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APPENDIX B

DOCUMENTS RELATING TO POLITICAL POLICY

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E:1

JAPANESE GENERAL ELECTIONS

SCAP Directive, January 12, 1946[1]

1. You are hereby authorized to hold a general election of members of the House of Representatives, fixing the date of election not earlier than 15 March 1946.

2. It is of greatest importance that every step possible be taken looking toward a free and untrammelled expression of the people's will in this election. To such end you will give fullest publicity to the penal provisions of the law, and will take such steps as may be necessary to ensure their vigorous enforcement, to preserve inviolate the secrecy of the ballot, and to further such other safeguards as may from time to time be communicated to you by the Supreme Commander.

FOR THE SUPREME COMMANDER:

H. W. ALLEN
Colonel, A. G. D.,
Asst. Adjutant General

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1. General Headquarters, Supreme Commander for the Allied Powers, AG 014.33 (12 Jan. 1946) GS.

684

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E: 2

FAR EASTERN COMMISSION INQUIRY TO GENERAL MACARTHUR

ON TIMING OF ELECTIONS

March 21, 1946

The Far Eastern Commission has given some short preliminary and tentative consideration to the position that may arise after the forthcoming Japanese elections. Having regard to the established position throughout the country of the more reactionary political parties, and to the very short period available to the parties of a more liberal tendency to circulate their views and organize support, the members of the Commission are not without the apprehension that the holding of the election at such an early date may well give a decisive advantage to the reactionary parties and thus create the embarrassment of a Japanese Government elected in terms of the Potsdam Declaration "in accordance with the freely expressed will of the Japanese people", which might not, in fact, truly represent their wishes, and with which it might prove impossible for the Supreme Command to cooperate. From another point of view, the Commission feels the difficulty of expecting a fully instructed, intelligent and authoritative expression of the views of the Japanese people on their political future during this uncertain period when the whole of the future economic structure of Japan is still in doubt, and when a proportion of the electorate must necessarily be disfranchised owing to absence. Finally, the issue of the Draft Constitution, of which you have approved, makes the Constitution at this late stage an election issue, upon which there can be little time for consideration by the Japanese people, and at the same time may give an undue political advantage to the political party preferring this Constitution.

The Far Eastern Commission would be most grateful if the Supreme Com-

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mander could let them have a very early expression of his views generally, and in particular on the following questions:

1. Does the Supreme Commander share the apprehensions expressed above?

2. If so, would he consider it possible and desirable to require a a further postponement of the Japanese elections, and in that case, for what period?

3. If the Supreme Commander should not consider a further postponement desirable at this late date, would he express his views on the desirability, as an alternative, of publicly prescribing that the forthcoming election will be regarded as a test of the ability of Japan to produce a responsible and democratic government in full accordance with the wishes of the people and that further elections will be held at a later date?

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E: 3

REPLY BY GENERAL MACARTHUR TO FAR EASTERN COMMISSION

ON TIMING OF ELECTIONS

March 29, 1946

The basis of occupational policy is the utilization of the Japanese Government to the fullest extent, under SCAP supervision and control. This is only possible through a functioning legislative body to enact new laws required to implement SCAP directives and to provide for routine governmental business. The alternative is government by Imperial Edict which denies to the Japanese People the right to participate in their own domestic affairs. Such emphasis upon the power of the Emperor would obviously be both undemocratic and unwise and would negative the basic principles envisaged at Potsdam, which we have proclaimed and are meticulously following. The present Diet is completely unsatisfactory because of its war attaint and its unrepresentative character, having been elected in 1942 under Tojo's control. It is imperative that a more representative body be organized at the earliest possible date. The urgent requirements of the present situation demand an expression of popular will. The results of the election will serve to define more clearly the political picture, to clarify political issues and political parties and to indicate the nature and trend of popular opinion. It will also provide for popular participation in the determination of major questions. The suffrage base has been greatly broadened through the lowering of the minimum age requirement and the removal of restrictions on sex. By the application of the purge directive of January 4th 90 per centum of the members of the present Diet, as well as many other persons holding high government office in the war administration, have been removed from government service and barred from public office or

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activity as officers of political parties. No political group has hereby suffered so greatly as the reactionaries. Every candidate for the New Diet, of whom there are over 3000, has been screened for affiliation or association with militarism and ultra-nationalism. Many reforms in the electoral system have been accomplished. The election laws are now sufficiently democratic to provide ample opportunity for a free expression of the popular will. The campaign and the election are being carefully watched and closely studied by the forces under my command, with the objective of verifying the democratic nature of the electoral process.

It is probable that the new Diet will be the most truly responsive body to the will of the people that has ever served Japan and will provide the basis for a much more representative cabinet. Under any circumstances it will certainly be a great improvement over the last Diet along democratic and liberal lines. There is no ground for supposition that the reactionary party will secure a greater advantage as a result of the election at this time than at a later date. Political activity is now wide-spread. Any postponement of the election would inevitably result in greater advantage to the more experienced and better organized reactionary group severely crippled by the purge order who would thereby be provided the opportunity to regroup and strengthen.

Any postponement would certainly be misunderstood by the Japanese People, and would have a profound adverse reaction upon the purposes and success of the occupation. Should the results of the election prove disadvantageous to the purposes of the occupation, the remedy is always in my power to require the dissolution of the Diet and the holding of a new election under such provisions as are deemed necessary.

The Commission expressed the following view: "Finally, the issue of

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the draft Constitution, of which you have approved, makes the Constitution at this late stage an election issue, upon which there can be little time for consideration by the Japanese people, and at the same time may give an undue political advantage to the political party preferring this Constitution."

The Commission seems to be laboring under a confusion of thought in believing that the constitution has been put forth by any particular party. The Cabinet itself does not represent any party. The Prime Minister, Shidehara, is completely independent and has no party affiliations whatsoever. All parties in Japan, except the Communistic Party, overwhelmingly favor the proposed constitution, which represents the work of men from many different groups and many different affiliations. It has created confidence in the Cabinet but cannot be regarded as an appreciable factor in the elections as practically every candidate except the Communists support it. My own approval of it will have no slightest effect in any way onthe election returns of any party or any candidate.

In reply to your three specific questions in the last paragraph of your message my answers are:

1. Question: Does the Supreme Commander share the apprehensions expressed above?

Answer: No.

