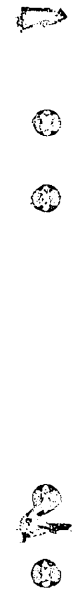


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March 7th, 1949

Text of Dodge's Statement

The statement issued by Joseph M. Dodge, Economic Adviser to General MacArthur, at a press conference yesterday follows in full:

On a New Currency

There is no reason for any assumptions to arise from the fact that at one time I worked on the original plans for a German financial rehabilitation which included a drastic currency devaluation, since put into effect.

My presence in Japan does not indicate that any plans have been made for a similar monetary devaluation for Japan.

Whatever the problems may be here they will be approached and considered by everyone concerned solely on the basis of local conditions and the fundamental requirements for achieving an effective financial and economic stabilization under the conditions relating to Japan alone.

I will state my personal conviction that, as a matter of principle, a currency devaluation should be avoided if any way can be found to do so. This will largely depend on the course of events. Principally, it will depend upon the sincerity and effectiveness with which the Japanese Government and the Japanese people meet the difficult problems connected with halting inflationary trends and achieving an actual financial and economic stabilization.

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On Foreign Exchange Rate

There exists a general desire for the early establishment of a single rate of exchange on foreign trade transactions. The urge to accomplish this is easily understood and there is an official objective to do so as soon as practicable.

While it is not too difficult matter to compute a rate based on present circumstances that is not all there is to the problem. There are other factors which should be considered.

It is one thing to establish a single official rate and another to defend it after it has been established. No one should want a rate which jiggles violently up and down.

Today the dollar rate is almost the sole consideration and concern because the present pattern of imports is overwhelmingly in dollars. However, that is not the historical pattern of Japanese foreign trade and may not and probably should not be the pattern of the longer term future. Thus the ultimate pattern of Japanese trade is a factor also deserving of consideration.

Finally it should be remembered that the primary objective must be the accomplishment of a rate which will stimulate exports without unduly penalizing imports, and that an effective economic stabilization is closely related to achieving a sound and satisfactory result.

On Inflation and Stabilization

Real stability and progress have to be based on a sound fiscal and monetary approach to the nation's problems. An effective stabilization requires relating all policy decisions to the Government budget as a primary instrument of financial policy.

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It is government which turns on the spigots of inflation and government which must turn them off. Inflation must first be sterilized at the source. This means that all economic and political decisions must be directly related to cost and the production needs of the economy.

It is not easy for a government to reduce its own spending ~~in~~ terms of subsidies, investments, and other general expenses. Nevertheless, it has to be done and awkward decisions cannot be set aside. Government expenditures have to be limited to the resources from available taxes. Reduction of taxes is the end result of reduction in government expenditures.

Also it must not be overlooked that government investments and expenditure are rarely as productive as private investments and expenditures of the same amount. In a shortage economy every resource, whether money, labor or material, drawn off for unnecessary or non-productive purposes tends to add to inflationary pressures. Therefore the questions of absolute need, priority of need and the effective use of the funds absorbed by taxation and spent by the government have equal importance with the principle of their being covered by the revenues actually received.

To meet the problem it will be necessary for the Japanese Government to assume and exercise the power and find the means to discharge its responsibilities to the nation, to the United States, and to the Allied Powers. Restrictions on private consumption and expenditure cannot be advocated by the State and then most widely ignored by the State. The average man cannot be induced to practice thrift unless his government sets the example. No government can expect from its people virtues which it does not itself practice.

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Some salutary anti-inflation readjustments and developments are not only necessary but desirable for the longer run good of the Japanese economy. It cannot afford to waste any existing elements of strength supporting the unrealistic distortions and dislocations of an inflationary trend. A postponed readjustment inevitably will be extremely serious and of much longer duration.

Everyone complains about the high price effects of inflation but wants to keep on getting his own slice of government funds. Inflation is always considered bad for other people but individuals want to keep for themselves whatever personal benefits they mistakenly believe arise from it. Increased subsidies, increased wages and increased government expenditures go hand in hand with higher prices to consumers and higher taxes. That is why wage stabilization is a fundamental factor in general stabilization. But while it must be remembered that wages increase by arithmetical progression, prices increase by geometrical progression. The consumer is always the loser.

Inflation burns the economic candle at both ends. The off end belongs to those who are being stripped of the value of their earnings and savings by rising prices. The near end belongs to those who are spending the values extracted from the public. They are spending other people's money.

Political and economic liberation has not increased the supply of goods and services as much as it has the demand for them. The facts are that the spending power in existence is too large for the supply of goods and

services

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services left over after satisfying the requirements of the government, exports, capital programs and war termination cost.

Under present conditions if the people are to have or to consume more it can only come from reducing these requirements or as a gift from the United States. Therefore, any relaxation in favor of the domestic economy must be offset by a tightening up somewhere else and every consideration in favor of the domestic economy must be accompanied by offsetting proposals of retrenchment.

There should be a general recognition that an increasing part of the national output will be needed for years ahead to replace the free goods now coming from the United States, which cannot come forever.

If this is to be accomplished, there must be less of thinking solely in terms of how much U.S. aid will be forthcoming and more thinking of increased production, decreased costs and greater exports. To substantially increase exports will require continued limitations on domestic consumption and an emphasis on the needs of the export consumer rather than that of the domestic consumer. While the domestic need for consumer and capital goods is real and apparent, internal rehabilitation and expansion necessarily falls into second place behind the need for a priority of exports. The objective must be to achieve self-support so as to warrant continuation of U.S. aid and ultimately create the conditions favorable for foreign credits.

It should be understood clearly that the U.S. Government is rightly concerned that lasting benefits to the Japanese economy and itself must

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result from grants of aid or credits.

These are the simple propositions governing economic policy. They are hard truths and not pleasant to hear but they are no more inexorable than the facts themselves.

The problems cannot be met by any form of monetary miracle or fiscal policy alone. They can be met only by increased production at less cost, sound fiscal and monetary policies, increased exports and a continued domestic self-denial.

In Conclusion

Finally I urge every Japanese citizen to understand and remember these simple facts:

First: The hundreds of millions of dollars of aid received each year by Japan from the United States comes from the taxes imposed on business enterprises of the United States. In turn these taxes have been paid from the wages of American workers and the American citizen does not like to pay taxes any more than does the Japanese citizen.

Second: These dollars, or their equivalent in goods being received by Japan (which are so necessary right now to its economic life and rehabilitation) actually are only a temporary substitute for and supplement to the production and exports which Japan must provide for itself. Japan has met the requirements of its own livelihood and progress in the past and must prepare to do so again, as quickly as possible.

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There can be no permanent substitute from the resources of another nation for the efforts required from the Japanese Government and the Japanese people to meet their own problems. To live as a self-supporting and not a dependent nation Japan must accumulate capital by savings and economy, it must supplement its limited internal resources with materials and products only available from other sources and it must be able to pay for them from expanding exports.

To put it briefly, the national deficit cannot be allowed to increase as production expands.

We have seen a rising production index, accompanied by a large and progressive increase in the amount of U.S. aid. The excess of imports has increased and the gap between imports and exports has substantially widened. The time must come when this national trend is completely reversed.

If individual enterprise continuously has to be subsidized to provide saleable exports, then increasing volume suggests only correspondingly increased deficits.

To meet this problem the way has to be found to convert the dollar of imported materials into more, and not less, than a dollar of exports.

