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ITEM 6 The Position in Regard to Existing Controls - Magazine: Toyo Keizai Shimpo (Monthly) - 15 Jan 48. Translator: M. Takagi. (MJF)

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Summary:

The nine-point economic stabilization program, directed by SCAP, has evidently created some doubt and misunderstanding. Rumors that the new yen will be frozen and fear that currency measures will be brought into operation are examples. The objective, "Strengthening and, if necessary, expansion of the coverage of existing price control programs" also seems to have created some doubt. As soon as the program was made public, some political parties which had taken no definite stand in regard to readjustment and abolition of the existing price control system, announced triumphantly that it coincided with their own party policies.

They apparently interpreted it as merely a strengthening of controls, but they are clearly mistaken if they believe it will restore the wider coverage of the price control program. The only reasonable interpretation is that this objective means greater efficiency of control or the tightening of control. Think how much the Japanese people are suffering from vicious controls and to what extent the healthy development of various enterprises is being checked through them.

The fuel control situation warrants attention. It is natural for the people to reject the rationing of commodities which are priced higher than those sold on the blackmarket and which, furthermore, cannot be used as they are. It is to their benefit to buy as much cheap fuel as they can use. Some important factories, however, are obliged to buy fuel at high official prices since they cannot obtain transportation certificates for blackmarket goods. In the case of coal, it is believed that 80 percent of the annual output of 1,600,000 tons of whose calories are lower than 3,300, remain unsold; and difficulties are expected in disposing of the 400,000 tons of smokeless and other kinds of coal within a year. These kinds of coal remain on the hands of the Coal Distribution Public Corporation, but since the funds involved are loaned by the RFB or defrayed out of the National Treasury, the expense falls on the people. If fuel is sold freely, it is obvious that the current shortage will be greatly alleviated, the living of the people rationalized, and the forestry resources husbanded. Yet, under present conditions, the people know only through the newspapers that coal stocks have increased.

Next, what does the lignite situation, the control of which has been abolished, suggest? The lignite handled through the Coal Distribution Public Corporation is in poor demand while the demand for free sale lignite is great. In the vicinity of coal mines, it can be bought at cheaper prices than the official rates because transportation fares and the Public Corporation commissions, under the pool accounting system, are not added to it. Moreover, non-controlled lignite is well-chosen for free competition. Thus, lignite coal mine operators have recently felt relieved. Needless to say, the abovementioned material is only an example. Through this, however, it can be seen to what degree our current control is filled with contradictions and irrationalities, and, as a result, how much it is impeding our normal economic development.

To what extent does the Government recognize this situation? Maybe they know something of it. The question is, to what extent has the Government brought SCAP to understand this situation? It is unthinkable that the Far Eastern Commission and the American authorities should approve of it. The writer insists that it is the Government's duty and responsibility to acquaint the authorities concerned with the actual situation for the sake of the Japanese people and so that the occupational policy of GHQ, which is attempting to reconstruct a self-supporting Japanese economy as soon as possible, shall not fail.

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ITEM 6 Dangers of Readjustment by Bureaucrats Told - Akahata - 7 Jan 48.
Translator: H. Nakajima. (RL)

Full Translation:

With 15 Jan, deadline for submitting plans for reconstruction and readjustment drawing near, labor unions have been fighting against the proposed readjustment of enterprises.

The fact that the character of the Reconstruction Committee, which will play a considerable role in authorizing the laboriously drafted readjustment plans, has not yet been clarified, is raising certain problems, beginning with the fact that the scope of the committee's activities is uncertain.

The reconstruction section of the Commerce and Industry Ministry maintains that only when the minister finds it difficult to arrive at a decision by himself should he consult the Reconstruction Committee, since, in point of fact, to discuss and authorize the committee's total 7,000 or so plans would be quite impossible.

This would actually mean that the greater part of the reconstruction plans have to be left to bureaucrats of the Bank of Japan, and to the Finance and Commerce and Industry Ministries.

Secondly, it is not clear how the Reconstruction Committee would arrive at its decisions. The majority vote system is out of the question because the committee's 50 members include only 10 representatives from labor, and it is not yet clear whether these 10 will be given the right to veto majority decisions.

Unless trade unions solve the above two points in their favor, they will find it impossible to wage a successful fight against the readjustment of enterprise.

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INDUSTRIAL REVIVAL TO 1934 LEVEL SEEN IN LONG-RANGE PLAN

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ESB Chief Hopes for Foreign Aid in Putting Reconstruction Program in Operation

The restoration of Japanese economy to the 1930-34 level is envisaged in the long-range economic reconstruction program outlined by the Prime Minister in his administrative address, Director-General Hiroo Wada of the Economic Stabilization Board said yesterday in the course of interpellations in the House of Councillors.

He pointed out that the projected long-range program for industrial revival of the nation is of a comprehensive nature and it necessitates maintenance of certain fixed standards of living for labor, brisk export and full employment.

Mr. Wada voiced hopes for foreign aid in putting the long-range plan into operation.

Mr. Wada made the statement in reply to Sotaro Takase, a member of the dominant Ryokufu-kai of the Upper House and predecessor to Mr. Wada as ESB chief. Mr. Takase asked for clarification of the reconstruction program, budget policy, war bond interest, second capital levy and contemplated new price structure.

Mr. Wada denied that he was contemplating a "wholesale" revision of the price structure and said the measure will be limited to adjusting irregularities among the respective commodities determined last July. He defended the existing price system by saying that commodity prices would have spiralled up much higher than they are today if the price structure had not set the commodity quotations at 65 times the pre-war level and thus created a "stabilization belt" in the whole price-wage system.

The interpellator had maintained that the present inflation was aggravated by the discrepancy in the wage and price levels and suggested some corrective steps in the contemplated new price-wage structure. The July system fixed the commodity prices at 65 times the pre-war level and wages at 28 times.

Budget Policy Revealed

On budget policy, Finance Minister Dr. Takeo Kurusu revealed that (1) the 1948-49 budget will be compiled on the basis of the present price level and the readjustments to be made later, (2) supplementary budget will be avoided as much as possible, (3) the earned income tax rates will be lowered, (4) measures will be taken to boost labor's will to work, and (5) currency issue will be limited to ¥270,000,000,000.

Mr. Kurusu also reiterated the Government's intention to refrain from cancelling interest payment on war bonds. An over-all consideration precludes such a step because most of the war bonds are presently borne by banking institutions, Mr. Kurusu declared.

The Finance Minister expressed his hope to have the projected reorganization of business establishments completed by March and to restore normalcy to banking institutions.

A second capital levy is not being contemplated by the Government, Mr. Kurusu disclosed, because such a measure is necessarily premised on refreezing or registration of new yen holdings, which are bound to exert adverse effects on the currency. He added that the step also involves extreme technical difficulties.

Premier Explains Purge

Meanwhile, in the Lower House interpellations late Friday afternoon, the Prime Minister answered Etsujiro Uehara, Liberal, who charged that the Government had used the purge as a political weapon in the instance of ex-Agriculture and Forestry Minister Rikizo Hirano. Mr. Katayama said the purge of Mr. Hirano in no way reflects upon the moral integrity of his Administration.

He added that the decision of the Central Screening Committee was made "from an impartial and fair standpoint."

To another query by Mr. Uehara, the Prime Minister stressed the Government's determination to back its sound financial policy with increased production. He said the coal production goal of 36,000,000 tons for the coming fiscal year will be attained through the enforcement of the Temporary Coal Mines Control Law.

The lack of a quorum prevented Gizo Tomabechi, Democrat, from continuing his interpellation and it was held over until the following day.

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GOV'T. PARTIES URGE GIVING TOP PRIORITY TO REVIVE INDUSTRY

Conferences Begin on Basic Policies on 1948-49 Budget

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To give top priority to industrial rehabilitation in compiling the 1948-49 budget was the only tangible decision reached at an informal meeting held Thursday between the Government and officials of the Political Affairs Research Committees of the three Government parties to discuss the fundamental policy for formulating next year's budget. Prime Minister Tetsu Katayama, Finance Minister Takeo Kurusu and Director Hiroo Wada of the Economic Stabilization Board represented the government.

At the meeting it was also agreed to consider the question of abrogating the four-party agreement, insisted upon by the left-wing Socialists, separate from the budget issue. On other points, such as wage and prices, no agreement was reached.

The differences between the Finance Ministry and the Economic Stabilization Board on the budget are in themselves the confrontation between the Democratic Party and the Social Democratic Party, it was pointed out at the meeting.

After the conclusion of the meeting, a spokesman of the Government hoped that an agreement would be reached on the budget during the coming week. The Government submitted reports on the 1947-48 budget, the actual number of Government officials, on national bonds, and on the price and wage trend in 1947-48, and on the financial prospect for the next fiscal year. Discussion followed on the basis of the materials submitted. The outline of budgets announced by the Democratic Party was also explained in detail at the meeting.

The conference agreed: (1) to give top priority in industrial rehabilitation in compiling the next fiscal year's budget and (2) to depend on bond issues for appropriations to finance the national communications system, transportation, irrigation works and foreign trade.

Mosaburo Suzuki, Chairman of the Social Democratic Political Affairs Committee, proposed the scrapping of the four-party policy agreement, which he characterized as an obstacle to carrying out Socialistic policies but the Democrats and People's Cooperatives objected to the proposal and the matter was dropped at the suggestion of Prime Minister Katayama.

The Social Democrats turned down the Democrats' proposal to effect an early revision of wage and price structures.

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3 INDUSTRIES GIVEN SUPPLIES PRIORITY

Program for Distribution of Materials Is Announced By Government

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First priority in the supply of materials will be given to coal, electric power and staple food industries during the three-month period, January to March, according to a Government announcement.

Secondary preference will be granted to the transportation and export industries, while the supply of materials to other categories will be limited to the minimum level needed for the maintenance of the lowest living standard of the people.

The Government program for demand and supply of important materials for the January-March period calls for a general decline in the amount of various important materials to be allotted to various industries as compared with that for the previous quarter, October to December, last year.

The general decline is attributed chiefly to the worsening electric power situation due to unusual long spell of dry weather resulting in a slump of 8 per cent as compared to that for the normal year.

However, increased production of coal will be mostly directed to power generation, railway and other priority industries, with others in general receiving less quotas of coal than in the previous three-month period.

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Japanese Industry Levels Still Undecided By FEC

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United Press

WASHINGTON, Feb. 5.—Far Eastern Commission source said there still has been no final action on the question of the permanent levels of industry to be permitted Japan.

It was said that no agreement has been evolved yet in the reparations division.

An agreement has been reached in the economic subcommittee stage on permanent levels for some Japanese industries, such as steel and pig iron. These agreements have been referred to the Steering Committee.

There they have bogged down, pending final approval by all 11 Governments, before going to a meeting of the full commission.

There are at present no proposals before FEC for a final division of reparations from Japan.

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2 Ways To Secure Industrial Peace

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Deverall Says Management, Labor Must Be Both Heard

TOKYO, Feb. 12.—There are two general ways to secure industrial peace in a democratic society. One way is for management and labor to call a truce, decide to cease struggle for a given period of time and the other way is to work out a basic agreement which compromises the differences between management and labor and include within that agreement provision for the maintenance of an industrial peace based on the orderly and peaceful settlement of any grievances arising during the period determined upon. So declared Richard L. C. Deverall, Chief of Labor Education Branch of GHQ, at a press conference this morning.

Deverall said that the first way is one way of doing it. "But it would seem to ignore the fact that labor-management relations are seldom static. Labor-management relations are dynamic relations, reflecting the currents and trends of the times, the policies of management, the desires of labor, and the changing economic circumstances."

He stressed that while a labor-management truce sounds good on paper, it has usually proven impractical in action for the situation changes and the truce is generally short-lived. "Therefore, the other method seems to be more practical and more responsible to the basic principles of democracy, which includes a fair hearing for the grievances of both labor and management.

Deverall pointed out that it is therefore incumbent on both Japanese trade unions and Japanese employers to conclude labor contracts which, while carefully protecting the rights of both parties, provide for agreement and industrial peace.

Stressing the importance of active collective bargaining, he said that contracts which permit eternal and never-binding disputes are a menace to the industrial recovery of Japan. Japanese employers, both private and governmental, and Japanese trade unions, in the conclusion of labor agreements, are advised to provide for the following points in their new labor contracts:

1. Rights of management and rights of labor. 2. Specific delineation of wages, hours, and working conditions. 3. Grievance machinery ending in submission of unresolved grievances or disputes to final arbitration. 4. Peace clause—no strike, no lock-out—for a specific period.

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ITEM 11 Japan's Industrial Recovery (By Arizawa, Hiromi) - Magazine: Chijo (Monthly) - Mar 48. Translator: N. Toyota. (UG)

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Summary:

(The writer is a professor at Tokyo University).

What will become of Japanese economy immersed up to its neck in the whirlpool of inflation? A small minority is accumulating tremendous wealth while the vast majority of the people is struggling to eke out a livelihood.

A German scholar said that inasmuch as inflation was a product of mankind, there was no reason why they should not be able to check it. Why should JAPAN hesitate to curb and eliminate this obvious cause of social disintegration? The fact that a group of inflation profiteers is not in favor of it does not justify her hesitation.

One of my friends suggested that in regard to economic rehabilitation and surmounting the inflation, we must not mix hopes and reality. The advice is convincing, but I should think that hopes and reality are coming closer and closer to each other. In other words, while actual domestic and international conditions leading to the curbing of inflation are becoming gradually favorable, the state of affairs where such a check becomes absolute necessity is gaining in momentum. Hopes no longer remain mere hopes, they are becoming an inevitable necessity, and reality is in favor of translating these hopes into actualities.

Inflation cannot last forever; its collapse is only a matter of time. The progress of inflation, as does momentum in all objects, gains in rapidity in its process. If the price increase is 15 percent a month at present, it will soon be 20 percent. Collapse may appear remote at present but will approach with an amazing speed. When it looms near at hand, there is no recourse but to face it, to avert it at whatever cost.

In the case of GERMANY after World War II, a way was found to curb inflation only when the nation faced actual collapse. Politically speaking, it is easier indeed, to do so after collapse, because the nation is compelled to do so through whatever forcible means are available. It is an easy way but not at all a wise one to resort to, because the nation will suffer a correspondingly larger loss afterwards as the consequence.

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The sooner inflation is checked the better; particularly when collapse is approaching at an increasingly rapid speed. But mere acknowledgement of necessity is not enough to motivate men to take action. They have the inclination to take action only at the last moment at a greater loss and heavier sacrifice. Only sagacious and courageous politicians are capable of taking steps to prevent actual collapse. They, however, must be given the minimum condition under which to extricate the wation from the depression which is bound to take place before stabilization is realized.

Then, what is this minimum condition? It is none other than the stabilization of currency, for once currency is stabilized, the rise of commodity prices will be effectively checked. Prices will fall temporarily at least due to the sudden contraction of purchasing power. All economic calculations will then have to be made on a new basis. Enterprises which cannot make profits on this basis may either go bankrupt or undergo fundamental reorganization. The depression preceding stabilization in the course of placing inflation under control is an "inevitable evil."

This depression, therefore, must not be shunned. What has to be liquidated must be liquidated at the earliest possible moment to break through this depression. But, what is to be feared is a dangeourous element embodied in every depression, for once it is underway, production dwindles parallel to the progress in the readjustment and the weeding out of enterprises.

In the case of GERMANY, production declined by 30 percent, whereas in the case of JAPAN, taking the slackened production of basic industries and exhaustion of stocks into consideration, production is likely to decline by 50 percent. And a decline in production means an increase in unemployment.

In GERMANY, 3,000,000 lost jobs and half of the union members became part-time workers. A drastic decline in production will incur a crisis in the supply of livelihood essentials, while the enormous increase of jobless will be conducive to a social crisis.

Accordingly, in order to struggle through the depression, it is necessary to assure the people the minimum amount of daily necessities and gradually absorb the jobless back into industry. In the case of JAPAN, inflation cannot be overcome without foreign aid. This is temporarily needed in stabilizing the currency value and in assuring the minimum amount of daily necessities. It is impossible, however, to depend entirely on foreign aid for covering "the expenses" incurred by the depression. We must do all we can before we surmount inflation to recover the productive power to such an extent where we can re-employ men gradually as readjustment goes on. The minimum extent, of industrial recovery which I have in mind, is 60 percent of the pre-war standard.

At present, our industry and mining have recovered 40 percent, based on the indices published by the Economic Stabilization Board. With coal production expected to amount to 36,000,000 tons next year, prospects have considerably improved. Yet, an increase in motive power alone is not sufficient to warrant rapid industrial recovery. Productive facilities must be repaired and transportion reinforced.

In addition, JAPAN is acutely short of raw materials. In order to have the increase in coal production serve as a springboard for industrial recovery, foreign aid is undeniably necessary, and we are assured much of it by the UNITED STATES. Our hopes are about to come true.

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I have estimated that our industrial production will increase by 30 percent this year, but if all the conditions I have previously pointed out are fulfilled, or are ready to be fulfilled, the increase will be as much as 50 percent.

When the minimum domestic condition is satisfied, we must overcome this abominable inflation with courage and fortitude, and prepare ourselves to join international economy with the industriousness and faithfulness which are typical of our people.

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ITEM 9 Excess of Businesses - A Warning - Newspaper: Diamond Nippo (Daily) - 3 Mar 48. Translator: K. Osawa. (WM)

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Summary:

There are 115,000 business taxpayers in the Tokyo Metropolis this year; whereas last year there were no more than 68,000. The principal reason for this phenomenon is the increase of merchants, as may be seen by the remarkable revival shops in the war-devastated areas. Indeed the reconstruction of the Metropolis started with the business districts and seems to have ended there, for residential reconstruction has made no progress. It bespeaks extreme revival in the field of circulation alone, without the adequate expansion of production. The seriousness of the problem lies in the fact that this excessive commercial activity is proportionate to the purchasing power of the general public.

There were 42,000 new dwellings built in TOKYO in 1946, and 43,000 in 1947, or a total of 85,000 of which about 30,000 are concurrently used as shops. This means that 30,000 stores have been reconstructed in the past two years.

Needless to say, the 110,000 business managements do not always deal in commodities. According to the survey made last May, there were more than 30,000 restaurants and drinking establishments, inclusive of those operated by third nationals, whereas the present figure, 110,000, does not include the foreigners. Moreover, those who are exempted from taxation as victims of last autumn's floods, are not included. If it is estimated that there are 80,000 commodity dealers in TOKYO, it means that there is a shop for every 52 persons, while in 1940, the ratio was one to 65.

Sooner or later, the tea rooms and fruit stores that we see on the streets lately will probably decrease in number, but dealers, unaware of the fact that fundamental changes are taking place in their business, take a one-sided view and complain that purchasing power is declining. They should be awakened to the fact that the greater the number of shops, the less the buying power to be absorbed by each shop. Moreover customers can select goods and choose stores, and as a result, only reasonably priced goods of high quality will sell. This is a fundamental law in commerce. The excessive expansion of commerce constitutes a warning against entering this field of business in the future.

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ITEM 6 "Industrial Rationalization" to Precipitate Class War (By Kawasaki, Hisaburo) - Magazine: Sekai (Monthly) - Mar 48. Translator: N. Toyota. (DD)

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Summary:

(The writer is a professor of Tokyo University of Industry.)

Industrial rationalization, which is likely to produce an increasing number of jobless, is about to take place in JAPAN. But

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JAPAN is not yet at the stage where she can adapt new production technics and increase surplus value through the reinforcement of labor, by reorganizing the labor structure in order to rationalize industry. The essence of the government plan for industrial rationalization at this stage seems to lie in enterprise readjustment preparatory to the stage of real rationalization; and by enterprise readjustment, the government means to preserve and reorganize the old imperialistic economic structure as much as possible and to give a transfusion to prop up national economy by ushering in foreign funds.

This plan being of such a nature as to ignore the interests of the working farmers, petit citizenry, small and medium enterprisers and even a group of industrial capitalists, not to mention the working class, it is bound to face a deadlock because the Japanese revolutionary workers are now capable of effectively organizing the widespread resistance of the masses and of solving the problem in a way different from the capitalistic rationalization. The working class itself is up against the capitalistic reconstruction and is demanding economic reconstruction by workers according to their own definite program.

Moreover, the rationalization plan does not presuppose the overcoming of inflation, and inasmuch as it calls for industrial rationalization to be pushed forward in accompaniment with worsening inflation, it can never be carried to a successful end. Whereas capitalistic rationalization must begin with an assault on inflation, the plan aims to overcome inflation through enterprise readjustment, which is bound to aggravate inflation instead of curbing it.

Let us see whether production will be increased as expected when thorough enterprise readjustment is undertaken. My conclusion is that the result will be the complete destruction of productive means. First all, as to excess personnel, it is true more workers are employed than before the war, but that is because labor productivity is reduced on account of the excessive depreciation of productive facilities, the irregular and short supply of raw materials, and the lack of any attempt to promote labor reproduction. Unless these conditions are ameliorated, production will never rise even if the seemingly exessive personnel is released.

Result of Enterprise Readjustment

What, then, will be the result of an enterprise readjustment undertaken at the sacrifice of the working masses? The result will be not the recovery of production, and not an economic reconstruction; it will be the establishment of minority financial monopolistic capital's supremacy and its own reorganization as a wing of international financial capital.

What does economic reconstruction then mean? Does it mean profits for monopolistic capital, destruction of productive power and starvation of half the population? The capitalistic formula for economic reconstruction thus is extremely irrational. It is clear in the light of actualities that to maintain and reconstruct production centered on monopolistic capital will mean the destruction of all productive means. To increase production, therefore, we must sacrifice the "production relations", as the working class has begun to demand.

The various demands of the working class today are significant in that they are made to maintain labor power, which is the most important factor in production. They inspire the desire for economic reconstruction to elevate the living standards of the people in general.

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A policy devoid of a rational nature can never convince and win the masses, no matter how it may appear to stand above "class" and how grandiloquently it may be adorned with theory. Only cohesion will force it on them. Even the half-hearted democratic reforms undertaken so far are beginning to look cumbersome to the dominating class. In their eyes the land reform, the Labor Union Law and even the constitution have to be mutilated. The warning against Fascism being raised in some quarters is not altogether groundless.

In GERMANY rationalization was undertaken after the liquidation of inflation which was accomplished in the midst of a decisive battle between the two classes. In JAPAN, the order is vice versa. Enterprise readjustment here will intensify inflation and the class conflict. In this respect, neither enterprise readjustment nor industrial rationalization is merely an economic problem; it is a political problem as well to decide the combat between the minority financial capitalists and the extensive popular masses headed by the working class.

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ITEM 7 Has Industrial Production Been Restored? - Jimmin - 12 Mar 48.
Translator: H. Arai. (WM)

Summary:

Japanese industrial production was greatly hampered by the aggravation of the electric power situation since last October. It was feared that this tendency would continue. However, due to unexpectedly favorable weather conditions, the electricity shortage was less acute than expected and the electric power supply in February showed an increase over that of January. Moreover, as a result of the Government's strenuous efforts to increase coal production with the Occupation Forces' all-out assistance, coal output is reaching the goal.

Owing to this improvement in the power situation, iron and steel production showed a new postwar record in January, and the output of steel materials reached 47,000 tons. The industrial production index is on the increase since last November. According to a survey made by the National Economic Research Association, the production index number was 28.3 in November, 33.4 in December, and 31.5 in January of this year.

In view of these facts, some optimistically believe that Japanese economy will not collapse. They also say that the "economic crisis" is a demagogism on the part of left-wing elements and is a biased interpretation of the actual state of Japanese economy. This can be endorsed by the recent increase in the production index number. This opinion is seemingly appropriate, but we cannot support it.

In the first place, the rehabilitation of production is still a rather nebulous process. This is proved by the fact that the production index number given by the National Economic Research Association dropped in January. The improvement of the electric power situation has been due to favorable weather conditions, and not to the amelioration of electric power facilities.

In coal production, stress was placed on quantity alone, and no consideration was given to quality. We know of many instances in which noncombustible coal was mined and distributed. This does not mean production increase but waste of productivity. Furthermore, many coal mines in HOKKAIDO are now suffering from an acute shortage of coal faces. The output of coal has been on the decline since December of last year, with results of 2,960,000 tons for that month, 2,820,000 tons for January of this year, and 2,730,000 tons for February.

Industrial production shows different results according to different items and this tendency is becoming stronger. For example, the Commerce Ministry's January production survey on 95 items disclosed that the production of 38 items surpassed the planned goal but that of 57 items did not reach it. According to this survey, while an increase of more than ten percent was attained in the production of cotton thread and cotton textiles, cement production decreased by 27 percent and that of fertilizer was very low. Moreover, many products still remain undelivered to consumer areas because of bottlenecks in transportation.

The recent slight increase in industrial production was attained at the sacrifice of medium and small entrepreneurs and by the strengthening of labor. Those minor entrepreneurs who can no longer afford to sustain production and laborers who are thrown out of jobs must necessarily become brokers and blackmarketeers. This is happening often.

However, laborers who blindly followed the principle of "production first" advocated by the Government and capitalists have now begun to realize that profits from production are monopolized by capital, and labor receives little if anything. The experiences of the last several months indicate that the real restoration of production cannot be realized as long as the program is carried out merely for the interests of monopolistic capital.

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Greater Production Vital For Recovery

Teamwork, Cooperation Needed, Declares Draper

GHQ, FEC, PIO, Apr. 2.—Undersecretary of the Army William H. Draper, Jr., prior to his departure for the United States, made the following statement:

"The evidence I have noted of increase in Japanese food and coal production is most heartening, and it will be my privilege to communicate these facts to my government.

"I hope and expect that the present progress will continue and that general production will increase. Only through greater production can the Japanese standard of living rise.

Full Day's Work By Everyone

"If this goal is to be accomplished, one outstanding fact stands out above all others—that is, that every Japanese citizen must contribute all his energies and effort. Work alone, a full day's work, with increasing production per man per day, is the surest path to the recovery of Japan.

"Self respect, national survival and a tolerable standard of living can best be achieved if every citizen accepts responsibility for his own part in the great recovery effort.

"The next few years are certain to be difficult, but teamwork and cooperation can gradually overcome these difficulties.

For More Raw Materials

"Our Government is now considering legislation which, if adopted by Congress, would increase the flow of raw materials to Japan. If these additional supplies are forthcoming, it is vital that they be processed efficiently, promptly and well.

"Even if the program is approved by Congress, it will take considerable time to begin to function and this necessary delay should be fully understood, and not lead to discouragement.

"In my opinion, evidence of the Japanese will to help themselves is the best means of gaining the confidence of the world. Every Japanese citizen has a stake in this worthy end."

MAINICHI APR 5 1948

More Funds Needed For Industry, Banks

Under-Capitalized Firms In Majority, Says Adams

Radiopress

TOKYO, Apr. 5.—T. F. Adams, Securities and Exchanges, ESS, GHQ, SCAP, voiced the opinion that there was need for public interest and aid to provide capital for industry, banks and other institutions.

Mr. Adams revealed that a majority of companies are undercapitalized so an increase of capital stocks should be encouraged providing certain safeguards are given to the public.

By safeguards he indicated an adequate disclosure of the companies such an investor will get what he is paying for.

Is Something Of Risk

Mr. Adams pointed out that the issuing of or underwriting securities is something of a risk business and should be done by persons properly prepared to assume them. Banks and trust companies who have the responsibility of keeping their depositors' money safe were warned to remain clear of operations which are essentially of a risk nature.

"It is not consistent with the fiduciary responsibility.

"The overall problem of transactions in securities of national public concern," Mr. Adams stressed, adding, "without regulation, such things as manipulation, false prices, false rumors, and violent fluctuations with the resultant evils of failure in settlements can distort true values, create losses to the innocent, affect the whole collateral credit market and can result in drastic effects on the whole capital market.

Safeguards Are Necessary

"For this reason," Mr Adams said, "safeguards in the form of minimum financial standards for dealers and penalties for unethical activities are a necessity."

Regarding the old government controlled exchange system of the past, the SCAP expert forecast that "new exchanges" democratically created, may come into existence.

He concluded that the whole securities field should strive toward a high standard of business integrity and the public should see to it that they are maintained.

MAINICHI APR 6 1948

Production Management Is Regarded Illegal

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TOKYO, Apr. 10.—Commerce Minister Chozaburo Mizutani said that no raw materials will be allocated to factories under production management by employees.

Speaking to the press, he declared that the Commerce Ministry regards production management as illegal.

Therefore, he added, even if a factory records a temporary phenomenon of production increase, the Commerce Ministry will not allocate any raw materials to such factories.

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DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

VITAL NEEDS TO PUSH INDUSTRIAL REVIVAL OUTLINED BY ASHIDA

Premier Tells Nation's Leaders He Has Asked Draper Mission For Assistance

Japan needs at least 4,000,000 tons of shipping, large supplies of textiles, adequate access to fuel, especially heavy oil and gasoline, as well as substantial quantities of daily essentials in order to quicken the tempo of industrial recovery, Prime Minister Hitoshi Ashida told leaders in the political, economic, financial and industrial fields yesterday.

He indicated that he had asked the Draper Mission for these materials.

Addressing the conference of the nation's leaders who were invited to the Prime Ministers' official residence, Dr. Ashida appealed for cooperation in completing the preparations for inviting foreign capital to this country.

He expressed confidence that the nation's economic outlook was turning for the better.

Stresses Rice Delivery

The Prime Minister emphasized that the completition of the 100 per cent rice delivery by the farmers had laid the foundation for an early economic recovery. He added that the spiral of inflation has recently slowed down considerably.

The Prime Minister again promised that his Government would endeavor to stabilize the livelihood of the people and check inflation as well as to complete all necessary preparations for the induction of foreign capital into Japan.

"Before expecting any foreign aid," he said, "we must first win the confidence of the world by completing the task of democratizing Japan and of building a new cultural and peaceful nation."

Referring to labor problems, the Prime Minister said that he regretted the fact that some labor unions in Japan were becoming more interested in political issues rather than economic problems.

He urged the nation's labor unions to "reflect seriously in this critical period when all efforts of the nation should be concentrated in rebuilding Japan's shattered economy."

Moot Current Problems

Following his address, the meeting went into the discussion of current problems.

Mrs. Setsuko Hani, of the Women's Democratic Club, on behalf of women said that the first concern of the housewife was inflation. She is also interested in the complete and substantial rationing of staple foodstuffs. Women also want thorough establishment of compulsory education and their appointment to Government posts suited for their temperament, such as the distribution of staple cereals, which men have bungled. "We also want the appointment of a women's committee in the Cabinet for more sociable contacts with foreigners," Mrs. Hani said.