2. Question: If so, would he consider it possible and desirable to require a futher postponement of the Japanese elections, and in that case, for what period?

Answer: No.

3. Question: If the Supreme Commander should not consider a further postponement desirable at this late date, would he express his views on the

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desirability, as an alternative, of publicly prescribing that the forthcoming election will be regarded as a test of the ability of Japan to produce a responsible and democratic government in full accordance with the wishes of the people and that further elections will be held at a later date?

Answer: The suggested statement seems wholly unnecessary. The conditions it would announce are inherent in the situation and are completely understood, as I can require dissolution of the Diet and call for another election at any time.

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E:4

STATEMENT BY GENERAL MACARTHUR ON ELECTION RESULTS

April 25, 1946

I have approved the accompanying report of the chief, government section on the Japanese national election conducted on April 10, 1946.

Pure democracy is inherently a spiritual quality which voluntarily must spring from the determined will of the people. It thus, if it is to become firmly rooted, may not be imposed upon a people by force, trickery or coercion -- nor is it a quality for barter or trade. All, since the beginning of time, have had the smoldering desire to achieve democracy; too few have had the unrestricted right to express that desire for it -- fewer still to achieve it.

It was Lincoln who said the people are wiser than their rulers. The soundness of this statement is historically evident -- and the Japanese people provide no exception. Given the opportunity for free expression of their popular will, they responded whole-heartedly and, rejecting leadership dedicated to the political philosophies of the two extremes both of the right and of the left -- which experience has shown in practice inevitably lead to the result of regimentation of the masses and the suppression of human liberty, they took a wide central course which will permit the evolvement of a balanced program of government designed best to serve their interests as able people.

Democracy has thus demonstrated a healthy forward advance. It is for the newly elected representatives of the people in the National Diet, in vindication of the faith of the electorate, now to consolidate and further that advance by developing a program of sound and constructive legislation.

The report epitomized the history of democracy on the march from the

dissolution of the old Diet and the purge to the pre-election campaign, together with the conduct of the election and analysis of the results.

The report leaves no doubt as to the fact that "democracy has thus demonstrated a healthy forward advance." The uncertainty as to the trend of attitude of the women to their new found freedom which characterised the Japanese press prior to election was dissipated when 66 percent of the eligible women voters cast their ballot. Pre-election speculation had seen the women's vote at between 30 percent and 60 percent.

Over 27,000,000 people or 73 percent of the entire electorate, cast their votes, despite the handicaps of transportation difficulties. The previous all time high of those who cast their votes was 11,250,000. Professional politicians did not receive much consideration. According to a survey, but 6 politicians are included in the Diet just elected. In the prewar Diets, the preponderance of members have been lawyers, big business representatives, and professional politicians while in the new Diet, there are only 52 lawyers and 62 corporation directors. We see 32 teachers, 22 authors, 15 physicians, and 49 farmers, making this new Diet contrast sharply with former law-making bodies. The old line politicians have all but disappeared. Of the 93 Progressives elected, 70 are new faces; 102 of the 139 Liberals likewise make their first appearance; and the Socialists have jumped from 17 to 92. Independents in the old Diet had 72 while in the new there are 83, but of the 83, 73 are new faces. Summarising, 575 of the 466 in the new Diet are having their first chance in law-making.

The report shows that, despite claims of large numbers who were disfranchised because of lack of registration, less than 0.4 of one percent of the electorate did not find their names on the registered list. In the vast majority of cases of those whose names were omitted, it is found that

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this was due to having changed their residence without having registered for transfer. These could have used an absentee ballot but failed to avail themselves of this right. Of all others whose names were not on the registration list, a large portion failed to avail themselves of their rights and previously to check the list of names on the public notices of registered votes.

Historically, following the dissolution of the Diet on December 18, 1945, the election of April 10 was ordered. The step was taken at that time to create a fresh legislative body -- (1) to dispel confusion resulting from the failures of discredited political leadership; (2) to eliminate from public life those who were tainted with war guilt; (3) to introduce new political figures; (4) to evaluate political thinking of the Japanese people; (5) to establish executive authority responsible to the people; (6) to provide means for legislative decision to be made by the will of the people; (7) to permit political expression on long repressed political views; (8) to provide the legislation required for the implementation of SCAP directives; (9) to avoid the use of undemocratic methods of government by imperial rescripts and ordinances; (10) to conform with the Japanese constitution which requires that a new legislative assembly be convened within five months after a Diet is dissolved.

Reports show that ample precautions were taken to insure a fair election. Candidates and parties were limited as to amounts of financial backing which could be given or received. Prefectural governors were prohibited from editing or censoring of candidates' personal statements. A supervised organization was set up to provide surveillance by troops in the field which would insure immediate disclosure of any irregularities. There was a thorough orientation of all the officers of military-government

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units and tactical forces with emphasis on the high seriousness of the elections. The military-government units were augmented for the purpose of supervision by tactical units and CIC units. Prefectural governors were advised that the occupation forces would observe and report on the elections but would maintain an attitude of impartiality and would expect the Japanese officials to bear the responsibility of conducting a free and untrammelled election.

Care was also taken to publicise the fact that candidates cleared by the Japanese Government did not have SCAP sanction and support, as some claimed. On the contrary, it was noted that the records of all candidates would be subject to SCAP review. Military-government observers were charged with the responsibility of informing prefectural governors of all complaints. The number reportedwas negligible. Several of those instances appeared to be attempts merely to embarrass local candidates. Ninety percent of all urban and forty percent of all rural polls were inspected on election day. This inspection was not merely a cursory examination but included a check to ascertain that all candidates were listed as required and inspected to determine whether anycoercion or solicitation existed at the polls. Included in the check were examination of the chief clerks' methods of procedure in checking records for electors having voters' identification cards after verification against two sets of official registration books. Consecutively numbered cards were used to provide the record of the number of persons entering the polls, and close observation of voters and officials was made in the area between the place where the voter received his ballot and where it was marked. Close attention was paid to the methods used to assure that the voter was alone at the time the ballot was marked, as well as the routine of the deposit of the ballot and the departures from the

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polls. Many other types of observation were made by individual officers. As a result of the observation, it was noted that the arrangements were worked out in great detail and were well-handled. There was no record of instances of misconduct of disorderliness. Consecutively numbered cards permitted check of the votes at any time. There was no report of any interference by the police. In practically all instances, women voters were not accompanied by their husbands. Prior to the election, there were numerous reports from the field forces of apathy on the part of the electorate; it was not demonstrated in the election.