It is the height of folly to point with pride at an increasing production index or increasing exports which may actually represent only increased U.S. aid, increased subsidies and increased deficits. Too much attention is being given merely to raising the totals of production and exports without regard to cost or net results. Too little attention is being given to the need for creating the greatest possible net production and using imported raw material so as to create the greatest possible amount of net exports.

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It is for these fundamental reasons that every individual citizen has to make it a personal as well as national goal to produce more and to save more.

There is no other way for the individual or the nation to have more.

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GENERAL HEADQUARTERS
FAR EAST COMMAND
Public Information Office

INFORMATION BULLETIN:

31 January 1949

Biography: Joseph M. Dodge, Financial Advisor to SCAP with the personal rank of Minister, who is scheduled to arrive at Maneda tomorrow, Feb. 1, at about 5 p.m.

President, The Detroit Bank, Detroit, Mich. Born in Detroit, began banking career as bank messenger 1909 for Central Savings Bank, Appointed Assistant State Bank Examiner, State Bank Examiner, and Special Examiner for and Secretary of Michigan Securities Commission. Operating officer Bank of Detroit; taught classes for American Institute of Banking.

Aug. 10, 1932, appointed Vice President and Assistant to Chairman of Board of First National Bank Detroit, also Secretary of Governing Committee of Board of Directors, Ex-Officio member of all bank committees.

March 24, 1933, appointed Vice President of newly organized National Bank of Detroit. Prior to that retained by organizers and directors of new bank and authorized to select \$151,000,000 of assets, which were purchased from Guardian National Bank of Commerce and First National Bank Detroit and taken over by National Bank of Detroit. Proceeds of these assets were used to make first payments to depositors of closed banks.

Assisted in setting up organization of National Bank of Detroit, supervised recording and handling of all purchased assets, and closed contracts with receivers at expiration dates.

Dec. 5, 1933, elected President and Director Detroit Savings Bank (oldest bank in Michigan, established 1849 and one of oldest in US). Name of bank changed in January 1936 to Detroit Bank. In December 1933 bank's total assets were about \$60,000,000 and on June 30, 1943, these totals were about \$550,000,000, with 347,000 depositing accounts.

President of Michigan Bankers' Association during 1944-45 association year; active for years on many of its committees; member of Association of Reserve City Bankers, active on several of its committees, Chairman of Board of Trustees of Banking Research Association twice, and held other offices in this organizations; a Director of Federal Reserve Bank of Chicago from 1938 through 1944; and a member of Advisory Committee of Detroit Loan Agency for Reconstruction Finance Corporation since 1937.

Elected Vice President of American Bankers Association October 1946, and became President October 1947. Active on many committees for American Bankers Association through the years.

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Member of Detroit Board of Commerce (and has been a director); a Director of Economic Club of Detroit since its organization; member of Detroit Committee of Council of Foreign Relations; member of Corporations Gifts Committee and Director of Detroit Metropolitan Community Chest; Trustee Greater Detroit Hospital Fund; and has acted on several other civic enterprises. At present a sponsor of Detroit C.A.R. Committee; and during war acted on several war-time committees, such as Defense Savings Committee and Victory Fund Committee.

Trustee of Harper Hospital and American Cancer Society; Treasurer of Field Army of American Cancer Society and member of Board of Directors of Michigan Cancer Foundation; Director Detroit Chapter of I.M.C.A.; director Detroit Chapter American Red Cross; director of Chrysler Corporation and Standard Accident Insurance Corporation; Trustee Equitable Life Insurance Company of Iowa; director Michigan Post American Ordnance Association; member Greater Detroit Hospital Fund Corporation Committee; Vice President of Detroit Clearing House Association.

Governmental service 1942-45, Chairman Price Adjustment Board, Central Procurement District, Army Air Forces. Organized this operation for 13 states, with offices in Detroit, Cleveland, Chicago, and Cincinnati. In 1943-44 at request of Secretary of War Stimson, went to Washington to be Chairman, War Department Price Adjustment Board, and Director, Negotiation Division, Headquarters Staff Division, Army Service Forces, and Chairman, Joint Price Adjustment Board and later Chairman, War Adjustment Board, and Treasury Department; Maritime Commission, War Shipping Administration, and Reconstruction Finance Corporation. In 1945-46 at request Under Secretary of War Robert P. Patterson and General Lucius D. Clay (US Army Commander in Europe), went abroad to serve as Deputy to Military Governor for Trade and Finance; Financial Advisor to US Military Governor of Germany; Director, Finance Division, (OMGUS) Office of Military Government, US-Berlin, Germany; Director, Financial Branch, (USMGT) US Forces, War-Dean Theater-Frankfurt, Germany.

Sept. 18, 1946 received Medal for Merit, highest civilian war award, from Secretary of War Robert P. Patterson. Medal for Merit is awarded only by President of US for "exceptionally meritorious conduct in the performance of outstanding services in the war", and ranks with military Distinguished Service Medal; May 2, 1947 at request of Secretary of State George C. Marshall went to Vienna, as US Representative on Austrian Treaty Commission with personal rank of US Minister. There until September 1947; November-December 1947 attended meeting of Foreign Ministers in London, as Deputy to Secretary Marshall for Austrian affairs; June 1948 appointed a member of Financial Advisory Committee of European Cooperation Administration by Mr. Paul Hoffman, Chairman.

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秘書課長

別紙添付

Royall Party

Kenneth C. Royall

John W. Gibson

Lt. Gen. Albert C. Wedemeyer

Robert R. West

William T. Joyner

Col. Frank T. Folk

Max W. Bishop

George Pollard

Lt. Col. Willis D. Grittenberger, Jr.

James F. King

Capt. James J. Boyle

Joseph M. Dodge

with Mr. Dodge

Paul M. O'Leary

Audley Stephan

Dr. Ralph W. E. Reid

Secretary of the Army

Assistant Secretary of Labor

Deputy Chief of Staff for Plans and Combat Operations

Office of the Assistant Secretary of the Army

Consultant to the Secretary of the Army

Plans and Operations Division

Chief of Division of Northeast Asian Affairs, State Department

Civil Affairs Division

Aide to the Secretary of the Army

Special assistant to the Secretary of the Army

Office of Deputy Chief of Staff for Plans and Combat Operations

President of the Detroit Bank

Dean of the Business School at Cornell University

School of Finance, Rutgers University

Office of the Under-Secretary of the Army.

二部長

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3ヶ月前の...
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◎連調事務局

(公信送付宛先表)

◎出張所 (四カ所)

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松 江

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金 沢

富 山

部 (括内英文のみ)

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公 信 案

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15.4.49

JGHOBU NEWS SERVICE

GENERAL HEADQUARTERS
FAR EAST COMMAND
Public Information Office

IMMEDIATE RELEASE:

15 April 1949

The following statement on the Japanese budget was made public today by the Honorable Joseph M. Dodge, Financial Adviser to the Supreme Commander:

Introduction

Every element of the budget problem can be discussed and amplified almost indefinitely in any direction. It is not my intention to do this but to make comments on its more important aspects which will suggest appropriate analyses and conclusions. I already have observed keen interpretations of the economic implications of the budget in the press.

General Comment

The creation and implementation of a balanced budget is the first requirement of the Nine Point Stabilization Program. As such it is the unqualified obligation of every political party and every individual. It should have been made an integral part of each party platform. It is a Japanese national problem, not a political party problem. It is essential to establishing a sound foundation for further economic reconstruction and the effective use of U.S. appropriations made for the benefit of the Japanese economy.

