from increased taxation.

In any event as far as the figures appearing in the budget for the fiscal year 1947-48 are concerned the Government has succeeded in balancing revenue and expenditure, and it may be said that in so doing the Government has at least begun to arrest the spiralling inflation. However, the general budget for the fiscal year 1947-48 has again failed to echo the enthusiasm of the Government to rehabilitate industry and public finance. The only aims of the Government in the budget are the curtailment of expenditures and large increases in production through the perseverance of the people in fighting poverty and hardships and increase in revenue by raising the prices of cigarettes and tobacco. As a result of this general prices are bound to go up, and it is easy to imagine that the "healthy public finance" foreseen by the Government will be impeded. (By staff writer SUZUKI)

[illegible] a heavy expenditure in the [illegible] calculated the personnel expenditure at the average rate of 1,200 yen income proposed by the Central Labor Commission and has not taken into account the possible effect of future inflation.

In revenue there are indications that the Government estimated the income accruing from tax increases and profits from Government monopolies at large figures by taking into account future increases in prices. However, tax increases centering on the consumer's taxes are bound to advance prices. The raising of the prices of cigarettes and tobacco is liable to cause an increase in general prices. Accordingly, the increases in revenue, which are considered to aid "healthy public finance," as propagandized by the Government, will only raise the expenditure. "The healthy public finance " chanted by the Government has all these drawbacks in both revenue and expenditure. Thus, one cannot, easily contradict the criticism that in the remote corners of the present budget there are seeds of inflation.

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ECONOMIC SERIES: 1733 (Continued)

ITEM 5 (Continued)

In the present budget 27,000,000,000 yen is appropriated for the unavoidable war termination expenses (TN: Cost of Occupation Forces), 3,600,000,000 yen for the security of the livelihood of the people and 3,600,000,000 yen for repatriating Japanese residents abroad, all of which aggregate a colossal amount. However, a comparatively small amount is appropriated for economic reconstruction expenses which are to be regarded as an investment (even including the public welfare enterprise expenses which amount to 9,500,000,000 yen). It should be borne in mind that the expenses for public welfare enterprises will have to be cut down if the expenses for the removal of industrial facilities for reparations should increase and if coal production cannot be increased in the future.

For the expenses of floating Government bonds an appropriation of 8,153,000,000 yen is made in the budget for the fiscal year 1947-48 as in the previous budget. In addition, the Government has appropriated 10,000,000,000 yen for payment of indemnity for bank deposits. The bank deposit guarantee funds were underestimated at the rate of 15,000 yen deposit per household at the time of the announcement of the cancellation of war indemnities, for the apparent purpose of protecting bank depositors. This item will undoubtedly be a heavy burden on the general public. The total amount of Government bonds now outstanding has increased to 206,000,000,000 yen due to the fact that some of the bonds cannot be redeemed because the Government has already used a large portion of the money estimated to accrue from the property tax for other expenses. In these circumstances, although a speedy redemption of overdue Government bonds is urged by all quarters, the Government is invariably avoiding this problem. Presumably the Government plans to pay interest on Government bonds from the income accruing from increased taxation.

In any event as far as the figures appearing in the budget for the fiscal year 1947-48 are concerned the Government has succeeded in balancing revenue and expenditure, and it may be said that in so doing the Government has at least begun to arrest the spiralling inflation. However, the general budget for the fiscal year 1947-48 has again failed to echo the enthusiasm of the Government to rehabilitate industry and public finance. The only aims of the Government in the budget are the curtailment of expenditures and large increases in production through the perseverance of the people in fighting poverty and hardships and increase in revenue by raising the prices of cigarettes and tobacco. As a result of this general prices are bound to go up, and it is easy to imagine that the "healthy public finance" foreseen by the Government will be impeded. (By staff writer SUZUKI)

a heavy expenditure in the budget, [illegible] calculated the personnel expenditure at the average rate of 1,200 yen income proposed by the Central Labor Commission and has not taken into account the possible effect of future inflation.

In revenue there are indications that the Government estimated the income accruing from tax increases and profits from Government monopolies at large figures by taking into account future increases in prices. However, tax increases centering on the consumer's taxes are bound to advance prices. The raising of the prices of cigarettes and tobacco is liable to cause an increase in general prices. Accordingly, the increases in revenue, which are considered to aid "healthy public finance," as propagandized by the Government, will only raise the expenditure. "The healthy public finance " chanted by the Government has all these drawbacks in both revenue and expenditure. Thus, one cannot, easily contradict the criticism that in the remote corners of the present budget there are seeds of inflation.

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ITEM 5 (Continued)

the identical expenses in the general budget for the preceding fiscal year.

(2) For the personnel expenses the daily wage of common laborers for various Government enterprises has been raised from 10 to 20 yen.

(3) The wages of Government officials and employees have also been increased by two-and a-half-times as compared with those contained in the general budget for the preceding fiscal year.

The revenue has also increased to 109,630,000,000 yen due to increased taxes and increased profits accruing from Government monopolistic enterprises. The deficit, however, reaches 4,873,000,000 yen. It may be recalled that the budget for the preceding fiscal year (1946-47) first totalled 56,000,000,000 yen, but on account of the mounting inflation and several supplementary budgets, the total amount of the general budget for the fiscal year 1946-47 finally exceeded the 100,000,000,000 yen mark. It is very likely that the total amount of the budget for the fiscal year 1947-48 may also be increased later on through supplementary budgets, and for this reason no optimism is permissable concerning the "healthy public finance" enunciated by the Government; especially since a scrutiny of the various items of revenue and expenditure discloses many factors which help to increase the present budget.

Expenditure —

(1) Essentially, the social policy expenses in the general budget for the fiscal year 1947-48 have been curtailed, but as number of the unemployed and the number of needy people is anticipated to increase in the current year in view of the fact that industrial reshuffling will be executed this year, it is generally considered that increases in the budget are inevitable. For instance, for the fiscal year 1946-47 it was estimated that 6,500,000 people would need Government relief under the provisions of the Livelihood Protection Law, whereas in the budget for the fiscal year 1947-48 the number of these people is estimated at 3,000,000. For these needy people the relief funds in the budget for the fiscal year 1947-48 are calculated at the rate of only 650 yen for a family of five members in the six major cities. Under the public welfare enterprises the number of people requiring relief is increased from 1,600,000 in the budget for the fiscal year 1946-47 to only 1,800,000 people.

(2) Although the unit cost of material expenses has been doubled in the general budget for the fiscal year 1947-48 as compared to the budget for the fiscal year 1946-47, the cost of materials has actually risen. Moreover, in the budget for the fiscal year 1947-48 future increases in prices are not taken into account.

(3) The personnel expenses, including the relief funds, constitute a heavy expenditure in the budget, but the Government has evidently calculated the personnel expenditure at the average rate of 1,200 yen income proposed by the Central Labor Commission and has not taken into account the possible effect of future inflation.

In revenue there are indications that the Government estimated the income accruing from tax increases and profits from Government monopolies at large figures by taking into account future increases in prices. However, tax increases centering on the consumer's taxes are bound to advance prices. The raising of the prices of cigarettes and tobacco is liable to cause an increase in general prices. Accordingly, the increases in revenue, which are considered to aid "healthy public finance," as propagandized by the Government, will only raise the expenditure. "The healthy public finance " chanted by the Government has all these drawbacks in both revenue and expenditure. Thus, one cannot, easily contradict the criticism that in the remote corners of the present budget there are seeds of inflation.

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ITEM 6 Make the Most of the Balanced Budget - Asahi Shimbun - 2 Mar 47.
Translator: J. Ide.

Full Translation:

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In formulating the budget for the 1947-48 fiscal year, the Government originally planned to present the total budget, amounting to 61,000,000,000 yen, in the hope that future emergency expenditures would be added in the form of a supplementary budget. Because of the sudden change in the Government's financial policy, that is, to withhold the supplementary budget, this year's budget had taken so much time to prepare that it was not completed until 1 March. According to the Government's estimate, this budget is so great that it finally topped the 114,500,000,000 yen mark. As compared with 114,500,000,000 yen of expenditures, the total revenue will reach 109,700,000,000 yen,

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EDITORIAL SERIES: 1561 (Continued)

ITEM 6 (Continued)

Finally, we urgently demand that the Government make the most of the budget in checking inflation. Needless to say, the progress of inflation cannot be checked by a mere financial measure, which, however, constitutes one of the strongest and most indispensable weapons for this purpose. Moreover, such a measure will be a relief to the people, who now feel uneasy regarding the future of the currency. Regarding the bank loans, which have been the key factor in inflation, the Government imposed a strong control over them yesterday. Therefore, monetary and financial measures for checking the current inflation have already been put into practice. It is necessary to push forward a strong and comprehensive measure for increasing our industrial production, by taking advantage of this golden opportunity.

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EDITORIAL SERIES: 1561 (Continued)

ITEM 6 (Continued)

which is to include 69,514,000 yen in tax and stamp revenues, 25,867 yen from Government enterprises and properties, and other revenue. Therefore, the deficit will total only about 4,800,000,000 yen. However, this budget is to include the capital provided by the Government for the establishment of the Reconstruction Finance Bank, the expense of issuing national bonds (with property tax as their collateral), and indemnities for the reconstruction of financial organizations which have been affected by the cancellation of war indemnities. Thus we can easily perceive, through this budget, a sound financial policy of trying to make both ends meet, instead of the previous deficit principle.

A balance between revenue and expenditures is imperative in order to check the current inflation. Under these circumstances, it is well for the Nation that the Government has finally succeeded in establishing a sound financial program.

We can see at a glance that the Government has abolished its traditional policy of presenting emergency expenditures in the form of a supplementary budget, after having already formulated the general budget. On the contrary, the Government now includes all possible expenditures in one general budget, and has made it a rule to refrain from making additional appropriations. In the budget for the 1946-47 fiscal year, the original budget reached only about 56,000,000,000 yen, out of 110,000,000,000 yen of the annual budget; the remaining 62,000,000,000 yen was appropriated in the form of a supplementary budget. Such a way of budget-making is likely to cause confusion regarding the annual plan of national finance. Therefore, the recent Government decision to refrain from appropriating supplementary expenditures is worthy of our consideration.

N.D. comparison

The next question is whether or not this budget will be in balance with the existing economic power of the Nation. Although the balance between revenue and expenditures has already been realized, this year's budget cannot be said to be sound national finance, unless it can match the economic power of the Nation. Estimates of this year's national income will differ depending on what methods are used in estimating. If income should be estimated at the 500,000,000,000 yen level, the total amount of this year's budget will reach almost 20 per cent of the income. Should the income be 400,000,000,000 yen, the budget will amount to 25 percent. In the UNITED STATES, the amount of this year's budget reached about 20 percent of the national income. Although circumstances within the two countries differ considerably, this comparison will serve to evaluate the judgment used in formulating our budget for this fiscal year. Judging from our traditional propensity for goods consumption, almost 65-75 percent of the national income has been allotted to this, and 20-25 percent, and 10-15 percent have been allotted, respectively, to financial and industrial funds. Consequently, in view of the restricted power of our economy, it is imperative to decrease the amount of funds for the people, in order to make feasible such a colossal budget. Since the livelihood of the people, especially that of the urban white-collar workers, has not yet been stabilized, there are many problems which have been left unsolved. However, such an estimate should be approved, as there is available a distribution program of national income.

Thus this year's budget can never be regarded as a recklessly enormous expenditure, when compared to the existing power of our economy. In order to secure the necessary revenue for this big budget, the taxes to be imposed upon the people will be increased gradually. However, the people should remember that the impending crisis will not be overcome unless we make up our minds to bear such a burden. At the same time, the Government should establish immediately a strict investigation system in executing the budget, for the purpose of preventing extravagance.

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ITEM 5 Social Democrats Reject General Budget - Jiji Shimpo and Mainichi Shimbun - 15 Mar 47. Translator: M. Miyoshi.

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2 2 3

Full Translation:

The Social Democratic Party rejected the general budget at its Executive Committee meeting on Friday. The party, after obtaining approval for the decision from its Diet Members Council, made overtures to the independents, the Communist, and the People's Co-operative Democratic Parties for active support.

Social Democrats, HOUE, Ryoji and MORITO, Tatsuo, will express their party's opposition to the Yoshida Cabinet and the lack of confidence in ISHIBASHI's financial policies. The former will address the Lower House Budget Committee on Saturday morning, and the latter will make a speech at the plenary session on the same day. Salient points include:

1 -- Delay in presenting the budget to the Diet, which has been caused by negligence on the part of the Government, has resulted in the loss of 20 days set aside for deliberation.

2 -- The Government regards its financial policy as sound, but in effect, it is promoting inflation.

The Government is planning to supplement its annual revenue through an increased rate of taxes and a rise in the prices of monopoly goods, which are both disadvantageous to the working masses. In this connection, the Social Democratic Party has naturally decided to reject the Bill for revising the Earned Income Tax Law.

In response to the offer of the Social Democratic Party, other parties of the opposition discussed their individual attitudes on the matter the same day. About half of the independents and the Communist Party decided to side with the Social Democratic Party.

The Social Democratic Party disapproved the budget at its Diet Members Council meeting on Friday. The People's Co-operative Democratic Party is showing reluctance in siding with the Social Democratic Party in its rejection of the budget. The reason is that the People's Co-operative Democratic Party, in spite of continued collaboration with the Social Democratic Party, has found it unprofitable to participate in a trivial quarrel between ISHIBASHI and the Social Democrats. In this connection, the People's Co-operative Democratic Party is expected to approve the budget on certain conditions.

The following are the reasons why the Social Democratic Party has decided to reject the new budget:

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1 -- Without curbing inflation, there cannot be any kind of sound finance.

2 -- Unless the livelihood of the producers is guaranteed, there can be no increased production.

3 -- The new budget does not include appropriations for the removal of reparations, which will naturally be presented to the Diet as a supplementary budget.

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ITEM 8 Finance Minister Ishibashi's Belief - Provincial Newspaper: Kahoku Shimpo (Sendai) - 7 Mar 47. Translator: I. Kuniko.

Summary:

The budget bill for the 1947-1948 fiscal year has been introduced in the Diet. The budget totals 114,500,000,000 yen, while the issue of deficit bonds is estimated to be more than 4,800,000,000 yen. We may well applaud the Government for its efforts to check inflation by limiting expenditures, but we doubt if the Government can put the budget into practice as smoothly as it expects.

It is feared that existing inflationary conditions may produce expenditures to an unlimited degree. Therefore, we cannot be optimistic concerning the budget. If the expenditure provided for in the budget are to be carried out in one year, there is no other way but to resort to a monthly budget.

What must be noted, moreover, is that Finance Minister ISHIBASHI is still optimistic concerning the future of inflation, thinking that last year's budget has not aggravated inflation so seriously. In fact, the present inflationary situation is not so grave as we fear. The reasons to be considered are twofold: one is that despite the labor offensive since last autumn, the working masses have not been paid any better. The other is that last year's budget has left a little sum of money unexpended because of business delays of idle officials. Even though the tempo of inflation was slowed down because of this, we cannot minimize the gravity of inflation.

It is obvious that in the new fiscal year, the rise of prices will far exceed the delayed expenditure by the inefficient officials. If Finance Minister ISHIBASHI thinks more seriously on this matter, he may be unable to sleep well at night because of the unsettled conditions. Meanwhile, ISHIBASHI is still optimistic, stating that the Government has made thorough preparations to deal with inflation. We think, however, that to make any complete measures to deal with inflation is one thing and to stop inflation is another. Really, inflation is suddenly speeding up its tempo. This suggests that despite the efforts of the Government, inflation is approaching its final stages.

We believe that Finance Minister ISHIBASHI must have complete optimism in looking confidently at the serious economic crisis. We may well surmise that the Government intends to preserve the profits of the capitalists by lowering the living conditions of the laborers, or it has become aware of its incompetence to tide over the crisis. If the Government moves to do the former, the laboring classes must arise bravely to protest against it. In the case of the latter, Finance Minister ISHIBASHI should quickly retire from his position.

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ITEM 12 Decision on Budget Bill Postponed - Yomiuri and Jiji - 16 Mar 47.
Translator: Y. Akabane.

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Summary:

At the plenary session of the House of Representatives on 15 March a resolution urging an early introduction of the remaining bills and their speedy deliberation was introduced. Speaker YAMAZAKI read the resolution and it was unanimously approved.

In this connection, ASANUMA, Inajiro, Social Democrat, requested the Government's views on the following two points: (1) The relation between the date of election to be publicly announced on 31 March and the prolongation of the session; (2) The Government's plans regarding the amendment of the Election Law to adopt the medium constituency single ballot system.

Home Minister UEHARA replied: "The matter of the duration of the session is to be decided according to the progress of the deliberations on the bills introduced, and it cannot be decided now. According to precedence, the session should close on 27 March, but it is necessary for the present session to pass laws supplementing the new Constitution.

"The medium constituency single ballot system is thought preferable as a temporary measure to the small constituency single ballot system, which is the ideal method and which will be introduced ultimately in the Election Law. At any rate, nothing concrete has yet been formally decided in this respect, and whether the medium constituency system is realized or not will be decided by the trend of the political situation."

The Government then proposed a bill for the partial amendment of the Emergency Materials Demand and Supply Adjustment Law. After an explanation by Finance Minister ISHIBASHI, it was referred to the Statistics Law Committee.

"(3) The present budget is compiled on the basis of revenues from such mass taxation as the income tax and the indirect tax, while black-market profits are untouched. Such a budget that burdens only the working masses must be opposed."

KOMINE, Ryuta, Liberal, approved the bill unconditionally, whereas TOKUDA, Kyuichi, Communist, supported the Social Democrat's move and voiced the Communists outright opposition to the draft budget.

ITEM 4 Price Board Opposes the Budget - Asahi Shimbun - 2 Mar 47.
Translator: K. Sato.

Full Translation:

According to the budget for the 1947 fiscal year, the exemptions of the earned income tax have been raised, and tax rates on commodities have been modified, thereby apparently alleviating somewhat the economic burden on the working masses. Meanwhile, taxes on other items were, for the most part, raised. The Peace and Corona brands of cigarettes will be set at 30 yen each, the HIKARI at four yen, and the KINSHI at 2.50 yen. Grade A sake will cost 120 yen per Sho (0.48 gallon), and Grade B will cost 90 yen, and a bottle of beer will cost 20 yen. These are 2.5 to 3.5 times the present official prices. Also, the prices of matches, salt, passenger fares, and electric supply will be advanced in proportion. The Government is now in the midst of a price-raising spree. It may be anticipated that a "Spring Offensive" will be launched by the prices themselves. What will the people, who have been destitute for years, do they? In this regard, Vice-president KUDO of the Price Board has stated as follows:

"With the publication of the Government's new plan, I fear that demands for higher wages will be renewed by Labor, and other prices will rise in line with these Government monopoly articles. The Price Board is naturally opposed to such measures. Although we expressed our disfavor to the president (Finance Minister ISHIBASHI), the finance department's desire to "balance expenditures and revenue" was considered of paramount importance in formulating the budget. The financial balance of the State is essential, of course, but we cannot apprave these measures, since they directly threaten the people's livelihood. I wonder if they are capable of enduring greater hardships. At any rate, the economic problems of a defeated nation are difficult enough to handle. They cannot be weathered by theoretical debates or formalities. We should realize that graver issues may be brought about ... if the people's living is driven into a state of chaos. The bill ought to be examined in detail by the people's representatives in the Diet, before it becomes a reality.

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ITEM 5 Details Of Postwar Adjustment Expenditure - Nihon Keizai Shimbun - 4 Mar 47. Translator: T. Mitsuhashi.

Full Translation:

Postwar expenditure amounting to 27,000,000,000 yen, will necessiate either revisions in the present financial program or the compilation of a supplementary budget if reparations expenses amount to an unexpectedly large sum. The purpose of an additional appropriation of 10,000,000,000 yen over the original estimates of 17,000,000,000 yen is to include the reparations expenses if they come to only a small amount. The details of the increased appropriations are: wage expenses, 1,000,000,000 yen; housing expenses, 2,300,000,000 yen; barrack building expenses, 3,000,000,000 yen: general construction expenses, 2,500,000,000 yen; commodity purchase expenses, 1,000,000,000 yen; and miscellaneous expenses, 200,000,000 yen.

The details of the total appropriation of 27,000,000,000 yen are: pay expenses, 2,968,000,000 yen; housing expenses, 5,485,000,000 yen; barrack building expenses, 4,500,000,000 yen; general construction expenses, 3,500,000,000 yen; commodity purchase expenses, 4,918,000,000 yen; various rents, 661,000,000 yen; various expenses, 1,706,000,000 yen; miscellaneous, 1,521,000,000 yen, including 1,000,000,000 yen for railway and communication expenses; and management and repairing expenses of factories designated as reparations items, 727,000,000 yen.

ITEM 11 Lower House Budget Committee Passes Draft Budget - Jiji Shimpo - 16 Mar 47. Translator: Y. Akabane.

Full Translation:

The general meeting of the budget committee of the House of Representatives was opened on 15 March. The chairman of each of its five subcommittees reported on his subcommittee's findings. Then TAKEDA, chairman of the general meeting, asked for the Government's viewpoint relative to the repatriation of Japanese from overseas areas, to which State Minister SHIDEHARA replied as follows:

"Repatriation from the Soviet occupied areas and SAGHALIEN is now suspended chiefly due to the difficulties involved in land transportation; so, with the re-establishment of transportation facilities, the repatriates return will be accelerated. In the South Seas area, about 15,700 Japanese are awaiting passage from the NETHERLANDS INDIES to JAPAN. These are expected to return home by the end of May. Repatriation from the other areas has already begun, and the earliest group will arrive in JAPAN about 19 March. Inquiries concerning missing persons are being handled to the best of our ability."

In response to another interpellation from Chairman TAKEDA, regarding relief measures and the reception setup for repatriates; Welfare Minister KAWAI stated, "Two countermeasures are being taken, one for the acceptance or accommodation of the repatriates, the other for their settlement. As regards the former, the work is being carried out fairly well. In respect to the latter, however, practically nothing satisfactory is being done because of the prevailing economic and social situation. However, the Government is doing everything possible for their relief."

The interpellations were thus brought to a close. Next came a joint discussion of all the financial bills submitted. KAMIBAYASHIYAMA, Eikichi, Liberal, and HIBINO, Tamihei, Progressive, delivered speeches supporting the bills. INOUE, Ryoji, Social Democrat, demanded the recompilation of the draft budget for the 1947-48 fiscal year, backed by his strong contentions for countermeasures to overcome inflation, the suspension of payment of interests on national debentures, the creation of a tax to overcome inflation (to be imposed on big new yen profiteers), and the speedy establishment of a countermeasure for the acceleration of quota rice delivery. The discussions were brought to an end with the approval of the bill by KAWANO, Yoshimitsu, People's Co-operative. The vote was taken and all the bills were approved as drafted. The meeting adjourned at 1443 hours.

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ITEM 7 1947-48 Budget Approved - Yomiuri Shimbun - 26 Mar 47. Translator: K. Hirata. (GS)

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Summary:

The Budget Committee's general meeting in the Upper House was re-opened yesterday at 1330 hours. The following items were unanimously approved:

(1) expenditure and revenue estimates for the fiscal year 1947; (2) the special accounts for the fiscal year 1947; (3) the additional total estimates for the fiscal year 1946; and (4) the additional special accounts for the fiscal year 1946.

ITEM 6 Fiscal Year to be Extended - Nihon Keizai Shimbun - 26 Mar 47. Translator: U. Futonaka. (GS)

Full Translation:

2231

The Financial Institutions Management Emergency Measures Law provides that the fiscal year for those institutions following their designation shall, as a general rule, come to a close on 31 March. The Finance Ministry, however, made an amendment yesterday in a portion of the regulations relative to the application of the law. This amendment will make it possible to extend the present fiscal year into the next one, since the appraisal standards for the institutions remain undecided. This situation makes it impracticable to settle their accounts for the current year.

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ITEM 12 Tokuda Blasts Ishibashi's Budget Finance - Akahata - 12 Mar 47.
Translator: J. Weiller.

Summary:

The present budget was introduced only two days ago, and in answer to my party's request for minute data, the Government replied that as the data were at press, they would be ready within three or four days hence. Where does democratic deliberation come in without data and time? Neither is shown a tabulation of the people's earnings nor the price units which are absolutely vital for deliberation on the budget. Deliberation on the budget without knowing units of price is utterly useless. Finance Minister ISHIBASHI calls this a perfect budget. In appearance, yes, because it makes both ends meet, but in substance, it is an unhealthy budget encouraging the black market and inflation. This budget appears to have been drawn up based on the prices as of October or November last year, but from then to the end of January, the index figure of wholesale prices in TOKYO went up by 18.6 per cent while that of black-market prices published by the Metropolitan Police Board shows a rise of 36.7 per cent. Moreover, it is generally believed that the actual price increased by 50 per cent at the end of February. The foundation of this budget is already shaking, and yet the Finance Minister calls it healthy.

The estimated income by taxation is 68,700,000,000 yen, which is over three times that of 1946. Including additional tax, the income tax, which forms the main part of taxation, is 44,300,000,000 yen, which is also over three times that of last year. All the same, the earned income tax and the second class business income tax are reduced -- my party's demand is the total abolition of them --, and

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ITEM 12 (Continued)

furthermore, according to the outline of the taxation system reform, the maximum tariff ratio on income tax is to be reduced from 95 per cent to 75 per cent. That is to say, by reducing levies on both top and bottom strata, the Government is to concentrate collections from the middle stratum. In view of the present condition in JAPAN, failing to catch hold of large-scale black-market profits, the collection of such a huge amount of tax is virtually impossible, because only black-market operators are making big profits, while those who are in healthy businesses are all losing, which is to be expected of such low official prices as to hardly cover the cost of production. Unless the black-market profiteers are taxed an increased tax, an increase in income can never be expected, and yet the Finance Minister declares that the new-yen classes will not be taxed. His replies to both the Social Democratic Party's and Comrade NOSAKA's interpellation that he is never going to tax the new-yen classes, go counter to the purport of this budget, because as I have just stated, nobody else but these classes are realizing a huge income.

The so-called new-yen classes can be divided into two categories. One includes those who command big capital and are conspiring with a control company or high government officials, or who, putting many black-market operaters under them, get a lion's share of their profits and are organizing racketeers to attain this purpose. The other category consists of small black-market traders who have restored to blackmarketing as a result of their employment. What we call the black-market profiteers belong to the former category.

In spite of the above fact, the Government, according to the new Income Tax Law, is to collect tax on the basis of what these merchants declare to be their incomes, but who can expect honest declarations from such unlawful groups?

The Government announces its intention to set up lecture courses for the revenue officers and to increase both offices and personnel so that it may collect taxes from big concerns and earners, but this is merely a show, for the Government, on the other hand, prohibits the investigation of bank deposits and detailed examination of the financial conditions of the concerns; that is, it refuses to reveal commercial secrecy. Disclosures of this commercial secrecy would certainly reveal ugly spectacles when the conspiracy between high government employees and big capitalists is considered. As it is guarded by authority, no revenue officer is expected to attain the desired objective. What the Government is doing is persecuting small blackmarketeers, who, owing to hardships, cannot live otherwise than by shady transactions.

It is said that over 30,000 men were prosecuted as violaters of the Economic Law in the past few months. Such petty persecution makes the situation worse, as it will drive the daily necessities from the market and, on account of the risk involved, will send the prices higher still, while the black-market organizers who are protected by the government authorities and resorting to violence get all the more profit. This reveals the government attitude of protecting the black-market profiteers.

Last year the Government attempted to levy an excessively heavy tax on the farmers in the shape of the Second Class Business Income Tax, but when it met their stout opposition, the Government agreed to cut it in half. This tax was introduced based on the idea that the farmers were making profit on the black market, but it never tried to collect from bigger profiteers than the farmers.