The Prime Minister assured her that the Government was doing its utmost in regard to the complete distribution of rations. Sugar, he pointed out, as a substitute for rice has a high caloric value and it is expected that about 300,000 tons will be imported this year.

The meeting ended a little past noon.

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ITEM 9 Abolish Control over Enterprises - Provincial Paper: Bocho Shimbun (Yamaguchi) - 9 Apr 48. Translator: I. Hotta. (DD)

Summary:

Due to the tense international situation, both the conclusion of the peace treaty and the establishment of self-supporting economy appeared to be hopeless for JAPAN, but the statement of Undersecretary of the Army DRAPER and a message of General MacARTHUR have brightened the prospect. If the war-time economic control had been abolished, the rehabilitation of industries and improvement of the national living standard might have been accelerated and JAPAN might have obtained better results than the expectation of the Occupation Forces.

Freedom was trampled down by the war, but now JAPAN has renounced war and is on her way to a democratic reconstruction. It is undeniable that complete democratization is essential to the reconstruction of JAPAN, but, in reality, due to despotic official control policies, our economy has not actually been democratized. Such being the case, the quick economic rehabilitation and the democratization of economy cannot be expected no matter how positively the UNITED STATES may give aid to JAPAN.

If the stabilization of national economy is prerequisite for the democratization of our country and if it requires free enterprises as its essential condition, the control over enterprises must be removed quickly. Needless to say, it may be quite dangerous to abolish official control now that our country is over-populated, but it will hasten the recovery of our national economy.

An economic control policy which aims at fair distribution of commodities is most desirable theoretically. However, a merely theoretical policy, which is against nature, hampers the improvement of production in the end. Therefore, the authorities should try to hasten the reconstruction of JAPAN through encouraging free enterprises.

The permission for the reopening of foreign trade does not necessarily mean that Japanese economy has been made self-supporting. If the control over enterprises is lifted, the birth of various new industries will be seen and it will contribute to the development of our economy. Now that many Americans are reported to be highly advocating the abolition of control over enterprises and that the Government policy of controlled economy has failed, the enterprises must be given their independence.

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ITEM 4 Kurusu Explains Framework of Five-year Program - Jiji - 20 Apr 48. Translator: N. Miwa. (JJY)

110

Full Translation:

OSAKA--Speaking before a round-table conference of Kansai leaders held at 0930 hours yesterday at the Osaka Chamber of Commerce and Industry, Director-general KURUSU of the Economic Stabilization Board explained the basic policy for JAPAN's five-year economic recovery program now under consideration by the Government: He said:

"(1) The Government is now formulating a five-year program for reconstruction of JAPAN's economy by which the present people's livelihood can be restored to the 1930-1934 level by 1952.

"(2) For this purpose, the ESB has made an investigation of the Japanese population. According to this investigation, the Japanese population is expected to be increased to 82,930,000 by 1952, as compared with the 1930-34 average of 66,330,000. On the basis of these figures, efforts are being made to work out suitable plans.

"(3) To restore the present population's livelihood to the 1930-1934 standard of living, it is necessary to raise the production level to 125 percent of the 1930-1934 level.

"(4) The Government entertains the idea that the general industrial level should be increased by 40 percent over the 1930-1934 standard, and that the export industry level must be raised by 10 percent over the 1930-1934 level.

"(5) It is absolutely impossible to refreeze or devaluate the new yen."

"Plans formulated by the ministries are expected to be brought up for careful discussion of the Cabinet as soon as they are integrated by the Economic Stabilization Board."

ITEM 5 Abolition of Enterprise Control - Jiji - 18 Apr 48. Translator: J. Wada. (JJY)

110

Summary:

Because of the long experience in state control, it appears that abolition of controls, when it is carried out, will give unexpectedly great anxiety to the public. The Provisional Fund Adjustment Law was enacted during the Sino-Japanese Incident and served to control enterprises to concentrate funds and materials in munitions industries. The abolition of the law now permits creation and expansion of enterprises which have hitherto been controlled.

Even this abolition seems to have aroused anxiety in various quarters. This is proved by the fact that necessity for substitute legislation has been fairly strongly advocated. This advocacy is based on the fear that unsound enterprises will mushroom and hurt the interests of investors or that the 200,000,000,000 yen of new yen deposits will rush into new enterprises and the resultant increased demand for materials will cause prices to shoot upward.

However, from the viewpoint of capitalists and entrepreneurs who operate their own capital and run risks, the existence of controls is not a matter of major significance. It is hardly conceivable that abolition of controls will suddenly increase the number of investments and enterprises.

Further, the argument that the fund adjustment law could adjust enterprises but its abolition will not is very naive. The law did not necessarily function to curb enterprise activities. "Unsound" entrepreneurs could utilize the law. They concentrated efforts on obtaining licenses under the fund adjustment law.

Another thing to be remembered in this connection is that even under the law profitable enterprises were not restricted in the least in obtaining free funds. The only disadvantage was high interest rates, which were caused by the lack of legitimate channels and convenience. In that sense, the Fund Adjustment Law can be said to have hindered economic reconstruction.

Last autumn, controls on fruits and some other items were lifted. This time controls on creation and extension of enterprises have been abolished. In the former case, the result was favorable. The success or failure of the abolition of enterprise control, too, will provide a hint regarding the future of controlled economy.

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ITEM 12 Enterprises Suffer From Fund Shortage - Jimmin - 13 Apr 48.
Translator: Y. Bannai. (UG)

110.

Full Translation:

Delays in Government payments and compulsory measures to collect taxes have further aggravated the financial stringency of business companies. The Bank of JAPAN, mobilizing its nationwide network of branch offices, has conducted a survey of the financial circumstances of enterprises.

A collation of reports from all of its 26 branch offices reveal that the financial stringency of enterprises has become particularly grave of late, resulting in some cases in the necessity to pay wages by installment, and cuts in the amount of rationed materials they feel able to accept.

Moreover, some factories in MATSUMOTO and AKITA cannot even afford to repair damage to factory roofs, thus leading to the suspension or transfer of factories.

The purchase of materials by shipbuilding enterprises in HAKODATE is not even 20 or 30 percent of the monthly requirements, and some enterprises in KOBE and MAEBASHI are expected to collapse due to the financial stringency.

Export industries, especially textile enterprises, are doing comparatively well, but machine industries, especially mining-equipment manufacturers in FUKUOKA and HAKODATE, are suffering most from a fund shortage. Financial difficulties holding up building, shipbuilding and lumber processing enterprises have recently become conspicuous.

Minor industries, especially private enterprises, have been able to keep a certain amount of flexibility in their management, and can easily dispose of products through illegal channels, but some of them in MAEBASHI and MOJI are now finding it impossible to pay salaries and electric and telephone charges, since they cannot easily get bank loans.

Common factors behind their financial plight, as enumerated by branch offices, are:

1) Delay in Government payments.
2) Enforced collection of taxes.
3) Financial institutions lack reserve funds for further lending.
4) Increase in proceeds is not proportionate to that in operating funds, resulting from the price revision.
5) Decreased production caused by restricted power supply, exhaustion of materials and labor disputes, has resulted in decreased profits.
6) Decreased purchasing power has made difficult the collection of bills.
7) Increase in material prices and wages after the revision of official prices has given rise to financial deficits.

increase.

Bank of JAPAN authorities conclude that currency expansion caused by Bank of Japan loans will further aggravate the inflation, and with it, the financial stringency, inasmuch as the basic reason for money shortage lies in the worsening of inflation. Bank of Japan counter-measures for the current financial plight are:

1) Financing regulations must be adhered to.
2) Deficit financing will not be permitted even for key industries.
3) Priority financing with emphasis upon the coal industry will be re-examined, or promising local industries will be furnished with production funds.
4) Always keenly aware of the financial realities of enterprises, the Bank of JAPAN will assist enterprises in borrowing money and city banks in extending loans. Simultaneously, Government payments should be accelerated.

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ECONOMIC SERIES: 2440 (Continued)

ITEM 12 (Continued)

8) Congestion of railway traffic has been caused due to transport difficulties and revision of the distribution machinery.

Those suffering most from delayed Government payments are public-works contractors. It is reported that Government payments in arrears for public works in FUKUOKA amounted to about 300,000,000 yen in 1946, and 200,000,000 yen in 1947.

This state of affairs is influencing production activities in such a way that, for example, some factories in SENDAI, HAKODATE, AKITA, KANAZAWA, and KOBE are disposing of capital goods and products through illegal channels, thus disrupting the production sys system. Since the payment of wages is given priority in some factories of OTARU, KYOTO, MAEBASHI, TAKAMATSU and KAGOSHIMA, disbursements for materials and improvement and repair of equipments are generally held over, thereby reducing operation, decreasing production and increasing the number of faulty products.

Financial stringency of enterprises in MATSUMOTO, SHIZUOKA, and MOJI is now hampering the smooth payment of wages, resulting in the intensification of the labor offensive, deterioration of the workers' morale and the workers' non-confidence in managements. Moreover, blackmarket funds accommodation in MAEBASHI, MATSUMOTO and NAGOYA has become even more systematic and extensive, with interest rates reaching 30 percent.

Enterprises are now trying to overcome financial difficulties through borrowing money from financial institutions, where, however reserve funds for lending have recently dwindled.

The following make-shift measures are now being pursued by many enterprises:

1) Illegal selling of stocked materials, unnecessary equipments, and finished products.
2) Paying wages by installment or deferring payment of wages.
3) Improved collection of bills.
4) Credit sale of materials and utilization of advance payment.
5) Appropriation or deferred payment of taxes.
6) Operation of other profitable enterprises.
7) Utilization of illegal or private financing.

Some companies are resorting to the active enforcement of personnel readjustment, enterprise rationalization and capital increase.

Bank of JAPAN authorities conclude that currency expansion caused by Bank of Japan loans will further aggravate the inflation, and with it, the financial stringency, inasmuch as the basic reason for money shortage lies in the worsening of inflation. Bank of Japan counter-measures for the current financial plight are:

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4) Always keenly aware of the financial realities of enterprises, the Bank of JAPAN will assist enterprises in borrowing money and city banks in extending loans. Simultaneously, Government payments should be accelerated.

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ECONOMIC SERIES: 2440 (Continued)

ITEM 13 (Continued)

in order to ensure their deliveries.

On 14 April, the Ministry issued the following tentative directive to all governors throughout the country, asking them for more effective enforcement of the regulations in force:

1) The public should be informed that controls on the collection, shipment and delivery of fish and vegetables will be intensified.

2) Since governors are entrusted with important administrative powers under the present rationing regulations, they are expected to reorganize their offices and personnel in order to fulfill their duties.

3) Despite modifications in police administration through innovations in the system, special measures should be taken in collaboration with the police, on controls over fish and vegetables.

Supervisory measures now being considered by the Agriculture and Forestry Ministry have been necessitated by the fact that the emergency measures adopted last December were intended to be effective for only three months (Jan-Mar), so that new developments after March might be dealt with more effectively.

The Provisions Bureau of the same Ministry is quoted as saying that this year more effort will be made towards the increased production of linked commodities and materials in order to speed up shipments of fish and vegetables, and that more of these goods would be made available for small communities through increases of designated places for production and readjustments in prices.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

ITEM 12 Introduction of Foreign Capital and Minor Industries - Provincial
Paper: Hokkoku Mainichi (Kanazawa) - 4 May 48. Translator:
I. Kuniko. (UG)

Summary:

The reconstruction of Japanese economy by the introduction of foreign capital is being widely discussed together with other items of interest, such as the establishment of JAPAN as the workshop of the Orient, the relaxation of reparations demands and the suspension of the application of the Anti-economic Concentration Law.

The Ashida Cabinet, calling itself the "Cabinet for the introductio of foreign capital," is now exerting its utmost to aid big capital and industry in laying the groundwork for the induction of foreign credits.

The large industries are now rehabilitating themselves at a rapid pace by utilizing the suppression of labor, the abandonment of social politics and the reduction of the capital tax; on the other hand, the rehabilitation of the minor industries has recently been stopped dead in its tracks.

Medium and small industries in JAPAN made a good start after the surrender. Successive Cabinets from the Shidehara to Katayama praised them aimlessly, saying that they would play an important role in Japanese economy and foreign trade, replacing big industry which had been paralyzed by the Zaibatsu dissolution, the suspension of paying war indemnities and the labor offensive.

It is true that under the postwar controlled economic situation, medium and small enterprisers made great profits by selling commodities at blackmarket prices, but their operation has recently come to a standstill for want of capital and raw materials and over-taxation.

Under these circumstances, it is natural that the Ashida Cabinet thinks very little of the value of medium and small industry.

There is no doubt that big industry is considering the reorganizing of the smaller industries as one of the prerequisites to the importation of foreign capital.

Further, we fear that the smaller factories left will be oppressed and exploited by both big industry and foreign capital. The only way open for the development of medium and small industry is the establishment of an independent co-operative union.

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RENEWED EFFORT TO SPUR REVIVAL HELD NECESSARY

SCAP Official Says Gigantic Task Still Lies Ahead; Lauds Past Progress

W. S. Vaughan, ESS, Industry Division, Chief in a press conference yesterday outlined the current levels of industry in Japan, stated some of the problems encountered and suggested methods of increasing production. He pointed out considerable industrial recovery since the beginning of the Occupation, but warned that even greater gains are necessary for Japan to reach a position that would enable her to stabilize her economy and produce for export. Mr. Vaughan stated that this could only be accomplished by government, management and labor working hard as a team with one object in view, namely, the economic rehabilitation of Japan.

Native deposits of coal, the basic raw material, are available in Japan in sufficient quantities to supply the needs of industry. To date a sufficient level of coal production has not been accomplished that would permit maximum use of Japan's industrial capacity.

Iron and steel producing capacity in Japan is adequate but cannot be fully utilized due to scarcity of basic raw materials such as domestic coal, imported heavy coking coal, petroleum, domestic and imported iron ore, etc. These raw materials are now being made available in increasing quantities through barter deals and use of various SCAP funds that are to be repaid on a short term basis through sale by export of iron and steel end products. Good progress has been made to date in the production of pig iron, steel ingots; rolled, cast and forged steels. While large gains have been made in this industry, even larger programs will have to be developed and implemented in order that Japan may reach a self sustaining level of production in this important key industry.

Light metal industrial capacity is high in Japan, but maximum production in smelt-

(Continued on Page 2)

Renewed Effort To Spur Revival Held Necessary

(Continued from Page 1)

ing, refining and fabricating has not been achieved due to lack of sufficient quantities of ores. A recently negotiated barter deal for bauxite ore for the aluminum industry will help to increase production of this basic light metal.

Recovery Remarkable

The chemical industry in Japan has made a remarkable recovery, but still has plant capacity that could be utilized if more domestic and imported raw materials could be made available.

Miscellaneous manufacturing has unlimited plant capacity but has not reached the required maximum production.

Shipbuilding has recovered to a position where it has become possible to utilize Japan's large shipyard capacity for building some ships for export. This program is dependent to a large degree upon barter deals to supply essential items necessary for shipbuilding.

The factors limiting production are the same for this industry, namely, coal, metals, equipment, machinery, electric power and raw materials.

More Coal Needed

The only immediate increase in electric power necessary to support larger industrial programs will come from increased coal production for thermal generation, rehabilitation of existing generation facilities and strict adherance to the electric power rationing and allocation program recently placed in operation by the Japanese Government. Mr. Vaughan stated that while considerable gains have been made in all Japanese industries and the outlook for increased production through importation of more raw materials is materializing, there is still a gigantic task confronting Japanese industries. The future of the Japanese nation is in the hands of her people. The economic rehabilitation of Japan can only be realized through the combined efforts of a team composed of labor, management and government. Hard work and cooperation on the part of all concerned seems to be the only solution to this problem.

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DRAPER OUTLINES U.S. PLANS TO SPUR REVIVAL OF JAPAN

American Forces to Stay Till Mission Here Is Accomplished

Kyodo-UP

SAN FRANCISCO, May 18 —United States Army Undersecretary William Draper said the United States forces in Japan would "stay until their mission has been accomplished." He defined this mission as "staying on the job until security and peace have been achieved."

International News Service

SAN FRANCISCO, May 18 —Army Undersecretary William H. Draper said Monday that the Japanese people will have to "work hard and long" with a comparatively low standard of living if they are to support their growing population."

Mr. Draper made this statement in a speech prepared for a meeting of the San Francisco Bay Area World Trade Institute of San Francisco on economic problems of Japan.

He reported that Japan's capacity to make war is gone and added:

"If we insist on continuing proper controls it will not revive."

He said, however, that much has yet to be done before Japan can be placed on a sound economic basis.

He said:

"Japanese exports have been growing and last year reached nearly $200,000,000. But they must increase to seven or eight times the present level before they can pay for food and raw materials necessary to provide a tolerable standard of living."

He said the gradual restoration of tranquillity throughout the Far East would aid greatly in reaching this goal, the same

(Continued on Page 2)

Mr. Draper devoted most of his address to the problem of defeated Japan. Among the things he advocated was early settlement of the reparations question to clear the ground for rebuilding Japanese peace time industry.

He also urged gradual reconstruction of Japan's merchant marine as well as the fixing of a stable rate of exchange between the Japanese yen and other currencies.

He gave some facts and conclusions drawn from the recent survey of Japan's economic life made by his mission which included Paul G. Hoffman, now director of the European Recovery program.

Mr. Draper said the "groundwork for democratic institutions" in Japan is being laid. He pointed out that "the occupation of an enemy country is expensive business" and extolled Gen. Douglas MacArthur, saying:

"General MacArthur has done a magnificent job and has gained the cooperation of the Japanese as no other occupation in history has ever done."

He called attention to America's heavy burden of providing nearly $400 million dollars worth of relief per year "until the Japanese people become self-supporting."

He declared that Japan's greatest need is for raw materials for her manufacturing industries.

He said:

"We face two alternatives—either to continue relief indefinitely or to plan a program for economic recovery and gradually reduce relief costs. The (Draper) businessmen unanimously agreed with General MacArthur that industrial recovery of Japan on a peaceful basis is necessary to bring about a self-supporting economy, that this program should now properly become the primary objective of the Occupation and that our Government, in the national interest, should support a reasonable recovery program."

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Draper Outlines U.S. Plans to Spur Revival of Japan

(Continued from Page 1)

as a productive Japan would help bring prosperity to her neighbors.

"The hates and natural prejudices resulting from Japan's ruthless attack must gradually give way if the Far East is to prosper . . . Gradually in the Far East, the peaceful industrial recovery of Japan will similarly be recognized as vitally important to the recovery of that great area."

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READERS IN COUNCIL

How to Rationalize Industry

To the Editor:

Reading the editorial "Foreign Credits and Industrial Rationalization" in your April 1 issue, I know industrial rationalization is the most difficult problem to be solved, although it will be imperative to carry it out for the economical rehabilitation of our country. There would be as indicated in your editorial, several ways to solve this troublesome problem.

I, however, believe firmly that one of the best ways to attain this aim of rationalization is to rationalize the industries positively and drastically and for the excess workers thus discharged, the Government should project some effective measures, i. e. public works such as the improvement of thoroughfares, development of hydro-electric power, reclamation of waste land and etc., on such a large scale as those excess workers can be taken fully on these enterprises. Why do I suggest this measure as the best? Reasons are as follows:

Firstly, it will be a way "to have all the population working at half a job at reduced wages than to have one-half the population working at a whole job at full wages and supporting the other half of the population in complete idleness." This measure may seef as the same in form as my suggestion mentioned above. Nevertheless these two ways differ so far substantially, in the former case, when compared with the latter, the efficiency of works done by workers falls short of the standard as they lack the strains on their will to work assiduously.

Secondly, public works thus accomplished may contribute much to the cultural life of the nation in future, covering well the enormous expenses used for these enterprises. When considered under these circumstances, is it too much to say "To kill two birds with one stone."?

EINOSUKE KADOMATSU
Nishinomiya, Hyogo Prefecture.

NIPPON TIMES MAY 7 1948

Industry Policy In Consideration

By MORRIS HARRIS

WASHINGTON, May 21 (AP)—The Far Eastern Commission today began considering a policy directive for Japan's postwar level of industry.

It was authoritatively understood the proposal is virtually identical with the commission's interim directive on this subject many months ago. That made about 1,000 industrial plants available for reparations.

But it is understood here that this directive has not been executed except for removal of small quantities of machine tools.

The proposal is also understood to be virtually identical with American suggestions made a year ago.

The proposed directive has been in various committees of the commission for a year but reached the commission itself only today.

Various members said they asked their government's months ago for instructions on the proposal. Some are still awaiting a reply.

It was understood the directive would establish an industrial level below that which American investigators have suggested after various tours of Japan.

In general, Americans tend to favor a higher level to allow Japan more tools for industrial recovery. Other Pacific Allies favor a low level to make sure Japan can not launch on a military revival and also to delay Nipponese commercial recovery. Other Oriental nations fear Japan's economic revival may endanger their own industrial development.

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DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

ITEM 7 Future of Japanese People - Asahi - 9 Jun 48. Translator: J. Ide. (FST)

116

Summary:

The war has bequeathed various properties to JAPAN, of these the evil ones should be removed, while the good should be utilized. The drastic change in industrial organization is one of the war-bequeathed properties which should be watched with keen interest.

This drastic industrial change can be perceived in the fact that the hegemony of our economy, which had long been held by the textile industry, has now been taken over by heavy industry such as machine tool manufacturing, mineral, and chemical processing industries. Of course, the deteriorated textile industry should be restored to normalcy but it cannot be denied that the predominancy of heavy industry over other industrial branches is the best war-bequeathed property for the future of this nation.

The development from light to heavy industries has now taken place in the entire sphere of the nation's foreign trade. JAPAN, which headed light industry in this part of the world should be convinced of the fact that the center of this industry has gradually moved to CHINA and INDIA. She should concentrate her efforts on the development of the heavy and chemical industries to become the industrial leader in this area. Furthermore, the foundation for this mission has been established during the war. Upon this basis, the economic stabilization program drafted by the Economic Stabilization Board has been formulated, we are sure.

Needless to say, we cannot inherit this industrial structure in its entirety since it had been accumulated for the purpose of achieving the war project. Such parts of this structure which were related to the recent war have been reasonably removed by Allied authorities. Moreover, we must not seek merely our private interest without taking into account the industrial reorganization of the world market, especially in those nations with which we had kept close contact in the field of trade. In this sense, we do not demand that some military facilities be left for JAPAN.

The war-bequeathed properties are not confined merely to the change of our industrial organization. Industrial technique and labor experience secured by hundreds of thousands of workers will greatly contribute to the establishment of a peace-loving JAPAN. We should interpret the change of our industrial organization properly and should develop our war-bequeathed technique and experience peacefully. In other words, the people should critically absorb the properties left by the recent war. This is the only way for the future development of the Japanese people.

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U.S. Hopes For Early Adjusted Economy

Japan Industrial Levels Source Of Controversy

By STEWART HENSLEY

WASHINGTON, June 24 (UP)—State Department officials hope that the question of the levels of industries in Japan and reparations will be settled before the peace conference for Japan is held.

In that way, the conference with no important territorial decisions to make could deal mainly with the matter of post-treaty Allied supervision of Japan, on which the Americans have very definite ideas.

However, officials are afraid that the Army authorities, by their repeated pronouncements concerning the United States' intention to proceed to build up Japan unilaterally if they cannot get Allied agreement, may be prejudicing the possibility of securing Allied agreement in the Far Eastern Commission.

Secretary of State George C. Marshall has asked President Truman to put a damper on Army pronouncements regarding Japan.

The State Department admits that the United States under the terms of the Moscow agreement of December, 1945, is legally empowered to take interim economic measures to build up Japan, but does not want too much of this, if possible.

They feel it would tend to ostracize some Allies upon whom the United States must depend for support for its position when the final treaty is written.

State Department officials realize that Japanese exports must depend principally on markets in other Far Eastern countries.

Therefore, they realize that infuriating these other countries by adopting a unilateral and unpopular economic policy in Japan would in effect defeat the American aims to make Japan self-supporting by 1953 if possible.

The British, however, are continuing to push for an early peace conference. They profess to be unable to see why the United States is not willing to leave all these matters to the treaty conference.

British officials admit, however, that most of their prodding on this issue is necessitated by pressure from Austraila and New Zealand.

China also continued to want an early conference, but on her own terms. These include a procedural position midway between the Anglo-American and Russian positions.

Nanking is willing to permit all nations directly involved in the war against Japan to participate in the conference, but insists that the Big Four have veto powers.

JUN 24 1948

STARS & STRIPES

JAPAN INDUSTRY LEVEL OKAYED BY 8 NATIONS

China, USSR Refuse Proposal: U.S. Continues Opposition

Kyodo-AP

WASHINGTON, June 18—Eight nations of the Far Eastern Commission have approved the level of industry proposal for Japan now before the group. Powerful opposition continued, led by the United States.

China and Russia have refused to accept the proposal which would declare the Allies' position on what size industrial structure Japan should be permitted after the formal peace.

The eight nations who have expressed approval are the Philippines, India, United Kingdom, Australia, Netherlands, France, New Zealand, Canada.

Although the United States is understood not to have declared its final position, other members appear to believe the United States will not accept the proposal as written.

The proposal would authorize an industrial level below that of the Strike Report. The American view presently tends toward a higher level to enable Nippon to recover more quickly.

NIPPON TIMES JUN 19 1948

Japan Skeptical Of Proposed Industrial Plan

By TOM LAMBERT
AP Correspondent

Japanese business is skeptical of Russia's proposal for international control of industry here but agrees with a Chinese suggestion for an Oriental economic bloc.

These views were outlined to the Associated Press by President Ichiro Ishikawa of the Federation of Economic Organizations, a sort of a chamber of commerce, national manufactures association and businessmen's combine all rolled up in one.

Ishikawa said businessmen generally favor Russia's suggestion to raise peacetime production levels but look askance at the Soviet proposal for an international agency to keep an eye on Nipponese industry. These proposals were advanced recently in the Far Eastern Commission by Alexander Panyushkin, Soviet ambassador to the United States.

"We'd rather have things as they are now," commented Ishikawa. "Look at Berlin. If we had 11 nations deciding on industry here it is hard to tell what would come out."

He said, however, Japanese businessmen favor a proposal by former Premier Chang Chun of China for "Asiatic economic bloc dedicated to mutual assistance and mutual benefit" of all Far East peoples.

Japanese, however, do not think such a bloc could be realized at once because of political and economic unrest troubling most of Oriental countries, Ishikawa continued.

"Each (Far East) country must get on its own feet before discussing a broad 'Marshall type' plan," stated. He believes, however, Far East nations could start talking of integrated trades in such materials as coal and iron ore.

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STARS & STRIPES

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Industry Output Goal For 2nd Quarter Set

60% Of 1930-35 Average Is Object Of Program

TOKYO, July 13.—The industrial production goal for the second quarter (July-September) in the 1948-49 fiscal year has been set at slightly less than 60 per cent of the average index in the 1930-35 standard years, according to the materials supply and demand program announced by the Economic Stabilization Board yesterday.

The attainment of the production goal, however, is considered difficult if the industrial financing is not carried out steadily as a result of the revision of the official commodity prices.

Compared with the figure in the previous quarter, the coal supply quotas, set at 9,253,000 tons, shows an increase of 2 per cent, but that for industrial use decreases by 4 per cent.

Electric Power Quota

In the meantime, the supply quotas for electric power has been set at 50-million kilowat per hour for general consumption, showing a decrease of 5 per cent in comparison with the April-June period.

Through the utilization of the rehabilitation funds in the occupied areas, which is expected to become available in the near future, it is scheduled that 300,000 tons of hard caking coal and 50,000 tons of blind coal will be imported from the United States and 40,000 to 50,000 tons of soft caking coal from Sakhalin.

As the result, the production of leading materials is likely to be further accelerated.

In view of the fact that contracts for export of spinning machines, bicycles and rolling stocks are being concluded one after another, stress has been laid on the increased supply of necessary materials to the export industry.

To Stabilize Livelihood

To stabilize the people's livelihood, necessary quantity of materials has also been allotted to various divisions of foodstuffs, fiber and construction industry.

Given below are the supply quotas for leading materials in the second quarter:

		Compared With Apr.-June(%)
Coal	9,253,000 tons	102
Ordinary steel ..	288,000 tons	127
Pig iron	101,000 tons	157
Pig iron products	57,000 tons	109
Cement	436,000 tons	83
Lumber	12,180,000 koku	118
Electric wire	13,000 tons	108
Caustic soda	32,000 tons	128
Ammonium sulphate	241,000 tons	89
Cotton yarn	71,000,000 pounds	101
Rayon	12,000,000 pounds	126

MAINICHI 14 JUL 1948

EDITORIAL

The Problem Of Shortage Of Industrial Funds

As it was generally anticipated, the lack of industrial funds has become all the more serious with the recent upward revision of commodity prices.

In spite of the friction between the demand for inflation control in the sphere of currency and the call for adequate capital for industrial rehabilitation, the financial situation has become all the more complex due to the lack of an over-all correlated policy.

Keizai Doyu-kai, the economic research organ, has recently clarified that: the demand upon any present-day financial policy is how to adjust the emphasis upon anti-inflation financial measures with the need of rehabilitating industrial production capacity (which in itself harbors an inflation factor.)

This reveals the agony suffered by the industrial enterprisers who find that necessity is a hard master.

The Government does not possess an effective anti-inflation policy and is endeavoring to control inflation as much as possible in the field of finance. It may find itself faced with the inevitability of holding fast to the industrial financing plan recently announced.

Needless to say, even if such a measure must be enforced, it must be rational and efficient and appropriate to production trends and the industrial system itself. Any drastic and hurried measures should be avoided.

Be that as it may, as long as enterprisers demand the Government and the financing organs for such a policy, it is incumbent upon the enterprisers themselves to put their house in order as soon as possible.

Records reveal too vividly that funds have been spent recklessly in the past.

Recently, the chairman of the Kansai Industrial Rehabilitation Council requested the Government and the Bank of Japan authorities in the name of the Council for funds for coping with the shortage of capital in the Kansai industrial circles. This was a new departure in the realm of financing.

The requested funds are for payment on goods delivered to the coal mines, special financing of high standard industrial establishments and for the rehabilitation of steam power electric generation stations.