The stabilization program requires of the Japanese government what the former Allies of the United States, who are receiving its aid, have agreed to do in formal contracts with the U.S. government.

There seems to be astonishingly little comprehension among the Japanese people of the real situation of their country. Nothing should have been expected as the

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2. IMMEDIATE RELEASE: (expected as the)

result of the war but a long term of hardship and self-denial. The nation continuously has been living beyond its means. There has been a general disposition in the Japanese government to accede to any demand to spend more and more and to attempt to spend every source of income more than once. Too much of this spending has not been put to productive use.

Any measurement of the direct and indirect losses resulting from the war will clearly show that Japan cannot afford to dissipate capital. It has suffered severe physical loss and damage and economic and financial dislocations. It has lost its empire and with that has lost great investments and sources of raw materials, production and trade. Also there has been a loss of the influences that empire brought to bear on other contiguous trading areas. Japan's population has been increased by repatriation and concentrated to its homeland. There is a large net gain in population each year. These are serious problems. Their effects reach everywhere and they cannot be quickly or easily overcome.

Any realistic view of the economic problem suggests a rough and rocky road which will severely test the strength, character and loyalty of the people. The economy has travelled the early part of this road in a damaged and unrepaired vehicle but the vehicle and the passengers have been protected from road shocks by a cushion of U.S. aid. It is time the Japanese began to face up to the unalterable facts of their own life and organize themselves to meet their own problems and regain their independence by their own efforts.

A better perspective of the problems of the present situation can be achieved if they are properly related to what the conditions might have been without the benefit of U.S. aid or might become when this aid has to be reduced or withdrawn.

It will require the active and continuous support of every individual in meeting its national problems for this country to regain an independent status in world affairs. U.S. aid only can serve as a stimulant to the efforts of the Japanese people to find the way to develop a self supporting economy as a result of their own labors.

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3. IMMEDIATE RELEASE (labors.)

There is no place where inflation takes over quicker and moves faster than in a shortage economy. Productivity is decreased and not increased by government spending. It should be remembered that a government can neither spend nor give away except what it first acquires from someone. Governments only spend other people's money. Wealth must be created before it can be divided.

The Japanese people should demand a balanced budget and should then direct their attention to the elimination of excessive expenditures, wastefulness, subsidies, over employment and the general dependence on government instead of individual or group accomplishment. It is these which must be revised to produce later tax reductions.

The Government Budget

The government budget is the financial structure within which the government conducts its business. It is the window through which the people should clearly see what the government intends to do, how it will operate and what its impact on the people and the economy will be in the coming fiscal year.

Hitherto, the budget has not adequately served this purpose. The two principal reasons for this are that the facts have not been made clear by the form of the budget itself and that the discussion and publicity has always centered around only one part of the budget, the general accounts. Another important part of the government operations is represented in the special accounts, which have been largely ignored.

These two parts are closely interrelated. One part could show a balance or even surplus and the other show even a greater deficit. One could show a small deficit and the other add to this much larger deficit. Combined, as they should be, in a consolidated budget the real facts of the government financial

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4. IMMEDIATE RELEASE (the government financial)

position and intentions are shown and in this way part of the window is cleared.

This fiscal year's budget is intended to accomplish a balance of all government accounts. It discards the practice of encouraging and permitting the people to believe the situation is different than it is by emphasizing merely the result given in the general accounts of the government which is only part of the story of what the government is doing with public funds.

The Japanese government budget system is inadequate, both in its mechanism and the time elements allowed for preparing a budget. It has been completely ineffective as an instrument of administrative control. It is neither clear nor understandable. It has not shown all of the current government obligation. The record of the past shows that it has had little meaning. It has been a record of budget delays, provisional budgets, supplementary budgets and deficits.

The 1948 Deficit Record

In 10 months of the last fiscal year the government debt increased 178 billion. At the end of the fiscal year the government had an unfunded deficit of about 48 billion. A large part of this increase in debt was nothing more than a funded deficit. Any combination or adjustments of these figures indicates an actual deficit of more than 150 billion for fiscal year 1948.

The Overall Budget

The total figures of the consolidated budget will appear large for several reasons. First, because it is a consolidated budget. Second, because it is on a higher inflation level than existed a year ago. Third, because there are so many elements appearing in the budget for the first time, which had previously been obscured in other accounts. Fourth, because the budget computation includes many inter-account transfers, viz., amounts appearing on the disbursement side of one account and the revenue side of another.

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5. IMMEDIATE RELEASE (of another.)

The total of the publicly reported budget is about one hundred per cent greater than the actual budget transactions. The general accounts represent only about one-sixth of the reported total budget. The tax revenues represent only about one-eighth of the total reported revenues. The remainder comes from other special and general account revenues.

The Japanese press reports a total budget in excess of 4 trillion yen. This figure includes approximately 400 billion yen for local government budgets which are independent of the national budget. The 3.6 trillion yen national budget is further reduced to about 2 trillion yen by accounting transfers and necessary temporary borrowing to finance current transactions. The budget is balanced in consolidated form at an actual level of about 2 trillion yen.

In the most general terms the normal increase in expected tax revenues at the existing rates due to inflationary increases, and the limitation of expenditure expansion has been set aside to absorb the heretofore concealed subsidies, to create the Counterpart Fund representing U.S. aid, to absorb the unfunded deficit and other losses in government accounts and to ~~retire~~ retire a portion of the existing government debt.

The actual total of approximately two trillion for the consolidated budget compared to any estimate of annual national income shows that an appalling proportion of the total national business is represented by government transactions viz: transactions which proceed through government instead of private channels. Some estimates indicate this is as much as two-thirds.

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6. IMMEDIATE RELEASE 15.4.49 (two-thirds.)

The Government Revenues

The larger estimated tax revenues of the government in this year's budget have been generally referred to as "tax increases". This is inaccurate. The tax revenues in the present budget are at the already existing tax rates applied to a higher level of income and prices. This is one of the products of inflation.

The attainment of the revenue objective under the terms set forth in the budget is essential to meet the expenditures provided for in the budget.

The tax rates themselves are high but the effective collection under the rates are low. There is a real need for greater equity in tax administration. But no tax rate will be equitable or effective until each individual is willing and is required to pay his proper share of the tax burden. Modification of the existing tax rates can be justified only when the people wholeheartedly do their part in meeting their tax liability.

The administrative requirement is to insure that every individual pays his full legal tax debt. The honest tax payer should not be penalized by being forced to carry the load of the tax evaders. The profits of the tax evaders and the black market operators should be the first and most vigorously attacked.

Tax reduction must be predicated on an assured revenue under whatever rate is established. Taxes cannot be reduced in face of a record of progressively greater government spending. They can only be reduced as a result of progressively less government spending. After accomplishment, not before.

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7. IMMEDIATE RELEASE 15.4.49 (before.)

Emphasis to date has been on a maximum of government expenditures instead of on a minimum. Under these conditions there can be no other result than an increased tax burden.

In insisting on the removal of the deficit-financing the most vicious type of general taxation has been eliminated. Actually, avoidance has been paying two types of taxes. One type is composed of legal taxes, the other is the indirect taxation reflected by uncontrolled and continuous government deficit financing.

The Government Expenditures

Government expenditures remain high. Planned expenditures are all shown for the first time. Subsidies are revealed for the first time. Where there is concern about the level of taxation the level of expenditures also should be noted. It is government expenditures that determines tax requirements.