The Finance Minister is scaring the uninformed by creating the impression that the tax on new yen means a tax on each and every 100-yen note and is creating the impression that the new yen is to be frozen by that term; he is saying that it is he who is saving them from such a predicament. Herein lies his election measure, and he is making election propaganda through this financial deliberation.

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ITEM 12 (Continued)

The Government pledged that it would lift the 700-yen ceiling during February, but instead of carrying out its pledge, it proposes to freeze the first blocked account. Freezing this blocked account, the compulsory savings of the balance of the working masses' wages after they drew the permitted amounts, is tantamount to robbery of their savings, and it is undisguised protection of capitalists. If inflation is aggravated, the Government assurance against freezing the new yen will have no effect, as it has never carried out any one of the pledges it has made.

The Government is doing absolutely nothing for the relief of the unemployed; hence it is no wonder they are forced to eke out a livelihood in black-market operations. The blame is not on them but on the Government which does not assure the laborers' and farmers' livelihood.

Last year the Government appropriated 3,400,000,000 yen for relief and welfare and 6,200,000,000 yen for public enterprises, and I want it to let us know how it spent the sums. According to last year's budget, the Government estimated 300 yen for a family of five, that is 60 yen per head. How could they live on such a meager sum?

Indirect taxes and consumption taxes, a big burden on the masses, constitute a great part in the government revenue, these will greatly raise the people's living expense and accelerate inflation.

How does the Government compute the price units of the public enterprise expense? It was 17 yen per head per day last year, but perhaps it is 20 or 30 yen this year. Actually, all these sums are spent to bulge the contractors' pockets. How many unemployed men does the Government intend to save?

The Government is trying to sacrifice the other industries by concentrating its energy on coal and iron production, but in linking the coal with iron and steel production, coal amounting to 80 per cent of the program was supplied to iron, but only 17 per cent in mining material was given in return to coal from iron. Since the inception of the government key production plan in January, both the coal and iron output is decreasing. Nevertheless, the Finance Minister talks as if the output is increasing and 30,000,000 tons yearly production is possible, and thus he is misleading the public in a blissful delusion. So long as there are ceiling prices, increased production can never be anticipated.

The Government announces its intention to supervise the expenditure of the enterprises, but when we see that the officials, who are supposed to oversee the account, are collaborating with thieves, tightening of the rule is of little use. Efficient use of funds can only be practicable by means of amalgamation and nationalization of banks and the people's control of them. The 10,000,000,000 yen in savings, which the Finance Minister talks about, is profit by means of black-market transactions. In order to stamp out the black market, the key industries, coal, fertilizer, electricity, sea and other principal transportation, must be nationalized and put under the people's control, and the state railways and communications under the people's control, so that the people may really put confidence in the operation. The Government does not reveal the unit of price in connection with the most important postwar management expense. Under the capitalistic operations the supervision by the present bureaucrats is of no use. All these enterprises should be placed under the people's control and the jobless men be employed for the purpose, then the expenses will be reduced to one third.

The Imperial Household expense is increased to 23,000,000 yen against 4,500,000 yen last year. Since the Imperial Family is in the same status as the people, their living expenses should be the same as the people. What kind of lives are they leading? Show us the units.

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ITEM 12 (Continued)

Ten billion yen is appropriated as indemnity to the monetary organ. As the banks are realizing a big profit charging over 10 per cent interest per month, such an indemnity is entirely unwarranted.

By leaving rations overdue, we fail to understand why the Government so tightens the law over those who are obligod to go out for buying food from farmers, and over small black-market traders. It is telling the people to starve. Over 10,000,000,000 yen was spent for the price adjustment fund. The double price system is spurring the black market. In its place the Government ought to revise the rice price to cover the cost of production.

The reconstruction of dwelling houses is in the hands of the local autonomous bodies, but as they are all financially insolvent nothing will come out of them if the matter is entrusted to such bodies.

Regarding the differential in price profit, Chief of the Taxation Bureau NODA told us last year that the 1,500,000,000 yen then appropriated was 10 per cent of the whole, so that there ought to have been 15,000,000,000 yen. But, as this sum represents a half, the actual amount must have been 30,000,000,000 yen. Nonetheless, only 1,000,000,000 yen is appropriated this year. Why? This year's revenue is supposed to be based on last year's actual figures. There was more of a rise in official prices last year than the year before last, and yet smaller amount is shown. It is clear that there are more than 1,000 times more goods hoarded, and the Government should uncover and appropriate them to key industries, but to benefit big capitalists who are hoarding goods, the Government is enforcing the so-called key production system with stress on coal and iron.

The public rationing office plan is for strengthening the bureaucratic control and will inflict more hardships on the people, while at the same time it will benefit the black-market profiteers and help inflation.

The restoration of private schools does not, of course, mean that of buildings only. As the present-day teachers of the private schools are being paid only one third of their living expense, the schools are neglected entirely. Is not the Government indicating some definite policy regarding their payment? This budget draft is not based on a rational foundation. ISHIBASHI says that he is going to execute this budget with great confidence, but where there is no rationality there can be no confidence. It is coated with healthiness, but it is really a criminal budget to stir up black-marketing and inflation. While protecting the big capitalists and big black-market operators on one hand, it is driving the people into destitution on the other. The execution of such a budget is certainly asking for an economic ruin which will be beyond remedy.

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Ishibashi Exhorts Nation in Speech Defending Budget

(Continued from Page 1)

to increase the production of coal was the most urgent step for industrial recovery as a whole. Accordingly, unremitting efforts have been made in this field since last year. Thus in the 1947-48 fiscal year a goal of 30,000,000 tons is fixed, for the achievement of which preparations are steadily being made."

I do not think it is possible to reach the goal of annual output of 30,000,000 tons of coal.

There may be many causes which brought about the rise of commodity prices since October, last year, but the main cause must be attributed to the delay of distribution of staple food in Tokyo. For this the Government feels a great regret.

"The government has decided to send out rice which has been bought up in rice producing prefectures to clear up delayed rationing of staple foods in consumer localities. This is indeed a vital injunction for the rebuilding of Japan.

"Thus if rationing of staple food can be carried out according to program I believe that the biggest cause for the recent soaring of commodity prices can be eradicated. Another important reason for the highly inflated prices is that various controls are not being effected perfectly. I think that the control of blackmarket dealings has on the contrary, forced commodities underground. Measures are being taken to correct this situation.

If it becomes clear that Japan is not making full use of its resources of manpower and materials, that is, is not bending all its efforts, I am afraid that we shall be unable to expect assistance from the Allied Powers.

"Thus it becomes necessary for the government to do all it can to insure that there will be no mistake in enforcing all necessary measures.

"The work of reconstructing finance after defeat bristles with difficulties. We must be prepared to endure all manner of hardships in the maintenance of life. But the future is not dark. There are cogent reason for us to believe firmly that we shall be completely successful in overcoming the present emergency and in reconstucting Japan."

MAR 1 1947 NIPPON TIMES

DRASTIC REDUCTION IS MADE IN OUTLAYS; SET AT ¥59 BILLION

Demands of Ministries Chopped Down From ¥200 Billion To Balance Budget

Firmly insisting upon a strict retrenchment policy to overcome the present inflation trend and to rehabilitate the nation's economy, the Finance Ministry decided to slash the general accounts budget for the 1947-48 fiscal year to ¥59,100,000,000, at the budget formation conference held Monday and Tuesday. Demands submitted by various ministries had totalled more than ¥200,000,000,000, but the Finance Ministry drastically cut down these amounts so that the budget revenues and expenditures would be balanced.

The general accounts budget for the next fiscal year is cut down to ¥59,100,000,000, because the revenue for the period is estimated to be not more than ¥60,000,000,000. In order to ensure a sound financial policy, it is absolutely necessary to appropriate the outlays within the amount of revenue.

Important items included in the next fiscal year's general accounts budge are ¥9,000,000,000 for public enterprises, ¥7,000,000,000 for national bond issues, ¥2,400,000,000 for rehabilitation of the people's livelihood, ¥1,300,000,000 for adjusting rice differences ¥1,000,000,000 for meeting the loss of the Civilian Maritime Commission, ¥1,000,000,000 as reserve funds, ¥3,600,000,000 for repatriation expenses, ¥600,000,000 for medical facilities, ¥500,000,000 for the agrarian reform program, ¥100,000,000 for people's health insurance expenses, ¥200,000,000 for judicial system improvement expenses, ¥60,000,000 for agricultural insurance expenses and ¥31,700,000,000 for other items.

¥69 Billion Revenue Seen

The total revenue for the next fiscal year, on the other hand, is estimated at ¥69,000,000,000 if the present tax rates and prices of tobacco and sake are maintained. Tax revenues will total about ¥32,000,000,000 and revenues from State enterprises and properties and other miscellaneous sources will be about ¥37,000,000,000. But if the exemption limit of the composite income tax, the basic exemption limit of classified income tax and the reduction for dependants in calculating income tax are raised, as demanded by the labor offensive, a reduction of about ¥15,000,000,000 will be caused in tax revenues. Thus it is expected that the Government will reexamine the present taxation system and effect radical tax-rate increases.

Under such circumstances it is observed that although the Government may be able to balance the revenue and expenditures in forming the next year's budgets, the total expenditures will after all be considerably greater. Unless the extreme retrenchment policy announced by Finance Minister Tanzan Ishibashi for conquering the inflation tendency is fully carried out, it will be impossible to stop the monetary inflation.

JAN X 1947 NIPPON TIMES

¥114 BILLION BUDGET APPROVED BY HOUSE

Passed After Heated Debates; Reds Voice Disapproval, Socialists Demand Redraft

Both the House of Representatives and the House of Peers will remain adjourned today.

The ¥114,500,000,000 budget bill for the 1947-48 fiscal year was approved by the House of Representatives Saturday at its plenary session and sent over to the House of Peers.

The bill was earlier approved by the Budget Committee which held its last session at 1 p.m. and immediately submitted it to the House plenary session.

Chairman Giichi Takeda, Liberal, of the Budget Committee reported on the committee's finding and the vote was taken following heated debates by representatives of all parties. They were Ryuta Komine, Liberal; Zentaro Kosaka, Progressive; Tatsuo Morito, Social Democrat; Yoshimitsu Kono, People's Cooperative; and Kyuichi Tokuda, Communist.

The Liberal and Progressive representatives expressed unconditional approval of the budget plan. The People's Cooperative Party approved it on condition that it carried a rider while the Social Democrat demanded that the bill be returned to the Government for redrafting. The Communists voiced outright disapproval.

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IPS 10 Policy Used in Drawing up Next Year's Budget - Asahi Shimbun - 4 Oct 46. Translator: T. Okamura.

Summary:

The Government is now studying the policy to be used in drafting next year's budget. As is clear in the budget for the current year, there are many items the curtailment and readjustment of which are either difficult or impossible to effect, and they occupy the major portions of the budget. Further, the expenses accompanying the repatriation of the citizens overseas, which were originally designated to be cancelled after the expiration of the current year's budget, are again to be included in the next year's budget. Besides, there are still many other expenses, such as social welfare and economic reconstruction expenses, and those related to reparations. On the other hand, since the major portion of the revenue from the property taxes will be consumed within the current fiscal year, while the proceeds of special revenues are also expected to be spent during the same period we cannot expect much temporary revenue. As a natural consequence of a series of measures designed to increase tax revenue during the war years, a conspicuous increase in revenue cannot be effected. It is very likely that the new fiscal year's budget will be very difficult to formulate. Further, since the prevailing financial upheaval will not be settled within the year or by next year, the next year's budget, under the pressure of inflation, will be even more difficult.

We would like to point out that solution of the following problem is vital, if we are to successfully work out next year's budget: Firstly, it is important to make the budget productive. Since large amounts of expenditures for social welfare, reliefs and public enterprises are expected to be included in the next year's budget, we must devise means to spend them productively. These expenses must be utilized so that they may arouse production, thereby contributing much towards the stabilization of the national economy. However, we must be aware that it will take some time before production can display its expanded scope, and that it will accelerate the pressure of inflation, if the Government increases the purchasing power of the nation. Accordingly, it goes without saying that loans should not be issued

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ITEM 10 (Continued)

recklessly, even if the enterprises are productive ones. Under prevailing currency conditions, it is advisable that we curtail the expenditures as much as possible.

Secondly, it is necessary that we plan our enterprises, so that they may fit in with the State's fundamental economic reconstruction policy. We understand that the Economic Stabilization Board is now drawing up JAPAN's economic reconstruction program, and we would like to advocate that it should also establish precise programs in the budget, too.

Thirdly, it is advisable that we aim at participation in the Allied International Currency Fund. According to the yearly report made by the president of the International Rehabilitation and Development Bank, the bank will shortly begin operation. The authorities of the International Currency Fund have also made it clear that they intend to start their activities next spring. JAPAN is being occupied by the Allied Powers, and participation in the International Currency Fund will be taken up after the peace conference. We cannot overlook the participation of JAPAN in the International Currency Fund, when we consider our financial and economic problems at present, because the peace conference will probably be held in the near future. In order to increase the country's power to settle the international balance of payments, and also to have resources development funds for rehabilitation supplied by foreign countries, JAPAN must participate in the International Currency Fund, and her normal activities can only start after her participation in the Fund has begun. However, the participation in the Fund means the reversion to the gold standard system, which causes the currency of the member countries to undergo devaluation, and prohibits in principle the control of exchange. JAPAN is prohibited from pursuing a policy designed to effect an equilibrium in exchange. She can no longer devaluate her currency, when her import has exceeded her export, after her participation in the International Currency Fund has begun. Therefore, in participating in the Fund, it is imperative for JAPAN to realize what her real financial and economic situation is beforehand; a hasty decision might be detrimental to her future. Directly, the preservation of gold and the renovation of export industries are necessary, but a drastic stabilization of finance is also important. Without the stabilization of finance, there can be no reconstruction of the monetary system.

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It is clear that the Government will follow a sound financial policy in making up the next year's budget, and we would like to advise that it should follow a sound preparation policy, advancing step by step, toward its established goal.

During the war, JAPAN's resources were almost entirely consumed, her equipment was badly damaged, and the scale of her industrial equipment was drastically curtailely due to reparations. It is utterly impossible for her to attain, economic balance by mere financial techniques. Thus, it is necessary to decide the standard of the national economy. The standard should be fixed in accordance with the State's economic power. It will not be an easy task to accomplish, but it must be done in order to protect the national economy from destruction by inflation. To fix the stabilizing point between the wages and prices is indeed a difficult problem.

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ITEM 5 Compilation of Next Year's Budget, and Inflation - Asahi Shimbun - 2 Nov 46. Translator: R. Shibata.

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Full Translation:

Now that the prolonged food crisis has ben alleviated to a considerable extent, the trend of national finance is of the utmost importance as the most powerful factor in inflation. As a result of a pile of supplementary budgets, it is considered inevitable that the national budget for this year will largely depend on bonds as a means of covering its deficit. Considering these circumstances, the compilation of next year's budget is most noteworthy in view of its decisive effect on inflation. It is of the utmost significance that the Government has announced its policy concerning the compilation of next year's budget based on the idea of curbing inflation. It is considered the Government should resort to the issue of national bonds as a means of covering expenditures which surpass the total income, including revenue from monopolies and proceeds from the disposal of national properties. It is also believed that the absorption of bonds depends mainly on the savings of the people. Thus, the Government's policy is based on the principle of issuing bonds on the open market. Along with this policy, the Government campaign to encourage public saving has become very significant to the compilation of next year's budget. Furthermore, not only the financial funds but also the funds for industrial rehabilitation, generally depend on the people's savings. Therefore, both types of funds are confined to the total amount of the nation's savings. The Government policy may be called appropriate because curbing inflation necessitates that all funds, both financial and industrial, be limited to the amount of accumulated capital. However, why has the Gowernment been unable to put such obvious policy into practice? The realization of the annnounced policy will depend entirely on the efforts of both the Government and the people. To provide the necessary funds, the increasing amount of free deposits apparently must be raised three or four times the present average amount, 1,500,000,000 yen per month. This cannot be attained by mere encouragement and propaganda. It is impossible to expect a large amount of savings without providing the people with the prospect that the value of currency will be stabilized. Aside from the tendency of the amount of currency in circulation to increase the provision of this prospect mainly stems from the possibility of increasd production. However, we are inclined to doubt that the Government has been prepared for this point. The Commerce and Industry Minister's address at the prefectural governors' conference justifies our doubt. He said that the sluggish production of such essential materials as coal, iron and steel has been seriously affecting various industrial activities such as coal mine repairs, maintenance and repair of railways, and the restoration of the textile industry. He added that this unwelcomed condition will continue for the time being. Under the circumstances, we cannot be optimistic for the future of the Government campaign to encourage people's savings. After discussing matters in this way, we come to consider it particularly noteworthy that the Government, in its announcement on the policy for the compilation of the budget, stated as follows:

"In view of the extreme reduction in our economic power and a serious shortage of essential materials, the Government will petition The Allies for their assistance in our economic reconstruction."

We do not think JAPAN is suffering from a shortage of equipment and labor. Although there may be other obstacles in the way of the revival of production, there is a strong possibility that the appropriate supply of essential materials will successfully activate production and expedite the operation of all of the economic machinery. If production increases in this manner, it will bring about an increase in the national income, thus, enlarging the limit of people's savings. This will eventually result in an ample supply of financial and industrial funds. With this in mind, we hope, the Government will make an intense effort to obtain the support of the Allies.

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ITEM 7 New Budget Principles Lack Thoroughness - Nihon Keizai - 2 Nov 46.
Translator: K. Onishi.

Full Translation:

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1. The Government has announced its principles for next year's budget. In its statement, the Government explained the present economic difficulties and stated that there is no necessity for evading bond-issue, unless issued beyond the limit of national savings; that, if occasion requires, it would be better to issue bonds to meet deficits than to levy heavier taxes. It was concluded that, judging from present economic conditions, it would be possible to avoid a fatal aggravation of inflation, provided the correct diposal measures are taken. Based on this conslusion, the following policies have been revealed:

The acceleration of our inflation is mainly, if not solely, due to income deficit. Naturally the people feel greatly concerned about this. Our national finance must provide for enormous expenditures, not only in the next year but in subsequent years as both a direct and indirect result of the defeat. It is generally expected that the establishment of truly healthy finance will be difficult. The Government statement acknowledges this, but it also should only spur the Government to greater efforts to establish sounder finance.

Bond-issue as the final measure is widely different from issuing bonds in anticipation deficit income.

3. The ministries, which are notorious for their competition to secure as large a budget allocation as possible, will resume such activities, if they find the budget principle slackened in any degree. Therefore, the Government should adhere to the principle of establishing a healthy finance, and carry out thoroughgoing administrative adjustments. Mere curtailment of structure or personnel, as suggested in the statement, is far from sufficient. Now offices are being established and new personnel appointed. But we have not heard of offices being closed or personnel dismissed when no longer useful. We are afraid that new offices benefit the expanded officialdom, or at least may become means to prolong the terms of their services. For example, almost all of the present control organs are uselss if not actually detrimental. They cause unlawful transactions, redouble traffic congestion, and make prices advance. They are the source of all evils. They all serve the private interests of those who are concerned with control; they themselves profit at the sacrifice of the vast majority of the people. They must be destroyed by drastic retrenchments in finance, or the future of JAPAN's econony will never be clarified. We must be wide awake to the dreadful evils resulting from inter-ministry competition for more budgetary allocations, caused by the slackened policy of maintaining healthy finance and the consequent neglect of administrative adjustments. We do not mean to uphold any mechanical balance between income and expenditure, but we must no forget the fundemental policy ofmaintaining a healthy finance.

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ITEM 7 (Continued)

holds the view that finance based on deficit speding and bond-issue to meet it will not necessarily ruin finance, as long as the bonds can be absorbed by national savings.

2. It is genrally acknowledged that while our financial power has diminished considerably since the defeat, enorrous expenditures are unavoidable. It is also reasonable to say that bond-issues within the capacity of national savings do not instantly accelerate inflation. However, if the Government should indulge in such an idea or interpretation and readily abandon the fundamental principles, or policy, of healthy finance, nothing could be more dangerous. Of course, the Government statement says nothing of abandoning a healthy financial policy in the next year. But since it lacks the strong will to establish a healthy finance, we cannot dispel our suspisions. Establishment of healthy finance is clearly difficult, but great difficulties should only spur the Government to greater efforts to establish sounder finance.

Bond-issue as the final measure is widely different from issuing bonds in anticipation deficit income.

3. The ministries, which are notorious for their competition to secure as large a budget allocation as possible, will resume such activities, if they find the budget principle slackened in any degree. Therefore, the Government should adhere to the principle of establishing a healthy finance, and carry out thoroughgoing administrative adjustments. Mere curtailment of structure or personnel, as suggested in the statement, is far from sufficient. Now offices are being established and new personnel appointed. But we have not heard of offices being closed or personnel dismissed when no longer useful. We are afraid that new offices benefit the expanded officialdom, or at least may become means to prolong the terms of their services. For example, almost all of the present control organs are uselss if not actually detrimental. They cause unlawful transactions, redouble traffic congestion, and make prices advance. They are the source of all evils. They all serve the private interests of those who are concerned with control; they themselves profit at the sacrifice of the vast majority of the people. They must be destroyed by drastic retrenchments in finance, or the future of JAPAN's econony will never be clarified. We must be wide awake to the dreadful evils resulting from inter-ministry competition for more budgetary allocations, caused by the slackened policy of maintaining healthy finance and the consequent neglect of administrative adjustments. We do not mean to uphold any mechanical balance between income and expenditure, but we must no forget the fundemental policy ofmaintaining a healthy finance.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ECONOMIC SERIES: 1573 (Continued)

ITEM 17 This Year's Budget to be Met With Property Tax and Special Tax - Nihon Keizai Shimbun - 17 Nov 46. Translator: H. Yoshida.

Full Translation:

The Government is making an examination of the regular budget for this fiscal year, to be submitted to the extraordinary and the ordinary sessions of the Diet. Before the extraordinary session will be laid a budget for rice subsidy amounting to almost 10,000,000,000 yen, and before the ordinary session an additional budget, owing to the rise of prices, amounting to 15,000,000,000 yen, for expenditures, including those for occupation, will be presented. For this purpose the Government will resort to the revenue from the property tax and the war indemnities special tax. Thus the revenue from the former source of 43,500,000,000 yen, and from the latter of 7,000,000,000 yen, will all be consumed, by these expenditures, together with other expenditures already calculated.

The special borrowings by the Government, which are attracting much attention with regard to the war indemnities special tax, amounts to 14,000,000,000 yen. This includes 9,950 items with taxes amounting to 9,294,000,000 yen in connection with extraordinary war expenditures; 3,330 items and 1,750,000,000 yen in connection with ships; 192 items and 2,129,000,000 yen in connection with the subsidies given to the local autonomous bodies for evacuation expenditures, 2,000,000 yen for the purchase of forests by the Ministry of Agriculture and Forestry, 8,000,000 yen for special settlement of accounts among non-official persons, and 817,000,000 yen given to special organizations. Of these about 11,000,000,000 yen will be taxed, including a special settlement for commodities delivered before the end of the war, and excluding that given to local autonomous bodies and special organizations, that paid by the Ministry of Agriculture and Forestry for forests, and that necessary for special settlements of accounts among non-official persons, which amount in all to about 3,000,000,000 yen. But the special borrowings by the Government, left unsettled after the taxation, will, it is estimated, amount to about 4,000,000,000 yen, as the exemption rule does not apply in their case.

The Ministry of Finance decided to give the creditors of this 4,000,000,000 yen debt, registered national bonds, and promulgated on 16 November a ministerial ordinance which was put into effect on the same day. By this measure, the special borrowing of the Government, bearing no interest, with transfer and mortgage forbidden, will be replaced by registered national bonds, placed under the same terms and conditions with the ordinary national bonds, issued at their face value and bearing 3.65 percent interest. The registration will be made by the Government after January of next year when the amount to be left unsettled becomes certain, so that the creditors will not become involved in any complicated proceedings. Certificates will be given after cancelling the registration, if required by the creditor.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

1947-48 General Budget To Reach Record Aggregate Of ¥200-Billion; Ishibashi Finance May Be Revised

Considerable Amount Of Red Ink Bond Issue Is Regarded As Certain

With the Government now preparing for the compilation of the general budget for the 1947-48 fiscal year, the estimates of the budgets to be claimed by the Ministries are likely to reach the unprecedented total of approximately ¥200-billion.

The budget estimates for the next fiscal year have already been submitted to the financial authorities by all of the Ministries with the exception of the Finance, Education and Agriculture Ministries.

Details of the budget estimates claimed by the Government Ministries are as follows:

Foreign, ¥241-million; Home, ¥16,146-million; Welfare, ¥12.034-million; Commerce, ¥3,472-million; Communications, ¥410-million; Transportation, ¥1,300-million; Justice, ¥1-billion; Education, ¥7-billion; Agriculture, ¥13-billion; and Finance, ¥120-billion.

On the other hand, the total amount of revenue in the coming fiscal year is likely to reach ¥50 billion including ¥30-billion of the tax revenue and ¥10-billion of the Government enterprise revenue.

It is regarded almost certain that a considerable amount of "red ink" bonds will be issued during the next fiscal year even if the Government Ministries' budget estimates are cut drastically.

Accordingly, Finance Minister Tanzan Ishibashi will be forced to revise his sound financial policy to some extent.

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But it is very doubtful whether the present revenue personnel is adequate and competent enough for this task. There would seem to be a need to expand and improve the revenue personnel, to democratize the taxation procedure with the cooperation of the public, and finally to reform the whole basis of the present taxation system before the situation can be brought satisfactorily in hand.

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Tax Increase and Taxation Reform

The first supplementary budget for 1946 amounting to ¥15,000,000,000, which is now under consideration by the Diet, will have to be followed by other supplementary budgets as the inescapable government expenditures soar beyond the original estimates. This situation raises the question of where the revenue can be found to meet these demands.

To cover the first supplementary budget in part, the Government can count on the property tax and the various still unrepealed special wartime taxes which are expected to yield about ¥7-500,000,000. But for the other half the Government will have to resort to new sources of income.

About ¥1,000,000,000 are expected from raising the Government's monopoly price on the luxury brands of cigarettes and cigars which are sold outside of the regular tobacco rations. Of the remaining ¥6,500,000,000, about ¥4,-500,000,000 are expected to come from increasing the rates on certain categories of the income tax while the other ¥2,000,000,000 are expected to come from the natural increases in revenue from the existing taxes.

These natural increases in tax revenue are expected to accrue automatically from the generally highly increased level of wages and prices, while increased rates are to be levied on incomes from real estate, business enterprises, forest holdings, and "special sales". Increased rates are not to be levied on earned incomes and dividends and interest, because the inflation has made it impossible for the classes who live on their earned incomes and returns on fixed investments to shoulder a heavier burden of taxation. In contrast, however, it is estimated that incomes from business, unearned increment from real estate holdings, and "special sales" have increased considerably, enabling the recipients of such incomes to bear a greater proportion of the tax burden.

The logic of the new rates on these latter categories of incomes can be seen from an analysis of the nature of these incomes. Income from "special sales" means such income as has been derived from the sale of real estate and shipping and mining concessions since March 3 last. This means that the taxation will be on the excess profits obtained through selling in the "new" yen the assets which had been originally bought in the "old" yen.

The tax on forestry holdings is to be levied on the income estimated for the 1946 fiscal year, while the increased business tax is to be levied on the margin in excess of last year's profits and thus applies only to those who were fortunate enough to earn greater profits this year than last year. Thus it can be seen that the increased taxation is to be carried out parallel with the progress of the inflation. Technically and morally such taxation must be regarded as eminently justifiable, inasmuch as it will affect only the so-called "new yen classes" or those who are profiting from the inflation.