Governor Naoto Ichimada of the Bank of Japan has stated that he "pays respects" to such a procedure.

The important thing is for the industrial enterprisers to adopt a responsible rehabilitation program.

MAINICHI 23 JUL 1948

Industrial Restoration By 1953 Is Predicted

Production Capacity Large Despite War—Vaughan

TOKYO, July 26.—Restoration of Japan's industrial level to that of the 1930-34 normal by 1953 was predicted by a high SCAP official recently.

W.S. Vaughan, Chief of the Industrial Division, ESS, GHQ, said that the industries of Japan today are operating at 45 per cent of the normal operational capacity of the 1930-34 level, attributing this partly to raw material shortages.

"Despite the damages suffered during the war, Japan's capacity to produce is large but is not being used fully due to supply shortages of raw materials," he said, adding that "this capacity within the limits of the Far Eastern Commission's permission and the scope of the peace treaty should be utilized to satisfy the requirements of nearby countries.

Many Difficulties Exist

"There are many difficulties to be overcome in the way of finances, wage stabilization, raw materials and sources of supply before a real rehabilitation program can be fully realized," Mr. Vaughan said.

He stressed the importance of coal for the development of industries. Although the coal output for the fiscal year of 1948 was 36-million tons which represents 70 per cent of the goal, he felt that in 1953 the 55-million mark, the annual 1930-34 average, will be reached.

To attain the planned 1948 output of 1,200,000 tons of iron and steel, considerable quantities of coal, iron ore, and manganese must be imported.

Re Chemical Industry

Remarkable recovery has been made in the chemical industry, especially in the manufacture of fertilizers. In May this year, the 100,000-ton goal in the production of ammonium sulphate was surpassed by 4,000 tons, Mr. Vaughan said.

The manufacture of penicillin, he disclosed, jumped from 324 vials in 1946 to 475,400 last year. This production increase was due to better technique and increased allocation of materials.

The canned food industry which during peacetime ranked next to the silk industry in exports is making good progress. The 1948 goal is 967,000 cases, mainly of canned oranges, bonito, tuna, crabs, sardines and bamboo sprouts. But to achieve this goal 5,000 tons of tin plate must be imported, he said.

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DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

ITEM 11 Nissan Workers Strike - Tokyo Minpo - 2 Jul 48. Translator: K. Shinoda. (TK)

110

Full Translation:

The Nissan Heavy Industry Workers Union yesterday morning staged a simultaneous one-hour strike at the nine Nissan factories including the six factories in Kanagawa Prefecture along with those in TOKYO, OSAKA, and SHIZUOKA. The walkout was called in accordance with the decision reached at a rally of the union on 26 June in protest to the Government's revision of the price structure.

ITEM 10 Significance of Demand and Supply Plan - Provincial Paper: Chuka Kokusai (Osaka) - 24 Jul 48. Translator: H. Konishi. (DD)

110

Summary:

The Government has revised the prices of nearly all commodities to 110 times the prices of the standard years 1934-1936. By doing this, prices were raised to approximately two times the previous prices.

The above price revision was based on the 3,700 yen salary level, and the 1948 budget was compiled, based upon this revision. Hence, unless the revised prices are enforced, the new 3,700 yen salary level will crumble and a supplementary budget to the 1948 budget will become necessary.

The price revision bears many difficult implications. The 3,700 yen salary level is already in a precarious state, and there are rumors of a supplementary budget. In view of these facts, the enforcement of the revised prices is of vital necessity, and for this, there must be materials available.

The 1948 daily necessities supply and demand plan, which the Government had announced on 21 July 1948 has close relations with the revised prices. We must fully realize the great significance of the enforcement of this plan.

The distinctive character of this year's plan is that the figures were drafted during the beginning of the fiscal year and a consolidated plan for its achievement was drafted later. Another factor is that the ration of foodstuffs, clothing and necessities during the latter part of the year will be increased. Furthermore, a consolidated plan for the distribution of laborers connected with the production increase and wage stabilization has been drafted.

According to this plan, staple food ration will be increased by 10 percent after November, condiments 35 to 50 percent the present amount after August, and fresh foodstuffs, clothing and daily necessities will also be greatly increased. It seems that the ration distribution has been doubled in relation to the double increase of prices.

Past facts clearly prove the difficulty of enforcing this plan. The Government has declared that it will take special measures, such as production increase, shortening of production period, raising of efficiency, adjustment of funds, materials, and transportation, enforcement of the system of reciprocity between the Government and producers, and the improvement of the product circulation, to endorse the enforcement of this difficult plan and achieve the increase of collection and distribution. Furthermore, the Government has declared that necessary revisions will be made in the course of enforcement.

The above policy had been declared by all post war administrations but never realized. It is hoped that it will be realized this time by a strong administration, since it is the most urgent factor in the rehabilitation of JAPAN.

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ITEM 3 May Production of Household Items Show Increase - Tokyo Minpo - 27 Jul 48. Translator: T. Mitsuhashi. (TK)

110

Full Translation:

The Commerce-Industry Ministry, yesterday, announced the result of a survey of the May production of more than 200 household items, including oil and fat, rubber, woodenware, building materials, paper, and pulp. The survey involved more than 100,000 factories, the majority of which were small-scale enterprises.

Although the effect of labor unrest upon production was feared, the results proved this apprehension ungrounded. Output was proportional to the amount of raw materials.

The results of production according to the types of goods follow:

Daily necessities: Production of pans, washing utensils, spoons, knives, needles, matches, umbrellas, toys, furnishings and toilet articles surpassed their goals. Moreover, production of celluloid and artificial flowers recently increased sharply due to increasing exports to the UNITED STATES.

Oil and Fats: Cosmetics, toilet water, face cream, and tooth powder production exceeded their goals.

Rubber Goods: The production of rubber-soled canvass socks, temporarily made from textiles and carbon-black, has greatly improved with the importation of crude rubber.

Hide and Leather Goods: The production of raw hide increased over last year. However, since a former military-owned hide were channeled into the blackmarket, leather stocks have decreased.

Paper, Pulp and Other Articles: Pulp production showed an increase over the previous month. Production of metal fittings, among building materials, was good. The production of furniture, fittings, roof-plates, other woodworks, and bamboo products, including bamboo brooms, was also good.

ITEM 1 Golden Opportunity for Securing Industrial Peace - Sekai Nippo - 28 Jul 48. Translator: H. Arai. (DD)

110

Summary:

There are indications that the issue over the drastic revision of the National Public Service Law will bring about a great change in the political situation. At this time we advise the Government and political parties alike to make this problem a mainspring for JAPAN's reconstruction instead of using it as a tool to further their private interests, for this presents them with a golden opportunity of securing an industrial peace upon which the foundation of Japanese recovery depends.

The first step in making the best use of this opportunity is to fundamentally revise the National Public Service Law and other pertinent regulations and, at the same time, to take every conceivable measure to improve the livelihood of public employees. This view also must be extended to apply to union movements in private enterprises.

The greatest aim of the revision of the National Public Service Law is not to restrain public employees, but to secure industrial peace. Since some of the labor unions in private enterprises are deliberately initiating extremely leftist and destructive movements, resolute steps must be taken to curb such extreme actions simultaneous with positive measures to improve the workers' livelihood. If the revision of the existing labor laws seems a necessity from this viewpoint, it should be carried out without hesitation.

The labor laws of JAPAN are as progressive as those of the rest of the world. However, if these laws are misapplied for destructive purposes by those who have designs on political power, they must be revised. If the leftist leaders of labor unions and the extremists intentionally lead the Japanese recovery program in an adverse direction, the progressiveness of the laws serves to strengthen their undemocratic and reactionary actions. This fact substantiates the demand for the thorough revising of the National Public Service Law and the labor laws to eradicate the extremities in the union movement and to put the movement on its original course.

The special Diet session which will be convoked shortly will have many problems to solve. However, each party must concentrate its efforts on the revision of the National Public Service Law which will form a basis for the establishment of industrial peace.

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ITEM 9 Agriculture and Industry (Kurihara) - Magazine: Shin Nogei (Monthly) - Jul 48. Translator: M. Takagi (RL).

110

Summary:

Rehabilitation of JAPAN's agriculture since the end of the war has come to the front, with the Agricultural Rehabilitation Congress formed in urban and rural districts. A noteworthy fact is that agricultural rehabilitation is strongly desired by fields other than agriculture.

The Economic Rehabilitation Congress, which aims at industrial rehabilitation, advocates a movement to increase food production in order to reduce food imports and import industrial materials in their place. Although the Agricultural Rehabilitation Congress is composed of agricultural organizations, its establishment was more or less related to the food increase movement advocated by the Economic Rehabilitation Congress.

The Agricultural Mechanization Association has been established chiefly by farming machinery manufacturing companies. In this way, agricultural rehabilitation is not a problem peculiar to agriculture, but is a matter of great concern to non-agricultural fields.

Agriculture and Industry Related in Every Country

In every country, agriculture and industry depend upon each other, but in the case of JAPAN, they are related in a peculiar way; for this reasons our national economy has been strained, not having been able to develop independently. In brief, Japanese industry has made progress at the expense of agriculture.

JAPAN's defeat in her aggressive war made it necessary to reconstruct the Japanese economic structure in a new and peaceful form by wiping out the lack of balance between agriculture and industry. It is necessary to equilibrate the relations between agriculture and industry, and to reorganize our economy so that JAPAN may exist without colonies.

Another noteworthy point in regard to postwar Japanese economy is that monopolistic capital has become strong. Monopolistic monetary capital of late has radically changed from its old form as the private ZAIBATSU; it formed a connection with high-ranking economic bureaucrats, and now attempt to monopolize profits by manipulating our national financial and controlling economic policies at its convenience.

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ITEM 9 (Continued)

Monopolistic monetary capital directly approaches national economy, and is attempting to dominate Japanese economy as state monopolistic capital. Even this economic reconstruction plan, based upon state monopolistic capital, cannot leave our agriculture as it is.

The first problem is that of food. The shortage of foodstuffs increases wages because of the rise in living costs, and results in decreasing profits of the capitalist. To alleviate food shortages, foodstuffs must be imported, but in turn, very large expenditures are required. As a result, industrial materials cannot be imported, causing industrial reconstruction to develop slowly.

Even if industrial rehabilitation is pushed forward in the way advocated by state monopolistic capital, the problem of increasing domestic food production to meet our food demand must be solved first. Therefore, it becomes necessary first to rehabilitate our agriculture and increase food production in reconstructing our industry.

Inflation Likened to Indirect Tax

The second problem is inflation. Inflation is like an indirect tax which deprives the masses of their incomes, used for the sake of monopolistic capital through national finance. However, when inflation reaches a certain stage, capital will flow from production fields into blackmarket transactions, with the result that blackmarket transactions will prevail without any production, and the collapse of our national economy will be inevitable.

At this juncture, it becomes necessary for state monopolistic capital to check the aggravation of inflation to some degree. Monopolistic monetary capital suffers from monetary stringency, and runs short of funds for industrial reconstruction. It then turns its eyes upon farming villages, where agricultural inflation was at its height about 1946 but declined with the "sound" budget for the 1947 fiscal year.

Monopolistic monetary capital not only thrusts low rice prices and high taxes upon farmers under the pretext of agricultural inflation, but also attempts to utilize money paid for delivered rice as far as possible for its own benefit.

At present, money paid for delivered agricultural products is circulated through credit association belonging to agricultural associations, and paid to the farmers as transferred savings. These savings at the Agricultural and Forestry Central Bank exceeded 30,000,-000,000 yen at the end of 1946.

It is the aim of state monopolistic capital to reform agricultural credit assoicaions so that monopolistic monetary capital may utilize this vast sum of money. The Banking Business Bill, said to be drafted by the Finance Ministry, will place agricultural credit associations, so far as tney are engaged in banking business, under the Banking Committee, and thus establish the legislative control of state monopolistic capital over agricultural associations.

In this way, as economic reconstruction through state monopolistic capital is under the necessity of utilizing agriculture to increase food production and check inflation, agrarianism, which advocates the development of agriculture independently of industry, has come to be excluded from the standing of state monopolistic capital.

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ITEM 9 (Continued)

Seen from this angle, state monopolistic capital can be said to take a progressive stand for agriculture. In the epoch-making Land Reform Law, as well as the Agricultural Cooperative Union Law, progressive intention can be seen to reform Japanese agriculture and increase agricultural production. However, such a reconstruction method will not necessarily secure the improvement of the farmers through developing agriculture, but will utilize agriculture for monopolistic capital.

Agriculture Depends upon Farmers Living Conditions

The unification of agriculture and industry, adovated by state monopolistic capital, is to exploit the farmers thoroughly, but when the farmers are exploited and become poor, agriculture will not actually develop, nor will agricultural productivity increase. Therefore, agricultural rehabilitation, with emphasis upon monopolistic capital, criticism of agrarianism by monopolistic capital, and the unification of agriculture and industry under the leadership of monopolistic capital, can develop neither agriculture nor industry.

The real unification of agriculture and industry can be realized through the improvement of working people's living conditions upon the basis of cooperation between farmers and workers. In order for independent national economy to be established with a balance between agriculture and industry, it is necessary for the farmers and workers to be emancipated from monopolistic capital.

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NEED TO MECHANIZE URGENT IN BUILDING INDUSTRY HERE

Construction Work Still Feudalistic and Bent On Exploiting Cheap Labor

H.T. 27 Aug. 1948 110

By KINICHI MIYATAKE
Member of Chinese Affairs Research Institute
(Condensed from the magazine "Shakai")

I

Since last summer a group of researchers have been conducting comprehensive investigations, at the request of the Construction Section of the Economic Stabilization Board, into the actual state of the building industry with the ultimate object of promoting its rationalization. In marked contrast with other industries, this particular industry has been remarkably active in postwar Japan thanks to the rush of work connected with the Occupation Forces and restoration work generally. It has, on the other hand, come in for a great deal of public criticism because it has been behaving in a manner subversive of the democratization of Japanese economy. Besides remaining pronouncedly feudalistic in its character and bent on the excessive exploitation of cheap labor through the antiquated labor boss system, it has been given to heavy purchases of blackmarket materials. The revelation of its political donations of a dubious nature further lowered it in the public estimation.

As everybody knows, the progress of the social life of mankind depends basically on the increase of labor productivity, and high labor productivity is impossible without mechanization. As for the Japanese building industry, it still depends largely on manual labor. Mechanization, though sectionally effected, is, on the whole, making but slow progress, a fact which accounts for the backward social character of this industry.

In Way of Mechanization

Cheap labor, as is universally recognized, is the main obstacle in the way of mechanization. Seeing, however, that with individual capitalists the first consideration is to realize the maximum of profit within a given period, not to contribute to social progress, it is small wonder that in the industry under discussion the management should favor the plentiful employment of cheap labor rather than expending large sums on machinery.

In Japanese agricultural communities, feudalistic relations of production have long prevailed and so unfavorable has been the position of tenant farmers that they had to give over to their landlords about 50 per cent of their produce in the form of rent in kind.

In case the prices of agricultural crops ruled low for long, they could not avoid running heavily into debt. From the farm families so badly stricken it was easy to draw any amount of labor at the wages which ensured the recruited a living only a little better than that of cattle. Impoverished farm families thus constituted the main source of supply of cheap labor for which Japan has been notorious. And it was on this cheap labor that the Japanese spinning and silk-reeling industries thrived.

Unskilled Laborers Used

The building industry which requires not much technical skill in its laborers has always employed very extensively unskilled laborers fresh from agricultural villages. Part of this labor was only seasonal. Even in the case of those who could work there all the year round, they usually went back to their native villages when they fell ill, when they grew old or when there was a temporary cessation of work. They have never been paid wages at a level sufficient for the reproduction of labor power. Impoverished farm villages were made to bear part of the cost of reproduction.

It is hardly necessary to say that so long as cheap labor remains available, the process of mechanization will necessarily be very slow. A point claiming even graver attention is that the Japanese economic structure under which cheap labor was obtainable in abundance was responsible for the inroad of Japanese capitalism into the world market with a force much more intensive than its actual capacity warranted. In view of the fact that we are now called upon to revolutionize aggressive economic structure of this kind, we must act with decision to discard cheap labor and help forward the cause of mechanization.

The labor standard law requires the employer to pay wages in currency. This rule aims mainly at the elimination of all chances of clandestine capitalist exploitation, but its collateral object is to prevent the growth of blackmarket economy by stopping all forms of pay in kind and to preclude the deterioration of the position of laborers into that of subordination to their employer through the latter's bestowal of some special allowances as a mark of patronage.

Altogether, it is intended to ensure the establishment of normal modern relations of wages.

Causing Perturbation

The law providing for the security of occupation, which is similarly motivated, is now causing much perturbation in the building industry because it aims to make a clean sweep of labor bosses. Labor bosses having hitherto been the sole suppliers of labor to this industry, their elimination is naturally bound to deal a decisive blow to it.

Capital supports the labor boss system for the sake of the exploitation of cheap labor. In its eyes, bosses are indispensable for three reasons. Firstly, it is through them that cheap labor scattered widely in the agrarian districts is recruited. Secondly, these bosses undertake to see to it that cheap laborers attend properly to the work assigned them by their employers. Thirdly, it is through the boss system that unskilled cheap labor undergoes the necessary training.

Compared with other lines of industry, the building industry requires less technical skill in its laborers, and yet even in the simple work of making concrete or planing a piece of wood, training of a sort is required to do the work properly. Skilled workers in the building industry are all those who have gone through the mill of "apprenticeship," and it is even said that without this course of apprenticeship which is inseparably associated with the boss system the industry will be drained of its skilled labor. No matter how important it is to the building industry, however, the boss system must be done away with as it manifestly lies athwart the path of the general democratization of Japanese economy.

Market Narrow

There is a body of opinion which attributes the slow progress of mechanization to the narrowness of the market, that is, too small annual amount of work in the industry. This point of view is obviously untenable. If the market is narrow and the amount of work is small, the fault lies with Japanese capitalism which has been incompetent to develop the domestic market sufficiently. It is certain that if it is demonstrated that mechanization enhances labor productivity so remarkably that greater economic advantage accrues therefrom than from the employment of cheap labor, there will be a steady introduction of machinery into the industry.

The building industry has hitherto subsisted inordinately on Government works. This was one manifestation of the pronounced militaristic character of Japanese capitalism.

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NEED TO MECHANIZE URGENT IN BUILDING INDUSTRY HERE

Construction Work Still Feudalistic and Bent On Exploiting Cheap Labor

N.T. 28 Aug 1948 110

By KINICHI MIYATAKE
Member of Chinese Affairs Research Institute
(Condensed from the magazine "Shakai")

II

The influence of absolutist bureaucracy has now waned considerably, but economic control and other postwar factors combine to disable building contractors to conclude contracts with the Government on an equal footing. Unilateral clauses contained in such contracts testify to this situation. A more abnormal phase of the matter is that written contracts are tacitly held by all to be something signed simply for form's sake, so that, in actual practice, steps considerably different from what are laid down in black and white are often taken as a matter of course.

The result is that in operating business, they have to make up three sets of books —genuine books, books intended for banks and books for Government offices. Such an irregular method of doing business is not necessarily confined to the building industry nowadays, but it seems to be resorted to most markedly in it. The prevalence of corrupt practices of the kind is the direct outcome of the incompetence of Japanese capitalism courageously to undertake, as it ought to, the building of new factories, railway lines, etc. one after another.

The disparity existing between officially fixed prices and ruling prices goes to debase the building industry to a serious extent. For executing certain Government works within the specified period, contractors make no scruples about ignoring officially fixed prices in paying wages and in purchasing and transporting materials. The consequent rise in the cost of construction furnished one important cause of the deficit in the Government finance.

End Defeated

As the only way to hold inflation in check, the Government wanted to reduce the cost of construction through the strict enforcement of the officialy fixed prices, and for this purpose it attempted to increase the amount of materials which it supplied to the industry, but it failed to obtain the necessary materials at the right time at the prices officially fixed. Its end was thus virtually defeated, and its construction works had to be carried on with the materials procured by contractors at high blackmarket prices.

In the meantime, the Government continued to delay its payments, which compelled the contractors concerned to borrow money from the banks. At the end of last year, these bank loans amounted to some ¥6,000,000,000 or ten times the aggregate of the capitals of the indebted companies. Interest payments on these loans alone proving a heavy burden, the contractors did their best in order to get the Government to pay its dues speedily. I shall not enter into details here as to what they did. Suffice it to say that the much-criticized case of the donations to political parties on the part of contractors has the irrational economic relations such as have been described for its background.

It is admittedly no easy task to rationalize the building industry which is most feudalistic structurally. How backward this industry is can easily be gathered from the fact that in the construction of air bases on Pacific islands during the late war it took the Japanese engineering corps over a month to prepare a base which a mechanized American corps could complete in three days.

Set-Up Backward

Japan's defeat in war was largely ascribable to the backward structure of her entire capitalistic economy including the building industry. It was scandalous that instead of trying ot improve it by peaceful means, the Japanese leaders attempted to make up for this defect by aggression. The aggressive economic structure depending chiefly on cheap labor was the root cause of all irrationalities in the building industry.

The rationalization of the industry is, therefore, possible only when the whole nation comes to bend its energies to the abolition of cheap labor and to the revolutionizing of the aggressive economic structure. That is to say, this possibility can be turned into certainty by its devotion to the cause of democracy. If would be hoping against hope to expect capital to turn its back on cheap labor of its own accord and take to mechanization. Not until the pressure of the labor emancipation movement is brought to bear on capital will mechanization be expedited and the rationalization of the industry realized.

The labor union movement, which is the first manifestation of this emancipation movement, must be linked to the movement of democratizing agrarian communities in the sense of removing the source of supply of cheap labor. Under the pressure of such movements, capital will find it no longer possible to remain content with its status of subordination to bureaucracy and will be impelled to direct serious attention to rationalization.

Good Progress Possible

As it is inconceivable that the pressure from the labor side will gain in the near future such strength as to put labor in control of the entire management, the common front formed by laborers and farmers will not lead to the downfall of capitalism, though the necessity will arise more frequently for the use of national funds for the relief of capitalism in crisis. If national funds are employed simply for the relief of private capital, it may end by stimulating inflation and fostering corruption, but if they are so employed as to encourage mechanization where private capital is giving it a wide berth, good progress will be made in the right direction.

It is advisable that the Government draw up construction schemes with a sufficient breadth of view and to mobilize capital and labor for their execution.

The economy in which new funds are invested all in the form of national funds is undoubtedly socialistic, but as profit-making is not an essential condition here, there is no occasion for apprehending over-production or a panic. Social production can thus be constantly expanded by linking the newest scientific and technical achievements by the existing means of production.

The construction of power houses, factories and railways as well as dwelling houses will then be possible on an adequate scale.

For the speedy and efficient execution of this enormous amount of construction work, the present antiquated building methods must give way to up-to-date methods. Provided with huge national funds, the building industry can be rapidly mechanized. A mechanized building industry in the days of socialism has no need of either cheap labor or the labor boss system. What it needs are organized laborers who are keenly alive to the duty devolving upon them for developing the destinies of the State and mankind.

(The End)

Besides the construction of barracks, fortifications, arsenals, airfields, military roads and railways and naval ports, the building of many munitions factories supplied the industry with plenty of work. The works connected with the laying of Government railways and telegraphic and telephone installations represented a large percentage of the building business too.

Because after the war all works concerning the occupation forces have been given out in the form of Government works, outwardly at least, Government works predominate now, as before. If the Government is really democratic, the preponderance of Government works by no means operates to spoil the building industry, but in militaristic Japan despotic bureaucracy held considerable sway and the status of subordination which building contractors meekly accepted toward bureaucrats served to exclude fair economic competition to the detriment of the sound progress of the industry.

(To Be Concluded)

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110

Plans for Reorganization Of Key Industries Pushed

Program Completed or Near Final Stage for Textiles, Steel, Chemicals, Movies

110

By PETER KALISCHER
United Press Staff Correspondent

Reorganization plans for companies in four key Japanese industries are completed or near the final draft stage, Edward Welsh, chief of the ESS Anti-Trust and Cartels Division told the United Press.

The affected industries are textiles, steel, chemicals and motion pictures.

In an industry-by-industry breakdown, Mr. Welsh said the following steps had been taken:

1. Textiles—A total of 26 companies have been designated for reorganization. Of these, 10 companies were removed without structural break-up, although they were divested of their holding companies and other monopolistic features.

The remaining 16 companies include the Big Ten spinning companies, the Katakura and Gunze Silk companies, Nippon Wool Co., Imperial Rayon Co., Toyo Rayon Co., and the Imperial Textile Co. (Flax and hard fibres.)

None of these companies has received reorganization orders, Mr. Welsh said. The orders are expected to be finalized soon subject to review by the Deconcentration Review Board.

The companies are expected to be reorganized two or three different ways — financially, structurally, etc.

Mr. Welsh stressed that none of the designated companies' plants or compounds would be broken up. Reorganization plans, as previously published by the Cotton Spinning Asso-

(Continued on Page 2)

2. Steel—Of the designated nine companies five have been removed without structural reorganization. They are the Kokura Steel Co., Japan Steel Works, Daido Steel Co., Nakayama Steel Co., and Mitsubishi Steel Co.

The four ready for reorganization are the Japan Iron and Steel Co., Kobe Steel (probably into five companies), Japan Steel Tube Co., and Fuso Steel Co.

3. Chemicals—In the salt, acids and soda subdivision the Nippon Soda Co. was broken up into six companies. Two other companies were ordered to reorganize but not along structural lines.

In the soap, cosmetics and medicines subdivision two companies have been designated for reorganization but not along structural lines.

In the dyes, plastics and explosives subdivision six companies have been designated of which the Hodogaya Chemical Co. and the Japan Synthetic Resin Company will not be reorganized along structural lines.

Plans for the structural reorganization of the Nisshin Chemical Co., Mitsui Chemical Co., Nippon Dynamite Co., and the Asahi Chemical Co., are nearly completed.

4. Motion Pictures — the Daiei, Toho, Shochiku, Toyoko Eiga and Nikkatsu companies have all been designated for reorganizations with emphasis on separating distribution and exhibiting agencies from the production end.

Mr. Welsh also said reorganization plans for the Oji Paper Co., are at an advanced stage of completion.

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NIPPON TIMES

Plans to Reshape Industries Pushed

110

(Continued from Page 1)

ciation are along "fiber lines" —leaving cotton, silk, and wool plants as individual units. Even where a predominantly one-fiber plant also manufactures another fiber both fibers would be left in a single unit.

Among the Big Ten, plans for three cotton spinning companies do not call for structural reorganizations, Mr. Welsh said.

2. Steel—Of the designated nine companies five have been removed without structural reorganization. They are the Kokura Steel Co., Japan Steel Works, Daido Steel Co., Nakayama Steel Co., and Mitsubishi Steel Co.

Australian Delegation Inspects Kyoto Plants

110

KYOTO, July 31.—The seven-man Australian Parliamentary Delegation accompanied by Lt.-Gen. H.C.H. Rebertson, Commander-in-Chief of BCOF, arrived here today at 7.32 a.m. and was met by General M. Swing, Commanding General of First Corps at Kyoto Station.

The party conferred with Gen. Swing from 9.15 a.m. up to about noon. They spent the major part of the afternoon inspecting several factories here.

They will spend the night at Miyako Hotel and will meet Japanese governors at Gen. Swing's office tomorrow.

1 AUG 1948
MAINICHI

Reform Nearly Ends In 4 Key Industries

110

Welsh Reviews Progress Of Reorganization Plans

By Peter Kalischer
United Press Staff Correspondent

TOKYO, Aug. 28.—Reorganization plans for companies in four key Japanese industries are completed or near the final draft stage, Edward Welsh, chief of the ESS Anti-Trust and Cartels Division told the United Press.

The affected industries are textiles, steel, chemicals and motion pictures.

In an industry-by-industry breakdown, Welsh said the following steps had been taken:

1. **Textiles.**—A total of 26 companies have been designated for reorganization. Of these 10 companies were removed without structural break-up, although they were divested of their holding companies and other monopolistic feature.

The remaining 16 companies include the Big Ten spinning companies, the Katakura and Gunze Silk companies, Nippon Wool Co., Imperial Rayon Co., Toyo Rayon Co. and the Imperial Textile Co. (flax and hard fibers).

None of these companies has received reorganization orders, Welsh said. The orders are expected to be finalized soon, subject to review by the Deconcentration in two or three different ways—financially, structurally, etc.

Welsh stressed that some of the designated plans, as previously published by the Cotton Spinning Association, are along "fiber lines"—leaving cotton, silk and wool plants as individual units. Even where a predominantly one-fiber plant also manufactures another fiber, both fibers would be left in a single unit.

Among the Big Ten, plans for three cotton spinning companies do not call for structural reorganizations, Welsh said.

2. **Steel.**—Of the designated nine companies five have been removed without structural reorganization. They are the Kokura Steel Co., Japan Steel Works, Daido Steel Co., Nakayama Steel Co. and Mitsubishi Steel Co.

The four ready for reorganization are the Japan Iron and Steel Co., Kobe Steel (probably into five companies), Japan Steel Tube Co. and Fuso Steel Co.

3. **Chemicals.**—In the salt, acids and soda subdivision, the Nippon Soda Co. was broken up into six companies. Two other companies were ordered to be reorganized but not along structural lines.

In the dyes, plastics and explosives subdivision, six companies have been designated of which the Hodogaya Chemical Co. and the Japan Synthetic Resign Co. will not be reorganized along structural lines.

Plans for the structural reorganization of the Nisshin Chemical Co., Mitsui Chemical Co., Nippon Dynamite Co. and the Asahi Chemical Co. are nearly completed.

4. **Motion Pictures.**—The Daiei, Toho, Shochiku, Toyoko Eiga and Nikkatsu companies have all been designated for reorganizations with emphasis on separating distribution and exhibiting agencies from the production.

Welsh also said reorganization plans for the Oji Paper Co. are at an advanced stage of completion.

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ITEM 11 Industrialization of Asia and Japan (By Yonezawa, Hideo) - Sekai Nippo - 6 Sep 48. Translator: E. Sato. (RL)

11.

Summary:

(The author is the director of the China Research Institute.)

The export trade of Asiatic countries has been very dull since the end of the war.

Asiatic countries find it difficult to supplement the import of deficient consumers' goods by recovering the production of exports, and keenly feel the vital need of producing consumers' goods on their own account. Thus, they are formulating plans to industrialize themselves in order to emerge from colonization.