There has generally been no "slashing" of expenditures. Most expenditures actually are higher than last year. The saving on expenditures has been primarily in restricting their further large expansion. The reductions are from extremely high original estimates of proposed expenditures, which were inappropriate to the general financial means available. This is an accomplishment only in that it modifies the past practice. There is still much to be done and much that can be done to reduce expenditures.

The Government Subsidies

Since the end of the war large amounts of U.S. goods have gone into the foreign trade account but this fund shows no balance because the imported goods have been sold at so much less than cost. This process has obscured subsidies from the view of the public.

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8. IMMEDIATE RELEASE 15.4.49 (public.)

One leg of the "stilts" has been built from subsidies. These have been hidden in the transactions of the foreign trade account and have not been clearly shown in the budget. Actually they are government grants to particular producers, or consumers, from the government tax revenues collected from all of the people and from the proceeds of the U.S. aid furnished Japan. Now these actions will be made clear and grants of tax money to reduce prices of special goods or products to consumers will be seen.

Subsidies are exposed in the budget so as to clearly place the responsibility for their use in the Japanese government and to ensure that appropriate action will be taken to reduce and finally eliminate them. They represent a large amount, seen for the first time. But the amount is actually much less than it would have been had the practice of last year been fully extended to the wage and price levels of this year. The amount does embody a substantial reduction. It should be progressively eliminated.

This practice of the general use of subsidies is abnormal and undesirable. It creates fictitious and unnatural price relationships. Also it is more costly than the mere figures indicate. The amount collected in taxes for subsidies is first reduced by the other administrative costs of the government and the operating costs of every Kofan or government department handling the transaction until the remainder is actually applied to a consumer price of food, material or product. Thus the consumer taxpayer inevitably receives back only part of what he pays out for this purpose. But the taxes are paid by all of the people and except for subsidies granted to hold down the price of basic foods consumed by all the people, the tax proceeds going into subsidies are distributed for the benefit and protection of special groups of people.

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9. IMMEDIATE RELEASE 15.4.49 (people.)

Something can be said in favor of certain price increases perhaps costing the consumer less than some taxes are now costing him. Too much of the price of too many materials and products is collected by the Tax Bureau of the government instead of in the market.

Whatever these subsidies may be, and whatever amount of them may be considered necessary, they should and must be paid from tax revenues and not from the proceeds of the U.S. aid. By the transfer of these subsidies from the foreign trade account and making them a charge to government revenues it has been possible to set up the Counterpart Fund as the equivalent of U.S. aid imports.

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10. IMMEDIATE RELEASE 15.4.49 (U.S. aid imports.)

The Counterpart Fund

The Counterpart Fund sets up in the budget for the first time the estimated amount of U.S. aid which may be received during the coming fiscal year. The use of this fund will be under the control of SCAP. It is a powerful fiscal instrument for helping meet the future trends of the economy. Its use will be closely supervised and follow the general principles of similar U.S. aid funds elsewhere but related to the particular conditions of this economy. Its principal uses will be for the retirement of government debt and for capital investment purposes which contribute directly and quickly to economic reconstruction. It will not be a political grab bag. In considering releases from the Counterpart Fund for investment projects great weight will be given to the progress made in achieving the tax goals set forth in the budget, how the budget expenditures are being administered, and the fulfillment of the terms of the Line-Point Stabilization Program.

Credit Policy

The balanced consolidated budget for the 1949 fiscal year together with the Counterpart Fund provide instruments with which the Government operations may be carried on without contributing to an inflationary expansion of the money supply. These also supply the means through which the legitimate requirements of industry for working capital and equipment funds may be met without an inflationary impact. The effect of this is closely related to credit policy. Investment expenditures from the Counterpart Fund will offset in advance by collections from the proceeds of imports. However, through the investment funds and the retirement of RFR and other government debt provided for in the budget and through the Counterpart Fund substantial means have been created for meeting the needs for extending sound and proper credit and for essential capital investment purposes.

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尚書事務局から右寫を近畿地方民事部へ轉達しておいたから申
添える。

連絡調整事務局

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RE'-0010

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連絡局

地方課長

近連本第七〇〇號

昭和二十五年十二月一日

別紙添付

外務大臣

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近畿連絡調整事務局

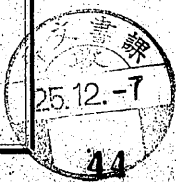
局長 島重



最高司令官經濟顧問ドッジ氏宛陳情書寫送付の件

十一月十六日附を以て大阪府知事から「ドッジラインの將來の計畫に關する陳情書」を經濟安定本部經由、又十一月十七日附を以て大阪府知事、大阪市長、大阪商工会議所会頭連名で「ジェーン台風損害に對し預金部資金及び見返資金の利用に關する陳情書」を大藏省經由、夫々連合軍最高司令官經濟顧問ドッジ氏宛提出した趣大阪府から通報があつたから、右寫各一部御參考迄に送付す

連絡調整事務局



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OSAKA PREFECTURAL GOVERNMENT

November 16, 1950

TO : Mr. Joseph M. Dodge
Financial Adviser to SCAP

SUBJ: Requests on Future Plans of Dodge Line

I hereby pay my hearty respects to you who have come to Japan again in order to review the counter-measures to be taken for the future of Japanese economy which is affected by the change of international situation after the outbreak of Korean War. I quite agree to the fundamental idea you have expressed recently in your statement on the economy of our country. However, from the standpoint of Osaka, an important centre of Japanese economy, I would entreat you to give special consideration to the following requests which I hope you would materialize in accordance with the real state of the industrial economy of this district.

1. Approval of increased issue of necessary currency amount is hoped.

You are stressing anew that the disinflation policy should be strictly followed without surrendering to the inflational trend now prevailing in different parts of the world. However, speaking of the effect of the rise in international prices, Japanese prices are being affected automatically by the high price of dollar economic zones, because of the yen-dollar rate being fixed. The reduction of cost by rationalization is possible to some extent in Japan, but the fact that our greater part of raw materials and foods depend on foreign countries would make it very difficult to cover the reduced cost, if the rise in international prices turns out unfavorably. It is impossible to control forcibly the effect of international high price by means of currency policy (prohibition of increased issue of currency). Moreover, following the special demand due to Korean War as well as the active exportation caused by the international high price, the currency amount necessary for the normal movement of economy is increasing. I therefore hope for your approval of the increased issue of currency to meet such increase.

2. Such means of capital accumulation as unregistered deposit system or discounted Industrial Bank bonds etc. is desirable for accumulation of profits from special demand.

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It is my strong belief, just like yours expressed in the statement, that the profits obtained from the special demand due to the Korean War and the exportation turning favorably should not be wasted, but should be reserved to be used for the extension of normal trade as well as to improve the capitals and equipments of emergency, especially for the purpose of increasing the efficiency of our industry and expanding (rationalization) the output, etc. However, under the present tax collection system which is too strict, I am afraid that these profits, instead of being deposited in normal banking organs to be accumulated as capital, will be invested for unsound speculations or spent to no purpose in order to evade a tax. Herein lies the great difference between the economy of your country and ours. It is therefore specially requested that you would examine in detail the true state of actual Japanese economy, so that your consideration be given to such means of capital accumulation subject to no taxation as the unregistered deposit system or discounted bonds of Industrial Bank etc.