Sound as this new taxation policy is as far as it goes, it is still inadequate. The nation's defeat in war has brought about a radical change in the nation's economic system. The national income has consequently changed in character, and the large-income classes of the prewar and wartime periods have been replaced by entirely new classes. But the taxation system remains substantially unchanged. The new taxation policy makes a few minor modifications but does not change the essential character of the old taxation system. Therefore the tax burden has come to fall upon the people unevenly, giving rise to various social and economic evils.

The question therefore arises as to what further steps the Government can take to revise its tax system and to increase its revenues. The crux of the question is to size up the so-called "new yen classes" accurately and to levy appropriate taxes upon them. The task will be technically difficult for the "new yen classes" derive the greater portion of their incomes from furtive and fugitive dealings for which there are no means of keeping record.

The Ministry of Finance is understood to be planning radical reforms and for this purpose seems to be awaiting recommendations from the Taxation Commission. But such recommendations may be long in forthcoming, and for immediate purposes the Ministry hopes to devise temporary measures to cope with the present situation within the framework of the existing tax system. Apparently these measures will be directed mainly at the black marketeers, farmers, and fishermen who are known to be flush with "new yen". The Government seems to believe that these groups, which heretofore have been able largely to evade the income tax, can be brought to account through technical improvements in the tax collecting methods. Incidentally it is pointed out that such taxation will be made not on reported incomes but on estimated incomes.

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Government Borrowings and Next Year's Budget

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In the preliminary estimates for the 1947-1948 budget which the Finance Ministry is preparing, it is reportedly being planned to hold the expenditures down to between ¥70,000,000,000 and ¥80,000,000,000, of which amount ¥30,000,000,000 will be covered by tax revenue, ¥20,000,000,000 will be covered by income from state-owned enterprises and properties, while between ¥20,000,000,000 and ¥30,000,000,000 will have to be raised through the issuance of bonds. Whether these bonds can be floated successfully without adverse effects on the inflation is a question of vital importance.

Some light may be shed on this question by studying the background of the war years. It will be remembered that during the war the Government depended more upon borrowing than upon taxation to finance the expansion of war production and the purchase of war supplies. All such loans were underwritten by the Bank of Japan, which covered unsold bonds by issuing notes based on the security of these bonds.

In consequence the note issue of the Bank of Japan rapidly expanded in proportion to the increasingly rapid consumption of materials in the conduct of the war. Naturally, as currency expanded while supplies of civilian goods rapidly dwindled, prices soared at an unprecedented rate. In this situation the people hastened to convert their money into tangible goods, which gave an added spur to the pace of ever-mounting prices. Consequently, as the demand for capital increased, cash payments came to be demanded more and more frequently in business transactions as fewer and fewer business establishments became willing to grant credit terms. This condition gave still another impetus to inflation. Thus high prices and inflated currency continued to race after each other in an endless vicious circle.

The only check upon this scramble of the people to convert their money into goods came in March of last year when the intensification of the air raids inspired the people with the fear that their goods might be reduced to ashes at any moment. Then, although foodstuffs alone continued to rise in price, all other commodities tended to fall. This check, however, proved to be only a temporary one which was soon counterbalanced by the overwhelming general trend toward inflation, for it was inevitable that, as the war expenditures continued to increase, more and more funds had to be raised through Bank of Japan loans floated through issue of new currency, while supplies of commodities became more and more diminished.

Today, as the Government again contemplates borrowing to finance its spendings, the question is whether a large portion of the bonds can be absorbed by the general public or whether the Bank of Japan will again have to absorb the greater part of the bonds. In the former case, the effect may be to check inflation to some extent; but if the latter case should become necessary. it will intensify the inflation by causing an expansion in note issue as during the war. Which it will be will depend to a great extent upon how large the projected borrowings will be.

Indications are, unfortunately, that the Government will have to borrow more heavily than is desirable. Substantial increases in governmental expenditures will be necessitated by the special requirements of postwar obligations. relief for repatriates, economic reconstruction, unemployment relief, reparations expenses, and pay increases for government employees.

At the same time, it is problematical whether the Government will be able to raise as much from taxation as it hopes. Although the Finance Ministry is counting on collecting ¥30,000,000,000 by making the 1946 temporary tax increases permanent, by tightening up the investigations of income tax evasions, and by taking advantage of the natural increase in national income, the clamor of the working classes indicates that the tax burden on the lower income brackets will have to be substantially lightened through a marked reduction of the tax rates on earned incomes. Moreover there are bound to be serious difficulties in collecting a fair share of taxes from the newly-risen moneyed classes whose incomes, derived in large part from blackmarket and quasi-blackmarket profiteering, are hard to trace down.

Already the currency issue has reached unprecedented heights, already the Bank of Japan is loaded with very heavy holdings of national bonds and debentures. The demand for private capital is already very strong. These factors are already responsible for the serious inflationary situation which exists at present. The flotation of additional bonds would seem to be impossible without aggravating the inflation even more. Already some apprehension is being felt over the ¥18,700,000,000 loan to be floated in anticipation of the expected revenue from the capital levy and the ¥6.700.000.000 which will be paid in as part of the capital levy from frozen deposits. which thereupon will become unfrozen for government spending. These two items, amounting to ¥25,400.000,000, are being feared as an imminent factor in intensifying the inflation.,

If, in addition, these should be followed up during the next fiscal year with bonds to cover the deficit in the Government's spending, the prospects would seem very slim indeed that they might be absorbed by the public without recourse to inflationary currency expansion by the Bank of Japan. Under the circumstances, the plan of the Finance Ministry to depend upon deficiency borrowing to meet the needs of next year's budget must be regarded with considerable misgivings.

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TWO EXTRA BUDGETS APPROVED BY HOUSE

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Total for Present Fiscal Year Reaches ¥83,029,000,000 With New Additions

Supplementary Budget No. 2 for ¥2,698,000 and No. 3 for ¥9,300,000,000 were approved by the House of Representatives at its plenary session held Friday afternoon.

With the two supplementary budgets the total amount of the general account budget for the present fiscal year has reached ¥83,029,000,000, as the original budget was for ¥65,810,000,000 and supplementary budget No. 1 for ¥5,218,000,000.

The Budget Committee of the House of Representatives met at 10 a.m. Friday morning. and completed the examination of the supplementary budget submitted by the Government. The findings of the Committee was reported to the House of Representatives at its plenary session. and was approved.

The supplementary budget Nos. 2 and 3 were thereupon submitted by the House of Representatives to the House of Peers.

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ITEM 2 Next Year's Budget and Personnel Expenses - Nihon Keizai - 8 Dec 46. Translator: J. Wada.

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Summary:

With the estimate of next year's budget in sight, the problem of better treatment of Government and public employees is being emphasized. Finance Ministry authorities explain that if a three-fold increase, as demanded by the communications workers, is granted to all employees, the total personnel expenditures, including those of local offices, will amount to 68,000,000,000 yen.

Any increase in Government expenses can be permitted if the increase is absolutely necessary. Further, any increase in the amount of issued deficit-bonds may be excused if the issue helps to expand production. Is the proposed increase in personnel expenditures justified?

The necessity of reorganizing the administrative structure has long been advocated, but no noticeable results have been seen. Far from reorganization, the authorities have taken every opportunity to increase the number of employees. We can definitely say that the Government and public offices are employing superfluous personnel.

In the case of a private enterprise, surplus labor can be absorbed by an increase in production. But surplus personnel in administrative agencies, which we suspect the Government is attempting to absorb by strengthening its control, offers nothing but an obstacle to production. Moreover, private companies are limited in fixing working conditions according to their financial condition. If the Government and public offices are allowed to increase recklessly their personnel expenditures, national finances will be expanded beyond control. Of course the retrenchment of Government disbursements cannot be attained merely through the reduction of personnel expenses. But it is clear that wages and salaries are an important item in the budget.

ITEM 10 Supplementary Budget Amounts to 6,000,000,000 yen - Mainichi Shimbun - 4 Dec 46. Translator: K. Sato.

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Summary:

The Government has unofficially decided on a supplementary budget amounting to 6,000,000,000 yen, excluding those of postwar disposal expenses and interim measure expenses for allowances of the Government officials. The budget is composed of food expenses, coal expenses, and expenses for winter counter-measure.

The breakdown of each item is as follows:

Food: 4,565,000,000 yen. This includes 4,312,000,000 yen as subsidy for staple foods because of the raise of producers price and 253,000,000 yen as subsidy for fertilizers from December to next March. The total amount of subsidy for staple foods, including 2,167,000,000 yen of the regular budget, reaches 6,479,000,000 yen.

Coal: The subsidy for coal was to be curtailed at the end of November, but in view of the subsequent situation, it has been decided to be continued. The budget amounting to 474,000,000 yen will be allocated for coal production. This subvention is solely assigned to 1,707,000 tons of coal which is to be used for important industries.

Counter-measure for winter: The Welfare Ministry estimates a budget amounting to about 1,000,000,000 yen to provide repatriates, war refugees and the needy in general with necessary goods such as beds clothes and kitchen utensils. Besides these, there is another item which belongs to the second order. It is the 15,000,000,000 yen to be used for an interim measure to improve the treatment of Government officials, including teachers.

An additional estimate for postwar disposal expenses will not be dispensed. Eventually a supplementary budget totalling nearly 40,000,000,000 yen will be presented to the present session of the Diet. Adding this amount to 65,813,000,000 yen of the regular budget approved by the last session, the total amount of budget reaches an enormous amount of more than 100,000,000,000 yen. This is a matter of grave concern, since it will have a far-reaching effect upon the entire field of political economy and aggravate inflation.

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ITEM 1 Budget for the Next Fiscal Year - Nihon Keizai Shimbun - 17 Nov 46.
Translator: R. Aoki

Full Translation:

It is reported that the Finance Ministry is planning to prepare within this month a rough estimate of the Budget for the next fiscal year. The same authorities are at present studying the preliminary figures presented by each ministry. It has been learned in this connection that the Finance Ministry authorities plan to limit the National Budget to 70,000,000,000 or 80,000,000,000 yen. According to this plan, 50,000,000,000 yen will be met by the actual tax revenue and the revenue derived from the disposition of national properties, while the balance of 20,000,000,000 or 30,000,000,000 yen will be raised by the floatation of bonds. Emphasis is laid on the fact that all of these bonds will be floated without further obligation on the Bank of JAPAN.

The major items of expenditure in next year's budget will be ones concerned with the termination of the war, such as caring for repatriates, rehabilitating the industries, assisting those unemployed due to the cancellation of war indemnities, and making reparations. Increase in expenditures due to higher salaries for Government employees become applicable next year. The increased fiscal burden entailed by the rising general price level also cannot be ignored.

On the other hand, tax revenue which in the current fiscal year is estimated at 14,000,000,000 yen will increase to 25,000,000,000 or 26,000,000,000 yen because of the inflation and because the full effects of this Spring's tax revision will appear in the next fiscal year. The Finance Ministry authorities even expect to push this figure as high as 30,000,000,000 yen quite easily by stringently preventing tax evasions.

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ITEM 8 Budget Demand of Each Ministry for 1947 - Mainichi Shimbun - 8 Dec 46. Translator: K. Ueda.

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Full Translation:

The government is making preparations for the compilation of the general budget estimates for the coming fiscal year. The public may well be seriously concerned with the budget bills that will be drawn up following the gigantic budget of more than 100,000,000,000 yen for 1946, since they stand in close relation to the suppression of inflation and the rehabilitation of the nation's economy. All the Ministries save the Finance, Education and Agriculture and Forestry have already presented their own roughly estimated demands for next fiscal year's budget to the Finance Ministry, which is hastely aggregating the totals. The demands of all the Ministries, including those of the three Ministries, will rise to an unheard-of colossal sum of approximately 200,000,000,000 yen.

The demands of each Ministry: (The items are bracketed.)
Foreign: 241,000,000 yen. (Overseas officials repatriation expenses, 228,000,000 yen; Others, 13,000,000 yen).
Home: 16,146,000,000 yen. (HOKKAIDO reclamation expenses, 5,300,000,000 yen; Judicial police expenses, 734,000,000 yen; Administrative expenses, 609,000,000 yen; Civil engineering expenses, 3,303,000,000 yen; Common administrative expenses, 175,000,000 yen; Local financing expenses, 6,025,000,000 yen).

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ECONOMIC SERIES: 1610 (Continued)

ITEM 8 (Continued)

Welfare: 12,034,000,000 yen. (Livelihood stabilization expenses, 6,877,000,000 yen; Repatriates' welfare expenses, 1,263,000,000 yen; National hospitals and other working expenses, 1,133,000,000 yen; Social insurance expenses, 653,000,000 yen; Employment guidance expenses, 456,000,000 yen; Medical and pharmaceutical expenses, 404,000,000 yen; Employment measures expenses, 345,000,000 yen; Preventive sanitation expenses, 244,000,000 yen; Health preservation expenses, 242,000,000 yen; Employment office business expenses, 187,000,000 yen; Others, 120,000,000 yen).
Commerce and Industry: 3,472,000,000 yen. (Salary, Business and Undertaking expenses, 396,000,000 yen; Investment to Coal Distribution Corporation, 150,000,000 yen; Iron and steel increased production expenses, 246,000,000 yen; Coal-mine workers house building expenses, 420,000,000 yen; Medium and minor industry guidance expenses, 47,000,000 yen; New coal-mines development expenses, 23,000,000 yen; Interest subsidiary for capital of medium and minor commerce and industry conversion and closing, 17,000,000 yen; Principal resources withdrawal expenses, 25,000,000 yen; medium and minor industry technical researches expenses, 25,000,000 yen; Coal-mine workers assistance expenses, 16,000,000 yen; Others, 9,000,000 yen. Besides those mentioned above, about 2,000,000,000 yen is expected to be demanded for coal price adjustment subsidiary.)
Communication: 410,000,000 yen. (Annuity and pension funds, 360,000,000 yen; Ministry expenditures, 26,000,000 yen; Others, 30,000,000 yen.)
Transportation: 1,300,000,000 yen. The greater part of this sum will be apropriated for the indemnification to the Ship Management Corporation.
Justice: 1,000,000,000 yen.
Education: Assumed, 7,000,000,000 yen. (This is a considerable increased as compared with the previous year because of the abolition of the Special Account for Schools. The principal items making up the above sum are education and culture expenses and health preservation and sanitation expenses.)
Agriculture and Forestry: Estimated, 1,300,000,000 yen. (Reclamation expenses, 7,000,000,000 yen; Forestry expenses, 3,000,000,000 yen; Fishery, agricultural administration Live stock breeding and Sericulture expenses, 3,000,000,000 yen.)
Finance: Various difficult elements which defy estimation are contained in the expenditures under the jurisdiction of the Ministry, such as Post-war management expenses, Reparation equipments removal expenses and National loan expenses, but roughly they will be as follows:

Army and Navy Demobilization Boards expenses, 3,000,000,000 yen; Investment and Expenditures, 4,000,000,000 yen; Loans on overseas assets, 10,000,000,000 yen; National loan expenses, 3,000,000,000 yen; Public utilities expenses, 8,000,000,000 yen.

Reparation equipments removal expenses will be difficult to include in the budget estimates now in the making because the program has not been settled, but presumably about 43,000,000,000 yen will be defrayed from a suplementary budget or the emergency fund. The post-war management expenses are completely beyond estimation, but we may set them down at about 60,000,000,000 yen which was the sum for this year. Thus, as much as 120,000,000,000 yen will be demanded by the Finance Ministry.

The aggregate sum of the budget estimates demanded by the Government Ministries amounts to approximately 180,000,000,000 yen.

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ECONOMIC SERIES: 1610 (Continued)

ITEM 8 (Continued)

On the other hand, the annual revenue is estimated at 50,000,000,000 yen, the tax revenue 30,000,000,000 yen, the Government enterprise revenue 10,000,000,000 yen and other revenues 10,000,000,000 yen. Thus, even if the demands of the Ministries are drastically reduced, the circumstances will make it inevitable to issue a considerable sum of bonds against deficit again next year. Therefore, Finance Minister ISHIBASHI will have to change his idea to one that the issuance of bonds against the deficit would not be an unsound financial measure as long as it keeps within bound of the savings.

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ITEM 14 General Budget Meeting of the House of Peers - Nihon Keizai Shimbun - 22 Dec 46. Translator: K. Sato.

Full Translation:

The general budget meeting of the House of Peers was opened at 10.16 23 December, and after Finance Minister ISHIBASHI explained the reason for introducing the supplementary budget, they entered into interpellations. Mr KATAOKA, Naokata (KENKUKAI) made an inquiry as to the Government's opinion on industrial reconstruction. To this ZEN, State Minister replied:

"The present productive power is 31 percent compared with pre-war time, and the consuming power is 80 percent. Herein lies the fundamental weakness of JAPAN's economy, therefore there is no way but to strengthen the productive capacity and reduce the consumption in order to achieve economic reconstruction. The Economic Stabilization Board sets the goal of next year's coal production at 30,000,000 metric tons in order to secure basic materials. Meanwhile by co-operating with the labor unions we will endeavor to realize the nation's minimum living and keep the balance between production and consumption".

Mr KATAOKA: "Have you any idea of unifying the coal administration"?

State Minister ZEN: "Even if the coal ministry is newly established, complete unification would be difficult, since transportation is handled by the Ministry of Transportation and posts are under the jurisdiction of the Agriculture and Forestry Ministry. Actually the unification of coal administration is kept, because the ESB establish composite plans and supervises their execution".

The meeting entered a recess at noon, and resumed at 1.45 p.m.

Mr KATAOKA: "Is it possible for our country, under the present economic condition, to participate in the Bretton Wood's Pact"?

Finance Minister: "It is difficult to adopt the gold standard system under the present economic condition, and we have no intention to do so, but we hope to participate in the Pact, stabilizing currency by some other way".

Mr KATAOKA: "Does the Government intend to set up a maximum note issuance system"?

Finance Minister: "We intend to adopt a maximum note issuance system. The governor of the Bank of JAPAN says he wants to stop the currency issuance at 100,000,000,000 yen, but I think it is his personal opinion".

Mr KATAOKA: "What is the prospect of coal production during the period from January to March next year"?

State Minister ZEN: "Production in January and February is expected to be 2,100,000 metric tons monthly, due to the New Year holidays, but in March an increase of 250,000 metric tons will be available".

Mr KATAOKA: "What is the joint countermeasure for fuel"?

State Minister ZEN: "We have no joint measure, but I can say that gas supply for household use except for special purposes might be stopped during January and February due to the coal shortage.

Commerce-Industry Minister HOSHIJIMA: "Electric power supply for families is suspended from 1300 to 1900 hours at present".

Baron MURATA, Yasusada (KOSEIKAI): "When will the crisis for curtailed reproduction (SHIKUSHO-SAISEISAN) come"?

State Minister ZEN: "Many are inclined to believe that an economic crisis will come in March next year, but I can make no definite statement. So far as materials are concerned, they will be gradually reduced until the end of next year. The meeting was adjourned at 1550 hours.

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DOUBT IS EXPRESSED OF BALANCED BUDGET WITHOUT NEW TAXES

Many Hurdles Seen For Ishibashi; Additional Appropriations Inevitable

Finance Minister Tanzan Ishibashi whose compilation has just been undertaken by the Finance Ministry, will find it hard to balance the budget for the 1947-48 fiscal year, informed sources opined last week Jiji Press reports.

Although there is a good possibility of the regular budget being made to conform with the sound financial policy now advocated by Mr. Ishibashi, there are additional appropriations for improved working conditions of government employee, the Reconstruction Finance Bank, and the loans to be advanced to holders of assets abroad which must be taken into consideration, these sources said.

The Finance Ministry has already announced its intention to reduce the size of the regular budget to around ¥60 billion and has started negotiations with other Cabinet ministries to cut down their original demands for appropriations totalling ¥100 billion, these sources pointed out.

On the other hand, the regular revenue in the next fiscal year is expected to net around ¥60 billion, even in the view of mounting demand from labor unions for such a measure.

The regular budget thus compiled, however, will not go beyond what is termed the skeleton of the national budget, these sources opined, because even a larger amount of additional appropriations will have to be made as the fiscal year progresses.

Expenses Will Be Big

For instance, the expenses to meet the wage demands of government employes alone will cost the Government no less than ¥10 billion, while the operating funds of the Reconstruction Finance Bank and the loans to holders of assets abroad will call for additional appropriations of ¥13 billion and ¥12 billion respectively.

In the event the removal of industrial equipment earmarked for reparations starts in the course of the next fiscal year, supplementary appropriations outside the regular budget will eventually total ¥100 billion, these sources said.

Among the measure that may be contemplated by the Government to cover the increased expenditures are, according to these sources, increased taxation, which will boost tax revenue from ¥32 billion to ¥45 billion, and the increases in prices of tobacco and sake, which are government monopolies, to raise ¥7 billion altogether.

Even these measures will hardly meet the tremendous requirement of supplementary appropriations, and some other ways will have to be found if the budget for the 1947-48 fiscal year is completely balanced, these sources said.

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PRESS COMMENTS

Friday, February 14, 1947

HIGHER CHARGES AND IMPROVED SERVICE

ASAHI—By way of checking the inflation due to public finances in the red, the Government has decided to adopt a sound finance policy in compiling the 1947 budget and has fixed the initial estimate for the general account at ¥61,500,000,000. It has also decided to carry this sound finance policy to the special accounts for railways and communications, in order to do which it will sharply raise railway and communication rates.

Transportation rates are to be raised 25 per cent for passenger service and 100 per cent for freight. While the higher fares for passengers are not likely to exercise very great influence, a 100 per cent raise in freight rates is liable to menace the living of the people at a time when the prices of daily necessaries are so impossibly high. Thus, while it is quite rational on the part of the Government to have decided on applying the principle of independent business to state enterprises to cover ordinary expenses with ordinary revenue, we must ask the Government to take appropriate steps on the following matters.

(1) Both railways and communications are huge, literally monopolistic enterprises, so that the Government must take care not to fall into the practices of the notorious cartels and trusts. Naturally there will be no question of private profits but the same evil as cartels and trusts would be engendered through poor service. Even as it is the poorness of the service being rendered by railways and communications is proverbial. For instance, despite the large number of wickets for selling tickets at railway stations only one or two of them are used at a station so that passengers must stand in long queues, while so little cleaning is done on trains that super-crowded trains are full of dust. Parcels are stolen in transit, correspondence is annoyingly delayed and post office officials are ready to snap at anything and anybody. It is hoped that the authorities and employes will make up their minds to improve service now that they are to ask more for it.

(2) It is necessary to increase the productivity of the state enterprises. To operate state-managed industries on the basis of modern accounting means to raise the utility of capital by nationalizing management. In the use of state capital there should be not a sense of waste.

The chief reason for the present raise in charges is undoubtedly the higher wages that must be paid as a result of the general strike issue. We have all experienced the vicious circle formed by wages and prices. The Government should now take care to formulate as quickly as possible a system of production and distribution which would assure a living for the working masses.

NIPPON TIMES FEB 15 1947

BIG BUDGET SLATED FOR CURRENT YEAR

¥100 Billion Set Despite Plan Of Government Calling For ¥61 Billion

The total budget for the 1947-48 fiscal year is now expected to be more than ¥100 billion, despite the original intention of the Government to formulate a sound budget limiting the total to about ¥61,500,000,000.

Finance Ministry authorities believe it necessary to add supplementarily to the original sum more than ¥45,200,000,000. In this additional amount will be included ¥10 billion for indemnity to banking institutions, ¥10 billion for investment in the Rehabilitation Bank, ¥10 billion for overseas properties, ¥10,800,000,000 for increasing salaries, ¥2 billion for supplementing difference in coal price for railways, ¥1 billion for investment in distribution coporations and other items.

The Government is also preparing to submit a supplementary budget bill for the present fiscal year to the current Diet upon its reopening.

The amount of this budget is believed to reach ¥36,400,000,000. In the amount are included ¥21, billion as indemnity for the Central Insurance Association, ¥2,700,000,000 for salary increase, ¥900,000,000 as subsidy to operating corporations, ¥200,000,000 for public enterprises and other items reaching about ¥10 billion.

JAN 26 1947 NIPPON TIMES

Budget For 1947-48 Totals ¥150-Billion

Estimates Will Go To Diet End Of January

The Finance Ministry expects that the total budgets to be demanded by various Ministries for the 1947-48 fiscal year will aggregate from ¥140-billion to ¥150-billion.

However, as Finance Minister Ishibashi has the intention of cutting down the budget to about ¥60-billion to ¥70-billion with a view to steering the State finance soundly and without issuing much red ink bonds, heated discussions are expected to take place between the Finance Ministry and other Ministries concerning the assessment of their demands.

The budget bill is scheduled to be introduced to the Diet around January 30.

JAN 3 1947 MAINICHI

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 2. Fiscal Policy of Budget Investigation Commission - Nihon Keizai Shimbun 16 Jan 47. Translator: M. Sato.

Full Translation:

In reply to a request made by the Government, the Fiscal Adjustment Investigation Commission (TN: ZAISEISHUSHI CHOSEI CHOSAKAKAI) ever since it was inaugurated last December, has been deliberating upon definite measures for adjusting the fiscal balance. In its interim report the Commission advised the Finance Minister relative to the compilation of the 1947-48 fiscal year budget. The interim report included a wide range of problems, such as principles of reasonable budget making, rights of labor, improvement of treatment for Government officials (from the standpoint of securing a minimum standard of living), consolidation of the budget system, assignment rates of tax, and measures for increasing tax revenues. It was decided to give certain recommendations on concrete measures in the next report.

(1) In compiling the 1947-48 fiscal year budget, full consideration should be given to the substantial income of our nation. Budget expenditures should be apportioned within reasonable limits.

(2) Unproductive expenditures should be strictly restricted. (For instance, re-examination of public enterprise expenditures).

(3) All expenditures should be included in the ordinary budget. Unavoidable expenditures in the supplementary budget should be covered with the financial resources of ordinary revenue.

(4) Expenditures for improving the treatment of officials should be met, as far as possible, with financial resources derived by increasing administrative efficiency, reforming the administrative structure, by reasonable management, and so forth.

(5) Subsidies for key industries should generally be abolished.

(6) Each Government enterprise should increase its productivity and earnings so that the income and expenditure of that enterprise may be balanced.

(7) Taxes should be levied according to the nation's income. It is to follow the policy of levying taxes and setting a certain percentage of the nation's income as its goal.

(8) The budgetary revenue should be increased by imposing taxes and other imposts chiefly on the so-called newly risen bourgeois class, and by levying taxes on the profits of juridical persons who are otherwise exempted from wartime indemnities, by special disposal, and also by other measures. (For instance, it will levy taxes on profits as well as on assets, by creating, for example, juridical personal property taxes for those companies which do not come under the regulations of a special accounts company).

(9) The Government should adopt a policy of independing from loans, such as revenue covering loans, and the like. When the Government issues loans due to necessity, it should offer them for public subscription.

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775 015

Several good pockets here

EDITORIAL SERIES: 1505 (Continued)

ITEM 16 The Budget Bill - Provincial Newspaper, Kobe Shimbun, (Kobe) - 24 Jan 47. Translator: H. Furukawa.

Summary:

Although the budget for 1946-47 fiscal year was characterized by the radical change in composition from the budget of war time to that of peace time, such nonproductive expenditures as occupation and repatriation costs have raised the budget total to 119,900,000,000 yen. It is certain that these burdensome expenses were all unavoidable, but the fact must not be forgotten that these expenses are the major cause of inflation, which is greatly aggravating the livelihood of the people.

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The budget draft for the 1946-47 fiscal year, which has been under careful study since the beginning of this year, has finally been completed by the Ministry of Finance, and the expenditures are expected to total 62,000,000,000 yen. The thing that strikes us on examining this budget bill draft is that expenditures for national bonds and public works have increased while repatriation expenditure has been greatly reduced as compared with that of last year. This shows that the finance of a defeated nation must face enormous difficulties.

