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UNITED STATES POLITICAL ADVISER FOR JAPAN

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DIVISION OF NORTH ASIAN AFFAIRS JUN 17 1948

DEPARTMENT OF STATE

Tokyo, June 7, 1948.

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Subject: Japanese Economic Rehabilitation Plan

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The Acting Political Adviser has the honor to enclose five copies of Outline of Japanese Economy Rehabilitation Plan prepared by the Economic Stabilization Board. In addition to the full text, there are also enclosed five copies of a condensed version which has been published by the Nippon Times in installments May 18-22, 1948.

In releasing the enclosure, the Economic Stabilization Board has been careful to emphasize that the plan is aimed at economic recovery only to the first stage of rehabilitation. The plan has been submitted to the Economic Rehabilitation Planning Committee, a committee organized for the purpose of considering the plan. The regulations governing this committee are enclosed together with a list of its members.

Announcement of the five year economic recovery plan has been welcomed by the press as the first definite target for rehabilitation. Copies of several editorials concerning the plans are enclosed. The plan is considered to be such an ambitious one that the committee appointed to examine it is cautioned by the Nihon Keizai Shinbun to take a realistic view in committee deliberations. The plan is criticized by Yomiuri as being devoid of concrete ways and means to attain its objectives in the actual economic framework of present day Japan. Since the Strike report estimates population increase as greater than does the Economic Stabilization Board, editorial comment suggests that goals in the plan may be too low for the level of rehabilitation envisaged per capita. Another major criticism is that the plan, although purporting to aim at control of inflation within the first half of the program, does not in fact clarify relations between goods and materials on the one hand and currency on the other.

Emphasis is placed in the editorials upon the fact that rehabilitation of transportation and power will be extremely difficult to achieve since such rehabilitation will run counter to demands for consumer goods. This problem, it is stated, will be made less difficult by imports of consumer goods from abroad. Stress was placed in some editorials upon the absolute essentiality of foreign economic aid if the plan is to be successful, and the necessity for the Japanese people themselves to cooperate and labor unstintingly for a long time to come. The editorial in the

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communist Akahata for May 21, 1948 attacks the plan as not designed to elevate the livelihood of the working people, but to increase the profits of the ruling class.

A question is raised by some writers as to the composition of the Economic Rehabilitation Planning Committee. Its membership appears to these writers unwieldy and too heavily weighted with representatives of capital and government. There are claimed to be few scholars and only two representatives of labor on the committee.

Enclosures: *att. sealed env.*

1. "Outline of Japanese Economy Rehabilitation Plan", in quintuplicate
2. Editorial, Nihon Keizai Shimbun, May 18, 1948, "Contents of Economic Rehabilitation Program", free translation with one copy of Japanese text
3. Editorial, Asahi Shimbun, May 18, 1948, "Immediate Establishment of 'The Program' Is Desired", free translation with one copy of Japanese text
4. Editorial, Yomiuri Shimbun, May 18, 1948, "Economic Rehabilitation Program", printed in Nippon Times, May 19, 1948, in quintuplicate
5. Editorial, Mainichi Shimbun, May 18, 1948, "Significance of Economic Rehabilitation Program", printed in Nippon Times, May 19, 1948, in quintuplicate
6. Editorial, Nippon Times, May 20, 1948, "The Five Year Plan", in quintuplicate
7. Editorial, Akahata, May 21, 1948, printed in Press Translations and Summaries
8. Regulations and Members of Japanese Economic Rehabilitation Planning Committee
9. Condensed Version "5-Year Recovery Plan", Nippon Times, May 18-22, 1948, in quintuplicate

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May 17, 1948

Outline of
Japanese Economy Rehabilitation Plan
(1st Draft)

Economic Stabilization Board

Contents

1. Introduction.
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3. Mining and Manufacturing Industries.
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8. Employment.
9. National Income.
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1. Goal for 1952.
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3. Plan for Textile Consumption.
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5. Plan for Imports of Foodstuffs.
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1. Introduction

The economic crisis in post-war Japan is characterized by so-called under production and inflation. It is not a temporary confusion due to the conversion of our economy from war-time to peace-time structure. But it is a crisis deeply rooted in the thorough destruction and retrenchment of the foundation of our economy due to the defeat in war. Needless to say, the greatest problem of this country at present is to overcome this economic crisis and stabilize our economy as soon as possible. For this purpose, it is necessary to draw up a blue-print and set the concrete goal of rehabilitating the destructed and retrenched economic foundation, and thence to put into effect the measures to cope with the crisis conceived as a part of a comprehensive rehabilitation plan linked with the above blue-print and goal.

The Government has been and is striving to stabilize our economy, but as the goal of economic rehabilitation has not been clear, and the international and internal conditions to attain the target have not been fully ripe, and measures it has taken have lacked comprehensiveness and it has been unable to administer fundamental remedies which would strike at the root of crisis. It has neither been able to obtain the cooperation of the whole people for the stabilization of economy, clearly indicating them the goal of our advance thereby giving them hope for the future.

But it has become necessary to take up the economic rehabilitation plan earnestly and concretely at this moment, for the internal and external circumstances demand it. Now the Government keenly feels that the time is ripe for it to draw up and put into effect, within the limit allowed to it, a practical economic rehabilitation plan, in order to clarify the goal of national efforts, to give direction and comprehensiveness to the economic measures to overcome the economic crisis and to request outside help absolutely necessary for the stabilization of our economy.

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In this sense, the Government has decided to establish the Japanese Economy Rehabilitation Planning Committee and to submit to it the first draft of "the five-year plan for rehabilitating Japanese economy" which has been studied by the Economic Stabilization Board since August, last year, as a material for the perusal and deliberation of the Committee members.

Needless to say, this is a tentative plan drawn up by the Board on an assumption of certain conditions. If the assumed conditions change, the contents of the plan must also be changed.

For instance, regarding the estimate of population, which is a basic factor, this plan underestimates the increase, comparing with the result of the Census of October 1947. It is, therefore, necessary to set the goal of rehabilitation a little higher than contemplated in this plan. Being conscious of these defects and misunderstanding which may be caused by them, we venture to submit this tentative plan to the Committee, because it is desired that this plan will serve as a useful material for discussions at the committee and at the same time it is believed that this will be good enough to serve for that purpose. It is sincerely hoped that, with the positive criticism and constructive opinion of the members expressed from the people's standpoint, this tentative plan may be developed into a more perfect rehabilitation plan and that the time may come when all the people will be united into one in their efforts for the rehabilitation of national economy.

(1) This is an overall rehabilitation plan of our economy although it is a tentative one. Its contents are divided into the following seven items. All the projects have been made with a view to restoring roughly the standard of living of 1930-34 by 1952, five years hence.

Mining

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Mining and Manufacturing Industries.

Foodstuffs

Foreign Trade

Transportation

Construction

Employment

National Income

The general target of this economic rehabilitation plan and its individual projects are given in the following chapters.

2. Goal of Economic Rehabilitation

(1) Under what circumstances, may we call our economy substantially "stabilized"?

The concrete scale and structure of the "stabilized economy" differ according to the concepts of the "proper" standard of living and the "appropriate" level and structure of industries. But, generally speaking, the following four conditions must be satisfied before the economy is deemed stabilized.

1. Livelihood of the people is stabilized on a reasonable standard of living.
2. Export is enough to meet the import of foodstuffs, industrial raw materials and other necessary goods. In other words, the balance of international payments is maintained.
3. Level of economy is raised and well-balanced structure of various component parts of economy is realized, so that the above conditions, 1 and 2, may be satisfied.
4. Efficiency of labor, or productivity of labor is raised and full employment is, if possible, realized.

In

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In drawing up a concrete plan, the target of reasonable standard of living and level of industry must be determined taking the above conditions and the national and international situations into account. The Government, after careful deliberation, has set the goal, in this first tentative plan, to realize industrial structure and scale capable of bringing about the standard of living almost to 1930-34 average by 1952, five years later.

We have set the above standard as the goal of our rehabilitation plan in consideration of the findings of the Far Eastern Commission which recognized it reasonable to permit the Japanese people to attain the standard of living of 1930-34 average, and of the necessity to restore the pre-war standard of living before starting to revive our country as a cultural nation.

(2) Mean population in 1930-34 in this country was 66,330,000. It is estimated, according to the estimation adopted in this plan, that our population will increase to 82,930,000 in 1952. As mentioned before, this is an understatement. And yet it marks an increase of 25% against the basic period. Accepting this estimate, and assuming that the proportion of consumption and investment remains constant, the real national income must reach 125% of that of the basic period, in order that we may attain in 1952 the same standard of living we had in 1930-34. In this connection, when we take into consideration various circumstances which will not permit agricultural, forestry and fishing industries to increase their production much over the basic period on account of the limitation of production conditions such as arable land and fishing area, the declining production of cocoons and tea, and the difficulty of mechanization, we will find it necessary to raise the production levels of mining and manufacturing industries sufficient to off-set the balance.

(Note)

-5-

(Note)

The estimated increase in our population is as follows:

October 1st, 1948.	79,990,000
" " , 1949.	80,895,000
" " , 1950.	81,618,000
" " , 1951.	82,292,000
" " , 1952.	82,932,000

The above estimates of population have been made by the Population Problem Institute of Ministry of Public Welfare. According to the result of the Census revealed recently, the Japanese population on October 1, 1947, was 78,620,000 which marked an increase of around 6,000,000 after the end of the war. The major portion of the above increase consists of the repatriates from abroad, but the natural increase during 1947 was around 1,550,000, which is far more than the peak of 1,130,000 in 1941. Such a rapid increase may be a temporary and abnormal post-war phenomenon, but the rate of the natural increase is higher than we expected. Taking into consideration these factors it will be necessary to revise the estimate of the population. After all, the maintenance of such a big population on the poor land will aggravate the food and unemployment problems and constitute one of the most fundamental difficulties of Japan's economy. Therefore it is deemed necessary to pay careful consideration and make studies on measures against population increase.

In order to get international receipts and payments well balanced /or enable us no longer to depend economically upon foreign aid but stand on our own feet in the 1952 fiscal year, it will be essential that the goal should be set for our foreign trade to export such volume of goods as will counterbalance the import of commodities needed to maintain both the production level and living standard of this country. At the same time, productivity of labor should at least be restored to the level of the basic period.

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(3) After consideration of these conditions as well as of the probability of attainment, the following major targets of reconstruction have been set up under the present tentative plan to be realized in the 1952 fiscal year, that is five years hence.

TABLE 1. Coal for 1952.

	1952 (A)	Average of 1930- 1934 (B)	A/B
Mining and Manufacturing Productions	130	100	130
Coal	44,000 (Unit-Thousand ton)	31,173 (Unit- Thousand ton)	141
Crude Steel (Ordinary Steel)	3,840 " (2,300 ")	2,722 " (2,195 ")	141 (105)
Cotton Yarn	990,000 (Unit- Thousand pound)	1,157,965 (Unit- Thousand pound)	85
(Spindle installed)	(5,830,000)	(8,000,000)	(73)
Agricultural Produce			
Money Index	105	100	105
Calorie Index	116	100	116
Rice	67,921 (Unit-Thousand Eoku)	61,030 (Unit- Thousand koku)	111
Barley and Wheat	24,481 "	20,582 "	119
Exports	1,646 (Unit-Million dollar)		
Imports	1,657 "		
Invisible Trade	(4) 20		
External Income	14,828 (Unit-Million Yen)	12,284 (Unit- Million yen)	121
Living Standard			
Individual Consumer's Expenditure (Per capita annual)	116.0 (Yen)	129.6 (Yen)	90
Food (per capita per day)	2,111 calories	2,242 calories	94
Clothing (per capita per annum)	7.4 pound	8.7 pound	85

Note

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(Note)

1. The international payment is calculated by the present price (as of October 1947), though some decline in price is counted in the staple food, cotton, cotton fabrics, etc.

2. As for the invisible trade, the balance is actually unfavourable. But since all the export prices are calculated in terms of FOB and the import prices in terms of CIF, it can be technically counted as "plus" (favourable) when a portion of them is carried by Japanese ships. \$ 20,000,000 is thus counted as favourable balance on this list.

3. As for the agricultural production, the money index is the comparison of gross products of agricultural and aquatic industries of basic period with those of 1952 and the calorie index is calculated by the aggregate calories of the food produced. The great difference between the above two is due mainly to the fact that expensive raw silk and cocoon production is expected to be lower and to the fact that more potatoes, which were comparatively cheap in the basic period, are to be produced compared with the basic period.

From the above Table it will be seen that the planned goal for the 1952 fiscal year will not materialize the 100% recovery to the average figures of 1930-34 in respect to the living standard, although the balance of international payments almost attained. And also the production level will not be completely recovered. This difference is accounted for:

1. The present plan has been mapped out by taking into account the current situation of Japan's economy and her economic potential in the fields of power, mining and manufacturing production, food and transportation.
2. If the real national income per capita is to attain in 1952 the same level as 1930-34, agricultural production in terms of money index will be 105 while mining and manufacturing production will be 140% of the basic level.

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Owing to the various restrictive conditions, it is difficult to raise in 1952 the agricultural income to more than 105% of the basic level. Consequently, the calorie index of 116 is adopted instead and more practicable figure of 130% of industrial production was taken in this plan with the result that the real national income in 1952 has to be 12% instead of 125% of that in the basic period. Accordingly the real income per capita in 1952 will be 97% of that in the basic period.

3. Accordingly, the productivity of labor was estimated at 90 per cent of the basic period, taking into account the present trend of affairs and operating capacity of actual industrial facilities. (But the productivity of labor per hour is 100 per cent of the standard year).

4. On the other hand, the level of consumption, as viewed from the angles of food and clothing, was estimated as minimum consistent with the objective to be obtained, making an overall survey of potential production and import, and taking into consideration the reasonable amelioration of content of livelihood.

The rehabilitation plan is aimed at attaining the self-sustaining economy at the earliest possible date and developing further on, by concentration of the total national power and the utmost utilization of indigenous resources. From this point of view, if further longer period is taken in the planning, the size of Japanese economy ought to be expanded accordingly. If this plan is materialized, even presupposing further increase in population, the economic stabilization can be virtually realized in 1953 and it is deemed possible that the goal of Japan's self-sustaining economy will be attained then.

(Note)

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(Note) This plan has been formulated with a view to promoting the economic reconstruction of the country by the concentration of national efforts and the utmost utilization of indigenous resources. However, it is also expected to acquire aid from foreign countries.

The Government will by no means be surprised even if the recent development of the situation, international and domestic, should give rise to the criticism that the standard levels of production and livelihoods as well as the blueprint of foreign trade incorporated in the plan as targets for the nation's economic revival are understated rather exceedingly. The Government will not deny -- nay, rather hope eagerly -- that far higher levels will be attained through increased efforts on the part of our nationals and help from foreign countries. So it is to be hoped that exhaustive deliberation will be made on the problem, keeping this fact in mind.

(4) The above is a planned concrete goal which we hope to fulfill by 1952. In so saying, we do not mean to assert that the plan, in the light of the prospect of revival year after year, will infallibly materialize and after five years from now Japan's economy will attain such level as is pictured therein. We of course believe in the practicability of the plan. In laying down the plan, however, we were motivated by the desire, more than anything else, to respond to the strong demand for achievement of economic rehabilitation at such quick tempo.

In view of the fact that present mining and manufacturing productions are estimated at forty per cent of the average of 1930-34, the export trade actually amounts to around ten per cent only and the existence of powerful and multifarious factors is impeding enhancement of industrial activity, it may possibly be criticized that for one thing the goal is a little too optimistic. We are well aware of such criticism. Accordingly, it must be noticed that the realization of the present plan is possible if and when the following conditions are fulfilled:

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1. The current inflation shall be settled within the former half of the planned period and its effect and menace to our economic stability will not assume such magnitude as will make the execution of the plan impossible.
2. The instability, political and economic, in East Asia will be speedily relieved and the free exchange of foreign currencies reinstated.
3. Substantial aid from foreign countries may be expected in the process of economic revival and the export industry and modernization of key industries will be stimulated by foreign credit from private sources.
4. Difficulties in power supply and transportation will be solved during the earlier part of the years under project, and the achievement of the plan will not be vitally affected by these factors.

Every item of these assumptions may seem to be too hazardous and optimistic. But, it must be emphasized that this is an "ideal formula". The present plan intends to bring home to the Government and the people the necessity to change their way of thinking entirely, in order to rehabilitate our economy as soon as possible.

To put it in other way, we may consider these assumptions as the indicators of not mere idle thoughts but of the targets of our policy toward materialization. For example, the target of raising the standard of living and that of establishing self-supporting economy or full employment may contradict each other to some extent during the process of stabilizing economy. Therefore, in working out the present plan, the following items were given the first consideration: 1) To concentrate fund and materials on the basic departments of production, such as power and transportation, which constitute a bottleneck of the first magnitude in raising level of production, 2) To accelerate increase in production and modernization of export industry, 3) To increase as much as possible supply of consumer goods (foodstuffs, clothing etc.) to arrest inflation. Needless to say, the present

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stage of inflation is already extremely critical, and we can not allow it to take its own course. But a speedy raise of production level is almost of the same importance. Help from foreign countries and enforcement of a strong comprehensive measure would be absolutely necessary to solve this contradiction.

It must be mentioned here that in working out the present plan, we made it the assumed condition that the minimum economic control for economic stabilization in such spheres as distribution, prices of commodities, etc., and maximum effort for efficient tax collection which is absolutely necessary in view of the present acute shortage of materials, will be continued. If we can tide our nation over this dire economic crisis by a comprehensive plan based on the present plan, we believe we shall be able to attain the object of this project.

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3. Mining and Manufacturing Industries.

(1) The planned target of production of mining and manufacturing industries has been set at 130% of the basic period in consideration of agricultural production and practicality of the plan. Therefore, the following industrial scale and structure are adopted as the target of production.

Table 2. Production Level of Mining and Manufacturing Industries in 1952.

Description	Unit	Production	Imports	Exports	Domestic Supply Capacity	Average Output 1930-34
Coal	1,000 ton	44,000	5,000	1,250	47,750	31,173
Electric-power	Million KWE	37,920	-	-	37,920	16,811
Ordinary steel	1,000 ton	2,300	200	-	2,500	2,195
Electric copper	"	65	-	-	65	73
Salt	"	650	1,870	-	2,520	600
Caustic soda	"	238	-	-	238	89
Soda ash	"	158	-	-	158	92
Cement	"	4,500	-	350	4,150	3,637
Ammonium sulphate	"	1,600	94 (nitrate ammonium)	120	1,574	322
Calcium cyanamide	"	450	-	-	450	200
Cotton yarn	1,000 lbs	990,000	-	594,000	396,000	1,157,965
Rayon yarn	"	210,000	-	140,000	70,000	81,170
Staple fibre	"	160,000	-	42,105	117,895	1,247
Wollen and Worsted yarn	"	123,300	-	40,000	83,300	93,741

Note: Ammonium Nitrate is shown in terms of Ammonium sulphate.

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The comparison between this industrial structure and that in the basic period reveals that the relative decrease in textile industry and the development of mechanical industry and chemical industry mark the major change in its structure. As we stated above, Japan's economy requires a higher degree of industrialization than that in the 1930-1934 period. In the course of the industrialization of Japan where shortage of natural sources is acute, the emphasis should be gradually shifted on the mechanical industry and chemical industry in which the portion to be added by technique and labour is much bigger than that of raw materials in the production price. It is because silk and cotton yarns, judging from their present marketability and the tempo of their production recovery, are not expected to regain the former scale in 1952. But, primarily this trend is what is naturally expected of Japan's economy.