3. Extensive appropriation of counterpart fund to rationalization is hoped.

The rationalization of Japanese industry which is far below the world level is an important subject for the reconstruction of postwar economy, considering the necessity of self-supporting our country by means of normal export under the competition of world market. But the fundamental solution of the problem can not be expected only by depending on the funds obtained from special demand or trade profits. Under the present condition of this country where the securities market is still undeveloped, not only the raise of long-term fund is not an easy task, but also each industry is very poor in its own fund due to the great devastation of its productive equipments after the war. Adding to this, even the repair of existing equipments is quite difficult to be made within the present unreasonable redemption term of fixed assets, and considering the amount of sinking fund loaned by each industry being several times greater than that of its own fund, the improvement of equipment is absolutely impossible. There is no other counter-measure to take for meeting such situation than the appropriation of counterpart fund or that of Deposit Bureau. I hope in this connection that your special consideration be made so as to advance these funds with importance attached to the exporting industries and other industries forming the common basis of productive activity.

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Especially for Osaka district which is the centre of exporting industries, such projects as the development of electric resources for assuring a cheap and abundant supply of electricity, restoration of the electric transmission and distribution lines being left to devastation, reinforcement of marine transportation (shipbuilding) and improvement of equipment of medium sized and smaller industrialists for exportation, etc. are subjects of extreme urgency as a part of our general industrial rationalization.

4. The ways are desired to be considered to secure the import of raw materials necessary for export goods as well as to break down the bottleneck confronting the trade with China.

The exporting has been maintaining good condition these days but on the contrary, the importing is now in such a hard condition that it is lacking in smooth and falling into uncertain state of things due to the decrease of allocation of raw materials by foreign country, which are badly needed by our country. Therefore it is fervently desired that your special and generous consideration be paid to the securing of the raw materials and their market to meet the exportation. (During the first War, such means as the exchange of steel and ship was taken in Japan in order to assure the raw materials) It is specially hoped at the same time that you would consider to break down many bottlenecks obstructing the smooth trading with China which is indispensable to our country now considering her geographical and economic situation.

The data attached to are as follows.

- (1) Real case of short supply of fund for demand of funds (explanatory material of No.1 statement)
- (2) Relation of deposit and savings of banking organ with the unregistered deposit (explanatory material of No.2 statement)
- (3) The issue-amount of discounted Industrial Bank bonds and state of recent selling (explanatory material of No.2 statement)
- (4) Present state of raising of capital in securities market of our country (explanatory material of No.3 statement)

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(5) Present state of accumulation of capital of individual enterprise under the present tax system (shows with actual case) -- explanatory material of No.3 statement.

(6) Present state of loan of foreign trade companies (shows with actual case) -- explanatory material of No.3 statement.

(7) Actual situation of obstacles to smooth trade with China (explanatory material of No.4 statement.

Bunzo Akama
Governor of Osaka Prefecture

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(1) Short Supply of fund for Demand of fund

The investigation made by Kankeiren (Kansai Economic Federation) on trade and finance of 22 firms in Osaka (as of July 31, 1950) clarifies that the financial situation aggravated during the period from the middle of May to that of July comparing to the period from the beginning of March to that of May (see No. 1 attached sheet)

On the other hand, the percentage of dependence of all banks on the Bank of Japan for the rediscount of the new loan of trade bills decreased during the above period (beginning of March to middle of May) as shown by the No. 2 attached sheet. The fact tells that all banks are obliged to depend on the Bank of Japan, due to the stringency of their funds on hand, whereas the fund of supply is short at the Bank of Japan.

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(2)

TRADE FINANCE SITUATION OF JAPAN

(Unit: ¥1,000,000)

Year & month	Kind	Amount of new loan of trade bills of all banks (A)	Amount of stamped trade bills of Nippon Bank (B)	Percentage of dependence of all banks on Nippon Bank for New loan of trade bills (B/A)
Jan. 1950		13,152	10,809	82.19
Feb. "		17,714	15,515	87.59
Mar. "		19,706	17,637	89.50
Apr. "		20,742	19,813	95.52
May "		24,097	22,429	93.08
Jun "		25,754	23,026	90.11
Jul. "		26,780	22,896	85.50

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Relation between deposits and savings of banking organ
with unregistered time deposit.

FIXED DEPOSIT AND UNREGISTERED TIME DEPOSIT
IN BANKS IN OSAKA

Unit: ¥1,000

Year & Month	Fixed deposit		Unregistered fixed deposit	
	Amount	Index	Amount	Index
Jul 1949	15,450,200	100	10,378,491	100
Aug "	17,253,769	111	11,607,071	111
Sept "	18,382,595	119	12,403,058	120
Oct "	20,446,522	132	14,292,128	138
Nov "	21,780,577	139	15,398,020	148
Dec "	25,485,604	162	17,879,262	172
Jan 1950	25,469,239	165	16,830,935	162
Feb "	26,574,577	172	15,908,362	154
Mar "	27,741,616	179	14,270,501	138
Apr "	28,023,212	181	13,079,848	125
May "	28,672,805	185	11,892,647	114
Jun "	29,751,880	192	8,867,903	85.6
Jul "	30,556,251	197	6,336,217	61.0
Aug "	32,522,711	210	5,118,566	49.4
Sept "	32,680,545	210	3,588,349	34.6

Note:

Fixed deposit - Total of deposits of banks belonging to Osaka
Bank Union

Fixed unregistered deposit: Total of an unregistered fixed
deposits of banks in Osaka Prefecture

The percentage of the rise of unregistered deposit up to
Dec. 1949 was higher than that of the rise of all fixed
deposits, the rise of the latter is partly attributable to
that of the former. However, perhaps due to the abolition
of the unregistered fixed deposit the rise of the latter is
getting slow after January this year.

4. Investigation on demand and supply of trade fund

* Export fund

Scale of company (capital)	period		Jan.				
	%	%	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
Less than 10 mil. yen	-	-	-	-	1	1	3
10 mill-50 mill. yen	1	-	-	-	-	-	4
Over 50 mill. yen	-	-	-	-	-	-	9

Scale of company (capital)	Feb.					Mar.				
	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
Less than 10 mil. yen	-	-	1	1	3	-	-	1	1	3
10 mill-50 mill. yen	1	-	-	-	4	1	2	-	1	3
Over 50 mill. yen	-	-	-	-	10	-	-	-	-	9

Scale of company (capital)	Apr.					May.				
	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
Less than 10 mil. yen	-	-	1	1	3	-	-	1	1	3
10 mill-50 mill. yen	1	-	-	2	3	1	-	-	1	3
Over 50 mill. yen	-	-	-	-	10	-	-	-	1	9

Scale of company (capital)	Jun.					Jul.				
	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
Less than 10 mil. yen	-	-	1	1	4	-	-	1	1	4
10 mill-50 mill. yen	1	-	1	1	3	-	1	1	1	3
Over 50 mill. yen	-	1	-	1	8	-	1	-	1	8

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Import fund

Scale of company (capital)	Period				
	Jan.				
%	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
Less than 10 mil. yen	-	-	-	-	2
10 mill-50 mill. yen	-	-	-	-	33
Over 50 mill. yen	-	-	-	-	8

Feb.					Mar.				
Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
-	-	-	-	2	-	-	-	-	2
-	-	-	-	3	-	-	-	-	3
-	-	-	-	8	-	-	-	1	7

Apr.					May.				
Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
-	-	-	-	2	-	-	-	-	2
-	-	-	-	3	-	-	-	-	3
-	-	-	1	7	-	-	-	1	7

Jun.					Jul.				
Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %	Less than 50 %	61 - 69 %	70 - 89 %	90 - 99 %	100 %
-	-	-	-	3	-	-	-	-	3
-	-	-	1	3	-	-	-	1	3
-	-	1	-	7	1	-	-	-	7