If the principal and interest of the war time national bonds are to be paid off, it would only mean a greater burden on the people in the form of increased taxes. Therefore, similar to the proposal of the Social Democratic Party, if national bonds, cannot be cancelled, we wish to recommend that the payment of interests on these bonds should be cancelled. The item listed as public works can be terned a productive expenditure because it will aid in the economic rehabilitation, but chief aim of this expenditure is to alleviate unemployment conditions. Productivity is being regarded as secondary in importance. Since these nonproductive expenses amount to 13,100,000,000 yen, or over 22 per cent of the total budgetary expenditure, we must give this fact deep consideration both from the standpoints of economic rehabilitation policy as well as anti-inflation policy. The budget for last year was drafted with due consideration to the fact that JAPAN was isolated from world economy, but the budget for this year must be compiled from an international view point, in expectation of JAPAN's admittance into world economic trade, which is at present under the leadership of AMERICA. The BRETON WOODS Agreement, together with the coming peace conference will be the basis on which JAPAN can make a new start as a member of world society. Under the BRETON WOODS agreement, however, the adoption of a policy of encouraging export trade by means of devaluation of currency, and the policy of controlling foreign exchange are prohibited, with the condition that violator nations will be expelled from membership in world society. Accordingly, if the present inflationary condition continues to exist, the product of our country would not be able to compete with imported low priced products of foreign nations and our industries will suffer a bitter blow, even if world trade participation is permitted under the BRETON WOODS Agreement.

Viewed from the above-mentioned point, the nature of the Budget for the coming fiscal year is contrary to the current situation of world economy, and this point, together with the problem of the relationship between inflation and heavy budgetary expenses, must be fully criticized in the ordinary session of the Diet which is scheduled to reopen shortly. The new budget bill emphasizes the maintenance of a balance between income and expenditure, and to this end, many important items, such as occupation cost, cost for the removal of reparation item, expenses for the improvement of treatment of government officials and employees, and expenses incurred on the enforcement of new education system, are carried on, the supplementary budget. It is utterly impossible, in spite of the plan of the Ministry of Finance, to take care of all these major items with 7,000,000,000 or 8,000,000,000 yen.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

EDITORIAL SERIES: 1505 (Continued)

ITEM 16 (Continued)

Apart from the occupation costs, the cost for the removal of reparation items is roughly estimated to run up to 40,000,000,000 yen, while salaries and wages of government officials and employees, if their demand for an increase is realized, will reach the enormous total of about 60,000,000,000 yen. Such being the case, the government expenditures, even those of the supplmentary budget alone, will amount to 70,000,000,000 or 80,000,000,000 yen, and this will overthrow the policy of the Ministry of Finance which aims to establish a sound financial basis to maintain a balanced budget by restricting the total expenditures, including the expenditures in the supplementary budget, to 70,000,000,000 yen.

Thus, the dangerous stage of inflation is approaching, aided by the enormous expenditure of the Government. It is urgent that the budget for next year be revised along productive lines, and that the sound basis for state finance be established by restricting the budgetary expenses on a scientific basis. We will observe closely the attitude of the respective political parties on the new budget bill in the coming session of the Diet, and see whether the above-mentioned points will be given serious consideration.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 5 Thorough Examination of Sources of Revenue - Asahi Shimbun - 5 Jan 47. Translator: K. Higashikawa.

Summary:

It is reported that the Government intends to present a budget bill for the fiscal year 1947-48 to the present session of the Diet on or about 20 January. What sort of a budget the Government will present to the Diet under the present stringent economic conditions and under the present climbing inflation is a matter of great concern of the entire people.

Concerning the compilation of the budget for the fiscal year 1947-48, Finance Minister ISHIBASHI recently stated that his policy was to prevent deficits by means of meeting the expenditure with funds obtainable from increases in taxes and general tax revenue, as well as with the profits accruing from the Government monopolies and that if the revenue did not come in satisfactorily, the Government would pursue a retrenchment policy. We do not know whether the word "deficits" mentioned by the Finance Minister should be interpreted in a narrow sense or in a broad sense. He might have meant that even if Government bonds would have to be floated, they would be issued only to the extent that they could be absorbed by the people's savings. In any event, one cannot close his eyes to the fact that the inflationary crisis is fast approaching.

We cannot unconditionally agree with the statement of Finance Minister ISHIBASHI that if the revenue becomes short of the expenditures, the Government will cut down the expenditure. We wish to point out that in order to execute the policy mentioned by the Finance Minister it would be necessary to fill the various conditions mentioned below and that unless these conditions are made the prerequisites, his assurance will become fruitless even though he may have a Herculean courage to execute his policy.

What is most necessary is to take all conceivable measures to increase revenue. A thorough reform of taxation and the mode of tax collection must be effected with a view to realizing equality in the tax burden. The Government has legislated an increased Income Tax with a view to collecting taxes from the new yen profiteers. But the present unequal distribution of wealth cannot be corrected with this weapon only. The question is how can their increasing income be stopped? From the viewpoint of encouraging savings, the Government seems to be refraining from investigating bank deposits. However, we are of the opinion that, in order to make the new increased Income Tax effective, it would be necessary to carry out the above-mentioned investigations speedily and thoroughly. The Government should adopt a thoroughgoing tax collection system for the purpose of collecting taxes from this class of people.

The Government has decided to adopt a supercentralization industrial policy with a view to tiding over the imminent economic crisis, which policy seems to have the general approval of the people. However, it should be born in mind that this policy will create a large number of unemployed in conjunction with the great retrenchment in the scope of enterprises consequent to the removal of production facilities for reparations. The Government has reportedly appropriated the sum of 10,000,000,000 yen in the budget for the fiscal year 1947-48 for the relief of the unemployed, in addition to which the various ministries have claimed huge appropriations. Estimating the national income at 300,000,000,000 yen the Finance Minister expects to be able to obtain 20 percent of the amount or 60,000,000,000 - 70,000,000,000 yen as taxes to meet the State expenditure, but this is easier said than done. There is no other way to obtain this amount from taxation but to equalize the tax burden among the people. A reduction in the funds for the relief of the unemployed could not be permitted if the outrageous conduct of the new yen profiteers is overlooked. This is only one instance.

In order to powerfully enforce measures to balance the State revenue and expenditure, the Government must adopt a taxation policy that is satisfactory to all the people. This is the prerequisite. The essentials of reconstructing the State finance lie in the consolidation of the people's economic power and in the increase of the national income. Therefore, it goes without saying that the Finance authorities cannot afford to neglect the question of developing the sources of State income. However, at a time like the present when inequality in the distribution of wealth is intensifying, it is necessary for the Government to reexamine closely the sources of State revenue to make both ends meet.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 13 Budget Doubled to Accelerate Rehabilitation - Nihon Keizai - 13 Jan 47. Translator: Y. Inouye.

Full Translation:

The War-sufferers Rehabilitation Board, deliberating over the Housing Construction Organization as a successor to the Housing Corporation which was ordered to be dissolved late last year, has decided on a reconstruction plan, expanding and strengthening the housing organizations of the local self-governing bodies. It has decided to cast aside the first plan of establishing a special government office, and to make the most of the "Housing Supply Subsidy law" which is to be presented at the ordinary session of the Diet. It decided to accelerate housing reconstruction by doubling the subsidy to the local Government, and making the central permit system and the strong material control go hand in hand.

As for the budget, it is now being negotiated with the Finance Ministry. Compared with the subsidy of 100,000,000 yen to the Corporation, at least 200,000,000 yen will be necessary. It probably will be obtained. Even if the requested amount is approved, the construction plan cannot be put into effect until March. Therefore, no houses can be constructed until March, excepting the 3,000 houses which are being constructed as quickly as possible, as the remaining work of the Corporation.

As for the 3,600 workers of the old corporation, most of them will be absorbed by the Rehabilitation Board and the local organizations; the rest will be re-assigned to proper posts after consultation with the authorities concerned and the Council of Housing Rehabilitation.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 3 Budget for 1947 Fiscal Year - Yomiuri Shimbun - 15 Jan 47. Translator: K. Sato.

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Full Translation:

The Government discussed the problem of the 1947 fiscal year budget at a Cabinet meeting held on 14 January. The discussion was centered round the plan submitted by the Finance Ministry, but no conclusion was reached, and the meeting was carried over to the following day. The Finance Ministry plan, the pivot of the debate, maintains a sound finance, limiting the budget, including expenses for the six and three year educational system, and the treatment improvement expense (TAIGUKAIZEN-HI), within 70,000,000,000 yen of ordinary revenues. Details of the plan presented by the Finance Ministry to the Cabinet meeting are as follows:

yen; others, 3,000,000,000 yen, totalling 69,000,000,000 yen.

Expenditures: People's livelihood stabilization expense, 2,500,000,000 yen; national loan expenses, 2,000,000,000 yen; repatriation expenses, 1,800,000,000 yen; expenses for evacuation of overseas residents, 1,800,000,000 yen; coal counter-measure expenses, 22,000,000 yen; rice, barley, and wheat subsidy, 700,000,000 yen; subsidy for the Marine Management Committee (SEMPAKU-UNEIKAI), 1,200,000,000 yen; judicial system revision expenses, 220,000,000 yen; subsidy for fertilizers, 620,000,000 yen; medical equipment expenses, 600,000,000 yen; health insurance expenses, 180,000,000 yen; local allotment tax distribution money (CHIHOBUNYO-ZEI-BUNYO-KIN), 6,700,000,000 yen; agrarian system reform expenses, 600,000,000 yen; reserve fund, 1,000,000,000 yen; others, 25,052,000,000 yen; public utility works expenses (public utility works expense), 1,700,000,000 yen; and people's livelihood stabilization expenses, 500,000,000 yen, totalling 63,000,000,000 yen.

The Revenue and Expenditure Readjustment and Investigation Council, which had been studying the financial revenue and expenditure readjustment problem for 1947, put forward the following views on the budget for the 1947 fiscal year, as an interim report, to the Finance Minister:

1. The Government should establish speedily a permanent post-war financial plan and endeavor to realize it; 2. All budgets should be included in the regular budget, and an unavoidable supplementary budget should be appropriated in the ordinary revenue department.

ITEM 5 A Demand for the Drawing Up of the Budget - Shin Yukan - 17 Jan 47. Translator: M. Kato.

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Full Translation:

It seems that the drawing up of the budget for the next fiscal year has almost been completed and is now waiting the finishing touches. For various reasons, the presentation of this year's budget was greatly delayed. Furthermore, the addition of many supplementary expenditures and the fact that the coming Diet session will be opened on 21 January, have also contributed to the delay in the drawing up of the budget. Nevertheless there must be more adequate means to facilitate the drafting of the budget since this is the second budget to be drawn up after the end of the war.

This demand, however, is too great to make on the YOSHIDA Cabinet which is now in a state of turmoil, but regardless of any political change, such delays in the making up of the budget will plunge the nation

immediately establish a definite scheme whereby the people can be shown a direction and inspired so that the rehabilitation of JAPAN can be promoted.

If the present Government had such a scheme, the method of drawing up the budget would be different or at least the scheme of the Government would be manifested in the budget. Starting the third new year since the end of the war, we are greatly disappointed at the budget which lacks originality.

It may be admitted that no change can be realized under Finance Minister ISHIBASHI of the YOSHIDA Cabinet. If so, a political change will be a good time to execute a revision of the budget for the next fiscal year. We cannot tell what the policy of the next Government will be but we hope that it will, at least, be able to meet the demand and quell the anxiety of the people. Although the temporizing manner of the individual's existence cannot be avoided now, we cannot tolerate a makeshift State economy.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 6. To Supervise Over Budget Expenditures - Tokyo Shimbun - 10 Feb 47.
Translator: Z. Konishi.

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Full Translation:

The Finance Ministry, in line with the democratization of the budget, is now preparing to submit the Finance Law Bill (ZAISEI HO AN) to the current Diet session. Together with this, the Ministry has decided on the establishment of a supervisory organ, in order to realize the over-all democratization of budget expenditures. A committee will be formed shortly for this purpose with officials concerned from every government office, to investigate the concrete plan. In regard to supervision over budget expenditures, supervisors will be newly created. It is planned that these newly-created supervisors will investigate whether or not checks issued by the treasury disburser are in accord with the budget figure and purpose which are approved by the Diet. After approval, the supervisors will endorse the checks, thus making them effective.

The structure of the supervisory organ appears to be one of either below:

1. A Finance Supervision Section (ZAISEI KANTOKU KA) will be established within the Accountant's Bureau (SHUKEI KYOKU).

2. A Finance Supervision Bureau (ZAISEI KANTOKU KYOKU), tentatively called, will be established separate from the Accountant's Bureau.

In view that a considerable number of officals are required for supervising budget expenditures, the establishment of an independent bureau according to second plan may be adopted. As to when the budget expenditure supervision will be realized, nothing will be stipulated in the Finance Law Bill scheduled to be submitted shortly. Because its immediate realization appears remote due to the difficulties of structure and supervision of central and local treasury disbursers numbering more than 1,500 throughout the nation, it appears that in the bill which is to be drafted by the committee some revision will be made to that law; therefore, the realization will be about June or July at the earliest.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 4 Budget for 1947-48 Set at 117,000,000,000 Yen - Yomiuri Shimbun - 28 Feb 47. Translator: A. Kawamura.

Full Translation:

The draft budget for the 1947-48 fiscal year, which is now being studied by the Government, is reported to have been approved at a Cabinet conference held on 27 February, and is to be presented to the Diet on 1 March.

The estimated total of the all-inclusive budget draft is 117,-000,000,000 yen. Regarding expenditures, 107,500,000,000 yen will be defrayed by the general income from taxation, including an extraordinary increase in the income tax, and the remaining 9,500,000,000 yen, will be obtained from national loans. The following are the principle items of the draft budget bill now being studied (Unit is 1,000,000 yen):

Incomes from various taxes - 70,000.
Property tax and war-time compensation tax - 7,500.
Sales of State properties - 2,500.
Profits of Government monopoly enterprises - 20,000.
Issuance of national bonds - 9,500.
Miscellaneous revenue - 7,500.

Items of expenditure

Interest on national bonds - 8,000.
Repatriation funds - 3,600.
Subsidies to shipping companies - 1,500.
Improvement of judicial system - 300.
Medical institutions - 700.
Health insurance - 300.
Subsidies to local governments - 6,700.
Farmland reform - 700.
Emergency funds - 3,000.
Emergency public works - 27,000.
Public enterprises - 10,300.
Subsidies to financial institutions - 10,000.
Loan to the Reconstruction Finance Bank - 6,000.
Higher wages for government and public workers - 10,800.
Subsidies for rice, coal and fertilizer - 10,000.
Funds for the ration system - 3,300.
New educational system - 800.
Miscellaneous expenditures - 11,100.

ITEM 2 Symplify the Budget Bill! - Shin Hochi - 25 Feb 47. Translator: J. Ide.

Summary:

In order to realize true democracy, the national finances should always be placed under the control of the people. In this respect, the old Constitution which is patterned after those of the progressive countries, therefore, leaves little chance for the new Constitution to amend the old financial provisions. However, the priority of the House of Representatives in dealing with the budget bill has been made clearer by the new Constitution. Moreover, according to the old Constitution, the government was qualified to enforce the same budget as that of the preceding year, should the next year's budget not be effected due to the Diet dissolution and other political incidents. By making the most of this provision, the militaristic and bureaucratic government could formulate an arbitrary budget, without considering opposition from within the Diet.

Nevertheless, such a provision has been removed completely from the new Constitution, although the priority of the Lower House in discussing the budget has not yet been completely clarified. It is because the Government can misappropriate the nation's funds at its own discretion in formulating a supplementary budget. Since even the strictest regulation cannot prevent such deceptive action, the question is the administration of national finance.

Neither the Diet nor the people can deny the responsibility for having left the nation's financial administration solely in the hands of militarists and bureaucrats. The common people should be more careful about the nation's financial administration. At the same time, the Government should do its best to simplify the budget Bill, so as to make the people more familiar with it.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 4 Budget Estimates for This Year - Jiji Shimpo - 19 Feb 47. Translator: N. Iwa.

Full Translation:

In a press conference after the adjournment of the House plenary session on 18 February, Director ISHIBASHI of the Economic Stabilization Board, stated as follows:

"The budget estimates for this year are now under preparation so that they can be presented to the Diet by 1 March. I think that the budget will exceed about 100,000,000,000 yen.

"The budget includes the estimate for indemnifications to financial institutions. In connection with the management of these indemnities, the Economic Stabilization Board and the Finance Ministry will set up an audit agency.

"Because of the various opinions prevailing, I cannot decide to raise the ceiling to 700 yen without more time for consideration. It is impossible to formulate at a stroke measures for tiding over the present economic crisis, but it is possible to establish these measures collectively. A plan to form an Economic Control System Preparatory Committee is now under deliberation by the Economic Stabilization Board."

ITEM 2 Expenditures To Exceed Revenue by 16,000,000,000 Yen - Yomiuri Shimbun - 20 Feb 47. Translator: F. Hagiwara.

Full Translation:

The Government is now expediting investigations of the ordinary budget for 1947 centering around the Finance Ministry, in order to submit it to the present session of the Diet on 1 March. Although the final decision will be obtained within two or three days, at the present, the total of estimated revenues amount to 100,000,000,000 yen, while that of estimated expenditures (excluding the sum of compensation for both life and loss insurance) to 116,000,000,000 yen. The balance is a 16,000,000,000 yen excess of expenditures. Since, however, the [illegible] place before 20 February. If the increased taxation plan is adopted, the draft report formulated by the Taxation System Investigation Committee is to be altered. If the decision favors the issue of deficit bonds, these will be applied to bank deposit grants (ten billion yen) and Reconstruction Finance Bank investments (six billion yen).

The following is an outline of revenues and expenditures for the 1947 fiscal year. Annual revenues:

(1) Sale of state property -- 2,000,000,000 yen (balance of state property valued at 7,500,000,000 yen after deducting 2,000,000,000 yen for reparations property and 3,500,000,000 yen for non-saleable property.)

(2) Levy of the property tax and the wartime indemnity special measure tax; -- 7,500,000,000 yen (balance remaining from 14,000,000,000 yen (11,000,000,000 yen property tax and 3,000,000,000 yen wartime indemnity special measure tax) carried over from the previous year after deducting 6,500,000,000 yen including in the main second blocked accounts to be canceled).

(3) Monopoly profits, 15,000,000,000 yen (three-fold increase of tobacco prices).

(4) Special increased income tax brought over from the previous year, -- 500,000,000 yen.

(5) Miscellaneous profits, 5,000,000,000 yen.

(6) Taxation, -- 70,000,000,000 yen.

Total 100,000,000,000 yen.

Annual expenditures:

(1) The ordinary budget for the 1947 fiscal year drawn up in January, -- 61,500,000,000 yen.

(2) Bank deposit grants 10,000,000,000 yen.

(3) New education system, 1,000,000,000 yen.

(4) Investments in the Reconstruction Finance Bank, 6,000,000,000 yen.

(5) Betterment expenses, -- 10,800,000,000 yen.

(6) Price subsidy payments for rice, coal, and fertilizers, 12,500,000,000 yen.

(7) Costs for Occupation Forces, -- 100,000,000,000 yen.

(8) Establishment of the Government Distribution Company, 3,000,000,000 yen.

(9) New interest rate on government debentures, -- 1200,000,000 yen (these bonds are to be appropriated for the 10,000,000,000 yen Occupation Forces expenses for 1947, and to the 21,000,000,000 yen, compensations for both life and loss insurances, a total of 31,000,000,000 yen).

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 3 Budgetary Regulations Will Be Drastically Reorganized - Tokyo Shimbun - 20 Feb 47. Translator: N. Miwa.

Full Translation:

The Government and the Ministries concerned have deliberated on a drastic revision of the existing laws pertaining to the budget so that they can be put into effect during the next fiscal year.

The Government intends to present a bill for the revision of these laws to the current Diet session early in March. The Revision of budget regulations will be made partly by the creation of new ones and partly by the revision of current regulations; however, revision will mean a drastic change so that the result will amount to the creation of new regulations. This will be done in conformity with the new Constitution.

The new Budget Relations Law will be enacted under the following points:

1. The enactment of a Financial Law as the basis of regulations pertaining to the Government general and special accounts.
2. On the basis of this enactment, the Government is working out account regulations.
3. Independent account regulations will be established upon this basis.

Regulations pertaining to the general and special accounts will be united under the Financial Law in order to obtain better results.

In accordance with the spirit of the new Constitution, the new Financial Law will satisfy the following conditions:

1. Any measure which prove to be a financial burden to the nation must be submitted to the Diet for approval.
2. Measures included in special accounts such as raises of tobacco prices, and railway and communication rates will be subject to approval by the Diet as is the case with increase in general tax rates. Therefore, the Government cannot arbitarily decide to raise these rates as seen at the present time. There will be cases in which raises in the above mentioned items will be granted by the decision of committees specially appointed by the Diet. The above-stated special accounts will be independent from general budget of the Government and will be managed with a fixed amount of funds.

ITEM 4 Supplementary Budget for General Account Estimated at 36 Billion Yen - Mainichi Shimbun - 14 Feb 47. Translator: H. Shindo.

Full Translation:

The Government's supplementary budget for the present fiscal year is expected to total approximately 36,000,000,000 yen. The budget will be submitted in three parts, categories A to C, when the diet reconvenes.

Category A, will include approximately 10,000,000,000 yen of the special continuing expenditure (TOKUBETSU KEIZOKU-HI).

Category B, will include approximately 2,700,000,000 yen, covering necessary expenditure for the improvement of the working condition of public officials, approximately 1,300,000,000 yen for unpaid winter allowances, approximately 1,000,000,000 yen for the compensation of losses incurred by the Shipping Management Association, 1,000,000,000 yen for the coal shortage, countermeasures approximately 200,000,000 yen for public works, approximately 80,000,000 yen for education expenses and approximately 14,000,000 yen for the establishment of quarantine stations.

Category C, will include a total of 20,000,000,000 yen representing indemnifications for loss of life and damage insurance.

Following sources of revenue are expected to meet the expenditures:

The special continuous expenditure will embrace national loans, and expenditure for life and damage insurances, and will be supplied by the transfer of bonds. Category B will all be raised by increased taxes, and if the total fails to cover the deficit, part of the revenue from income taxes will be appropriated to make up the remainder.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 3 Commodity Prices and Next Year's Budget - Tokyo Shimbun - 11 Feb 47. Translator: Y. Kurata.

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Full Translation:

It is understood that the Government, in its effort to maintain sound and healthy finance, will set the general account budget for the next fiscal year at around 90,000,000,000 yen, including all supplementary expenditures. In compiling the general account budget, however, the Government has gathered necessary data concerning the scheduled prices of the materials which occupy 20 per cent of the total appropriations, on the basis of the commodity prices in November last year. The findings are as follows:

(1) The current commodity prices have shown an increase of our 30 per cent since December, last year.

(2) Prices for consumers of both coal and rice are to be raised, due to the suspension of Government's subsidies as of April this year. On the other hand, an additional increase in tobacco price, railway fares, and communications charges is generally regarded as inevitable. This will, in turn, entail considerable increase in the commodity prices, both official and blackmarket.

It is generally observed, therefore, that the Government might encounter considerable difficulties in enforcing the foregoing general account budget. Under the circumstances, however, authorities of the Ministry of Finance believe that the budget can be enforced on the following basis, without any major changes in the original method of budget formation:

(1) The budget will be influenced very little by price increases, as the bulk of it is covering personnel expenses. No further increase in the personnel expenses is conceivable, as the Central Labor Committee's (CHUO RODO IINKAI) arbitration plan, setting the standard monthly pay at 1,200 Yen is likely to be adopted and put into effect accordingly.

(2) Scheduled public utility expenses have become comparatively cheap from the standpoint of the current price level, but such a difference can adequately be adjusted either by minimizing the scope of undertakings or by actually postponing undertakings.

(3) Among business expenses inclusive of public utilities expenses, those which must be defrayed within the fiscal year will be compiled in the supplementary budget and will be submitted for approval to the Diet.

(4) As the supplementary budget depends primarily upon taxation based on general estimates, increases in the commodity prices will bring about a natural increase in government revenue so as to make good the deficit to some extent.

ITEM 6 Yamaguchi-Ken Supplementary Budget - Provincial Newspaper Bocho Shimbun (Yamaguchi) - 30 Jan 47. Translator: S. Iwata.

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Summary:

At the Prefectural Council (KEN SANJI KAI) to be held on 31 January, a supplementary budget for 1947 will be presented, totaling a little more than 8,519,000 yen, including 5,400,000 yen for the reconstruction and extension of police stations, 821,000 yen for policemen's uniforms, 1,000,000 yen for the purchase of fat stock, and 450,000 yen for the construction of police telephone. Hence, the final budget for 1947 totals 509,584,000 yen, about five times the original.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 2 Budgets Total 110,000,000,000 Yen - Asahi Shimbun - 22 Feb 47.
Translator: F. Hagiwara.

Full Translation:-

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As previously reported, the Government was expected to draw up a budget estimate of 61,500,000,000 yen for the general account of the 1947 fiscal year, and then to propose a supplementary budget estimated to be at least 50 or 60,000,000,000 yen. The latter is for such emergency expenses as salary increases and bank deposit grants which were excluded from the original plan. However, the present tendency is to draw up a single budget, since such a divided budget would be inconvenient in sizing up the general aspects of annual revenues and expenditures. Thus a recompilation of the budget on 20 February resulted in an outline draft. According to this plan, the total budget amounts to 115,000,000,000 yen. Prominent items of annual expenditure among those which had been drawn up in the original estimate of 61,500,000,000 yen are as follows:

Emergency public works expenses have been raised from 17,000,000,000 to 27,000,000,000 yen, and the interest rate on Government debentures from 7,000,000,000 to 8,000,000,000 yen. Besides these, price subsidy payments for rice, coal, and fertilizers total 10,000,000,000 yen; establishment expenses for the Government Distribution Company, 3,300,000,000 yen; investments in the Reconstruction Finance Bank, 6,000,000,000 yen; bank deposit grants, 10,000,000,000 yen; salary increase expenses, 10,800,000,000 yen; and the new education system, 600,000,000 yen. Annual revenues -- taxation, 60,000,000,000 yen; monopoly profits, 20,000,000,000 yen; property tax, 7,500,000,000 yen; sale of state property, 2,500,000,000 yen; miscellaneous profits, 10,000,000,000 yen; making a total of 100,000,000,000 yen. In effect, a greater part of bank deposit grants (10,000,000,000 yen) and investments in the Reconstruction Finance Bank (6,000,000,000 yen), will be supplied from the income of a bond issue. The plan might be said to maintain a principle of sound finance.

In this budget, however, the expenses for taxes to be granted local governments and for the new education system remain undecided since the Ministry council meeting, held on 20 February. Thus the general budget for the 1947 fiscal year, its total being somewhat changed by the decision relative to the above expenses, is slated to approach 120,000,000,000 yen. Presentation of the budget to the Diet is expected to be made on 1 March. The following is an outline of revenues and expenditures.

Annual revenue: (1) Taxation -- 60,000,000,000 yen (taxation will suffer a decrease of 15,000,000,000 yen due to raising the exemption limit on the earned income tax and on dependent deductions and other tax reforms. However, a taxation income of 60,000,000,000 yen would be possible by a heavy taxation on the income tax and increasing the prices of SAKE). (2) Levy of the property tax and the wartime indemnity special measure tax for the 1947 fiscal year -- 7,500,000,000 yen. (3) Monopoly profits -- 20,000,000,000 yen (Prices of ordinary tobacco, including HIKARI, will be trebled; of such high class tobacco as PEACE and CORONA, raised to 30 yen. Salt, also, will undergo a heavy increase to cover present losses). (4) Sale of State property -- 2,500,000,000 yen (balance of State property valued at 7,500,000,000 yen after deducting the amounts relative to reparations and others). (5) Miscellaneous profits -- 18,000,000,000 yen (including the profit gained by consumers' payments of price differentials). (6) Bond issue -- 15,000,000,000 yen. Total -- 115,000,000,000 yen.