The changes in the industrial structure embodied in the outputs of respective industries as compared with those in the basic period are shown hereunder:

Textile industry	84%	Mining industry	153%
(Cotton industry)	85%	Ceramic industry	132%
(Silk ")	37%	Metal industry	141%
Mechanical industry	202%	Food industry	106%
Chemical industry	215%	Sundry industries	154%

(2) In order to attain this much of structure and proportion, starting from the present low level of 40% of that in the basic period, the production must be vigorously activated year by year

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The changes in the industrial structure embodied in the outputs of respective industries as compared with those in the basic period are shown hereunder:

Textile industry	34%	Mining industry	153%
(Cotton industry)	85%	Ceramic industry	132%
(Silk ")	37%	Metal industry	141%
Mechanical industry		Food industry	106%
	202%	Sundry industries	154%
Chemical industry	215%		

(2) In order to attain this much of structure and proportion, starting from the present low level of 40% of that in the basic period, the production must be vigorously activated year by year

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with great haste. In the plan the emphasis is placed on the strengthening of such basic branches of production as power and transportation for the first two years, and then in the latter half of the period when bottlenecks are expected to have been broken the expansion of production in mining and other industries are contemplated. The recovery of the mining and manufacturing productions is, therefore, scheduled as follows:

The restoration tempo of production in mining and manufacturing industries. (as against basic period)

1947	43.2% (partially estimated)
1948	62.8
1949	77.4
1950	94.9
1951	112.8
1952	129.4

The production level in 1952 will amount to approximately three times that at present. More conspicuous recovery is expected in chemical industry (especially rayon and chemical fertilizer), Metal industry (especially iron and steel) and Ceramic industry than in others.

(3) Now, we shall state the principal plans for different departments of industries.

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1. Power.

The most important condition to determine the tempo of Japan's economic restoration consists of three factors, namely - restoration of fuel and power supply, import of raw materials, and increase of transportation capacity. And, if greater importance is to be attached to actual condition in framing a rehabilitation plan it will be no exaggeration to say that the tempo of coal production restoration at once indicates the restoration tempo of general production level. In this sense, the problem of coal and electric power supply may be regarded as a most important matter with direct bearings on the success of Japan's economic rehabilitation plan.

In order to realize the production target of 44,000,000 tons for 1952, we must increase the coal production by ^{about} 15,000,000 tons over and above the estimated production in 1947. Moreover, 12,300,000 tons out of the 44,000,000 tons stated above is to be produced through the development of new coal mines and new coal fields. In order, however, that new coal mines and fields may actually produce coal, we must spend a lot of materials, fund, and labour in their preliminary stage although they will not turn out immediate result. As for calories of coal produced, we are contemplating 6,000 calories or 11% increase of the present level in and after the fiscal year 1950. From this point alone the attainment of the target is not an easy task. In the present plan, however, it is intended to achieve the above target by giving the biggest possible preference to coal production and by mechanization of coal mining.

For augmentation of electric power supply, we have decided on all possible measures. In the case of hydro-electric power, all

available

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available electric power resources are to be developed as quickly as possible, and by the fiscal year 1952, new power plants are to be constructed at 93 places in order to increase the generating power in the dry season by about 970,000 kilowatt. In this connection, special importance is attached to the construction of reservoir system power plants to prepare for the dry season.

At present, the hydro-electric power plants in our country have a total generating capacity of about 6,000,000 kilowatt, which in the dry season is reduced to about one half, or 3,000,000 kilowatt. This decrease threatens the supply of electricity every year during the dry season. This is the reason why we have decided on speedy development of all available resources of hydro-electricity, attaching preference to the construction of reservoir system power-plants with a view to augmenting the supply of electricity during the dry season. The construction of power-plants, however, cannot be completed in a short time. The best we may accomplish by the fiscal year 1952, in accordance with the present plan, will be an increase of dry season generating power by about 970,000 kilowatt which by far falls short of such increase of power supply as required to overcome the shortage during the dry season. In the mean-time, some restrictions are anticipated on the required increase of thermal electric power supply on account of many old power plants going to the scrap heap in the meantime. Difficulty like this cannot be overcome even when we may make the most of all the present thermal electric power supply equipments.

Nevertheless, the demand for electricity will steadily increase in keeping with the increase of production. Therefore, power

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shortage in dry season will last throughout the period under the present plan, even where strict economy is exercised of the consumption of electricity for lighting and heating at home. The supply of electricity has already risen to the pre-war level. Therefore, it is not impossible, we believe, for all parties concerned to take necessary measures to prevent the appearance of such circumstances as may be detrimental to further rises of production basis. This object may be attained through exercise of stricter restrictions on the consumption of electricity for any such uneconomical purpose as heating on the one hand, and through exercise of greater efforts to augment the supply of power by means of other fuels.

2. Iron and Steel.

Great increase of iron and steel production is required for the repair, replacement and modernization, of important industries and transportation facilities and for the growth of machinery industry. The present plan, therefore, is aimed at the attainment of biggest production realizable under the circumstances in which our country may find herself on the completion of the plan.

Since the immediate prospect of import of raw materials such as coking coal, iron ore, pig iron and scrap are not so favourable, our target of production for the 1952 fiscal year is fixed at 3,840,000 tons (141% of that in the basic period) of crude steel, 2,300,000 tons (105% of that in the basic period) of ordinary rolled steel, and 1,800,000 tons (144% of that in the period) of pig iron. And yet these figures will be nearly five times as large as the results to be actually attained for the 1947 fiscal year.

During

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During the basic period, steel production in our country was chiefly operated by using scrap as main material. In the present plan, preference is given to an integrated operation system providing for the production of steel from pig iron considering this system being superior in heat control and disposal of by-products. The adoption of an integrated operation system providing for the production of pig iron and steel in the present plan as a rule is founded on our consideration of the worldwide shortage of scrap.

3. Chemical fertilizer industry.

The present plan in this line of industry is aimed at the attainment of self-sufficiency, and export to East-Asiatic regions which are suffering from shortage of chemical fertilizers. The planned-for production of nitrogen fertilizer in the fiscal year 1952 will be 2,050,000 tons, as calculated in terms of ammonium sulphate, while the import and export of nitrate ammonium for the same fiscal year will be about 94,000 tons (ammonium sulphate equivalent) and 120,000 tons respectively, leaving 2,024,000 for home supply. Of the total production of 2,050,000 tons, 1,600,000 tons will be covered by ammonium sulphate and remaining 450,000 tons by calcium cyanamide. The productive capacity of fertilizer plants which have been so far approved to operate, will be at the best about 1,400,000 tons of ammonium sulphate and 400,000 tons of calcium cyanamides in 1952. For the production of remaining 200,000 tons of ammonium sulphate and 50,000 tons of calcium cyanamide, we are dependent on the equipments of other factories whose conversion into fertilizer works are yet subject to the permission of the allied forces authorities. (Regarding the supply of fertilizers, see the item for food supply.)

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4. Textile industry

Textile industry will remain as the mainstay of Japan's export industries for years to come. Therefore, we have attached considerable importance thereto in the present plan. Priority is accorded to cotton and chemical textile production increase, and in consideration of the speed of restoration and possible demand abroad, we have planned for the attainment of the maximum production.

Cotton yarn production planned for 1952 is 990,000,000 pounds to be realized by installed spindle capacity of 5,850,000. For attainment of the planned production, we require 2,580,000 bales of raw-cotton. As much as 60 per cent of the production is for export. The above-mentioned production, though falling short of the average annual production of 1930-1934, is nearly twice as much as the present production. Therefore, it may be regarded as the utmost we can expect in consideration of the tempo of restoration. In the meantime, it will be difficult to export a greater quantity judging from the possible demand abroad.

The rayon production for the fiscal year 1952 is aimed at 210,000,000 pounds, of which 70% is for export. Staple fiber production for 1952, is planned for 160,000,000 pounds with 34% of which being intended for export. This means that the total production of rayon and staple fiber for the said fiscal year will amount to 370,000,000 pounds. In order to realize the planned production, we require 222,000 long tons of pulp, of which 182,000 long tons is obtainable at home, but the remaining 40,000 long tons must be imported from abroad.

With regard to worsted yarn, we are planning for the production of 123,300,000 pounds for the fiscal year 1952. The above-mentioned figure is nearly as high as our maximum production attained in the

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past, or 155,172,000 pounds. But, in consideration of its high salability, we think that we shall experience little difficulty in finding market therefor.

Demand in the world for raw silk is considerably reduced on account of the competition with nylon. In the present plan, therefore, we are providing for the export of 270,000 bales, which correspond to the 37% of the pre-war figures. Upon realization of the above mentioned plan, the home supply of textiles will be as follows:

TABLE 3. Plan for textile consumption

(In pound)

Fiscal year	Consumption per head (Textiles)	Index for 1930-34 = 100	Consumption per head (Clothing)	Index for 1930-34 = 100
1948	4.51	41%	2.7	31%
1949	5.82	53%	3.8	44%
1950	7.52	68%	5.3	61%
1951	9.13	82%	6.6	76%
1952	10.39	94%	7.4	85%

4. PRODUCTION

(1) Production of staple food is planned for as follows:

TABLE 4. Production Plan for staple food in 1952.

	Area	Output (A)	Output (B) in 1930 - 34	A/B
	unit:1,000 chobu (1,000 Hectare)	unit:1,000 koku (1,000 ton)	unit:1,000 koku (1,000 ton)	
Rice	2,889.8 (2,923.9 Hec.)	67,921 (10.188 ton)	61.030 (9.154 ton)	111.2
Wheat, barley etc.	1,770.8 (1,785.5 Hec.)	24.481 (3.140 ton)	20.582 (2.791 ton)	118.9
		Unit:million kan	unit:million kan	
Sweet potato	454.2 (458.0 Hec)	1.585 (5.944 ton)	858 (3.361 ton)	176.5
Irish potato	293.6 (296.0 Hec)	820 (3,106 ton)	299 (1.121 ton)	274.2

As to the measure for increased production of foodstuff in future none will oppose the contention that as an ideal, change should be made from the present intensive farming conducted on a small scale by family labor to a mechanized farming and live stock farming. Unfortunately, however, ideals do not always coincide with reality. For some years to come it will be impossible to supply adequate amount of materials to agriculture as the industry will not recover to such stage as to permit the supply of those materials, nor will it be possible to have the surplus labor absorbed by other industries. Therefore, the plan is based on the prospected increase of production by encouraging the live-stock farming in a few years hence when improvement in the world's supply of fodder is materialized by then, and by increasing supply of fertilizer, improving of soil and reclaiming of land. Incidentally, the plan is laid for enough production and imports of fertilizer to meet the entire demands fully in 1952. Under this plan the principle of placing main emphasis on cereals and starch which has been followed since during the war is not entirely relinquished because of shortage in funds for imports. This trend, however,

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should be gradually rectified and the course must be taken in the direction of a capitalistically intensive method which includes live stock farming.

(2) If, in addition to the aforementioned production, the imports shown in table 5 be possible, the per-capita intake of food of the nation per day will be as shown in Table 6.

TABLE 5. Plan for Imports of Foodstuffs.

	(Unit: 1,000 tons)				
	1948	1949	1950	1951	1952
Staple food (Unhusked wheat equivalent)	2,014	2,231	2,005	2,051	1 ¹ / ₃ ,980
Fats and Oils material except soya beans	200	316	326	336	386
Soya beans	250	291	327	391	441
Sugar	5	304	351	341	349
Fats and oils	14	15	34	34	34

1/ Changed meaning of staple food excludes potatoes.

TABLE 6. Standard per-capita intake of food per day.

	Calories		Protein (A) gr.	Animal Protein (b) gr.	R/A %
	over-all calories	(cereal & potatoes) calories			
1930 - 34	2,242 (100)	1,840 (100)	66.7 (100)	11.7 (100)	18
1948	1,719 (77)	1,541 (84)	51.9 (83)	7.9 (68)	15
1949	1,848 (82)	1,605 (87)	55.3 (83)	8.9 (76)	16
1950	1,895 (85)	1,623 (88)	58.0 (87)	10.4 (89)	18
1951	1,934 (86)	1,644 (89)	61.0 (91)	11.5 (98)	19
1952	2,111 (94)	1,801 (98)	69.0 (103)	12.9 (110)	19

The per-capita daily intake of food in the period 1930 - 1934 was 2,242 calories. In 1948 it will be 1,719 calories or 77 per cent of that in 1930 - 1934; and in 1952 it is expected to reach 2,111 calories

and recover to 94 % of the average calorie-intake in 1930 - 1934, although it still falls short of that mark. Nevertheless it may be considered to have reached to the standard calorie-intake usually required for the average Japanese from the dietetic point of view. As to protein of which the average per-capita daily intake was 66.7 grams in 1930 - 1934, the plan anticipates 69 grams meaning an improved combination in food consumption.

The ration for the average urban inhabitants (that is, excluding farmers and workers) is shown in the following table 7.

TABLE 7. Per-capita Calorie-intake of Rationed Food Per Day

	<u>Rationed Food</u>	<u>Staple Food</u>
1947 the latter half	1,317	1,246
1948	1,340	1,246
1949	1,532	1,386
1950	1,555	1,386
1951	1,631	1,436
1952	1,744	1,453

It is 1,340 calories in the rice year 1948, but the figure is expected to be upped to 1,744 in 1952. The plan anticipates the rations of 2.5 "go" in 1951 and of 3 "go" of polished rice, wheat and barley in 1952. The remarkable increase of import of staple food in 1952 comparing with that of the previous year is due to the fact that potatoes will be excluded from the rationed staple food and classified as supplementary food, so that rationed staple food will be composed of rice, wheat and barley. (The plan for the ration is based on rice year -- from November of the previous year to October.)

5. Foreign Trade.

(1) The export trade of Japan needs a speedy development in the future. Our land is poor in resources, and even before the War, we used to depend on imports for good portion of our requirements in food and industrial raw materials. This tendency will become more phenomenal as this country lost colonies, and by the increase of populations.

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For instance, in the basic years the annual imports of staple food amounted to 1,800,000 tons including those imported from colonies, but to achieve the rationing of 3 "go" of staple food in 1952, we shall have to import 4,000,000 tons annually. Besides, for a stabilized economy, imports of 2,580,000 bales of cotton, 650,000 bales of wool, 2,030,000 tons of iron ore, 9,000,000 "koku" of timber, 5,000,000 tons of coal, and 1,870,000 tons of salt are needed in 1952. The payment of these raw materials alone amounts to about 1,000 million dollars by present dollar value.

However, the export at present is at a low level of only 10 per cent of that in basic years, foodstuff needed even for the 2.5 "go" rations are now being imported at the expense of the people of the United States.

We have to ask for the considerable amount of foreign aid during the period of rehabilitation, since we are in such condition that we cannot reconstruct our economy without large amount of import of food and industrial materials in spite of the poor export capacity.

The recent reports on U.S. policy toward Japan indicate that our hope will not be in vain. This circumstance, however, can not be expected to continue indefinitely. We, therefore, have to create such situation as would enable our economy to stand on its own feet by increasing our capacity for export ten folds through speedy promotion of export industries while we can expect the economic aid of foreign countries. Thus the plan has in view the achievement of the exports commensurate with enough imports of raw materials for industry and of food to enable us to maintain in 1952 the living standard kept in the basic periods.

TABLE 3. Export Plan in 1952.

Commodities	Value (Unit-Million Dollars)	Remarks.
Textiles:	906	
Cotton Products	485	542,000,000 pounds.
Rayon & Staple Fibre	213	169,000,000 pounds.
Raw Silk & Silk Goods	64	200,000 bales. (in raw silk)
Manufactured Woolen goods	88	38,000,000 pounds.

Machinery:	334	198,000 Metric Tons (In steel)
Miscellaneous Goods:	64	
Chemical Goods:	54	
Processed Foodstuffs:	38	
Canned Goods:	23	3,000,000 cases.
Agricultural, Forestry & Aquatic Products	35	
Paper:	46	198,000,000 pounds.
Rubber Goods:	19	86,000 Metric tons. (Raw Rubber)
China & Bamboo Wares:	37	100,000 tons.
Glasses:	23	600,000 cases (Sheet Glass)
Others:	67	10,000 tons (Other Glass Manufactures)
Coal:		
Cement:		
Total:	1,646	

(3) It is by no means an easy task to accomplish the goal set by the plan. Firstly, while most of our export depends on trade in processing of imported materials, we do not have enough materials for it because of difficulties in importing raw materials owing to the lack of foreign currencies. Secondly, there are bottle-necks of production everywhere such as the shortage of power or transportation facilities which causes obstruction in raising productive activity. Thirdly, there is deficiency in productive capacity. Especially the equipment capacity of textile industry which is the mainstay of our export, is diminished remarkably compared with the prewar years. Fourthly, the economic recovery of the various countries in the Far East which are principal markets for our export is progressing very slowly, and the purchasing power of the Far East is exceedingly limited.

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Fifthly, trade is naturally inclined to be carried on under a barter system or clearing agreements, because the settlement of accounts is difficult owing to the restriction on a free exchange of currency of the various countries which this country may require.

Sixthly, our export can be expected to be maintained, for the time being, even at a high price of our goods, in view of the worldwide shortage of commodities at present, but it is greatly feared that they may become much dearer in comparison with the international prices, if the present condition of low productivity of labor in our country continues in future.

The circumstances are such that it would become necessary that a production level should generally be raised and, besides, the industry be modernized and the markets in the Far East be regained, in order that our export industry may be developed rapidly in future. In order that our merchandise gain the good reputation in the world market in the future, it is a matter of urgency to exert our efforts to improve them substantially and to prevent strictly disqualified goods from being exported.

(3) What distinguishes the export industry of our country from that of a prewar period is that the export of raw silk which was a primary element in our export industry at that time will be diminished and replaced by the export of machinery. Namely, the export of raw silk during the period 1930-34 amounted on an average to 510,000 bales a year. But we can not expect to export more than 100,000 bales of raw silk and approximately the same quantity of silk fabrics even in 1952, because we can not expect the amount of its sale in the United States of America, which was the chief market, will be the same as that of a prewar period.

But it is planned that an export of machinery be increased approximately 10 times compared to the basic period. It is because, machinery is increasingly demanded in the foreign markets, and its export is not only necessary for economic recovery and the industrialization of the

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countries in the Far East, but also it is most suitable for our export industry, in view of the special circumstances of our country where there are few natural resources and large laboring population. It seems, therefore, that the importance of trade with East Asia which was over-whelmingly preponderant before the war would be more accounted of in future. Although a position which textile goods held in export trade should gradually be replaced by machinery and chemical goods, the former would still occupy 50-60% of the total amount of our export for several years to come, because the industries of the countries in East Asia are still in a low grade of development and the amount of production of the latter in our country will not yet be sufficient. It is estimated in this plan that the amount of export of textile and machinery only may occupy 75% of the whole amount of our export in the fiscal year of 1952. In the following table is shown percentage of each merchandise in our export trade which will amount to 16.4 billion dollars in the final year of the plan.

Textile	55.0%
Machinery	20.2"
Miscellaneous goods	3.8"
Chemical and Medical goods	3.5"
China and Earthen ware and Glasses	3.6"
Canned goods and Processed foodstuffs	3.7"
Agricultural, Forestry and Aquatic products (including timber)	3.4"
Paper	2.7"
Others	4.1"

6. Transportation and Communications

(1) It is planned that transportation facilities be repaired, replaced and renovated in the early stages of the planned period so that the increase of production activities may be accelerated in the later stages. However, it is impossible to rehabilitate them perfectly even after five years, for the reason that they have been too damaged and worn out by abusive use during the war to be rehabilitated with the materials which can be newly invested. Consequently, in the case of railway, it is planned that a new project should not be launched, in principle, except for electrification, but materials be solely allocated to repair and recovering works.

As for marine transportation, it is planned that a merchant ship amounting to 1,000,000 gross tons will have been built during the whole years of the plan. But it is estimated that it requires considerable time after 1952 before we will have 4,180,000 gross tons which is stabilization size of our marine transportation. We are aiming, as a fundamental policy of transportation, at the returning to the normal condition by means of gradually adopting a system of carrying by ship cargoes of weighty volume and long distance instead of transporting them on land as we were forced to do during the war. Accordingly, we have planned the degree of increase in transport capacity within the country as follows.