Of outstanding interest related to the election was the attitude of the press. The press universally emphasized the election's importance. They credited the election as "the chance to develop the political wilderness of Japan".

A current theme was the "it is all right for us to criticise the Government but at the same time we must endeavor to solve the situation by our own efforts". Light was made of the oft-expressed opinion that the Japanese people cannot act constructively as long as the country is occupied by foreign armies. It was stated that "the fundamental mistake in this attitude is that the Japanese people are too anxious for the realization of their ideals in a short time, forgetting they are taking nothing more than the first step for the reorganization of their country. The press was very helpful in the attention that was given to explain fully the mechanics of of the election procedures. The aims and objections of the candidates and of the parties were very closely analyzed and sometimes critically commented upon. Noteworthy is the comment: "In the latest election no interference was offered by the Government officials by the abuse of their views. This is the first time interference of this sort was not made in this country."

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The weakness of certain of the parties who had received much clamor during the campaign and which had endeavored to gain the impression of wide-spread organized support was revealed in the results. Striking testimony of the independence of the women was revealed in that 12 successful women ran without organized support.

The most striking contrast between this Diet and former ones is that the new Diet represents 33 political parties plus 78 independents. Never before in the history of Japan and seldom in parliamentary history have so many different points of view been represented.

The new Diet is composed of men whom the Japanese describe as new faces who can bring a fresh point of view to bear upon the serious problems Japan must face. "The old line politics have all but disappeared, replaced by younger earnest men, adequately prepared by education and by previous experience for the solution of Japan's difficulties."

Unquestionably, those chosen are far less reactionary than were members of former years.

The independence underlying the action of the electorate is probably best reflected in the results themselves, as no party has received anything like a majority vote. This is probably due to the fact that contrary to misconceptions in some quarters in their use of the words democratic, reactionary, conservative, right wing, and left wing, as applied to Japanese politics, strong elements of all the major political parties espoused doctrines consistent with the development of democracy, and advocate programs embodying democratic principles for political, social, financial, and economic reforms of far-reaching significance and scope. All parties agree that the presentation of the platform, principles, and personalities offered by each party, or by candidates running independently, was unhindered and

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adequate. Everyone agrees that the number of voters represented an unexpectedly high proportion of the electorate.

Through the new Diet the people of Japan have an opportunity to establish a responsible and representative government in full accord with the terms laid down by the Potsdam Declaration. In this legislative body they may initiate and enact measures that will for many years to come determine the direction of their national life. Vigorous expression will be given to the views of all classes of the population, thus preparing the way for constructive legislation helpful to the Nation.

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E : 5

6 February 1947

Dear Mr. Prime Minister:

I believe the time has come for a general election. Momentous changes in internal structure, in economic outlook, and in the whole fabric and pattern of Japanese life have occurred since the last general election nearly a year ago. It is necessary, in the near future, to obtain another democratic expression of the People's will on the fundamental issues with which Japanese society is now confronted. In this way we will once more advance in the process of democracy which now governs this state. The exact time and details are matters which I leave to the discretion of the Japanese Government, but the election should take place as soon as practicable after the close of the present session of the diet so that a new legislative body may initiate and synchronize with the introduction and effectivation of the New Constitution. The past year has been one of accomplishment. I look with equal confidence to the future.

Very sincerely,

DOUGLAS MacARTHUR.

The Prime Minister of Japan,
Tokyo, Japan.

E:6

OFFICE OF THE SUPREME COMMANDER
FOR THE ALLIED POWERS

AG 402.5 (24 Sep 45) GD 24 September 1945
(SCAPIN - 53)

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT

THROUGH : Central Liaison Office, Tokyo

SUBJECT : Materials, Supplies, and Equipment Received and to be Received from the Japanese Armed Forces.

1. In furtherance of paragraph VI, General Order No. 1, this headquarters, dated 2 September1945, it is desired that the Imperial Japanese Government take immediate steps to prepare to turn over on demand to the Commanding Generals, Sixth and Eighth United States Armies, XXIV Corps, and Commanders, Fifth and Seventh Fleets, all arms, ammunition, explosives, military equipment, stores, and supplies and other implements of war of all kinds and any equipment or other property belonging to, used by, or intended for use by the Japanese armed forces or any members thereof in connection with their operations. Japanese armed forces include all Japanese and Japanese controlled land, sea, and air forces and military and para-military organizations, formations, or units and their auxiliaries including Civilian Volunteer Corps wherever they may be located.

2. United States Occupation Force Commanders have been directed to destroy all equipment which is essentially or exclusively for use in war or warlike exercises and which is not suitable for peacetime civilian uses. After operational requirements of Occupational Forces have been met, equipment and supplies of the Japanese armed forces which are not essentially for war or warlike exercises, including scrap from implements of war destroyed, are to be returned to the Japanese Government except that in Korea.

699

3. The Home Ministry of the Imperial Japanese Government is hereby designated as the official agency to receive and account for such supplies, materials and equipment of the Japanese armed forces as are being returned to your control.

4. In order to administer these transactions, it is desired that the Imperial Japanese Government take the following action:

a. Responsible Japanese Army and Navy Commanders will prepare inventories by location (generally corresponding to points at which the material is being assembled for turn over to the United States Occupation Forces) of all supplies, materials, and equipment in their possession. These inventories will be made available upon call to United States Occupational Force Commanders.

b. The Home Ministry of the Imperial Japanese Government will send representatives to the Commanding General, Sixth and Eighth United States Armies and Commander, Fifth Fleet, for the purpose of receiving supplies, materials, and equipment being returned to the Japanese Government. Sufficient personnel will be provided to accept these items at the locations where turned over by the Japanese armed forces.

c. The Home Ministry of the Imperial Japanese Government will maintain records of all property so received and account for this property in such form that the disposition of all supplies, materials, and equipment may be traced to the ultimate consumer. These records will be made available on call to the Supreme Commander for the Allied Powers, the United States Occupational Force Commanders, or authorized representatives.

200

5. You are informed that the supplies, materials, and equipment returned to your Government are for the purpose of civilian relief, and for use towards restoration of Japanese civil economy to the extent that it can provide the essentials of food, clothing, and shelter for the Japanese civilian population. The use of these supplies, materials, and equipment for any purposes other than the above is expressly forbidden.