Annual expenditures: (1) Additioned estimates to the original program of 61,500,000,000 yen. (a) Bank deposit grants -- 10,000,000,000 yen; (b) Investments in the Reconstruction Finance Bank -- 6,000,000,000 yen; (c) Salary increase expenses -- 10,800,000,000 yen; (d) Price subsidy payments for rice, coal, and fertilizers -- 10,000,000,000 yen; (e) Establishment of expenses for the Government Distribution Company -- 3,300,000,000 yen; (f) New education system -- 600,000,000 yen. (2) Increased estimates in the original program -- (a) Interest rate on Government debentures 8,000,000,000 yen (formerly 7,000,000,000 yen); (b) Emergency public works expenses -- 27,000,000,000 yen (formerly 17,000,000,000 yen); (c) Public enterprise expenses -- 9,800,000,000 yen (formerly 9,000,000,000 yen). (3) Reserve fund -- 3,000,000,000 yen (formerly 1,000,000,000 yen).

Other items are, in general, the same as in the original plan.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 8 Sound Development of Finance and Turning-Point of Inflation - Nihon Keizai Shimbun - 22 Feb 47. Translator: N. Tachibana.

Full Translation:

I

How to maintain a balanced budget for the next fiscal year forms the core of countermeasures against inflation. Maintenance of the balance between revenues and expenditures, and elimination of deficit bonds, will check expansion of the currency now in circulation and new progress of inflation. Also, it will achieve the reconstruction and consolidation of national finance. Consequently, this will serve to restrict the bullish trend of the market, which is the direct and effective cause for aggravation of inflation. It will pave the way to recovery of confidence in money and to stabilization of prices. The Government has already stressed the principle of promoting the sound development of finance with regard to compilation of the budget for the next fiscal year.

A general account budget exceeding 100,000,000,000 yen for next year will be introduced soon to the Diet session. In spite of this, the Government is rumored to be scheming to meet its financial needs with ordinary annual revenues, and will not issue deficit bonds if possible. If this ideal should become a reality, and a sound development of finance can be seen in the general account budget alone, this may be said, from the unbiased point of view, to imply the success of ISHIBASHI's financial administration. Since the Government is about to take conservative and effective measures for eliminating the basic cause for inflation, despite much sacrifice and difficulty today, only two years after the end of the war, it may be said that the Government's countermeasures against inflation are making progress.

II

It is needless to explain that the current inflation is due to expansion of currency in circulation, along with the increased issue of deficit bonds and the reduction in production, resulting from the shortage of materials and facilities. Therefore, correction of inconsistencies in the national finance and absence of deficit bonds in the budget will serve to root out one of the causes for inflation. Of course, countermeasures against inflation are not confined to this alone, but there are many to be taken now, such as re-opening production, stabilization of prices, disposal of wartime and postwar public bonds, frozen deposit or new yen, etc. However, to keep the balance of the budget for the next fiscal year may be considered a twining point in the course of the progress of inflation. That is, it will prevent further aggravation of inflation on the part of finance and currency.

Although there are many discussions on inflation by representatives of all classes, it is indisputable that the majority of them have actually been useless in checking inflation. At the stage of economic change in which there are many unfavorable conditions and popular sentiment is extremely sensitive, there are many cases where even theoretically correct opinions are of no policy value. For example, to suspend interest payments on public bonds, to register new yen, or to levy a tax on new yen, etc, which the Social Democratic Party advocates, are impracticable steps. If these are enforced as part of powerful collective countermeasures, they can serve as practical policies. However, there is much doubt as to whether or not they will be able to succeeed separately.

III

Emergency policies, particularly urgent economic ones, must be devised so as to touch the inner workings of human nature. The most important matter is to set and clarify definite limits to endless aggravation of inflation. In FRANCE the BLUM Administration succeeded in controlling blackmarket transactions, settle labor disputes, and even gain the support of the Communist Party, by means of such a simple and plain countermeasure as a five percent reduction of prices. Though the situation in JAPAN differs from that in FRANCE, the compilation of the budget for the next fiscal year, based on the principle of healthy finance, should be appreciated in that it displays similarity to the French policy. However both the Government and the people, accustomed to chronic deficit finance during the period from the Manchurian Incident to the end of the war, have been acquainted with the idle ease and charm of financial inflation. We desire that the authorities in particular do not forget the significance of sound finance and do not waste expenses, due to their own inertia.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 15 Can a Sound Budget be Compiled? - Provincial Newspaper Kochi Shimbun (Kochi) - 20 Feb 47. Translator: K. Nagatani.

Summary:

In a press interview held on 18 January, Finance Minister ISHIBASHI declared that the Government has set the general budget for the next fiscal year at 61,800,000,000 yen. Subsequently, the general budget was increased to 65,000,000,000 yen. It was reported that in order to balance the budget, the Government would make revisions.

In reply to OKUBO, Tomejiro's interpellation at the 15 February plenary session of the Lower House, Finance Minister ISHIBASHI declared "The budget for the 1947-48 fiscal year will be balanced. Accordingly, government expenditures will not aggravate the inflation".

Since the estimated expenditures in the general budget fell short of the estimated revenue by only 5,000,000,000 yen, we were under the impression that the general budget could be balanced through efforts of the Finance Ministry authorities. However, the Government has recently decided to revise the general budget bill. As a result, the total of the new budget is expected to run as much as 120 or 130 billion yen. At a glance, the proposed 65,000,000,000 yen general budget seems to be sound. However, there is no appropriation for national recovery.

A few items of expenditure to increase production are as follows: 620,000,000 yen - government subsidies for the production of fertilizers; 22,000,000 yen - coal subsidies; 1,200,000,000 yen - government subsidies for the Shipping Management Commission; 700,000,000 yen - subsidies for rice, wheat and barley. These expenditures can be regarded as being passive rather than positive in national production. All of the important items of expenditure were in the supplementary budget.

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Increasing public suspicion and distrust of the 65,000,000,000 yen budget seems to have forced the Government to revise the original budget. In a period of financial crisis and soaring prices, it must be very difficult for the Government to accurately estimate all of the necessary expenditures for the coming year. In this respect, we sympathize with the Government. However, we believe it is imperative to overhaul the present method of compiling the Government budget. There is no need to divide the budget into general and supplementary. The execution of a supplementary budget is too often difficult. In other words, a supplementary budget may well be regarded as being unsound.

There will be no property tax next fiscal year. Unless mass taxation is increased, it will be almost impossible to balance the budget. As a result the Government will probably derive its revenue by increasing prices of such official enterprises as railways and communications as well as from raised consumption taxes. Thus, prices will further increase and inflation will be aggravated. For this reason, we are deeply concerned with the contents of a revised budget. We hope that the financial burden will not be shifted to the shoulders of the general public on the pretext that the Government budget will be balanced.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

Approval Is Given To 1947-48 Budget

4 Other Bills Passed; Others Go To Committees

After three-day heated discussions, the general budget for the 1947-48 fiscal year was approved in its original form at the plenary session of the House of Representatives, Monday, March 17.

The plenary sitting was convened at 2.14 p.m. to continue deliberations on the general budget.

Although Masakiyo Kita (unattached, Hokkaido) expressed objection to the general budget, Yoshikuni Kanamitsu (Progressive, Oita), Yoshimitsu Kawano (Co-operative Democrat, Miyazaki) and Shigeki Nakanishi (unattached, Fukuoka) stated their approval.

After a Socialist Party emergency motion was rejected, the general budget was passed.

Four other bills providing for a Statistic Law, Amnesty Law, and the revision of the War Sufferers Relief Funds Law were introduced and approved in their original form.

The School Education Law bill was then referred to a committee, following which the Basic Education Law bill was passed.

Five more bills including those for the revision of the Bank of Japan Law and the Postal Law were referred to a committee before the plenary session adjourned at 5.34 p.m.

MAR 20 1947
MAINICHI

EDITORIAL

Vital Significance Of New Budget

The new budget is decidedly of vital significance. Whether the country will be able to arrest the spiraling inflation and expedite national rehabilitation depends nearly 50 per cent on the budget. There are many points worthy of comment, but let us pick one or two that are especially important.

The first is the question of sound finance. The total expenditure is set at ¥114,500-million. Ninety-six per cent of the revenue is to be raised through a radical increase of taxes and the prices of the state monopoly goods. The issue of red ink bonds is held down to ¥4,900-million, which is only four per cent of the revenue.

If a surplus could be secured in the revenue, the budget would be ideal, but even if the expenditure and revenue were balanced, we should still call such a budget sound finance in form. In the sense that the amount of red ink bonds is extremely small, the new budget can be deemed close to sound finance.

Time and again Finance Minister Tanzan Ishibashi has definitely declared that he would never draft a deficit budget for the coming fiscal year. He should therefore be congratulated for keeping his promise. Truly, in scrutinizing the budget draft, we cannot fail to appreciate the tremendous efforts made by the finance authorities concerned in making both ends meet, abiding by the principle of sound finance, at least in form.

When compared with that of the preceding year, the new revenue is twice as big, being ¥70-billion. For this purpose, the Government intends to secure ¥24-billion from the state enterprises by a terrific overall increase in the prices of tobacco, "sake," and other monopoly goods.

A great portion of the revenue from the property tax imposed on wealthy people has already been spent in the previous budget. Hence, only ¥7,500-million is estimated available from this source in the new budget.

The bulk of the financial burden that is designed to cut down the deficit as small as possible, is borne by the people in general. Though there is no way of realizing an ideal sound finance in the economy of a defealed nation, even then, the sufferings of the people must be called very severe.

Be that as it may, there are many questions yet to be solved as regards the substance of the people's tax burdens. First of all, it is not fair that the increase of taxes for the so-called new yen stratum of society, is so mild.

Granting that there are various technical difficulties in the imposition of taxes, it is evident that almost all the profit accruing from the current inflation is monopolized by the people of that class.

So long as this is a stark reality, there should be no excuse whatever why the Government cannot tax them according to their ability to bear. This we regard as the biggest defect in the new budget.

Next, the Government's determination to do away with a deficit budget, as reflected in the new budget, deserves the people's support.

Briefly speaking, a red ink budget is a dynamo of inflation. Though we cannot say that inflation can be curbed once a red ink budget is stopped, yet simultaneously the people cannot deny the fact that no matter what countermeasures may be taken, inflation is inevitable so long as big red ink budget continues.

In that sense, it is of vital significance that the red ink bonds issue is limited to ¥5-billion in the new budget draft.

MAINICHI MAR 5 1947

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

EDITORIAL

Focal Point Of People's Effort

With his perennial super-confidence, Finance Minister Ishibashi explained the contents of the new budget before the House of Representatives on March 3.

It is a good thing for Government circles to have such overflowing confidence in their policies and programs. But this sort of confidence can easily turn out to be the valor of ignorance or a feint to muddle over the real issues before the incalculable forces of such an epochal transition as Japan is now going through.

As a matter of fact, in spite of the Minister's sanguine predictions, the objective realities of the situation have moved in an entirely opposite direction, ever since his assumption of the Finance Portfolio.

Betraying his earlier declaration that the currency circulation had struck the ceiling, the volume of currency in circulation has now doubled. The anticipated stabilization of commodity prices, so confidently forecast not once but repeatedly, has not materialized.

Can we then accept at face value the Minister's latest claims that the so-called inflationary "March Crisis" is a groundless fear or that "the counter-inflationary measures are now impregnable?"

As far as the new budget is concerned, however, it is to his credit in that it approaches "sound finance." In order to preclude the necessity of adding supplementary budget bills later, all expenditures of major importance have been included in the new budget. But even that cannot as yet dissipate the fear of an additional budget in the future. For there is the disbursement for the dismantling and transporting of industrial installations earmarked for reparations. There is also the unavoidable necessity of increasing state subsidies for the production of more coal and fertilizers, and for the augmented collection of rice from farmers.

At any rate, in order to balance the budget, the charges for Government enterprises and prices of monopoly products are to be drastically raised side by side with the raising of indirect taxes. These are bound to force the commodity prices higher and, in turn, drive the workers to ask for better pay—this even without the further increase of bank note issues. If the seesaw of prices and wages were again to start, inflation will be further aggravated.

However, if the balanced budget could be carried to its logical end, it will not only turn out to be a potent factor in checking inflation, but may even save Japan from bankruptcy.

But a balanced budget is only a monetary check on inflation. Without an increase of industrial production, inflation can never be overcome.

Since the monetary side of the lever is now going to be applied forcefully, what remains for the people to do is to put the whole weight of the nation on the productive side of the lever.

MAINICHI MAR 7 1947

BUDGET FOR 1947-48 SET AT 115 BILLIONS IN LATEST ESTIMATE

Cabinet Will Go Over Draft Before Final Figures Are Presented to Diet

The draft total budget estimates for the 1947-48 fiscal year will amount to the staggering figure of ¥115,000,000,000, according to a rough estimate made by Finance Ministry authorities.

The draft budget estimates, after undergoing further deliberations, will be referred to a Cabinet meeting for approval and for presentation to the current Diet session.

According to Kyodo, the Government originally intended to divide the budget estimates for the next fiscal year into two accounts, the general budget estimates and a supplementary account, to be presented to the Diet separately.

For the present, however, the Government decided to compile an all-inclusive budget draft, which is roughly estimated at ¥115,000,000,000.

Main items of the draft national budget bill now being studied by the Government are reported to be as follows:

(All in million yen)

Expenditure Item	Sum
Emergency public works and "others"	27,000
Higher wages to government and public workers	10,800
Subsidies to financial institutions	10,000
Subsidies to rice, coal and fertilizer	10,000
Ordinary public works	9,800
Interests on national bonds	8,000
Loan to Reconstruction Finance Bank	6,000
Revenue Item	**Sum**
Incomes from various taxes	60,000
Property tax and war-time compensation tax	7,500
Profits from Government monopoly enterprises	20,000
Sales of State properties	2,500
Issuance of national bonds	15,000
Miscellaneous incomes	10,000

FEB 2 3 1947 NIPPON TIMES

General Budget Bill Is Approved By Diet

Legislation On Basic Education Also Approved

The House of Peers passed two important bills (already passed by Lower House) at its plenary session Tuesday, March 25.

The approved two bills were the Basic Education Law Bill and the budget estimates in the general account for the 1947-48 fiscal year.

Also passed with the general budget bill were the budget estimate, in the special accounts for the 1947-48 fiscal year, the revised supplementary budget No. 2 for the 1946-47 fiscal year, the revised supplementary budget No. 1 in the special accounts for the fiscal year 1946-47 and a bill pertaining to the contract other than liabilities of the national treasury.

MAR 2 7 1947 MAINICHI

Supplement Classroom Work With Practical Experience

Girls of Keuka College in New York have returned to their campus from business offices, hospitals, laboratories, newspapers, libraries and almost every other type of employment.

By a unique division of the academic years, Keuka uses portions of customary vacations for two required work periods, one of six weeks in winter and one of 12 in summer. Each girl reports her experiences after her return to school.

Experience is carefully evaluated by the faculty as part of the college course. To qualify for graduation, each student must receive a satisfactory grade for her work in these periods from a work counselor in her chosen field.

However, Keuka is not a vocational nor pre-professional school. It is a liberal arts college with a work program designed to supplement classroom knowledge by bringing students into contact with situations in her community.—(USIS)

MAR 1 2 1947 NIPPON TIMES

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 6 General Budget Meeting - Tokyo Shimbun - 13 Mar 47. Translator: K. Higashikawa.

Full Translation:

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Finance Minister ISHIBASHI testified before the hearing of the general budget meeting on 12 March that the Government was considering increases in the transportation and mail service rates. The testimony was made by the Finance Minister in explaining the supplementary budget bill covering the Special Account for the 1947-48 fiscal year. He said that the deficit in the revenue earmarked for covering expenses for the routine work of the Government Railways, excepting the construction and repair expenses, amounts to 8,300,000,000 yen and the deficit covering similar expenses for communications amounts to 5,200,000,000 yen. For the time being these deficits will be covered by loans from the General Account, but the Government contemplates covering the deficits by raising the transportation and mail service rates in the near future.

The general budget meeting in the House of Representatives was opened at 1035 hours on 12 March, with Finance Minister ISHIBASHI explaining the General Account supplementary budget bill for the 1946-47 fiscal year and the Special Account supplementary budget bill for the 1947-48 fiscal year. The Finance Minister further explained that the Taxation Revision Bill would be submitted to the present session of the Diet on or about 14 March. He was followed by MAYEO, director of the Taxation Bureau, who offered explanations regarding the details of the taxation revision.

NAKAZAKI, Shigeru, Social Democratic Party: What is the Government policy regarding the release of the No 1 blocked bank deposits?

Finance Minister ISHIBASHI: The Government hopes to be able to do away with the present distinction between the old and the new yen as speedily as possible. The Government also intends to increase the cash payment limit for wages.

The meeting recessed at 1230 hours.

Interpellations on the general budget for the 1947-48 fiscal year were slated to be completed today, and the Budget Bill will be deliberated upon by subcommittees on 13 and 14 March. On 15 March a full report will be made to the general budget meeting by the chairman of the subcommittees on the findings of the deliberations. The budget is expected to be passed by the plenary session of the House of Representatives and passed on to the House of Peers the same day.

The House of Peers sat in a plenary session on 12 March, when three bills, including the Securities Bill, the Bill concerning the liquidation of the Stock Exchange and the Bill concerning Exceptions to the Accounting Law, all presented by the Government and referred to the House by the Lower House, were taken up for deliberation. Following the interpellations posed by OKOCHI, Kenkyukai, these three bills were passed without amendment.

The Bill concerning Exceptions to the Election Law referred to the Upper House by the Lower House was then presented and referred to the subcommittee deliberating on the bill for election of members of the House of Councillors. The House adjourned at 1115 hours.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 2 Characteristics of the New Budget Bill - Jiji Shimpo - 4 Mar 47. Translator: T. Okamura.

Summary:

There are two noteworthy characteristics in the 1947-48 general budget submitted to the Diet and in Finance Minister ISHIBASHI's financial speech thereon. One is concerned with democratization of the form of the budget; the other is an expression of the Government's enthusiasm and efforts, as a budgetary policy, for the prevention of further inflation. As measures to democratize the budget, the Government has cancelled the past classification of ordinary and supplementary budgets. The supplementary budget previously considered necessary has been incorporated in the ordinary budget. Further, by increasing the emergency reserve fund from 800,000,000 yen in 1946 to 3,000,000,000 yen, the Government has emphasized the importance of deliberations on the budget. These reforms, which have long been advocated by the people, may be regarded as possessing distinguished characteristics, in the next year's budget.

The prevention of inflation, which is the other merit, has grave significance, from the economic and social points of view. Needless to say, acceleration of inflation, in most cases, originates in deficits in State finance and in expenditures for civilian enterprises. The acceleration of inflation may be prevented by restrictions on advance loans made by the Bank of Japan, enforced a short time ago, and also by the Capital Readjustment Standards, promulgated on 1 March, if At this moment it is imperative for the Nation to prepare for a radical increase in taxes. Establishment of a sound finance in the new budget may be interpreted as a step towards the prevention of inflation, but if production does not increase there are still many possibilities for the acceleration of inflation. Accordingly, it is advisable for the Government to attempt to prevent inflation, as well as to promote a sound economy, by increasing production and encouraging savings.

ITEM 10 Budget Arouses Little Response in Diet - Mainichi Shimbun - 4 Mar 47. Translator: H. Naoji.

Full Translation:

The budget bill for the fiscal year of 1947 was finally introduced to the Diet. In the past sessions, the budget bill would have caused the hottest debates, but in the present one, response is lukewarm and the rate of attendance is only one-third of the membership.

Diet members who are present are all veteran who have confidence in their influence in their constituency. The newly elected Diet members are busy establishing their campaigns for the coming general election. Admitting that a budget for the next year is to be discussed in such a state of affairs in the Diet session, we cannot but feel sorry for the general public.

Presenting the huge budget amounting to 114,500 million yen, Finance Minister ISHIBASHI stood on the platform and blustered, "The compilation of this budget has indeed changed the appearance of the past one. With this budget, in-the-red finance has been dissolved and the cause of inflation has been rooted out. Countermeasures for inflation both in finance and in the circulation of money are perfect." However, has he forgotten the existence of the people who are in a pitiful state owing to the delay or the suspension of distribution of rice?

TOMABEJI, Yoshizo (a Progressive) the first interpellator, only first necessity to establish the Japan Industrial Reconstruction Bank. Any demand for receiving credits from foreign countries should be unconditionally rejected. It is very urgent that we do not take measures which shall interfere with the independence of this country."

His speech was so tense that all listened in silence. The Finance Minister seems to have shouldered the burden of the Liberal Party since his debate with Social Democrat MIZUTANI when his opponent is of an opposition party, he answers very strongly. The Finance Minister's answer to the interpellation of NISHIMURA made those present feel uncomfortable and was rather a failure.

The Finance Minister's reply was, "It is the day of controlled currency, not of gold standard. If you study economy, you will be able to understand a thing like that."

It is desirable that both the Government and the Diet members respect the Diet and satisfy the desires of the people.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 12 Problems Following the New Budget Bill - Shin Yukan - 7 Mar 47.
Translator: M. Kato.

Summary:

The budget bill for the coming fiscal year has been announced, and the true picture of its revenues and expenditures was brought to light with the clarification of the basic reform in the taxation system. The features of this budget are two fold; one is the inclusion of the supplementary appropriations into the budget, and the other is the fact that a great portion of the revenues comes from taxation and profit of state enterprises, limiting the issue of the deficit bonds to only 4,800,000,000 yen.

Thus, the new budget, so far as its form is concerned, is based on sound finance. This is of such significance that we cannot but appreciate it. Truly the financial authorities have much improved in their attitudes toward the problem of inflation, and in their efforts to set up a sound finance instead of induging as formerly in absurd, irresponsible talk.

Yet, the new budget, despite these efforts and its appearance, is not free from being substantially weak. As to the taxes which constitute the greater portion of the revenues, the percentage of direct and indirect taxes is 67.2 and 27.6 respectively, the income tax being the nucleus. But on scrutinizing, we find that the profit from the state monopoly amounts to 24,000,000,000 yen, and so we cannot accept the new budget at its face value. In other words, to get that sum, a tremendous raise in the prices of the state monopoly goods such as sake, tobacco, etc, is inevitable.

This means that this colossal amount will be imposed upon the people at large, resulting in an increased cost of living. With the higher prices of commodities, there will necessarily arise the question of various demands including the demand for higher wages. This will necessitate a succession of emergency appropriations. If not, it will occasion serious problems in the life of the masses.

Of course, the burden of economy and finance caused by the defeat should equally be shouldered by every class. But it is to be noted that after the downfall of the wealthy classes as a result of property levy, it is the masses that must be the main force in supporting state finance. Yet this burden, amounting to 50 percent of the whole, is threatening the life of the populace. It will literally shake the foundation of production. Here is the origin of "evil cycle" regarding social unrest and production. Thus we see the crux of the problem remains unsolved.

To remedy the situation, it is a prerequisite that the people are well informed of the necessity of leading a frugal existence. This task belongs to the political field as well as being a problem directly concerned with finance. Our postwar economy has allegedly entered into the second stage.

ITEM 2 Climax Passed in Budget Committee Meeting - Shin Hochi - 11 Mar 47.
Translator: J. Wada.

Summary:

Deliberations in the Lower House Budget Committee plenary meeting have apparently passed their peak. Discussions have centered around the problem of inflation.

The financial problem: The possible unfavorable effect upon the people's livelihood of the proposed increases in the rates of government enterprises and in indirect taxes was the chief point of discussion. Finance Minister ISHIBASHI expressed the belief that a rise in the general price level would be prevented by a new deflationary policy.

The food problem: Agriculture Minister KIMURA declared that 650 yen per five bushels would be paid as a bonus for "over-allocation" deliveries, that agitators for non-delivery would be severely dealt with, and that rationing would be stabilized if permission for the release of imported food were given.

The problem of production: The Government confessed its lack of confidence in the 30,000,000-ton coal production program.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ISHIBASHI PLANNING BIG RETRENCHMENT FOR 1947-8 BUDGET

Finance Minister Is Opposed To Cutting Prices as Means To Combat Inflation

Proposing a drastic retrenchment policy for Government finances, Finance Minister Tanzan Ishibashi on Tuesday told newspapermen that he intended to compile the 1947-48 fiscal budget within the framework of from ¥60,000,000,000 to ¥70,000,000,000.

In a press interview held at his official residence, Mr. Ishibashi voiced his intention to cut down unnecessary expenditures drastically, for which, he said the Cabinet council's understanding has already been obtained. He added, however, that the budget estimates now under contemplation did not include reparations costs, loans to overseas repatriates and indemnities for war damage insurance.

Questioned what he thought of the proposed coalition government, the Finance Minister discounted the necessity of taking such a step. Having been kept busy with the Diet sessions ever since its formation, the Yoshida Cabinet had no time to elaborate on policies with the result that it failed to carry out to a satisfactory degree the policies proposed by conservative parties, Mr. Ishibashi said. He expressed belief that strengthening of the present regime by the conservative camp through a partial Cabinet reshuffle will be enough.

He added that if the Cabinet lineup were to be changed, it will have to be done before the Diet resumes session on January 21. Mr. Ishibashi, however, was not wholly opposed to a coalition government when he said such a setup may be convenient for disposing of pressing issues. "It is all up to the Prime Minister," he said.

Queried whether he had any other plan than financal retrenchment for countering inflation, the Finance Minister replied in the negative. He also disapproved of a policy for lowering commodity prices, characterizing the price reduction plan reportedly carried out by the French Government as "height of folly." "You would better leave prices as they are," he said.

He also likened labor's demand for higher wages with self strangulation. He hailed the recent proposal by labor to call an industrial reconstruction conference between labor and capital. The Finance Minister expressed the hope that if coal output is boosted through such efforts, it will serve to break the vicious circle of higher labor cost and rising prices.

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1947-48 Estimates

The Government, holding a special Cabinet meeting on January 16, at 1.30 p.m. at the Prime Minister's official residence, decided on the draft budget estimated for the 1947-48 fiscal year just submitted by various Ministries in accordance with the Finance Ministry's informal instructions for the compilation of the general budget.

JAN 16 1947 MAINICHI

Wide Criticism Shown Jap Budget, Tax Plan

By CPL. LAURENCE STERN, Staff Writer

Finance Minister Tanzan Ishibashi's proposed one billion yen budget and taxation program was widely criticized in the press and in political circles as an ineffective measure unless accompanied by an increase in production.

Meanwhile, Ishibashi in a statement before the lower house plenary session Monday, asserted that the newly formulated budget is the result of "careful consideration" and that the government is convinced that the national economy can withstand the sum.

"The present inflation will not be further aggravated," the Finance Minister opined, "and even if it does become worse, an increase in expenditures will bring about an increase in revenues."

Incorporated into the 1947-1948 fiscal year budget was a drastically reformed national tax law which completely revises such major levies as income, corporation and inheritance tax.

A system of graduated taxes, comparable to that employed in the United States, will be instituted if the plan is approved, it was learned.

Opposition to the proposed increase of indirect taxes was voiced by a Social Democratic Party spokesman in an interview. Although wages have risen considerably, the disproportionate spiralling of prices leaves the working man in just as bad, if not worse, a position than he now is, said the spokesman.

In defending his budget policy, Minister Ishibashi explained before the House of Representatives Monday that "... an intense state of inflation is caused by a prolonged state of government finances in the red and the additional issues of currency to cover them."