TABLE 9. Rate of increase in transport capacity within the country

	1948	1949	1950	1951	1952
Steamship	100	128	149	167	186
Sailing vessel with engine	100	113	125	136	141
Railway	100	110	119	129	137

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(2) According to the above fundamental policy, the amount of goods to be transported by railways is calculated as follows:

TABLE 10. Amount of Goods to be Transported
By Railways

	Tonnage of goods to be transported (1,000 tons)	Ten Kilometers to be transported (1,000 ten kilo- meters)	Meterage per ton (Kilometer)
1948	130,000	26,650,000	205
1949	142,900	29,008,700	203
1950	154,900	31,134,900	201
1951	167,100	33,252,900	199
1952	177,500	34,967,500	197

Note: Above amount is calculated by the requirements for railway transportation adjusted by the railway transporting capacity.

The distance of transportation per ton will be shortened by two kilometers every year, until it will be reduced to 197 kilometers in 1952. Compared to the average 170 kilometers in 1930-1934, it shows that there will still remain the necessity to transport for fairly long distance. Owing to the increase in transportation tonnage and ten kilometers, and insufficient recovery of operation efficiency of freight cars, necessary number of freight cars in 1952 is estimated to be 180% (121,000 cars) of that of the basic period. Every effort was made to effect a maximum operation within the limit of allotted materials, but we have come to a conclusion that it is impossible for the Government Railways to fully meet the demand for the coming several years. Thus we are to carry out controlled transportation so that the transportation of priority goods may be carried out fully.

Note

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Note: The increase of transportation by truck will be required in accordance with the railway transportation increase and burden of the railway transportation may be partly shifted to the truck transportation. Thus, importance of road transportation by trucks is expected to be increased. The road transportation problem will be studied later in connection with the prospect of import of gasoline and crude rubber for tyre.

(3) Shipbuilding. New shipbuilding is planned amounting to 1,000,000 gross tons (1,500,000 dead weight tons) in five years including cargo ships, passenger-cargo ships and oil-tankers. As a result, the capacity for transporting goods is as follows:

TABLE 11. Monthly average cargo shipping tonnage (1,000 gross tons)

	Existing Vessels and War-time Standard Vessels	New Building	Total
1948	955	81	1,036
1949	1,020	260	1,280
1950	1,000	455	1,455
1951	944	638	1,582
1952	890	830	1,720

Note: Above table is the monthly average of cargo ships and does not represent figures of registered tonnage.

The

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The amount to be transported in this program is as follows:

TABLE 12. The Amount to be transported
by sea

(Unit: 1,000 tons)

	Coastal Transportation			Overseas Transportation				Total
	Cargo ships (Including cargo pass- enger ships)	Sailing ships with Engine	Oil Tanker	Imports	Exports	Special Trans- port- ation (military cargo)		
1948	11,311	27,600	2,000	40,911	9,907	1,771	720	51,309
1949	14,344	29,739	2,500	46,583	14,674	2,048	180	63,485
1950	16,675	31,492	2,800	51,149	17,995	2,472	-	71,716
1951	18,912	34,024	3,200	56,156	21,453	2,945	-	80,555
1952	20,924	37,012	3,600	61,536	25,273	3,592	-	90,201

According to this program the fundamental principle is to transport long distance heavy goods by sea, taking into consideration the ship building plan. Thus, in five years, coastal cargo transportation will be about doubled, while transportation by sailing ships with engine will increase 34% in amount. Among coastal cargoes, coal is preponderantly large in amount, occupying 68% of the amount transported by cargo boats and 18% of that by sailing ships with engine in 1952.

Table 13

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TABLE 13. Monthly Average Allotment of
Cargo Vessels

(Unit: 1,000 gross tons)

	Coastal Trade	Neighbouring Sea Trade	Distance Sea Trade	Total
1948	660	376	-	1,036
1949	765	484	31	1,280
1950	796	585	74	1,455
1951	835	645	102	1,582
1952	865	750	105	1,720

Note: Cargo ships only.

As a principle of allotment, priority is given to the coastal lines, and neighbouring sea lines are considered next with the carrying ratio of 80% for China, Sagharein and Korea lines and 50% for others. Only a portion which we can spare is allotted for distant sea lines. Although in 1949 and after, some cargo ships can be spared for distant lines only thus much bottom will be a drop in a bucket comparing with the enormous amount of distant sea trade. Seeing that proper service of marine transportation is overseas voyage, shipbottom may still be considered short.

As a temporary measures, in order to lessen the burden of freight charge in foreign currencies and increasing employment of seaman, there will be a necessity of requesting charter of foreign shipping. Therefore, this program estimates chartering 500,000 to 1,000,000 gross tons.

It is

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It is planned here to promote the rehabilitation of port equipment, mechanization of loading and unloading, and increase of barges and tug-boats, in order to increase the transportation capacity and reduce the transportation expenses to cope with the increase of amount for transportation.

(4) The communication

1) It is planned to handle 4.8 billion ordinary posts and 66,000 thousand parcels in 1952. Compared with 1930-34, the postal handling per capita is 87% in ordinary posts and 86% in parcels. And the service condition is planned to recover the level of 1930-34.

ii) Electrical communication.

a) City telephone:

900,000 will be recovered and newly set during the planned periods, so that the total number of the telephones will be 1,690,000 by 1952.

b) Private telephone:

430,000 will be recovered and newly set so that the total number will be 760,000 by 1952.

c) Long distance telephone:

1,040,000 kilometer of line will be recovered and newly set to improve the service.

d) Telegraph:

Telegraph service will be recovered to the level of 1930-34 by 1952.

e) Wireless:

It will be increased both for international and internal service. (The latter is for the measure against natural disaster.)

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7. Construction for Rehabilitation

In order to attain the rehabilitation targets stated above in such fields as mining and industry, food production, foreign trade, transportation, etc., various equipments and facilities have to be rehabilitated, and also in order to raise labor productivity, residence and other facilities for public safety, public health, etc. have to be rehabilitated. Furthermore, the conservation of land which is being devastated almost day by day at an even increasing tempo is a matter of great urgency. Therefore, our future construction works have to aim at the fullest utilization of our land and natural resources when a greater population is packed in the reduced land. Namely we must carry out necessary constructions by coordinating such constructions as facilities of electricity which is essential for the rehabilitation of basic industries, and such facilities of primary industries as agricultural, aquatic and forestry industry, and such transportation facilities as railways and communications, and such facilities as residence, hospitals and educational organizations, and city planning and such facilities for land conservation, as river and sand prevention.

However, it is almost impossible to complete all of these rehabilitation constructions within a short time of several years even if foreign aid for this purpose is taken into account. Therefore, we are to carry out in this plan those construction, one by one corresponding to each stage of economic recovery, which are essential for establishing the basis of an expanding reproduction. In this five year plan, we are trying to lay a foundation for recovery and not to carry out all construction works expected to be necessary for becoming a cultural state.

To be more precise, the outlines of work planned for in various sections for the coming five years stand as follows:

1. Electric power. As mentioned before, plans are made for the new establishment of 93 hydro-electric power stations and 3 thermal power stations and reconditioning of distribution system.

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2. Agriculture (Including forestry and fishery).

Plans are made for the reclamation of 560,000 chobu of land, drainage of 260,000 chobu, improvement of 2,690,000 chobu, and the laying out of new forestry of 1,840,000 chobu with necessary roads construction for lumber transportation as well as for creation of new fishing ports and mooring-bands with a view to increase by 30 present fishery facilities capacity.

3. Transportation facilities. In accordance with over-all transportation program the railways equipment will be rehabilitated as well as the electrification of the 1,200 k.m. of the trunklines in order to conserve coals and increase transportation capacity. With regard to the rehabilitation of port plans are made for maintenance and renovation of port facilities by giving priority to ports for foreign trade and coal transportation. Key industries are given priorities in connection with communication and road construction.

4. Land and river conservation work. Plans are made for riparian and sand prevention engineering with a view to eliminating danger from the area of 220,000 chobu which is calling for the urgent attention and for the improvement of waste land and damage prevention forestry which also requires the immediate care.

5. The Housing. The shortage of houses up to the end of the year 1947 numbered 3,700,000 which is planned to be fulfilled in 15 years. And, a program is adopted to build 2,000,000 houses in the planned period. Stress is laid upon public dwelling houses for the workers and clerks engaged in key industries, farming settlers.

8. Employment.

(1) One of the post-war economic troubles in our country is striking disparity between production and labor employment.

The mining and industrial production hangs as low as 40% of the standard years while labor employment maintains the same or even higher percentage. That means, productivity of the labor is generally very low and not exceeding 40% of the standard years and with all as many as about 4,000,000 unemployed are estimated including potential unemployed. Naturally, under the circumstances, our aim should be directed toward the speedy recovery of labor productivity, and, if possible, the realization of full employment.

The only way open in the realization of these two seemingly contradictory aims could not be sought except in the enhancement of production activities. Supposing that the real income of the people in 1952 is in the level of 120% of 1930-34, and if labor productivity is raised to 90% of the standard years, the number of unemployed is anticipated to be somewhere near 2,000,000. The following table gives the employment scheme classified according to industry with the afore-mentioned industrial structure and composition.

TABLE 14. Number of People seeking Employment
and the Number of Employment

	(Unit-1,000 persons)			
Number of People seeking Employment.	1930-34.	1948	1950-	1952
	31,175	36,395	37,871	33,978
Number of Employment.	29,671	22,534	35,004	36,983
Agriculture	14,190	16,216	16,613	16,863
Fishery	575	661	707	742
Mining	304	503	512	519
Manufacturing Industry.	4,641	4,270	5,565	6,336
Engineering & Building Industry.	1,394	1,538	1,687	2,076

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	1930-34	1948	1950	1952
Communications	1,171	1,633	1,696	1,758
Commerce	4,717	4,576	4,840	5,449
Public Service & Profession	1,328	2,328	2,329	2,333
Others	396	853	855	857
Without Occupation:	35,160	43,595	43,747	42,994
Unemployed	1,508	3,811	2,867	1,995

(2) At this juncture, the most important problems are whether labor productivity will show such an upward tendency as anticipated or not and how to relieve the unemployed of huge number in the passing period. The enhancement of labor productivity is co-relative to the rise of the standard of living. At any rate, at the time when every country of the world lays the greatest stress upon the enhancement of productivity through modernization-the central proposition relative to Maastricht Plan in France is modernization-there is every necessity to expedite the upward movement of labor productivity if we would prevent the reappearance of "hunger export" in the past. In the present program, we propose to see yearly 5%-9% increase of labor productivity, by virtue of modernization of industries (especially of export industry), the raising of efficiency consequent upon the increase of working rate and by strenuous attentiveness actuated by the will to work. Judging from the actual achievement of the past and the allocation of materials for equipment, it is by no means easy to carry out our proposition into effect, but without realizing it, the raising of standard of living would be but an empty dream. The problem of unemployment is so universalized in these days that there is but little occasion to comment upon it at any length. This is one of the greatest problems that had been harassing our people even from the pre-war times.

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At present the unemployment problem is hidden under the shadows of inflation and not so serious superficially, but once these veils of inflation are taken off, it is certain that this will become once again the greatest source of trouble for our country. In this plan, the same percentage of unemployment (2.4 per cent of the whole population) is anticipated in 1952. Needless to say, unemployment is by no means desirable, but if its percentage is such as mentioned above, the Government can almost absorb it through measures against unemployment. The problem is how to relieve the unemployed persons estimated at three or four million during the period of transition. The Government, despite its scanty financial resources, intends to absorb a surplus population of two million chiefly through unemployment insurance and public works.

9. National Income.

The following table represents the above various plans all-inclusive in terms of the real production national income which is the concrete expression of production level and livelihood level, showing the annual tempo of recovery and structure of economy. The real national income is the annual income of producers of goods and service computed by the same price as the basic period.

TABLE 15. Estimated Real Production National Income

YEAR	Amount of Income 1930-34	(In terms of the 1930-34 Prices. Unit: One Million Yen.)					
		Ditto 1947	Ditto 1948	Ditto 1949	Ditto 1950	Ditto 1951	Ditto 1952
Agriculture Forestry & Aquatic Industries	2,225 (100)	1,727 (78)	1,890 (85)	2,016 (90)	2,137 (96)	2,240 (101)	2,527 (105)
Mining and Manu- facturing Industries	4,224 (100)	4,221 (99)	4,928 (117)	5,521 (131)	4,056 (96)	4,631 (110)	5,172 (123)

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Subtotal of primary & Secondary Industries. (100)	6,449	3,938 (61)	4,813 (75)	5,537 (86)	6,193 (96)	6,721 (104)	7,499 (117)
Transportation (100)	862	1,220 (142)	1,352 (157)	1,482 (170)	1,615 (187)	1,766 (202)	1,977 (227)
Commerce (100)	2,494	1,771 (71)	2,095 (84)	2,334 (96)	2,669 (107)	2,918 (117)	3,197 (132)
Public Service, Liberal Profession & Other Derivative Income. (100)	2,347	1,587 (68)	1,691 (72)	1,836 (78)	1,963 (84)	2,095 (89)	2,281 (101)
Total of Thirdly Industries. (100)	5,703	4,578 (80)	5,138 (90)	5,712 (100)	6,247 (104)	6,769 (118)	7,321 (128)
Aggregate of National Income (100)	13,234	8,526 (69)	9,956 (81)	11,249 (92)	12,440 (101)	13,530 (111)	14,811 (127)
Amount of Income per capita (100)	185	109 (59)	124 (67)	139 (75)	152 (82)	166 (90)	181 (98)

(Note) Figures in the brackets is the index to the basic period.

According to this table, the tempo of annual economic recovery is around 10 per cent and shows one comparatively regular recovery. For this purpose that the problem of shortage of transportation and power capacity and inflation is to be solved at the initial stage of the planned period, and the conditions abroad are to make a favorable turn. Speaking of industrial structure, it is noticeable that the tempo of development of the so-called primary industries that is, agriculture and aquatic industry is comparatively slow and that of mining and manufacturing industry, is considerably conspicuous. This is the natural outcome of giving weight to the manufacturing industry, showing the direction toward which our economy should proceed.

Although the national income per capita is only 59 per cent in 1947 and 67 per cent in 1948 of the basic period, it recovers as much as 97 per cent five years after. If the progress is made at this rate in 1953 it will certainly reach 100 per cent. The gross national products which is the addition of national income and the depreciation required for the production represents the total amount of the goods and services produced domestically during that year. These goods and services is applied, in expenditure field, to the consumers expenditure of individuals, private capital formation (industrial investment), financial expenditure and net foreign

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Subtotal of primary Secondary Industries. (100)	6,449	3,938 (61)	4,813 (75)	5,537 (86)	6,193 (96)	6,721 (104)	7,499 (116)
Transportation (100)	862	1,220 (142)	1,352 (157)	1,482 (170)	1,615 (187)	1,766 (202)	1,878 (218)
Commerce (100)	2,494	1,771 (71)	2,095 (84)	2,394 (96)	2,669 (107)	2,918 (117)	3,190 (128)
Public Service, Liberal Profession & Other Derivative Income. (100)	2,347	1,587 (68)	1,691 (72)	1,336 (73)	1,963 (84)	2,095 (89)	2,239 (93)
Total of Thirdly Industries. (100)	5,703	4,578 (80)	5,138 (90)	5,712 (100)	6,247 (104)	6,769 (118)	7,327 (128)
Aggregate of National Income (100)	13,334	8,526 (69)	9,936 (81)	11,249 (92)	12,440 (101)	13,330 (111)	14,823 (121)
Amount of Income per capita (100)	185	109 (59)	134 (67)	139 (75)	152 (82)	166 (90)	179 (97)

(Note) Figures in the brackets is the index to the basic period.

According to this table, the tempo of annual economic recovery is around 10 per cent and shows the comparatively regular recovery. For this purpose that the problem of shortage of transportation and power capacity and inflation is to be solved at the initial stage of the planned period, and the conditions abroad are to make a favorable turn. Speaking of industrial structure, it is noticeable that the tempo of development of the so-called primary industries, that is, agriculture and aquatic industry is comparatively slow and that of mining and manufacturing industry, is considerably conspicuous. This is the natural outcome of giving weight to the manufacturing industry, showing the direction toward which our economy should proceed.

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investment ("plus" in case of exports excess, and "minus" in case of imports excess) and their total is the gross expenditure. Such balance of supply and demand of goods and services including foreign aid has a significance from the point of national economy and is a index of judging the disinvestment of the accumulated capital. However, since the plans for the investment, and the plans for the financial expenditure are not completely studied in this plan, the consumers expenditure of individuals which has the material base of computation according to the consumption plans of foods and clothings is shown in table 16. Recovery of consumers expenditure of individuals is 112% against the recovery of national income level to 121%. Recovery of consumer's expenditure per capita is 90% against recovery of per capita income to 97%. Thus the recovery of consumption is planned to be slightly delayed.

TABLE 16. Estimated Consumers Expenditure (1930-34 price)

(Unit one million yen)	1930-34	1946	1947	1950	1951	1952
Individual Consumers expenditure	8,598	6,835	7,506	8,213	8,941	9,628
Index of ditto	100	79	87	97	104	112
Consumer's expenditure per capita	129.6	85.4	92.8	101.3	106.6	116.0
Index of ditto	100	69	72	79	84	90

The balance of the individuals consumption in the above table and the national income in the Table 15 is the surplus power to be applied to the industrial investment and governmental finance. The surplus power is planned to increase in the latter part of this plan as the increase of individual consumption is set in slower pace than the increase of income.

In short, the recovery of national income to 121% of basic period is not at once applied to the raising of national standard of living, but the increase of investment is given more weight than the recovery of the individual consumption life.

This is the very one phase of the economic rehabilitation plan.

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10. Conclusion.

The above are the principal contents of the first draft of five year plan for our economic recovery. A perusal on this report reveals that the way of our economic recovery is far and steep. In order that the present plan be realized, the increases of various items as mentioned below must be realized for 1952 as compared with the present conditions (actual result of 1947).

More than threefold increase in the production of mining and manufacturing industry.

Ninefold increase in export.

More than threefold increase in import.

Twofold increase in labor productivity.

Twofold increase in the actual national income.

For this purpose, the above mentioned various preconditions must be successfully solved. Of course, the actual situation is brightening gradually, but it is too much to say that the conditions necessary for realizing the plan in its entity are being materialized, be it the control of inflation, or the economic recovery of the East Asia or the improvement of labor efficiency.

As pointed out above, there is still left much to be done by both the Government and the people in order to realize this economic rehabilitation plan. What is the most important for us Japanese people is to have a will to reconstruct our economy by our own efforts and to carry it out vigorously.

Without our own self-willed efforts, no foreign aid can be expected to help us succeed, or rather should we not expect it. However far the way of our self-willed recovery may be, it is up to us to take a first step towards height of our ideal.

In presenting this first draft plan the Government desires to make clear the ideal and motive with which it has worked it out and earnestly hopes careful perusal and cooperation for its improvement.

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Enclosure No. 2 to Despatch No. 326 dated June 7, 1948 from the Office of the Political Adviser for Japan, Tokyo, on the subject, "Japanese Economic Rehabilitation Plan".

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CONTENTS OF ECONOMIC REHABILITATION PROGRAM

(The Nihon Keizai Shimbun, May 18, 1948)

The Economic Rehabilitation Program which the Economic Stabilization Board has been mapping out since the days of the Katayama Cabinet has at last been submitted to the First Economic Rehabilitation Planning Board as a first tentative program. The Program which is expected to extend through five years ending 1952 is proclaimed by the authorities themselves to be a tentative one and to be nothing more than an indication of the goal of the people's efforts. We hope that this proclamation was made through their modesty, not through their diffidence.