There is no indication that their hope that the Marshall Plan will be applied to their industrialization plans will be realized. Accordingly, they are thinking of utilizing JAPAN's producers' goods and productive technique.

The industrialization of Asiatic countries demands producers' goods. In order to have JAPAN supply these goods, it is necessary to allow her to reconstruct her heavy industry. If the products and technique of Japanese heavy industry are utilized to the fullest extent for industrializing Asiatic countries, it would bring phenomenal results.

While feeling the urgent necessity of such action, Asiatic countries have no intention of allowing JAPAN to recover her heavy industry readily. The Japanese must analyze themselves in this connection. Asiatic countries place no confidence in JAPAN and are keeping close watch over her because she has not yet been democratized to their satisfaction.

When Japanese technicians are allowed to take part in industrializing Asiatic countries, they must concentrate on this task in atonement for the sins which JAPAN committed during the aggressive war. With the democratization of Asiatic countries, the market for products of JAPAN's light industry, including cotton cloth, will be reduced. However, since, as a general rule, a country's capacity to import foreign goods become higher with its industrialization, it is indisputably clear that JAPAN's export trade will grow more prosperous when Asiatic countries become industrialized.

Since the end of the war, Asiatic countries have been exerting constant efforts to accelerate the development of their characteristic industries, including their nationalized enterprises. This can be considered as an inevitable consequence of war damages and destitution of capital. Merely by the building of many factories in cities and towns through the introduction of foreign capital and technique, the industrialization of the nation can never be carried out successfully.

The farmers in Asiatic countries are now in an impoverished state and have no strong purchasing power. In order to save such a situation, it is necessary to carry out agrarian reforms aiming at the liquidation of feudalistic agricultural production, and find new domestic markets for industrial products by raising the farmers' standard of living. This is also true for the rehabilitation of JAPAN.

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ITEM 2 Living Expense for Metropolitan Citizens Decrease - Asahi - 24 Oct 48. Translator: K. Shinoda. (RL)

110

Full Translation:

The statistics section of the metropolitan government announced on 23 October the results of several surveys. The following surveys were described:

1. Household finance:

A survey of household finances of working classes for September was conducted of 103 households in TOKYO's 23 wards. Because of the increased ration of potatoes, the purchase of blackmarket food decreased for this period. Despite an increase in cultural, transportation, and communication expenses, total expenditures of an average household show a three percent decrease compared with the previous period.

The average household deficit was as follows: Government and public office employee, 1,495 yen; school teacher, 819 yen; bank or company employee, 1,374 yen; laborer, 267 yen.

Living expenses per month per person was as follows: Government and public office employee, 2,559 yen; school teacher, 2,898 yen; bank or company employee, 2,640 yen; laborer, 2,404 yen.

2. Daytime population according to industry:

As of 11 Nov 1947, out of a total population of 5,030,392, the number of employed amounted to 1,867,444, with 34.7 percent engaged in the manufacturing industry; 14.7 percent in commerce, followed by those in the building and construction industry and public corporations; 6.7 percent in farming. Fishery and forestry showed the lowest percentages, with 0.5 and 0.3 percent, respectively.

3. Utilization of transportation facilities:

Out of a total of 2,824,367 commuting workers and students, pedestrians occupied 57 percent; the remaining 1,199,072 utilized transportation facilities each person transferring 1.33 times.

Most utilized was the government electric railway lines, registering 45 percent, followed by the private electric railway with 24 percent; metropolitan street car service, 14 percent; railway train service, three percent; metropolitan buses, three percent; and private buses, two percent.

ITEM 8 JFTU Charges That Three Principles Menace Industry - Akahata - 26 Nov 48. Translator: M. Okajima. (UG)

Full Translation:

111

On the grounds that an immediate application of the three economic principles proposed by the Government may seriously endanger a wide range of enterprises which are not directly concerned, give a free rein to reactionary capitalists and imperil the livelihood of the working masses, TAKANO and SHIMAGAMI of the Japan Federation of Trade Unions submitted on Wednesday the following proposals to the Government:

1. The terms and the duration for deficit loans should be clarified while priority credit measures should be taken so that essential enterprises may get help.

2. In order to supervise the particulars of expenditure and results of the loans advanced, a special democratic organ will be established in each important industry with labor participation.

However, Chief Cabinet Secretary SATO declared, "I cannot agree to the second proposal."

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INDUSTRIAL LEVEL OF 1934 EXPECTED HERE DURING 1953

110

Chief of SCAP's Industry Division Offers Review Of Situation

Industrial levels in Japan have reached a high of 55 as compared with the index of 42.5 of last year, W. S. Vaughn, chief of the Industrial Division, ESS, declared yesterday. His report, made at a press conference, follows in part:

"Japanese industries are operating under a progressive industrial plan whereby the average of the 1930-34 period, or 100 per cent, will be reached some time in 1953.

"Perhaps at this point, you are wondering if there isn't some immediate step which can assist in the industrial recovery of Japan. Yes—there is. The immediate settlement of the reparations question would help materially.

"The motivating influence of the occupation today and our ultimate goal is to place this nation back on its feet industrially so that it is no longer a burden to the American taxpayer. Our purpose therefore is twofold: To make Japan once again both a seller and a purchaser of world goods, and yet eliminate forever her military potentialities.

"Japan's industrial capacity in nearly all fields is large compared to her actual production at the present moment. The gap between capacity and production is due mainly to the lack of electric power, coal, raw materials and the fact that many plants are on reparations and are not being utilized at the present time.

"We have set an industrial level, as far as coal is concerned, at 55,000,000 tons by 1953. This, however, will only equal the 1930-34 level of production.

"A similar situation exists in regard to iron and steel. In order to give some idea of the magnitude of the task the import program requires:

900,000 tons of coking coal
800,000 tons of iron ore
60,000 tons of manganese ore
200,000 kiloliters of heavy oil—

"You can readily see why we are fostering private industry within Japan and the investment of private and foreign capital so Japan can become a self-sustaining na-

(Continued on Page 2)

Industrial Level Of 1934 Expected Here During 1953

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tion.

"Despite the tremendous effort and the terrific costs, the 1948 planned output of 1,200,000 tons of carbon steel products is less than 50 per cent of her 1935 output.

"To assist us in this program, an intensive survey is, as you know, being made throughout Japan to inventory all scrap iron and steel that is stockpiled or stored in out of the way places.

"Machinery and equipment production in Japan has shown remarkable gains but there is still plant capacity that has not been utilized due to scarcity of metals, coal, factors."

6 OCT 1948

NIPPON TIMES

TIGHT MONEY HELD NOT RESPONSIBLE FOR SLOW OUTPUT

Ichimada Clarifies Setup To Cabinet Members at Conference

110

The current so-called "tight money" situation is not responsible for the slump in industrial activities, Governor Hisato Ichimada of the Bank of Japan said yesterday.

Speaking before a meeting of Cabinet Ministers concerned with economic affairs, Governor Ichimada pointed out that the real reason for the drop in production must be found in other factors such as labor, electric power, coal, and raw materials.

The council of economic Ministers held its first meeting yesterday morning at the Prime Miister's official residence.

They were told by Governor Ichimada that "the monetary situation is not as stringent as referred to, particularly with reference to business as a whole."

He emphasized that the banking institutions were not responsible for the "tight" money supply.

For example, he continued, the total loans made by the banks in general and by the Reconstruction Finance Bank totalled ¥85,000 million in the second quarter of the present fiscal year, or about 20 per cent more than the first estimate.

Among factors responsible for the "tight money" situation, Governor Ichimada listed the following:

1. Higher wage level;
2. Payments in arrears by the Government; and
3. Uncontrolled production of some kinds of consumer goods despite declining purchasing power.

Governor Ichimada stressed that the present loan policy of the banking institutions should be continued in the future. He added, however, that some means of improving the supply of loans to key industries should be considered.

Economic observers, however, believed that the Government would be forced to ease its loan policy.

Despite Governor Ichimada's opinion, it was opined that the Government would be forced to relax the "tight money" situation because the Democratic-Liberal Party promised to do so while it was an Opposition party.

At the same time, the impending general election is also a factor which must be considered, since the Democratic-Liberals fear that it could not be carried out to their advantage under conditions of "tight money" situation.

Observers said the Government could possibly take the following steps: promotion of Government payments, revision of the priority list of money supply, promotion of loans to the small and medium-size enterprises and to repatriates, and encouragement of loans for investment on securities.

It was pointed out, however, that Finance Minister Sanroku Izumiyama has already gone on record opposing "deficit financing."

Meanwhile, Chief Cabinet Secretary Eisaku Sato said that the Government might possibly invite industrial and labor leaders for a conference to discuss the current economic situation.

Mr. Sato indicated that the Government announce the list of Parliamentary Vice-Ministers today.

Prime Minister Shigeru Yoshida returned from Oiso yesterday afternoon and was expected to complete the selection of the Parliamentary Vice-Ministers during the night.

Meantime, Labor Minister Kaneshichi Masuda said that the National Personnel Commission would announce its new wage level for Government workers "within a day or two."

He added that the announcement will not necessarily be "final" since the Government would have to study it thoroughly.

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Heavy Industry for Japan

110

It is very evident that the type of consumer goods which Japan used to market in such great quantities in the various countries of the Far East before the war will never again be able to enjoy their former dominant position in Japan's foreign trade. Although the increasing difficulty of marketing Japan's output of cotton textiles may just at the moment be primarily due to temporary complications over exchange, even the long-range prospects for textile sales abroad are evidently none too good. This is just one sample of the general situation affecting all simple consumer goods.

Buyers from the neighboring Far Eastern countries frankly state that they are not particularly interested in consumer goods, except as a stop-gap to fill emergency needs. Most of these countries plan to develop their own domestic industries to produce simple consumer goods for themselves. And whatever technological advantage Japan used to possess in the past cannot long be maintained in the face of the progress of these other countries. For the simple machine processes entailed in producing most consumer goods can be mastered relatively easily by other Oriental peoples.

In this situation, the ideal course for Japan to take would be to develop entirely new lines of manufacture of artistic goods which make special use of the manual dexterity and artistic skills which most other peoples do not possess. But it would take years of experimentation and promotion to develop such new industries, and even then it is highly questionable as to whether they would ever attain the magnitude sufficient to take the place of the older export industries in Japan's national economy. As a practical matter, something more prosaic and immediately available is necessary.

The answer is given by the very same foreign buyers who are so cool toward Japan-made consumer goods. These buyers are clamorous in their demand for more Japan-made producer goods — factory equipment, locomotives, rails, machinery of all kinds, agricultural implements, and the like. These are goods which most countries of the Orient will not be technically capable of producing for themselves in sufficient quantity for a long time to come, whereas Japan has already demonstrated her abilities along this line.

Here is a field for Japanese manufacture and export which is well-nigh unlimited, a field which will progressively expand as the industrialization of the purchasing countries progresses. The future of Japan's export trade should therefore be based on a shift from consumer goods to producer goods, from light industry to heavy industry.

Of course there will be several objections to this proposed course. The materials for the manufacture of producer goods must be secured from abroad at considerable expense, it will be contended. But the same was also true with regard to consumer goods like cotton textiles. More highly fabricated products like machinery will have a decided advantage over simpler goods in that the cost of the raw materials will constitute a much smaller proportion of the price of the finished product.

Manufacture by Japan of producer goods will run into competition, and hence friction, with the powerful industrialized nations of the West, it will also be contended. To a certain extent this objection is valid, but it seems to be greatly exaggerated. The shortage of producer goods throughout the world is so great that in the foreseeable future there would seem to be little danger of a glut on the market.

But the most important assurance that there will be little competition between Japan and the countries of the West is to be found in the fact that they will be manufacturing entirely different kinds of producer goods for a different kind of market.

Most of the producer goods manufactured by the Western countries are unsuited to the relatively simple economies of the Far Eastern countries. It is not worthwhile for the Western countries in most cases to make special adaptations in their manufactures for the peculiar needs of the Far Eastern market. Japan, on the other hand, being more nearly similar to the other Far Eastern countries, normally produces the type of producer goods suitable to the Far Eastern market.

To take one example, most Western countries no longer find it profitable to manufacture treadle sewing machines and hence produce only electric sewing machines. But the great demand throughout the Far East is not for electric sewing machines but for treadle sewing machines and even for hand sewing machines. These latter can be manufactured in Japan with profit whereas they cannot be manufactured for profit in the Western countries. This one example is typical of the situation which prevails with regard to a wide range of mechanical goods. Thus the manufacture of producer goods by Japan will not compete with, but will supplement, the industrial activities of the Western countries.

The only really valid objection to the shift to manufacturing producer goods in Japan is that any development of a machine industry or heavy industry may contribute to the revival of Japan's war-making potential. It is hardly likely, however, that after the bitter lesson of the last war, the Japanese people would ever again choose to commit economic suicide. But if there should be any doubt, the fact that all the raw materials must be secured from abroad would constitute a definite check. International control over import of raw materials could readily prevent any development of heavy industry in Japan from being directed toward the production of war materials.

Thus the shift in emphasis from light consumer goods industry to heavy producer goods industry seems to be the logical solution to the problem of Japan's foreign trade.

3 OCT 1948
NIPPON TIMES

Panyushkin Speaks On Japanese Industry

110

United Press

WASHINGTON, Nov. 5.—Alexander Panyushkin, Soviet representative of FEC, reiterated his proposals that no limitations be placed on the peaceful development of Japanese industry.

"On the question of what should be considered 'war industry' and what should be considered 'peaceful industry,'" he added, "the Soviet delegation proposes to proceed from the FEC decision of August 18, 1947, 'The Reduction of Primary War Potential.'

"Thus a war industry ought to include that group of facilities which are defined in that paper as 'primary war potential' as well as that defined as 'secondary war facilities.'"

"The remaining facilities and industries," Panyushkin continued, "may be included in the category of 'peaceful industry.' Naturally the Soviet delegation is ready to discuss other proposals as well on the question of dividing Japanese industry into peaceful and war industries."

Panyushkin then invited the other members to express opinions as to the two Soviet proposals submitted on September 28.

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110

The 'Tight Money' Situation

110

Lack of funds has been pointed out in recent months as one of the chief causes for the slump in industrial production. Business has been particularly insistent that the Government should let down the bars on its loan policy so that money might be made available to keep the factories operating.

With the formation of the Yoshida Cabinet, strong pressure is being exerted by industrial circles upon the Government to ease current restrictions on loans. This pressure is especially strong because the Democratic-Liberal Party during its tenure as a party of the opposition made public promises of solving the "tight money" situation.

How the Democratic-Liberals will meet the situation still remains to be seen. But it is clear that bigger loans to industries on easier terms will not solve the problem. Finance Minister Izumiyama has not clarified the Government position to any great extent other than to say that the Yoshida Administration's financial policy will not allow deficit financing. The recent statement of Governor Ichimada of the Bank of Japan, however, was more explicit in pointing out that industrial production will not be raised by merely making more funds available.

Mr. Ichimada listed as factors responsible for the current shortage of funds the increase in the wage level, the delayed payments by the Government, and the uncontrolled production of goods with no regards for declining purchasing power. And he went on to say that the drop in production was due not to lack of funds but to such factors as a restless labor and critical shortages in electric power, coal, and raw materials. Unless these deterrents are first cleared up, no amount of easy loans will increase production. In fact the loans issued by the Reconstruction Finance Bank in the second quarter of the present fiscal year were 20 per cent more than at first estimated.

The matter of Government loans to encourage productivity has been a difficult problem for the past several Cabinets. In truth it presents a dilemma of the first order. Abundant financing by the Government, to be sure, in times of scarcity is necessary to keep factories going. But easy loans by the Administrations lead also to inflation and deficit financing, for the income of the Government is far from sufficient to cover the loans.

It has, of course, been pointed out that temporary inflation can be overcome by increased production. But the course of the nation's economy during the past two years has witnessed a continual race between production and inflation. It must be pointed out, however, that the loan policy of the Government has had little actual effect upon the nation's production record. It is thus to be hoped that the Government will maintain its present loan policy as a deterrent to currency inflation and that the Democratic-Liberal Party will take steps to remedy its promises of extending easy loans.

29 OCT 1948
NIPPON TIMES

AMERICA REJECTS SOVIET BID IN FEC ON INDUSTRY HERE

USSR Resolution Is Held Same as Policy Already Decided

110

Kyodo-UP

WASHINGTON, Nov. 12—The United States has rejected as propaganda the Soviet proposals in the Far Eastern Commission urging the restoration of Japanese industry.

Gen. Frank McCoy, FEC United States representative, told fellow commissioners that the proposals made on November 4 by Russian Ambassador Alexander Panyushkin had the double-barreled effect of (1) agreeing in part with the already announced U.S. policy, and (2) of being in part beyond the competence of the Far Eastern Commission.

In a formal statement General McCoy said, "It is the view of my Government that the Soviet resolution would serve no useful purpose, would in substance only reiterate the Far Eastern Commission and Allied policy decisions of long-standing, and would in part be beyond the competence of the FEC."

NIPPON TIMES 13 NOV 1948

Russian Proposals Re Japan Rejected

110

By William McDougal
United Press Staff Correspondent

WASHINGTON, Nov. 12.—The United States has rejected as propaganda the Soviet proposals in the Far Eastern Commission urging the restoration of Japanese industry.

General Frank McCoy, FEC United States' representative, told fellow commissioners that the proposals made on November 4 by Russian Ambassador Alexander Panyushkin had the double barreled effect of first agreeing in part with the already announced United States policy, and second of being in part beyond the competence of the Far Eastern Commission.

In a formal statement McCoy said, "It is the view of my government that the Soviet resolution would serve no useful purpose, would in substance only reiterate the Far Eastern Commission and Allied policy decisions of long standing, and would in part be beyond the competence of the FEC."

Panyushkin's proposals were:

Firstly, that no limit be imposed on the restoration and development of the peaceful Japanese industry which seeks to satisfy the needs of the Japanese population nor upon the development of export in accordance with the needs of a peaceful economy.

Secondly, that the revival and creation of the Japanese war industry should be prohibited and that there should be established for several years control to watch over the fulfilment of this decision, to be exercised by the powers most interested in preventing new Japanese aggression.

Responsible United States sources said McCoy's statement was an "attempt to set right" any impression Panyushkin's statement might have made that the United States was hampering the revival of Japanese peacetime economy.

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The American delegate asserted that viewed from policies now being pursued by the Far Eastern Commission, international control is unnecessary.

United Press

WASHINGTON, Dec. 9.—The original Soviet proposals were made September 23. Although officially two in number, they contained three points relating to:

1. Revival of Japan's peacetime industry.
2. Setting up of international controls over industry, and
3. Complete demilitarization, which the Soviets insist is not being fully carried out by General MacArthur.

MAINICHI 11 DEC 1948

International Control Of Japanese Industry Is Voted Down By FEC

Soviet Proposals Beaten 10 To 1; US Delegate Says Plan Unnecessary

110

Kyodo-AP

WASHINGTON, Dec. 9.—The Far Eastern Commission, at its regular session today, voted down the Soviet proposals on the international control of Japanese industry. The vote was 10 to one.

Soviet delegate Alexander Panyushkin, who proposed the plan, was the only one who voted in favor.

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ITEM 8 Status Quo of Japan's Rehabilitation - Osaka Times (Osaka) - 14 Nov 48. Translator: T. Horikawa. (DD)

110

Summary:

According to a 9 November UP dispatch from NEW YORK, Undersecretary of the Army DRAPER declared that the appropriations for JAPAN's economic rehabilitation fund during the 1950 fiscal year may be increased 50 percent over this year's. Since this year's figure represented slightly less than 100,000,000 dollars, next year's will be somewhere between 100 and 200 million dollars. The increase is believed to have been made available as a result of the remarkable production recovery in Western GERMANY, which rose from 40 to 70 percent of the prewar level, thus reducing German relief expenses for next year sizably.

The Japanese should realize that such a good tiding necessarily demands more effort and greater responsibility on their part. Nevertheless, the status quo of JAPAN's rehabilitation is discouraging, to say the least, although there are mounting adverse conditions.

The mining and manufacturing production indexes, taking the 1930-34 average as 100, are: 1947, 43; 1948, 55; and 1949, 60.

On the other hand, it is hardly likely that the 36,000,000-ton goal coal output for this year will be attained. While power generation in May this year barely topped 100,000,000,000 KWH, or a mere 44 percent increase over the 1946 figure. If coal and electricity, the two basic key industries, are so slow in recovering, the way will be long and the road will be hard.

As the latter half of the fiscal year is dry, lowered power generation must be covered by increased coal output. However, even coal will fail this year. It is deplorable that blackouts should be repeated daily all the year round even four years after the termination of the war.

Earlier, Mr DRAPER recommended in his basic principles of the US policy toward JAPAN that JAPAN's export should be boosted seven to eight times. In order to attain this, Japanese industries must be restored to prewar standards as quickly as possible. Concentrated efforts and enthusiasm on the part of the nation are needed.

Unless we realize that JAPAN must be reconstructed by our own hands, rehabilitation funds would be only wasted. It is said that the conclusion of a Japanese Peace Treaty in the foreseeable future is hopeless. We must understand that we, and we alone, are to blame for the delay.

ITEM 20 Start a Large-scale People's Movement - Sekai Keizai - 22 Dec 48. Translator: J. Wada. (UG)

110

Summary:

In order to carry out the nine principles for stabilizing Japanese economy, it is necessary to launch a people's movement. This movement must be such that every Japanese will consider the realization of the nine principles a personal problem and that an ardent desire for reconstructing and reviving JAPAN will spring up from among the people themselves.

The nine stabilization principles cannot and should not be realized at the expense of only a segment of the people. The entire populace must join efforts to carry out these principles as a means to save the nation. To lay the foundations for a sound democracy, freedoms must be subjected to certain conditions different from those under a perfect democracy.

In fighting for democracy it is necessary to put restraint upon certain freedoms. To prevent this from leading to Fascism, everyone must realize the meaning of his efforts and willingly endure austerity. The movement must be an autonomous and democratic one based upon the realization that all efforts must be directed toward reconstruction--a precondition for the development of democracy.

This movement demands that the national Diet become a place for formulating revival policies instead of developing political strifes and that enterprisers and labor unions act for the common purpose of reviving economy. Moreover, the movement demands that the burden be equalized among all the people and that necessary reforms in systems and operations be effected. Without the development of such a people's movement, democracy cannot be established.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

ITEM 12 Free Economy and Small and Medium Enterprises - Dai Ichi - 21 Nov 48. Translator: I. Kuniko. (MJF)

Summary:

Centered around the problems of a Diet dissolution and a general election, the political situation seems once again confused. Public opinion polls indicate that the popularity of the Democratic Liberal Party is steadily increasing: This is primarily due to the attractive slogan of the Democratic Liberals: "Economic decontrol and reversion to free economy."

Not only small and medium enterprisers but even laborers are dissatisfied with controlled economy and are clamoring for the revival of free economy. As pointed out by some people, the lifting of control over such fruits as apples and tangerines serve to illustrate the merits of free economy; fruits are no longer a scarce commodity on the market. Thus they strongly emphasize that the cause of the economic crisis now confronting JAPAN lies in control. Considering the fact that the more aggravated JAPAN's economic crisis becomes, the more contradictory will become her controlled economy, perhaps it is only natural to misconceive that control itself will bring about an economic collapse.

Although Japanese small and medium enterprisers were oppressed badly by capital during the period of free economy, they were able to make some profits by evading bureaucratic control during and after the war. However, with the clamping down on the blackmarket, economic decontrol and revival of free economy are greatly attracting these minor enterprisers. As a result, they seem to have supported the slogan of the Democratic Liberal Party enthusiastically, especially after the disappointment they suffered under KATAYAMA's Socialist Cabinet and the Ashida Cabinet.

YOSHIDA, in the meantime, has succeeded in creating a Democratic Liberal Cabinet but as yet, a complete form of free economy has not materialized as expected. This is because the Democratic Liberals realize that the survival of some degree of control will not necessarily collide with the interests of capital, and thus they find it rather difficult to abolish the present economic control system completely. However, there are strong indications that with participation in international economy under a single exchange rate system, the Democratic Liberals will revive free economy on a full scale.

Under such an economic structure, will it really be possible for small and medium enterprisers to prosper as favorably as they expect? Far from that, it is imaginable that they will again be heavily oppressed and exploited by major capital. In fact, it seems that the series of enterprise readjustment measures now being enforced by the Government will inevitably bring about the adjustment of many unsound enterprises. Thus, if the Democratic Liberal Party fails to measure up to their expectation, we wonder what the enterprisers plan to do next.

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ITEM 1 70% of Management Bodies Held Useless - Kogyo Shimbun - 22 Nov 48. Translators: Suzumura, Harasawa and Mitsuhashi. (TK)

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Summary:

Perhaps because of the recent monetary stringency, many companies are complaining that membership fees imposed by economic organizations are too costly. Industrial circles are coming to feel that the existing organizations should be either readjusted or merged.

The following are reports obtained from leading member companies on the questions of (1) what organizations do you belong to, (2) what do you pay in membership fees, and (3) what are your opinions of these organizations:

Situation in Big Industry

Hitachi Factory: The company is affiliated with between 700 and 800 industrial and other organizations, only one-third of which are essential. Membership fees to the 400 organizations with which factories in the Kanto area are affiliated totalled 8,000,000 yen in 1947, the highest being the 108,000 yen paid to the Japan Electric Machinery Manufacturers association for the first quarter. A greater part of this amount still remains unpaid because the company, as a restricted company, cannot disburse without authorization.

President KURATA of the company stated, "The establishment of such a maze of industrial organizations is ascribable to the lack of consciousness on the part of industrialists. The existing organizations must be reorganized, by the industrialists themselves, into authoritative ones chiefly dealing with investigations and statistics."

Japan Iron Manufacturing Company: The company is affiliated with some one hundred odd organizations. Expenses involved are estimated at about 4,600,000 yen in the budget for the latter half of this year. Membership fees to the Iron and Steel Manufacturers League and the Iron and Steel Rehabilitation Conference, 70 percent of the budget, are in arrears due to the lack of payment permits.

The company management stated, "The company cut down its affiliations three times, once immediately after the war, then in May 1946, and lastly in August, this year, and now holds memberships to only one-fifth of the wartime number. Since President MIKI holds the posts of the chairmen of the Iron and Steel Manufacturers League and the Iron and Steel Rehabilitation Council, the company will continue to belong to these but will refrain from becoming nominal members of other organizations.

"Having its own investigation section, the company rarely benefits from belonging to these organizations, although it obtains data from

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some of them. It is necessary for these ever-increasing industrial organizations to be fully scrutinized."

Mitsui Mining Company: While its main office holds memberships in about 66 organizations, the company pays no membership fees owing to its designation as a restricted company. Leading organizations to which the company belongs include the Japan Coal Association, Federation of Coal Mines, National Coal Industry Rehabilitation Council, Japan Mining Association, Metal Mine Operators League, and the National Metal Mine Rehabilitation Council. Membership fees to these six organizations amount to about 2,000,000 yen per month. If the 2,000,000 yen paid to the Welfare Association is added, the monthly outlay will total more than 4,000,000 yen.

Although the company desires these membership fees to be reduced through the reorganization of the offices of these organizations, it holds no positive view regarding the readjustment and merger of the existing organizations. The reason is that the amount is relatively negligible.

Chemical Industry Points Out Necessity

Nissan Chemical Industry Company: The company belongs to about 50 organizations and pays 500,000 to 600,000 yen per month. OSAKO, chief of the General Affairs Section, stated, "It is necessary for my company to hold such a number of memberships, and expenses involved are not intolerable. There are many organizations which could be merged. However, the existence of economic and business organizations should be generally authorized, and it would do ill to restrict them under the Business Organizations Law."

Oji Paper Mill: Although this company joined hundreds of organizations at the end of last December with its membership fees running into approximately three million yen, today it is connected with only 10 organizations with a monthly fee of 480,000 yen. This company desires that organizations similar in character be coordinated, and believes every organization should clarify its character for this purpose.

Automobile Manufacturers: All large automobile manufacturers including the Nissan Heavy Industry, the Toyota Automobile, and the Diesel Automobile Industry Company are affiliated with more than 20 organizations each, including the Automobile Manufacturers League (JIDOSHA SANGYO KEIEISHA REMMEI), the Automobile Industry Society (JIDOSHA KOGYO KAI), the Automotive Engineering Association (JIDOSHA GIJUTSUKAI), etc. Each company is paying monthly more than 500,000 yen in fees.

The Automobile Industry Society is indispensable because without its aid, the authorities' work would be doubled. The other organizations vary in the degree of usefulness. Needless to say there is a need for merging many of these industrial organizations.

Ishikawajima Heavy Industry Company: This company is connected with 120 organizations including 80 economic organizations, and pays annual fees of 900,000 to 1,000,000 yen.

Some of the organizations are useful but the majority are not. Therefore, it is necessary that they be adjusted and amalgamated.

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Tokyo Shibaura Electric Industry Company: This company paid 1,020,000 yen in fees to nearly 80 organizations for 1947, and this year it expects to pay about 1,000,000 yen. The major corporations connected with this company are the Japan Industrial Association (NISSAN KYO), Federation of Economic Organizations, Electric Machinery Manufacturers Association (DENKI KOGYO KAI), etc. About one half of these organizations are of some use, but the others are useless to this company.

Fuji Spinning Company: The number of organizations connected with this company is 14, including the Japan Spinning Association (NIHON BOSEKI KYOKAI) and the Japan Silk Spinning Association. The total annual fees paid by this company are 3,000,000 yen. Because the spinning circles are composed of a few large companies, the corporations are limited in number, and the question of joining corporations is of little importance.

Situation in Economic Organizations

The Federation of Economic Organizations (KEIDANREN) and the Japan Industrial Council (NISSANKYO):

While collecting membership fees separately, these two organizations have combined their budgets because they have a common office and common directors. The budget for the first half of this fiscal year (from April through September) of incomes and expenditures each amounted to 8,040,000 yen.

Of the total income of 8,040,000 yen, 7,900,000 yen constitutes dues collected from member organizations of the federation such as the Japan Industrial Council (NISSANKYO), the Council of Banking Organizations (KINYU DANTAI KYOGIKAI), the Japan Chamber of Commerce and Industry (NISSHO), the Central Committee of Commercial and Industrial Cooperative Associations (SHOKO KYODO KUMIAI CHUOKAI), and the Japan Trade Association (NIPPON BOEKI KAI), and their members. This means that each member of the above organizations is obliged to pay double dues for the maintenance of the Federation of Economic Organizations.