"But in this country after the 1947 fiscal year, "... there will be no public finances in the red. The chief source of inflation is cut off," asserted Ishibashi.

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ITEM 3 Upper House Interpellates on Budget Bill - Asahi Shimbun - 13 Mar 47. Translator: R. Aoki.

Full Translation:

At the plenary session of the House of Peers on 18 March Finance Minister ISHIBASHI explained the General Budget Bill and interpellations were heard from the floor.

NISHI, Yuitsu, (KOSEIKAI): (1) Is the Government planning to release the first restricted deposits? (2) The failure of the budget to provide for reparation expenses promote inflationary instability. (3) Since the restriction of bank loans is stimulating usurious practices, a democratic loan organization seems advisable.

Finance Minister ISHIBASHI: We hope to unify the monetary system by doing away with the old yen as soon as possible. As for the first restricted deposits in particular, the Government does not contemplate tightening the restrictions, although it may be impossible to remove the restrictions completely at once. (2) Inasmuch as the reparations question has not been settled yet, it is impractical to include reparation expenses in the present estimates. (3) The Government is determined to establish a fair loan system. Most of the reasonable requests for loans are expected to be met by the banks.

YAMAMOTO, Yuzo, (Independent): Expenditures for education is only 3-4 per cent of the total budget. Special expenditures allotted for establishing the 6-3 educational system should be made a permanent allotment.

ISHIBASHI: Five billion yen for educational expenditures is included in the general administrative expenses. Besides, the revenue refundable to local governments and subsidies include 2,000,000,000 yen for educational items.

Education Minister TAKAHASHI: Special expenditures for establishment of the 6-3 system will reach 2,000,000,000 yen in 1947-48 and 6,000,000,000 yen in 1948-49.

SONODA, Takehiko, (Independent): (1) Raising governmental fees seems to accelerate inflation. (2) What are the Government's views on the establishment of an international exchange rate of the yen?

ISHIBASHI: (1) The charges for government services are raised in order to adjust them to the prevailing price levels and, therefore, should not be considered as a cause of inflation. (2) The exchange rate of yen will be determined by the economic productivity and the balance of trade of the nation. Therefore, it may be unnecessary to have a gold reserve.

SONODA: State the Government's policy in relation to the present increasing social and moral disorders.

Home Minister UEHARA: The inadequacy of the present police force is realized by the Government, which is planning to add 35,000 men and to improve the quality of the personnel also.

The War Sufferers Relief Law Amendment Bill was then referred to a committee. The Diet Law Bill was approved as amended by the committee and was returned to the House of Representatives.

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ITEM 16 Tokuda Criticizes Budget as Impetus to Black Market and Inflation - Akahata - 24 Mar 47. Translator: Y. Bannai (RBH)

Full Translation:

When the 1947 budget of 114,000,000,000 yen was passed by the House of Representatives on 17 March despite opposition by Social Democrats and Communists, TOKUDA, secretary-general of our party, strongly criticized the bill, charging that it was extremely pernicious, since it serves to lend impetus to inflation and black-market activities.

Citing the words of KOMINE, Liberal, he bluntly disclosed the Liberal Party's conspiracy, which surreptitiously attempts to impose taxes on the new yen class through the reblocking of new yen, and contended that politics must be fair and square. He further pointed out that the budget is clearly based on the spirit of the caste system, and compared the 130-yen subsidy for the monthly livelihood per capita with the 75,000 yen and 12,500 yen for a member of the Emperor's and other royal families respectively.

In conclusion, he termed the budget as benefiting only the capitalists and landowners, and he even went so far as to say that it will cruelly whip the general working masses, completely depriving them of the power to exist.

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ITEM 2 Tokuda Flags Ishibashi on Budget; Ishibashi Agrees to Tax New Yen - Akahata - 15 Mar 47. Translator: S. Sano.

Full Translation:

Secretary-general TOKUDA of the Communist Party, in his interpellation at the plenary session of the House of Representatives on 4 March, bitterly criticized the Ishibashi financial policy. ISHIBASHI answered rather incoherently, but comrade TOKUDA exacted two points from him. It is desired that laborers, farmers, and citizens in general will watch to see whether ISHIBASHI fulfils his promise. The two points were:

1. I have no remembrance of having said that a tax would not be levied on the new yen class. Unreasonable taxes will not be levied, and I promise to tax relentlessly those with large incomes. Therefore, income from black-market dealings will be rigorously taxed.

2. I have no intention of prohibiting the special withdrawals from the first blocked accounts; rather, I anticipate the lifting of all controls on the accounts.

He said further: "Should a supplementary budget become necessary, that is, when it becomes necesssary to increase government expenditure, we will find that the revenue will also increase accordingly, so there is nothing to worry about."

Absurd poppycock! With the Government expending that enormous sum in the last fiscal year, what increase was there in the revenue? It all had to be chalked up in red ink. Not only does his reply disclose that this budget will not meet the needs, but it also reveals the fact that this budget was drawn up in anticipation of increase in revenue from the future aggravation of inflation.

(ISHIBASHI's War Responsibility Pursued)

SUZUKI, Mosaburo of the Social Democratic Party, at the conclusion of his interpellation in the general budget committee meeting on 5 March, pursued the war responsibility of ISHIBASHI. He pointed out the following fact.

"Finance Minister ISHIBASHI was the Director of the Orient Economic Magazine Company during the war. The magazine stated in its editorial that AMERICA and ENGLAND were responsible for the Pacific War, and it stressed the establishment of totalitarionism. Especially, in its No 2000 edition, the magazine stated that it would not be advantageous for JAPAN should the JAPAN-AMERICAN conference reach a compromise."

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ITEM 10 Will the Economic Crisis Be Overcome? - Shin Hochi - 21 Mar 47. Translator: R. Shibata. (RBH)

Full Translation:

The 1946-1947 budget when viewed formally seems to reflect the Government's determination to overcome inflation through the restitution of public finance on a sound basis. However it does not specify any definite prerequisites for its realization as the accurate assay of national income, stabilization of prices and accumulation of capital. In other words, the Government has attempted a superficial switch from inflationary finance to sound finance without giving due consideration to these prerequisites. For this reason it is very questionable whether sound finance can be established through this budget as the Government expects. In a frank appraisal, the foregoing notwithstanding, this budget cannot be termed sound. If the Government's financial policy proves ineffectual in curbing the inflation, JAPAN's economy, already at a critical stage, would probably deteriorate into a state of financial collapse.

The "March crisis" was generally expected to be brought by two factors, stagnant production and inflation. What about the actual aspect of inflation? The rising rate of prices has been higher than the increasing rate of currency in circulation. This trend presented itself most conspicuously from January to February, showing the former rate of 19.4 per cent as compared to the latter of 5.9 per cent during the period from 22 January to 5 February. The rise in prices of materials has been more brisk than that of finished goods. Economic crisis from this phase of inflation was already noticeable even in January, in so far as a series of these phenomena can be interpreted as a sign of vicious inflation.

What about production? January-May coal output plan aimed at 6,600,000 tons has proved to be woeful miscalculation

economic crisis is generally considered to be largely due to the exhaustion of stockpiles. This view, however, overlooks the fact that the promotion of inflation decisively affects production. Those who hold this view are liable to depend too much upon foreign assistance, regarding domestic steps as ineffective, because, to them, there does not seem to exist any way of overcoming the production crisis other than importing raw materials from abroad.

Stockpiles of materials have almost been exhausted. Furthermore, promoting inflation has tended to unsettle a greater part of even these scanty materials for production, thus hindering production to an infinite degree. While inflation continues, workers are not inclined to settle down to production. The same can be said even of farmers. With the difference between the prices of agricultural products and those of industrial goods becoming greater and greater under inflation, the farmers' livelihood will become increasingly difficult. Both in urban and rural districts, poverty will prevail among the working classes. Thus wages which at least should be consistent with the minimum costs of living will go down beyond that level.

Inflation also affects enterprisers. When prices of materials and finished goods are rising, increased production results in larger losses. Therefore, they show no enthusiasm for production in an expectation of the future rise in prices of materials in stock. From the point of both labor and enterprises, production will thus be destroyed.

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ITEM 10 (Continued)

on the part of the Government, with actual production reaching 2,010,000 tons against the goal of 2,190,000 tons in January and 2,028,000 tons against 2,159,300 tons in February. Thus, the Government superpriority production policy based on the estimated coal output of 30,000,000 tons for 1947 has been undermined. With coal production hovering around a level of 2,000,000 tons, coal allocation to general industries always reaches barely 700,000 or 800,000 tons after deducting 1,200,000 or 1,300,000 tons out of the total for such fixed used as consumption at mines, transportation and power generation. By this fact, it can be said that the economic crisis had been precipitated before March as a result of an insufficiency of coal.

Whether JAPAN's economy can successfully overcome the impending crisis and pave the way towards rehabilitation or whether it is doomed to plunge into utter collapse will decisively affect the very existence of our country. The Government intends to curb inflation through the balance of the 1946-1947 budget and the tighter restriction on loans by the Bank of Japan and to increase production through its superpriority production policy based on coal production of 30,000,000 tons.

Can the economic crisis be thus tided over? In view of the character of the impending crisis arising from various phases of production, there can be no other solution to the crisis than absolute increase of production. The present economic crisis is generally considered to be largely due to the exhaustion of stockpiles. This view, however, overlooks the fact that the promotion of inflation decisively affects production. Those who hold this view are liable to depend too much upon foreign assistance, regarding domestic steps as ineffective, because, to them, there does not seem to exist any way of overcoming the production crisis other than importing raw materials from abroad.

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ITEM 10 (Continued)

When production assumes such destructive proportions, inflation on that occasion should be considered as having plunged the country into the final catastrophy. The bankruptcy of JAPAN's economy would then be decisive, and there would be no hope for economic rehabilitation. The drawback of production from the phase of inflation is far greater than generally expected. To tide over the production crisis, the curbing of inflation should first be considered. Only the prevention of inflation can increase production instead of increased production solving inflation. Although many people are not aware of this fact, this is evident from the instances of inflation in GERMANY after World War I.

The Government has finally brought about a dire crisis in JAPAN's economy after forcing through its erroneous financial policy of making light of the effects of inflation on production. At present its policy has been switched towards the curbing of inflation, centering around the so-called "sound budget for 1946-1947." Whether or not the policy will achieve successful results is particularly important to our economy which has already begun to assume critical proportions.

Viewed honestly, however, we cannot but hold an extremely pessimistic view on the future of our economy in contrast to the optimism of the Government. The catastrophic stage in JAPAN's economy is rapidly approaching from all sides.

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ITEM 2 pect Enforcement of the Budget - Nihon Keizai Shimbun - 7 Mar 47.
nslator: N. Tachibana.

Full Translation:

The total amount of the budget for the fiscal year 1947-48 is set at 114,500,000,000 yen. Of this amount, 109,600,000,000 yen is to be derived from ordinary annual revenues such as taxes. An issue of public bonds amounting to 4,800,000,000 yen is scheduled to supplement the annual revenue. In view of the fact that the amount of public debt occupies less than five percent of the total budget and that the scheduled expenditures contain 10,000,000,000 yen worth of indemnities to banking institutions, etc, which are not to be paid immediately in cash, the basis of the budget for the next fiscal year may be considered sound. Now that the increased issue of the Bank of JAPAN notes is mainly due to expansion of financial expenditures, the re-establishment of the balance between revenue and expenditure should be appreciated because it will help to check inflation. Of course this alone will not suffice to stop inflation. Even though inflation of currency can be checked, it is useless if production suddenly decreases. However, since deficit finance is obviously the greatest cause of inflation in the present state of JAPAN, the elimination of deficit bonds will greatly aid in stopping inflation. The most important matter in the future is to inspect and ferret out loose and inappropriate expenditure, lest the delicately balanced budget collapse. The neglect of this matter could be compared to ploughing a field and forgetting the seed.

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It is feared that even if a balance between revenue and expenditure is established in the budget, its enforcement will be retarded with the progress of inflation and that compilation of a supplementary budget may be needed. Such fear is at least partly justified. If deficit bonds are issued under the supplementary budget, a balance in the general budget becomes meaningless. The Government does not intend to introduce a supplementary budget to the current Diet session. Likewise, a supplementary budget should not be submitted in future extraordinary Diet sessions, except in absolutely unavoidable cases. If a supplementary budget is made at random on the pretense of inflationary aggravation, inflation will be further aggravated. In fact, in enforcing the budget active efforts must be made to check inflation by cutting any expenditures which are likely to stimulate inflation. To promote inflation with loose and frivolous expenditures is more to be feared than that the budget will be impossible to enforce owing to the progress of inflation.

The large 1947-48 budget can be recognized as sound finance since it lacks deficit, but it occupies a great portion of the national economy. The people are forced to bear a great financial burden with their small income. Along with the recent expansion of finance, popular inclination to emphasize the importance of taxes has remarkably declined. Loose expenditure per se is culpable. In the present situation it is apt to stimulate inflation. Therefore, expenditure must be made most carefully. Even small expenses for office supplies should be reduced. It is out of the question to distribute the left-over budget. Although the Board of Audit and the Diet are commissioned to inspect and discuss settled accounts, this is apt to be nominal because what is done cannot be undone. It is reported that the Government is preparing to enact a Finance Law. Arrangements should be made to inspect the enforcement of the budget effectively before the fact or throughout the fiscal year. The Diet is requested to debate on settled accounts with the same intensity that was displayed in the case of the budget. We call for the exact enforcement of the budget along with the establishment of sound finance.

ITEM 8 Special Account Advance Estimate Presented - Jiji Shimpo - 12 Mar 47.
Translator: K. Yasutake.

Full Translation:

The Government introduced three measures, the Special Account Advice Estimate for 1947-48, the No 1 Revised Extra Budget to the General Account for 1946-47, and the Special Account for 1946-47 to the 11 March special meeting of the Cabinet. It was adopted and immediately presented to the House. The following is a summary of these measures:
The accounts pertaining to the public loan, schools, adjustment of foreign exchange and trade, and the special property funds which had been in the account of the preceding year, are not in the account for 1947-48. Two accounts, the national forestry enterprise and compensation for laborers, have been added. A total of 24 accounts are included. The total revenues are 258,800,000,000 yen while total expenditures are 234,400,000,000,000 yen.

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ITEM 16 Budget and Taxes (Sub Editorial) - Mainichi Shimbun - 5 Mar 47.
Translators: Y. Abiike & I. Hotta.

Summary:

Is it because we are benumbed by figures that we are not amazed at so enormous a budget estimate as 100,000,000,000 yen? We wonder if the so-called sound public finance is really sound.

The Finance Minister who has always been full of self-confidence now takes pride in his new budget and indeed it has no deficit. However, what about the people's budget? To levy taxes to the extent that state finance requires to make both ends meet is a bureaucratic technique not worthy of praise.

One of the characteristics of inflation is the appearance of two classes, the very rich and the very poor; and it is also a conspicuous feature of state finance at this time to be able to levy taxes on the poor easily and find it difficult to do in the case of the rich because the so-called new yen class do not always live settled lives: even swindlers and burglars are included in this class. On the other hand, can the so-called sound public finance really satisfy the poor working masses for the more they work, the more taxes are levied on them? They will be at a loss how to make their living, being attacked from both sides by the raise in taxes and price of goods.

Unlike GERMANY after World War I, JAPAN is fortunate in that reparations are not included in the budget.

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Balanced Budget and Bond Issue

Since November, last year, commodity prices have been rising at an alarming rate. Particularly is this true in the prices of daily necessities.

According to a recent report of the Tokyo Chamber of Commerce and Industry, the monthly price index based on 100 for November, 1945, rose from 127.3 in September, last year, to 230.6 for February, this year. During the same period, the price of foodstuffs jumped from 148.7 to 245.7.

This situation was reflected in the Bank of Japan currency issue which, on March 14, topped the ¥110 billion mark. Since the beginning of the year, bank notes in circulation have been registering an average increase of ¥2,200 million every ten days. The note issue took another sudden spurt in the first ten days of this month when it rose by ¥3,400 million. This was caused by an increase of withdrawals from the first blocked accounts for living expenses as a result of Finance Minister Tanzan Ishibashi's recent promise of doing away with the ¥700 limit on the new yen payment of salaries. Loans to financial institutions in preparation for the collection of property taxes were also contributory to the increase of bank notes.

Fundamentally, however, the expansion of note issues is due to the rise in prices. And this, in turn, was brought about by the increase of national bonds underwritten by the Bank of Japan. These bonds and securities held by the central bank, as of March 10, totalled ¥66,500 million, increasing by some ¥31,700 million since the beginning of the year.

To meet this situation, the Public Finance Law introduced to the Diet on March 18, proposes the prohibition of the practise of underwriting bonds by the Bank of Japan after the end of this month. As stipulated in the fifth article of the proposed law, the only exception to this rule is when a bond issue or loan is approved by the Diet.

During the war, one of the important means by which the military was able to secure needed funds was to induce the Bank of Japan to underwrite bonds. Currency equivalent to the face value of the bond issue was printed and immediately turned over to the military while the bonds were placed on sale. Since public consumption of the bonds was slow, the amount of currency in circulation rose at a rapid rate.

As explained recently by an official of the Accounts Department of the Finance Ministry, the sum total of the bond issues and loans listed in both the general and supplementary budgets for the fiscal year 1947-8 amounts to some ¥34,900 million. This figure will probably be approved by the Diet.

With ¥31,700 million already issued in bonds and securities in the less than 100 days since the beginning of the year, the amount asked for in the budget bill is almost inconsequential.

In this connection, the problem arises whether the issuance of national bonds totalling only ¥35 billion will be sufficient to see the nation through the coming fiscal year. The possibility is strong that it will be necessary to ask the Diet to expand the bond issue.

The so-called "balanced" budget for the fiscal year 1947-8 is based on the expectations of revenues from increased taxation, higher prices on monopoly goods and upping railway and postal rates. This is all good and well, but it is questionable whether the Government will be able to collect according to paper plans. On the other hand, the expansion of expenditures which would upset present calculations is an almost foregone conclusion.

From the standpoint of rising prices, expenditures are certain to outstrip revenues.

If the Government under these circumstances, is seriously and sincerely concerned with maintaining a balanced and healthy finance, it will have to make up its mind to carry out a program of drastic retrenchment. This will mean either postponement, curtailment, or suspension of a part of the Government's undertakings and functions in order to reduce the cost of administration.

The limiting of national bonds to be underwritten by the Bank of Japan must be considered a necessary step but it in itself will not suffice. It must be accompanied by other steps through which the national accounts may be balanced. Only then can the inflationary trends be stopped.

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ITEM 3 Supplementary Budget May Not Be Issued - Nihon Keizai - 21 Apr 47. Translator: K. Sato, (TK)

Summary:

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In formulating the budget for the fiscal year, the Government has included all the possible estimates in the general budget which reached the enormous total of 114,500,000,000 yen, thereby leaving very little to be appropriated in the supplementary budget. As sources for this, revision of the taxation system and increased prices in products of government enterprises have been planned.

However, since the above budget was drawn up on the basis of the prices between October and December of last year, there is fear of the budget being increased in the future unless the current inflationary tendency is curbed and the subsequent increases in government employees' salaries and in government purchases are averted. To meet this situation the Government decided, at its cabinet meeting on 11 April, on its plan of strictly auditing the accounts of the budget in putting them into practice and of never appropriating for the supplementary budget unless new sources of revenue are found.

The expected increased expenditures are estimated as follows: 1,000,000,000 yen for the general account and 1,500,000,000 yen for the special account as the payment of increased wages to government employees in compliance with the provisional agreement. The general account, however, is scheduled to be defrayed from the reserve fund of 3,000,000,000 yen. The special account of the government railways will be covered by the increased railway fares to be enforced in July. Only the special account of the communications enterprise will require a loan. Also, 50 percent of the police and education expenses will be payed with national funds.

Bonds totalling 4,873,000,000 yen will be given to financial organs as indemnities. Even with this amount deducted, the income from localities will reach 5,127,000,000 yen. With regard to the increased income tax, 5,000,000,000 yen will be added as the result of the assessment to the estimated 8,500,000,000 yen for the 1946 fiscal year, and 3,000,000,000 yen for this year. Summing up, a margin of some 10,000,000,000 yen is calculated, which is enough, the Government declares, to cover the expected boost in expenditures. Furthermore, a natural increase in the revenue, and possible profits from the monopoly sale of sugar, is expected if the import of the latter is realized this year. In so far as the supplementary expenses do not exceed these additional incomes, the balance of the budget will be maintained. In case expenditures are likely to surpass revenue, the supplementary budget will not be resorted to unless sources of income are found, and this will be effected by adjusting plans and curtailing expenses in nonurgent enterprises so as to prevent financial inflation.

The Government will strictly inspect the accounts of the urgent enterprises operated by the Finance Ministry, the Reconstruction Board, etc, whereby it intends to reduce the estimates filed by the constructors by 20 or 30 percent. Although costs for reparations are hard to forsee, the authorities are convinced that the economic collapse of the nation will not be brought about by the Government's financial ruin.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 1 Working Budget of 135,000,000,000 Yen, New Taxes Seen - Nihon Keizai Shimbun - 13 Jun 47. Translator: R. Aoki. (TK)

Full Translation:

The new economic emergency measures provide that to maintain the principle of healthy government finance, the Government will compile a working budget under which many nonurgent public works are postponed. On the other hand, increase of government expenditures of about 30,000,000,000 yen is now forecast due to new reparation items, increase in salaries of government employees, and revision of commodity prices, etc. Under such circumstances, the Government will reorganize the present general budget and present it to the coming session of the Diet as the working budget of the new Government.

It is reported in this connection that because of the raise in the general price level, there will be no room for economizing in the unit cost of expenditure. In fact, unit costs are now about double those in November 1946, when the present budget was compiled. However, the Government expects to trim off about 5,200,000,000 yen by postponing public works. In addition, the Government expects an increased revenue of 20,000,000,000 yen from price revision accruals, business taxes, and natural increase in general taxes. Adding this to the present budget of 114,500,000,000 yen, 134,500,000,000 yen will become the upper limit of the proposed working budget.

In line with the above revision of the general budget, the special accounts will also be subjected to strict scrutiny. The railway and communications accounts, in particular, will be made entirely independent of the general budget. Thus a further raise of fares or even curtailment of employees may be considered in time, though some leeway for deficit accounts may be left in consideration of effects on inflation.

As for the Government's commitment to execute stricter supervision of public finances, the Government is considering a more appropriate administration of the Public Finance Law, rationalization of Bank of Japan payments, etc, in addition to reorganization of the Accounting Bureau of the Finance Ministry and of Regional Finance Bureaus. The Government plans to realize increased revenue by means of more thoroughgoing application of present tax systems. However, in view of the possibility of increased taxes on income, the Government is not void of plans to set up new taxes or revise rates, though details of such plans have not been worked out.

ITEM 4 Partial Reorganization of Accounting Bureau - Nihon Keizai - 9 May 47. Translator: T. Ukai (UG)

Summary:

The plan to expand the scope of the Accounting Bureau (SHUKEI KYOKU) to rationalize and streamline methods of budget compilation, which had been under study by the Finance Ministry has now been abandoned. The reason given is that the time is inappropriate and the reorganization of the bureau should be carried out step by step. The officially approved plan embodies the establishment of a First and the Second Budget Division (YOSAN DAIICHI BU, YOSAN DAINIBU), the former taking charge of compiling the general budget and the latter, the special budget within the bureau. Both divisions will be subdivided into four sections, respectively; there will also be a secretariate(KAMBO) in both divisions under the direct control of the subchief of the division. Under this plan, 12 new sections were to have been introduced.

The present organization of the bureau will be revised shortly, and necessary expenditures for its expansion will be paid from the reserve funds.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 13 Budget Issue Splits Socialists and Democrats - Yomiuri - 14 Jul 47.
Translator: K. Murakami (WM).

Full Translation:

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The Government has been holding cabinet meetings every day since 9 July to draw up 70,000,000,000 Yen supplementary budget for the 1947 fiscal year. Through the compilation of this estimate, the existing opposition between the "healthy finance" policy of the Democratic Party and the "social policies first" principle of the Socialist Party will become sharper. This discord is being watched with interest and is considered the result of a contradiction in policy caused by the coalition and the new bureaucracy represented by WADA, director of the Economic Stabilization Board.

This budget first amounted to 140,000,000,000 Yen. Then, from the point of view of healthy finance policy, and in consideration of public criticism of the raise in the official prices and the freight and travel rates following the Economic Stabilization Board plan, Finance Minister KURISU on the 10th proposed to cut it down to 60,000,000,000 Yen, greatly reducing the appropriation for each Ministry. Socialist Ministers MIZUTANI and YONEKUBO stiffly opposed this on the grounds that the mere statistical "healthy finance" is no different than the Ishibashi finance policy, and that the Katayama Cabinet cannot enforce its policies with such a poor estimate.

A meeting attended exclusively by Socialist Ministers was held on the 10th to confer on this matter, and on the next day a compromise was reached at the Cabinet meeting by raising ceiling of 60,000,000,000 Yen to 70,000,000,000 Yen. This is to be approved at a cabinet meeting to be held on the 15th.

However, no agreement has been reached as yet on such important questions as the tax income, allotment of expenditures and the disposal of special accounts. Many questions including these matters which are still pending will not be solved until they are handed to Premier KATAYAMA and Foreign Minister ASHIDA for solution, much in the same way as the problem on the jurisdiction of labor accident insurance.

Socialist members of the Cabinet attach importance to the unemployment policy, the six-three school system, subsidies for key materials, and State compensation for losses incurred by the readjustment of enterprises. There are many differences from the Kurisu finance policy, especially with regard to special accounts; the two parties are sharply divided in opinion. Even after railway rates have been increased three and a half times, there is still a deficit of 12,000,000,000 or 13,000,000,000 Yen. The communications enterprises also have a deficit of 4,000,000,000 Yen.

In order to make up the deficit, Minister of Transportation TOMAMECHI demanded that the necessary sum be transferred from the general account into the special account, and Minister of Communications MIKI wanted to do likewise, or raise postage rates. On the other hand, the ministers of the Socialist Party propose the independent profit system; they maintain that both the raise of postage rates and the transfer of funds from the general account will increase the burden on the general public and, consequently, change the character of the Katayama Cabinet.

Minister of Education MORITO again demanded a budget appropriation of at least 3,100,000,000 Yen for the six-three educational system. He proposed this also to the Education Committee of the House of Representatives.

The effect of this growing opposition between the Socialists and the Democrats upon the Katayama Cabinet is being watched with keen interest.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 4 Supplementary Demands Exceed Original Budget - Jiji Shimpo - 11 Jul 47.
Translator: S. Ota. (FST)

Summary:

When the budget for this fiscal year was offered to the Diet, the authorities concerned explained that no additional budget, amounting to a considerable sum, would be presented within this year since all expenditures predictable at the time of formulation were taken into account, and the reserve, raised from last year's 800,000,000 yen to 3,000,000,000 yen. However, the Cabinet has changed and time has elapsed.

In the actively changing situation, a supplementary budget may be inevitable. However, the question lies in its sum. We cannot help being astonished to hear that the demand for the additional budget exceeds 100,000,000,000 yen in the general account alone, excluding expenditures necessary for reparations removal. Indeed, the sum will nearly equal or, possibly, even surpass that of the original budget for the general account; namely, 114,500,000,000 yen.

The general budget system has been adopted by many countries to make the budget comprehensible to the nation as well as for the convenience of deliberation or auditing in the Diet. In the old Account Law, the general budget system was strictly observed by precluding the presentation of additional budgets, except in some special cases. Also in the Financial Adminstration Law, which is one of the supplementary laws of the new Constitution, restrictions have been placed on additional budgets.

