

SECRET

and rubber industries, and in the merchant marine, after the completion of reparations removals and after the disposition of remaining "excess" facilities as provided for under paragraph 9, should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission; if, at any time during the occupation, SCAP considers an adjustment in these levels necessary, he should recommend such an adjustment to the Far Eastern Commission.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future SWNCC paper dealing specifically with this subject. It is anticipated that such controls will include a permanent prohibition against the re-establishment of primary war industries as per sub-paragraph (i) above, and perhaps a limitation of certain of the war-supporting industries listed in sub-paragraph (ii) as well.

RECOMMENDATIONS

14. It is recommended that:
- a. The State-War-Navy Coordinating Committee, after securing the comments of the Joint Chiefs of Staff from a military point of view, approve the Conclusions stated above;
 - b. Upon approval by the State-War-Navy Coordinating Committee of these Conclusions,
 - (i) the studies described in paragraph 8c(11) be initiated by the State Department;

/(11) the

SECRET

(ii) the Conclusions of this paper, with the exception of paragraph 8c(iii), together with supporting data from Appendices A and B, be put in appropriate form by the State Department and transmitted to the United States member of the Far Eastern Commission for submittal to the Commission.

A problem is posed, however, by the necessity for determining "excess capacity" in war-supporting industries. Such a determination requires some definition of the peaceful needs of the Japanese economy. This same problem arose in connection with the industrial disarmament of Germany, and in this connection the peaceful needs of the German economy were defined with reference to the standard of living enjoyed by the German people during a stated period. A similar approach would seem to be the most appropriate one in the case of Japan. Selection of the period in question must be governed by the following considerations:

- a. Selection of any period beginning before 1930 would be undesirable, from a practical standpoint, in view of the rapid industrial technological changes, and consequent shifts in the pattern of consumption, which have taken place in Japan since that time.
- b. It is not desired to leave Japan with an industrial capacity so greatly in excess of minimum civilian needs as to be susceptible of large scale conversion to military purposes. Therefore, the base period in question should not represent a standard of living considerably higher than that which the Japanese have enjoyed during other recent periods of their peacetime history. Hence, it is not considered desirable for the period to extend beyond 1934, in view of the steady rise in the Japanese standard of living which took place up to 1936. After 1936, conversion to war production progressed so rapidly, and the availability of data concerning Japan's economy declined so severely, that the inclusion, in this base period, of any year subsequent to 1936 would not be practicable.

- g. It is evident from the preceding discussion that the base period will fall somewhere between 1930 and 1934. It is considered that the use of this entire period as a base would be preferable to the use of some smaller part of it since a larger period has obvious advantages from the standpoint of guarding against purely temporary phenomena in the Japanese pattern of consumption.

It is of interest to examine the content of the 1930-34 living standard. This is done in the table given below. Comparable figures for 1936 and 1944 are included, since these years are believed to represent the high and low points, respectively, of Japanese civilian consumption during the years 1929-1944:

	1930-34	1936	1944 ^{1/}
(1) Per capita consumption (yen, 1930 prices)	155	171	109
(2) Per capita food consumption (calories per day)	2,300	2,300	2,024
(3) Per capita textile consumption (pounds of yarn)	10.0	11.5	2.4

It will be noted that civilian consumption in 1930-34 was well above the standards maintained during recent war years, although somewhat lower than the peak reached in 1936 (and maintained, by the way, in 1937 and 1938).

^{1/} For obvious reasons the 1944 figures are the least firm of those cited in this table. They are believed to be correct as to order of magnitude.