FOR THE SUPREME COMMANDER:

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

701

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E:7

Tokyo, Japan.

14 March 1947

Dear Mr. Prime Minister:

The revised draft Bill for Amendment of the House of Representatives' Election law which you handed me yesterday contains, in addition to a number of technical changes designed to meet the requirements of the New Constitution, a substantial change in the electoral system itself. It replaces the prefectural election districts and the restricted plural vote by small districts and the single vote. This is a matter concerning which -- as I told the Minister for Home Affairs personally on 12 February -- the Supreme Commander feels the National Diet should have sole discretion as it involves but a selection between two democratic alternatives. The Supreme Commander's only requirement is that no such law shall be passed which contravenes fundamental democratic principles.

Since your proposed Bill contains no such undemocratic provisions, the Supreme Commander has no objection to its introduction in the Diet for full and free discussion and decision.

Very truly yours,

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

The Prime Minister of Japan,
Tokyo.

702

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E:8

23 April 1947.

Dear Mr. Prime Minister:

I am just in receipt of your note of even date concerning the appointment of the President and members to compose the Supreme Court under the new constitution.

These appointments to the court, which because of its mandate to safeguard and interpret the constitution will become the very bulwark of the liberties of the people, constitute the most far reaching responsibility with which the cabinet is charged under the new constitution.

I believe it to be the clear intent of that charter that the cabinet which makes these appointments shall be a cabinet organized pursuant to its provisions. Apart from this, however, for the present cabinet to take such action, involving judicial tenures for life with certain powers of recall reserved to the people, could not fail to arouse public suspicion and disturb public confidence in the court at a time full confidence will be most needed.

While I appreciate fully that your cabinet has endeavored, as far as possible, to work within the spirit of the new constitution, the action proposed would not be a reflection of the will of the people as it is now being expressed by the electorate in the selection of a new National Diet.

For the above reasons I believe that the first panel of the supreme bench should be named by the first cabinet selected under the new constitution. It may well be that there would be little difference in the personnel ultimately selected from those now named by your cabinet, but the impression upon public opinion, not only in Japan, but throughout the allied world, would be entirely different.

Very sincerely,

DOUGLAS MacARTHUR

The Prime Minister of Japan.
Tokyo.

703

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IMPERIAL JAPANESE GOVERNMENT

April 23rd, 1947.

General of the Army Douglas MacArthur,
General Headquarters,
TOKYO.

My dear General,

With a viewto enabling the Supreme Court, a new and important organ under the new Constitution, to inaugurate its functions simultaneously with the enforcement of the new Constitution on May 3rd of this year, the Government has been making due preparations.

I am taking this opportunity of advising you in advance that I expect to be able to announce the appointment of the President and fourteen Judges of the Supreme Court on May 3rd from among those names which have been returned from the Judiciary Appointment Consultative Committee as stipulated under the laws.

Yours most sincerely,

/s/ Shigeru Yoshida
t/ Shigeru Yoshida.

704

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E:9

Tokyo, Japan.

September 18, 1947

Dear Mr. Prime Minister:

I am returning herewith the Government's bill entitled, "The Temporary State Control of Coal Mining Law". There is no objection to its presentation to the Diet for consideration on its merit, without prejudice of any kind from this headquarters.

If this emergency measure, under which the Government temporarily assumes the responsibility heretofore resting upon private enterprise, is adopted, the Government must raise the production goal previously set to a level consistent with the added resource which alone would justify the change. The production level of coal before and during the war exceeded fifty million tons. Basic conditions surrounding the industry have not materially or substantially changed since then. All materials involved are available within Japan and labor is plentiful, so that it seems unrealistic indeed that greater production is not achieved.

To this end the Government should commit all necessary and available resources. It should with maximum vigor and determination approach the problem from every conceivable angle by: concentrating the best engineering and other technical skill to guide the operations; placing coal mining activity generally on a twenty-four hour basis through the requisite work shifts; providing the living facilities and food essential to the maximum productivity of the individual; opening up new seams and mines where geological conditions justify such action; scrupulously preventing the diversion of mined coal to other than legitimate industrial purposes; and vigorously prosecuting any who wilfully impede the successful accomplishment of the task.

I am quite sure that if this problem is approached with vigorous leadership and direction by the National Government, the Japanese people, who will reap the full benefit therefrom, will respond wholeheartedly in support.

Sincerely yours,

DOUGLAS MacARTHUR.

The Prime Minister,
Tokyo, Japan.

705

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E:10

RESOLUTION

Resolved by the House of Representatives:

1. That there is hereby established a Non-partisan Special Committee on Irregular Property Transactions to be composed of not more than thirty members of the House of Representatives to be appointed by the Speaker of the House of Representatives.

2. The Committee shall make a full and complete investigation of the disposal and handling of and transactions involving public property on or after 14 August 1945, including but not limited to war materials, civilian goods and supplies, surplus property, hoarded and concealed goods, special goods returned to the Japanese Government by the Supreme Commander for the Allied Powers, idle materials, excessive stocks of goods and all other commodities useful for the economic recovery of Japan as well as the fraudulent sale of non-existent goods on the pretense that they were available for distribution and the use of the proceeds of such sales, with a view toward determining the responsibility of persons in the public service who have been false to their public trust, persons in the employ of private corporations, associations or other organizations and all other individuals acting in their own behalf or as agents for others who have participated directly or indirectly in the illegal diversion, misappropriation, or fraud in relation to the above enumerated property. This investigation shall include, but shall not be limited to the relationship between such persons and the ministries or other agencies of government, national or local; their relationship to the House of the Diet and members thereof; and their relationship to political parties and to persons in or out of public service who, either openly or covertly, have

contributed to or have been instrumental in depriving the people of Japan of the benefits of such property, or otherwise acted in a manner contrary to the public welfare.