Although the revised budget system and the temporary budget system have been permitted by the new law to cope with the changing situation, the general budget system still remains as the core of our budget system. Therefore, it must be said that the supplementary budget, disproportionately large compared with the original one, is contradictory to the spirit of the law. Especially, if the present deteriorating tendency of inflation is to be checked, the expansion of national finance should be avoided by all means possible. It is highly undesirable trend that the total sum of the budget has doubled during less than half a year.

It is open to question whether we had materials enough to back the execution of the original budget of 114,500,000,000 yen. In view of the situation of production and imports since then, it is impossible to assume that materials have been increased to twice the quantities at that time. If so, inasmuch as the tremendous amount of expenditures appropriated in the budget are transformed directly or indirectly into purchasing power in the market, it is inevitable that it constitutes a most powerful factor for accelerating inflation. To avoid this, either an increase in production or the restrictions of the purchasing power by means of a drastic raise of tax rates will be necessary. More practically, the demands for the additional budget will have to be curtailed in accordance with the capacity of national finance.

In short, if we do not want to drive JAPAN's economy into the evil clutches of inflation, the principle of sound finance should be maintained at all costs. We shall watch to what extend the present Cabinet is faithful to this principle.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

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Cabinet Passes Budget

The Government, at the extraordinary Cabinet meeting yesterday, approved the extra budget No. 11 in the general accounts of the 1947-48 fiscal budget totaling ¥619,785,000. The appropriations bill will be introduced to the Diet shortly. The budget covers expenses for creation of the Construction Board and two other agencies to supersede the Home Ministry, and the extended session of the Diet.

NIPPON TIMES DEC 7 1947

¥3,474-Million Budget Presented To Diet

TOKYO, Dec. 11.—The Government presented to the National Assembly today a supplementary budget No. 12 amounting to ¥3,474-million, as an expenditure necessary for paying a one-month living subsidy to government and public office workers.

Earlier today the matter was approved at the Cabinet meeting.

MAINICHI DEC 12 1947

Both Houses Approve Additional Budget

Govt. Workers To Get ¥3,475-Million Allowances

TOKYO, Dec. 12.—The House of Representatives and House of Councillors both held an ad hoc plenary session yesterday afternoon especially to deal with Government supplementary budget estimates providing for ¥3,474,990,000 appropriation for Government employees as living subsidies.

After report by Chairman Mosaburo Suzuki of the Budget Committee, the House of Representatives approved at 5.43 p.m. (1) the Supplementary Budget No. 12 in the general accounts for the fiscal year 1947-48, (2) Supplementary Budget No. 6 in the special accounts for the fiscal year 1947-48, and (3) bill providing for the disbursement of temporary allowances to Government employees, along with another bill calling for revision of a part of the law.

Approval was also given these bills at the plenary session of the House of Councillors which met at 4.14 p.m.

President Tsuneo Matsudaira of the House of Councillors then announced that the House would enter a 40-day recess until January 20, 1948. The session rose at 7.07 p.m.

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 6 Government Acts to Keep Budget at 90,000,000,000 Mark - Nihon Keizai - 15 Sep 47. Translator: Y. Kurata. (FST)

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Full Translation:

The Government, at a cabinet meeting on 17 July, tentatively decided on an expenditure of more than 69,000,000,000 yen from the general account of the 1947 supplementary budget and scheduled its presentation to the Diet for August. However, the changing circumstances following the Government's decision made it necessary to add a large sum to the supplementary budget. Therefore, the budget draft has been delayed due to the difficulty attending the raising of corresponding increases in the revenue. Under these circumstances, it is generally observed that it will take some time before the Government works out practical plans for the 1947 supplementary budget. However, the bill will be presented to the Diet late this month at the earliest.

Among major budgetary demands which were added to the above-mentioned original budget are the emergency public works appropriation of 50,000,000,000 yen, the Government's investment in the Reconstruction Finance Bank of 20,000,000,000 yen and the carrying over to the Foreign Trade Funds Special Account of 12,500,000,000 yen. These additional demands, when added to the original budget, total a whopping 150,000,000,000 yen.

On the other hand, the Government revenue, under the original budget program, consists of the tax revenue (including income tax, special profit tax, nonwar damage sufferers special tax and other indirect taxes) of 53,000,000,000 yen, the price difference funds of 4,000,000,000 yen and the monopoly profit of 12,300,000,000 yen for a total of 69,500,000,000 yen. This shows a considerable gap between the total budgetary demands and the corresponding revenues. Such being the case, the Government has come to a choice between carrying out a drastic slash in its expenditures or effecting sizable increase in its revenue to maintain sound finance, or to resort to deficit finance.

Under the present circumstances, the tax revenue, aside from the possible suspension of a special profit tax, is expected to reach, at most, 65,000,000,000 yen, provided that the taxation rate of nonwar damage sufferers tax is raised and that a sizable natural increase in the tax revenue as a whole occurs. The amount will not, however, increase to more than 70,000,000,000 yen even with the price difference funds added. Therefore, the chances are that the Government will be obliged to resort to an increase of between 15 and 20 billion yen in monopoly profits through the sale of new-brand tobacco and the price increase of both PEACE and CORONA, while slashing cigarette rations since it is almost impossible to suspend tobacco rations.

Such being the case, the Government, in a frantic effort to keep down its expenditures to 90,000,000,000 yen for the sake of maintaining sound finance, will take the following measures:

(1) Government investment in the Reconstruction Finance Bank will be limited to a maximum of 5,000,000,000 yen, while steps will be taken to iron out the digestion of bonds issued by that bank.

(2) The Foreign Trade Funds will be financed by the Government up to 5,000,000,000 yen, and the rest, by borrowed funds.

Moreover the Government, being fully aware that any increase beyond the supplementary budget ceiling of 90,000,000,000 yen will inevitably result in deficit finance, is expected to go all-out to settle all matters concerned from the political standpoint. The Government's view on the supplementary budget issue is as follows:

(1) Any attempt to make both ends meet in the supplementary budget of more than 100,000,000,000 yen in a perfunctory manner, is tantamount to resorting to deficit finance.

(2) Our inflation-ridden national economy bears a close parallel to German economy which has already been in a crisis. Therefore, the adoption of deficit finance will throw our national economy into the same crisis.

In the meantime, the Government, while maintaining this stand, is expected to make every effort to maintain sound finance in carrying out full-fledged deliberations on the supplementary budget, which is slated to get under way this week.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 4 Budget Estimate for 6-3 Educational System Faces Cut - Seiji. - 1 Oct 47. Translator: F. Noda. (UG)

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Full Translation:

This week, the troublesome discussions on the Supplementary Budget Bill have entered the stage where the first ray of hope can be seen toward a decision. There is a possibility that the final bill for presentation to the National Assembly may be worked out by the end of next week.

As for the method of discussion, it is planned to find out to what extent expenditures can be curtailed and then adjust the revenue accordingly. Emphasis is being placed on the all-out retrenchment of the emergency public works fund, foreign trade funds and the amount of money to be transferred to the Deposit Section.

Keeping pace with this, the all-out curtailment of expenses necessary for carrying out the 6-3 educational system must be considered as an inevitable consequence. It has been decided that the appropriation for the 6-3 educational system is to be included in the 69,200,000,000 yen supplementary budget on 20 July. By the desperate efforts and claims of Education Minister MORITO, the estimate for the 6-3 educational system was fixed at 3,120,000 yen.

However, in view of the all-around importance of the recent compilation of supplementary budget estimates, the request for all-out curtailment of the appropriation for the educational system has come to the fore again.

To this end, after the Lower House plenary session was over, Chief Cabinet Secretary NISHIO invited parliamentary Vice-minister KOSAKA and Vice-minister IKEDA of the Finance Ministry to the Premier's official residence at 1700 hours on 30 Sep and made a careful study for a political settlement of the issue.

Since estimates for the 6-3 educational system have already been informally reported to the local governments in expectation of the passage of the budget through the current National Assembly, Education Minister MORITO's conduct will naturally be called to account politically. Therefore, great significance is being attached to developments in this affair.

ITEM 7 Supplementary Budget to be Delayed - Nihon Keizai - 5 Oct 47. Translator: T. Fukushima. (JJY)

223

Full Translation:

The supplementary budget now in preparation will not be submitted to the Diet before 20 October, though the Government scheduled to introduce it around the 15th. It is anticipated that delay in presentation will affect payment of salaries to government officials. Further, it will be impossible to introduce next year's appropriation bill to the Diet during December, as prescribed under the Finance Law.

Yesterday the Government placed before the Diet Correction No 4 of the General Account Budget for 1947 and Special Correction No 1 for the Special Account Budget for 1947 in order to meet the payment of a special allowance to government officials demanded by a bill a few days ago. The addition to the General Account Budget is 357,810,000 yen in both increase and outgo, and that to the Special Account Budget 701,997,000 yen in income and 732,887,000 yen in outgo.

Purposes of expenditure of the additional appropriations in the General Account are: (1) To pay special allowances to Diet, court, and government officials: 252,293,000 yen; (2) To pay subsidized officials of local public corporations: 9,980,000 yen; (3) To subsidize half of allowances to constabulary officials: 24,588,000 yen; (4) To subsidize local public corporations in paying teachers of primary schools and new-system secondary schools: 68,612,000 yen; (5) To increase the budget for the Welfare Insurance Special Account: 2,337,000 yen; Total: 357,810,000 yen.

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ITEM 6

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The Importance of the Supplementary Budget Bill - Provincial Paper: Fukui Shimbun (Fukui) - 2 Oct 47. Translators: Y. Kuniyasu and H. Minato (AH)

Summary:

With numerous difficulties hampering the compilation of the present supplementary budget, the Katayama Cabinet is now facing a critical situation. Needless to say, the most difficult is the postwar financial problem. The government has not yet reached a decision for the supplementary budget after three months of deliberation.

This fact eloquently speaks of the actual difficult circumstances. Of course, it is a political issue or a subject of financial policy. The general public must pay profound attention, for it concerns the people's livelihood. Moreover, if we are not ready for the most general subjects, the stabilization of the people's livelihood and the restoration of order in national economy, we cannot solve any financial problems.

The crux of the problem lies not in a narrow technical financial policy or in a partial economic problem or in the influence exerted on people's minds, but in the economic situation disturbed by expanded national finance during the war. Therefore, all our considerations must be directed to the methods with which we can bring order to this economic situation or initiate a reconstruction. We can never solve the problem by merely dealing with such individual topics as the anti-inflation program, food measures, resumption of production, super priority production of essential industries, and the extermination of the black market. Problems of inflation and foodstuffs are not independent of each other, but should be treated as a fundamental economic problem. Herein lies the most important problem of today's economy.

The stabilization of monetary value must be first realized in order to solve the economic problem. The flagrant confusion of monetary value has been caused by problems of finance. Therefore, we must be aware that the first step to solve the economic problem lies in state finance. Thus, state finance is a problem covering the whole field of economy and to find a way to balance state finance is the first step in the economic management of the postwar period.

Since the state finance problem has inseparable relations with the stabilization of domestic economy, an essential requisite is the maintenance of "sound finance". Sound finance, however, does not necessarily require a formal balanced finance from the short-term point of view. The importance lies with economic stabilization. Especially in JAPAN where the foundations of state finance has been completely destroyed during the war, order in finance itself must first be restored; otherwise, all the economic policies cannot be put on the right track. The government should unreservedly reveal to the people the real situation of the present crisis and make a courageous drive toward its goal. In coping with the grave situation today some sacrifices are inevitable. If the government hesitates, the satisfactory solution of the economic problem cannot be expected.

The KATAYAMA Cabinet has bent strenuous efforts since it came to power to stabilize the economic situation with the 1,800 yen base formula.

Although we must rate its efforts highly, the objective situation is being aggravated every moment. Is the government determined to perform this serious duty and restore order to state finance and thereby stabilize the economic situation? The people should watch the compilation of the supplementary budget with the deepest interest and with a co-operative attitude. (Because they will need to pay.)

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 8 Special Taxes to be Imposed on Non-war Victims and Non-damaged Houses - Nihon Keizai - 6 Oct 47. Translator: R. Shibata. (UG)

923

Full Translation:

As a source of revenue for the supplementary budget which is now being compiled, the Government has decided to impose special taxes on non-war victims. However, the failure to decide on the exact amount of the supplementary budget has delayed the decision on the key points of the bill; namely, tax rates and exemptions.

Recently the revision of the special tax plan has been demanded by certain quarters in regard to the tax rates and exemptions. Although there is as yet no concensus of opinion in favor of the revision, the emphasis in revising the bill will be laid on raising the exemptions to a considerably higher level as well as applying progressive tax rates.

Meanwhile, the administrative authorities maintain that exemptions from the non-war victims tax and non-war damaged houses tax should be set even on the basis of the rental value not exceeding 30 yen and the tax rates at 300 percent of the rental value. They maintain strongly that in view of the characteristics of these taxes it is difficult to raise the rates to more than 300 percent because of difficult taxation techniques.

Along with the compilation of the supplementary budget, heated discussions are expected to arise over revision of the bill this week. Salient points of the administrative authorities' plan include:

1. Objects of Taxation:

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ECONOMIC SERIES: 2125 (Continued)

ITEM 8 (Continued)

a. Non-war damaged houses which actually existed in the place of enforcement of this law as of 16 August 1945.
b. Non-war victims -- (1) Members of independent households who sustained damage to their home and property within a certain amount provided by the law as of midnight 1 July 47, and (2) judicial persons who sustained loss of cash, and movable property other than securities within a certain amount provided by the law as of midnight 1 Jul 47. (The law will apparently put the standard of determining non-war victims at damages of less than 30 percent.)

2. Taxpayers:

Householders and judicial persons who are actually using non-war damaged houses at the time of taxation. However, those judicial persons who were newly-established or have come to use the non-war damaged houses after the legal date of investigation will be exempted from the provisions of the law.

3. Exempted Objects of Taxation:

The non-war damaged-house tax will not apply in the case of houses owned by the State and provincial public organizations as well as to legally designated buildings treated as national treasures, those provided by the Law for Preservation of Historic Sites, Sceneries and Natural Memorials, and also the buildings of primary, middle and higher schools and universities provided by the School Education Law. The non-war war victim tax will not apply to public organizations, evacuees and those who are stipulated by the Law. Special consideration will be given to such households whose heads were killed in the war.

4. The Standard of Taxation and Rates:

The non-war damaged house tax will be imposed on owners of houses with a rental value exceeding 30 yen. The rates of both taxes will be set at 300 percent of the rental value of houses. In cases where one house is used by more than two households or judicial persons, the tax will be levied on the total of the amount figured out by multiplying the total tax on the house by the percentage of the floor space occupied by each occupant and the amount calculated by multiplying the total tax on the house by the percentage of the area of jointly used floors to the total floor space.

Exemption from the non-war victim tax will also be determined on the basis of the 'less than 30 yen' rental value of houses. (This also has become the subject of discussion for revision).

5. Reporting and Payment:

The original plan provided that persons liable to pay these special taxes should report the following items to tax offices by 31 Nov 47: place, floor space, and standard and amount of taxation. However, since enforcement of the law is expected within the first ten days of November at the earliest, the deadline for reports and payment will probably be set at a considerably later date.

6. Reduction of Taxes:

Reduction of taxes will be made in cases where, after the legal date of investigation, houses were destroyed or damaged, or tax-payers have lost a large amount of property due to natural disaster, etc, which render it difficult to pay taxes and also where owners of houses suffer from damages owing to the transfer of ownership to foreigners or the designation of them as reparation plants.

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ECONOMIC SERIES: 2125 (Continued)

ITEM. 8 (Continued)

7. Deferred Payment of Taxes:

For taxpayers who cannot make prompt payment, a one year deferment of payment will be granted provided security is advanced. However, in case of six months' deferment, security will not be required.. It is expected that limiting the term to only a year will have a considerable effect on companies and other corporations.

8. Exceptions for Companies Requiring Special Accounting:

It is provided that, in the case of individuals, even necessary expenses cannot be exempted from the taxes and, in the case of corporations, taxes should not be disposed of as special losses. However, actual application of these provisions would seriously affect restricted companies and corporations requiring special accounts. Therefore, whether these special taxes should be disposed of as special losses or not is a vital issue to those companies in conjunction with their readjustment and reconstruction plans. This issue, however, has not been decided as yet.

9. Payment From the Second Frozen Deposits:

Payment of taxes from the first frozen deposits will apparently be recognized. It is also expected that payment from the second-frozen deposits will be allowed in cases where money obtained by selling houses after the legal date of investigation was blocked as second frozen deposits.

10. Loans to Taxpayers:

Whether or not loans by the Bank of JAPAN should be allowed, as in the case of the property tax, to companies and other corporations which cannot afford large sums of taxes because of deficits has also become the subject of discussion in relation to the general problem of loans and the framework of financial control.

11. Reports by the Third Persons:

In cases where reports by third persons are of use in deciding and rectifying taxation standards or tax amounts and which eventually results in increasing the tax revenue, informants will be awarded ten percent of the tax thus collected. However, this reward will be limited to not more than 100,000 yen.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 1 Two Final Plans for Supplementary Budget Considered - Asahi - 25 Oct 47.
Translator: J. Wada. (TK)

223

Full Translation:

The opinion that the principle of sound national finance should not be limited to the General Account but be extended to the Railways and Communications Special Accounts so that actual soundness will be realized in the national finance as a whole gained influence suddenly yesterday. Until yesterday, it had been expected that the General Account supplementary budget would reach an informal conclusion with expenditures of 87,200,000,000 yen and revenues of 92,900,000,000 yen.

From the above-mentioned new point of view, two specific proposals have become subjects of discussion. To cope with this new situation, the Government held a cabinet meeting at 1900 hours yesterday at the Premier's official residence to decide finally which of the two plans will be adopted and, if neither of the two are adopted, what alternative plan should be prepared.

Plan A:

The expenditures of the General Account will be 87,200,000,000 yen and the revenues 92,900,000,000 yen. The prices of tobacco will be fixed at 40 yen for both PEACE and CORONA and at 35 yen for SHINSEI in November, gaining a total of 20,400,000,000 yen from the monopoly of tobacco.

As for special accounts, the passenger train fares other than commutation fares will be increased by 75 percent. Communications charges will be nearly doubled to increase revenues by 75 percent.

Plan B:

Railways fares and communications charges will not be boosted immediately. Instead, 50,000,000,000 yen will be transferred from the General Account to the Railways Account and 2,500,000,000 yen to the Communications Account. In order to yield the 7,500,000,000, this plan proposes to strike off the 2,000,000,000 yen subsidies to the Damage Increase Central Association and to earn an increased revenue of 5,500,000,000 yen from tobacco by raising the prices of PEACE and CORONA to 50 yen and SHINSEI to 40 yen. In this plan, the expenditures of the General Account will be 92,500,000,000 yen and the income 97,400,000,000 yen.

Since either plan will have a serious effect upon the new price structure, the Katayama Cabinet may be said to be standing at the crossroads concerning the future line of its economic policy. Therefore, how the Cabinet will deal with this problem is attracting great attention.

Further, since the transfers from the General Account to the special accounts will increase the people's burden by that amount, it is strongly advocated by some people that rationalization of these enterprises must be effected to reduce their expenditures.

An extraordinary cabinet meeting will be held at 1300 hours today to continue deliberation.

. . . . .

Wada Is Opposed to Both Plans

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The problem of the supplementary budget has entered the final stage where the Government is pressed for the choice between these two plans. Both plans propose increases in the prices of tobacco, and moreover Plan A includes a 55 percent increase in both railway fares and postal charges. Chief WADA of the ESB strongly opposed both plans at the extraordinary cabinet meeting yesterday. The ESB holds that either will make a raise of the price level unavoidable and will make the maintenance of the 1,800-yen basis impossible, and anticipate that the adoption of either will cause the Government to make a wholesale change in its economic policy.

If possible changes in economic conditions to result from a reorientation of the government economic policy and the present activities of labor under the leadership of the Government Public Office Workers Union are taken into consideration, it is not unlikely that the political standing of WADA will become very delicate.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 5 Deficits in Government Enterprise Special Accounts - Jiji - 28 Oct 47.
Translator: J. Ide. (TK)

Summary:

The supplementary budget bill, which has been pending since July, was finally decided at yesterday's cabinet meeting. The delay in its formulation was largely attributable to the question of whether deficits in the Railway and Communication Special Accounts are to be covered by an increase in railway fares and postage or by an increase in the price of cigarettes.

Both railway fares and postage have often been increased since the termination of the war. Under these circumstances, deficits should have been covered through rationalization of these enterprises without resorting to price hikes. However, the fact the Government was obliged to consider another increase in railway fares and postage clearly betrays that rationalization of management has not been achieved as scheduled.

Government enterprises such as railway transportation and communications should be managed as so-called "independent accounts". The adoption of this accounting system, however, is worthy of our grave consideration in view of the present high level of railway fares and postages. Especially, we are now confronted with inflation. At this juncture, the Government's step to prevent further increase in railway fares and postages is commendable. However, we cannot support the Government's measure to cover these deficits out of the general account. At this time, the Government should venture to enforce the rationalization of these enterprises or, at least, should cover these deficits by issuing public bonds.

Generally speaking, the national budget should be based on sound finance. In this sense, the issuance of deficit bonds should be prevented at all costs. However, in the sphere of government enterprises, a bond policy may sometimes be permissible, if national savings are to increase at the present speed. The Government is now ready to increase the price of cigarettes instead of railway fares and postages. Since cigarettes leave much room for the selection of consumers as compared with other prices, the increase in their prices will be least likely to result in the aggravation of inflation.

At all events, it is hoped that both the Railway and Communications Special Accounts will concentrate on the rationalization of enterprise in order to restore normalcy as quickly as possible without increasing railway fares and postages.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 1 Delayed Formulation of Supplementary Budget May Change Government's Economic Policy - Yomiuri - 25 Oct 47. Translator: J. Ide.

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Full Translation:

The Government is making desperate efforts to formulate the supplementary budget bill. However, on the two drafts which were newly presented on Friday, negotiations are completely deadlocked. This lack of progress may compel the Government to change its administrative policy in the future. In this sense, the developments are being watched with keen interest, in view of the great influence on the nation's political situation.

Regarding the two drafts, A (91,900,000,000 yen of revenue and 87,000,000,000 yen of expenditures) and B (97,400,000,000 yen of revenue and 92,500,000,000 yen of expenditures), the Government held an extraordinary cabinet meeting Friday evening, but no concrete agreement was reached. As a result, Premier KATAYAMA called in Foreign Minister ASHIDA and State Minister NISHIO yesterday to his official residence to seek a political solution. However, retrenchment of the supplementary budget for the purpose of preserving the price system will not be realized as the Government expects. Under these circumstances, it is anticipated that the Government will change its economic policy by adopting either one of the two drafts.

At Friday's cabinet meeting Finance Minister KURUSU indicated regret by saying that the Finance Ministry could no longer adjust the nation's finance. Since Director-general WADA of the Economic Stabilization Board was strongly opposed to the cancellation of the present price system, the meeting studied the two measures for the sake of formality.

As a result, an agreement was reached on the following three points: (1) In the sphere of national revenue, the prices of special tobacco such as Peace and Corona brands will be increased, but rations of cigarettes will be assured at all costs; (2) Railway fares and postage rates will not be increased, and deficits in special accounts will be covered by loans from the Bank of Japan; (3) By curtailing the investment in the Rehabilitation Finance Bank, the special foreign trade funds, the Government's subsidies for damage indemnities, and the expenditures for public enterprises, the total of national expenditures shall be kept below 87,000,000,000 yen in order to maintain balanced finance. A final agreement shall be reached by today.

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Along these lines, Premier KATAYAMA called in Finance Minister KURUSU, ESB Director-general WADA, and Transportation Minister TOMABECHI immediately after the adjournment of the meeting, whereas State Minister NISHIO talked with Communications Minister MIKI for more than two hours. The same evening, the Commerce and Industry Minister was summoned by the State Minister. Thus, the Government is concentrating its efforts on political mobilization of government parties to settle the question.

However, if the question is not solved in these conferences in spite of the efforts of the Premier, it is feared that ESB Director-general WADA will be placed in a very delicate position. At all events, the Government's attitude is being watched with acute interest.

Deficits in Special Accounts Disclosed

The deficits in the railways and communications special accounts, which have stalemated formulation of the supplementary budget completely in its final stage, may be tabulated as follows:

(1) Balance of the Railways Special Account:

Ordinary Budget	8,359,000,000 yen
Supplementary Budget	3,129,000,000 "
Total	11,488,000,000 "
Monthly Average	957,000,000 "
Deficits from November to Next March	4,785,000,000 " *

*This amount is to be liquidated within this fiscal year.

(2) Balance of the Communications Special Account:

Ordinary Budget	5,294,000,000 yen
Supplementary Budget	966,000,000 " (Profit)
Balance	4,328,000,000 "
Deficits in This Fiscal Year	4,328,000,000 "
Monthly Average	360,000,000 "
Deficits from November to Next March	1,800,000,000 "

(3) Total of Deficits and Transfers:

Total of Deficits in Both Accounts (From November to March)	6,585,000,000 yen
Transfers from Both Accounts (Same Period)	17,500,000,000 yen*

*This amount now awaits final decision. If this amount is covered by the general account, new tax resources should be discovered at all costs. According to the cabinet decision on 24 October, the amount is to be covered as follows: Curtailment of Government's indemnities for damage insurance 2,000,000,000 yen; Increase in prices of tobacco 5,500,000,000 yen.

(4) Deficits in Construction Accounts in Two Special Accounts:

Railways Special Account:	
Ordinary Budget	5,307,000,000 yen
Supplementary Budget	3,989,000,000 "
Total	8,705,000,000 "
Communications Special Account:	
Ordinary Budget	2,166,000,000 "
Supplementary Budget	2,603,000,000 " *
Total	4,769,000,000 "

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POLITICAL SERIES: 2044 (Continued)

ITEM 1 (Continued)

*This amount is formulated by taking into account construction expenses totalling 600,000,000 yen and natural increase in income amounting to 1,000,000,000 yen. The deficits of the two accounts shall be liquidated within the next 15 years by issuing deficit bonds.

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ITEM 5 Prefectural Budget For 1946 - Provincial Newspaper: Niigata Nippo (Niigata) - 1 Apr 47. Translator: H. Shindo. (FST)

Full Translation:

Budgetary statistics on NIIGATA Finance for the 1946 fiscal year as of 31 March are as follows:
Expenditures including general and supplementary estimates:
Ordinary expenditure, 95,053,829 yen.
Extra ordinary expenditure, 569,678,771 yen.
Total expenditures for 1946, 664,732,600 yen.

Although the budget was originarily estimated at 47,280,000 yen, it later reached 617,452,600 yen through the addition of various supplementary items. It is a known fact that prefectural finance was harassed by rising commodity prices. However, the revenue is balanced with the expenditure and the truth is that new financial sources were barely touched.

The national dispensations (subsidies, etc) of 424,000,000 yen or over 66 percent of the overall revenue, covered deficits in the impoverished prefectural finance. It can easily be foreseen from this situation that the general budget for 1946 will far exceed the billion yen level which is three to four times the now accepted estimate of 330,000,000 yen.

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223 New Korea Company Budget for calendar year 1947 provides 59.9 percent of all proposed financial expenditures be used for repair and rehabilitation of vested agricultural interest. 16 MAY 1947

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ITEM 6 Drastic Cut in Personnel Expenses Seen in Budget Planning - Yomiuri - 11 Jun 47. Translator: S. Hirata. (FSF)

Full Translation:

The Government will reveal today, its plan for maintaining a sound financial policy as one item under the Economic Anticrisis Program. According to this measure, budget for the 1947 fiscal year will be drastically revised.

The Finance Ministry has recently reached an agreement on a drastic cut in the already fixed estimates to meet the enormous additional budget now being anticipated by abiding by a sound financial policy for the 1947 fiscal year. Thus, it has apparently been decided that personnel expenses which represent 50 percent of expenditures in the existing budget will be reduced by carrying out an extensive administrative readjustment. The Finance Ministry authorities are now studying concrete measures from day to day.