We realize that the mapping out of an economic rehabilitation program under the current situation is one of the most difficult things to do. Therefore, various amendments will be, and should be, made to the first tentative program; for instance, the planned goal of coal output for 1948 and of the induction of foreign capital into Japan will be open to amendments. As was seen in the case of the successive 'Five-Year Plans' made by the Soviets, such a program is likely to confront many set-backs in the process, which fact will necessitate amendments as occasion may demand. It is, therefore, our opinion that an annual program of the Five-Year Program should be handled in such a way as will allow the adoption of various conditions the authorities could not, or failed, to notice at the outset.

According to the Program, it aims at the recovery of the living standard of 1930-34 by 1952. This is estimated more moderately than the one found in the Strike Report; it may be the lowest expectation, and the highest according to our real ability.

Now, there will be many ways to realize the Program: we may push forward straight to the goal; we may proceed with giant steps at the outset, and then with short steps on the latter part of the way to the goal; or we may mark a slow and steady step toward our goal on the first half of the way, and then great steps forward may be taken. According to the tentative program, the Government seems to be intending to restore the normacy of economic condition in the first two and a half years, and to enlarge a coefficient of recovery within the latter half of the five-year period. We will refrain from criticizing their ways of proceeding for the present, but wish to advise the Rehabilitation Planning Committee to deliberate carefully on the matter in future.

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In deciding which way to take, they should consider the Program as a whole on the one hand, but on the other hand, they should consider it from all angles such as, production, employment, export, consumption, etc. To cite an instance of the question of employment, it is needless to say that they should aim at a complete employment, or at the maximum employment, but in carrying it out there lies a serious question whether they had better continue the present so-called 'watered employment', or they should, first of all, lower the level to a proper one, and then plan a regular employment.

The Five-Year Program is founded on numerous fundamental suppositions or assumptions, international as well as domestic; moreover, the control of them will not be necessarily gained as they wish; in other words, they should be prepared to face numerous unforeseen conditions. Here is the crux of the Program. We shall, however, admit that this is the inevitable in view of the present situation. But we have to call their attention to the fact that the Program lacks the endorsement of various policies. This is a second weak point in character the Program betrays, which fact may also be considered to be a weak point of parliamentarism and party government. But in the light that such a program had often met with many difficulties which prevented it from being realized even under a totalitarian government where the authorities concerned with its execution were usually consistent, the lack of endorsement of policies has made the Program a mere goal to be aimed at, as the authorities themselves have declared, not a program in a strict sense of the word. This is why we maintain that the Government should devote themselves to the materialization of the Program after making as many amendments as they think proper to the tentative program.

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The Nihon Keizai Shimbun

May 18, 1948

社説

経済復興計画の内容

の、根本的な条件がはつきり見
通しが得ておられない現在にお
いて、経済復興計画を編むこと
は至難中の至難事であるから、
今後第一次試案には多くの修正
が加えられるであろうし、また
加えねばならぬ点も少なくない。
たとえば三年度の石炭生産高
たどるべき一例であり、また外
資導入もそうであるが、ソ連の
救済にわたる五ヶ年計画の例を
見ても、実行の過程において、
あるいは実際において計画と現
実の差をまぬかれず、それに
適して変更や臨機応変の措置を
講じていくことが、五ヶ年計画
に当って必要ならぬ年次計画
に当って必要ならぬ年次計画
は、五ヶ年計画を骨格として、また
場合によっては五ヶ年計画にと
らわれず、五ヶ年計画の規定し
たは想定し得なかつた条件を
現実のものとして採入れ、機動
的に編成しなければならぬ。

二
計画によると昭和廿七年度に
は、昭和五十九年の生活水準を
回復することを目標にしてい
る。その目標はストライク報告
より察するに、希望としては最
低、実力から見れば最高のもの
であろうが、それを實現するに
は幾多の道筋がある。最終
目標に向つて直線的な曲線を描
いて進むか、傾斜を初め急にし
て終りに緩くなるか、または初
め緩くして後に急にするかであ
る。試案ではインフレを前年二
年間に安定させると言い、幾分
後に回復率を大きくしている
と見られる点もあるが、たとえ
ば國民所得や、個人消費支出推
計表を見ると、大体において行
う直線的な回復をほらつてい
ると見るべきであろう。しかし
そうした直線的な回復がいかに
どうか、あるいは可能かどうか
は復興委員会としても今後大い
に検討する余地がある。いか
なる曲線を描くかというよりは、
総合的に同時に生産、雇用、
輸出、消費などの各面について
ても考へべきで、たとえば雇用
をとり、最終的には完全雇用
ないし最大限の雇用を目標とし
てもそれを達成するに現在のよ
うな水準雇用をそのまゝ持つ
て行くか、または一度適正な水
準まで下げてから本格的な雇用
の増加を図るか、重要な相違と
なる。そして各面の曲線の描
き方が、矛盾してはいないかど
うか、大いに批判の余地がある。

三
経済復興五ヶ年計画は、多く
の点で根本的な國家的、國內
的條件を仮定あるいは想定して
いるが、それらの条件が實現す
るか否かは、われわれは、ただ
一方的に決定し得ぬものが多い
し、また現在、懸念し得ぬ条件も
多数存在するであろう。そこに
計画の第一の根本的な難点があ
り、限界がある。しかしそれら
は現在においてやむを得ないとい
つて、さきに計画実行のため
の政策の裏付けを欠いている。

その点はこの計画が持つ性格上
の第二の弱点たるをまぬかれな
い。それは他面から見れば経済
安定本部自身の性格的な弱点と
も見られ、議會政治、政黨政治の
建前から不可避的なものではあ
るが、全体主義國家のように、計
画実施の担当者が必要の場合に
も、その計画が計画通り實現し
ない点から見て、復興計画に政
策の裏付けがよいといふことは、五
ヶ年計画を厳密な意味の計画で
なく、当分の間、努力目標として
の点は第一次試案がいかん修正
されようとも、根本的にまぬか
れ難い性格であるか、政府はそ
の實現に向つて最善の努力を盡
す責任がある。

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Enclosure No. 3 to Despatch No. 326 dated June 7, 1948 from the Office of the Political Adviser for Japan, Tokyo, on the subject, "Japanese Economic Rehabilitation Plan".

(COPY)

(Free Translation)

IMMEDIATE ESTABLISHMENT OF "THE PROGRAM" IS DESIRED

(The Asahi Shimbun, May 18, 1948)

It has long been keenly felt that a long-range program should be established for the rehabilitation of economy in Japan. With the inauguration of the Economic Rehabilitation Planning Committee by the Government, the first tentative economic rehabilitation program mapped out by the Economic Stabilization Board has been made public. This has a deep significance toward the future of the rehabilitation, and the people should clearly understand the course they should take regarding economy.

The post-war economic conditions in Japan have been in a state of confusion, and the results of various policies have fallen short of our expectations: the production of mining industries has been nothing but 30 or 40 per cent of that in pre-war times; nevertheless, the progress of inflation has been so rapid that the Japanese economy, if left as it is, is in danger of falling into an unfathomable abyss under press from under-production and inflation. Fortunately, the probability of inducting foreign capital into Japan has brightened our future prospects; but, in order to make most use of the capital, a rehabilitation plan should be established before everything. If we could not forecast the future, the foreign capital might be used up without contributing much, and the chances for rehabilitation would be delayed all the more.

In this sense, it is quite opportune that the Economic Rehabilitation Program is going to be investigated. The great responsibility sits upon the shoulders of the committee concerned. It is inadmissible for them to approve an original draft after perfunctory deliberation. The people are expecting that the committee will have heated discussions but hold to high ideals and in accordance with the real economic situation. As to the organization of the committee, the representative members of the Government and capitalists occupy an overwhelming majority and only a few scholars and two representatives of the labor are found among the members. It is hoped on this occasion that the unions will try to realize standing claims by submitting positive and constructive plans one after another besides advancing their critical opinions.

We can easily see that the Program is pretty hard to realize because it is aiming at an increase of threefold in mining production, of ninefold in exports, of threefold in imports, of twofold in labor productibility, and of twofold in people's income. There are two ways of establishing a long-range program: one uses supply as a basis and the other demand. The Economic Rehabilitation

Program

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Program, however, may be called a compromise plan and may pass as a practical one. But, in this case, the nature of various corollary conditions should be scrutinized.

First of all, the condition that inflation will be settled within the first half of the five-year period and that 'a stabilizing panic' which may follow the settlement will exercise little influence on the carrying out of the Program is open to discussion. Needless to say, economic stabilization is not to be hoped for without currency stabilization. Regarding this, we should like to point out that the Rehabilitation Program, though elaborately mapped out in point of goods and materials, does not clarify relations with currency. This is one of the weakest points in the Program. We cannot be optimistic before it is clarified what prospects they have regarding the adjustment of inflation and the situation with respect to a financial program and an industrial fund program which are compatible with a production program. And the above must be related to the induction of foreign capital.

Furthermore, it is planned that efforts be concentrated on the renovation of transportation facilities in the early stages of the planned period so that fatal consequences may be avoided. This, we should think, is the most difficult point to be confronted in carrying out the Rehabilitation Program. If they lay emphasis on basic departments when the demand for consumer products increases on one hand, it is likely to cause various kinds of friction. Fundamentally, we agree to the idea that much importance should be attached to the renovation of transportation facilities. But in order to carry this through, they should import a considerable amount of consumer products.

The conception to attach more importance to the engineering industry than to the textile industry is of deep significance, but as to the question of employment, it leaves some room for consideration. The question of employment is one of the weakest points found in the Rehabilitation Program. In connection with the Rehabilitation Program, it is an important matter to establish an adequate counter-measure against unemployment.

As soon as the Program is carried into execution, the fundamental functions of economy should necessarily be put under strict control. Now, to obtain perfect control, reinvestigation of controlling methods is essential; this is one of the most significant economic problems to be solved in Japan.

It is our ardent desire that the Committee should fully scrutinize the abovementioned points so that the Rehabilitation Program may not end in smoke. The future of Japan depends entirely upon whether the Rehabilitation Program will be established perfectly or not.

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Yomiuri

NIPPON TIMES:

May 19, 1948

PRESS COMMENTS

Tuesday, May 18

ECONOMIC REHABILITATION PROGRAM

YOMIURI—The first draft of the Five-Year Economic Rehabilitation Program mapped out by the Economic Stabilization Board has been made public. Embracing the comprehensive and fundamental measures for economic rehabilitation, the program is of great significance because the goals set forth in it will enliven the people's hope for the future and spur their efforts to attain the objective.

Any economic program, however must be based on a concrete foundation and solidified with concrete and sure ways and means to achieve its end. A mere plan is worthless.

Viewed from this standpoint, the five-year program is defective and insufficient in many points because it is a typically Japanese product of sheer calculation, devoid of the concrete ways and means to attain its objective in the actual economic framework present in this country.

First, the plan fails to mention the amount of foreign credits deemed necessary to realize the program and when and how much of such foreign aid is considered necessary at a given time.

Second, it gives no idea of the monetary planning envisaged. An economic program minus monetary plans is inconceivable. Furthermore, the matter is aggravated because the program hypothesizes that inflation will be stabilized during the former

half of the five-year period. Third, the plan gives the impression that its drafters took too easy-going a view regarding the prospect of putting an end to inflation. On the assumption that inflation will be settled during the former half of the five-year period, the drafters apparently minimized the effects which inflation and "stabilized depression" will exert upon the implementation of the program. An early end of inflation is to be piously wished for but objective conditions for such a hope are extremely weak.

The five-year plan cannot be considered more than a tentative goal; it hardly warrants the name of a program. This does not mean, however, that the program is utterly meaningless because it is worthwhile to set a tentative goal and make the greatest possible efforts to attain it. The ESB program should not be overestimated but, at the same time, it is inadvisable to underestimate its value.

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Nippon Times; May 19, 1948

**SIGNIFICANCE OF
ECONOMIC RE-
HABILITATION PROGRAM**

MAINICHI—The ESB program for economic rehabilitation takes an extremely reserved, almost timid, attitude in some respects but in other points, it is very soft and bold. This impression is apparently accentuated by the fact that while dealing with the matters involved relatively minutely, the program contains many unknown factors in its premises and conditions. Whereas the realization of a program of this magnitude

naturally requires an enormous private capital or public finance funds, the five-year plan remains ambiguous regarding the relations between such capital and distribution of national income. It also gives only brief mention to the housing problem—an issue as important as food and clothing in the light of the increasing population. The ESB plan is vulnerable in these points as was the wartime Material Mobilization Plan.

Setting aside these defects, the significance of a rehabilitation program of this kind should not be underestimated and we do not begrudge our respect to the efforts rendered by the drafters of the program.

NIPPON TIMES: May 20, 1948

The Five-Year Plan

On Monday the Government made public a draft plan designed to restore Japanese economy to approximately the 1930-34 level by 1952. This five-year program for economic recovery submitted to the Economic Rehabilitation Planning Committee is not a final draft, and requires considerable examination before it can be put into effect. But it is the first definite "target" at which the entire productive energy of the nation can be directed. In that respect, the recovery plan should be welcomed.

The Government in announcing the draft plan has made it clear that economic planning of any scale is useless without economic aid from abroad and the unstinted cooperation and efforts of the people. The five-year program consequently has taken into account, in its calculations of the targets for the various phases of national life, rough estimates of the expected foreign credits and the presumed willingness of the entire citizenry to work. The goals determined under the plan may thus seem ambitious.

It should be explained here that the drafting of this long-range plan was started in July, last year, at the outset of the Katayama administration by the Economic Stabilization Board as an idealistic formula for economic recovery. It was completed in January but shelved with the change in the administration. The continued reliance of Japan upon the United States, which has already cost the American taxpayers \$40,000,000, however, prompted American leaders recently to investigate the prospects of placing this country on a self-supporting basis.

This turn of events prompted the Japanese authorities to re-examine the economic reconstruction program which had been prepared earlier by the ESB.

As the Government itself has pointed out, the present plan is not a final draft, and the Economic Rehabilitation Planning Committee may find it necessary to make numerous adjustments. One of the first items which should go under the scrutiny of the ERPC in the plan should be the setting of the estimated Japanese population in 1952 at 82,920,000. Even the Strike Report, which surveyed Japan's industrial reparations problem, has estimated that the Japanese population in 1953 would be approximately 85,800,000.

If it should be determined that the population estimate in the Government's draft plan is too low and if an upward revision should be made, all "targets" including production, employment, trade, transportation, food, and other factors would have to be revised accordingly. The Strike Report, for instance, upon its estimate of a population of 85,800,000, has concluded that the 1930-34 level is insufficient and has thus indicated that an economic level closer to the 1937 level might be more suitable to place Japan on a self-sustaining basis.

But an upward revision of the targets for 1952 without a realistic study of the actual productive capacity of the nation is not without its dangers, for an impossible goal may defeat the very purpose of the recovery program. On this point, the Strike Report has pointed out that "the problem of restoring the economy of Japan to a self-supporting basis, even at the relatively low standards of 1930-34, is one of enormous difficulty."

This statement is of particular interest also because the draft plan being studied by the ERPC hopes to reach its goal by 1952, whereas the Strike Report has set 1953 as its "target year." Rome was not built in one day, nor in five years, and in view of the difficulties it may be wiser to move back the target year.

In an explanatory note attached to the five-year plan, the ESB has explained that the successful attainment of the goal in 1952 would only signify the achievement of the first stage of the economic recovery program. This statement should be sufficient food for serious thought to those Japanese who expect a sudden return to the "good old days" with the advent of foreign aid. The very idea of a five-year plan to reach the 1930-34 level should make it clear that the road ahead is long and requires hard work and the utmost effort from every citizen.

It is to be hoped that the ERPC despite its seemingly unwieldy staff of more than 1,000 members will take adequate measures to draw up a workable blueprint for national recovery.

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Enclosure No. 7 to Despatch No. 326 dated June 7, 1948 from the Office of the Political Adviser for Japan, Tokyo, on the subject, "Japanese Economic Rehabilitation Plan".

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(Translation)

ECONOMIC RECOVERY PROGRAM

Akahata - May 21, 1948

An economic recovery program has been published by the Government. The program aims at restoring the Japanese economy to a stage where living expense per capita per year will be 90 per cent, the clothing supply 85 per cent, and the food supply 94 per cent (2,111 calories) of the 1930-34 base period. The program does not aim at the attainment of a higher level.

What we cannot overlook is the fact that the program does not aim at the procurement of 2,340 calories as prescribed in the Strike Report. INABA, who mapped out the program, says that the program can be drawn up in various ways. Thus we can say with confidence that the present program has not been mapped out for elevation of the livelihood of working people. It is one of the monopolistic capitalists' policies.

While aiming at keeping the nation at so/a level, the program envisages an increase of national income to 121 per cent of the 1930-34 level, or a 35 per cent increase of the present purchasing power of an individual consumer. The profits of enterprisers will increase at the same rate. As a result, the ruling class can amass fortunes and the working people will become poor.

Can the working people clad in rags attain a decent standard of living? No. The program points out that labor productivity should be doubled.

Reconstruction efforts are to be extended toward transportation facilities and forest and river improvements, but there is no large-scale plan for industrial reconstruction. Thus, as a result of the patchwork reconstruction of the wartime, aggressive industrial structure, tremendously heightened efforts will have to be demanded of working people. This is a much worse waste of labor efficiency than that demanded of labor under the Tenno system. As a supreme demand of the State, this program constitutes a whip to the working people. We must make up our minds anew.

In regard to the industrial structure, a relative decrease in the textile industry and progress in the machinery industry are remarkable. JAPAN's prewar industry was maintained by export of textiles and import of raw materials consumed for war purposes. Whatever the purpose, industry is to have nothing to do with the promotion of public welfare.

Coal and steel production in particular are to be increased by 40 per cent of the 1940-34 level. During this base period Japanese war industry had already become active. Nevertheless,

leaders

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leaders of cartels were embarrassed by the too high output of iron and steel. Why is it necessary to make such a big increase?

Farming people were oppressed by high tenant rents before the war. They are to continue to be oppressed by means of the food delivery system, which forces them to sell their products to the government at prices lower than actual cost. The possible vicious spiral of delivery, decrease in the farmers' enthusiasm for farming, less farm products, and the intensified delivery system will certainly impede the rehabilitation of farm production and establish the basis for the low wage system and dependency on foreign countries for good.

Thus, we may say that 1952 will see the Japanese industrial structure revived along with the Emperor system with certain changes. This is the dream of JAPAN's monopolistic capitalists. With this dream, they intend to ask for, and fix the amount of, foreign capital to this country.

In view of the technical defects that the program contains, their dream, however, will not be realized. In that case, the goal or the objectives of the program will be forcibly attained by lowering the living standard of the nation.

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Enclosure No. 8 to Despatch No. 326 dated June 7, 1948 from the Office of the Political Adviser for Japan, Tokyo, on the subject, "Japanese Economic Rehabilitation Plan".

(COPY)

(Translation)

REGULATIONS OF JAPANESE ECONOMIC REHABILITATION PLANNING
COMMITTEE

April 28, 1948

Article 1 - The Committee of Economic Rehabilitation of Japan (to be called "The committee" hereunder) shall be in charge of the following matters concerning the plans for economic rehabilitation of this country:-

- a. Collection and compilation of basic data.
- b. Investigation and deliberation.
- c. Formulation of rehabilitation plans.
- d. Formulation of reports and recommendations to the President of Economic Stabilization Board, in case necessary.

Article 2 - The Committee shall consist of one chairman, one Deputy Chairman and a number of Committee members.

Temporary committee members may be added in case it is found necessary to investigate and deliberate the special matters.

Article 3 - The President of Economic Stabilization Board shall be the Chairman of the Committee. The Director General of Economic Stabilization Board shall be the Deputy Chairman of the Committee. Members of the Committee and the Temporary Committee members shall be appointed by the President of Economic Stabilization Board from among the officials of government offices concerned and persons of learning and experience.