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* total of Export & import

Scale of company (capital) %	Jan.				
	Less than 50 %	60 %	70 %	89 %	90 % - 100 %
Less than 10 mil. yen	-	-	-	1	2
10 mil.-50 mil. yen	-	-	-	-	2
Over 50 mil. yen	-	-	-	-	8

Feb.					Mar.						
Less than 50 %	61 %	70 %	89 %	90 % - 100 %	Less than 50 %	61 %	70 %	89 %	90 % - 100 %		
-	-	-	-	1	2	-	-	-	-	1	2
-	-	-	-	2	2	-	-	-	-	1	2
-	-	-	-	8	7	-	-	-	-	1	7

Apr.					May						
Less than 50 %	61 %	70 %	89 %	90 % - 100 %	Less than 50 %	61 %	70 %	89 %	90 % - 100 %		
-	-	-	-	1	2	-	-	-	-	1	2
-	-	-	-	1	2	-	-	-	-	1	2
-	-	-	-	1	7	-	-	-	-	1	7

Jun.					Jul.						
Less than 50 %	61 %	70 %	89 %	90 % - 100 %	Less than 50 %	61 %	70 %	89 %	90 % - 100 %		
-	-	-	-	1	3	-	-	-	-	1	3
-	-	-	-	1	2	-	-	-	-	1	2
-	-	-	1	-	7	-	-	1	-	-	7

* % = Amount actually supplied by means of bill discount etc.
total amount of demand

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Items	Scale of Company (capital)	Period % of reject				Beginning of Mar. - Middle of May				Reason for being rejected	
		0-9	10-19	20-49	50-Over	0-9	10-19	20-49	50-Over		
% of amount rejected against total amount required for: Whole re-jection	Less than 10 mil. yen 10 mil. - 50 mil. yen Over 50 mil. yen	3	4	7	3	1	1	1	3	(1) Shortage of fund to be handled with the frame of trade bill at banks.	
Partial re-jection	Less than 10 mil. yen 10 mil. - 50 mil. yen Over 50 mil. yen	4	2	2	4	1	1	1	4	(2) Date of arrival of L/C being unknown.	
With no L/C arrived yet		7	1	2	8	1	1	1	8		
Average % of discount against total amount required for discount of trade bills when no L/C arrived yet	Scale of company	Less than 50	51-69	70-89	90-99	100	Less than 50	51-69	70-89	90-99	100
	Less than 10 mil. yen 10 mil. - 50 mil. yen Over 50 mil. yen	-	-	1	2	3	-	-	1	1	3
		-	-	1	4	7	-	-	1	1	4
		-	-	2	7	8	-	-	1	1	8

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DEMAND AND SUPPLY OF TRADE FUND IN OSAKA

1. Investigation on discount o. export trade bills.

Items	Scale of Company (capital)	Period % of reject	Beginning of Mar. - Middle of May -				Reason for being rejected	
			beginning of 10-20- Over	10-20- Over	Middle of 10-20- Over	Middle of 10-20- Over		
% of amount : Whole	Less than 10 mil. yen	4	4	3	3	3	(1) Shortage of fund to be handled within the frame of trade bill at banks.	
Rejected amount : Part of total amount : section required for :	10 mil. - 50 mil. yen	4	4	4	4			
trade bills : re-jection	Over 50 mil. yen	10	10	10	10	10	(2) Discount term exceeding 3 months in case of the export of machinery and rolling stock etc.	
with L/C	Less than 10 mil. yen	4	4	4	4	4		
	10 mil. - 50 mil. yen	4	4	4	4	4	(3) Date of shipment being too late.	
	Over 50 mil. yen	100	100	100	100	100		
Average % of dis- count against total amount	Scale of company	Less than 10 mil. yen	50	69	89	99	100	(3)
requires for dis- count of trade bills with L/C	Less than 10 mil. yen	-	-	-	1	3	4	
	10 mil. - 50 mil. yen	-	-	-	2	4	4	
	Over 50 mil. yen	-	-	-	10	10	8	

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Average % of discount against total amount required for discount of import trade bills	% of discount									
	Scale of company		Less 51-70-90-			Less 51-70-90-			Less 51-70-90-	
10-mil.-50 mil.yen	4	-	-	-	-	-	-	-	-	-
Over 50 mil.yen	8	-	-	-	-	-	-	-	-	-

% of rejected amount against total amount applied for loaning fund for settlement of import trade bills.	Period	% of reject	Beginning of March-				Middle of May-				Reason for being rejected
			Scale of company (capital)	0%	10%	30%	Over 0%	0%	10%	20%	
Whole rejection	Less than 10 mil.yen	3	-	-	-	-	-	-	-	-	Because of shortage of fund at banks due to tight financial condition of the bank of Japan
	10 mil.-50 mil.yen	4	-	-	-	-	-	-	-	-	
	Over 50 mil.yen	8	-	-	-	-	-	-	-	-	
Partial rejection	Less than 10 mil.yen	3	-	-	-	-	-	-	-	-	
	10 mil.-50 mil.yen	4	-	-	-	-	-	-	-	-	
	Over 50 mil.yen	8	-	-	-	-	-	-	-	-	

Average % of raising against total amount for settlement of import trade bills	% of discount	Less 51-70-90-				Less 51-70-90-						
		Scale of company	50%	69%	89%	99%	100%	50%	69%	89%	99%	100%
Less than 10 mil.yen	-	-	-	-	-	-	-	-	-	-	-	3
10 mil.-50 mil.yen	-	-	-	-	-	-	-	-	-	-	-	4
Over 50 mil.yen	-	-	-	-	-	-	-	-	-	-	-	7

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INVESTIGATION OF RAISING OF IMPORT DUTY

Items	Period % of reject Scale of company (capital)	Beginning of March-- beginning of May			Middle of May-- Middle of July			Reason for being rejected
		0-9%	10-19%	20-50%	0-9%	10-19%	20-50%	
% of amount rejected against total amount applied for opening L/C	Less than 10 mil.yen	2	-	-	3	-	-	(1) Because of open a/c of buying district
	10 mil.- 50 mil.yen	4	-	-	4	-	(2) Because of being impossible to set account within fix period of trade bill after reserving B/L	
	Over 50 mil.yen	7	1	-	7	-		
Partial rejection	Less than 10 mil.yen	2	-	-	3	-	(3) Because of fund on hand being short a banks	
	10 mil.- 50 mil.yen	4	-	-	4	-		
	Over 50 mil.yen	7	1	-	7	1		

Items	Period % of reject Scale of company (capital)	Beginning of March-- beginning of May			Middle of May-- Middle of July			Reason for being rejected
		0-9%	10-19%	20-50%	0-9%	10-19%	20-50%	
% of amount rejected against total amount required for discount of import trade bills.	Less than 10 mil.yen	2	-	-	3	-	-	Same as above (b)
	10 mil.- 50 mil.yen	4	-	-	4	-	Reason for being rejected	
	Over 50 mil.yen	8	-	-	7	1		
Partial rejection	Less than 10 mil.yen	2	-	-	3	-	Reason for being rejected	
	10 mil.- 50 mil.yen	4	-	-	4	-		
	Over 50 mil.yen	7	1	-	7	1		

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(3) The issue-amount of discounted Industrial Bank bonds and state of recent selling

Among Industrial Bank bonds, the unregistered bonds excluding the Industrial Bank bonds with interest (discounted Industrial Bank bonds) are issued 11.1 billion at present, and a little over 60 percent is offered for public subscription and a little less than 40 percent is not offered for public subscription (they are received by bank or life insurance etc.)