3. a. The Committee or any duly authorized sub-committee thereof is authorized to sit and act at such places and times during the sessions, recesses, and adjourned periods of the House of Representatives, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers and documents, to administer such oaths, to take such testimony, to procure such typing, printing and binding, and to make such expenditures as it deems advisable.

b. The Committee is empowered to appoint and fix the compensation of such counsel, investigators, experts, consultants, technicians, and clerical and stenographic assistance as it deems necessary or advisable.

c. The expenses of the Committee which shall not exceed ¥ 250,000 shall be paid from the contingent fund of the House of Representatives upon vouchers signed by the chairman or by a director designated by the chairman; and the sum of ¥ 250,000 is hereby authorized and appropriated for such purposes and shall be available until the convening of the third national Diet.

d. The Committee shall report from time to time to the House of Representatives the results of its investigations together with its recommendations at least monthly. If the House of Representatives is in recess or has adjourned, the report shall be made to the Speaker of the House of Representatives and shall be presented by him to the House of Representatives when it reconvenes. All such reports shall be matters of public record except for such parts thereof the publication of which would be detrimental to the public interest.

Kato Report

E:11

SUPPLEMENTARY REPORT ON THE PROGRESS OF THE SPECIAL COMMITTEE FOR INVESTIGATION OF CONCEALED AND HOARDED GOODS IN THE HOUSE OF REPRESENTATIVES.

Part I - Introduction:

Our economy has met with great difficulty since the surrender. Two problems have been critical--the shortage of food and a shortage of raw materials which rocks the foundation of our industries.

It is, therefore, up to the Government and upon the National Diet to adopt policies and sponsor programs which will speed up the stabilization of Japan's economy. It will be necessary for some time to depend partly on food imports to maintain a reasonable and healthful diet in Japan. Importations thus far have exceeded Japanese exports by several hundred million dollars. Since such imports on credit cannot continue indefinitely it becomes obvious that Japanese industrial production must be greatly increased to provide foreign exchange sufficient for the purchase of foodstuffs abroad.

It is the purpose of this report to suggest an immediate method by which Japanese industrial production can be increased, by which the progress of inflation can be retarded, and by which export revenues can be released for meeting the deficit in the nation's food account.

The method proposed is the immediate mobilization of all goods and materials which were held in stock at the time of the surrender, especially those publicly owned goods which were illegally diverted into private hands. At a conservative estimate the value of such goods--some of which have been diverted into the black-market and some of which are still in concealment --exceeds Yen 50,000,000,000; former Finance Minister Tanzan Ishibashi testified in August this year before your Committee that in November 1946 he received from GHQ a list of goods amounting to more than Yen 100,000,000,000 in value which had been handed over to Japanese authorities by GHQ for general distribution. No satisfactory report on the disposal of that vast hoard has ever been made.

Under Occupation directives it is the duty of the Japanese Government to discover the kind, quantities and price of such goods and materials; and it is the concomitant duty of the Government to channel into production all such goods which could contribute to the stabilization of the economy.

It is significant, however, that no clear legal means is now in existence for dealing with the cases that have arisen out of such extremely lawless acts as were committed under the cover of post-war confusion. The Committee earnestly believes it will serve the interests of the Japanese people to review ineffectual legal measures taken since the surrender for the recovery of these public properties and to suggest measures which would enable the Government to deal effectively with the problem.

In any investigation of hoarded goods it should be recognized that tremendous opposition will be encountered and has in fact been encountered repeatedly by the Diet's Special Committee on Hoarded and Concealed Goods. Among the general public there are those who fear a thorough-going exposure of concealed and hoarded goods because they themselves are often dependent on the blackmarket and they fear their own sources of supply may be cut off. There are others who collaborated with the extreme militarists during the war; in the chaos following the surrender those who had close relations with munitions factories were able to seize war goods in their possession and by the sale of these goods have since become extremely wealthy. In some cases these nouveau riche have run for seats in the Diet or have financed the election of their personal spokesman, thus gaining power in the political field. They wear a mask of democracy but in reality they swagger on the blackmarkets and are prolonged confusion of the national economy. There are other officials in the central and local government who have been corrupted by the illegal possessors of war goods and who fear to collaborate in exposing these frauds lest they themselves be implicated. The opposition to a fearless and honest exposure of postwar frauds extends to all levels of society and government. It is, therefore, obvious that the rights and interests of the Japanese public as a whole can be protected only by the active intervention and assistance of Allied Occupation authorities.

Part II - Background:

Following Japan's message accepting the Potsdam Declaration, the Allied Forces transmitted a message containing instructions that the Emperor should issue cease fire orders to all units under the command of the Japanese Army and Navy and should direct all such units to surrender their arms and follow all orders issued by Allied commanders.

On August 14, 1945, the Japanese Cabinet, headed by Admiral Suzuki, met hurriedly and agreed upon the hasty disposal of all war goods possessed by the Army and Navy. In an effort to bridge the gap which developed at the time of the surrender between the people on one hand and the military forces on the other, it was decided to curry favor by distributing war goods and materials to government organs, public organizations, private factories and to private persons. In accordance with this decision, Army and Navy authorities instructed individual units to distribute as quickly as possible whatever war goods were then in their custody. In doing this the Suzuki Cabinet wilfully misinterpreted the purport of the Allied instructions; the Cabinet deliberately chose to understand that only arms and ammunitions should be handed over to the Allies and that all other war goods could be disposed of freely.

On August 15, 1945, the Japanese Army issued to each army unit Secret Instruction No. 363 in which the Cabinet decision of the previous day was implemented. In Paragraph 1 this Instruction said:

> "As a principle, war goods, materials and facilities for producing war goods should not be disposed of free of charge, but in the case of deliveries to local governments, etc., those goods can be delivered free of charge. In other cases where goods are sold it is not necessary that payment be made at once." (See Abstract in Appendix B).

The Secret Instruction dated August 15 was delivered to subordinate commanders August 16 together with instructions that on the 17th and 18th all papers and documents of a military nature were to be burned or otherwise destroyed, but that papers and documents of a financial nature relating to such matters as war contracts and property rights were to be preserved. It is doubtful whether this order was carried out strictly along the lines laid down; subsequent investigation had disclosed that many documents which could establish the legal title to war goods are no longer in existence.

On August 20, 1945, at Manila the Japanese Mission which arrived to negotiate for the formal surrender in Tokyo Bay, were handed General Instruction No. 1. This order formally instructed the Higashikuni Government to keep in good condition all war goods and materials then in Japanese possession, including arms, munitions, explosives, equipment and other stocks of war goods. This order also made it clear that the Allied forces would not permit the dissipation of Japanese property and constituted a specific

cancellation of the August 14 Cabinet order.