Article 4 - The Chairman of the Committee shall preside over the affairs of the Committee. The Deputy Chairman shall assist the Chairman and shall act on behalf of the Chairman in case the Chairman be incapacitated.

Article 5 - Specialist members may be appointed to the Committee in order to investigate and deliberate the special matters. The Specialist members shall be appointed by the President of Economic Stabilization Board from among the officials of government offices concerned, and persons of learning and experience.

Article 6 - Sub-committee shall be established in the Committee. Sub-committee shall consist of one chairman assigned by the Committee Chairman, a number of the Committee members and specialist members.

Article

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June 7, 1948

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- Article 7 - The Chairman of the Committee shall call the committee meeting and preside the meeting. The Chairman of the Sub-Committee shall call, with the approval of the Chairman of the Committee the Sub-Committee meeting and preside the Sub-Committee meeting.
- Article 8 - A number of councillors shall be appointed to the committee. The councillors shall be appointed by the President of the Economic Stabilization Board from among the officials of Government offices and persons of learning and experience. The Councillors shall handle the matters relating to the committee meetings under the command of the Chairman.
- Article 9 - Secretariat shall be attached to the Committee. The Secretariat shall prepare data and original plan and handle the general affairs concerning the Committee. The secretariat shall consist of a Secretary-General and a number of Secretaries.

Members of Japanese Economic Rehabilitation
Planning Committee

April 21, 1948

Economic Stabilization Board

Chairman	President, E.S.B.	Hitoshi Ashida
Deputy Chairman	Director General, E.S.B.	Takeo Kurusu
Member	Deputy Director General, E.S.B.	Teizo Horikoshi
	Chief of Secretariate, E.S.B.	Takayuki Yamamoto
	Vice Minister, Ministry of Foreign Affairs	Seijiro Yoshizawa
	Vice Minister, Ministry of Finance	Uichi Noda
	Vice Minister, Ministry of Agriculture & Forestry	Shigetaro Sasayama
	Vice Minister, Ministry of Commerce & Industry	Seitaro Okamatsu
	Director General, Board of Trade	Kotaro Nagai
	Director General, Coal Board	Hidenosuke Sano
	Vice Minister, Ministry of Transportation	Sadanori Shimoyama
	Vice Minister, Ministry of Communication	Kyoichi Suzuki
	Vice Minister, Ministry of Labor	Keiichi Yoshitake
	Engineer-General, Board of Reconstruction	Chukyo Iwasawa
	Vice Chairman, Natural Resources Committee	Shunichi Uchida
	Secretary-General, Statistics Committee	Ryokichi Minobe

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Vice Chairman, Landing Planning Conference	Ryutaro Murakami
Chairman, Political Investigation Board of Socialist Party	Mosaburo Suzuki
Chairman, Economic Rehabilitation Conference	
Chairman, Political Investigation Board of Democrat-Liberal Party	Shigeo Sudo
Chairman, Political Investigation Board of Democratic Party	Heitaro Inagaki
Chairman, Political Investigation Board of People's Co-operative Party	Takizo Matsumoto
Ryokufu Club (House of Councillors)	Tetsu Ono
President, Bank of Japan	Hisato Ichimada
Chairman, Association of Economic Organization	Ichiro Ishikawa
Chief, Institute of Aquatic Products	Seiko Ide
Chairman, Japan Cotton Spinning Association	Bunpei Hori
Chairman, Agriculture Rehabilitation Conference	Seiichi Tohata
President, Nippon Hassoden K.K.	Eichi Onishi
Chairman, National Congress of Industrial Union	Makoto Kan
Secretary General, National Federation of Laborer	Aiichi Kamijo
Professor, University of Commerce	Ichiro Nakayama
President, Economic Rehabilitation Kodan	Eizo Nagasaki
Chairman, Japan Trade Association	Kumakichi Nakaajima
Chairman, Japan Coal Association	Ryoichi Yamakawa
Professor, Tokyo University	Hiromi Arisawa
Director, Japan Ship Owners Association	Shinsuke Asao
President, Bankers Association	Kiichiro Sato
Chairman, Machine Industry Association	Busaburo Sato
President, Agricultural Central Bank	Motoi Yukawa
Chairman, Japan Iron and Steel Steel	Takashi Miki
	Shigeto Tsuru

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NIPPON TIMES: May 18, 1948

5-YEAR RECOVERY PLAN**Draft of Measures Compiled by Economic Stabilization Board Released**

(Following nearly a year of intensive effort, the Economic Stabilization Board has finally formulated a draft plan aiming at the rehabilitation of Japanese economy which will be presented to the Economic Rehabilitation Planning Committee (due to start functioning on May 17) for deliberation. In releasing the text, the ESB has been careful to stress that the plan is aimed at economic recovery only to the first stage of rehabilitation and not complete rehabilitation. Since the complete document is of considerable bulk, the Nippon Times is presenting a condensed version in five instalments beginning today. . . Editor)

I**Introduction**

The economic crisis in post-war Japan is characterized by so-called under-production and inflation. It is not a temporary confusion due to the conversion of our economy from wartime to peacetime structure. But it is a crisis deeply rooted in the thorough destruction and retrenchment of the foundation of our economy due to the defeat in war. The greatest problem of this country at present is to overcome this economic crisis and stabilize our economy as soon as possible. For this purpose, it is necessary to draw up a blue-print and set the concrete goal of rehabilitating the destructed and retrenched economic foundation, and thence to put into effect the measures to cope with the crisis conceived as a part of a comprehensive rehabilitation plan linked with the above blue-print and goal. The Government has decided to establish the Japanese Economy Rehabilitation Planning Committee and to submit to it the first draft of the "five-year Plan for Rehabilitating Japanese Economy" which has been studied by the Economic Stabilization Board since August, last year.

All the projects have been made with a view to restoring roughly the standard of living of 1930-34 by 1952, five years hence.

Goal of Economic Rehabilitation

(1) Under what circumstances, may we call our economy substantially "stabilized"?

The concrete scale and structure of the "stabilized economy" differ according to the concepts of the "proper" standard of living and the "appropriate" level and structure of industries. But, generally speaking, the following four conditions must be satisfied before the economy is deemed stabilized.

1. Livelihood of the people is stabilized on a reasonable standard of living.

2. Export is enough to meet the import of foodstuffs, industrial raw materials and other necessary goods. In other words, the balance of international payments is maintained.

3. Level of economy is raised and well-balanced structure of various component parts of economy is realized, so that the above conditions, 1 and 2, may be satisfied.

4. Efficiency of labor, or productivity of labor is raised and full employment is, if possible, realized.

(2) Mean population in 1930-34 in this country was 66,330,000. It is estimated, according to the estimation adopted in this plan, that our population will increase to 82,930,000 in 1952. As mentioned before, this is an understatement. And yet it marks an increase of 25 per cent against the basic period. Accepting this estimate, and assuming that the proportion of consumption and investment remains constant, the real national income must reach 125 per cent of that of the basic period, in order that we may period, in 1952 the same standard of living we had in 1930-34.

The estimated increase in our population is as follows:

October 1st, 1948	79,990,000
" " 1949	80,895,000
" " 1950	81,618,000
" " 1951	82,292,000
" " 1952	82,932,000

The above estimates of population have been made by the Population Problem Institute of Ministry of Public Welfare. According to the result of the census revealed recently, the Japanese population on October 1, 1947, was 78,620,000 which marked an increase of around 6,000,000 after the end of the war. The major portion of the above increase consists of the repatriates from abroad, but the natural increase during 1947 was around 1,550,000, which is far more than the peak of 1,130,000 in 1941.

In order to get international receipts and payments well balanced, or in order to enable us no longer to depend economically upon foreign aid but stand on our own feet in the 1952 fiscal year, it will be essential that the goal should be set for our foreign trade to export such volume of goods as will counterbalance the import of commodities needed to maintain both the production level and living standard of this country. At the same time, productivity of labor should at least be restored to the level of the basic period.

(3) After consideration of these conditions as well as of the probability of attainment, the following major targets of reconstruction have been set up under the present tentative plan to be realized in 1952.

TABLE 1. Coal for 1952

	1952 (A)	Average of 1930-1934 (B)	A/B
Mining and Manufacturing			
Productions	130	100	130
Coal	44,000 (*)	31,173 (*)	141
Crude Steel	3,840 (*)	2,722 (*)	141
(Ordinary Steel)	(2,300 *)	(2,195 *)	(105)
Cotton Yarn	990,000 (‡)	1,157,965 (‡)	85
(Spindle installed)	(5,830,000)	(8,000,000)	(73)
Agricultural Product			
Money Index	105	100	115
Calorie Index	116	100	116
Rice	67,921 (K)	61,030 (K)	111
Barley and Wheat	24,481 (K)	20,582 (K)	119
Exports	1,646 (Unit—Million dollar)		
Imports	1,657 (Unit—Million dollar)		
Invisible Trade	(plus) 20		
National Income	14,828 (Y)	12,284 (Y)	121
Living Standard			
Individual Consumer's expenditure (Per capital annual)	116.0 (Yen)	129.6 (Yen)	90
Food per capital per day)	2,111 calorie	2,242 calorie	94
Clothing (Per capita per annum)	7.4 pound	8.7 pound	85

NOTE: (*)—Unit-Thousand ton
 (‡)—Unit-Thousand pound
 (K)—Unit-Thousand koku
 (Y)—Unit-Million yen

From the above Table it will be seen that the planned goal for the 1952 fiscal year will not materialize the 100 per cent recovery to the average figures of 1930-34 in respect to the living standard, although the balance of international payments almost attained. And also the production level will not be completely recovered. This difference is accounted for:

1. The present plan has been mapped out by taking into account the current situation of Japan's economy and her economic potential in the fields of power, mining and manufacturing production, food and transportation.

2. If the real national income per capita is to attain in 1952 the same level as 1930-34, agricultural production in terms of money index will be 105 while mining and manufacturing production will be 140 per cent of the basic level.

Owing to the various restrictive conditions, it is difficult to raise in 1952 the agricultural income to more than 105 per cent of the basic level. Consequently, the calorie index of 116 is adopted instead and more practicable figure of 130 per cent of industrial production was taken in this plans with the result that the real national income in 1952 has to be 12 per cent instead of 125 per cent of that in the basic period. Accordingly the real income per capita in 1952 will be 97 per cent of that in the basic period.

3. Accordingly, the productivity of labor was estimated at 90 per cent of the basic period, taking into account the present trend of affairs and operating capacity of actual industrial facilities. (But the productivity of labor per hour is 100 per cent of the standard year).

4. On the other hand, the level of consumption, as viewed from the angles of food and clothing, was estimated as minimum consistent with the objective to be obtained, making an overall survey of potential production and import, and taking into consideration the reasonable amelioration of content of livelihood.

The rehabilitation plan is aimed at attaining the self-sustaining economy at the

earliest possible date and developing further on, by concentration of the total national power and the utmost utilization of indigenous resources. From this point of view, if further longer period is taken in the planning, the size of Japanese economy ought to be expanded accordingly. If this plan is materialized, even presupposing further increase in population, the economic stabilization can be virtually realized in 1953 and it is deemed possible that the goal of Japan's self-sustaining economy will be attained then.

(4) The above is a planned concrete goal which we hope to fulfil by 1952. In so saying, we do not mean to assert that the plan, in the light of the prospect of revival year after year, will infallibly materialize and after five years from now Japan's economy will attain such level as is pictured therein. We of course believe in the practicability of the plan. In laying down the plan, however, we were motivated by the desire, more than anything else, to respond to the strong demand for achievement of economic rehabilitation at such quick tempo.

In view of the fact that present mining and manufacturing production are estimated at 40 per cent of the average of 1930-34, the export trade actually amounts to around 10 per cent only and the existence of powerful and multifarious factors is impeding enhancement of industrial activity, it may possibly be criticized that for one thing the goal is a little too optimistic. We are well aware of such criticism. Accordingly, it must be noticed that the realization of the present plan is possible if and when the following conditions are fulfilled:

1. The current inflation shall be settled within the former half of the planned period and its effect and menace to our economic stability will not assume such magnitude as will make the execution of the plan impossible.

2. The instability, political and economic, in East Asia will be speedily relieved and the free exchange of foreign currencies reinstated.

3. Substantial aid from foreign countries may be expected in the process of economic revival and the export industry and modernization of key industries will be stimulated by foreign credit from private sources.

4. Difficulties in power supply and transportation will be solved during the earlier part of the years under project, and the achievement of the plan will not be vitally affected by these factors.

Every item of these assumptions may seem to be too hazardous and optimistic. But, it must be emphasized that this is an "ideal formula." The present plan intends to bring home to the Government and the people the necessity to change their way of thinking entirely, in order to rehabilitate our economy as soon as possible.

To Be Continued

NIPPON TIMES: May 19, 1948

5-YEAR RECOVERY PLAN

Draft of Measures Compiled by Economic Stabilization Board Released

(This is the second instalment of the Five-Year Draft Plan for Japanese Economic Recovery recently compiled and issued by the Economic Stabilization Board. Due to lack of space, the original text has been partially condensed.—EDITOR)

II Mining and Manufacturing Industries.

(1) The planned target of production of mining and manufacturing industries has been set at 130% of the basic period in consideration of agricultural production and practicability of the plan. Therefore, the following industrial scale and structure are adopted as the target of production.

Production Level of Mining and

Description	Unit	Production	Imports Exports		Domestic Average	
			Imports	Exports	Supply Capacity	Output 1930-34
Coal	1,000 ton	44,000	5,000	1,250	47,750	31,173
Electric-power	million KWH	37,920	—	—	37,920	16,811
Ordinary steel	1,000 ton	2,300	200	—	2,500	2,195
Electric copper	"	65	—	—	65	73
Salt	"	650	1,870	—	2,520	600
Caustic soda	"	238	—	—	238	89
Soda ash	"	158	—	—	158	92
Cement	"	4,500	—	350	4,150	3,637
Ammonium sulphate	"	1,600	94*	120	1,574	322
Calcium cyanamide	"	450	—	—	450	200
Cotton yarn	1,000 lbs	990,000	—	594,000	396,000	1,157,965
Rayon yarn	"	210,000	—	140,000	70,000	81,170
Staple fibre	"	160,000	—	42,105	117,895	1,247
Woolen and Worsted yarn	"	123,300	—	40,000	83,300	93,741

Note:—* (nitrate ammonium)

The comparison between this industrial structure and that in the basic period reveals that the relative decrease in textile industry and the development of mechanical industry and chemical industry mark the major change in its structure.

The changes in the industrial structure embodied in the outputs of respective industries as compared with those in the basic period are shown hereunder:

Textile industry	84%
(Cotton industry)	85%
(Silk industry)	37%
Mechanical industry	202%
Chemical industry	215%
Mining industry	153%
Ceramic industry	132%
Metal industry	141%
Food industry	106%
Sundry industries	154%

(2) In order to attain this much of structure and proportion, starting from the present low level of 40% of that in the basic period, the production must be vigorously activated year by year with great haste.

The Restoration Tempo of Production in Mining and Manufacturing Industries. (as against basic period)

1947	43.2%*
1948	62.8%
1949	77.4%
1950	94.9%
1951	112.8%
1952	129.4%

Note:—* (partially estimated).

The production level in 1952 will amount to approximately three times that at present. More conspicuous recovery is expected in chemical industry (especially rayon and chemical

Manufacturing Industries in 1952.

Description	Unit	Production	Imports Exports		Domestic Average	
			Imports	Exports	Supply Capacity	Output 1930-34
Coal	1,000 ton	44,000	5,000	1,250	47,750	31,173
Electric-power	million KWH	37,920	—	—	37,920	16,811
Ordinary steel	1,000 ton	2,300	200	—	2,500	2,195
Electric copper	"	65	—	—	65	73
Salt	"	650	1,870	—	2,520	600
Caustic soda	"	238	—	—	238	89
Soda ash	"	158	—	—	158	92
Cement	"	4,500	—	350	4,150	3,637
Ammonium sulphate	"	1,600	94*	120	1,574	322
Calcium cyanamide	"	450	—	—	450	200
Cotton yarn	1,000 lbs	990,000	—	594,000	396,000	1,157,965
Rayon yarn	"	210,000	—	140,000	70,000	81,170
Staple fibre	"	160,000	—	42,105	117,895	1,247
Woolen and Worsted yarn	"	123,300	—	40,000	83,300	93,741

fertilizer), Metal industry (especially iron and steel) and Ceramic industry than in others.

(3) Now, we shall state the principal plans for different departments of industries.

1. Power:

In order to realize the production target of 44,000,000 tons for 1952, we must increase the coal production by about 15,000,000 tons over and above the estimated production in 1947. Moreover, 12,800,000 tons out of the 44,000,000 tons stated above is to be produced through the development of new coal mines and new coal fields.

For augmentation of electric power supply, we have decided on all possible measures. In the case of hydro-electric power, all available electric power resources are to be developed as quickly as possible, and by the fiscal year 1952, new power plants are to be constructed at 93 places in or-

der to increase the generating power in the dry season by about 970,000 kilowatts. In this connection, special importance is attached to the construction of reservoir system power plants to prepare for the dry season.

At present, the hydro-electric power plants in our country have a total generating capacity of about 6,000,000 kilowatts, which in the dry season is reduced to about one half, or 3,000,000 kilowatts. This decrease threatens the supply of electricity every year during the dry season. This is the reason why we have decided on speedy development of all available resources of hydro-electricity, attaching preference to the construction of reservoir system power-plants with a view to augmenting the supply of electricity during the dry season. The construction of power-plants, however, cannot be completed in a short time. The best we may accomplish by 1952, in accordance with the present plan, will be an increase of dry season generating power by about 970,000 kilowatts which by far falls short of such increase of power supply as required to overcome the shortage during the dry season. In the meantime, some restrictions are anticipated on the required increase of thermal electric power supply on account of many old power plants going to the scrap heap. Difficulty like this cannot be overcome even when we may make the most of all the present thermal electric power supply equipment.

2. Iron and Steel:

Since the immediate prospect of import of raw materials such as coking coal, iron ore, pig iron and scrap are not so favorable, our target of production for the 1952 fiscal year is fixed at 3,840,000 tons (141% of that in the basic period) of crude steel, 2,300,000 tons (105% of that in the basic period) of ordinary roll-

ed steel, and 1,800,000 tons (144% of that in the period) of pig iron. And yet these figures will be nearly five times as large as the results to be actually attained for the 1947 fiscal year.

During the basic period, steel production in our country was chiefly operated by using scrap as main material. In the present plan, preference is given to an intergrated operation system providing for the production of steel from pig iron considering this system being superior in heat control and disposal of by-products. The adoption of an intergrated operation system providing for the production of pig iron and steel in the present plan as a rule is founded on our consideration of the worldwide shortage of scrap.

3. Chemical fertilizer industry:

The present plan is aimed at the attainment of self-sufficiency, and export to East-Asiatic regions which are suffering from shortage of chemical fertilizers. The planned production of nitrogen fertilizer in the fiscal year 1952 will be 2,050,000 tons, as calculated in term of ammonium sulphate, while the import and export of nitrate ammonium for the same fiscal year will be about 94,000 tons (ammonium sulphate equivalent) and 120,000 tons respectively, leaving 2,024,000 tons for home supply. Of the total production of 2,050,000 tons, 1,600,000 tons will be covered by ammonium sulphate and remaining 450,000 tons by calcium cyanamide. The productive capacity of fertilizer plants which have been so far approved to operate, will be at the best about 1,400,000 tons of ammonium sulphate and 400,000 tons of calcium cyanamides in 1952. For the production of remaining 200,000 tons of ammonium sulphate and 50,000 tons of calcium cyanamide, we are dependent on the equipments of other factories whose conversion into fertilizer works are yet subject to the permission of the allied forces authorities.

4. Textile Industry:

Textile industry will remain as the mainstay of Japan's export industries for years to come. Priority is accorded to cotton and chemical textile production increase, and in consideration of the speed of restoration and possible demand abroad, we have planned for the attainment of the maximum production.