In the expenditures, the personnel expenditure and the operation and enterprise expenditure exceed all other items with 3,720,000 yen and 2,580,000 yen, respectively.

For the latter half of the fiscal year (from October to March next year), the combined budget swells to 12,300,000 yen on either side of the balance sheet (income or expenditure) as inflation advances.

Incidentally, the last fiscal year's settlement of accounts turned out a surplus of 1,730,000 yen, which is attributed largely to the increase of members.

The Japan League of Management Organizations (NIKKEIREN):

Unlike the Federation of Economic Organizations, the budget of the Japan League of Management Organizations is not so complicated although mixed with that of the Kanto Management Association (KAN KEI KYO).

For the first half of the fiscal year, the income consisted of 4,870,000 yen as membership fees, 660,000 yen as profits from publications, and 1,160,000 yen as incomes from the Kanto Management Association. Apart from membership fees, the league expects a total of 6,210,000 yen as contributions from its members spread over the country. However, the actual collection will fall far short of expectations.

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On the other hand, major items in the expenditure accounts are personnel expenditures with 1,720,000 yen, investigation expenditures with 800,000 yen, and conference expenditures with 550,000 yen. The budget for the latter half emphasizes enterprise expenditures in the expenditure accounts with 5,100,000 yen, even higher than the personnel expenditures of 4,098,000 yen.

Iron and Steel Manufacturers League Newly Formed

Iron and Steel Manufacturers League (TEKKOREN):

Just formed on 1 November by an amalgamation of the former Japan Iron and Steel Association (NIPPON TEKKO KAI) and the League of Iron Management Organizations (TETSU KEI REN), the league is planning to collect about 11,000,000 yen as membership fees for the period from 1 November to 31 March next year. According to the plan, about 60 percent of the total expenditures will be composed of salaries and allowances (4,400,000 yen), printing expenditures (1,200,000 yen) and conference expenditures (900,000 yen).

The Japan Coal Association (NIPPON SEKITAN KYOKAI):

All expenditures of this largest organization of coal mine operators are covered by collecting membership fees according to the output from individual mines. The association is not at ease financially, because many of the larger coal mining companies are designated as restricted companies, and therefore forbidden from paying dues to the association.

The budget for the fiscal year 1948 is 66,000,000 yen. Important items in the expenditure accounts are personnel expenditures with 25,000,000 yen, conference expenditures with 3,000,000 yen, and investigation and research expenditures with 6,000,000 yen.

The Coal Mine Welfare Association (TANKO FUKURI KYOKAI):

Engaging in various projects for the welfare of coal miners, this association has the largest budget among all economic organizations with about 170,000,000 yen both in income and expenditure for the fiscal year 1948. Of the total incomes, about 120,000,000 is from dues collected at the rate of three yen and fifty sen for each ton of coal output, the rest being government subsidies.

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ITEM 3 How to Combat the So-called Stabilization Panic - Kodo - 19 Nov 48. Translator: H. Furukawa. (MJF)

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Summary:

An important change in SCAP's economic policy was announced on 6 and 9 November by WYATT, Coal Coordinator, and HEPLER, Labor Division Chief, of GHQ, SCAP. The announcement stated:

1. The present price level will be maintained.
2. Deficit loans and subsidies will not be granted.
3. The wage scale will be decided within the limits of the budgets of the Government and the companies.

The SCAP officials pointed out that JAPAN has 530,000,000 tons of coal deposits and urged that the Japanese coal workers increase their wages by increasing coal output, instead of placing demands on the National Treasury. This means that SCAP has adopted the policy of basing wages on output instead of on subsidies.

It is our opinion, however, that the new economic policy of SCAP will spell danger, if put into practice under the present conditions of Japanese industries. The textile industry, which depends on materials from abroad and which is heavily influenced by the rate of foreign exchanges, will be greatly hampered by application of the stated policy. Moreover, Japanese economy, which has been treading the road towards reconstruction under the impetus of inflation, now demands socialistic policies and a planned economy.

At the time of the KATAYAMA Cabinet, GHQ ordered the Japanese Government to make an overall revision of the price structure. A year later the Government again attempted a thorough revision of the price structure along with a readjustment of ceiling prices. In addition, GHQ endeavored to halt inflation by increasing the productivity of labor and gave priority to key industries under the policy of production first. Japanese economy could have been stabilized if the GHQ policy had been able to reconstruct key industries and check the progress of inflation. JAPAN's economic situation, however, was too involved to be handled by such a simple method, and GHQ was compelled to revise its economic policy.

At any rate it is clear that the new SCAP policy will develop the industrial panic, which is already under way, and force the laboring classes to bear the greatest sacrifice. The policy of protection towards key industries, carried on at the expense of the masses, has been used to benefit monopolistic capitalists and high-ranking officials. The five year plans, published several times, are now totally discredited by all the people. Such circumstances enabled some people to make enormous gains, under controlled economy, and caused numerous political scandals.

We cannot agree to the policy of developing stabilization panic, which only benefits the capitalists who have grown fat by illegal gains. We believe the time has come to attack the malicious capitalists for having aggravated the nation's economic situation, and fight for the lifelihood of the laborers by working out a plan to reorganize key industries. Also it is necessary to adopt a rigid policy towards the Japan Federation of Economic Organizations, which are advocating increased production on the strength of GHQ. Improvement in the financial condition of enterprises is, of course, necessary to overcome the stabilization panic. Enterprises, however, can do nothing to improve their condition because the needed funds and materials are under bureaucratic control.

Labor unions must, therefore, establish democratic organizations to handle their financial problems and must demand revision of the new economic policy for the interests of labor. The most important problem for the present is whether the laborers can establish a common front and fight the capitalistic methods of readjusting enterprises. This problem will be solved by the National Labor Council to be formed soon as a result of the merger of all the democratic labor unions.

(By TAKANO Minoru)

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ITEM 6 Enterprises Strive for Self-sufficiency - Nihon Keizai - 22 Nov 48.
Translator: T. Mitsuhashi. (TK)

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Full Translation:

All industries are striving to establish self-sufficiency with particular interest focused on the three principles, the prohibition of deficit financing, non-revision of prices, and non-increase in subsidies, which were proposed in connection with wage increase demands by the electric and coal industry workers.

With regard to their fund programs for the latter half of this year, industrialists intend to adhere firmly to the policy of complete rationalization of enterprises, in line with the three principles. The enterprise rationalization program calls for (a) the adoption or intensification of the independent account system, (b) intensification of the enterprise budget system and the curtailment of expenses, (c) improvement of the unit production efficiency, (d) a change of emphasis from livelihood to efficiency in determining the wage structure, and (e) the disposition of unprofitable and inefficient factories.

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The issue at hand now is how to provide funds to the fertilizer, automobile, coal, and nonferrous metal industries, many of which are expected to suffer from deficits during the months from December to March because of the electricity shortage in the dry season and the declined transportation facilities in winter.

On the other hand, the coal, iron and steel, non-ferrous metal, and textile industries have been driven to financial distress by mounting wage demands in each industry since November. If the Government enforces its wage policy strictly along the lines of the three principles, enterprise operation will inevitably enter a new stage filled with various important problems.

Countermeasures against 3 Principles

Countermeasures to meet the three principles and the future of the various industries are as follows:

Coal: The industry suffered the heaviest blow from the three principles since it bore the brunt of the attack. The conflict of interest between large and small coal mines has been put into sharp focus by the three principles, and the situation is worsening.

Leading mining companies, such as the Mitsui, the Mitsubishi, the Furukawa and the Hokkaido mining companies, strongly insist upon the adoption of the coal merit system, while smaller coal mines support the present coal price. If the coal price is left unchanged, mining companies, large or small, will face serious operational difficulties.

The only measure for rationalization would be to increase the coal output per person. This, it is believed, may give rise to the problem of extending working hours through a partial regision of the Labor Standards Law. At any rate, it is imperative that coal mines producing inferior coal be readjusted.

Nonferrous metal: Enterprise operation is endangered by the vigorous enforcement of the three principles. Unlike coal, this industry lacks the capacity to improve productive efficiency and has no reserve power since it has been exhausted by reckless postwar operation. Any wage increase, therefore, will immediately throw this industry into the red.

The Japan Mining Company pays personnel expenses of 90,000,000 yen monthly under the present wage scale and will require double this amount if it accepts the proposed wage demand. If the proposed wage is met and the official price of electrolytic copper remains at 180,000 yen per metric ton, the company will suffer a deficit of 60,000 to 70,000 yen monthly, leading to eventual doom.

Regarding production, the Saganoseki Refinery predicts that electricity shortages will cause a sharp decline in production. However, the operation of funds is predicted to become even more difficult over the possible overstock of products, demands for which are decreasing as a result of the fund shortage in related enterprises. It follows that although accounts may balance in the books, the company will have to suffer from the fund shortage, stop the purchase of goods because of increased unpaid accounts, and reduce production to a minimum.

Chemical Fertilizer Co Hard Hit

Chemical fertilizer: Among fertilizer companies, the Showa Denko Company and the Nissan Chemical Industry Company producing ammonium sulphate through the electrolytic process were hard hit by the three principles. Since these companies used to suffer from losses during the four months from December to April because of the electricity shortage in the dry season, this will double their operational difficulties.

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On the other hand, ammonium sulphate factories adopting the gas process predict that decreased transportation facilities for sulphide ore will cause a decline in production, and the operation of funds will become difficult.

The Toyo High Pressure Company pays an average wage of 8,300 yen as a result of the August wage revision. Since this has not yet been woven into the present prices of its products, the company, despite the increase in production, will have suffered from a deficit of 58,000,000 yen by the end of March next year.

Consequently, the company, in accordance with the three principles, is planning curtailments in expenses; namely, the retention of material purchases through the fixing of a proper amount of stocks, the curtailment of entertainment expenses and supplies, and the promotion of efficiency in each production process through the establishment of a production unit promotion co-operative committee, aimed at increasing unit efficiency in each factory.

With regard to funds, the fact that 3 to 5 per cent of the monthly fertilizer proceeds is being deducted to repay an RFB loan amounting to 162,000,000 yen is a detriment to the fund operation. The company seeks a temporary suspension in the payment of the RFB loan. It fears that if this situation continues, unpaid accounts may increase by March of next year to the extent that related industries will suffer from fund shortages.

At the Showa Electric Industry Company, alminium, lime, and nitrogen industries will generally not be affected. However, the ammonium sulphate industry, whose output is expected to decrease, will be confronted with a financial crisis because it must refund deficits of 150,000,000 yen arising from the price revision and repay a 454,000,000 yen RFB loan. If loans by the RFB are no longer available, the deficits will be increased by a billion and several hundred million yen by next March. The Government is asked to take a special measure to check the probable output decrease resulting from the above situation.

Among the plans being considered to put the Showa Electric Industry on a self-sufficient basis are partitioning according to the nature of the enterprise, intensification of the independent account system, establishment of measures for labor disputes, and intensification of co-ordinated operations.

This company finds it difficult to accept the reported coal price raise, which is put forward as a means to settle the coal strike at the expense of the fertilizer industry.

Machine Industries' Profit Small

Electric Apparatus and Machinery Industries. Notwithstanding their high productivity and operational efficiency, commercial profits by these industries are not so large, since the official price level is low compared with other industries. Thus many favor the abolition of the official price and the intensification of free competition.

The Tokyo Shibaura Electric Company is mooting the enforcement of an intensified independent account system for each plant, personnel reduction, and the reorganization of plants in the red as policies for the rationalization of management. In particular, it is trying to change the ratio between office workers and laborers from 1 to 2 to 1 to 3. Both the Mitsubishi Electric Appliances Company and the Hitachi Works are taking rationalization measures to conform to the three principles.

Textiles in Favorable Condition

Textiles: Textile industries in general are in a favorable condition. The increase of production, the reduction of expenses, and other means

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of rationalization have been adopted. Attention is riveted upon the outcome of wage increase demands now under negotiation. The application of the three principles is not causing serious concern in this industry.

Iron Industry Struggles with Gov't Payments

Iron and Steel Industries: The Wage level in these industries remained relatively high, but due to the increase of various payments to the State Treasury, financial difficulties recently are mounting. The three principles may have serious consequences upon these industries, now that certain sections in the Price Board and the Commerce-Industry Ministry favor the reduction of the supplementary funds for price differentials and since a decrease of production in the dry season must be considered.

Iron and steel industries deny the rumor that the supplementary funds to iron and steel industries are diverted for wages, and point out that personnel expenses by the leading manufacturers account for only 20 to 25 per cent of their total expenditures. A high wage level must be attributed to a higher productive efficiency.

In case the supplementary funds are abolished, the prices of pig iron, sheet bars, and steel pipes will be as follows. (Unit: Yen).

	Pig iron	Sheet bars	Steel pipe
Actual price (the official price)	2,590	7,270	14,150
When subsidies to steel are scrapped	2,590	17,370	35,240
When subsidies to both pig iron and steel are scrapped	15,394	23,070	50,002
When subsidies to coal are scrapped in addition	25,584	29,731	63,874

The price of pig iron will be increased ten times. In this event, the reconstruction of the iron and steel industry will become hopeless and the low price policy will collapse. Moreover, the abolition of subsidies will not reduce the national expenditures since 50 per cent of iron and steel demands goes to government offices and the state railways.

Apart from the question of subsidies, iron and steel industries will have to pay the following:

1. The difference between the new and the former subsidies. The amount of subsidies was raised under the revisions of 22 June and 9 July. However, since these regulations do not affect the production and the sales effected prior to their enforcement, overgranted subsidies, if any, must be refunded. Such differentials now amount to 800,000,000 yen.

2. Price differentials produced at the time of revisions now amount to 300,000,000 yen.

3. The original cost account at the beginning of the year provided for the production of 840,000 tons. This plan was later changed for a production of 1,200,000 tons. The difference of 500,000,000 yen accrues from this change.

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These payments to the State Treasury and the expected production decrease during the dry season will add to the financial difficulties of the iron and steel industries now confronted with the three principles. For the time being, these industries look upon the three principles with indifference, since they are not affected as much as the coal industry.

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ITEM 25 Course of Economic Stabilization - Nihon Keizai - 25 Nov 48.
Translator: S. Kinoshita. (WM)

Full Translation:

The draft bill of the supplementary budget for the current fiscal year, including expenditures for the revision of the government employees' wage base, will undergo many amendments before it reaches a final decision, because of the Government's adherence to the balanced budget policy. Neither have wage disputes of electric industry workers and coal miners been settled under the pressure of the so-called three basic principles.

Both the government and enterprises as well as individual households are all facing financial difficulties in a sense different from that in the past.

State finance, enterprises and family budgets have all been in the red heretofore. At present, they are oppressed by the tight money situation.

Some people are anxiously hoping to overcome the monetary stringency, and even favor inflation. Though they do not definitely consider inflation preferable, it is virtually tantamount to hoping for an inflation policy if they want to avoid the present monetary stringency. It is natural that man welcomes an easy money policy rather than tight money as a way to avoid the impending difficulties, even when he is well aware of the necessity of curbing inflation.

However, inflation cannot last forever. It may appear to be a boom but, actually, it is only a superficial one. Such superficial prosperity will never last long and a reactionary crisis--the so-called stabilization crisis--is inevitable.

The more an inflationary boom develops, the more dangerous its reaction will become.

At the present stage of inflation, there is still room for carrying out interrim or piecemeal stabilization measures. Further development will bring about a destruction of the state and enterprise finances as well as the family budget. Thus, calling for an inflation policy in the hope of escaping impending pain means seeking a way to destruction.

A selfish desire for special treatment is prevalent among government officials and entrepreneurs as well as wage earning classes who are well aware of the necessity of curbing inflation. For example, the Government formulates an unsound budget, while, on the other hand, it demands sound management of enterprises; entrepreneurs ask the Government to ease the so-called three basic principles, while stressing the necessity of a sound state finance; and workers demand wage raises while opposing the upward revision of prices. This stems from the fact that they hope to safeguard their respective selfish interests separately from others.

For coping with the impending difficulties, the people are urged to take all such problems as balancing of state finance, rationalizatio of enterprises, tax collection, and the hiking of wages as parts of the larger problems of controlling inflation and stabilizing economy.

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FUTURE COURSE OF JAPANESE INDUSTRY

Surveying Japan's geographical limitations, lack of natural resources, and high population, SATO Hiroshi, author of a SANGYO TO SANGYOJIN article, concludes that "a self-sufficient Japan is utterly impossible. We cannot but depend on the aid of foreign countries." Seventy percent of Japan's export trade and 50 percent of the national economy are supported by raw materials imported from abroad. Only in fishing and the mining of coal, among essential natural resources, can Japan fulfill her own requirements, according to Sato. "We must understand the relationship between Japan's weakened productive power and her geographical limitations," he declares. "We must realize the unsteady position in which Japan's industries are balanced. It is most important that the Japanese refrain as much as possible from strikes, labor squabbles, and sabotage, and, with the earliest possible introduction of foreign credits, reestablish and reconstruct the nation's industries rationally."

NEED FOR COOPERATION

"The medium and small industries are of exceeding importance and the big industries are to a large extent sustained by them," writes OTSUKA Banjo, president of the Japan Steel Tube Company in JITSUGYO NO NIPPON. Rationalization of Japanese industry must include rationalization of these establishments. One major objective, Otsuka insists, must be the utilization of more scientific methods. Too many of the small industrial establishments are ignorant of scientific techniques and rely solely upon the manual skill of workers. Any machine, the industrialist explains, is made up of basic parts, formed by combinations of plane surfaces, arcs of circles, and prescribed angles. But "inferiority of Japanese equipment" makes it impossible for Japanese workers to turn out precision parts of as high a degree of perfection as the industries of other countries. "In the machine industry, assembling is done by big factories while parts often are supplied by sub-contracted small factories. * * * Thus, whether or not good machines can be produced depends ultimately upon whether the small and medium-sized industries are operated scientifically. This can be said to apply to all other industries where small enterprisers are responsible for a part of the production process."

One recommendation made by Otsuka is that the Government create exacting standard requirements for industrial products. "If observance of these standards is made so strict that whatever products fail to reach them must be reduced to scrap, the medium and small industries will be forced to reach the prescribed standards, will no longer be able to rely simply upon manual or intuitive skills, and will be obliged to utilize scientific methods."

Because of the expense of installing "superior machines," it is essential that these small factories institute cooperative operation. And because "cooperative associations of small enterprisers possess limited economic strength and have little property to mortage, they cannot obtain loans from normal financial institutions"; hence, Otsuka believes, "the Government must create a financial institution to provide the assistance they require."

Strong points of the small and medium-sized industries, an unnamed speaker declares in a JIYU KORON roundtable, are "the ease with which rationalization can be accomplished, because of their small scale, the opportunity for high efficiency, and their freedom from destructive labor offensives. It is worth noting that Japan was able to regain her position among world leaders after the global crisis of the late '20's only because of the fast recovery of our small enterprises." Individual small industries are advised by roundtable members, to specialize, but warned against "opportunistic plunging into seemingly profitable fields." They are also urged to study Oriental markets, "where lower quality, and cheap articles are much in demand."

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INDUSTRIAL PRODUCTION

110 A recent issue of KOKUMIN KEIZAI presents a broad survey of industrial conditions, pointing out that current statistics are not entirely reliable (because enterprises seek to conceal black market transactions), and asserting that "the situation of Japanese industries cannot be assessed accurately on the basis of statistics and information which have been published." The National Economic Research Institute made a thorough study of 41 factories in a variety of industries in an effort to ascertain actual conditions; the results are published in this article.

"There has been a considerable increase in the extent of productive facilities and amount of equipment," the writer reports. "In the fields of ammonium sulphate, electric wire, weaving machinery, bicycle, and rayon manufacture, increases of 50 to 100 percent are evident. Electric light bulb, electric motor, soda, and ceramic industries reported some increase in productive equipment but no rise in capacity." Only the bicycle industry has no problem with worn-out facilities; the soda ash, automobile, cement, ammonium sulphate, and rayon industries all are affected seriously by detericoration of productive equipment and facilities. Nevertheless, "production in 1947 showed a general rise over the previous year. The manufacture of trucks diminished, as did some paper products, but other branches of manufacture experienced an upward trend."

There seems to be no great danger of exhaustion of raw materials, according to the writer. "In many cases normal rations have been maintained or even increased, as in the case of requisites for ammonium sulphate, soda, rayon, wire, light bulbs, and such auto parts as tires, rubber tubes, and silicon steel plates. In other cases, shortage of raw materials has been made up by purchases in the black market; pig iron, steel belts, and lead for cable wires are among materials obtained in this way. Some plants, on the other hand, did not consume the anticipated amounts of materials. * * * Perhaps the dearth of raw materials has been exaggerated a bit too recklessly. * * * Are there any raw materials whose supply can be expected to become exhausted?" the writer asks. "Hardly any. Where industries could not get raw materials through normal channels last year, they could get them in the black market. * * * The raw materials most expected to decrease, forcing a slump in production, are new pig iron for casting, lead for cable wires, and silicon steel plates for electric motors. Otherwise production lags seem to have other causes than raw material shortage."

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NEW INDUSTRIAL EMPHASIS

The impossibility of Japan reverting to her prewar dependence upon light industry is argued by KAJIURA Hideo, chief of the research department of the Japan Industrial Bank, in JITSUGYO NO NIPPON. Presenting tabulated figures, Kajiura asserts that "in 1930 the number of workers in the textile industry was 53.7 of the total of all industrial laborers, but after the war's end the figure had decreased to 16.3 percent. In contrast, workers in the metal, machine and tool, and chemical industries increased from 22 percent of the total in 1930 to 57.7 percent after the war. This makes it plain that the major trend has been away from light industry and toward heavy and chemical industries. It is true that this change was forced by military and political objectives and it embodies many faults. Nevertheless, it is impossible to contemplate the future structure of our industry without recognizing this actual, accomplished change. It would be contrary to the natural course of development to push an economic structure built upon heavy and chemical industries back to reliance upon light industry again."

Since Japan must import food and raw materials, Kajiura explains, she must export industrial products in equal quantity. "The direction of Japan's industrial development will be influenced decisively by the prospective markets for her goods and the types of goods that are required. Needless to say, emphasis must be laid on Asia as the major market." Kajiura then points out that India, which was a major customer for Japanese textiles before the war, has achieved "spectacular progress" in her own textile industry, and now seeks industrial and chemical products from Japan. China's textile industry also is expected to develop rapidly. "Therefore we cannot place too much reliance on our textile industry in the future. Instead, will not the products of our heavy and chemical industries be in greater demand in the Asian market? Of course both India and China will achieve considerable modernization quickly, but as long as Japan does not allow herself to lag in keeping her industrial facilities and techniques completely up-to-date, she will have a favorable market in Asia for the products of her heavy and chemical industries." Textile products constituted 76.8 percent of Japanese exports in 1947, the writer acknowledges, and in view of world textile shortage further increase of textile production is natural, but he warns against possible overdevelopment of this field.

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ITEM 26 Monetary Stringency and Rationalization of Enterprises - Kogyo Shimbun - 12 Nov 48. Translator: S. Kinoshita. (JJY)

110

Summary:

The necessity of rationalization of enterprises has been keenly felt by industrial and financial circles.

At the recent economic ministers' conference, President ICHIMADA of the Bank of Japan expressed his view as follows: "Tight money is another name for inflation. As long as inflation continues, tight money cannot be avoided. We cannot deny that all enterprises are now suffering from monetary stringency. What is urgently needed is rationalization of enterprises."

The day of the inflationary boom has gone and the reactionary period has set in. We cannot call the present stage a period of depression in the ordinary sense of the word, because economic rehabilitation has made considerable progress and production has been increasing in the manufacturing as well as the agriculture and fishery industries. But, the soaring inflationary curve has flattened out and enterprises of weak financial standing, which netted exorbitant profits in the days of soaring inflation, have become compelled to readjust themselves. In this sense, the present period may be called reactionary.

The RFB's new policy to restrict loans to sound enterprises alone is appropriate for promoting the rationalization of enterprises. It is pleasing to see that city banks are also adopting a contraction policy in line with the RFB.

The Finance Ministry authorities recently conducted a survey of fund shortages among enterprises since the price revision last July. According to the survey, all enterprises whose management is not founded on a sound basis and which are not being reasonably conducted are suffering from the monetary stringency.

It is necessary to relieve entrepreneurs of the financial difficulty they are now facing, but it is more necessary to readjust unsound enterprises for the reconstruction of the national economy. The industrial circles should seriously take up the problem of their rationalization and, in this connection, the Government is urged to work out an appropriate measure to guide the industrial circles.

The rationalization of enterprises may solve all the problems concerning prices and wages by minimizing personnel expenses and production costs, and may eventually help export trade expand even if the exchange rate is fixed at a high-yen level. Thus, if it is realized, it will solve all the important problems of the industrial and financial circles. In short, the rationalization of enterprises is a prerequisite to the economic stabilization and the industrial reconstruction of JAPAN.

The industrial circles are now looking forward to the government measures to relieve them of the financial difficulty. However, they must not forget that it is possible for them to rid themselves of this difficulty with their own hands if they have the will.

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ITEM 6 Cry for New Setup of Public Corporations Mounts - Sangyo Keizai - 4 Nov 48. Translators: H. Suzumura and M. Araki. (TK)

110

Full Translation:

As the economic world moves toward stabilization, strong demands for the scuttling of controls are being voiced. This trend is not attributable to the accession of the Democratic Liberal Party which has always advocated a free economy, but to the deep-rooted opposition of businessmen against bureaucratic controls. In particular, criticism is mounting against the public corporations which replaced the war-time control companies and corporations, demanding either their dissolution or curtailment.

At present, there are 15 public corporations (8 for domestic distributions, 4 for foreign trade, and 3 for other purposes) set up by virtue of the Temporary Materials Demand and Supply Readjustment Law. Six public corporations including the Domestic Public Corporation (concerned with foreign trade), the Public Petroleum Distribution Corporation, and the Public Coal Distribution Corporation are slated to reorganize or curtail themselves, involving a personnel of 3,880.

In sharp contrast to this five public corporations (including food, foodstuff and edible oil) under the agriculture and forestry administration are planning to expand their staff. However, the Public Price Adjustment, the Sake Distribution, and the Industrial Reconstruction Corporations will not be affected for the time being due to several unavoidable reasons. In the case of the Public Price Adjustment Corporation, no definite plan can be established, for its future depends upon the fate of price controls.

The Public Foreign Trade Corporations

With the enforcement of the new export system through direct contracts between private parties, the reorganization of the Public Foreign Trade Corporations has suddenly been catapulted into the limelight. As a result, a curtailment plan involving 2,009 employees was issued by the director-general of the Trade Board in his directive dated 11 Sep 48. After several talks, both parties agreed to dismiss 1,580 by the end of next March. Preparations are under way to realize this plan.

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ITEM 6 (Continued)

The personnel of the four Public Trade Corporations as of 1 Apr 48 totals 7,923, including 2,597 in the Mining and Manufacturing, 2,576 in Textile, 1,600 in the Foodstuff, and 750 in the Raw Materials Distribution Corporations. Those affected by the plan, include 350 in Foodstuff, 680 in Mining and Manufacturing, and 550 in Textile, out of 4,031 concerned with the export business in the three public corporations other than the Raw Materials.

The Public Raw Materials Corporation, which is not affected by the above plan is being given special consideration. For the time being, prevailing opinion favors leaving this corporation intact. The Trade Board, however, firmly adheres to a policy of reorganizing the present four public corporations into two corporations, export and import, after 1 Apr 49.

The Public Distribution Corporations

With the easing of the coal supply, the reorganization of the Public Coal Distribution Corporation will be inevitable. On 15 September of this year, lignite was removed from the list of goods handled by this corporation. Because of this, the dismissal of 2,300 officials connected with the lignite business is imminent.

One opinion maintains that coal for stoves and ovens should be left in the hands of retailers, while another stresses the need of re-examining the allocation of low quality coal, and of improving its distribution system, because this kind of coal is stockpiling since it is not in demand. Besides, the need for selling all coal on the quality basis recently has come to be stressed more vigorously by producers, backed by leading consumers such as the national railways, electric power, and iron manufacturing enterprises.

The Public Petroleum Distribution Corporation

By a GHQ directive dated 2 Sep 48, oil reservoirs at TSURUMI, NAGASAKI, HIKOJIMA, ITOZAKI, TAKETOYO and NODA, which are under the control of this corporation, must be transferred to private comapnies. Negotiations are now under way between this corporation and the Rising Sun, the Standard, the Nisseki General Commodities, the Mitsubishi, and the Japan Fishing Net Companies to conclude a consignment contract regarding the oil distribution business.

The total capacity of tanks now in use by the corporation amounts to 360,000 kiloliters, of which 230,000 kiloliters go to the above six bases. Therefore, when this plan is realized, the business of the corporation will be reduced by 65 percent. Then, the corporation will cease to be a distribution organ, but a supervisory machine charged with the drafting of distribution plans under the direction of the ESB.

About 500 laborers attached to the above bases will have to be transferred to private companies. Staff members of the headquarters, regional offices (9), prefectural branch-offices, and oil stations, totaling 3,300, will be more or less involved in the curtailment of business. However, under the present condition when this country depends upon imports for 90 percent of its consumption, a blanket transfer of oil business to private companies cannot be realized in a short time.

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The Public Foodstuff Distribution Corporation

This corporation, successor to the former Foodstuff Management Corporation and having a personnel of 85,000, is the largest of those dealing directly with the consumers. Although it is much criticized for its poor services, its raison d'etre must be conceded, so long as the control of staple food is necessary.

In preparation for the increased rations from November, an increase of about 5,000 officials is under consideration. However, an immediate improvement of services, such as direct deliveries to homes cannot be expected for some time to come. The direct delivery to consumers, which presents many questions to be resolved, is now under consideration by the Agriculture-Forestry Ministry. However, the Ministry is reluctant to make a decision because about 40,000 employees will lose their jobs if terminal distribution organs are dissolved.

The Public Subsidiary Foodstuffs Distribution Corporation

This corporation with a personnel of 3,500 is a control organ of various food other than staple food, vegetables, and fish. To effect a general rationing of sugar after December, a plan for an increase of 400 employees is under consideration.

The Agriculture-Forestry Ministry intends to simplify distribution procedures and lift controls on canned goods, sauce, and others whose supply is negligible at present. This bespeaks much of the future of this organization.