The outline of the Ministry's plan follows:

In the event that the existing pay scales is raised to the 1600-yen level, the increase in the expenditure will total 12,000,000,000 to 13,000,000,000 yen, including 2,500,000,000 to 3,000,000,000 yen in the ordinary accounts, 5,000,000,000 to 6,000,000,000 yen in the special accounts and more than 4,000,000,000 yen in the local accounts. On the other hand, the number of government officials and public servants, instead of decreasing even after the surrender, is at present 2,500,000. If one official has four dependents, the number reaches 12,500,000. In other words, the people are feeding government employees at the ratio of six to one.

Therefore, it is now being planned to weed out surplus officials by carrying out an epochal administrative readjustment, to aim at high efficiency through fair and just pay scales and to give relief to those dismissed by an unemployment insurance system. Should this plan be put into effect, the same retrenchment policy as that of ex-Finance Minister INOUE, Junnosuke would be realized.

Also, by the adoption of the report system in the collection of the income tax, a natural increase amounting to approximately 20,000,000,000 yen is expected in the revenue. The anticipated increase in the expenditures including the emergency cost of public engineering, the cost of removing reparations items, the cost of improving treatment, the cost of supplies (twice as much as that of old), etc, is scheduled to be covered by the aforementioned increase in the tax revenue and by the cut in personnel expenses in the administrative field.

In the event that even this plan fails to make ends meet, a new taxation method, resembling that of a supplementary income tax will be considered to tax the new yen class and black-market profiteers. Even in this case, the freezing and the registration of the new yen will be absolutely avoided, and the policy for increasing the revenue by a supplementary income tax will be strictly maintained.

ITEM 4 Government Expected to Introduce Supplementary Budget - Tokyo Shimbun - 18 Jun 47. Translator: K. Higashikawa. (JJY).

Full Translation:

The Government is now using all possible dispatch in recompiling the general budget for the 1947-48 fiscal year with a view to introducing its working budget to the present session of the Diet after it has reconvened. However, in case of a delay in the completion of the recompilation of the general budget due to a delay in the formulation of its price and wage policy, present indications are that the Government will submit to the Diet session a supplementary budget covering urgent items of expenses, including the expenditures required for the establishment of a Labor Ministry, unemployment insurance, and other urgent items. It is generally considered that these expenditures will be met by increases in tax revenues accruing from the increased income tax, which are estimated at 7,000,000,000 yen.

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ITEM 14 Financial Problems Beset Local Governments - Provincial Paper: Shiga Shimbun (Otsu) - 24 Jun 47. Translator: F. Ota. (WM)

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Full Translation:

Perfect local self-government is based on sound local finance. The local expenditures are generally increasing in proportion to inflation. Every local government is eagerly looking for sources of revenue, and longing for the establishment of autonomy of local finance. Local expenditures were first expected to amount to 50,000,000,000 Yen, but later circumstances necessitated an increase, and over 60,000,000,000 Yen is now needed. About 20,000,000,000 Yen, or one-third of the total amount will be used for personnel expenses.

When the 1600 Yen pay standard bill, materialize, the local government must raise some scores of billion yen in additional pay, because the local governments bears a half of 500,000 employees' salaries and the whole sum of the other local employees' salaries. It is feared that the local government will be at a loss as to how to raise the funds.

The present financial condition of the local governments are as follows:

Total expenditures - 60 billion yen,
State subsidy - 16 billion yen,
State liability - 27 billion yen,
Local bond flotation- 8 billion yen,
Rent, charges and property
selling income - 9 billion yen,

The greater part of the revenue depends upon the national funds. The funds for the rapidly increasing personnel expenses etc must be raised by increased tax rates, flotation of local bonds, or greater rents and charges. Every prefecture is looking for the establishment of new non-legal independent taxes. The orange tax, lumber tax etc. are being considered in some prefectures. These new taxes will, however, do little to meet the rapidly increasing expenditures of the local government.

Local governments are not authorized to float bonds, because the Central Government establishes the amounts of local bond issues according to a certain formula. (TN: not clear.)

Rent and charges cannot be raised unreasonably. In brief, the local financial structure cannot be made sound until the national financial structure regains stability.

ITEM 4 Yano Discusses Working Budget, New Taxes - Mainichi - 12 Jun 47. Translator: Kawamura. (FST)

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Full Translation:

At a press conference held yesterday, Finance Minister YANO voiced his views on financial policy under the emergency economic countermeasures. He said: "I hope to compile a working budget for this fiscal year by effecting economies and deferring expenditures.

"If steps are not taken, commodity cost and wage increases will add 30,000,000,000 yen to the present budget. At least to this extent we must pare it down. No new taxation to bring such small revenues as 100,000,000 or 200,000,000 yen will be devised. Rather, we will put in effect new taxes calculated to draw in 3,000,000,000 to 5,000,000,000 yen. Under present economic circumstances, however, there seems to be room for the enforcement of new taxation."

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ITEM 4 Supplementary Budget and Financial Policies - Nihon Keizai - 22 Jul 47.
Translator: J. Ide. (FST)

Summary:

This year's supplementary budget, which was reported to reach 120,000,000,000 yen, judging from the grand total demanded by all the government departments, has finally been reduced to 69,000,000,000 yen. It can be said, therefore, that the Government has lived up to the fundamental principle of maintaining sound national finance. However, considering the contents of this budget, it cannot be denied that many problems have been left unsolved in both spheres of revenues and expenditures.

In view of the close relationship of the nation's finance to the entire national economy, the progress of inflation will not be checked and the national economy will not be reconstructed, even if the Government can make both ends meet. If we study this budget bill, we find that appropriations for both the Rehabilitation Finance Bank and the special account for foreign trade have been completely cancelled, and that the appropriations in the general account, to be transferred into the special accounts, such as Government railway and communications, are to be covered either by increase in prices or by debts. Thus, deficits of national finance have been transferred to those of civilian banking.

Needless to say, national finance has been closely connected with private banking and other spheres of national economy. Under these circumstances, the cancellation of the appropriations for the Rehabilitation Finance Bank and our foreign trade will end in increasing the issuance of Bank of Japan notes. In this respect, it is no better than a deficit finance. Especially, the management of the Government railway and communications, by introducing debts, will probably increase the amount of circulating currency. Moreover, the Government's plan to leave the management of the 6-3 educational system solely in the hands of local self-governing bodies will not reduce the nation's expenditures substantially. In this sense, some adequate measures should be taken toward private banking.

Among the two key factors for aggravating the current inflationary trend, deficit finance and deficit bond issuance, the first element, has been eliminated theoretically, since a sound financial setup has been established. However, it cannot be denied that monetary inflation as the result of the increase in credit issuance is most likely. To counteract this evil tendency in the future, national savings should be increased at all costs. To this end, the industrial production of the nation should be increased by all means, so that an economic structure capable of accumulating sufficient funds for the entire nation and for each individual may be organized as quickly as possible.

Adequate measures should also be taken in regard to regulations on bond issuance, lest bonds be employed for blackmarketing and both the accumulation of capital and the increase in industrial production be obstructed. In this sense, bond issuance for the Government railway should follow the rationalization of its management. In all events, the Government should study the close relationship between national finance and private banking in formulating the supplementary budget.

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ITEM 2 Kurusu Predicts Budget Completion by Weekend - Tokyo Shimbun - 17 Jul 47. Translator: B. Ishibashi. (FST)

Full Translation:

Finance Minister KURUSU, at a press conference yesterday, stated: "At Tuesday's cabinet meeting, I demanded a more basic decision on the problem of the 6-3 education system. I cannot draw up a budget simply on the basis of this year's appropriations as requested. Even though we can meet this year's expenses somehow or other, budget forecasts to cover the high school level of the new system, not to start till next year, are impossible.

"The supplementary budget will run between 67,000,000,000 and 69,000,000,000 yen. I am planning to balance the budget. It will be completed by this weekend or early next week.

"It is rumored in some quarters that the additional budget will be divided into two parts and compiled twice. However, I have never thought of such a plan.

"I do not intend to meet all deficits in the special accounts out of the general account. Deficits in such special accounts as State Railway and Communications services will be met by rationalization of management and raises in railway rates and communication fees, commensurate with the 1,800 yen standard wage system.

"I am planning to place new sugar derivatives under a monopoly system."

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ITEM 6 Correspondence Training Begins Second School Term - Asahi - 24 Jul 47.
Translator: S. Sakata. (WM)

Full Translation:

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Correspondence courses for secondary school education and for the re-education of elementary and secondary school teachers will finally begin with the second school term, although they were too late for the first term. The Education Research Institute (KYOIKU KENSHU JO) has already been opened for applications for the re-education correspondence course for teachers and by 23 July 1,000 teachers had applied.

The Education Ministry intends to start recruiting students for the secondary school correspondence course at the end of next month, if possible. However, the Ministry may have to postpone the work until September in order to complete certain preparations. Both of the correspondence courses will begin around 20 September. These courses will be conducted as follows:

According to the Education Ministry authorities, papers for the textbooks of these correspondence courses has already been prepared.

Correspondence Course for the Re-education of Teachers: The duration of the correspondence course will be one and a half years. Text-books will be used only during the first year; during the remaining period, a question and answer system will be adopted. Leaders of the correspondence course are to be selected from professors of colleges and universities as well as from the Education Research Institute and the Education Ministry. The correspondence course consists of three departments: The first department will range from interpretations of the New Constitution and other new laws relating to education to the 15 basic sciences including sociology, economics and philosophy. The second department will offer methods to be used in teaching from textbooks for elementary and secondary schools. The third department will be devoted to social studies and interpretations of current events. However, a person will not be given a teacher's license merely on the strength of having completed such correspondence courses.

The correspondence course for secondary school education: The Education Ministry will limit the number of students of this correspondence course to about 1,000 per prefecture or 50,000 throughout the country for the first fiscal year, taking the quantity of paper for textbooks and budget into consideration. These students will be chosen by teachers in charge after a simple oral examination. The teachers will be selected from among secondary school teachers. The duration of the correspondence course is three years: the first year lasts until June of the following year; the second year, from July of the next year to March of the following year; and the third year begins in April and lasts for one year. Therefore, correspondence students will be able to graduate at the time the present first graders of the newly established junior high schools will graduate from their schools. According to the plan of the Education Ministry, textbooks for the national language and one or two more courses will be edited by the Ministry itself and those for other courses will be printed by private companies and subjected to inspection by the Ministry. The contents of these textbooks will be on the same level as those of the junior high school textbooks under the new system.

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ITEM 14 Procedure of Budget Committee - Seiji - 25 Jul 47. Translator: A. Kawamura. (MK)

Full Translation:

In the resumed session of the Diet, which went into regular deliberation today, there was much controversy over procedure of various standing committees, the backbone of the National Assembly.

The Lower House Committee on public peace and local systems, which on the 24th delved quite deeply into the "SEKO" Case as a matter connected with the administrative police and even turned upon Cabinet Chief Secretary NISHIO can be expected to engage in a tug-of-war with the special committee on hoarded commodities to be established today.

Also, on the jurisdiction issue of the bill for the creation of a Labor Ministry, it has been decided that the Labor Committee and the Accounts Committee would set up a joint investigation committee. Because the Welfare Committee cannot be altogether left out, although it has been once provided for in the Diet Law and the Diet Regulations, there is danger that the jurisdiction question concerning the various committees will become increasingly complicated with the presentation of bills of a political issue.

How the Budget Committee is steered will particularly be keenly watched since the budget is closely interrelated, not only with the various policies, but with various bills. In this connection, the Diet Steering Committee of the Lower House and the Budget Committees of various parties have not yet formally decided the details. It is, however, the general consensus of opinion among the various committees that they will hold a general discussion for 2 or 3 days along the order of the old budget general meeting, then transfer the bills to the special sections which will deliberate on them jointly with the standing committees concerned. The bills would then be routed back through the Budget Committee to the plenary session.

It is feared, however, that even in the new Diet where the opportunity to speak at the committee meetings has been diminished various long speeches will be made under the pretext of its being connected with the budgets. The use of this ruse in the old Budget Committee entangled procedure hopelessly. The demands of the various committees and the adjustments made by the Budget Committee may become disordered. It seems to be agreed that, at the Budget Committee meeting, every member will refrain from making speeches entirely unrelated to the budget itself, and that the above matter will be left to the discretion of the chairman and the directors of the Committee. The Diet Election Committee and various committee chairmen will study the relationship between the Budget Committee and other committees.

ITEM 15 Tokyo Supplementary Budget under Discussion - Shin Yukan - 21 Jul 47. Translator: T. Kitayama. (UG)

Full Translation:

The Tokyo Metropolitan government will convene its third ordinary Assembly session for three days beginning on 28 July to deliberate its supplementary budget amounting to 210,000,000 yen. At first, all bureaus demanded appropriations for new enterprises, totaling an enormous sum of 1,160,000,000 yen. However, the financial department of the Metropolis, under the principle of adopting the most important items first, investigated the budgets, and decided to present the above-mentioned 210,000,000 yen to the Metropolitan Assembly conference, admitting no new enterprises.

The principal items of the supplementary budget include grants to the 22 wards and the expenditure for the national census to be taken this autumn. It was decided that the educational expenditure for the enforcement of the 6-3 year system, as well as that for increased salaries of Metropolitan official personnel shall be postponed till the Assembly conference meets in September.

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ITEM 13 Standing Committee Wants Own Say on Budget - Seiji - 28 Jul 47.
Translator: F. Noda. (MK)

Summary:

A preliminary conference of Lower House Standing Committees on 24 July agreed that the Budget Committee should respect decisions concerning the budget made by each Standing Cimmittee. The agreement was reported to the Lower House Steering Committee. This formult is noteworthy because it would interfere with the activities of the Budget Committee which still seems to be lost in a maze.

Some Standing Committee chairmen strongly maintain that, since policy discussions cannot be divorced from the budget, committees other than the Budget Committee should be given a voice in regard to portions of the budget affecting them. If this contention should be accepted the budget Committee would be emasculated, and it is feared that the whole matter may become a political football.

ITEM 15 Labor Ministry Budget Considered - Tokyo Shimbun - 1 Aug 47.
Translator: F. Ota. (AH)

Full Translation:

At a joint meeting of the Labor Accounts Committees of the Lower House held 31 July to discuss the proposed Labor Ministry, State Minister YONEKUBO said that approximately 80,000,000 yen will probably be appropriated for the ministry.

In reply to a question by TAKEYAMA, Yutaro (People's Co-operative), YONEKUBO replied that the budget for the Labor Ministry was under negotiation with the Finance Ministry, and approximately 80,000,000 yen was expected.

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ITEM 10 A Standard for the Compilation of the Supplementary Budget - Provincial Paper: Nishi Nippon Shimbun (Fukuoka) - 11 Jul 47. Translator: H. Furukawa. (DD).

Summary:

The budget for the 1947-48 fiscal year, which was compiled by the former Cabinet, restored, at any rate, a sound basis of finance, showing a deficit of only 4,800,00,000 yen in the total expenditures of 114,500,000,000. Yet it was necessary for the Government to prepare a supplementary budget to meet the inevitable increase in budgetary expenditures which would be caused by the progress of the inflationary trend. It is reported that the total expenditures of the supplementary budget, which are being drafted by the Government, amount to about 140,000,000,000 yen, including those estimated in the special accounts. We recall that in the last fiscal year, the total expenditures of the Government amounted to more than double those estimated in the original budget. Thus we know that the expansion of Government expenditures is unavoidable in the age of inflation.

Be that as it may, the deficit in the budget account, which is always the principal cause of inflation, must be eradicated. The Katayama Cabinet is said to cut the supplementary expenditures to about 50,000,000,000 yen to keep the budget in balance, and we agree to this policy in principle. It is a matter for serious consideration, however, to determine what should be taken as the standard for cutting expenditures and increasing revenues to balance the budget.

Firstly, the Government subsidies to cover the differences between the producer's and consumer prices of farm and industrial products, which amount to 20,000,000,000 yen or 20 per cent of the total expenses, is problematical. Such are enormous amount of Government subsidies place heavy pressure upon state fiaance and the Socialists, in the recent general election, promised its abolition or curtailment. Although subsidies are necessary to food production which is related to the people's lives, those of industrial enterprises must be limited to the minimum amount.

Secondly, expenses for the enforcement of the new educational system called the 6-3-3 system, for which the Department of Education requested 4,900,000,000 yen, was cut down to only 500,000,000. There is no doubt that education must take an important part in the democratization of JAPAN. It can be said that the policy of democratization, which aims to reform the whole social fabric, must rely on the successful education of the younger generation. The Katayama Cabinet, which professed to be aiming at a highly developed democracy, must reconsider such drastic curtailment of educational expense. Some other expenses, less important than the educational expense, must be sacrificed to meet the demand of the new educational system.

Thirdly, the present Cabinet decided to continue the payment of interests on national bonds as a result of the Socialists' concession to the other parties at the time of the Cabinet formation. The circumstances have changed since that time, and this policy must be revised. Although the payment of interests on national bonds takes a smaller portion of budget than in the old days, due to the inflationary trend, it still remains a considerable burden of state finance. The suspension of payment, though it may affect the banking management, must be regarded as a proper step when the liquidation of fictitious capital is necessary to restore the normalcy of banking management. We hope that the Katayama Cabinet is courageous enough to take this step to further the work of economic reconstruction.

Lastly, the Government seems to be contemplating the boosting of prices of liquor and tobacco. Raising the prices of these Government monopoly goods, is easy to practice and promises big returns to the Government, and this method has been resorted to so often that the Government monopoly articles are now extraordinarily high in price. Tobacco is one of the necessities of the people's lives, and a further raise of its price must be reconsidered in view of the increasing economic burden of the masses. The new yen class, though pressed by heavy taxation upon their increased incomes, still reserve greater strength to bear taxation than the masses. The assessment of special tax on this class must be considered as a part of the policy to check the progress of inflation.

If all the aforementioned points are taken into consideration on the basis of sound finance, the supplementary budget must be admitted as necessary in the present circumstances.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775015

ITEM 1 Free Debate Opens in Lower House - Mainichi - 8 Jul 47
Translator: K. Higashikawa (JJY, TK, FST)

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Full Translation:

In the first free debate held in the Lower House yesterday in accordance with the new Diet Law a scathing attack was made by the interpellators against the Government on its report of true economic conditions. Thirteen interpellators were selected by a committee of seven nominators. The nomination committee was composed of DOI, Naosaku, for the Socialist Party, TSUBOKAWA, Shinzo, for the Democratic Party, OZAWA, Saeki, for the Liberal Party, ISHIDA, Ichimatsu, for the Peoples Co-operative Party, AZUMAI, Miyoji, for the independents, KAWAGUCHI, Yoichi, for the Farmers Party, and HAYASHI, Hyakuro, for the Communist Party. Each interpellator was allowed five minutes to question the Government and the Government was allowed 10 minutes to reply.

National Income Estimated at 400,000,000,000

At the nomination of DOI, Naosaku, Socialist, KAWASHIMA, Kinjiro, of the same party, led the interpellations: What is the total amount of the supplementary budget required for the general budget for the 1947-48 fiscal year? What are the sources of revenue to cover the supplementary budget? Does the Government plan to get the necessary funds by increasing taxes, or by levying new taxes? What are the sources of revenue to cover the large new expenditure that is required of the Government? Does the Government depend upon the profits to be gained by the Tobacco Monopoly Bureau or upon the increased income accruing from the alcoholic beverage tax?

The total national income is estimated at 500,000,000,000 yen, but the amount of national income to be taxed is placed at 300,000,000,000 yen with the result that the balance of the national income is made immune from taxation. I am of the opinion that the income tax should be levied fairly and impartially. What is the Government's view on these points?

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ITEM 1 (Continued)

Finance Minister KURUSU: The total national income in the 1947-48 fiscal year was originally estimated at 400,000,000,000 yen. However, owing to wage and other increases, the Government thinks that the national income in the current fiscal year will increase. The Government, therefore, plans to re-estimate the national income when compiling the additional budget. In the distribution of the national income the Government has estimated 60 percent of it for consumption, 25 percent for state finance and 15 percent for bank loans and for industrial loans.

The Government is now in the course of compiling a supplementary budget and is, therefore, estimating the revenue to cover the supplementary budget. The Government is desirous of realizing an increased tax revenue by levying taxes on the "new yen" class. However, it has not yet decided to raise the price of alcoholic beverages. The imposition of tax on those who have escaped from war damage has not yet been decided.

Government Quizzed on Yen Policy

TERAJIMA, Ryutaro (Democrat), took the floor at the nomination of TSUBOKAWA, Shinzo: In the report on the true economic conditions the Government has not mentioned the registration of the new yen, nor devaluation of the yen. The Government has also failed to show accurate figures for state property, nor has it shown the expenses for terminating the war (TN cost of occupation). What are the reasons for these? Does the Government intend to secure the ration of 2.5 Go (0.795 pint)?

TERAJIMA was followed by KAMBAYASHIYAMA, Eikichi (Liberal Party), who was nominated by OZAWA, Saeiki (Liberal Party): The report on true economic conditions has evidently been written with a political motive. Why did this document have to be submitted to the Diet? The previous Government did its very best to increase the production of food without making a political issue of the food situation, but the present Government is unable to secure the ration of even 2.5 Go. What are the relationship between the Economic Stabilization Board and the administrative readjustment?

ESB Director-general WADA: There is no political design behind the report on true economic conditions. The report was submitted to the present Diet session to enable the people to know the true economic conditions. The large structure of the Economic Stabilization Board was created in the days of the Yoshida Cabinet.

TOKANO, Satoko (Socialist) and MATSUMOTO, Ichiro (Democrat) questioned the Government on the food problem, but in the absence of the Agriculture and Forestry Minister, replies to their interpellations were withheld.

Trade Unions Blamed for Output Decline

YAMAMURA, Shinjiro (Liberal), then posed the following interpellations: The economic White Paper is a diagnosis which gives no hope. What the people require is a cure. It seems to me that one of the causes of the declining production is the excesses committed by trade unions.

State Minister YONEKUBO replied to YAMAMURA.

KANO, Totsu (Socialist) asked: The statistics contained in the report are insufficient. The Government should attach importance to statistical figures compiled by civilian authorities. With the resumption of foreign trade now fast approaching how does the Government intend to prevent the lowering of technical ability of the producers?

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ITEM 1 (Continued)

ESB Director-general WADA: In the days of the Yoshida Cabinet a statistics committee was organized within the Cabinet with a view to effecting improvements in the compilation of statistics. To prevent the lowering of the technical ability of the small and medium scale merchants and industrialists, a Technical Committee has been inaugurated within the Commerce and Industry Ministry.

Fertilizer Production Exceeds Quota

NAKAJIMA, Katsuichi (Democrat) took the floor: To wipe out black-market production, materials must be well supplied. The production of tobacco may be increased by 40 percent if the supply of manganese fertilizer is increased. If this is done, the bootlegging of tobacco may be eliminated.

Agriculture and Forestry Minister HIRANO appeared on the scene and replied to questions posed by TOKANO, MATSUMOTO, and NAKAJIMA: The Government is opposed to the abolition of control on the supply of vegetables, but control will be effected in a democratic way. Under the plan to increase the production of vegetables by 10,000,000 Kan (one Kan equals 8.27 pounds), the Government decided to deliver in advance 1,000 tons of commercial fertilizer to cover 31,000 Chobu (one Chobu equals 2.45 acres).

Transportation facilities are also being improved. The Government will see to it that during the period of four months from July to October inclusive 30 Momme (one Momme equals 0.132 oz) of vegetables will be rationed in the Tokyo-Yokohama, Nagoya and Kyoto-Osaka-Kobe areas.

In view of the fact that the soybean is the material for making soybean paste and soybean sauce which are second in importance to staple foods, we are soliciting the Allied Powers for the permission to import soybeans.

The Government does not see fit to permit free sales of food after a 100 percent delivery is effected, but it is considering the matter of supplying collaterals. The Government is also considering the matter of facilitating the supply of packing materials for sending rice to relatives by farmers by parcel post.

Regarding fuel wood, the Government is also considering the matter of facilitating the supply of crude wood and the question of price. The Government will also facilitate the supply of coal, electric heat and gas for consumers.

The fertilizer situation has now improved. Last year sulphate of ammonia was supplied at the ratio of four Kan (one Kan equals 8.27 pounds) per Tan (Tan equals 0.245 acres) for rice, but in the current year, the Government is in a position to supply five Kan 500 Momme per Tan; as against the supply of three Kan of sulphate of ammonia per Tan last year, the Government expects to be able to supply more than four Kan for wheat. As a matter of fact, the production of sulphate of ammonia and of nitrolime has exceeded the Government plan to produce 70,000 tons in June. Thanks to the importation of rock phosphates, we have now enough materials for the production of superphosphates.

Replying to question by YAMAMURA (Liberal), State Minister YONEKUBO stated: To prevent the decline of the quality of trade unions, we ask for the co-operation of the people. The Government may announce a second set of measures for tiding over the present economic crisis.

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ITEM 1 (Continued)

Minister Upholds Frankness of Government

KIMURA, Kimihei (Liberal) asked: Doesn't the Government think that the economic white paper creates a feeling of insecurity among the people and serves to boost black-market prices? In my opinion the Government should reveal to the people the bright side of the prevailing economic conditions to encourage the people. I am afraid the Government places undue emphasis on the crisis.

Commerce and Industry Minister MIZUTANI: Unlike the militaristic government, the present Government honestly speaks. That is democracy.

KONO, Kinsho (Peoples Co-operative) interpellated at the nomination of ISHIDA, Ichimatsu (Peoples Co-operative): The present crisis has been brought about due to the fact that former Finance Minister ISHIBASHI spread optimistic views by concealing data. In view of the fact that the economic White Paper has disclosed the true economic conditions prevailing in JAPAN, the people must make a firm resolve to tide over the crisis on this basis. However, it is inadvisable to show the dark side only.

We earnestly hope that the Government will map out measures efficient enough to cope with the situation. Despite the fact that prices have risen by 65 times, wages have been increased by only 20 times. Does the Government think that a worker can keep his body and soul together with the average wage of 1,800 yen?

ESB Director-general WADA: Patients require accurate diagnosis. At the time the ration of 2.5 Go was decided upon, the prevailing conditions were such that the Government was compelled to formulate food plans on the basis of normal crops.

Compulsory Delivery Opposition Voiced

TONOZAKI, Chiyokichi (Dai-Ichi Club) questioned at the nomination of AZUMAI, Miyoji (Dai-Ichi Club): Give a little leeway to the farmers for delivery. I am opposed to the exercise of authority for delivery. To farmers who have delivered 100 percent, give permission to sell their produce on the free market. There is no justification for prosecuting farmers who happened to be behind quota.

KITA, Jiro (Farmers Party) questioned: Is the Government really grasping the true economic conditions? The Government should reduce the profit to be accrued from official prices and also cut down unnecessary expenditure. Isn't the bureaucratic control of corporations and co-operative unions undemocratic?

ESB Director-general WADA: In working out the consumer prices the latest statistics were used. The increase in prices of from 60 to 70 times is correct. The Government does not intend to strengthen bureaucratic controls. The corporations and co-operative unions are compatible.

Justification of Illegal Income Denied

TOKUDA, Kyuichi (Communist) interpellated: Ever since the miscarried general strike planned for February 1 last year, wages remained stationery, but prices have increased. There is a great disparity between prices and wages. Why does the Government recognize income from blackmarketing in the revenue of workers? In the coal problem, too, the Government is oppressing the workers.

ESB Director-general WADA: In examining the household income and expenses of workers, the Government took the average of 220 workers in TOKYO. The wide difference in the household expenses of workers in March and April is accounted for by the large amount