Nevertheless it was not until August 28, 1945, that the Higashikuni Cabinet formally rescinded its previous order. During this thirteen day period from August 15 to 28, substantial quantities of public property were removed from government store houses, numerous illegal transactions transferring title to such property were consummated, and numerous records were altered or destroyed. Even after the order of August 14 was rescinded, the Nigashikuni Cabinet did not make any real efforts whatever to reclaim the goods thus illegally disposed of. Unknown numbers of private individuals were left in possession of vast quantities of goods obtained originally with public revenues without having made any compensating payment to the public treasury. The goods thus diverted from their proper channels and the individuals thus enriched have remained throughout the Occupation as a cancer threatening the economy of this country.

On January 11, 1946, SCAP sent the Japanese Government a memorandum inviting its attention to the illegal disposal of war equipment and supplies which took place between August 14 and September 2, 1945. The memorandum pointed out explicitly that the disposal of war goods after the surrender was not in accordance with the spirit of the Potsdam Declaration and ordered the Government to present a complete list of the goods released, a copy of the orders authorizing this diversion of property and a list of those responsible for issuance of the orders. The Government, from the records of the former War Ministry and Admiralty, presented the information requested in the GHQ memorandum.

The first concrete effort by the Japanese Government to recover property looted and illegally disposed of during the chaotic period following surrender was taken by the Shidehara Cabinet on February 17, 1946. At that time the Cabinet issued the "Emergency Decree for Disposal of Hoarded Goods No. 88," an order which had the effect of law. Under this Act, all those possessing certain stipulated goods were required to submit before March 10, 1946, three copies of a report listing such goods. These reports were to be submitted through prefectural offices to the Minister of Commerce and Industry. Possessors of such goods were ordered not to dispose of or move the property prior to April 20, 1946. To give effect to this order, it was

provided in Article VII:

> "The Minister concerned, or the Governor, can demand all necessary information concerning 'goods under investigation' and 'designated goods' from those concerned. Further, he can send officials to factories, workshops, stores, warehouses and other places for inspection with instructions to examine the condition of the business, the goods in question or the company's books and records. In this case the officials concerned must bear their identification cards."

Following the April 1946 elections and during the negotiations which led to the formation of the Yoshida Cabinet on May 22, 1946, a contract was concluded on May 16, 1946, between the Chief of the Investigation Bureau of the Home Ministry and a group of private businessmen calling themselves "The Arms Disposition Commission." No legal foundation for this contract existed.

The so-called Commission was formed by Mr. Takashi Komatsu as chairman of a group representing five Zaibatsu companies. The Commission was so formulated as to mislead the general public into believing it was an official government organization. Although the date of the contract is May 16, 1946, it appears from Paper No. 1 attached to it that negotiations for its conclusion had started in November 1945. At that time it was estimated that the Government would be able to recover 1,288,720 tons of public property valued at Yen 1,289,600,000. During the time this Commission functioned, it actually recovered 835,102 tons of material on which it realized Yen 957,700,000. It is worth noting that GHQ in November 1946 estimated the total value of recoverable goods at Yen 100,000,000,000, but the total value of recoverable property at the time the Arms Disposition Commission was organized was estimated at only a little more than Yen 1,000,000,000. These facts lead to a presumption that there exists serious cases of irregularity and dishonesty in this entire transaction.

On November 15, 1946, according to his own subsequent testimony, Mr. Tanzan Ishibashi as Minister of Finance received from Allied authorities a list of so-called "special goods," which consisted of miscellaneous supplies and materials seized by Occupation forces immediately after the surrender and subsequently turned over to the Japanese Government for the use of the general public and for use in industrial production. Mr. Ishibashi testified before your Committee in August 1946 that he had no record whatever

of the manner in which these goods were disposed of although it was estimated they were valued at approximately Yen 100,000,000,000. He further testified that he had no knowledge of the revenue derived from the sale of these goods. This would seem to constitute prima facie evidence of the negligent and irresponsible manner in which the Government handled billions of Yen worth of public property. There is a natural presumption that widespread fraud existed in the distribution of these commodities.

In a belated effort to regularize disposal of war goods and to stimulate Japan's flagging economy, a joint Ministerial Ordinance was issued January 25, 1947, by the Ministries of Commerce and Industry, and Agriculture and Forestry. This ordinance was entitled "Regulations for Filing Inventories on Stocked Materials for Designated Production." It was less an effort to uncover illegal transfers of war goods than an attempt by the Government to channel hoarded goods into production. It provided that owners of designated commodities in excess of stipulated amounts would file within thirty days a report on the quantities of such commodities in their possession and could dispose of such excess stocks only to authorized private manufacturers or government agencies.

As a result of the proclamation in February 1946 of the Decree concerning the disposal of hoarded goods, it was assumed that theoretically no such stocks were still in existence. This assumption, however, was challenged in February 1946 by Mr. Koichi Seko, Undersecretary for the Home Ministry. As a result of investigations which he made during his term of office, he was convinced that large quantities of hoarded goods were still flowing into the blackmarket and impeding economic recovery. Following the reorganization of the Yoshida Cabinet, Mr. Seko resigned from the Home Ministry. He then approached Finance Minister Ishibashi who was concurrently Chairman of the Economic Stabilization Board and urged that further steps be taken to expose hoards of concealed goods. As a result of his suggestions, the Yoshida Cabinet agreed on February 14, 1947, on the appointment of an investigating committee within the ESB. The Cabinet announced the creation of a Committee composed of a chairman, a vice-chairman, members and some specialists. Mr. Ishibashi as Chairman of the Committee on February 24, 1947, appointed Mr. Seko a temporary member and vice-chairman.

It should be pointed out that this Committee was brought into being on the basis of an informal Cabinet agreement and without the legal foundation it might possess upon creation by Cabinet decree or ordinance. The dubious legal status of the Committee was described later by Mr. Koichiro Kunichio, head of the Inspection Department of the Economic Stabilization Board, during testimony before the Committee for Public Order and Local Administration of the House of Representatives. Mr. Koichiro Kunishio told the Committee in substance:

> The Committee for the Disposal of Hoarded Goods was organized February 14, 1947, in accordance with a Cabinet decision. The Committee was never legally authorized, however, at that time, or later. Furthermore, it had no legal authority to expose goods or seize concealed goods. In effect the Committee was only an investigating organ. The responsibility for the actual exposure of concealed goods was in the hands of ESB officials in cooperation with the Ministries concerned.
>
> The Committee's first meeting was held on February 24, 1947, at the Premier's house, but neither at that time nor subsequently was any formal resolution adopted to make the work of the Committee effective.