The Public Edible Oils Distribution Corporation

This section is the most undeveloped of all organizations concerned with food rationing. A plan is under way to import 80,000 tons of edible oil and fat from abroad next year with a view to ration three grams a day per capita.

Staff members numbering 500 at present will be increased to 1,000 by next December. The structure for collecting shipments is not well organized. It is expected that the regulation on the demand and supply of edible oil shortly will be so revised in order to stimulate shipments by producers.

The Public Fertilizer Distribution Corporation

Despite much criticism voiced during the discussion on the state control of fertilizers, this corporation is showing relatively good results. Its staff numbers about 5,000 in all.

To prevent some designated dealers of fertilizers from diverting fertilizer because of financial difficulties, appropriate legal steps will be taken shortly.

According to the Agriculture-Forestry Ministry, delayed rationing is ascribed to the poor financial condition of farmers, who cannot make use of the agricultural bonds because of non-deliveries, and to the delayed issue of the purchase books by local government offices.

The Public Fodder Distribution Corporation

Of all public corporations under the agriculture-forestry administration, results showed by this corporation is the least satisfactory. This is partly due to the fact that only small amounts of fodder are available, that the handling of this article conflicts with that of staple food, and that its imports are not so large. A

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ITEM 6 (Continued)

plan is under way to simplify distribution formalities by substituting the purchase ticket for the purchase certificate. Staff members number about 1,000.

This organization will be consolidated further in view of its importance from the standpoint of procuring more fodder.

Three Public Corporations Act as Middlemen

Public Price Adjustment Corporation: This corporation started in June of last year with a capital of 30,000,000 yen. It now has 1,200 employees. The corporation was established for the purpose of setting prices and transportation fares by the pooled calculation method on commodities for which no special corporations exist. Therefore, its character is different from that of the Public Coal Distribution Corporation and others which are directly charged with the job of distribution.

Commodities handled by this corporation total 40 items including iron, steel, non-ferrous metals, organic chemicals, and inorganic chemicals. Classified according to standards, these 40 items are divided again into several thousand items.

This corporation, which is an intermediate organ between producers and consumers, settles prices and transportation fares through the pooled calculation method but never carries out direct distribution. Consequently, there can be no deficits in this business as a rule, but in reality a deficit of approximately 800,000,000 yen is expected in the 1948 fiscal year.

Deficits arise (1) when production goes off schedule and output drops in commodities which have a low production cost and (2) when freight transportation by sea, which is more expensive than land transportation, increases.

Cement tops the deficit list and accounts for more than one third of the corporation's total deficits. Cement deficits arise from the pooled calculation of prices, transportation fares, and bag prices. Next come stone, sand, and sulphide ores, whose deficits are due to high transportation fares. Iron and steel just about breaks even, with neither deficits nor profits.

In order to cover the deficit, loans must be relied upon. As for whether or not a price adjustment organization is necessary, it must be regarded as indispensable as long as the price control system based on the present official prices is maintained. However, the extent of the price adjustment will be determined by the degree of the price control. Therefore, the scope of the corporation may naturally be revised by reducing the number of commodity items to undergo price adjustment.

The Economic Stabilization Board holds that stone and sand should be removed from the price adjustment framework, but the Price Board is opposed to this. Even among officials of the Price Adjustment Corporation there are some who feel that stone, sand, and even cement may be removed from the adjustment framework. Others, insisting upon free competition, advocate the complete abolition of the adjustment framework because they feel the protection of high cost production by this corporation system is unnatural. This opinion, it is felt, will seriously question the justification for the corporation's existence in the future.

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ITEM 6 (Continued)

Industrial Reconstruction Corporation

This corporation deals with a long-range program of constructing economic facilities, while the majority of the public corporations are connected with commodity distribution under the controlled economy. Therefore, the problem of reforming the Industrial Reconstruction Corporation is treated from a different point of view.

Some quarters question the actual need for the government to construct facilities to sell or rent to private enterprises, since funds necessary for industrial rehabilitation are accommodated by the Reconstruction Finance Bank. Thus the reformation problem of this corporation is very delicate since it is tied in with those of banking institutions such as the Bank of Japan and the RFB.

The corporation, however, holds that it has hitherto contributed considerably in constructing welfare equipment for coal mines, and factories for key industries and export industries; that the state should directly construct equipment for private enterprises which are unable to build on their own by monetary help alone.

The corporation attaches great importance to the opening of new coal mines and feels that the mine industry should be expanded rather than curtailed. Therefore, the corporation is planning to add about 600 employees to the present staff of 1,150 officials in the headquarters and its branches.

Liquor Distribution Corporation

This was established on 1 March to take over the monopoly purchase and sale of liquor since the Anti-monopoly Law abolished all of the companies and associations which had been dealing in liquor from wartime. This corporation now has branches and agencies throughout the nation with more than 3,000 employees.

In view of the necessity of protecting the tax sources and of maintaining the distribution system, there will be no alterations in the structure of this corporation for the present.

The Finance Ministry has taken the following stand with regard to this corporation: "It would be difficult for private companies to distribute the limited supply of liquor equitably and sell them at the same official price by pooling the varied transportation costs prevailing in the various producing districts. The ministry, therefore, has no intention of revising the present structure. Private management would have a difficult time collecting the huge liquor tax."

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ITEM 7 Industrial Equipment Corporation Probed - Shin Keizai (Monthly) - Nov 48. Translator: S. Matsumoto. (SS)

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Summary:

When our vast munitions industry facilities were set up with the aid of government funds during the war, a group of capitalists made enormous profits out of them. When the munitions industry equipment was sold to them at a ridiculously low price at the end of the war, they again reaped, and are still reaping huge profits. According to foreign economic reports, a strikingly similar situation is also seen in AMERICA. Why is it that the people do not take this matter up as an important social problem? It is remarkable that they do not pay more attention to the fact that more than 200 factories with a current value of over 100,000,000,000 yen were disposed of at the ridiculous price of about 2,000,000,000 yen.

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Aside from the problem of whether there were any irregularities behind this disposal of government factories, it can readily be observed that the acquisition of such excessive profits by one group of people is most unfair when it is considered that all the people must bear the burden of the defeat. It is also certain that the government has lost a big source of revenue which the general public will have to underwrite. To protect capital or to facilitate the accumulation of capital so that the rehabilitation of our war ravaged economy may be accelerated - the policy upheld by the government is, however, not fully compatible with social justice.

All-out Aid to Munitions Industry

The Industrial Equipment Corporation was linked with the wartime industry mobilization plan set up by KISHI Shinsuke, HOSHINO Naoki and others - the brain trust of the Tojo Cabinet. FUJIWARA Ginjiro was appointed its first president and HIROSE Tadahisa its vice-president. When capitalists and entrepreneurs were hesitating to enter the unprofitable munitions industry in the midst of the uncertain war, the government mobilized them with assurances of all-out state aid with funds and materials, and caused them to direct their entire efforts toward making as many aircraft and ships as possible. The Industrial Equipment Corporation was a banking organ to extend full state subsidies for this purpose.

There is obvious evidence of graft in the wartime activities of this corporation. In the field of construction, benefits from this corporation were monopolized by such contractors as were connected with MITSUI, MITSUBISHI, SUMITOMO and the other ZAIBATSU or corporation officials. In the construction of facilities, these people were free from competition, and, accordingly, concluded contracts at outrageously high prices. As is widely known, illegal dealings in conspiracy with officials of the Munitions Ministry and the Commerce and Industry Ministry and military officers - even down to captains and lieutenants - were common. Thus little progress was made in the construction program.

Purchase of Idle Facilities

In order to collect metals and readjust enterprises, the corporation purchased idle facilities of more than 60 types of peacetime industries for a price exceeding 1,000,000,000 yen, and collected 600,000 tons of metals. However, it is exceedingly questionable just how much the scrap iron thus collected contributed to the war effort. Many owners had to forfeit their right to receive payment because of delay and red tape.

In regard to shipbuilding, too, the ZAIBATSU and local grafters exploited the corporation in the background. They received payment in advance and left the building of ships unfinished, or obscured the settlement of accounts. When prices rose, they disposed of whatever they had on hand whether it was equipment or hulls of ships. If they found their activities did not pay, the corporation had to bear the losses. All these illegal dealings among the ZAIBATSU, entrepreneurs, corporation officials, government officials and military officers were conducted behind the scenes in MACHIAI or restaurants in the confusion of the war.

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ECONOMIC

ITEM 7 (Continued)

Corporation Liquidation Intrigues

When the war was lost and the problem of liquidating the gigantic Industrial Equipment Corporation came up, a plan to convert it into the Industry Rehabilitation Corporation in line with the reconstruction of peaceful industry was immediately intiated by its officials. But this one-sided plan of theirs was forestalled, and the Industrial Rehabilitation Corporation was set up independent of the Industrial Equipment Corporation. At the same time, the latter was designated as a closed institute and was ordered to dissolve. The liquidation of this corporation gave rise to open as well as secret maneuverings. The basic policy for the liquidation of the corporation, which was decided on by the CILC, includes the following problematical item:

"The sale price of the assets to be disposed of shall be set as provided for in the special agreement concluded at the time of the construction contract; in other words, the book-value."

The book-value of the facilities owned by the corporation is only about 2,000,000,000 yen, but, if duly evaluated, they amount to no less than 100,000,000,000 yen. It can easily be imagined that to dispose of the assets uniformly at their book-value would produce extremely unreasonable results. Although the ZAIBATSU were disorganized and the excessive concentration of economic power was decentralized, yet there were many who made enormous profits as a result of the liquidation of the corporation; and what is more, the corporation had to shoulder the loss in indemnities amounting to as much as 3,000,000,000 yen. This loss reverts to the people.

Even if the indemnities were cancelled, the banking organs which advanced funds and the stockholders of the corporation would incur the loss, and it will eventually have to be borne by the general public. It is extremely unreasonable to increase the burden on the state and the people in order to protect the enormous profits of a small group of entrepreneurs.

Attention should be called to how the liquidation of the Industrial Equipment Corporation will affect the reconstruction of capitalism. At the same time, intelligent people must not be indifferent to the fact that secret maneuverings regarding the liquidation by corporation officials, government officials and entrepreneurs are being brazenly carried on outside the knowledge of the general public. Why do the Diet and newspapers not make public this behind-the-scenes conspiracy and inquire into the rights and wrongs of the matter?

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ITEM 3 Year-End Business Boom Held Unlikely - Seinen Shimbun - 7 Dec 48.
Translator: K. Sato. (TK)

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Full Translation:

The Bank of Japan note issue is spiraling upward, but the fund bottleneck has not been broken. Small enterprisers, well-nigh bankrupt by the lack of cash and the drain from taxes, pin their only hope on the advent of a year-end bonus boom. But it is doubtful whether the much expected year-end boom will ever appear, according to YAMADA Seiichi, chief of the Bank of Japan Investigation Section, and ICHIMURA Toshio, member of the Tokyo Chamber of Commerce and Industry.

YAMADA: The big question in the year-end boom issue is the fund supply of enterprisers. Although all enterprisers, big or small, are tormented by financial distress, the Bank of Japan will not extend deficit loans.

The Bank of Japan loans have been preferentially extended to such critical industries of sound financial standing as coal, steel-iron, and fertilizer industries. The glass, rubber, celluloid, and leather industries are excluded in spite of their importance, because the plural exchange rate currently in operation at the rate of 500-600 yen to the dollar, is expected to be synthesized into a single rate. In such an event, it is feared that these industries will sustain a heavy blow. Therefore, it is presumed that the money shortage of these enterprises will be further aggravated.

Since financing for smaller enterprisers has been tightened more than ever, it would be difficult for them to borrow money either from the Industrial Bank or from the Reconstruction Finance Bank. Moreover, since city banks have also toed their policy in line with the Bank of Japan's policy, the year-end money supply is expected to take a turn for the worse.

The next question is the purchasing power of the public this December. In the latter part of December last year the Government disbursed 50 billion yen, and for that reason the purchasing power suddenly rose. But this year the Government has effected a gradual payment according to a pre-arranged plan. For example, the Government has started a payment of 30 billion yen for the purchase of this year's rice, and it plans to absorb 50 percent of the money by means of deposits.

Farmers also, considering the prospects for next year's crops and the payment of taxes, are expected to cut their year-end expenses to a minimum.

Moreover, since some big companies have woven bonuses into the monthly wages, and others would be unable to grant the year-end allowance due to fund shortages, there will be no spectacular bonus boom such as those which enlivened the market at the corresponding periods of last year and the year before.

Eventually the year-end business will culminate in bitter advertising rivalry. Accordingly, the much-discussed stabilization panic is expected to manifest itself this December.

Gradual Business Slump

ICHIMURA, member of the Tokyo Chamber of Commerce and Industry, discussed the year-end prospects as follows:

In TOKYO only foodstuff dealers, fruit stands, and aquatic products shops have escaped bankruptcy or conversion. The reason why these particular shops prospered is that despite food ration increases from November, the consumer demand for food failed to drop because the greater portion that has been distributed consisted of sweet potatoes instead of rice.

From next January on, when the national purchasing power decreases and the distribution of rice increases, these shops will experience a slump in business. All enterprises, except for those mentioned above, are bemoaning the business depression, and presumably all enterprises exhausted their profits by the end of November.

Under such circumstances fear is voiced that many enterprisers will be forced to change their businesses or close their shops, being unable to tide over the year-end crisis. At any rate, the year-end market is expected to wind up with no relief in the continuing business depression.

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ITEM 5 Plight of Kansai Management Bodies Examined - Osaka Shimbun - 4 Dec 48.
Translators: T. Mitsuhashi, M. Araki and H. Suzumura. (SS)

110

Full Translation:

While completely bewildered by the rapidly shifting internal and external economic picture, the most exasperating to these economic bodies organized to democratize business was the lack of funds, the fact that non-purgee conservatives had grabbed the initiative and the falling-off of business.

The following are reports on the activities of leading economic organizations in OSAKA:

Osaka Chamber of Commerce and Industry: The chamber was overshadowed by the various new economic organizations during the immediate postwar period but has now regained its traditional footing, enlisting leading figures in the last election. It is currently operating on an annual budget of 8,000,000 yen. Monthly expenses include 360,000 yen for personnel expenses, 40,000 yen for welfare expenses, 300,000 yen for meetings and travel expenses, 160,000 yen for business expenses including those for investigations, totaling 860,000 yen. With expenses for building and furniture repairs and secret services added, monthly expenses run over 900,000 yen, exceeding the original monthly budget of about 600,000 yen.

On the other hand, the membership fee for its 2,100 members is 1,000 yen per member and a minimum of 3,000 yen per organization or company. The Kansai Power Distribution Company contributed the most with 100,000 yen, followed by the Hankyu and the Kinki railway companies with 35 lots; the Sanwa Bank with 30 lots; and the Osaka Bank with 25 lots. Heavy industry and cotton textile companies contributed around 20 lots each, while the relatively well-to-do new smaller businessmen and industrialists as a rule only came through with one lot each. It is rather surprising to see management organizations unable to draw in any more money when labor unions operate on 100 million yen budgets.

The wage level for the 57 office workers is based on 6,000 yen for an employee, aged 31, with two years service and 1.7 family members, and wage demands finally culminated in a strike. The state of organization is such that one employee has to handle all which is quite an impossible feat.

Chairman SUGI, re-elected in the 10 November election, stated the following in his first speech:

"I was hoping to be re-elected, for I considered it my duty to find a solution to the difficulty now confronting the chamber."

Although the Kansai Federation of Management Organizations, which boasts of a nation-wide economic organization, maintains that the chamber should confine itself to local matters, the latter refutes this on the ground that the chambers of commerce and industry, of which the Osaka branch is the nucleus, are those which truly represent Japanese economy.

The Kansai Economic Federation - This is one of the economic organizations which staged a brilliant comeback with the re-establishment of management groups. Since it shares its office with the Chamber of Commerce and Industry, the relationship between the two is said to be far from cordial. This may have accounted for the fact that neither NAKAHASHI Takeichi nor KUDO Tomoe, president and managing director, respectively, of the federation were elected to the Chamber of Commerce and Industry.

In TOKYO, the Japan Chamber of Commerce and Industry is at odds with the Federation of Economic Organizations as to the future site of the International Chamber of Commerce and Industry.

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ITEM 5 (Continued)

The Kansai Economic Federation, provided with an annual budget of 3,000,000 yen, is no exception when it comes to financial difficulties. It has recently been endeavoring to enlist outside members by holding frequent lecture meetings in CHUGOKU and SHIKOKU, since at present, 85 percent of its membership is comprised of local members in OSAKA. How effective NAKAHASHI's positivism will be remains to be seen.

The Kansai Economic Friends Society - This society began with an annual budget of 600,000 yen. It is also in the red, because 150,000 yen is spent on the 17 or 18 meetings and refreshments each month. Only 50,000 yen is appropriated in the budget for such purposes. This society is unique in that it was organized by the younger businessmen to acquire management experience. However, older financiers of past fame, such as WATANABE Tadao (the Sanwa Bank), SUZUKI Go (the Osaka Bank), IWAI Yujiro (the Iwai Industrial Company), KURIMOTO Junzo (the Kurimoto Iron Works), OTAGAKI Shiro (the Hankyu Electric Railway), INABATA Taro (the Inabata Industrial Company) and ABE Kojiro (the Toyo Spinning Company) have somehow established themselves at the helm of the society.

The nature of this society does not make it imperative to have a larger office, but it is almost impossible for the present force of two men and three women to accomplish any sizable tasks.

Osaka Manufacturers Association - This association is stable because 800 members are well acquainted with one another due to its long standing. The annual budget for expenditures is 1,800,000 yen. Instead of creating bosses, the association is making efforts to profit all members equally by inspecting factories.

Kansai Management Council - The membership fee is 700 yen a month with an annual budget of eight million yen, the same as the Osaka Chamber of Commerce and Industry. This Council heads the list of the well-to-do organizations. KATO Masato, director of the Yamato Spinning Company, is the chairman with YOSHINO Koichi of the Osaka Industrial Association, ARIMATSU Jun-ichiro of the Daiwa Bank and GOTO Yutaka of the Kansai Power Distribution Company as the treasurers. Thus, the Council has an elastic character. Since it has a unique footing, as a management organization against labor offensive, it enjoys suitable conditions for raising funds.

Aiming at the mutual enlightening of managers, the Council is actively studying principal labor regulations and offering suggestions. The reason why this association attracts the managers is that it deals with current problems such as wages, the Labor Standard Law, labor contracts, social insurance system and the like. Now that fresh company directors are numerous, this association is very popular.

The number of members is 499 (484 regular members and 15 patron members). As an economic organization, this council seems to be easy to operate.

Other Organizations - The Kansai office of the Federation of Economic Organizations is conducting liaison business in cooperation with the Tokyo headquarters. Some business societies, which are the organizations of the same kind of business, draft materials to be presented to government and public offices and carry out necessary procedures. Since such business is lucrative, these societies are financially well off.

The Commerce and Industry Cooperative Association is an organization officially established in accordance with the law, but it has no special function.

As a foundation, there is the Osaka Economic Research Society, but this has no sufficient membership, to say nothing of its funds. This should rather be called a business consultation office than an

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ITEM 5 (Continued)

economic research society.

In conclusion, all persons considered to be representing Osaka economic circles have connection with almost all these organizations. For this reason, many propositions with the same content are presented from different organizations, resulting in de-emphasizing their individual importance. In addition, it is not desirable that the character of these organizations be similar merely because of the peculiar nature of the Osaka management organization which happens to have the same businessmen as leading members, for there is considerable danger that this situation might foster the development of financial bosses.

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ITEM 5 Importance of Power Machinery Industry Stressed - Denki Shimbun - 6 Dec 48. Translator: M. Sameshima. (MJF)

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Summary:

The long range economic rehabilitation program, including electric machinery, involves the following problems:

First, any economic problem in JAPAN under the Occupation is almost invariably influenced by international conditions. UNITED STATES domestic industries, the Marshall Plan in Europe, and stabilization in the Far East will affect the program directly or indirectly. Second, the adverse effects of defeat, especially in technology and materials, will be felt most seriously next year. Surplus wartime goods, amounting to several times the government's allocations, were available until last year; but, hereafter, goods must come from raw materials produced after the war, thus bringing on an absolute shortage in quantity or a rise in the cost of raw materials.

Moreover, now that the commodities formerly consumed in the country have to be exported, improvement of technology, which fell behind during the war, has become an issue. Technological deterioration is fatal in view of the importance of export goods to be produced in the mechanical industries. Regarding this point, the Technical Section and the Mechanical Technology Committee participating in the rehabilitation program are studying the problem concretely.

Third, the trade market is far from reassuring in light of the postwar trade transactions. Fourth, JAPAN lacks experience in carrying out such an overall program. It is entirely possible for the program to end in a mere desk plan, full of figures, because of incomplete statistics and insufficient examination of the production plans already carried out. Improvement in planning techniques can hardly be anticipated unless the planners benefit from errors in the past yearly plans. Many problems, such as inequality, original unit, and method of classification, must be studied.

Fifth, there is the matter of introducing foreign technology. In fact, unless foreign capital and technology are introduced, it will be very difficult to realize the economic rehabilitation of JAPAN. Even the UNITED STATES cannot afford to lavish funds and materials on JAPAN, for she is being drained for European rehabilitation in addition to her own enormous demands. Unlimited US investment in a chaotic ASIA can hardly be expected. Though public peace is maintained in JAPAN, she has too many elements to discourage investors, such as various control legislations and labor disputes.

Now that the electric machinery industry is linked with the rehabilitation program, it should be provided with a productive structure in accordance with the general rehabilitation goal. It is generally believed that the industry will be operating at full capacity of existing establishments in 1953. Priority is being given to the key industries; namely, the development of electric power, coal mining, fertilizer production, and transportation. The emphasis on internal development must, of course, be balanced with export considerations. Since the electric machinery industry is the one that will manufacture electric machinery, the production material for all these key industries, materials should be supplied to it first in order that the plans of all industries can be realized. Accordingly, electric machinery industry production must be stressed, especially during the first term, 1949 and 1950.

In view of the difficulties in securing materials, production materials must be economized by the efficient production of superior goods, based on the priority principle. In short, the first period of the rehabilitation program must concentrate on the production of electric machinery to develop and increase motor power and transportation capacities, increased production of export goods, improvement of quality, and the promotion of production efficiency.

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ITEM 6 Osaka Government Formulates Industry Plan - Sangyo Keizai - 7 Dec 48.
Translator: H. Sato. (SS)

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Full Translation:

The Osaka Prefectural Government's plan for executing important industrial policies for 1949, in preparation by various sections concerned, has now been completed. At the meeting of the Commerce and Industry Standing Committee held at 1000 hours on 6 December at the Prefectural Office conference room, SAEDA, chief of the Commerce and Industry Department of the Prefectural Government, explained the whole aspect of the plan. The Committee, after discussing the plan, approved it unanimously.

The Committee will submit the plan to the Prefectural Assembly meeting on 12 December and ask for a budget appropriation, with hopes of putting the program into practice in January. The following were taken up as important policies:

Measures for promoting smaller businesses and trade, a program to rehabilitate and reconstruct halls for the display of international samples, a plan to expand the cooperative use of equipment, commercial measures, exhibition and sale of the standard products of the country, plans to establish trade markets, the 1949 financial policy for smaller businesses, the third period reconstruction plan of the Industrial Museum, the establishment of the Osaka Prefectural Economic Research Institute, the training of production efficiency instructors of the Osaka Prefectural Government and a series of new commerce and industry measures.

New ideas embodied in the trade promotion measures are as follows:

1. Participation in Overseas Sample Exhibits - The Osaka Prefectural Government will definitely take part in the dispatching of Trade Board staff members to overseas sample fairs, thereby publicizing products of OSAKA Fu and investigating world markets. Expenses for the overseas market investigation will be 500,000 dollars for the investigation group for North, Central and South AMERICA, and 250,000 dollars for the group surveying the SOUTH SEAS, INDIA and AFRICA. For this, OSAKA Fu will vote an appropriation of 25,000,000 yen.

2. Exhibition of Osaka Products over the World's Airlines - In order to publicize the prefecture's export goods to the overseas market quickly and at comparatively little cost, OSAKA Fu has been making arrangements to hold exhibitions of her best samples at important cities along foreign airline routes in cooperation with airline companies. An agreement for the plan was reached with the British Overseas Aviation Corporation (BOAC) of BRITAIN and the Northwest Airlines (NWA) of the UNITED STATES. OSAKA Fu will entrust the exhibit goods for the UNITED STATES to the NWA and the cargo for the SOUTH SEAS, INDIA and AFRICA to the BOAC. Through the aid of these companies, exhibitions of Japanese goods will be held in the principal cities along the air routes.

Cities where exhibitions will be held under the favor of the two companies are as follows:

NWA Airports - SEATTLE, PORTLAND, DETROIT, CHICAGO, PITTSBURGH, WASHINGTON, NEW YORK and CLEVELAND.

BOAC Airports - HONGKONG, BANGKOK, SINGAPORE, CALCUTTA, RANGOON, SURABAYA, COLOMBO, MADRAS, KARACHI, CAIRO, MARSEILLES and SYDNEY.

3. Now that measures have been taken to simplify export procedures, the Osaka Prefectural Government will actively promote trade through various programs, including aid to the manufacture of excellent samples, competitive exhibition of export goods, overseas distribution of excellent samples, construction of an international sample hall and subsidies to improve the facilities for inspecting export goods.

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FREE SALE SLATED FOR 50 MAJOR GOODS

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Demand and Supply Balanced In Dc 1 Items

More than 50 items out of the officially designated major producers' goods, such as steel ingot, solder, and lumber, will be placed on free sale from the fourth quarter of this year January-March, Kyodo said.

The control upon these articles will be lifted because their demand and supply have become balanced.

The Commerce-Industry Ministry is expected shortly to take steps to revise the existing Producers' Goods Allocation Regulations in collaboration with the Economic Stabilization Board.

NIPPON TIMES 9 SEP 1948

RUSSIANS PROPOSE FULL RESTORATION OF INDUSTRY HERE

Panyushkin Declares Peace Treaty With Japan Is Long Overdue

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Kyodo-UP

WASHINGTON, Sept. 25—Russia has proposed unlimited revival of Japanese peacetime industries under Allied control but has warned that "Japan will have to satisfy legitimate claims for reparations...."

The Soviet Embassy said the proposal was made Thursday by Ambassador Alexander Panyushkin at the Far Eastern Commission meeting.

At the same time Mr. Panyushkin declared that the peace treaty with Japan is "long overdue."

He declared in his surprise statement that a high level of industrial development in Japan will not be dangerous if Japan is not permitted to revive her war industry and military machine.

He said development of Japan as proposed by Russia "will broaden the possibilities of Japanese export," will contribute to Japanese economic independence and will lighten the dependence of Japanese "economy on external factors which are alien to her interest."

'Is Long Overdue'

All the control machinery, he said, could be provided for "in the peace treaty with Japan, the preparation and conclusion of which is long overdue."

"The question of the level of industrial development for Japan is one of the most important questions requiring settlement," said the Soviet representative on the Far Eastern Commission at the Commission's meeting on Thursday. His statement was released only today. "Determination of the level for development of Japanese industry will predetermine the future economic development of Japan.

"However, while considering this question, it is necessary to understand clearly what industry is to be developed.

"Industry may work to meet the peaceful requirements of a country, but it also is known that industry may work for the purpose of military preparation as was the case earlier in Japan.

"Therefore, from the very beginning" it is necessary to consider this question "and then determine one's attitude toward one or another of the proposals concerning the level of the future industrial capacity of Japan. Besides, it should be remembered that Japan will have to satisfy legitimate claims for reparations on the part of those States which suffered from Japanese aggression.

"The Soviet Government does not consider it reasonable to require limitations on the level of development of Japan's peaceful industry for the future.

'No Justice Whatsoever'

"Such requirement could find no justice whatsoever. It would meet no interests of the Japanese people nor the interests of other countries, and first of all of the Asiatic countries which are in need of the things made in Japan.

"A high level of industrial development of Japan will not in itself be dangerous if Japan is not permitted to revive her war industry and militarism. Japanese industry in the past served as an economic basis for Japanese aggression, not because its development was subordinated to the needs of war.

"Japanese military circles, acting contrary to the vital interests of the Japanese people, directed the development of the country's industry as well as economy as a whole in such a way that it was adapted to meet the needs of the Army and Navy. That is, it worked for the preparation of war.

"Such a situation suited the interests of aggressive Japanese circles which set themselves the purpose of enslaving other countries and peoples in alliance with Hitlerite Germany.

"However, it goes without saying, this should not be repeated since militaristic Japan has been defeated and there is

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Russians Propose Full Restoration Of Industry Here

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an opportunity to direct the development of Japan along democratic and peace-loving lines.

"Now measures must be taken to prevent the revival of Japanese militarism and the conversion of Japan once again into a hotbed of warmongers.

'For Peaceful Needs'

"In order to ensure settlement of this problem, the development of Japanese industry should have as its sole purpose the satisfaction of the peaceful needs of the Japanese.

"If we proceed from this only correct basis, the unfoundedness of demands to limit the development of peaceful Japanese industry will become self-evident.

"Development of peaceful Japanese industry to the level of 1930-34 or to a higher level will contribute to the improvement of the physical well-being of the Japanese population which continues to suffer serious after-effects of the criminal and adventurous policy of the Japanese militarists.

"Such development of industry will broaden the possibilities of Japanese exports and will contribute to the strengthening of Japanese national economic independence and will lighten the dependence of Japanese economy on external factors which are alien to her interest.

"Besides this, the export of Japanese industrial goods would contribute to the satisfaction of the appropriate needs, for example, of certain Asiatic countries and would thus serve for Japan as a basis for the import of raw materials needed by here and of other foods necessary to satisfy the peaceful needs of the Japanese peop[illegible].

To Prevent Aggression

"It follows from the above that the objective of the Allied Powers should be not the limitation of the development of Japan's peaceful industry, but the prevention of the development in Japan of war industry and the prevention of the creation of conditions under which Japanese militarists and Japanese aggression can revive.

"Naturally the question arises to how this objective could possibly be attaind.

"The Soviet Government considers this objective can be attained if appropriate control is established in Japan for a certain period in order to prevent the creation of a Japanese war industry.

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"All peace-loving nations should be interested in the establishment of such a control. Such control established for a period of several years and exercised by the Powers most interested in preventing new Japanese aggression should be provided for in a peace treaty with Japan, the preparation and conclusion of which is long overdue.