Cotton yarn production planned for 1952 is 990,000,000 pounds to be realized by installed spindle capacity of 5,830,000. For attainment of the planned production, we require 2,580,000 bales of raw-cotton. As much as 60 per cent of the production is for export. The above-mentioned production, though falling short of the average annual production of 1930-1934, is nearly twice as much as the present production.

The rayon production for the fiscal year 1952 is aimed at 210,000,000 pounds, of which 70% is for export. Staple fiber production for 1952, is planned for 160,000,000 pounds with 34% of which being intended for export. This means that the total production of rayon and staple fiber for the said fiscal year will amount to 370,000,000 pounds. In order to realize the planned production, we require 222,000 long tons of pulp, of which 182,000 long tons is obtainable at home, but the remaining 40,000 long tons must be imported from abroad.

With regard to worsted yarn, we are planning for the production of 123,300,000 pounds for the fiscal year 1952. The above-mentioned figure is nearly as high as our maximum production attained in the past, or 155,172,000 pounds. But, in consideration of its high salability, we think that we shall experience little difficulty in finding market therefor.

Demand in the world for raw silk is considerably reduced on account of the competition with nylon. In the present plan, therefore, we are providing for the export of 270,000 bales, which correspond to the 37% of the pre-war figures. Upon realization of the above mentioned plan, the home supply of textiles will be as follows:

Plan for Textile Consumption.

Fiscal year	(In pound)			
	A.	B.	C.	D.
1948	4.51	41%	2.7	31%
1949	5.82	53%	3.8	44%
1950	7.52	68%	5.3	61%
1951	9.13	82%	6.6	76%
1952	10.39	94%	7.4	85%

Note:—

- A. Consumption per head (Textiles)
- B. Index for 1930-34—100
- C. Consumption per head (Clothing)
- D. Index for 1930-34—100

To Be Continued

NIPPON TIMES: May 20, 1948

5-YEAR RECOVERY PLAN

Draft of Measures Compiled by Economic Stabilization Board Released

(This is the third instalment of the Draft Economic Recovery Plan compiled and issued by the Economic Stabilization Board. Due to lack of space, the text has been condensed.—EDITOR)

III Foodstuffs

(1) Production of staple food is planned for as follows:

Production Plan for Staple Food in 1952.

	Area unit: 1,000 chobu (1,000 Hectare)	Output (A)	Output (B)	A B
		unit: 1,000 koku	in 1930-34 unit: 1,000 koku	
Rice	2,889.8 (2,923.9 Hec.)	67,921 (10,188 ton)	61,030 (9,154 ton)	111.2
Wheat, barley etc...	1,770.8 (1,785.5 Hec.)	24,481 (3,140 ton)	20,582 (2,791 ton)	118.9
Sweet potato	454.2 (458.0 Hec.)	1,585 (5,944 ton)	858 (3,361 ton)	176.5
Irish potato	293.6 (296.0 Hec.)	820 (3,106 ton)	299 (1,121 ton)	274.2

As to the measure for increased production of foodstuffs in future none will oppose the contention that as an ideal, change should be made from the present intensive farming conducted on a small scale by family labor to mechanized farming and live stock farming. Unfortunately, however, ideals do not always coincide with reality:

(2) If, in addition to the aforementioned production, the imports shown in table A be possible, per-capita intake of food of the nation per day will be as shown in table B

The per-capita daily intake of food in the period 1930-1934 was 2,242 calories. In 1948 it will be 1,719 calories or 72 per cent of that in 1930-1934; and in 1952 it is expected to reach 2,111 calories and recover to 94% of the average caloric-intake in 1930-1934, al-

though it still falls short of that mark. Nevertheless it may be considered to have reached to the standard caloric-intake usually required for the average Japanese from the dietetics point of view. As to protein of which the average per-capita daily intake was 66.7 grams in 1930-1934, the plan anticipates 69 grams, meaning an improved combination in food consumption.

Foreign Trade

(1) In the basic period the annual imports of staple food amounted to 1,800,000 tons in-

cluding those imported from colonies, but to achieve the rationing of 3 "go" of staple food in 1952, we shall have to import 4,000,000 tons annually. Besides, for a stabilized economy, imports of 2,580,000 bales of cotton, 650,000 bales of wool, 2,030,000 tons of iron ore, 9,000,000 "koku" of timber, 5,000,000 tons of coal, and 1,870,000 tons of salt are needed in 1952. The payment of these raw materials alone amounts to about 1,000 million dollars by present dollar value.

However, the export at present is at a low level of only 10 per cent of that in basic years, foodstuff needed even for the 2.5 "go" rations are now being imported at the expense of the people of the United States.

We will have to ask for a considerable amount of foreign aid during the period or rehabilitation, since we are in such condition that we cannot reconstruct our economy without large amount of import of food and industrial materials in spite of the poor export capacity.

The plan has in view the achievement of the exports commensurate with enough imports of raw materials for industry and of food to enable us to maintain in 1952 the living standard kept in the basic periods.

TABLE A. Plan for Imports of Foodstuffs.

	1948	1949	1950	1951	1952
Staple food (Unhusked wheat equivalent)	2,014	2,231	2,005	2,051	3,980
Fats and Oils material except soya beans	200	316	326	336	386
Soya beans	250	291	327	391	441
Sugar	5	304	351	341	349
Fats and oils	14	15	34	34	34

TABLE B. Standard per-Capita Intake of Food per Day.

	Calories		Protein (A) gr.	Protein (B) gr.	B/A (%)
	over-all (cereal & potatoes) calories	potatoes calories			
1930-34	2,242	1,840	66.7	11.7	18
1948	1,719 (77)	1,541 (84)	51.9 (73)	7.9 (68)	15
1949	1,848 (82)	1,605 (87)	55.3 (83)	8.9 (76)	16
1950	1,895 (85)	1,623 (88)	58.0 (81)	10.4 (80)	18
1951	1,934 (86)	1,644 (89)	61.0 (91)	11.5 (98)	19
1952	2,111 (94)	1,801 (98)	69.0 (103)	12.9 (110)	19

Export Plan in 1952.

Commodities	Value (Unit-Million Dollars)	Remarks
Textiles:	906	
Cotton Products	485	542,000,000 pounds
Rayon & Staple Fibre	213	169,000,000 pounds
Raw Silk & Silk Goods	64	200,000 bales (in raw silk)
Manufactured Woolen goods.	88	38,000,000 pounds
Machinery	334	198,000 metric tons (in steel)
Miscellaneous Goods	64	
Chemical Goods	54	
Processed Foodstuffs	38	
Canned Goods	23	3,000,000 cases
Agricultural, Forestry & Aquatic Products	35	
Paper	46	198,000,000 pounds
Rubber Goods	19	86,000 metric tons (Raw Rubber)
China & Earthen Wares	37	100,000 tons
Glasses	23	600,000 cases (Sheet Glass) 10,000 tons (Other Glass)
Others	67	
Coal	—	
Cement	—	
Total	1,646	

1930-34 amounted on an average to 510,000 bales a year. But we can not expect to export more than 100,000 bales of raw silk and approximately the same quantity of silk fabrics even in 1952.

But it is planned that an export of machinery be increased approximately 10 times compared to the basic period. It is because, machinery is increasingly demanded in the foreign markets, and its export is not only necessary for economic recovery and the industrialization of the countries in the Far East, but also it is most suitable for our export industry, in view of the special circumstances of our country where there are few natural resources and large laboring population. Although the position which textile goods hold in export trade should gradually be replaced by machinery and chemical goods, the former would still occupy 50-60% of the total amount of our export for several years to come, because the industries of the countries in East Asia are still slow in development. It is estimated in this plan that the amount of export of textile and machinery may occupy 75% of the whole amount of our export in the fiscal year of 1952. In the following table is shown percentage of each merchandise in our export trade which will amount to 18.4 billion dollars in the final year of the plan.

Textile	55.0%
Machinery	20.2
Miscellaneous goods	3.8
Chemical and Medical goods	3.5
China and Earthen ware and Glasses	3.6
Canned goods and Processed foodstuffs	3.7
Agricultural, Forestry and Aquatic products (including timber)	3.4
Paper	2.7
Others	4.1

(To Be Continued)

(2) Firstly, while most of our export depends on trade in processing of imported materials, we do not have enough materials for it because of difficulties in importing raw materials owing to the lack of foreign currencies. Secondly, there are bottlenecks of production everywhere such as the shortage of power or transportation facilities which causes obstruction in raising productive activity. Thirdly, there is deficiency in productive capacity. Especially the equipment capacity of textile industry which is the mainstay of our export, is diminished remarkably compared with the prewar years. Fourthly, the economic recovery of the various countries in the Far East which are principal markets for our export is progressing very slowly, and the purchasing power of the Far East is exceedingly limited. Fifthly, trade is naturally inclined to be carried on under a barter system or clearing agreements, because the settlement of accounts is difficult owing to the restriction on a free exchange of currency of the various countries which this country may acquire.

Sixthly, our export can be expected to be maintained, for the time being, even at a high price of our goods, in view of the worldwide shortage of commodities at present, but it is greatly feared that they may become much dearer in comparison with the international prices, if the present condition of low productivity of labor in our country continues in future.

The circumstances are such that it would become necessary that a production level should generally be raised and, besides, the industry be modernized and ~~the~~ markets in the Far East be regained, in order that our export industry may be developed rapidly in future.

(3) What distinguishes the export industry of our country from that of a prewar period is that the export of raw silk which was a primary element in our export industry at that time will be diminished and replaced by the export of machinery. Namely, the export of raw silk during the period

NIPPON TIMES: May 21, 1948

5-YEAR RECOVERY PLAN

Draft of Measures Compiled by Economic Stabilization Board Released

(This is the fourth instalment of the Draft Economic Recovery Plan compiled and issued by the Economic Stabilization Board. Due to lack of space the text has been condensed.—EDITOR)

IV

Transportation and Communications

(1) It is planned that transportation facilities be repaired, replaced and renovated in the early stages of the planned period so that the increase of production activities may be accelerated in the later stages.

In the case of railway, it is planned that a new project should not be launched, in principle, except for electrification, but materials be solely allocated to repair and recovering works.

As for marine transportation, it is planned that a merchant fleet amounting to 1,000,000 gross tons will have been built during the whole years of the plan. But it is estimated that it requires a considerable time after 1952 before we will have 4,180,000 gross tons which is stabilization size of our marine transportation. We are aiming, as a fundamental policy of transportation, at the returning to the normal condition by means of gradually adopting a system of carrying by ship cargoes of weighty volume and long distance instead of transporting them on land as we were forced to do during the war.

Rate of Increase in Transport Capacity within the Country.

	1948	1949	1950	1951	1952
Steamship	100	128	149	167	186
Sailing vessel with engine	100	113	128	136	141
Railway	100	110	119	129	137

(2) According to the above fundamental policy, the amount of goods to be transported by railways is calculated as follows:

Amount of Goods to Be Transported By Railways.

	A.	B.	C.
1948	130,000	26,650,000	205
1949	142,900	29,006,700	203
1950	154,900	31,134,900	201
1951	167,100	33,252,900	199
1952	177,500	34,967,500	197

Note:—
 A. Tonnage of goods to be transported (1,000 tons)
 B. Ton Kilometers to be transported (1,000 ton kilometers)
 C. Meterage per ton (Kilometer)
 Above amount is calculated by the requirements for railway transportation adjusted by the railway transporting capacity.

The distance of transportation per ton will be shortened by two kilometers every year, until it will be reduced to 197 kilometers in 1952. Compared to the average 170 kilometers in 1930-1934, it shows that there will still remain the necessity to transport for fairly long distance. Owing to the increase in transportation tonnage and ton kilometers, and insufficient recovery of operation efficiency of freight cars, necessary number of freight cars in 1952 is estimated to be 180% (121,000 cars) of that of the basic period.

Note: The increase of transportation by truck will be required in accordance with the railway transportation increase and burdens of the railway transportation may be partly shifted to the truck transportation. Thus, importance of road transportation by trucks is expected to be increased. The road transportation problem will be studied later in connection with the prospect of import of gasoline and crude rubber for tyre.

(3) Shipbuilding. New shipbuilding is planned amounting to 1,000,000 gross tons (1,500,000 dead weight tons) in five years including cargo ships, passenger-cargo ships and oil-tankers.

Monthly Average Cargo Shipping Tonnage. (1,000 gross tons)

	Existing Vessels & War-time		Total
	Standard Vessels	New Building	
1948	955	81	1,036
1949	1,020	260	1,280
1950	1,000	455	1,455
1951	944	638	1,582
1952	890	830	1,720

Note: Above table is the monthly average of cargo ships and does not represent figures of registered tonnage.

The amount to be transported in this program is as follows:

Cargo Ships*	The Amount to be Transported by Sea (Unit: 1,000 tons)						
	Coastal Transportation			Overseas Transportation			
	Sailing Ships with Engine	Oil Tanker	Total	Imports	Exports	Special Transportation**	Total
1948							
11,311	27,600	2,000	40,911	9,907	1,771	720	58,309
1949							
14,344	29,739	2,500	46,583	14,674	2,043	180	63,480
1950							
16,875	31,492	2,800	51,149	17,995	2,472	-	71,716
1951							
18,932	34,024	3,200	56,156	21,453	2,946	-	80,555
1952							
20,224	37,012	3,600	61,636	25,273	3,392	-	90,201

Note: * (Including cargo passenger ships) ** (military cargo)

According to this program the fundamental principle is to transport long distance heavy goods by sea, taking into consideration the ship building plan. Thus, in five years, coastal cargo transportation will be about doubled, while transportation by sailing ships with engine will increase 34% in amount. Among coastal cargoes, coal is preponderantly large in amount, occupying 68% of the amount transported by cargo boats and 18% of that by sailing ships with engine in 1952.

Monthly Average Allotment of Cargo Vessels (Unit: 1,000 gross tons)

	Coastal Trade		Neighboring Sea Trade		Total
	Sea Trade	Distance	Sea Trade	Distance	
1948	660	376	-	-	1,036
1949	765	484	31	-	1,280
1950	796	585	74	-	1,455
1951	835	645	102	-	1,582
1952	865	750	105	-	1,720

Note: Cargo ships only.

As a principle of allotment, priority is given to the coastal lines, and neighboring sea lines are considered next with the carrying ratio of 80% for China, Sagharein and Korea lines and 50% for others. Only a portion which we can spare is allotted for distant sea lines.

As a temporary measure, in order to lessen the burden of freight charge in foreign currencies and increasing employment of seamen, there will be a necessity of requesting

charter of foreign shipping. Therefore, this program estimates chartering 500,000 to 1,000,000 gross tons.

(4) Communications:

i) It is planned to handle 4.8 billion ordinary posts and 65,000 thousand parcels in 1952. Compared with 1930-34, the postal handling per capita is 87% in ordinary posts and 86% in parcels. And the service condition is planned to recover the level of 1950-34.

ii) Electrical communication:

(a) City telephone: 900,000 will be recovered and newly set during the planned period, so that the total number of the telephones will be 1,690,000 by 1952.

(b) Private telephone: 430,000 will be recovered and newly set so that the total number will be 760,000 by 1952.

(c) Long distance telephone: 1,040,000 kilometer of line will be recovered and newly set to improve the service.

(d) Telegraph: Telegraph service will be recovered to the level of 1930-34 by 1952.

(e) Wireless: It will be increased both for international and internal service. (The latter is for the measure against natural disaster.)

Construction for Rehabilitation (Unit: 1,000 gross tons)

	Coastal Trade		Neighboring Sea Trade		Total
	Sea Trade	Distance	Sea Trade	Distance	
1948	660	376	-	-	1,036
1949	765	484	31	-	1,280
1950	796	585	74	-	1,455
1951	835	645	102	-	1,582
1952	865	750	105	-	1,720

In order to attain the rehabilitation targets stated above in such fields as mining and industry, food production, foreign trade transportation, etc., various equipments and facilities have to be rehabilitated, and also in order to raise labor productivity, residence and other facilities for public safety, public health, etc. have to be rehabilitated.

It is almost impossible to complete all of these rehabilitation constructions within a

short time of several years even if foreign aid for this purpose is taken into account. In this five-year plan, we are trying to lay a foundation for recovery and not to carry out all construction works expected to be necessary for becoming a cultural state.

To be more precise, the outlines of work planned for in various sections for the coming five years stand as follows:

1. Electric power. As mentioned before, plans are made for the new establishment of 93 hydro-electric power stations and 3 thermal power stations and reconditioning of distribution system.

2. Agriculture (including forestry and fishery). Plans are made for the reclamation of 560,000 chobu of land, drainage of 260,000 chobu, improvement of 2,690,000 chobu, and the laying out of new forests of 1,840,000 chobu with necessary roads construction for lumber transportation as well as for creation of new fishing ports and mooring-bands with a view to increase by 30 per cent fishery facilities capacity.

3. Transportation facilities. In accordance with over-all transportation program the railways equipment will be rehabilitated as well as the electrification of the 1,200 k.m. of the trunk lines in order to conserve coals and increase transportation capacity.

4. Land and river conservation work. Plans are made for riparian and sand prevention engineering with a view to eliminating danger from the area of 220,000 chobu which is calling for the urgent attention and for the improvement of waste land and damage prevention forestry which also requires the immediate care.

5. Housing. The shortage of houses up to the end of the

year 1947 numbered 3,700,000 which is planned to be fulfilled in 15 years. And, a program is adopted to build 2,000,000 houses in the planned period. Stress is laid upon public dwelling houses for the workers and clerks engaged in key industries, farming settlers.

(To Be Concluded)



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

ACTION
is assigned to



United States Political Adviser
for Japan

Tokyo, June 14, 1948

No. 352

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(For Use of Department Only)

DIVISION OF
NORTHEAST ASIAN AFFAIRS

JUN 28 1948

DEPARTMENT OF STATE

DCIR

SUBJECT: Comments Concerning Japanese Economic Rehabilitation
Plan.

RECEIVED
DEPARTMENT OF STATE

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The Honorable
The Secretary of State,
Washington.

1948 JUN 28

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TO: 1/

I have the honor to refer to this Mission's despatch No. 326 of June 7, 1948 forwarding copies of the Japanese Economic Rehabilitation Plan and to despatch No. 106 of February 17, 1948 forwarding an earlier draft of this plan. There is enclosed a translation of a signed article by Dr. TSURU Shigeto, former Deputy Secretary General of the Economic Stabilization Board appearing in the Asahi of May 18, 1948, together with the Japanese text. Special interest is attached by this Mission to Dr. Tsuru's discussion of government controls and the attitude of the government toward the proposed plan.

In further elaboration of the ideas in this article, Dr. Tsuru has told an officer of this Mission that the plan as released has a major difference in emphasis when compared with the earlier draft. The question of government controls, he states, has been practically omitted. He is alarmed at the tendency toward decontrol in Japan which he believes has resulted from the attitude toward controls of American business men, who have visited Japan.

Dr. Tsuru points out that, despite lack of a peace treaty, the Japanese Government, as contrasted with that of Germany, is behaving more and more like an independent government. Economically however, he is convinced that Japan is still a very sick country. He declares that there is no objection to remove certain controls such as those on luxury articles (controls have been removed on high-priced fish) and, if construction continues to be controlled, on lumber as is being contemplated. However, he emphasizes in his Asahi article that the only way to accumulate the capital necessary

for increasing

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Tokyo's No. 352
June 14, 1948.

-2-

for increasing production is to keep consumption at a minimum, sacrificing an immediate increase in consumption for a greater increase in the future. He feels that the omission of proposals concerning controls may have been political in nature and an indication of the difference in attitude toward controls between the Katayama Cabinet and the Ashida Cabinet.