Mr. Seko held office as Vice-chairman of the Committee from February 24 until April 11, 1947. During that period numerous reports of hoarded goods were received and numerous attempts were made to investigate these reports. Since Mr. Seko had never received a written grant of authority, he took it upon himself to issue arbitrarily "Seko Instructions for Exposure." Altogether 144 of these orders were issued. Mr. Seko in a report of his activities made the following statement:

> "Before I adopted the system of issuing instructions on hoarded goods in my name, I took the following steps. I picked up information which I thought creditable from many informants. Then I asked the informant to go to the Police Bureau and explain to the Anti-crime Section the nature of the case. This Police Section, when it thought necessary, gave the informant a sealed letter asking the cooperation of the police in the area where the hoarded goods were concealed.
>
> "Every time I issued an instruction I made an investigation beforehand. As I was afraid these orders might be abused, they were issued only in the name of the bearer and the term of validity was fixed. I made certain that no exposure could take place without the cooperation and certification of local police. Further, I tried to get the cooperation of lawyers in order to prevent the abuse of any civil rights.
>
> "However, I was not successful in obtaining the cooperation of local police and other local officials. Instead, I encountered active resistance and non-cooperation. As a result I gave up these efforts and called upon the public prosecutors for assistance.

"Among the abuses which occurred, despite my efforts, were cases of forged orders which were actually used by brokers to swindle the owners of concealed goods.

"My efforts were wholly unsuccessful and at the beginning of April most of the informants lost confidence in Japanese authorities and began to ask for the cooperation of Allied Occupation authorities."

In the weeks that followed, there were persistent whispers which accused Mr. Seko, among others, of shady dealings in connection with the disposition of hoarded supplies. Rumors circulated that vast sums of money were passing from hand to hand in deals which involved powerful brokers and their stooges in the bureaucracy and that huge stockpiles were disappearing mysteriously a few days before authorities were dispatched to investigate tip-offs on hidden goods. These rumors culminated on July 10, 1947, when in a public statement made by Mr. Seko before the Liberal Diet Club, he charged openly that there were billions of yen in hoarded goods concealed throughout Japan and urged that the Diet itself form an investigating committee to examine the whole problem. He even intimated that members of the Cabinet were involved. Following various denials and counter charges, on July 15 Mr. Koichiro Kunishio, then serving as Director of the Supervision Bureau of the ESB, and Hideo Nakayama, Director of the Police Bureau of the Home Ministry, declared in testimony before the House Committee for Public Order that the Seko Committee met only once while Mr. Seko was Vice-chairman and asserted that only 95 cases were investigated and that hidden goods were found in only 5 instances. These two witnesses testified that since the dissolution of the Seko Committee on April 11, 1947, the Economic Statilization Board, operating independently, had investigated 282 cases and discovered concealed materials at 145 places.

In view of the widespread publicity given Mr. Seko's charges and in view of the fact that unnamed Cabinet members were said to be involved in the scandal, the Cabinet felt obliged to take note of the case and the Diet itself considered the affair so serious that it was decided to create a committee for the investigation of the realities of this problem.

Part III - Special Committee Concerning Concealed and Hoarded Goods:

The House Special Committee for the Investigation of Concealed and Hoarded Goods was created July 25, 1947, and held its first meeting the

following day. Creation of the Committee was without precedent in Japanese legislative history. The Special Committee to investigate Hoarded and Concealed Goods is the first committee of investigation ever appointed by the Japanese Diet. From the outset, therefore, this Committee had to pave its way onward in the face of numerous difficulties.

The public is certainly entitled to believe that the Committee is morally responsible for investigating postwar frauds and the illegal concealment of goods. Actually, however, the Committee lacks authority to carry out this responsibility. The Committee is very strongly of the opinion that it cannot be expected to assume responsibility unless it has first been granted adequate authority. If the new Constitution is to be an effective instrument, the legislative branch must necessarily define its authority clearly and operate within the limitations thus set forth.

At the very beginning of the investigation it became clear that there existed conflicting opinions on the Committee's proper function. At the Committee's second session, a lively debate took place when Kyuichi Tokuda suggested the investigation of Prince Higashikuni for his part in ordering the armed forces to surrender military supplies in their possession to civilians without compensation. This gave rise to a hot dispute. A member of the Democratic Party, Tetsuzo Kojima, vigorously opposed this suggestion and declared that the primary mission of the Committee is to channel hoarded goods into regular routes and not call the Government to account. On the other hand, there were those who believed the Committee could not possibly fulfill its proper function unless it investigated the part played by Government bureaucrats in the concealment of hoarded goods. In this connection, the Nippon Times on July 27 reported:

> "The case is a battle between party politicians and bureaucrats for profits accruing from hoarded stockpiles. Observers are of the opinion that the case came to a head when party politicians attempted to get a lion's share of the huge profits which bureaucrats were garnering out of the sale of hoarded supplies. The two groups came into frontal collision and the bureaucrats did all in their power to prevent the execution of Mr. Seko's drive for unearthing hoarded caches."

Between July 25 and October 15, 1947, the Special Committee held 21 meetings during which it was in session 51 hours. Two sub-committee meetings were also held. In addition 17 Committee members made 6 field trips on which they travelled 1,450 kilometers. All trips were taken at their own expense since no public funds have ever been appropriated for use of the Committee. On these trips they investigated:

1. The Naval Arsenal, Samukawa Machi, Kanegawa Prefecture
2. Tochigi Prefecture
3. Iwate Prefecture
4. Toyojoze, Shizuoka Prefecture
5. Tokyo Metropolitan area
   (a) Shimura Itabashi-ku, Ishida Alloy Works
   (b) Suburb of Tashikawa--former Hitachi Aviation Factory
   (c) Chuo Ward--Warehouses of Textile Control Association

During the course of the investigation this Committee has been convinced beyond any doubt that,

Firstly, vast quantities of goods formerly owned by the Japanese Army and Navy were disposed of to local authorities, businessmen and brokers and that the blackmarkets have been flooded with these goods to the detriment of honest industrialists.