The issue of discounted Industrial Bank bonds is only 0.8 billion per month, and they are absorbed during the month at the same time as the issue. Although accurate figures are unknown, the selling amount in Osaka is about 30-40 million per month. So it can be said that the volume of the discounted Industrial Bank bonds to absorb the deposit is small compared with the increase of the monthly amount of unregistered deposit from 1 billion to 2 billion in the existence of unregistered deposit last year.

(4) Present state of the
of Securities Market in our country

1. For the raising of capital through the payment of stocks presented in securities market, it is the presupposed condition that the stock concerned should maintain the market price over a standard. Because it is natural that the stock holders do not subscribe for the payment unless it is the stock price including the premium over some extent. Of course the value prerequisite to the above cannot help changing in accordance with the percentage of necessary increase of capital. It is the view of common sense that the stock price should be maintained from ¥75 to ¥100 at the minimum (premium from ¥25 to ¥50), if we consider the double increase of capital (the more bigger the percentage of the increase of capital, the more higher the standard of the stock price will become.) (If it is ¥75, the price with premium will become ¥62.5, setting at the allotment percentage of stock holders for new stock of increase of capital 1 to 1, suppose the percentage of premium for new or old stock is the same), and if it is ¥100, the price with premium will become ¥75. Stock holders will not subscribe for payment, unless they suppose the value, premium over ¥10, ¥60 at least.)

2. Judging the weekly average stock price by enterprises published by the Osaka Stocks Exchange from the above standard price (100 description), the following table is shown.

<u>Kinds of enterprise</u>	<u>From Oct. 21 to Oct. 27</u>
Finance	¥40.09
Electricity, gas	45.81
Traffic	86.41
Textile	114.56
Chemistry	59.90
Machine	45.76
Metal, refining	56.61
Mining	61.50
Food	79.61
Ceramics	75.05
Commerce	74.27
Performance, civil engineering & construction	75.55
<hr/>	
Average:	¥ 65.05

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The kinds of enterprise incapable of the increase of capital are only five kinds of traffic, textile, food, ceramics, and performance, civil engineering, & construction. The seven kinds of finance, electricity & gas, chemistry, machine, metal & refining, mining, and commerce are out of proper goods. Moreover, it is heavy industry and chemical industry that need most the raising of capital in our country. It is worthy of our notice that they are included in the latter and the price is small especially.

3. The recent payment of main companies (greater parts are occupied by the stocks presented to the Stock Exchange) is as follows, and is very low-toned)

	<u>No. of company</u>	<u>Amounts</u>
1950		Unit: ¥10,000
Jan.	18	276,960
Feb.	23	252,220
Mar.	20	91,600
Apr.	18	244,000
May	37	294,785
June	38	235,646
July	26	113,089
Aug.	23	126,880
Sept.	31	287,670
Oct.	23	255,450

4. The state of raising of funds by means of debenture is low-toned recently, and the difficulty for absorption is remarkable.

The issue amount of debenture is as follows:

1950			
Jan.	31 (kinds)	5,710	(Unit: ¥1,000,000)
Feb.	19	3,205	
Mar.	25	3,300	
Apr.	21	4,300	
May	22	3,300	
June	11	1,570	
July	21	4,264	
Aug.	23	3,310	
Sept.		(4,935... Estimate	
		(4,685... Those decided	
		real issue	
Oct.		(7,500... Estimate	
		(5,025... Those decided	
		real issue	
Nov.		(11,900... Amount desired	
		(4,990... Those decided	
		real issue	

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As the above, the big reduction was obliged from the estimate of issue or amounts desired since September, and this percentage of reduction tends to increase month by month.

5. The cause of difficulty for absorption is considered as follows.

(1) The decrease of national loan held by banking facilities that should be the object of so-called operation. Namely the decrease of operation descriptions.

(2) The decrease of operating funds of banking facilities.

(3) Oppression of the financial loan. The issue of financial loan is continued in almost the same amount as debenture every month.

Of course it is note worthy that debenture is held almost by the banking facilities circle and the habit to invest in debenture is not cultivated for general individual investors in our country.

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Individual Enterprise Share System

(Citing instance)--The actual case of a machinery manufacturing company in this prefecture

1. In case that the fixed property tax and the added value tax according to the Shoup recommendations are taken into account, the company will not be able to allot a share with the present profit (case B) as shown in the following instance of calculation. In case that the company got barely a profit of 67 per cent (case A) it can allot a share of 10 per cent for the first time and the accumulation of capital is made barely possible for 27 per cent of the profit.

2. The instance of calculation (according to the written petition of the Kinki Kikai Kogyo Kondankai 'The Kinki Area Machinery Industry Consultation Conference' held on Feb. 18, 1950).

- a. Capital: ¥ 150,000,000.-
- b. Annual sum of sales: ¥ 1,000,000,000.-
- c. Apportionment by shares: 10 % per year
- d. Redemption assets:

- (I) Book value: ¥ 128,061,000.-
- (II) Revalued value: ¥ 527,618,000.-

(before revision) (revision A) (revision B)

Unit: ¥1,000

(a) Redemption & devaluation fund	5,700	24,597	25,597
(b) Enterprise tax	7,020	18,000	18,000
(c) Transaction tax	6,120	0	0
(d) Real property tax	3,160	30,533	30,533
(e) Juridical person*	12,600	9,450	0
(f) Reserve fund *tax	1,800	1,350	0
(g) Share dividend	15,000	15,000	0
(h) Amount carried forward	6,600	1,200	15,130
Total	58,000	100,130	58,000

(mark indicates the amount of loss)

Analysis of the above

	(before revision)	(revision A)	(revision B)
(1) Total amount of taxes	31,900	57,983	48,533
(j) Other than a, f, g & h	28,900	57,983	48,533
(k) Taxation at the source of source of g	3,000	0	0
(l) Accumulation in company	14,100	27,147	9,467
(m) Apportionment to shareholder	12,000	15,000	0

- cont'd -

(n) Profit prior to redemption 58,000 100,130 58,000

(Remarks:)

- (1) Those figures before revision show those investigated as of Feb. 1950.
- (2) The revision A shows how much profit is needed if disposition of 10 % of the profit (apportionment) is planned.
- (3) Shows that in case of the same amount of profit with before revision the amount to be carried forward will become red.

3. As for the present state of monetary circulation, it seems that the monetary tightness has reached its limit due to the change of disinflation policy into financial deflation policy. In spite of their calling so called "over-loan", every enterprise company is now being embarrassed by the lack of fund.

4. They are now continuing operation of business with the shore-term loan of three times or four times amount as much as the present capital and have no means of raising the long-term funds necessary for remodelling and renewing of their equipments.

5. Although the spinning machinery manufacturing industry has been blessed with the good opportunity of abolishing the limit of equipping with spinning machinery and is being treated comparatively warmly in point of raising funds, the medium and smaller subcontracting factories are asking their parent factories for their support of their funds and it is the real state that they are feeling difficulty in getting the immediate loan from organs of monetary circulation.

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Actual state of loans of foreign trade companies,
(illustrations)Real cases in Osaka Prefecture

A Number of commercial companies investigated34

Monthly amount of loan

More than 1-billion yen.....	(a)	7
500 million to 1 billion yen.....	(b)	7
200 - 500 million yen.....	(c)	7
100 - 200 million yen	(d)	13

B The monthly amount mentioned above shows, with a few exceptions, the figures on an average during the latter half of 1949, not including the amount of money of import business executed as a government's agent.