Dr. Tsuru states that controls were essential in successfully combating inflation in Japan from 1881-1886 following the gaigo Rebellion and in the success of the first five-year plan of the Soviets. He mentioned that controls are also an integral part of the Monnet Plan for the economic recovery of France. Dr. Tsuru believes that if there is too great a relaxation of controls, the period during which Japan will be economically dependent upon the United States will be prolonged indefinitely. He considers the proper use of controls only one of many factors essential in organizing a plan for the achievement of rehabilitation. He is of the opinion that there is a fundamental issue, which must be decided, as to whether the guiding principle of Japan's economic rehabilitation shall be a "planned" or a "laissez-faire" economy.

In closing his article Dr. Tsuru emphasizes the importance of a powerful spirit on the part of the entire nation to see that the plan is made to work. Dr. Tsuru has said privately that he is very pessimistic as to whether the present government will put its full effort behind the plan as a unified national plan. He is of the opinion that only with the most intensive effort on the part of the government can the plan be realized, and is hopeful that the Occupation will take a serious interest in the plan and stimulate the Japanese Government to enthusiastic and sustained effort to make it successful.

Mr. ICHIMADA Hisato, Governor of the Bank of Japan,* has expressed to an officer of this Mission the view that far too little attention is paid to the financial problems involved in achieving the plan. This view has also been stressed by Dr. Tsuru and by Mr. KANO Hisaakira, former Director of the Yokohama Specie Bank. Mr. Kano states that he takes every opportunity to advise political leaders, including Dr. ASHIDA Hitoshi, the Prime Minister, Mr. KITAMURA the Minister of Finance, and Mr. YOSHIDA, President of the Liberal Democratic Party that the Japanese administration of foreign aid, upon which Mr. Kano claims the success of any plan will depend, should be by a non-partisan group of business men.

Mr. Kano

* Member of the Economic Rehabilitation Planning Committee to whom the plan was submitted by the Economic Stabilization Board for consideration.

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Tokyo's No. 352
June 14, 1948.

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Mr. Kano states that foreign aid must be intelligently and efficiently utilized in order that Japan may become self-supporting by 1953 and that use of foreign aid should be divorced from internal political considerations and be subject only to consideration of the over-all welfare of the Japanese nation. Mr. Kano is an advocate of removing controls as quickly as feasible. He is aware that controls are essential on certain basic items, but considers present endeavors to control well over a half million articles undesirable and impractical.

Mr. ISHIKAWA Ichiro, Chairman of the Federation of Economic Organizations* recently stated to an officer of the Mission that he may differ in some respects with the goals outlined in the plan, but in general agrees. He pointed out that Japan has the manpower and the energy but that the success or failure of the plan depends largely on factors now beyond the control of the Japanese people. These main factors, he said, are the acquisition of essential raw materials and the availability of necessary markets for manufactured goods. Mr. Ishikawa pointed to the economic and political uncertainties of the Far East, where lies Japan's natural market, as casting a dark shadow over any optimism that the goals might be easily achieved.

This Mission is of the opinion that the plan marks a hopeful beginning. On the other hand, the success of implementing the plan is dependent upon many factors, including some over which neither the Japanese nor the Supreme Commander has complete control. However, the Japanese nation has made progress in rehabilitation and with American aid should be able to surmount the difficulties of attaining the goals outlined in the plan. The supreme importance of American aid if the plan is to be successful cannot be ignored.

If the position adopted by the United States House of Representatives against appropriating funds for rehabilitation of Japan should be sustained by the Senate, and no other means are found to obtain funds, it is believed that Japan will be a drain on American taxpayers for an indefinite period. The consensus is that only by obtaining funds from America for purchase of essential items necessary for rehabilitation can there be any chance that Japan will become self-supporting in five years. We have reported previously that even the prospect of American aid has been a stimulant to recovery. Materialization of such aid would enable Japan to accelerate the momentum already achieved.

The problem of governmental controls is a serious one. In Japan's present predicament, it appears definitely necessary to control the production and distribution of many items. Japan with its limited resources and its need for rehabilitation cannot afford the

luxury of

* Member of the Economic Rehabilitation Planning Committee to whom the plan was submitted by the Economic Stabilization Board for consideration.

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June 14, 1948

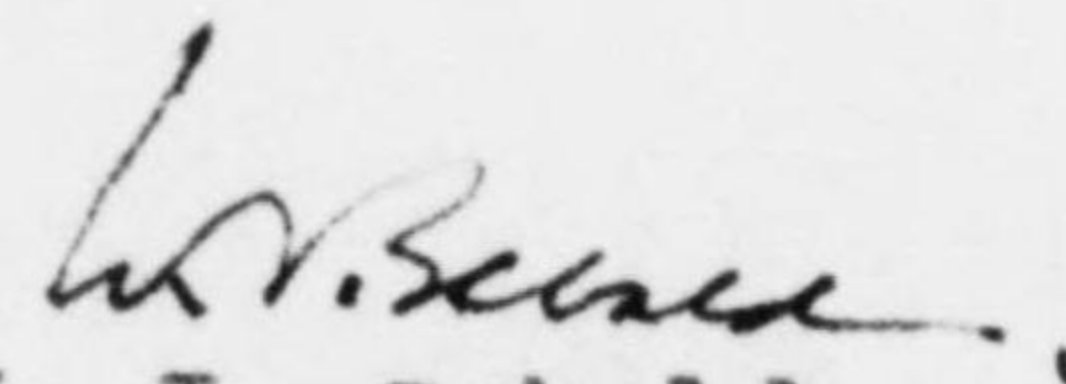
-4-

luxury of decontrol at a rapid pace. Each step in the removal of controls should be examined carefully, or recovery may be slowed rather than speeded.

Mr. Kano's suggestion that American aid be administered by a non-partisan group is believed to be a meritorious one. Certainly all possible precautions must be taken by the United States to see that any aid is used efficiently for the purposes for which it is provided.

The Department's attention is especially invited to the discrepancy in population projections between those mentioned in the plan and those used in the Strike report. The Japanese plan estimates the population of Japan in 1952 at 82,920,000 whereas the Strike report uses the figure of 85,800,000 for 1953. The Strike report estimate was made by the Population Branch of the Research and Programs Division of this Headquarters and is already considered conservative rather than otherwise. The Economic Rehabilitation Plan figures were made a year ago and indicate a less rapid growth in population than similar projections made by the Japanese two years ago, despite an upward sweep in the natural increase curve. Since the Japanese are re-examining the population estimates and since the plan is now under consideration by the Economic Rehabilitation Planning Committee, upward revision of the estimated population would appear likely.

Respectfully yours,


W. J. Sebald

Enclosure: *att.*

Translation of a signed
article by Dr. TSURU
Shigeto which appeared in
the Asahi Shimbun on May
18, 1948.

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L.B.P.

Enclosure to Despatch No. 352 dated June 14, 1948 from the Acting Political Adviser for Japan, Tokyo, entitled: "Comments Concerning Japanese Economic Rehabilitation Plan".

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(COPY)

(Translation of a signed comment by Mr. TSURU on the Five-Year Economic Rehabilitation Program appearing in THE ASAHI SHIMBUN, Tokyo, of May 18, 1948.)

FOR ACCOMPLISHING LONG-RANGE PROGRAM

Lacks Controlling Measures;

Independent Guiding Principle Desired

By TSURU Shigeto

Let us take this opportunity to digest the words "economic rehabilitation program (KEIZAI FUKKO KEIKAKU)". In the first place, let us consider the meaning of "economic rehabilitation", and then of "program".

By what is called "economic rehabilitation" is meant, I understand, to enlarge the basic productive fields which have been narrowed down, and at the same time to elevate the living standard of the people. In order to increase consumption, investments are required as a preliminary step; and, the expansion of the basic productive fields being an investment activity in itself, this problem of economic rehabilitation should be considered to be similar to the enforcement of the process of accumulation at a certain speed. If we look back upon the first Soviet Five-Year Plan, we will find that the index number of the mining industry showed an annual average increase of 20.3%, and that it took six years since 1928 for the index number to become threefold. During this period, accumulation seems to have been appropriated to the expansion of the basic productive fields with little increase in consumption. Now, according to our new program, the production in the way of the mining industry is expected to exhibit an annual average increase of 24.6%; and in the way of the agricultural, forestry, and fisheries industries, an annual average increase of 6.1%; while consumption is expected to be increased on an average of 9% a year.

The above is, indeed, a selfish program. The present program, unlike the Soviet Five-Year Plan, is said to have been mapped out "with due expectation for foreign aid"; so I am sure that a considerable portion of investments, though the exact sum is not known, must have been expected to be covered by foreign aid when mapping out the program. Nevertheless, since the capital facilities of after-war Japanese economy, with which we should start, are assuming serious proportions in their decrepitude, we should take it into consideration in advance that the problem of economic rehabilitation will necessitate something like a primitive method of accumulation.

Many people

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Enclosure to Tokyo's
No. 352, June 14, 1948.

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Many people know in what form primitive accumulation had been done in the history of modern nations. Its common feature was that state organs had forcibly taken such measures of various kinds as to reduce consumption to be assigned out of annual products to a minimum. The problem of economic rehabilitation which our country has to deal with cannot escape from going through the same process. Even common sense teaches us that, were all production used up for consumption, the foundation of rehabilitation could not be established. Then, how is the Government going to solve this problem? Under the current conditions where the substance of living is reduced to about 40% of the pre-war level, the pressure to cause an increase in consumption is extremely strong; so it naturally follows that in order to complete the foundation work of rehabilitation, priority in the allocation of materials, price control, and a rationing system should be carried on. The Monnet Plan of France also described this question of control as an important factor. Our present program, however, does not touch upon this point. It is not clear whether they have not touched upon this from their expectation that they will be able to depend upon foreign aid for all the portion that corresponds to accumulation, or from their political consideration that the control itself may become, in effect, regulation which will affect consumption. The control for regulating consumption is not to be opposed because of its regulating consumption. The priority of control should be judged from whether or not regulation is done without partiality, or whether or not state organs are so organized as to make the portion which will be saved by regulation be used for the benefit of the entire people.

The above discussion naturally leads us to the second question: that is, 'Is the Economic Rehabilitation Program really a "program"?' If the present tentative program only aims at clarifying some figure-work conditions for fulfilling a certain objective, I admit that that alone may be worthwhile; but I should say that, in order to make it a "program" of state, something more than figure-work conditions is required; in other words, a system which will unificatively operate several basic spheres (such as, production, distribution, trade, investments, etc.) just like our brains which control our systems is required. The question of the continuation of economic control which we have just referred to is nothing but a technical one.

The Government is reported to be forming a committee composed of representatives of all lines so that they may submit the tentative program to the committee for investigation, with a view to drawing up the "executive" program out of this "tentative" program by obtaining the endorsement of the people. We have no reason to set ourselves against this policy, but I should like to say that it is quite clear that the above will not be sufficient to make economic rehabilitation a national program.

Setting aside

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No. 352, June 14, 1948.

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Setting aside the fact that our country cannot take care of herself yet because the peace conference has not started, the fundamental issue to be decided is whether the guiding principle of economic rehabilitation should be that of a "program", or of a "laissez-faire" policy.

MAEDA Masana (TN. an economic planner of the early Meiji Era) says in this "Opinion on Industrial Enterprises":

"What is the most essential requirement for the Government in establishing this plan? Is it capital? No. Then, is it laws and regulations, or various facilities? No; capital and laws are dead things; they cannot be of use by themselves. What is the most essential requirement, then? What is required most of all is the spirit to make efficient use of capital and regulations. Without this spirit, tens of thousands of capital and hundreds of regulations would be dead things. How could they be made use of?"

In the way of expression there may be a difference which originates in the variety of times; but by "spirit" he presumably meant the guiding principle for realizing economic development and also the noble sentiment of those who had thoroughly understood the principle. It is almost clear that the present economic rehabilitation program is not to be put into practice with the guiding principle of a "program". We, therefore, have to look forward to some other principles. Whatever those principles may be, it is strongly hoped that the program will be propelled by a powerful and independent spirit.

Translated by KUROSAWA Kotaro.

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JUN 15 1948

In reply refer to
OE

My dear Mr. Buffett:

Reference is made to your telephone call re-
questing information on the economic recovery in Japan.

There is enclosed a copy of my article published
in the Military Government Journal in January 1948 on
Economic Recovery in Japan, which I believe contains
the information you desire.

Sincerely yours,

RHW

Roswell H. Whitman
Acting Chief
Division of Occupied Areas
Economic Affairs

894.50/6-1548

Enclosure:

Copy of article on
Economic Recovery in Japan.

The Honorable

Howard Homan Buffett,

House of Representatives.

DOJ REP UNIT
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JUN 15 1948 P.M.

OE:RHWhitman:emh 6-14-48 C-LC

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COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE

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FAR EASTERN AFFAIRS
JUN 18 1948
DIRECTOR
Department of State

Control 6342

Rec'd June 18, 1948
3:55 a.m.

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- RPS
- PA
- DCR

FROM: Shanghai

TO: Secretary of State

NO: 1377, June 18

TA KUNG PAO June 17 editorial on U.S. policy in Japan summarized as follows:

U.S. strongest power in world possessing atom bombs enjoys full blessings of national security therefore naturally not afraid another Pearl Harbor even if Japanese standard living raised to pre-war level. However, China and all Far East nations are insecure. Discussions of Japanese industrial level based on Pauley report using 1930-34 level as standard. during this period Japan set up puppet Manchukuo, attacked Woosung-Shanghai area, undermined China's foreign trade, made endless stream political and economic demands and led to beginning of China's 8 year war of resistance. China cannot forget suffering this period and so cannot agree proposals.

Later proposals even more liberal. Japan, although defeated, still remains intact. Japanese goods again beginning infiltrate Chinese market. Japanese imperial household and parliamentary system still exist. Zaibatsu retained. War criminals not sentenced. Therefore China believes U.S. has ignored security requirements of China and other Far Eastern nations.

Editorial proposes two means solving dispute. First, war versus Japan not U.S. business alone and all allied nations have right decide disposition of Japan through "mutual consultations". Even if Japan handled solely by American occupation forces latter should carry out wishes

majority allied

JUL 6 1948

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PLAIN

-2-#1377, June 18, from Shanghai

majority allied countries. Second, Peace and security world does not hinge on security of small number strong nations but on security of large number weak nations. Security of China and Far East more relevant than security U.S. in handling Japan. Therefore editorial demands "in simple and clear language" that for period at least 5 years Japan's industrial level and standard living must not be higher than those of China or even those of other Far Eastern Allied nations susceptible to aggression. Later standard can be liberalized if Japan's system of govt changed and becomes true democracy. Also Japan should be required pay reparations over long period equal to percentage total income and total capital increase. Editorial concludes by appealing American people to urge U.S. Govt, in name of justice and on basis of common sense, to work for peace and security of world.

Sent Dept 1377, repeated Nanking 1125.

PILCHER

MJF:FAE

PLAIN

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: July 12, 1948

TO : JMA
FROM : MG *mg*
SUBJECT: Attached.

An ESS study discloses that Japan's population on January 1, 1948 was 79.1 million; that it is expected to reach 84.2 million by January 1, 1952, and 85.3 million by January 1, 1953. Previous demographic studies by the Economic Stabilization Board are said to have underestimated the 1952 and 1953 population levels by over 2 million. One of the major causes of the previously unanticipated spurt in population growth is the improved health of the Japanese people. USPOLAD warns, however, that no attention is being given in Headquarters or in Japanese Government circles to population control, with many Japanese indulging in wishful thinking about future emigration to relieve population pressures at home.

NA:MGreen:fhh



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

ACTION
is assigned to



UNITED STATES POLITICAL ADVISER DIVISION OF
FOR JAPAN NORTHEAST ASIAN AFFAIRS

JUL 1 1948
Tokyo, June 19, 1948
DEPARTMENT OF STATE

No. 371

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(For Use of Department Only)

RECEIVED
DEPARTMENT OF STATE
48 JUN 29 AM 9 27
FACILITIES BRANCH

Subject: Demographic Studies of Japan's Future Population.

The Honorable
The Secretary of State,
Washington.

Sir:

894.50 / 6-1448
FE

I have the honor to refer to the comments regarding estimates of Japan's future population contained in this Mission's despatch No. 352 of June 14, 1948 concerning the Japanese Rehabilitation Plan. There is enclosed a copy of a memorandum entitled Criticism of Economic Stabilization Board Population Increase Assumptions prepared by the Population Branch of the Research and Statistics Division of the Economic and Scientific Section of General Headquarters. As indicated in the reference despatch, the Economic Stabilization Board's estimates are lower than those mentioned in the Strike Report and even the latter may be too conservative.

1/
ACTED
COPIES
TO:

The figures used by the Economic Stabilization Board in drawing up the Japanese Rehabilitation Plan show a population for October 1, 1948 of 79,990,000. The estimate prepared in this Headquarters indicates that natural increase at the present rate will result in there being over a half million more individuals in Japan on that date. By October 1, 1952, the Population Branch estimates there will be two million more Japanese than the Board has stated. Even these figures may be too low, because a revision of projected population statistics for 1949 and 1950 made on May 11, 1948 after the writing of the enclosed memorandum revealed a need for an upward change. These latest projections disclose a population of 80,900,000 for January 1, 1949 and 82,250,000 for January 1, 1950. The revisions have not yet been made for the years beyond 1950.

SK

2/
One of the major causes of increased population is the improvement of health among the Japanese. In this connection, as an example, an article in the Nippon Times for June 12, 1948 (five copies enclosed) indicates that the Japanese Welfare Ministry has decided on a drive to wipe out tuberculosis which will include presentation to the National Diet of a bill for compulsory inoculations. It is claimed that already the incidence of tuberculosis has been lowered because of inoculations; therefore it

appears

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Confidential File

Tokyo's No. 371
June 19, 1948.

RESTRICTED

-2-

appears clear that the success of the inoculations will undoubtedly contribute further to high population figures. The Public Health and Welfare Section of this Headquarters believes the facts cited in the article to be accurate.

While, from a humanitarian point of view, efforts to improve the health of the Japanese are praiseworthy, we invite the attention of the Department to the fact that little effort is being expended in endeavors at population control. Apparently this Headquarters does not advocate birth control as one of the best means of population control because of the controversial aspects involved in such advocacy. It is less clear why the Japanese themselves do not undertake measures to control population, although the opposition of conservative Japanese opinion is believed to play some part in this passive attitude. Dr. ASHIDA Hitoshi, the Prime Minister, has recently stated that he does not contemplate any legislation regarding control. It is believed that many Japanese are engaged in wishful thinking by advocating emigration to relieve population pressure after the peace settlement.

The Department's attention has been invited to the discrepancy in population statistics between those used to date by the Japanese in their planning and those of this Headquarters, because accurate data on population would appear to be a fundamental requisite in any realistic long-range planning, as well as for making decisions for short-term food supplies, calculations regarding an appropriate standard of living, and other matters of vital concern to both the Japanese people and the Occupation. As has been noted in the reference despatch, new demographic studies are being undertaken by the Japanese Government and an upward revision of Japanese population estimates may be anticipated.

Respectfully yours,

W. J. Sebald
W. J. Sebald

att
Enclosures:

1. Criticism of Economic Stabilization Board Population Increase Assumptions
2. Clipping from Nippon Times entitled "Drive is Decided to Wipe Out TB" dated June 12, 1948. (5 copies)

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WHLawrence, Jr. :mhp

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(For Department Use Only)

Enclosure No. 1 to Despatch No. 371 dated June 19, 1948 from the Office of the United States Political Adviser for Japan, Tokyo, entitled "Demographic Studies of Japan's Future Population".