"In accordance with the position which I have stated, I propose on instructions of the Soviet Government that the following decisions be adopted:

"1. No limitations should be imposed upon the restoration and development of peaceful Japanese industry which seeks to satisfy the needs of the Japanese population nor upon the development of export in accordance with the needs of Japan's peaceful economy.

"2. The revival and creation of Japanese war industry should be prohibited and there should be established for a period of several years control over the fulfillment of this decision to be exercised by those Powers most interested in preventing new Japanese aggression."

26 SEP 1948

NIPPON TIMES

NEW WAY FOUND TO MAKE JEWELS

Vital for Watch, Precision Instrument; Silverware Orders Increase

Success by a Japanese firm in producing synthetic jewels in rod form by a commercially feasible process should stimulate the manufacture of watches and precision instruments, according to an item in the latest weekly report of SCAP's Industrial Division. The report stated that the rod formation eliminates much costly grinding and polishing necessary in the drop form generally used in making these jewels.

September production of 580 kilograms of J-acid at the Tsurumi plant of the Hodogaya Chemical Company is the first postwar production of this important dye intermediate which is used in direct dyes principally for cotton manufacture for export.

Good September production, which either broke existing postwar records or was in increase over August production, was reported in blister copper, mercury, antimony, penicillin, electric motors and the flat tableware industries.

Production of 165,459 dozen knives, forks and spoons, an eight per cent rise over August, is indicative of a general increase in orders for silverware, the report stated. Eighty-nine operating factories are now manufacturing chrome plateware primarily and are also producing silverplate and stainless steel. Export shipments are facilitated by releases of silver from the Japanese Government on validated orders.

The report stated that permission has been granted to construct a 150-gross ton wooden cargo vessel to replace a wartime standard wooden ship of the same tonnage, no longer operable. A 160-gross ton wooden fishing vessel will also be constructed to replace a similar ship whose hull makes it no longer usable.

The report also stated that an additional 150,000 metric tons of high grade cement will be channeled into export trade during the remainder of the fiscal year.

A total of 200 tons of bauxite, imported for aluminum production, has been allocated to the ceramics industry for abrasives.

NIPPON TIMES 28 OCT 1948

Japan Industry Level

Far Eastern Commission Again Considering Issue

Kyodo-AP

WASHINGTON, Dec. 24.—The Far Eastern Commission again is considering what level of production should be permitted 16 Japanese industries which are potential producers of war materials.

An informed source declined to disclose the extent of discussion on the long pending proposal.

He indicated there was much talk at the regular session on just how to determine the level. No action was taken. Some pressure was in evidence for a prompt decision.

Two weeks ago, the commission turned down a Russian proposal to establish international group control of war plants production to speed up peace industries.

MAINICHI 26 DEC 1948

Russian Bid Seen as Move To Strengthen Reds Here

SCAP Official Believes Soviet Policy Now Is To Get Americans Out of Japan

By HOWARD HANDLEMAN
Far Eastern Bureau Manager
International News Service

Soviet advocacy of unlimited development of Japan's peaceful industries was interpreted in Gen. Douglas MacArthur's headquarters Saturday as another move in the Soviet policy to win an early peace treaty for Japan "to get the Americans out of here."

The initial reaction of headquarters officials on both the political and economic aspects of the new Soviet announcement was that the Russians are now fully embarked on a campaign to end the Occupation and thereby to give Japanese communism more of a chance to grow.

One official said:

"There has been a subtle change in Soviet policy during the past few weeks. The first indication came when the Japan Communist Party suddenly began to propagandize for an early peace treaty.

"I believe the fundamental policy of the Soviets toward the Japan problem now is to get us out of here."

The official said there also is one other important aspect to the Russian announcement in Washington that Japanese industry should be given free rein to grow.

"To my mind," he said, "the Soviet moves in Berlin are mere diversions from the more important drive to control Asia.

"The Soviets are working very hard to make Siberia an economic empire that will dominate the markets of all Asia, as the Japanese economic empire did before the war."

"Communists are fighting throughout Southeast Asia and, of course, in China."

"To me the major Soviet efforts abroad right now is centered in Asia, not Europe."

"The Soviet statements and policies that are designed to be attractive to the Japanese people are merely part of the overall campaign to win Asia."

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NIPPON TIMES

Bid Seen as Move To Bolster Reds

(Continued from Page 1)

hamper the redevelopment of Japan."

Another official pointed out that the Soviet statement on the industrial level was in line with American thought on the problem. Americans have desired for a long time a full rehabilitation of Japan's peaceful industries.

A third official said the new Russian statement was part of the overall Soviet campaign to become the dominant influence in Asia.

"The Russians have lost favor among Japanese by their tough attitude toward Japanese problems," he said. "Now they are trying to win popular sympathy with statements and policies that will please the Japanese."

"They have even lost support of left-wingers in the labor unions because the Japanese felt the Russian policy would

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Labor Reaction

Anticipating the execution of policies unfavorable to it, labor is preparing for a fight against the conservative Government, the writer reports, asserting that "both sides (labor and government) are watching for a chance to attack each other, and conflict cannot be avoided."

An antagonistic stand against the Democratic-Liberal rule is taken by MITAMURA Shiro, ex-Communist and now a prominent promoter of the anti-Communist Democratization League, in SHAKAI UNDO TSUSHIN. "The organized workers of Japan will not support the Yoshida Cabinet regardless of its platform. * * * The workers have not forgotten the bombastic speech in which he called them 'lawless people.' They will not remain silent when he takes up such matters as adjustment of enterprises, revision of labor laws, or public office workers' wages. * * * At the time of our offensive against the first Yoshida Cabinet, the political trend was away from conservatism and toward democracy, but this fight today is against retrogression from democracy." While advocating a strong attack to force the resignation of the new government, Mitamura warns unionists, however, to dissever themselves from Communist elements.

A DAIAMONDO staff writer finds significance in a pre-cabinet-change statement ascribed to KATO Etsuo, Chairman of the Central Committee of the Government Railway Workers' Union: "We frankly recognize that Yoshida will form the next government. Whether or not we will fight it depends upon the attitude of this Cabinet." The staff writer adds the comment: "Labor offensives are not always confined to periods when a conservative regime is in power, nor do labor activities necessarily diminish during a liberal administration. For even a conservative cabinet has to regard the will of the people, while liberals find they cannot carry out any policy which ignores national economic conditions."

SCAP Directive

Regarding Gen MacARTHUR's letter, HOCHI SHIMBUN told the Government to have the people exert "sacrifice and determination." The paper, however, felt the present Cabinet and political parties unqualified to make such demands in view of this corrupt activities. The best way to respond to the directive, the paper suggested, is to eliminate by the ballot all politicians who only think of winning votes. TOKYO SHIMBUN pointed out that the instructions were only a warning to the Japanese people who are neglecting their duties in realizing economic recovery. Unless organized labor adheres to the provisions of the letter, the journal believed working and living conditions would become worse. SEKAI KEIZAI called for an autonomous and democratic peoples' movement directed toward complete economic reconstruction. It urged political parties, enterprisers, and labor unions to unite in their efforts to revive economy. Desiring the heavy burden of realizing economic stabilization to fall equally among the people, instead of on the working class alone, ASAHI prodded the Government and political parties to co-operate to attain this objective.

Recovery

While optimistic over the general trend toward boosted export trade, YOMIURI nevertheless wondered how far the Government and the people would co-operate in carrying out the nine-point economic stabilization program. The daily, aware that the absolutely necessary enterprise rationalization would cramp the nation, urged the Government and the people to prepare for the hardships subsequent to the fixing of a single exchange rate.

TOKYO TIMES advocated taking "strict precautions against. . .persons who obstruct the recovery of production through idleness, thoughtlessness, and malice at a time when JAPAN's economic recovery is so urgent." In addition, the Government should attempt to alleviate any suffering accompanying the inflationary denouement, the editorial said, and the people "should place economic recovery on the right track through austerity, good sense, and diligence."

The strongly worded MacArthur letter "reflects the strength of a justified demand," declared SHIN YUKAN, since capitalists, laborers, and politicians have indulged in "unreflective and unrealistic arguments in the name of political freedom, professing vigorous interest in democracy." Now it is incumbent on all quarters to stabilize economy, the editorial stated.

SCAP LETTER

All Tokyo papers carried mistranslations of the SCAP letter on economic stabilization. The error, likely to cause grave public misunderstanding, occurred in the passage "...an interim directive forwarded to me in accordance with the terms of reference of the Far Eastern Commission." ASAHI and KYODO TSUSHIN said, "with the approval of the FEC." Other major papers mistranslated it, "with conditions related to the FEC" and "with the decisions of the FEC." (AKAHATA: 20)

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ITEM 1 The Urgent Necessity for Rationalizing Management - Nippon Kaiji - 3 Dec 48. Translator: H. Furukawa. (SS)

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Summary:

The UNITED STATES, whose policy for aiding JAPAN's reconstruction has recently become positive, is now inclining towards setting a rate of exchange for JAPAN as a prerequisite for the approval of JAPAN's rehabilitation fund computed by SCAP's budget mission. There is a difference of views, however, between the United States Government and SCAP concerning the method of establishing the rate of exchange.

While the United States Government desires an early establishment of a single rate of exchange, the SCAP authorities point out that JAPAN's economic situation is not yet ready for it. It is certain, however, that the time has come for JAPAN's manufacturing enterprises to rationalize their management. Unless they carry out rationalization, Japanese industries will not be saved from the abuses of the past wartime economy. The frequent labor disputes today also have resulted from the unhealthy management of enterprises. Sound management is therefore the prerequisite for industrial reconstruction.

It must be reflected that the economic policies of the Japanese Government, eager for early recovery, are preventing the restoration of equilibrium in the nation's economy by interfering in the details of the people's economic activities. The government subsidies to farmers, coal mines, and key industries tended more to accelerate the trend of inflation than to increase the production of rice, coal and materials. The increasing labor offensive is proof of this fact. The economic policies hereafter must aim to rationalize all fields of the nation's economy and establish an economic structure based on the force of economy itself. It is unavoidable that the execution of such policies should bring temporary losses to the nation's economy.

State control is liable to develop into state management and foster the idea of state socialism and communism among the people. For this reason, we cannot support the policy of intervention by the government in the economy of the people. On the contrary, we hope that present bureaucratic control will be abolished to pave the way for economic stabilization. Unless this is done, JAPAN cannot look forward to American economic assistance.

ITEM 5 Industrial Rationalization - Nippon Kaiji - 15 Dec 48. Translator: E. Sato. (TK)

12

Summary:

The move toward rationalization of enterprises as a step toward economic independence is as welcome trend. With the support of the labor unions, the big enterprises are enforcing the independent account system. However, the reduction of personnel and an efficiency wage plan, which are the vital prerequisites to the establishment of the independent account system are not being carried out rationally.

The big enterprises are reducing the number of workers in factories which are running into a deficit or which cannot get necessary funds independently to place them on an independent account basis. They are also transferring their employees with the consent of the labor unions. The difficulty lies with those enterprises which cannot shift their personnel.

Labor unions have recently begun to show understanding on the necessity of management to rationalize enterprises. They fully realize that the only way to place the enterprises on an independent account basis is to carry out personnel reduction. Therefore, if an agreement on retirement allowances is reached between the labor unions and management, it is certain that the matter will be brought to an amicable settlement. Under existing circumstances, however, it is difficult for the enterprises to reduce the number of their employees. Both labor and capital should study this problem in earnest.

Since the extent to which the Anti-economic Concentration Law will be applied has not been clarified, the enterprises cannot carry out wholesale rationalization. Furthermore, the prevailing controls are an obstacle to the economic independence of the enterprises.

It is also inevitable that the antagonism existing between labor and capital will become more intensified with the progress of industrial rationalization. Only by overcoming these difficulties and collaborating with each other can entreprenours and their employees carry out industrial rationalization successfully.

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ITEM 23 The Way to Save Japan from Suicide - Sekai Keizai - 21 Dec 48.
Translator: H. Arai. (UG, FST)

110

Full Translation:

General MacARTHUR, in his letter to Premier YOSHIDA on 19 December, explained the purport of the United States Government's nine-point interin directive on the Japanese Economic Stabilization Program and called upon the Japanese people to brace themselves.

The nine-point directive is a preliminary measure for the early establishment of a single exchange rate. At the same time, its aim is to improve JAPAN's foreign trade and curb inflation through the stabilization of state finance, banking, commodity prices, wages and the maximum increase in production for exports.

In short, its objective is to establish a situation conducive to JAPAN's economic self-sufficiency. If the directive is carried out, the Japanese people will be compelled to bear stricter tax collections, lower wages, unemployment, intensified labor controls, unprofitable exports, and a life of austerity. It will test the length to which the people can go to stabilize and rehabilitate their economy. The directive is advance notice of US occupation policy and has great significance from the viewpoint of forcing Japanese economy to the turning-point.

This request of the US Government is a warning to the Japanese people, especially to those in economic circles, who rely too much upon outside aid in the manner of beggars. Those who hold the introduction of foreign capital and American aid in unwarranted optimistic view and are still spiritless and apathetic--who do not exert any voluntary efforts for Japanese economic recovery--must now face the severe actualities.

In order to take deliberate measures for Japanese economic stabilization and rehabilitation and to understand and achieve the objectives of the nine-point policy, it is necessary, first of all, to recover lost time in adjusting the domestic situation to this policy. To this end, a coalition of sound political forces able to execute the nine principles is a prerequisite.

The ideologies and policies of the Yoshida Cabinet and the Democratic Liberal Party must be fundamentaly reinvestigated. It is not unexpected that a movement for the wholesale resignation of the Yoshida Cabinet has arisen prior to the dissolution of the Diet. We emphasize the necessity for dissolving the House of Representatives quickly in order to renovate the political circles, which are now absorbed in meaningless political strife.

Second, the establishment of industrial peace through reconciliation and mutual concession on the part of both capital and labor is necessary. The wage situation has already entered the stage where direct wage control measures have become necessary. Real wages must be secured, and the people should cultivate the habits of saving and enduring hardships and privations. The burden must be equalized. The luxurious practices of a certain segment of the people must not be tolerated.

Among managers who criticize the extremes of this country's labor movement, there are only a few who grasp the spirit of independent and rational capitalism. Some are too bent on immediate profits from inflation and some rely too much upon deficit loans and government subsidies. There are few leaders who make sincere efforts to put business management on a sound basis and to increase production efficiency.

The present condition of management reveals that producers have lost courage and spirit and are following the easy course. Thus, disputes between capital and labor have become intensified. Accordingly, management must take responsibility and leadership to

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surmount the difficult situation by bringing about an understanding between capital and labor.

Third, the Government and the people must take effective measures toward economic stabilization by making complete preposations for the checking of inflation, the creation of a single exchange rate and investigating the effects of the plan upon JAPAN's entire economy, her industrial structure and the people's livelihood. The increase in IROA and GARIOA funds and other aid depends entirely upon the execution of the nine-point directive.

We must bear in mind that it is only natural in view of the results of the Marshall Plan, that the US should consider the execution of plans to stabilize currency, the sound development of foreign trade and the improvement of economic efficiency as indispensable conditions for JAPAN's economic self-sufficiency and take the adjustment of her domestic economy as a premise to further aid.

This country's price structure will approach the international standard with the enforcement of the single exchange rate system in the first half of next year. However, if sufficient preparations are not made promptly, the situation will impart a serious influence upon JAPAN's export industry, her domestic economy, commodity prices and the people's livelihood. In anticipation of this, every conceivable measure must be taken in regard to economic readjustment, industrial rationalization, unemployment, the prevention of social unrest, and other problems.

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ITEM 21 Self-sufficiency or Compradorism? - Nihon Keizai - 21 Dec 48.
Translator: S. Kinoshita. (JJY)

11D

Full Translation:

It is evident from recent Far Eastern Commission's directives and the nine principles that promotion of the export trade is the most urgent problem JAPAN is now facing, even more so than increasing coal production and strengthening transportation. A member of GHQ's Fine Mission, prior to leaving WASHINGTON, said that the mission is planning

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to strengthen US aid to JAPAN in order to make her a self-supporting country as well as to relieve the US taxpayers from burdens they would have to bear for an indefinite period to pay the occupation costs. The aim of the nine-point program also consists in this point.

Material aid given by the US from GARIOA and EROA funds has reached a considerable amount. This is evident from the fact that the amount of imports to JAPAN since 1946 has exceeded that of exports by more than 800,000,000 dollars. This means that JAPAN has borrowed that much from the US. In order to reduce this debt as much as possible and to make JAPAN economically independent as quickly as possible, we must exert utmost efforts to increase exports.

The Fine Mission is reported to have completed preparations to submit to the US Government the budgetary needs for aid to JAPAN after negotiations with the Army Department since mid-November. The aforesaid statement was made to deny the rumor that the US program for Japanese rehabilitation might undergo a drastic revision. Even if the budgetary need is included in President TRUMAN's New Year's message to Congress, it must go through Congressional deliberations before final decision. There it will be unsparingly debated from the US taxpayer's point of view.

There is no doubt that they will point out that Japanese rehabilitation is lagging behind schedule, while the US has given tremendous aid at the big expense of the US people. It will also be pointed out that Japanese foreign trade has not yet achieved any noticeable development while already nearly a year and a half has passed since private trade was opened in August 1947. We must sincerely reflect upon these criticisms.

We do not think that we have been neglecting our duties heretofore. But hereafter we must work harder than ever lest we lose our qualification to receive US aid.

A man must work to earn his livelihood as long as he can work. Even when he is so badly off as to have to rely on others for his living, he is not allowed to neglect what he can do himself.

The same can be said of a nation. If a nation hopes to gain economic independence, it must make every effort to maximize export production to pay for imports of food and other necessary materials, or it may perish.

It is plain that the US aid we are now being granted will not last forever. It is our duty to make JAPAN capable of feeding her population of as much as 80,000,000 within her narrow territory without aid from the Allied Powers as quickly as possible. Both the promotion of exports and the introduction of foreign capital, have large significance as measures to attain this purpose.

There is, however, a group of left-wingers who sneer at these measures as "compradorism" and hold that there is a danger that such measures may turn JAPAN into a colonial area.

Chinese compradors closely allied themselves with foreign interests and neglected the interests of their own country. This is why the Nationalists as well as the Communists denounced compradors.

But we would point out that the word "comprador" is used at present by the Japanese left-wingers in a far wider sense. They attack all politicians of internationalist color as compradors. It is from this viewpoint that they accuse those who attempt to introduce foreign capital and to develop foreign trade with the purpose of making JAPAN a member of the family of international economy as compradors in favor of colonialization of JAPAN.

Their view is just the same as that of the ultranationalists of the 1890s who opposed the foreign loan policy on the ground that it would destroy the nation. We believe that intelligent people will pay

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little attention to such a foolish opinion. The fallacy of this view is evident if only we consider whether the war-torn Japanese economy can be restored by any way other than the introduction of foreign capital and the expansion of exports.

It is dangerous to the nation to be influenced by the false propaganda of a group of left-wingers who, without preparing any constructive plan of their own, deny an effective rehabilitation plan and discourage the people who are endeavoring for the nation's economic independence. It is sure that a nation which has become incapable of living by increasing production for export is doomed to perish.

There are some who fear an excessive introduction of foreign capital as experienced by GERMANY after World War I. But the fact that no noticeable development has been achieved in the introduction of foreign capitals, although it has been most strongly pressed since the days of the Ashida Cabinet, tells us that such a fear is utterly groundless.

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ITEM 19 Meaning of Gen MacArthur's Letter - Tokyo Shimbun - 21 Dec 48.
Translator: Y. Bannai. (JJY)

Full Translation:

In his letter to Premier YOSHIDA, Gen MacARTHUR has clarified the objectives and significance of the nine-point directive, sent to him by the US Government. As is stated in his letter, the nine principles follow an objective pattern, the general aspects of which have heretofore been communicated to the Japanese Government, and, in this sense, are no new proposals. However, the fundamental attitude, which Gen MacARTHUR demanded of the Japanese nation as necessary for the execution of the nine principles, includes a wide variety of problems, which are worthy of our deep consideration.

The salient points are that there will be prompt achievement of that degree of economic self-sufficiency which alone can justify and insure political freedom, that this will call for increased austerity in every phase of Japanese life and for the temporary surrender of some of the privileges and immunities inherent in a free society, and that there will be no place for ideological and political opposition.

Needless to say, the demand, based upon these points, will have a grave bearing upon future Japanese life, which will be anything but comfortable. However, JAPAN's reconstruction programs, though proposed in large numbers since the end of the war, have not been intensive. Moreover, the Japanese nation has tended to count wholly upon US aid. In view of such a situation, most of the Japanese nation deem it natural that JAPAN's objectives have been condensed into the nine principles.

Moreover, Gen MacARTHUR stated that he has faith in the ability of the Japanese Government and people to achieve so worthy a national goal. We have no doubt that the Japanese nation is proud of this comment. However, the problem is how to put these basic principles into concrete form.

As stated in Gen MacARTHUR's letter to Premier YOSHIDA, the directive proceeds from the premises that the American people, so long as called upon to underwrite existing deficits in the indigenous resources required to sustain Japanese life, have the right to expect the Japanese to curb waste in the operation of government and industry; and that by positive Allied intervention obstructions incident to improvidential political conflicts, unobjective labor strife, and destructive ideological pressures can best be avoided.

To be frank, though the directive proceeds from these premises, we would deem it disgraceful to achieve the national goal set forth in the directive on the strength of such premises. We must make independent efforts. Now that our future course is clearly set, we must advance by ourselves. In this sense, we must make a new start in every phase of life.

At this time, the Diet and political parties are engrossed in partisan machinations, destructive actions are being staged under the pretext of a fight for power, and misinterpretation of freedom and the neglect of responsibility and duty are prevalent. Under such conditions, we cannot achieve our objectives without reforming the basic structure of our life. Our unsystematic actions in the past may be excusable as a transitional phenomenon, but there is ample reason that the directive has called for a reorientation of Japanese thought and action, with both subordinated to a primary purpose common to all of the people. We are fully aware of this, and all the nation must feel that now is the time to effect such an orientation.

These things are easier said than done, and cannot be achieved by the Government alone. However, the Government must take the lead in striving for this purpose. In this sense, political power must be consolidated. All the nation must fully understand the significance of Gen MacARTHUR's demand for our all-out efforts, and make a renewed start to become the motive power of a new JAPAN.

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ITEM 20 Grapple Head-on with Difficulties - Yomiuri - 21 Dec 48. Translator: J. Wada. (UG)

110

Full Translation:

Gen MacARTHUR on Sunday released the message which he had sent to Premier YOSHIDA concerning the US Government's directive on JAPAN's economic reconstruction. In it he expressed the desire that the Japanese people endure austerity and exert efforts for reviving and stabilizing Japanese economy.

The nine principles for economic stabilization which have been laid down by the US Government represent nothing new; their outline was already indicated inthe 10 economic principles which GHQ recommended to the Ashida Cabinet. The importance lies not in the principles themselves but in that the immediate execution of these principles has been demanded in the strongest tones yet heard. The order of the US Government and the message of Gen MacARTHUR clearly indicate to the Japanese the position in which they are now placed and demand deep reflection of the Japanese nation as a whole.

Although the case is different in BRITAIN and FRANCE, JAPAN's production is only a little more than 50 percent of the prewar level. Moreover, there is a surplus of labor in relation to the existing production facilities. If economy is to be stabilized under these conditions, the people must be firmly determined to endure austerity for many years to come. The conclusion is that more emphasis must be laid upon placing the national economy on a self-supporting basis than upon stabilizing and raising the people's standards of living.

As was pointed out by Gen MacARTHUR, "It will call for increased austerity in every phase of Japanese life and for the temporary surrender of some of the privileges and immunities inherent in a free society." Stabilization of wages and prices is not an exception. If vigorously carried out, it will be necessary for some of the people to surrender certain freedoms and privileges. Gen MacARTHUR's letter clearly indicates that the surrender is admissible. As the general said, "There can be no political freedom so long as a people's livelihood is dependent upon the largess of others."

Even to maintain our present standards of living, hundreds of millions of dollars are needed annually. And even if the peace treaty is signed, political independence cannot be expected of a people who

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cannot even attain economic independence. To emerge out of the present situation where Japanese economy is maintained at the expense of others and to attain a self-supporting economy as early as possible must be an objective common to all the people. "All-out efforts for economic self-sufficiency" have become the nation aim.

How can economic self-sufficiency be attained, then? According to the first tentative five-year plan for economic recovery, 1,600,000,000 dollars of exports (computed at prevailing prices) are necessary for restoring the 1930-34 production level and attaining economic self-sufficiency. Since exports in this year are estimated at nearly 200,000,000 dollars, it is necessary to expand export trade by at least seven or eight times. It is necessary to increase agricultural and aquatic production by nearly 40 percent and industrial and mineral production by more than double.

For this objective, not only raw materials must be increased but equipment must be repaired and strengthened. Most of the necessary funds and materials must be secured by the toil of the Japanese people. This means that the people must reduce their consumption and endure austerity and that all remaining resources must be directed for accumulation of capital. This is difficult and requires great effort. The problem does not end here, however.

Existing conditions are such that, even if the people endure hardships and continue their efforts, it is doubtful whether complete self-sufficiency can be attained within five years. Especially, export trade depends upon conditions in other countries. It cannot be increased without stable foreign markets. But political and economic conditions in Asiatic countries, which receive nearly two thirds of the total exports of JAPAN are very unfavorable. These unfavorable conditions have little prospect of improving in the near future. As economic reconstruction progresses in Western European countries, these countries will look even more to ASIA for export markets. Keen competition will naturally result. Therefore, the increase of exports will require superhuman efforts in the literal sense of the word.

"Export or die" is the iron rule laid down before the Japanese people. Even necessary commodities for the people's livelihood must be exported if foreign countries are willing to buy them. "First-rate goods for export and second and third-rate goods for domestic consumption" may be the national slogan. It goes without saying that production costs must be decreased by enterprise rationalization.

The hardships which the above will bring upon the people are far greater than imagined. However, they are demanded of us. From the independent viewpoint of the Japanese, too, these hardships must be endured if the present disgraceful dependence upon the charity of others is to be sloughed off and economic self-sufficiency is to be attained.

These difficulties must be faced squarely, the burden distributed evenly among all of the people, and the people's efforts utilized to the maximum.

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ITEM 18 Significance of the MacArthur Letter - Mainichi - 21 Dec 48. Translator: K. Ueda. (UG)

110

Full Translation:

Upon reading Gen MacARTHUR's letter to Premier YOSHIDA, everyone will feel that its tone is austere and its wording extremely straightforward. Previous letters by SCAP were interpreted as admonitions or demands or directives as one pleased, but the present letter will not admit of any distortion or interpretation to suit one's own ends. It is felt that the letter was written just at a moment when the entire Japanese people are required to reflect most deeply.

Corrupt dealings in the political, administrative, and economic fields are being brought to light one after another. Diet deliberations on important national affairs are being hampered by the partisan spirit of the politicians. The Government, management, and labor seem to have lost the will and power to solve labor disputes that are occurring in rapid succession throughout the entire field of basic industries. Meanwhile, there prevails an easygoing and dangerous atmosphere of dependence upon American aid, as if it were properly due the nation.

The letter refers to the nine principles given in the United States Government's interim directive. They are a plan to expedite the fixing of a single exchange rate. They contain, however, nothing really new, for the contents are substantially the same as the 10 principles for economic stability which were set forth by GHQ in July of this year.

We need not dwell on the incompetency which the Government revealed in putting the 10 principles into effect. The Democratic Liberal Party is now at the helm of the State. A wide gap is clearly seen between the promises which the party made to the public while it was the opposition and the policies being effected as the Government. As is widely known, this caused the people to conceive nonsensical expectations and illusions.

Be that as it may, the Government as well as the political parties should exert their best to execute the nine principles, with SCAP's letter as the turning-point. The General acknowledges in his letter the difficulties in the way of attainment, but none the less he expresses his faith in the nation's ability, saying, "I have faith in their ability, however stern the requirement and great the personal sacrifice, to achieve so worthy a national goal."

The question is how the nine principles will be put into practice. They will be most effective for economic stabilization when acted upon as a composite whole. The greatest economic requirement of the moment is the stabilization of wages, but if it is striven after as a problem separate from balanced state finance and the control of currency and prices, success will not be gained to satisfaction. No one can deny the contradiction of trying to enforce a powerful restriction only on wages, while demanding that financial measures to curb inflation be mitigated. Therefore, we demand of the Government as well as of management and labor that the former take well-balanced measures to materialize the nine principles, and the latter, on the recognition of their important roles, fully appreciate the significance of these principles.

The three economic principles have already been laid down for the solution of labor disputes now in progress throughout the basic industries. And although these three principles are nothing less than a condensation of the previous ten principles and the present nine principles, the way, we regret to say, has not yet been paved for settlement of these disputes. The workers concerned must be aware most of all how strike and sabotage tactics by basic industry workers impede economic rehabilitation, but, nevertheless, there has been no noticeable improvement in the situation. Besides, as we have frequently reiterated, the Government is extremely lacking in the will and energy to solve these disputes.

The keynote of the SCAP letter may be sought in the lines that "By positive Allied intervention may obstructions incident to improvidential political conflicts, unobjective labor strife, and destructive ideological pressures best be avoided." What these lines mean is clear. The people must be wise and coolheaded, and, at the same time, must fully understand what laborious endeavors the process toward economic self-sufficiency requires. Then, the nation will, in the words of the letter, be able to attain "progressive stability" and not "perish".

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ITEM 24 You Must Be Capable of Settling Disputes Yourselves - Jiji Shimpo - 23 Dec 48. Translator: S. Hirata. (JJY)

110

Full Translation:

With the disputes affecting such key industries as electricity, coal, marine transportation, private railways, and textiles entering the stage of work stoppages, it had been feared that economic recovery would be hampered. However, with the recommendations of the GHQ authorities based upon Gen MacARTHUR's directive as the turning point, all labor unions except that for electricity either have called off or are about to call off their strikes. There is a fair prospect that the electric workers' dispute will also be settled.

It is all very well but at the same time it cannot be denied that there is something leaving an unsavory aftertaste. The fact that the present labor disputes have failed again to be settled by enterprisers and labor unions in accordance with their sense of responsibility and called for the mediation of GHQ does not warrant any bright hopes for the future of JAPAN's labor problem.