C The figures of the company's own capital, debts, bank loans, and the number of employees are all those of the latter half of 1949.

D How many times does the company's own capital go into the debts (loans, account of credit purchase bills money received in trust, and money received provisionally)?30,2 times. The more the amount of trade, the larger the magnification.

(a) 32,63 times on an average

(b) 35,71 "

(c) 25,48 "

(d) 17,62 "

E How many times does the company's own capital go into the bank loans (short-dated bills and commercial bills)?13,6 times. The relation between the magnification and the amount of trade is the same as above.

(a) 14,25 times

(b) 16,31 "

(c) 12,78 "

(d) 8,56 "

F How many per cent do the bank loans hold in the whole debts?45%
The lesser the amount of trade, the larger the degree of depending on bank.

- cont'd -

(b) 45%

(c) 50%

(d) 48%

G The rate of bank deposits against the bank loans, namely deposit effect, 24%
The lesser the amount of trade the larger the deposit effect.

(a) 20%

(b) 24%

(c) 25%

(d) 27%

H The amount of bank loans per employee.1,430,000 yen.
The more the amount of trade, the more the loan per capita.

(a) 1,550,000 yen

(b) 1,620,000 "

(c) 1,280,000 "

(d) 880,000 "

I The rate of bank loans against the monthly amount of trade. 137%
The differences according as the amount of trade are little seen.

(a) 138%

(b) 137%

(c) 135%

(d) 138%

The monthly amount of trade increased markedly in the latter half of 1949 in each company. Therefore there is discordance as compared with the figures of the first half of the same year. In consideration of the above, the nearest figure to the real state will not exceed 100% as an averaged rate, less by 30% than the above figures.

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(7) Actual Situation of Obstacles to Smooth Trading with China

For your reference, we describe hereunder the actual situation of present various obstacles to smooth trading with China which was viewed by a certain person who had been in China for over forty years engaging in Sino-Japanese trade before the war, and presently in Osaka following in the trade with Communist-China.

1. There are at present a good many inquiries from the firms in the Communist district China desiring to export not to mention such as salt, coal etc, those foodstuffs and raw materials badly needed in our country as soya beans, cotton seeds, sesame seeds, rape seeds, cowhide, ramie, jute, crude wool and pig bristle (inquiries coming mainly from Tien Tsin), and expansion of trade is very prospective. But the first bottleneck to the promotion of the trade is that the system of bill settlement by means of Escrow L/C is being adopted. Although they desire to purchase Japanese goods and import them with the fund deposited in the Japanese side under the Escrow L/C, they are unable to obtain the goods they desire owing to a strict export restriction on our side, and as a result business transactions apt to become one side trade. The Communist-China is employing open account system in the case of import, and therefore if Japan also employs this open account system as far as trade with Communist-China is concerned, it would be a great help for the promotion of trade with them.
2. As at present the system of bill settlement by Escrow L/C is being employed, the other foreign nationals staying in Japan are reselling the Escrow L/C and in a better position than Japanese in trading with Communist-China. And the present trade with them is carried out in such an inconvenient and disadvantageous way as utilizing the open account for settlement of bills thru Hongkong or Shanghai. In this case the

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bill handling charge and the middleman's profit will require 30-40%, and consequently this makes the import cost higher proportionately.

3. The Communist China is desiring to deliver goods on f. o. b. terms, but as at present we can only accept on c.i.f. terms, and therefore, we are forced to use comparatively high foreign ships for transportation, and this also makes the import cost very high.

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November 17, 1950.

TO : Minister Joseph M. Dodge, SCAP Financial Advisor

SUBJ: Request for Utilization of the Deposit Bureau Fund and the Counterpart Fund as Fund for Jane Typhoon Disaster Restoration.

Allow us hereby to express our hearty welcome to you on the occasion of your third visit to Japan with our renewed sense of gratitude for the hard efforts and kind assistance you have made for effecting the stabilization and independence of the postwar economy of this country.

As you know, the whole Kinki district was badly hit by Jane typhoon on the 3rd of last September that is said the severest of its kind experienced in more than ten years of late and the damage suffered by various industrial facilities, materials, commodities as well as private residences and public installations showed an amazing figure and its effect upon the industrial production circulation of this district was also immeasurable.

Needless to say, this district is a center of industry, commerce and foreign trade of Japan, dealing in textiles, steel, machines, chemicals, shipbuilding, etc. among other many essential items. Therefore, if we want to establish a self-sufficient economy in Japan we should not neglect the restoration of the district even a day. From this point of view, we are now making strenuous efforts not only to restore the public installations but also to study how to prevent a happening of such disaster in the future, while, as for the industrial damages, we are planning to take this opportunity to realize the rationalization of industry together with its restoration.

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However, in present Japan where the accumulation of capital is extremely small it is very difficult to finance the restoration fund. It is true that the local finance has been given a foundation for sound development by the recent revision of the taxation system, but the expense necessary for the establishment of a new democratic system of education, and the increasing personnel expense, in addition to the expenses relating to the rehabilitation and reinforcement of the various institutions for public welfare which were more or less devastated by the war of long years aggregate such an enormous amount that it is utterly impossible to appropriate sufficient fund to meet an emergency of such kind. On the other hand, the financing agencies are already in a condition of overloan and have little room of capacity to finance the disaster restoration.

For the reason mentioned above, we consider that, if a way be opened so that both of the Deposit Bureau fund which is the accumulation of savings by our nation and the Counterpart Fund for Aid of Japanese Economy provided by your country can be most effectively utilized for the rationalization of industry as well as its restoration from the damages due to the recent typhoon, it will be sure to contribute a great deal toward the economic rehabilitation of Japan.

We hereby sincerely solicit your kind consideration and good offices for the utilization of the above funds.

Bunzo Akama
Governor of Osaka Prefecture

Hiroo Kondo
Mayor of Osaka City

Michisuke Sugi
Chairman of Osaka Chamber of
Commerce and Industry

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備考	E3.1.1.1

懸案

國際經濟局長
第一課長
第二課長
第三課長
第四課長
第五課長

公文書案	在ワシントン日本政府在外事務所長より別添十月十一日付 来電が来たから送付する。本件は御調 査の結果を本省に御通知願いたい。	名件 リード博士及びトッゲ氏の赴日に関する件。	先付送付 外務省 日本銀行総裁	名件録記 外務事務次官	名信發 外務事務次官	受信人 大藏省 通商産業事務次官	昭和二十六年十月拾日 附屬 外務省	主 國際經濟局長 主 經濟第三課長 昭和二十六年十月十一日起草	文書課發送 日昭和廿六年拾月拾六日 文書課長	文書課長
		封筒に「在外事務所関係書類」と 上書のこと	昭和二十六年十月拾日 附屬 外務省	正校(原稿) 淨書	13 38	0156				

電信写

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昭和二六 四〇九六 平

ワシントン 十月 九日二、四八分発 経三
本 省 十一日〇、八四三分着

外 務 大 臣

武内事務所長

第六三号 (L T F)

(リード博士及びドッジ氏の赴日に関する件)

九日陸軍省リード博士に依れば同氏は軍用機にて十月十七日ころ
ドッジは十月二十八日船にてそれぞれ日本到着予定の由。

(了)

配布先

大臣、次官、政務、経済、管理、情報各部局長、経済
次長、政総、政情報、経一、二、三、四、五、文、電

記帳済

記帳済

0155

外 務 省

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