(COPY)

GENERAL HEADQUARTERS

SUPREME COMMANDER FOR THE ALLIED POWERS

Population Branch

Research and Programs Division
Economic and Scientific Section

22 April 1948

CRITICISM OF ESB POPULATION INCREASE ASSUMPTIONS

The population forecasts of the Economic Stabilization Board (ESB) contained in the report dated 2 April 1948 and entitled "Outline of Japanese Economy Rehabilitation Plan (1st Draft)" are credited to the Population Problem Institute of the Ministry of Public Welfare. These estimates are as follows:

1 October 1948	.....	79,990,000*
" "	1949	..... 80,895,000
" "	1950	..... 81,618,000
" "	1951	..... 82,292,000
" "	1952	..... 82,932,000

Last September or October, I received from Mr. Tachi of the Population Problem Institute a typewritten text entitled "Report Concerning the Revision of the Estimate of the Future Population of Japan: -- Economic Stabilization Board (ESB)". This report, which Mr. Tachi said was his own work, contained the following Population estimates (identical, as far as they go, with those above):

Date	Population (1,000)	Assumed Vital Rates, Year beginning 1 October				Absolute Increase ^{1/}
		Birth	Death	Nat. Inc. ^{1/}	Inc. ^{1/}	
1 Oct. 1947 ...	78,236 ^{2/}	32.6 ^{3/}	16.01 ^{4/}	16.59 ^{5/}	1,755,000	
" " 1948 ...	79,991	29.7	16.01	13.69	904,000	
" " 1949 ...	80,895	26.9	16.01	10.59	723,000	
" " 1950 ...	81,618	24.0	16.01	7.99		

^{1/} Computed for this table -- not given in Tachi's report

^{2/} Actual population on census date as published by Bureau of Statistics of the Prime Minister's Office: 78,627,000

^{3/} Actual rate for calendar year: 34.8

^{4/} " " " " " 14.8

^{5/} " " " " " 20.0

* - Actual population on 1 April 1948 was approximately 79,700,000

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Encl. No. 1 to
Tokyo's 371
June 19, 1948

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The obvious comments to be made on these estimates are the following:

1. The "starting" population for the series is 391,000 below the census population for that date.

2. By 1 February 1948, the total population had already reached 79,340,225. Mr. Tachi's estimated 79,991,000 for 1 October 1948 is only 650,000 higher than this. The natural increase for the next eight months would have to average only 81,000 per month if such a figure were not to be exceeded by 1 October 1948. For the four months October 1947 through January 1948, the actual average monthly natural increase was 152,070. If the same monthly increase were to continue to 1 October 1948, the total natural increase from 1 January 1948 would be 1,216,560, and the total population on 1 October 1948 would be 80,556,780. This figure is more than half a million above Mr. Tachi's estimate for the same date.

3. Mr. Tachi assumes a rapid decline in the birth rate for every October-to-October year after 1948-49. In this connection, it is a curious fact that in Mr. Tachi's report of last year the estimates now in question were described as revised estimates and were accompanied by an earlier set of estimates made by him for the ESB about August 1946. The birth rate assumptions for these earlier estimates are given here with those for the second estimates (now in question) for purposes of comparison:

Year	Year beginning 1 October	
	1st Estimate (Made about August 1946)	2nd Estimate (Made about August 1947)
1947	32.6	32.6
1948	30.6	29.7
1949	28.6	26.9
1950	26.5	24.0

It is hard to understand why in his second set of estimates Mr. Tachi assumed a more rapid rate of decline in the birth rate than he had assumed in his first estimates, when the facts are that since August 1946 the birth rate has been rising pretty steadily. Furthermore, the assumed 1947 birth rate is the same in both sets of estimates. Although about a year had elapsed between the two estimations, and the second set was done after some months of 1947 had already elapsed. It appears also that the same death rate was assumed for both sets of estimates, although in the interval the death rate declined drastically.

It should be pointed out that for the last four months available (October 1947 through January 1948) the birth rate has averaged about 38 per thousand population. Yet Mr. Tachi's estimates would require that with remaining eight months of the October-to-October year it will fall to the average for the year will be 32.6. The estimates also assume that next year the birth rate will average only 29.7, the year after that and the final 1949-1950 year reach a low of 24.0. (The lowest annual birth rates ever recorded in Japan were 23.4 in 1945, 26.1 in 1939, and 26.5 in 1946. For all other years the rate has exceeded 29.0.)

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Encl. No. 1 to
Tokyo's 371
June 19, 1948

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Perhaps these estimates assume an effective birth control program. But when is such a program to be launched? And how can it be expected to have such drastic effects so soon? (Note: The babies who will be born from now until January 1949 are already conceived:)

4. In order to make clear the dynamic and cumulative effect of birth and death rate assumptions, let us take an opposite extreme and assume that the 1947 annual birth and death rates continued to operate until January 1, 1953. Then the population would increase at the rate of 20 per thousand each year, and by 1 January 1953 would reach a figure of about 87.5 million.

5. In the preliminary long-range forecasts of future population prepared by this Branch last fall, the natural increase rate assumed for 1948 was only 15.8. If the death rate for 1948 is assumed the same as that for 1947, this natural increase rate assumes a birth rate of only 30.6. (By coincidence, this is the same as Mr. Tachi's assumption for later in the same year in his first set of estimates.) This is a very conservative assumption, in view of the actual vital events of 1947. A gradual decline in the natural increase rate was assumed in making the projections, and in 1952 a rate of 13.4 was reached, implying a birth rate of 28.2. The application of these projected natural increase rates to the population on 1 January 1948 gave a total population for January 1953 of about 85,291,000. An equivalent figure for 1 October 1952 is about 85 million -- a number about two million larger than the ESB estimate for that date. The probable underestimation of natural increase for 1948 in the R&S preliminary estimates is about half a million, and perhaps the increase for subsequent years was also underestimated. It is not probable that natural increase was over estimated for any year to any significant extent. The R&S (GHQ, SCAP) preliminary figures for the years covered in the ESB report are as follows:

1 January 1948	.....	79,000,000	(actual figure: 79,119,000)
"	"	1949	..... 80,550,000 ^{1/}
"	"	1950	..... 81,800,000 ^{2/}
"	"	1951	..... 83,002,000
"	"	1952	..... 84,166,000 (1 October 1952: 85,000,000)
"	"	1953	..... 85,291,000

M. Stone
Statistician

^{1/} Subsequently revised to 80,900,000)
^{2/} " " " 82,250,000) revisions as of 11 May 48

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NIPPON TIMES: June 12, 1948

WHL

DRIVE IS DECIDED TO WIPE OUT TB

Compulsory Inoculations
Projected in Bill to Be
Presented to Diet Soon

The Welfare Ministry will shortly present to the Diet a bill making it compulsory for all people to receive preventive inoculations against pulmonary tuberculosis.

The measure is part of the Government's policy of wiping out tuberculosis which is called the national disease because of the heavy toll of lives taken by the disease.

Inoculation will be with BCG, whose appearance has opened a new era in the fight against tuberculosis. Thanks to BCG, there has been less and less incidence of tuberculosis in Japan in the past few years, reports Kyodo.

There were 23 persons dying of tuberculosis for every 10,000 population in Japan in 1946. This declined to 19 in 1947. Still tuberculosis tops the list of diseases in the heaviness of the toll taken by it.

The result of a recent investigation by the Welfare Ministry is such as to prove conclusively the immediate effect of inoculations with BCG. The investigation revealed there was a marked decrease in the number of fatal cases of tuberculosis among persons between the ages of 13 and 25 years who were inoculated with BCG immediately after the end of the war. On the other hand there was a mounting tendency for persons in other age groups which were not inoculated to become stricken with tuberculosis.

Last year the Welfare Ministry had persons between 10 and 25 years inoculated with BCG. This year it plans to have all persons between eight and 25 years inoculated, and has ready enough BCG for 9,000,000 persons.

The investigation also brought to light a number of other facts.

There were much more women dying of tuberculosis than men at the time of the Manchurian incident. The position has since been reversed. In 1943 there were 24.4 men and 18.6 women dying of tuberculosis for every 10,000 population. The cause of the heavier incidence of tuberculosis among men was explained by the fact that there were more men than before working under the arrangement by which light industries were replaced by heavy industries.

A notable fact is that persons at most active ages, that is between 30 and 40 years, are contracting tuberculosis at so great a rate that they are beginning to show the heaviest incidence of tuberculosis of any age group. There is a decrease in the number of deaths from tuberculosis among persons between 20 and 24 years, an age group which has hitherto had the heaviest incidence of the disease.

The Welfare Ministry has compiled figures for deaths from tuberculosis in various prefectures in 1947. The list is topped by Kyoto with 24.66 deaths per 10,000 population. Fukuoka is second with 24.47, and Shimane with 24.18 is a close third. Tokyo is in eighth place with 21.61. At the bottom comes Yamanashi with 9.86.

CONFIDENTIAL

ACTION is assigned to

DEPARTMENT OF THE ARMY
WASHINGTON, D. C.



DIVISION OF
NORTHEAST ASIAN AFFAIRS
21 JUN 1948

ASSISTANT SECRETARY
FOR OCCUPIED AREAS
1948 JUN 22 PM 5 32
DEPARTMENT OF STATE

The Honorable George C. Marshall
The Secretary of State

Dear General Marshall:

I am informed that at the 110th meeting of the Far Eastern Commission on 9 June 1948 representatives of the governments of the Philippines, France and Australia indicated that instructions had been received which would permit their support for the "Policy Towards Japanese Industry -- Level of Economic Life in Japan" contained in FEC 242/32.

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As you know, neither the State nor the Army Department is now in agreement with the provisions of this paper. Since industrial levels in Japan are the basis for a reparations policy which will be included in the decision of the National Security Council on the policy paper now before it, it seems important to me that the United States representative on the Far Eastern Commission should be specifically instructed to oppose any attempt to approve FEC 242/32 prior to final U.S. policy decisions in the National Security Council.

RECEIVED
DEPARTMENT OF STATE

In a letter from Mr. Frank Wisner, Deputy to the Assistant Secretary of State for Occupied Areas, to General McCoy, the latter was advised to delay action on FEC 242/32 and, if necessary, to prevent a vote in the full Commission "pending Mr. Kennan's return from his conversation with General MacArthur and analysis of his report". Since Mr. Kennan has returned and his report has been analyzed and made the basis of the National Security Council policy paper, it would seem appropriate to explain the situation to General McCoy so that he would understand the reasons for the instructions I have suggested.

Sincerely yours,

Kenneth C. Royall
Kenneth C. Royall
Secretary of the Army

JUL 15 1948
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Dear Mr. Secretary:

In reply to your letter of June 21 regarding the status of the paper on "Policy Towards Japanese Industry - Level of Economic Life in Japan" (FEC 242/32), your information is correct that the Philippines, France and Australia have now indicated that they have received instructions which would permit their support of the paper. In addition to the United States, only China and the U.S.S.R. remain without instructions. It is possible that they may announce their positions at any time. For this reason, as well as for the others with which you are fully acquainted, it is highly important that the U. S. determine its position on this matter as soon as possible.

With reference to your suggestion that General McCoy should be specifically instructed to oppose any attempt to approve FEC 242/32 prior to final U. S. policy decisions in the National Security Council, I believe that such additional instructions are unnecessary since General McCoy is fully informed on the status of the discussions in the Government on reparations policy and since the mandate to delay action on FEC 242/32, contained in Mr. Wisner's letter to which you refer, is still in effect.

However, in order that there may be no possible misunderstanding I am having a copy of your letter of June 21 forwarded to General McCoy for his information.

Faithfully yours,

ROBERT A. LOVELL

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The Honorable Kenneth C. Royall,
Secretary of the Army,
Washington, D. C.

S/S
JUL 2 1948

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For clearances see attached blue and memo from Mr. Allison.

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STANDARD FORM NO. 64

CONFIDENTIAL

Office Memorandum • UNITED STATES GOVERNMENT

TO : O - Mr. Claxton

FROM : NA - Mr. Allison *MA*

SUBJECT: Attached Letter to Secretary Royall

DATE: June 29, 1948

While I agree that the enclosed reply to Secretary Royall's letter of June 21 is strictly accurate, nevertheless on such an important point as this, where there is a definite difference of opinion with the Department of the Army, I feel that from a tactical point of view it is important that we give the Army no cause for feeling that we are not doing everything possible to assure that the US position in this matter is not compromised by premature discussion. I would therefore suggest, and this has the approval of Mr. Butterworth, that a final sentence be added to the letter reading somewhat as follows:

"However, in order that there may be no possible misunderstanding I am having a copy of your letter of June 21 forwarded to General McCoy for his information."

I would then suggest that General McCoy be provided with copies both of Secretary Royall's letter and the Department's reply thereto.

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NA:JMAllison/pm

CONFIDENTIAL

June 23, 1948

My dear Mr. Draper:

Enclosed is a proposed policy paper entitled "Self-Support of the Japanese Economy" which is based on a more exhaustive paper originally introduced into SANACC by the State Department as SANACC 381. It is understood that at that time you suggested a reduction in the length of the paper, but said that it seemed generally acceptable from a substantive standpoint. The State Department has now shortened the paper, and wishes to secure Army Department approval thereto.

Since the paper is intended as a suggestion to SCAP and not for submission to the Far Eastern Commission, it would not appear necessary to secure SANACC approval of the paper. It is suggested that the paper be forwarded to SCAP as an approved State-Army statement in the manner now suggested in the paper's recommendations.

Action on this paper would be especially appropriate now that Congressional action on the FY 1949 appropriation has made possible the first expenditure of United States funds for Japanese rehabilitation. Preparation of the long-range Japanese recovery plan proposed in this paper would also implement the relevant recommendation of Section IV, paragraph 5, in the "Policy Recommendations with Respect to Japan" recently submitted to the National Security Council.

Sincerely yours,

Frank G. Wisner
Deputy to the Assistant Secretary
for Occupied Areas

Enclosure:

Policy paper.

The Honorable
William H. Draper,
Under Secretary of the Army,
Department of the Army.

OK
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6/23/48

Cleared with:

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Mr. Fearey

cc filed 201 Draper, William H.

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334 OK [unclear] 211

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CONFIDENTIAL

July 6, 1948

Dear General McCoy:

I am enclosing for your information a copy of a letter from Secretary Royall to Secretary Marshall regarding the paper on "Policy Towards Japanese Industry - Level of Economic Life in Japan" (FEC 242/32) and a copy of the Under Secretary's reply.

Yours sincerely,

Charles E. Saltzman

Enclosures

- 1. Copy Letter from Secretary Royall.
- 2. Copy Reply thereto.

General Frank R. McCoy,
Far Eastern Commission,
2516 Massachusetts Avenue, N.W.,
Washington, D. C.

A true copy of the signed original.
Anal. 7/7/48

FILE M.C.R.
Date 7/6/48
Initials 7/7/48

DCR - IFF Unit

Anal. [Signature]

Rev. O:PPClaxton:br

Cst. June 30, 1948

Dist. [Signature]

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Dear Mr. Voorhees:

In view of the integration by the Congress of the rehabilitation program for Japan, Korea and the Ryukyus with the legislative language and request for funds of the GARICA program, I believe it would be desirable if our two Departments could consider together as soon as possible the allocation of funds which should be made between the two programs and among the several areas.

The fact that the occupation of Korea may end within the near future and the provision of the appropriating language that aid may be continued to Korea for the remainder of the fiscal year, make it seem essential that a separate system of accounting be set up for funds allocated to Korea.

XR
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I should be glad to discuss these matters with you or to designate representatives to discuss them with members of your staff at any time you suggest.

Yours sincerely,

DCR ITP Unit
And
Rev
Cdt
Mr. Tracy S. Voorhees,

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Charles E. Saltzman

Assistant Secretary of the Army,
Department of the Army,
Washington, D. C.

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July 1, 1948

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THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

DIVISION OF NORTHEAST ASIAN AFFAIRS

May 1, 1948
File Out

United States Political Adviser for Japan

UNCLASSIFIED DEPARTMENT OF STATE Tokyo, July 8, 1948

ACTION is assigned to

POS

OIC OCCUPIED AREAS DIVISION (ADD)

JUL 16 1948

DEPARTMENT OF STATE

No. 421

SUBJECT: Transmittal of Special Report: General Economic Press of Japan

RECEIVED DEPARTMENT OF STATE

JUL 14 PM 3 30

The Acting Political Adviser has the honor to forward two copies of a special report entitled General Economic Press of Japan, prepared by the Civil Information and Economic Section of this Headquarters.

The study is a description of the principal Japanese magazines, newspapers and news services, which principally devote their space to articles dealing with current economic problems of a general nature.

NR 894.91

Publications devoted primarily or exclusively to specialized economic subjects are not included. The report covers ten periodicals out of a total of forty classified by the Japan Publishers Association as of general economic interest; three daily newspapers emphasizing general economic questions; and three Japanese news services specializing in the same field. The ten magazines selected carry a quarter of the articles published in the Japanese general economic periodical press and account for a third of the total circulation in that field. The three daily newspapers selected represent seventy-five per cent of those in the field of general economics and more than ninety per cent by circulation.

This report was prepared as being material useful to Americans who plan to open trade relations with Japan and who desire sources of basic economic data. Each of the publications and news services treated is examined in detail with reference to its history and background, major personalities, policies and reputation, finances and characteristics.

Enclosure: *att.*

Two copies of Special Report General Economic Press of Japan, dated May 26, 1948.

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

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CONFIDENTIAL

American Legation, Wellington.

July 26, 1948.

NORTHEAST ASIAN AFFAIRS

No. 233

SEP - 3 1948

Subject: New Zealand Concern over Reported New American Policy on Economic Level for Japan.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to enclose a memorandum reporting New Zealand concern that the United States may be about to adopt a policy which will permit an economic level for Japan "far higher than anything which has been contemplated in the past". It appears that this concern may have been provoked by a United Kingdom suggestion for a joint Commonwealth attitude opposing such a policy.

Respectfully yours,

Robert M. Scotten

Enclosure:

Memorandum dated July 26, 1948.

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Enclosure to despatch 233 dated July 26, 1948, from the American Legation, Wellington, on the subject of New Zealand Concern over Reported New American Policy on Economic Level for Japan.

CONFIDENTIAL

MEMORANDUM

July 26, 1948.

Subject: New Zealand Concern over Reported New American Policy on Economic Level for Japan.

Mr. F. H. Corner of External Affairs called me on July 23rd. He referred to the numerous informal and personal discussions we have had during the past year in which I have maintained that New Zealand criticism of American policy regarding the economic level to be permitted in Japan was unjustified and that the United States merely sought a level which would permit Japan to be reasonably self-supporting but not a threat to the peace of the Far East. Mr. Corner said that the Ministry had just received an important, and he believed authoritative paper, which said (and he told me he was quoting the exact words) that the United States was contemplating permitting an economic level "far higher than anything which has been contemplated in the past".

Mr. Corner remarked that the paper came from a source which required consideration and some sort of action by the New Zealand Government; that it had had a very disturbing effect on the Ministry which had abandoned some of its early concern over the economic level contemplated for Japan - partly in view of the obvious burden Japan was becoming to the American tax payer; and that he wondered if I could help him with information or material which might counteract the unfavorable impression the paper was having.

Johnston Report 7

I told Mr. Corner that I was without any specific new information on the matter; that I understood that the so-called "Strike" report was still under consideration in Washington, and no new policy had been announced; and that the population of Japan had increased some twenty percent since 1934 which was the usual base used in consideration of proposed economic levels for Japan. Mr. Corner again quoted the same statement from the paper and expressed certainty that the "far higher level" reported meant a much greater increase than twenty percent.

I asked Corner if I would be correct in assuming that the paper he referred to had been initiated by one of the members of the British Commonwealth proposing a joint approach to the United States to forestall an expected American policy based on the Strike report. Corner said that he could not be specific but inferred that I was correct by going on to say that the New Zealand Government had been urgently asked to give its opinion regarding the matter.

On the/

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- 2 -

On the evening of July 25 I had an opportunity to mention the subject very briefly to Mr. McIntosh, Secretary of External Affairs. He merely said that the United Kingdom was "very much stirred-up" about the matter.

John S. Service
JSS

JSS/pls

CONFIDENTIAL