This is the third time that a dispute crisis has been staved off by dint of a SCAP directive since the surrender. The first was the ruling out work stoppages by government employees. It may be safe to say, therefore, that, but for the intervention of the Occupation authorities, large-scale strikes in JAPAN would have never been, and will never be, settled.

Another noteworthy point is that strikes in the past have not been confined to those abortive ones alone. It was only when the design to strike had reached a climax and threatened to bring about catastrophic results that a public order to desist was issued. The reality is that acts detrimental to production are being resorted to, either sporadically or continuously, as a piece of dispute strategy based upon union directives. Representative are those employed by the Electric Industry Workers Union. Anybody who is at all careful in reading newspapers is well aware that members of other unions, such as communications and coal mine workers, have been habitually resorting to quasi-dispute acts which do not necessarily attract attention.

What does this signify? This must be considered in connection with issues of far more importance. In other words, this means that acts of dispute in key industries are being capitalized on by the Communists as an important revolutionary tactic to attain their political objective.

This is not a phenomenon peculiar to JAPAN. A similar situation prevails in FRANCE and other countries in WESTERN EUROPE where these acts are being resorted to more openly and resolutely now that they can no longer conceal their objective to hamper US aid. This serves also to explain the circumstances that work stoppages in JAPAN are becoming more chronic and inveterate.

Insofar as a strike is employed by the Communists as almost their only tactic, it is an inevitable development that strike objectives are being changed gradually from economic to political. This is proved by the fact that the committee chairman of both the All Japan Communications Workers Union and the NLCGPOWU, which resort to the most radical acts of dispute in JAPAN, have openly announced their affiliation with the Communist Party one after another.

Since the Communists think nothing of victimizing economic recovery in utilizing or abusing the right to strike, there is no alternative but to take recourse to something like force to cope with them to safeguard society. The political history of GERMANY and ITALY shows us that this task was undertaken by the fascists. In JAPAN, however, this is achieved by the dignity of the Occupation authorities who outlaw both fascism and communism.

However, in the event of the withdrawal of the Occupation forces, what will safeguard Japanese society from the destructive violence of Communists? It is nothing but the good faith and courage of labor unions. Should labor unions fail to liquidate this violence with good faith and courage, fascism will inevitably emerge in JAPAN again. To prevent JAPAN from falling a victim to fascism again, they should be capable of settling disputes by themselves.

Is JAPAN really capable of this? The settlement of the present disputes is not necessarily a matter for rejoicing because it leaves many doubts on this point.

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so-called 1 February strike in 1947. Led openly by the Communist Party, the strike was planned by a federation of unions comprising government employees throughout the country but was called off by order of Gen MacARTHUR.

The second was one designed likewise by the National Liaison Council of Government and Public Office Employees Unions at the end of March this year. This was canceled by the intervention of the GHQ authorities in applying the previous directive.

The third is the present strike by the employees in key industries excluding public officials. But, strictly speaking, the fact should also be pointed out that the strike by NLCGPOEU, scheduled to be launched early in August this year, had been banned by a cabinet order ruling out work stoppages by government employees. It may be safe to say, therefore, that, but for the intervention of the Occupation authorities, large-scale strikes in JAPAN would have never been, and will never be, settled.

Another noteworthy point is that strikes in the past have not been confined to those abortive ones alone. It was only when the design to strike had reached a climax and threatened to bring about catastrophic results that a public order to desist was issued. The reality is that acts detrimental to production are being resorted to, either sporadically or continuously, as a piece of dispute strategy based upon union directives. Representative are those employed by the Electric Industry Workers Union. Anybody who is at all careful in reading newspapers is well aware that members of other unions, such as communications and coal mine workers, have been habitually resorting to quasi-dispute acts which do not necessarily attract attention.

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ITEM 26 Meaning of Three Basic Principles (By KIUCHI Nobutane) - Dai Ichi- 23 Dec 48. Translator: S. Kinoshita. (UG)

110

Summary:

In connection with the settlement of the disputes of the electric power industry workers and coal miners, the government reaffirmed its determination to stick to the three principles--no deficit financing, no subsidies and no price revisions. I think that the government's adherence to the three principles is likely to bring up troublesome problems.

The government is said to have been ready to accept unconditionally the mediation plan of the Central Labor Committee regarding the electric power industry workers' dispute and to grant a sizable subsidy to coal mines in order to settle the miners wage dispute. The sudden change in the government policies toward the issue is significant because it means the government's reaffirmation of 10 basic economic principles calling for the control of inflation.

It is unlikely that the coal miners' wage disputes will reach an amicable settlement without government intervention. I am surprised to see that the government, which made every possible concession in order to attain the annual coal production goal of 36,000,000 tons, has made such a change in policy.

.A uniform price and wage are applied to all coal mines throughout the nation with profit and loss being pooled on a national scale. In view of the difference in production efficiency and working conditions according to the various mines, it seems absurd to adopt such a system. It is questionable whether a promotion of production efficiency which is necessary for hiking the wage can be expected under such a system.

Some may hold that if the present average daily per capita coal output of six tons is raised to the seven-ton level, the wage issue can be settled with ease. It may be all right theoretically, but actually no satisfactory production increase can be expected so long as coal mines are not operated under a free competitive system.

As for the electric power industry, it may be questionalbe how much increase can be expected of production efficiency even if it is operated on the principle of free competition. But what matters most is why are the electric power industry workers entitled to a wage higher than that of any other workers.

The present wage dispute of the electric power industry workers may be interpreted to mean that they demand the government subsidize operators at the expense of the people so that they may be paid a higher wage. It would be well and good if their pay were lower than other workers. But their demand cannot be justified because their pay is actually higher than the average wage level. This fallacy originated in the wage-standard-according-to-industry system under which the electric power industry workers receive two times as much as the average workers. The question is whether such a standard should be revised or not.

To sum it up, I think that the enforcement of the three economic principles requires a fundamental reform of past economic policies. Its significance lies deeper than a mere control of inflation, balanced finance and impending labor administration.

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ITEM 23 Increase of National Productivity - Shin Yukan - 23 Dec 48.
Translator: U. Futonaka. (JJY)

110

Full Translation:

Gen MacARTHUR's letter emphasizing the basic principles for economic stabilization is a strong warning against the philosophy of life of the postwar Japanese public, which is lacking in a spirit of independence.

This letter is marked by a strong tone, it is true, but it clearly indicates that the tone is backed up by the force with which SCAP seeks an awareness of obligations and responsibilities on the part of the Japanese people. For this reason, the letter may be said to reflect the strength of a justified demand.

The general situation in the FAR EAST is worsening noticeably in the face of conflict between the two worlds. Located in the FAR EAST with its worsening conditions, it is noted that JAPAN, interpreting the world situation in a self-centered manner and attempting to turn it to its own comfort, has very frequently sought aid from outside. It has been attempting to enjoy economic stability in ease and comfort, instead of pursuing positive efforts to build up its autonomy and independence through a life of austerity.

Self-interest has been the central motive of actions among capitalists, laborers, and political parties. To promote their own interests, they have carried on unreflective and unrealistic arguments in the name of political freedom, professing vigorous interest in democracy.

This has led to the straightforward SCAP letter, which asserted that "No political freedom can exist insofar as a nation's livelihood relies upon the mercy of other nations." This is an undisputable assertion and a frank presentation of a demand for temporary relinquishment of some freedom pending the building up of a free and independent society.

The letter is also concrete and plain as to the duration of this relinquishment. It says that no operators or laborers will be permitted on any account to interfere in the promotion of production in the future. This makes clear that bearing up with hardships is a duty imposed upon this nation, reigning supreme over any other interests and claims, until the country attains a level of independence.

Although the laboring class includes 90 percent of the Japanese population, that does not warrant giving primary consideration to the interests of labor since such a measure would not necessarily be in the best interests of the Japanese people as a whole. There can be no justification for promoting labor's interests while halting or thwarting the advancement of productivity, which is the sole and paramount need of the nation today.

A Diet majority may control the legislature at will, but it must be pointed out that decisions which impede the nation's productive power cannot be permitted.

The Japanese people have, since the surrender, lost sight of the objective of primary significance which dominates other considerations. This has entailed the loss of social, production, and political order. However, that very objective has now been presented with crystal clarity.

The objective lies in the independence of national livelihood and the development of productive power for this. No arguments for freedom, individual claims, or class questions can have any place if they hold up or damage the people's productivity.

A former premier is known to have called for a life of austerity on the part of the people. However, he was motived by self-interest in making that call, and, therefore, shifted to the attitude of submissively yielding to the demands of the public once he was out of power.

All circles, both government and private, are now required to solve the one and dominant problem--the stability of national economy and the development of national productivity.

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ITEM 11 Nine Principles Stressed in EO Stabilization Plan - Kogyo Shimbun - 23 Dec 48. Translator: H. Miyoshi. (UG)

110.

Full Translation:

Financial circles are showing serious concern over the nine-point economic stabilization program as well as General MacARTHUR's letter to Premier YOSHIDA.

The Federation of Economic Organizations, which is the central figure in the financial world, is planning to ask for strong determination on the part of the financial circles, discuss various problems and difficulties which will be confronted in actual execution of the program, and thereafter ask GHQ for necessary aid. The federation also intends to do all in its power to give support to the Government.

The federation has not yet determined its formal stand. However, eight financial leaders--President ISHIKAWA of the Federation of Management Organizations, President ICHIMADA of the Bank of Japan, President SATO of the Teikoku Bank, President OKANO of the Mitsubishi Heavy Industry Company, President ASAO of the Nihon Yusen Kaisha, Director NAGANO of the Japan Iron Manufacturing Company, MIYAJIMA Seijiro, and President NAGASAKI of the Public Industrial Rehabilitation Corporation--reached a conclusion earlier on the question of Japanese economic rehabilitation, centering around the establishment of an exchange rate.

This will probably constitute the fundamental attitude of financial circles.

The conclusion follows:

1. Measures for fixing an exchange rate: From the viewpoint of the promotion of foreign trade and preparations for participation in international economy, it is desirable to set an exchange rate as early as possible. However, the following conditions must be met:

(A) Enforcement of a large-scale administrative adjustment for lightening the tax burden on the people and maintaining financial balance.

(B) Enforcement of enterprise adjustment required for participation in international economy.

(C) Assignment of new occupations to those who become jobless as a result of the above measures.

(D) Stabilization of wages and prices.

(E) Establishment of a goal for enterprises by drafting a long-range program.

(F) Establishment of a policy for a fundamental change in the price system or the control formula, including an increase in import prices by fixing a single exchange rate, reduction or abolition of subsidies, and the approach of current prices to the level of international prices on the basis of the "cost calculation" principle.

2. Preparation of funds for introducing foreign capital: It is considered proper to set a formal exchange rate after a temporary conversion rate is fixed, the goal clarified and preparations completed. In that case, funds for introducing foreign capital, will, if necessary, be prepared to maintain the fixed rate.

3. Revision of labor laws concerned: Until Japanese labor advances to the point where labor efficiency and discipline patterned after that of the UNITED STATES can be realized, consideration must be given to our current labor and production conditions in revising the

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Labor Relations Law in order to increase production. The fundamental cause for extremes in our labor movement is the shortage of food and clothing. Therefore, labor regulations should be revised, their application relaxed, and an anti-Communist policy established and then requests made to import second-hand clothing and shoes from the UNITED STATES.

4. Stabilization of wages: Enterprisers will do their best to stabilize wages. Management alone should not be held responsible. The Government should also exercise proper controls on wages by holding itself directly responsible for the task.

5. Importation of consumer goods: It is necessary to boost the production of industrial products and minerals to at least 60 to 70 percent of the prewar level as an anti-inflationary measure. For an early realization of this goal, emphasis should be placed upon the importation of consumer goods as well as of production goods.

6. Development of power: Importance should be attached to the development of coal and electricity as a prerequisite to rehabilitation. Since our country is far short of the worldwide standard in techniques, American techniques and machines should preferentially be imported through EROA funds.

7. Increase in income other than that from foreign trade: In order to settle the present unfavorable trade balance, income other than that from foreign trade should be boosted. It is imperative to borrow US "liberty" vessels to save transport charges, which constituted more than 20 percent of last year's total imports, as the best method for the income hikes.

8. Restrictions on establishment of new enterprises: In the light of the principle of economic democratization, freedom in establishing enterprises should be respected. However, at this time of a scarcity economy, there is fear that such will reduce the value of funds and materials, and hamper enterprise rationalization. Therefore, in regard to special enterprises, it is essential to enact a law limiting for a fixed period the establishment of new enterprises in certain fields.

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ITEM 18 In Order to Respond to the MacArthur Letter - Hochi Shimbun - 22 Dec 48. Translator: S. Kinoshita. (UG)

110

Full Translation:

The interim directive from the US Government forwarded to Gen MacARTHUR may be understood to be an extension of the 10 economic principles, which he urged the Japanese government to adopt in his July letter.

It is incumbent upon the Japanese people to carry out this program. It is significant in that if the Japanese government and people fail to carry out this stabilization program, they can expect no further aid from the UNITED STATES. Our utmost attention should be directed to the fact the directive suggests that a primary objective of the nine-point program is the establishment of a single exchange rate. This is what makes the program valuable.

It is evident that the establishment of a single exchange rate is a prerequisite as well as a big step toward Japanese economic rehabilitation. But, at a time like today when the national economy is distorted by inflation, the establishment of a single exchange rate is a most difficult problem. This is understood from Gen MacARTHUR's letter to Premier YOSHIDA wherein he calls for increased austerity in every phase of Japanese life and for the people's zeal for the fulfillment of the program.

The difficulty of the task may be realized from the fact that the letter calls for "the temporary surrender of some of the privileges and immunities inherent in a free society." However, Gen MacARTHUR has "faith in the ability of the Japanese government and people, however stern the requirement and great the personal sacrifice, to achieve so worthy a national goal." He must respond to his faith.

As the letter goes, "The course ahead may well prove difficult but its impact upon individual life will be minimized if the burden is equalized among all of the people." The austerity called for is not the same as that was forced on us by the military clique in the past. Hardships must be shared equally by all the people. In that case, it goes without saying that the heavier burden should be imposed upon those who have taken advantage of the inflation and the lighter one upon those who have suffered from the inflation.

For the achievement of the nine-point program, the Government should call for the sacrifice and determination of the people. But neither the present Cabinet nor political parties are qualified to do so. However strongly the sacrifice and determination may be asked for, the people may remain indifferent as long as they are requested by a government that includes a drunken finance minister and cabinet members suspected of scandals.

The same can be said of the political parties. Before they can expect anything from the people, they should do what is demanded by the people. The people may be urged to exert their efforts for the fulfillment of the nine-point program only by a government and political parties which are completely cleared of scandals and suspicions.

A AFP report from WASHINGTON, dated 17 December, said that US government circles feared that the new nine-point program might be unpopular among the Japanese people. It is true that the program may arouse the Japanese people from their sweet dreams. For the political parties which are busily engaged in winning popularity among voters, it is too difficult a task to tackle. They will no longer be able to merely preach liberalistic or socialistic ideals.

Politicians who strive only to win popularity among voters by sweet slogans should be purged from the political circles by the judgment of the people. This is the best way to respond to Gen MacARTHUR's letter.

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ITEM 19 The One Road and Opportunity for Rehabilitation - Tokyo Shimbun - 22 Dec 48. Translator: R. Ishii. (UG)

Summary:

True economic stability is attainable only when drastic measures are adopted against inflation and panic. These measures may temporarily cause an increase in unemployment, and a decline in production and the people's purchasing power, but the time is ripe to effect a substantial readjustment of enterprises. Only through enterprise readjustment can we expect normal management and increased production.

In order to take such drastic measures the nation must become strong enough to bear the strain. GERMANY, after World War I, experienced a year of acute economic depression through the adoption of drastic economic measures. However, this is liable to cripple a nation completely. Therefore, we must be content with partial measures until the minimum economic condition to withstand a panic is brought about.

Over 60 percent of the perwar production standard has been recovered through continuous US aid and a 30 percent improvement has been seen in the wage-price balance. Judging from such results it may seem proper not to take such drastic measures, but we must not neglect the background.

This year's trade showed an excess in imports to the tune of about 15,000,000,000 yen which was covered by US aid. Owing to the dependence of key industries, struggles between capital and labor are a common occurrence. The nation depends on US industry on the Government and the workers on management. One can thus see that the current production recovery is a sham.

Inasmuch as production has been recovered to such an extent, drastic measures should be evolved for its independence. However, political parties which must be responsible for this task are absorbed only in party machinations, while laborers lack power to utilize to advantage their acquired rights. The speed of economic recovery in Western countries is much higher than that in JAPAN. In ASIA, too, fundamental recovery programs such as developments of the electric industry and expansion of iron production have already been put started. If, under these circumstances, JAPAN neglects her efforts by depending too much upon the reported plan for making her the workshop of ASIA, it would result in the predominance of foreign capital and the loss of economic independence.

We would like to interpret the directive of the US government to Gen MacARTHUR as being based upon the above analysis of economic conditions. General MacARTHUR does not favor radical measures, but moderate ones which are necessary for JAPAN's economic rehabilitation. He says that future US aid to JAPAN may be expected only in ratio to progress made through the combined efforts of the Japanese people.

If JAPAN should lose this chance for reconstruction, her future would be sealed. Gen MacARTHUR's letter was a warning to the Japanese who were in danger of losing sight of their real objective. If organized labor should continue to stick to their acquired rights only and ignore the conditions proposed by this letter, the results would be stricter working conditions and lower living standards.

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RFB REORGANIZATION

A TOYO KEIZAI SHIMPO staff article comments that, as a consequence of the Showa Denko scandal, efforts to reorganize the Reconstruction Finance Bank appear to have been initiated. "We are, of course, still in the dark as to the nature of the contemplated changes," the article declares, but the writer feels that much criticism leveled at the RFB "has been missing the mark."

The bank is considered to have two major responsibilities; "first, to serve as an agency for the government's fiscal administration; and second, to perform the functions of a special banking institution." The writer explains that "the greater part of current RFB financing is a matter of 'deficit financing.' Loans to the coal industry, steel manufacturers, fertilizer producers, and other key industries belong to this category of lending which, although termed 'deficit financing,' actually has little to do with straightforward coverage of losses--because RFB loans, more often than not, are granted to make good the losses incurred by industry as the result either of government policy or government action to lessen its own fiscal burden."

Illustrating this point, the writer asserts that "official coal prices invariably have been held down at extremely low levels," inasmuch as fuel costs exert considerable influence on rail transportation rates, and the prices of steel and other basic materials. "But because the present government finance system does not permit direct subsidization by the Treasury to correct price inequities, the coal industry is allowed to run into the red, then barely saved from collapse by a trickle of loans from the RFB. A similar situation prevails in the steel, fertilizer, and other key industries."

"This type of financing," the TOYO KEIZAI SHIMPO staff member maintains, "is not a matter to be handled by a banking institution: it calls intrinsically for direct government action, such as the raising of coal prices or the granting of price adjustment subsidies. Apart from such activities, there still remains a large area in which the RFB should function: the financing of shipping and other enterprises which, although not operating at a deficit, may be too large or too risky for ordinary banks to handle. Then, today, with insufficient accumulation of capital and the impossibility of meeting all the demands of individual enterprises, it is natural that the limited funds of the Industrial Bank and Hypothec Bank should flow to the safer enterprises even when little risk is otherwise involved."

"It cannot be denied," the writer continues, "that there are many deficiencies in addition to those mentioned above. There is, first of all, the fact that the RFB is unable to balance its accounts, because the control exercised by the Reconstruction Finance Committee--which includes Cabinet ministers concerned with national economy, the Governor of the Bank of Japan, and representatives of civilian economic organizations--deprives the Bank's directors of authority in connection with large loans, while small loans are approved usually by special committees composed of government bureaucrats. With such a set-up, it is impossible to determine ultimate responsibility for RFB accounts; and it is inevitable that the government ministries bicker and maneuver for larger allocations of funds."

Another major weakness of the RFB is that "it handles no deposit business. Since it feels no pain in obtaining the funds which are parceled out as loans, a certain amount of laxity is bound to develop. Moreover, since it has neither the organization nor personnel to exercise surveillance over its borrowers, the RFB is woefully ignorant of the manner in which its loans are being used. In other words, without the authority to select its borrowers, and lacking the means to check on their activities, the Bank is a purblind institution whose activities to date therefore constitute something of a miracle."

To correct the aforementioned deficiencies, the writer believes, RFB directors cannot be permitted unrestricted authority because "the government would be forced to shoulder responsibility for matters about which it was uninformed, should the Bank be allowed to subsidize industries as it chooses. The same can be said about supervision over RFB borrowers: if the Bank is given such power under the present circumstances, it will be acting merely for the Finance Ministry."

In order to obviate these contradictions, it is noted that "plans have been brought forward to make the RFB a government corporation or, going still farther, to incorporate it into the government itself." Opposing this, however, the article recommends "a non-government institution operated by civilian financial experts--because it is an accepted fact that almost any enterprise is run far more efficiently by private hands; this is substantiated by the plan to separate the railways, and telegraph and telephone systems from government operation. * * * There is but one solution," the author concludes, "and that consists of clear differentiation of government functions so that the RFB may unreservedly specialize in the field of finance."

In a recent SANGYO TO SANGYOJIN article, INAGAKI Heitaro suggests that the RFB provide city banks with loan funds. The latter institutions, according to this proposal, would be charged with the responsibility of investigating prospective borrowers and collecting payments on loans which they authorized.

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ITEM 14 NCIU, JFTU Battle Lines Fo[illegible]around Nine Principles - Nihon Keizai [illegible]
30 Dec 48. Translator: J. Ide. (WM)

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Full Translation:

The year-end labor offensive, which was feared by various circles, ended formally with the passage of the supplementary budget bill. Both the Government and political parties were pleased with this settlement and have entered into the general election stage.

However, various labor disputes have been settled merely temporarily, since labor unions reluctantly accepted proposals of management in view of the busy year-end. For example, the dispute of marine workers has not yet been completely settled, since the new wage standard in comparison with the 6,370-yen base for government and public workers has remained untouched. Regarding the wage standard for coal miners, who concluded an agreement expiring at the end of next March, even Director HAYAKAWA of the Japan Coal Operators League admitted that the new wage standard for coal miners was low compared with those of other industrial workers, since the unreasonableness of coal prices has been shifted to the wage issue. Coal miners unions are also dissatisfied with the unification of mine security administration into the Commerce-Industry Ministry. In view of the probable amalgamation of the All Japan Coal Workers Unions, the Japan League of Coal Mine Workers Unions and the Japan Federation of Coal Miners Unions, another dispute is bound to arise in the future. The Japan Electric Power Workers Union admitted that the recent solution is nothing but a temporary measure, since the much-discussed 7,600-yen wage base has been left untouched. Since the sliding scale formula is to be revised in January, the wage issue has left something to be desired in connection with the minimum wage system. With the year-end labor offensive as a turning point, we would review the future prospects for the labor front.

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zation of a rehabilitation formula from above, and the GFTR, which is ready to fight for the nine-point principle to the advantage of the laboring class. At this juncture, the greatest problem is which labor organization will be able to win the support of the various neutral unions.

For this purpose, the Japan Federation of Trade Unions will concentrate all right-wing labor forces on the National Labor Union Preparatory Committee, including the Democratization League in the NCIU, the Radio Workers Union, the renovation group in the Federation of public Office Employees Unions, the Democratization League in the Japan Electric Power Workers Union and the Renovation League in the All Japan Communication Workers Union, in the face of nine-point economic stabilization program. Meanwhile, the National Congress of Industrial Unions is ready to disband its own organization and draw all labor unions within the framework of the National Liaison Council of Labor Unions. It is anticipated that the antagonism between the two labor organizations around neutral unions will be intensified in the course of the general election and the materialization of the nine-point principle.

This trend in the labor front can be perceived in various appeals to the labor committee. In proportion to the number of appeals from federated and industry-wide bodies, the number of appeals from local unions has been increased. Under these circumstances, it is quite probable that various disputes will be solved on a company basis within the framework of the three-point policy. Meanwhile, the increase in regional struggles will make it impossible to solve various disputes within the limit of Article 36 of the Labor Unions Law.

As the result of the change in strike tactics to be pursued by left wing leaders, the sabotage in such branches as the chemical, coal and electric power industries, will curtail the increase in production and will result in the collapse of the nine-point economic stabilization principle.

Frankly, the Government has developed no measures to cope with this situation. Some circles are contemplating the declaration of industrial peace, aiming at labor-management truce. However, this project has not yet taken tangible form.

Under these conditions, it is noteworthy that the Labor Ministry is concentrating its efforts on labor education. The Labor Ministry is

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NEWS

ITEM 14 (Continued)

The recent labor offensive was complicated by both the Government-drafted three-point economic policy and the SCAP-inspired nine-point economic stabilization principle. These two economic programs will divide the labor front into two, the left and right camps, more clearly than before. It is anticipated that the antagonism between leftists and rightists will be more intense next year.

The National Congress of Industrial Unions has understood that the nine-point economic stabilization principle aims at the democratic reconstruction of Japanese economy. NCIU leader pointed out that they are ready to aim at a minimum wage standard and full employment by all means, including regional struggles, within the limit of legality. On the other hand, most of the leaders of the Japan Federation of Trade Unions have assumed a reserved attitude toward the nine-point principle, which aims at placing Japanese economy on the track of international economy. They fear that the nine-point principle will be misused by reactionary elements. For the purpose of fighting out the nine-point principle to the advantage of the laboring class, they have begun to reflect on previous struggle tactics. They are considering the problem of the rehabilitation of production, utilization of the dispute conciliation machinery to the fullest extent, the attitude of the US labor unions, and reorganization of the Economic Rehabilitation Conference. Herein lies the divergence between the NCIU, which condemns the utilization of a rehabilitation formula from above, and the GFTR, which is ready to fight for the nine-point principle to the advantage of the laboring class. At this juncture, the greatest problem is which labor organization will be able to win the support of the various neutral unions.

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ITEM 14 (Continued)

planning to guide the compilation of constitutions and contracts of labor unions. The settlement of various labor problems will not be achieved merely by revising labor laws. The problem is how to solve those questions which cannot be solved by revising the various laws.

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ITEM 2 One Year of Economic Reconstruction (Part I) - Sekai Keizai - 23 Dec 48. Translator: T. Hemmi (SS)

110

Full Translation:

The frequent talk of deflation and interim stabilization is indicative of the relative stability of prices this year. The following chart shows the fluctuations of the blackmarket prices of producer and consumer goods, CPS indices and wages on the basis of 100 during January 1948. (The indices of the producer and consumer goods are surveyed by the Bank of Japan and those of CPS and wages, by the Premier's Office)

	Producer Goods	Consumer Goods	CPS	Wages
Jan	100	100	100	100
Feb	106	104	106	101
Mar	110	108	108	109
Apr	111	113	112	124
May	111	118	115	128
Jun	111	128	120	149
Jul	111	131	137	165
Aug	113	128	147	185
Sep	114	127	146	203
Oct	114	127	142	---

From these figures, the following is clear.

1. Blackmarket prices of producer goods as well as consumer goods have stayed on a relatively even keel.

2. The CPS indexes, which fluctuated in proportion to blackmarket indexes, have taken a jump since the price revision.

3. At the end of September, wages doubled over those of January. The fact that prices remained constant while wages skyrocketed is due to the curbing of credit, tax collections, the steadying of black-market prices and the shrinking of purchasing power.

A Bank of Japan survey on blackmarket prices for producer goods for October showed indices of 86 for fuels, 106 for construction materials, 135 for fertilizer, 131 for metals and metal products and 78 for drugs. The average was 114, or 14 percent over January. While blackmarket prices were 10 times the official prices in January and rose to 11 times between May and June, they dropped 2.8 to three times following the price revision.

Official Price Revisions and the Blackmarket

Official price revisions generally have not affected the black-market prices of producer goods, the only increase being due to rising freight charges. The prices of some items have dropped below their official prices. October prices of fuel were below those in January by four percent in the case of coal, 15 percent for cokes, and 15 percent for benzine. Among chemicals, sulphuric acid dropped 27 percent, caustic soda 10 percent and soda ash 30 percent. Among construction materials, cement fell six percent, plate glass dropped two percent and nails, nine percent. Despite the 45 percent and 30 percent increases in the blackmarket prices of lumber and matting, respectively, the average increase in prices of construction materials was six percent.

The rise in blackmarket prices of fertilizer and metals was especially conspicuous. Fertilizer rose 27 percent, pig-iron rose 30 percent, steel, 45 percent and electric wires, 27 percent. The blackmarket prices of machine oil, rubber tires, and farm implements have also risen slightly.

The fact that the average increase in producer goods was held down to 14 percent may be attributable to the decreasing purchasing power caused by the financial stringency, but more so to the fact that the smocther flow of production materials resulted in fewer black-market transactions. Among articles which sell at below official prices

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ECONOMIC

ITEM 2 (Continued)

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ECONOMIC

ITEM 2 (Continued)

are galvanized metals, electrified copper alloys, copper wire, aluminium alloys, antimony, holmium, mercury, tin, carbolic acid, compressed oxygen, salvaged fuel paper, brick, gravel and black dyes.

Noteworthy Price Rise in Fancy Goods

The abolition of official prices on these goods will be strongly urged at the time of the coming price revision. On the other hand, blackmarket prices of consumer goods at the end of October were 27 percent over those in January. Price indices were 116 for staples, 123 for subsidiary foods, 121 for seasonings, 146 for fancy goods, 126 for textiles, 121 for fuels and 160 for daily necessities, the average being 127. Noteworthy were the rises in the prices of fancy goods and daily necessities. The price index of staples rose to 163 during June and July but dropped owing to the bumper crop and the official promise of increased rice rations from November.

The blackmarket prices of subsidiary foods and seasonings increased by only 20 percent over January, because the delivery of perishables has been fairly satisfactory despite the skyrocketing in the prices of eggs and meat. Better rationing control over perishables will further decrease prices. Prices of fancy goods, however, are still rising. The price of textiles rose only 25 percent because they were already priced beyond the reach of the public. Austere living can be expected for quite a while to come with the skyrocketing prices of daily necessities.

Blackmarket prices of consumer goods were 5.8 times the official prices in January and 7.5 times in June but dropped immediately after the price revision and were 3.7 times in October. The current problem is how blackmarket prices will fluctuate in response to the increased demand over the year's end. It is generally believed that the lowering of purchasing power and government measures to alleviate financing preclude any immediate drastic rise in blackmarket prices.