Secondly, the Committee is convinced that all attempts to channel these goods into legitimate production channels have been frustrated by a combination of fraud and legal barriers. Mr. Seko during his investigation could not obtain the collaboration of local authorities. It seems fairly clear that in many cases understandings exist between the holders of goods and local authorities; frequently local authorities appear to have connived in legalizing the transfer of such property to private individuals.

Thirdly, the Committee is convinced that present decrees and ordinances are too limited in scope; many articles on which the Government has a legitimate claim are not included on the list of hoarded goods and thus are free from investigation.

Fourthly, the Committee has received evidence showing that existing authority is scattered and ineffectual; at present authority to investigate

hoarded goods is divided among the Ministry of Commerce and Industry, Ministry of Agriculture and Forestry and the Economic Stabilization Board. Internal bureaucratic friction prevents united action.

Fifthly, the Committee has been handicapped by the failure of the Diet to approve a Cabinet proposal which would give greater authority to the economic inspectors.

Sixthly, the Committee is distressed at the failure of responsible officials to have kept adequate records on the disposal of war goods under Allied direction. On August 13, 1947, former Finance Minister Tanzan Ishibashi testified before the Kato Committee:

> "I am sure that it was in the accounts of November 15, 1946, that GHQ transferred Yen 100,000,000,000, more or less, worth of goods to the Japanese Government. Of course, these were goods which GHQ had taken over from the old Japanese Army and Navy and then returned to the Japanese Government; but included among the goods were building materials and machinery amounting to several ten billion yen. The Government has received papers pertaining to this matter. I want to know their whereabouts. If a hundred billion yen worth of goods have been turned over to the Japanese Government, just where have they been turned over?
>
> "I brought this matter up in a Cabinet meeting and investigated it. I had the Home Minister and other personnel report to me and had them investigate the case. But no such papers were found among the Government office data.
>
> "Only about twenty or thirty million yen worth of material seemed to have passed through the hands of the Home Ministry and nobody knows where a hundred billion yen worth of stuff has gone to.
>
> "I demanded that the whereabouts of these goods be uncovered, and after obtaining copies of the documents from GHQ, I instructed the President of the War Reconstruction Board to make copies of them. You can get the data if you ask Mr. Mikishi Abe, President of the War Reconstruction Board."

The Diet has been disappointed in its inability to obtain documents and other relevant information from the executive branch of the Government in the course of this investigation. Various ministerial officials have appeared before the Committee to apologize for their failure to produce information which is essential to the inquiry. The Committee has submitted formal requests to the executive agencies for 19 reports covering various phases of the inquiry. Thus far only a trickle of this material has been made available to the Committee.

In response to repeated, though unofficial, recommendations that the Government take drastic measures for the exposure of postwar frauds, the Cabinet on September 14 appointed a committee of 20 members, half of whom were public officials and the other half private citizens. This Committee exists merely in an advisory capacity to the Government and has been of no assistance to the investigation conducted by the legislative branch.

Part IV--Conclusions and Recommendations:

During the first three months of its investigation, the Kato Committee has reached the following conclusions:

1. The Suzuki Cabinet on August 14, 1945, acted in bad faith and did irreparable harm by ordering the secret disposal of Government property. The legality of that order is still in question and should be resolved by the courts or by the Diet itself. Other postwar Cabinets have not taken effective measures to recover the assets thus dissipated.

2. The disposal of war materials after the surrender was tainted with favoritism and shady deals. Private individuals have profited fabulously and have nourished the blackmarket.

3. Local government and police officials have both actively and passively interfered with investigations of hoarded and concealed goods and in some cases have conspired with holders of concealed goods to legalize fraudulent transactions. Even the so-called "special goods" returned to the Japanese Government by Allied authorities have been improperly distributed and no accounting has ever been rendered.

4. Some hoarders believe the Allied Occupation is nearly over so they withhold information on their concealed goods in the hope of escaping detection entirely. It is even possible that the secret disposal of military goods may have included arms and munitions which may still be in concealment.

5. Present legislation for uncovering concealed goods is very inadequate.

6. There should be no assumption or imposition of responsibility on either the legislative or the executive branch unless it is accompanied by a grant of adequate authority to fulfill the obligation thus incurred.

7. A clear definition should be made between the responsibilities of the executive and legislative branches. The National Diet in any investigation which it may undertake should confine itself to a purely investigatory function. The responsibility for enforcing the laws should be placed squarely on the executive ministries. The legislative branches should not hesitate to investigate the conduct of any executive agency or individual and by placing responsibility for all derelictions in duty should contrive recommendations for amending existing law in such a way as to make it more workable and less subject to perversion or corruption.

E:12

Tokyo, Japan.

April 3, 1948.

Dear Mr. Prime Minister:

It is becoming a matter of increasing concern that members of the House of Representatives are absenting themselves from its sessions to such an extent that it is difficult at times to secure even the quorum necessary to conduct legislative affairs. In addition, committees considering bills before the House are hampered in the discharge of their functions and responsibilities similarly for lack of attendance.

It has been asserted that this absenteeism has been brought about by the anticipation in some quarters of an early general election, with a resulting member anxiety to discuss the public issues of the day with their respective constituencies. The cause of this misapprehension is not clear, as there is no present constitutional or other legal basis for the holding of a general election.

It is therefore suggested that the leaders of the political parties be urged to take the necessary steps to increase attendance at plenary sessions and committee meetings in order that the Diet may discharge its legislative responsibilities in a manner consistent with the spirit of the Constitution and the urgency of the times.

Sincerely yours,

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

The Prime Minister of Japan,
Tokyo.

721

GQPX

E:13

House of Representatives

June 21, 1948.

Resolution on the Character of the Special Committee for Irregular Property Transaction Investigation

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Whereas the Members of whom the Special Committee for Irregular Property Transaction Investigation is composed are possessed of special mission. Be it resolved

1. That they should conscientiously carry out the management of the Committee with strict impartiality to any political party or transcendentally of all partisanship, and attend to thorough investigation with circumspection and speediness, contributing thereby to democratization of the Japanese people and purification of the political world, the bureaucratic world, and the financial world.

2. That the change of a Committee Member should not arbitrarily be made for each political party's convenience, except in such a case as it is unavoidable in accordance with the Rules for the House of Representatives, and

3. That in order to requite the confidence of the people and according to the principle in which the Committee was originally set up this Committee should achieve its mission.